

COSCO

Sustainability Report 2010 中远集团2010年可持续发展报告





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A. Strategies and General Information

Part I Statement of the President and Strategies

I. Statement of the President

Since its joining into the Global Compact in 2005, COSCO Group has been upholding the sustainability concept of “achieving harmonious development and benefiting the people.” Conforming to the UN Global Compact’s ten principles and COSCO Group’s vision for sustainability, namely Building up Longevity COSCO and Creating a Bright Future, COSCO Group has established a comprehensive corporate social responsibility management system, and creatively combined the Global Compact and sustainability plans with the company’s future development.



As a leader in practicing the Global Compact, COSCO Group is committed to achieving steady growth, with emphasis on social responsibility. The company has been working to enhance its interaction with stakeholders through a variety of more transparent means and to satisfy the stakeholders’ expectations with systematic

efforts, i.e. creating a digital, safe, scientific and harmonious COSCO. These efforts have become COSCO Group’s strategies to meet new challenges in the post-crisis era.

As a participant of the Global Compact LEAD Steering Committee, COSCO Group actively practices the Blueprint for Corporate Sustainability Leadership, supports the more inclusive UN Millennium Development Goals, and works with different parties to cope with major world challenges, including climate change and poverty, and explores corporate sustainability modes suitable for developing countries.

In 2010, the last year of the country’s Eleventh Five Year Plan, COSCO Group managed to overcome a number of crises and achieved tremendous growth. In the face of development opportunities in the post-crisis era, COSCO Group actively changed its thinking and strategies, focused on market opportunities and work efficiency, and achieved unexpected achievements. As a result, it has successfully reversed the downturn it suffered due to the economic crisis and brought its operation onto the track of healthy and sustainability.

In 2010, COSCO Group insisted on the development strategy of “double-engine driven growth” powered by both production operation and capital operation and achieved unmatched success. The Group reaped a total of RMB 164.151 billion in operation revenues, up 38.15%.

In 2010, COSCO Group insisted on responsible overseas investment. Its successful operation and



management at the Port of Piraeus, Greece, not only created jobs for the local workers, but also helped Greece overcome its economic crisis. As such, COSCO Group became a successful model for Chinese enterprises in their “going out” policy.

Also in 2010, COSCO Group enhanced its operation principle of low-carbon development through operational practices. By strengthening fuel management, practicing slow-steaming, the company has voluntarily reduced its fuel consumption. By promoting green shipping, building the CKYH-Green Alliance, intensifying the Qingdao Declaration, the company has actively promoted overall slow-steaming and emission reduction, and promoted the sustainability of the shipping industry.

Moreover, COSCO Group continues to uphold the concept of green development and promotes environmental protection with scientific measures. The Group has successfully developed and introduced the “CarbonFootprint Calculator” and became the country’s first shipping company to provide carbon footprint calculating services for its global customers. In addition, the company has endeavored to fulfill its corporate social responsibilities and to build a resource-conservative and environment-friendly enterprise.

- COSCO Group Sustainability Report was chosen as a notable COP by the UN Global Compact for the fourth consecutive year in 2010. The company contributed greatly to the country’s charitable efforts, including aid to Tibet, disaster relief, poverty relief and social assistance of the old and the young, etc. For example, shortly after the earthquakes in Yushu, northwestern China’s Qinghai Province, COSCO Group donated through the COSCO Charity Foundation RMB 10 million for disaster relief.
- To support the Tibet poverty alleviation program, COSCO Group donated RMB 7.8 million to Ihorong County for their non-power water supply project, providing access to safe water for more than 1,730 people and 3,700 livestock in two villages along the county.

In 2011, COSCO Group will continue to maintain its high spirit, emancipate the mind, deepen the reform and promote innovation efforts. At the very beginning of China’s Twelfth Five Year Plan, COSCO Group will continue to fulfill the Global Compact, actively participate in and support the Global Compact’s major activities in the Chinese network, serve as a leader in practicing corporate social responsibility and celebrate COSCO Group’s 50th anniversary with outstanding achievements. To fulfill its commitment to the Declaration on Climate Change, COSCO Group continued to publish its Sustainability 2010 on the Internet, a way that that can effectively save social resources costs and reduce carbon emissions. In this way, COSCO Group will show the active contributions and leading role of Chinese transnational companies in promoting sustainability.

Capt. Wei Jiafu
President of COSCO Group
Beijing, China
June 13, 2011



II. Strategies

COSCO Group has established middle and long-term sustainability strategies. The COSCO Group Sustainability Report 2010 uses the Six Sigma “strategic map” analytical method to analyze and showcase the development strategies of COSCO Group.

Sustainability strategies of COSCO Group			
Mission statement			
<p>COSCO aims to develop its leading position in international shipping, logistics & terminal, shipbuilding and ship repair sectors, maintaining trustworthy relationships with customers, employees, partners and investors, and yielding best returns to the shareholders, the society and the environment.</p>			
Value			
Globalized development harmonious progress.			
Development strategies			
<p>Fulfill duties as a corporate citizen by taking technologies as a tool and benefits as the core while adhering to the human-oriented and market-oriented principles; stick to the double-engine driven growth powered by both business and production operation and capital operation; strengthen international shipping business, expand logistics and terminal business, develop ship-building and ship repair businesses and explore resource and energy businesses; Promote the transformation of COSCO Group from a comprehensive shipping company into a comprehensive development company and a leader in shipping logistics cluster, and from a multinational business operator into a transnational and global company; build COSCO into a harmonious and Longevity group and fulfill its healthy, fast and sustainability.</p>			
Development strategies of four transformations			
Transformation from periodical development to sustainability	Transformation from an emphasis on hardware to an emphasis on software while paying equal attentions to both hardware and software	Transformation from possessing and controlling resources to allocating social resources.	Transformation from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation
Development concept and objectives during the 11th Five-Year Plan Period			
<p>As a leading enterprise in international shipping and logistics industries, COSCO Group has insisted on scientific development outlook, attached great importance to the harmony of corporate development and the environment and society, and has tried to promote the coordinated and sustainability of the industry, the society and the environment. According to the</p>			



general requirements on central enterprises' implementation of stock system and entry into capital market required by State-owned Assets Supervision and Administration Commission (SASAC) under the State Council, COSCO Group has deepened the system reform and established the three-layered modern enterprise system with rigid management and governance structure in a comprehensive manner, and has promoted its integrated listing progressively.

<p>With China COSCO as the flagship for building capital-based COSCO, make overall planning, implement related strategies step by step and accelerate the entry of major businesses into the capital market and realize the capital structure of "5:4:1"; raise capitals through the capital market, propel the institutional reform and system establishment, regulate operation and management procedures and constantly enhance the enterprise's sustainability capability; promote industry optimization and restructuring depending on the core businesses, improve overseas operation and management models, and expand overseas business presence.</p>	<p>Stably expand the scale of vessel fleets owned and controlled by the group, adjust and optimize container, bulk, multi-purpose and other specialized vessel fleets, steady expand tanker fleet, moderately expand tonnage of multi-purpose and other specialized vessel. scientifically control scale of bulk cargo vessel fleet, establish new bulk cargo ship operation and management system through reconstruction and integration, improve the sustainable profitability of shipping companies.</p>	<p>Develop logistics, cargo transport and ship agency businesses with COSCO Logistics as the platform for development of modern logistics business; expand overseas logistics business with domestic market as the cornerstone and form COSCO Group's competitive advantages in global logistics industry as soon as possible; fulfill the transformation from a strategic investor to an operator and manager, from container terminal operator to diversified terminal operator with container terminal as the major business, and from regional investment to global development based in China, from a unified industry management system with COSCO Pacific as the pillar, and build up "COSCO Terminal" brand.</p>	<p>Implement management system and business structure adjustment, promote strategic transformation and industrial upgrade of vessel industry, optimize resource allocation, improve listing platform and build up the brand of "COSCO Heavy Industry"; optimally develop the financial and IT industries, entry resource and energy industries properly and make them important pillars for development of main businesses.</p>
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Boost construction of corporate cultures and employee teams, protect the fundamental and long-term rights and interests of employees, improve the harmonious mechanism for mutual development of both enterprises and employees, and build up a harmonious enterprise based on development, reform, stability, innovation, justice and culture.



Keep the vessel fleet scale in a world's leading position, the internationalized operation indicators at United Nation's indicators for Top Global 100 Companies, and the sales income within Fortune Global 500; primarily realize the transformation from a comprehensive shipping company into a comprehensive development company and a leader in shipping logistics cluster, and from a multinational business operator into a transnational and global company; lay a solid foundation for construction of a harmonious and century-old COSCO.

Have a deep understanding on the significance for performance of Global Compact, build up and deepen social responsibility sense, release sustainability report to the world on a yearly basis, accept supervision of the society voluntarily and be a responsible corporate citizen.

Performing its responsibilities in Global Compact in a comprehensive manner by making a coordinative planning and implementing the plans carefully. All units shall integrate the work to implement the commitments of Global Compact, in particular, principles regarding environmental-protection, labor, human right and anti-corruption, with works of their respective units, and changed these work into detailed measures and voluntary actions of every employee. Complete the sustainability report of years with the planning period of COSCO Group and submit an internationally first-tier report to the United Nations. Do a better job in release and promotion of the report to further elevate the image of COSCO Group. Establish COSCO Group Sustainability Committee, under which, sub-committees of affiliated companies shall be establish to ensure continuous and orderly progresses of sustainability work. Establish stable teams of promoters, indicator information collectors, internal auditors and report compilation personnel.

Organize companies within the group to implement Global Compact social responsibility and sustainability management system in accordance with commitments in COSCO Group Sustainability Report 2006. As required by SASAC, release of annual sustainability report will become a regular work of central SOEs. Therefore, the group shall establish and improve its sustainability management system carefully, and realize procedurized, systematic and standardized management.

In face of the complicated situations of "Growth in Volatility, Recovery in Uncertainty" of economic and shipping markets in post-crisis era, COSCO Group shall cope with the situations correctively, make adjustment flexibly, grasp the opportunities tightly and make struggles effortlessly to ensure the fulfillment of development objectives in 11th Five-year Plans.

Policies

Management policies	Environmental protection policies	Safety policies	Quality policies
Through correct decisions, scientific management and high-quality services, establish a harmonious enterprise, implement comprehensive risk	Committed to seamless management, resources conservation, environmental protection and employee engagement COSCO Group has been	Human orientated and safety ensured development	Safety, promptness quality and efficiency.



management and Global Compact, in order to realize sustainable development through the coordination of corporate value, society and nature.	dedicated to environmental protection and has cherished resources of the earth. It has supported and attended the ecological protection activities as a —social responsibility undertaker” and voluntarily improved ecological environment of the enterprises.		
Management approaches			
Apply modernized management tools such as quality management, six Sigma, lean management and comprehensive risk management, and build up —digitalized COSCO”.			
Balanced scorecard			
Economic performance	Product performance/ environmental performance/ social performance	Corporate governance	Labor performance and human right performance
Financial performance	Stakeholders	Internal procedures	Study and growth
Direct economic value created	Customers’ health and safety	Decision-making mechanism	Staff Recruitment
Financial inputs for climate changes	Products and service logos	Communications mechanism	Labor/Management Relations
Fixed welfare coverage degree	Customer satisfaction	Supervision mechanism	Occupational Health and Safety
Key financial supports provided by the government	Honesty operation and marketing	Evaluation mechanism	Training and education
Minimum wage and comparison with the standards	Customers’ privacies	Internal control and risk management mechanism	Equal Opportunities and diversification
Local suppliers and procurement	Raw materials	Improvement mechanism	Sourcing with Social Accountability
Staff from local communities	Energy	Responsibility strategy	Non-discrimination



Public services	Water resources	Responsibility management	Freedom of Association and Collective Bargaining
Indirect economic influences	Bio-diversity	Responsibility promotion	Prohibition of Child Labor
	Exhaust gas, sewage and waste	Responsibility convergence	Prohibition of Forced or Compulsory Labor
	Products and services	Responsibility community	Security and Safeguard Work
	Laws and regulations	Responsibility researches	Rights and Interests of Original Residents
	Traffic and transportation	Legal affairs management	
	Community	Sustainability information management platform	
	Anti-corruption and anti-commercial bribery	Comprehensively performing global compact	
	Public policies	External initiatives and commitments	
	Fair competition	Participation of stakeholders	
	Observing laws and disciplines	ISO26000 Guidance on Social Responsibility	

In 2010, COSCO Group formulated the 2020 Development Strategies and the 12th Five-year Plan to promote the company's strategic upgrades and scientific development. The two programs will serve as strategic guidance for COSCO's development in the next ten years and its action plans in the next five years.

The general idea of COSCO Group's Twelfth Five Year plan is: based on the scientific outlook on development, accelerate the transformation of economic development mode; based on the enhancement of sustainability, realize the goal of a successful public listing, promote industrial upgrades, scientific and technological innovation, international operation, talent cultivation and harmonious development; with a focus on efficiency, accelerate the expansion of industrial scope, get involved in the shipping-complementary industries, and build a complete, comprehensive industrial chain to realize business complementation and coordinated development so that COSCO Group will



become a shipping-centered corporation with upstream and downstream businesses in a strategically burgeoning industry; facilitate structural innovation, technological innovation and managerial innovation, increase investment in R&D, optimize the allocation of scientific and technological resources, and cultivate products with high added-value and core competitiveness; promote international operation, actively participate in international competition, and explore both the domestic and international markets; enhance the construction of the corporate CPC party, improve the quality of the employees, perfect the supervision system, be a model in fulfilling social responsibilities, protect the employees' rights and interests, promote the conservation of resources, build a green, low-emission, environmentally friendly enterprise to realize the harmonious development of the enterprise, the employees, the society and the environment; focus on brand management, enhance capital management, strengthen marketing ability, reduce operational costs, and continue to improve profitability and efficiency; by utilizing the systematic integration strategy, possess and control the resources, deploy the global resources, become a leader in international shipping logistics and supply chain resource allocation, and lay a solid foundation for the construction of a —century COSCO.”

COSCO Group's development objectives in the Twelfth Five Year period include: focus on structural adjustment and quality improvement, carry out strategic adjustment to the measures of capital operation, the structure of the fleets, including their models, ages and operational costs. As for fleet development strategy, COSCO will adopt different and flexible policy in view of specific ship type. Structural adjustment and optimization will be the main task of container and bulk fleets with the phase-out of old and outdated ships, suspension of new tonnage of very large ship of both types and appropriate phase-in of designated coaster ships to meet the need of domestic trading. The expansion of tanker fleet will be steady while the fleet of multi-purpose vessel and other specialized vessel will concentrate on structural adjustment and optimization with moderate expansion of tonnage. The Group will enhance its investment in the logistics business, develop a logistics platform based on COSCO Logistics, make full use of its resource advantages, form cooperative alliances with other companies, provide customers with supply chains with high added-value and logistics services related to the shipping industry and transnational transportation, and become the most competitive comprehensive logistics services provider in China. Based on the port business platform of COSCO Pacific, the Group will continue to build the COSCO PORTS brand, build and improve COSCO Group's global port network based on the domestic ports, accelerate the transformation from —wing ports” to —controlling ports,” from —strategic investment” to —business management,” from —monotonous port” to —diversified ports,” so as to elevate the industrialization of COSCO Group's ports. Further, the Group will integrate the industrial resources of COSCO ship building and maintenance, ocean engineering and other relevant businesses, improve the company's capital structure, promote the strategic transformation of the shipping industry, explore the ocean engineering market, elevate the development of high-added-value vessels, build high-end industrial chains related to the maritime industry, build the brand name of the shipping industry, explore the feasibility of restructuring the managerial system of the shipping industry, improve the company's



managerial capability and enhance its market competitiveness. COSCO Group will continue to make full use of the geographic advantages, capital advantages, systemic advantages, market advantages and information advantages enjoyed by COSCO Hong Kong to build a complementary industrial platform and facilitate the development of complementary industries with multiple channels, aspects and measures. The company will focus on the mining, road and finance industries, cultivate new income and profit growth points, and improve the overall profitability of COSCO Group. According to the requirements from the State Council's State-owned Assets Supervision and Administration Commission, which encourage large and medium-sized state-owned enterprises to enter the capital market, COSCO Group will continue to promote the involvement of its major businesses in the capital market, make use of the capital market to collect funds, facilitate the transformation of corporate system and realize the goal of overall public listing. In addition, COSCO Group will deepen the reform of its system, build a standard, clear modern enterprise system, and adapt its managerial system according to the requirements of market economy. The Group will improve the managerial system of its overseas operation, enhance its exploration and business in the international market, and boost its international operation index and overall sales volume. Guided by the core corporate values of —Contributing to Global Development, Striving for Greater Innovation,” COSCO Group will promote the construction of its corporate culture and employees' team, combine the form and content of its corporate culture, coordinate spiritual culture, behavioral culture and material culture, establish a benefit-sharing mechanism between the company and its employees, and build a harmonious labor relation. Last but not least, the Group will transform from a comprehensive shipping company to a comprehensive development company and gradually become a leader in the entire shipping industry. Further, the Group will change its development mode from periodical development to sustainability, from a transnational corporation to a global company with its core in China and resources allocated across the world. In this way, COSCO Group will become a world-class enterprise with high international competitiveness. It is the Group's ultimate goal to build a harmonious enterprise and to maintain its position as one of the world's Top 500 corporations.



III. Analysis on Primary Influences, Risks, Opportunities and measures of realizing Sustainability

COSCO Group has formulated the COSCO Group Development Planning in 11th Five-year Period according to the 11th Five-year Period Plan of the State. It has insisted on using the scientific development outlook in all kinds of work, systematically analyzed the primary influences, risks, opportunities and countermeasures of sustainability of COSCO Group with SWOT analytical method of lean six-sigma theory, correctly identified the external opportunities and threats as well as internal advantages and disadvantages, and made countermeasures correspondingly, so as to fulfill the sustainability of COSCO Group.

Sustainability strategy SWOT Analysis

Strengths (S)

- Expanded fleet size and company scale, and strong strengths.
- Complete upstream and downstream industrial chain and global network.
- Complete sustainability management system as well as strong operation and emergency response ability.
- Shouldering corporate citizenship responsibilities actively.
- High brand recognition and great influences in the industry.

Weaknesses (W):

- Fluctuating and complicated market situations during recovery in post-crisis era, fluctuation of performance of shipping and related industries and imbalanced development.
- Compared with leaders in shipping industrial cluster, the operation and management level of COSCO Group still needs improvement.
- COSCO Group hasn't fulfilled the fundamental transformation from periodical development to sustainability completely.

Opportunities (O)

- Global economic development enters post-crisis era and the overall situations develop favorably in fluctuation.
- In middle- and long-term, global economy is expected to maintain stable and sustained growth.
- Good beginning in 12th Five-year Plan Period and the grand objectives of constructing a well-off society in a comprehensive manner in 2020 determine that demands of Chinese shipping, logistics and related industries will continue to grow rapidly.

So Strategies:

- Grasp development opportunities in post-crisis era and in middle and long-term, adjust and optimize fleet and industrial structure, and maintain and develop scale, industrial chain and network advantages.
- Fulfill "double-hundred COSCO" strategy and establish world's first-tier transnational company with great brand influences.

Wo Strategies

- Grasp opportunities during rebound of shipping market in post-crisis era and realize stable and balanced development of shipping and related industries.
- Transform from an emphasis on hardware to an emphasis on software while paying equal attentions to both hardware and software, in particular, through enhancing comprehensive risk management and operational mode innovations.

Threats (T)

- Global financial crisis hasn't passed completely, and development of global economy and trade still has great fluctuations and uncertainties.
- International shipping market is still in an unstable rebound period where supplies exceed demands.
- In middle- and long-term, international and domestic capital markets, financial market, resources and energy prices will continue to fluctuate greatly.
- With the approaching of low-carbon economy, shipping industry will face great pressures of energy conservation and emission reduction.

St Strategies

- Transform from possessing and controlling the resources to allocating social resources. Firstly, enter resource and energy operation sector and develop into a global allocator of resources and energies; Secondly, accelerate internal restructuring and integration and external alliance and M&A, and develop into a leader of international shipping logistics industrial cluster.
- Transform from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation.
- Actively perform corporate citizenship responsibilities and build up a resource-conservative and environment-friendly enterprise.

Wt Strategies

- Cope with the challenges, avoid the weaknesses, develop international shipping industry, expand logistics terminal business and optimize ship-building and ship-repairing industry. Firstly, with respect to development contents, special emphasis shall be laid to development of anti-cycle business, namely shipping supplementary business; Secondly, with respect to development mode, special emphasis shall be laid to implementation of anti-cycle and low-cost operation. Thirdly, with respect to development features, special emphasis shall be laid to low-carbon and environment-friendly development.



1. Analysis on Primary Influences of Sustainability

Influences on the company	Influences on the industry	Influences on the brand	Influences on the business	Influences on investment	Influences on the employees	Influences on the society
Development of COSCO Group greatly promotes the development of China's national economy and foreign trade, and provides guarantees for transport of important materials such as energies and resources, and ensures the national economic safety.	Thanks to strengths and influences of state-owned backbone shipping companies such as COSCO, China has become a large country in terms of shipping industry in the world. COSCO Group has greatly improved China's capacity to attend international shipping affairs and elevated the positions of China. China has been rated the A-class member state of United Nations' International Maritime Organization for 11 times in a row, and has participated in the formulation of the world's maritime rules and the decisions of the international maritime affairs.	Ships and containers with COSCO log shuttle between over 1,600 ports in more than 160 countries and regions, bringing active influences in promoting prosperity of global trade and economy, enlarging influences of Chinese enterprises.	COSCO Group is focusing on sharpening the comprehensive competitiveness of four vessel fleets including container ships, dry bulk carriers, oil tankers and specialized cargo carriers in a horizontal perspective, while improving the competitiveness of the supply chain integration from shipping to door-to-door logistics and terminals, ship-building/ship-repairing, and resource and energy sectors. Development of COSCO Group has important impacts on promoting the stable development of the global logistics supply chain and industrial chain.	By constantly improving the competitiveness of its shipping business, it has expanded its presence in shipping-related industries and supplementary industries, cultivated core competitiveness stronger than its rivals and pursued maximizations of its benefits, values and returns to shareholders.	COSCO has committed itself to creating a platform for operators and employees to show off their talents and realize their dreams, while giving all employees the returns matching their contributions to the company.	As an international shipping company, COSCO Group features high safety and environmental protection risks as well as heavy social responsibilities. Therefore, it is speeding up to build a resource-saving and environment-friendly enterprise.

As a spearhead of Chinese shipping industry and a global shipping and logistics group, whether COSCO Group can achieve sustainability is of great significance to and has important impacts on the domestic and international economy and trade development, its shareholders, employees, customers and partners, shipping, logistics, shipbuilding and ship-repairing industries as well as the society and the environment.



2. Analysis on Main Risks and Opportunities of Sustainability

Long-term risks	External perspective	<p>Uncertain, changing and competitive environment faced by COSCO externally, including imbalanced and uncertain economic and trade development of the world and China; periodicity and fluctuation of shipping and logistics industries; drastic fluctuation of global and domestic capital and financial markets as well as resources and energy prices, in particular oils; increase of safety and environmental protection costs upon coming of non-traditional safe and low-carbon economic era; moreover, leading transnational companies are currently promoting the systematic and strategic transformation into a global company, the competition between transnational companies is upgrading from hardware to software. If these risks can't be solved properly, they will bring great risks and challenges to its sustainability.</p>
	Internal perspective	<p>In general, the biggest and fundamental risk or challenge for sustainability of COSCO Group is how to establish a stable and sustainable operation mode that will not substantially fluctuate with the drastic fluctuation of the market. That is to say, COSCO Group should focus its efforts to build such an operation mode, with which, it can make higher profits than its rivals under favorable market situations, and can reduce the losses compared with its rivals or be free from the losses under unfavorable market situations. When the market fluctuates greatly, operating profits of COSCO Group can be more stable than its rivals, instead of fluctuating greatly.</p>
Risks in recent few years		<p>Market risks. For a certain period of time at present and in the future, although the market started to recover, its rebound is still unstable with great fluctuations.</p>
		<p>Operation risks. Unstable and imbalanced market has resulted in greater operational difficulties of enterprises and unstable and imbalanced operational benefits.</p>
		<p>Management risks. In the time when the market and operating benefits are unstable and imbalanced, enterprises will face greater requirements on enhancing the management and reducing the costs. The risks on safety and stability will be enlarged.</p>
		<p>Financial risks. If the market risks, operational risks and management risks can't be dealt with actively and correctly, financial risks may appear. Moreover, fluctuation of international financial market in post-crisis era may increase the financial risks.</p>
	<p>Since the second half of 2008, global financial and economic crisis originated from the American sub-prime mortgage crisis had resulted in sharp decline of international shipping market to the valley. In 2009, international shipping market continues to develop at a low level. Although the international shipping market started to recover in 2010, it still featured instability, great fluctuation and imbalance, resulting in fluctuated performance and imbalanced development of enterprises in shipping and related industries including COSCO Group.</p>	



Opportunities	Five years ago	<p>By making use of the rarely-seen high-level of international shipping market, and in China, the fastest growing land in the world, COSCO Group, as the largest international shipping company in the world, has COSCO Group successfully grasped the important opportunities of speeding up the development and transforming development or operation models.</p>	<p>Accelerate the establishment of strategic partnerships with VIP customers to lay a solid foundation of cargo sources for successful establishment of a stable and sustainable operation model.</p> <p>Strengthen paces to enter the international and domestic capital markets to provide constant funds for the enterprise's development and propel the enterprise's "system transformation and establishment", so as to lay a solid foundation in terms of capitals and system mechanism for establishment of stable and sustainability.</p> <p>Accelerate the adjustment and optimization in such aspects as industry structure, asset structure, fleet structure and staff structure, so as to lay a solid material basic for establishment of sustainable and sustainable operation model.</p>
	Recent three years	<p>As COSCO has made full preparation before coming of the crisis, coped with the crisis correctly after the burst of the crisis, COSCO Group is expected to hold the new opportunities for development of enterprises in post-crisis era.</p>	<p>Try to fulfill “three focuses”: focus on risk control before coming of crisis, focus on risk management after coming of crisis, and focus on opportunity management in post-crisis era.</p>
	Long-term	<p>Favorable environment for global and Chinese economic, trade, shipping and logistics markets, as well as the coming of corporate citizenship era will lay a solid foundation in terms of market and environment for establishment of stable and sustainability and operation mode, and for fulfillment of long-term and sustainability.</p>	<p>The world's economy and trade is expected to maintain stable and continuous growth in first 30 years of the 21st century. This will provide stable and continuously growing market spaces for the global shipping, logistics and related industries.</p> <p>The objective of building a well-off society in an all-round way by 2020 decides the growth speed and size of China's shipping, logistics and related businesses and will, for a long period of time in the future, provide the driving forces for continuous development of China's shipping and logistics enterprises including COSCO Group.</p> <p>In international community, the sustainable outlook of development has been deepened continuously, CSR initiatives are in the ascendant, the CSR and low-carbon era have come; Chinese Government also puts forward the requirements on establishment and implementation of scientific outlook of development, establishment of harmonious socialism society and building of harmonious enterprise. These will create favorable atmosphere and long-term impetus for COSCO Group's efforts to construct a harmonious and century-old enterprise.</p>



3. Analysis on Primary Countermeasures for Sustainability

From short-term prospective	<p>Take effective measures to cope with complicated and ever-changing market situations in post-crisis era, and try to fulfill the targets of “seeking for development, controlling risks, grasping the opportunities and competing for benefits”.</p>	<p>Actively research on the winning rules in post-crisis era and fulfill development against market trends by grasping the opportunities in a difficult time. Review the shrinking strategies and transform operational strategies; transform from active shrinking to rational shrinking, and from strict control of risks to rational development.</p> <p>Adjust the structure and try to cultivate international competency. Firstly, pay close attentions to changes of market structure, and adjust market and customer structures. Secondly, deploy carrying capacity carefully and optimize structure of carrying capacity. Thirdly, actively expand and supplement periodical business and adjust industrial structure.</p> <p>Operate business carefully and explore profit-making sources effortlessly. Firstly, deepen lean management to reduce costs and increase benefits. Secondly, enhance risk management and elevate management and control ability. Thirdly, innovate on operation mode and find new profit-making points.</p> <p>Deepen the reform and continuously enhance development impetus. Continuously promote the fulfillment of strategic objective of “overall assets listing” in accordance with the requirements of SASAC, i.e. integrated listing, through step-by-step implementation, and by grasping the opportunity of market rebound in post-crisis era.</p> <p>Take scientific precautions measures and voluntarily adapt to new requirements on safety management. In particular, do a better job in anti-pirate work effortlessly.</p>
From middle and long-term prospective	<p>Continue to promote “four transformations” with a focus on establishing a stable and sustainability and operation mode.</p>	<p>The transformation from periodical development to sustainability. Firstly, with respect to development contents, special emphasis shall be laid to development of anti-cycle business, including increase the inputs to existing logistics and terminal business and further discuss on development of financial industry and resource industry which are anti-cycle or short-cycle businesses for shipping industry; Secondly, with respect to development mode, special emphasis shall be laid to implementation of anti-cycle and low-cost operation. For a certain period of time at present and in the future, COSCO will continue to reduce and delay key investment projects when the situations are not clear. On the other hand, it shall conduct tracing analysis carefully. Thirdly, with respect to development features, special emphasis shall be laid to environment-friendly development. Actively perform the responsibilities as corporate citizens, and try to build up a resource-conservative and environment-friendly enterprise.</p>



Transformation from an emphasis on hardware to an emphasis on software while paying equal attentions to both hardware and software. For a certain period of time at present and in the future, COSCO Group, eyeing on development in post-crisis era, will promote the transformation to the combination of software and hardware with software as the emphasis by enhancing comprehensive risk management and innovation of operation mode.

Transformation from possessing and controlling the resources to allocating social resources. Firstly, enter resource and energy operation sectors and transform from a carrier to operator of resources and energies. Secondly, accelerate international restructuring and integration and external alliance and M&A and try to become a leader in international shipping logistics industrial cluster. Thirdly, promote transformation from a transnational company into a global company through global resource allocation.

The transformation from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation. For a certain period of time at present and in the future and under the background that earnings from production and operation are still unstable and fluctuating, COSCO Group will take the management of market value of the starting point, coordinate and enhance the governance, strategic planning, capital operation and management of relations with investors, stably promote the implementation of overall listing plans and try to transform into the profit-making from both production business and capital operation.



Part II General Information of COSCO Group

Name: China Ocean Shipping (Group) Company (COSCO Group)

Date of establishment: April 27, 1961

Legal representative Authorised representative of a legal entity: Capt. Wei Jiafu

Main businesses: international passenger and cargo transport, booking, voyage charter, time charter, leasing, shipbuilding, ship repair, ship trading, spare part manufacturing, storage, freight forwarding, inter-modal transport and door-to-door transport, as well as approved overseas futures business.

Industrial rankings: Chinese No.1 and world's No.2 ocean shipping company

Headquarters: Ocean Plaza, 158 Fuxingmennei Street, Xicheng District, Beijing, China

Zip code: 100031

Telephone: 86-10-66493388

Fax: 86-10-66492288

Website: www.cosco.com

Telephone for supervision and complaint: 86-10-66492565

COSCO owns and controls over 800 modern merchant vessels with a total tonnage of 56 million DWTs and an annual carrying capacity of 400 million tons. COSCO Group's shipping lines cover over 1,600 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the second in the world. COSCO Group is positioned first in China and fifth in the world by container fleet size, and is also the first in the world by dry bulk fleet. It takes a lead in the world for comprehensive strengths of professional bulk, multiple-purpose vessel and special vessel fleet. Oil tanker fleet of COSCO Group is one of the super tanker fleets in the world. COSCO Group owns and operates 32 terminals worldwide, with 156 berths offered. It also ranks the fifth place in the world for that throughput of container terminals.

COSCO Group owns rich logistics facilities and resources. It operates more than 4,000 logistics vehicles, 2.49 million square meters of storage ground and 2.97 million square meters of warehouse. It provides high value-added services for customers in household, chemical, power and financing sectors, and sets many world records.

COSCO Group has a total of 16 docks including 300,000-ton-class docks and 500,000-ton-class docks, with businesses include large-sized ship and ocean engineering construction, refitting and reparation. These bases boast leading production equipment assembling ability and production management level, and take a lead in the world in terms of indicators such as technical capability, production efficiency and production costs, making COSCO Group the largest ship-repairing enterprise and most-advanced ship-building enterprise in China.

COSCO Group has formed a global structure with Beijing as the center and 9 overseas regional headquarters in Hong Kong, America, Europe, Singapore, Japan, Australia, Korea, West Asia and



Africa and is building an integrated global value chain comprising of shipping, logistics, terminal, shipbuilding and ship-repairing businesses.

COSCO Group is one of the earliest Chinese enterprises that enter international capital market. Early in 1993, COSCO Investment was listed in Singapore in form of back-door listing. Currently, it holds controlling shares or shares of many listed companies including China COSCO, COSCO Pacific, COSCO International, COSCO Investment and COSCO Shipping. On May 30, 2010, Financial Times, a renowned financial media in UK, released the latest FT Global 500 list, in which, China COSCO ranked the 450th, the third successive year for China COSCO to be included in the list since 2008.

As a transnational company in China, COSCO Group has paid special attention to shouldering of its extensive corporate citizen responsibilities earlier. In 2001, COSCO Group has established a comprehensive management system, which includes international environment management system, and occupational safety and health management system, becoming the first Chinese enterprise is certified by the three management systems. In 2005, COSCO Group joined the UN Global Compact initiative to voluntarily practice the 10 principles of Global Compact and fulfill sustainability. The sustainability report of COSCO Group has been appraised as notable COP by UN Global Compact for four consecutive years, making COSCO Group to become the only Asian enterprise whose sustainability report was included in the list of notable COPs for four years in a row.

COSCO Group actively fulfills the Blueprint for Corporate Sustainability Leadership and joined the United Nations Global Compact LEAD Program in January 2011. It is also a member of the Global Compact LEAD Steering Committee

COSCO Group has combined the performance of corporate social responsibilities and corporate development strategies, and actively cultivated “green competitiveness”. Its main indicators for internationalized operation are approaching UN’s standards for Global 100 transnational companies. It is gradually enhancing its position as a system integrator in international shipping, logistics, ports and ship-building and ship-repairing sectors and is marching towards a leading enterprise in global shipping industry under the principle of “global development, harmony and mutual benefits” and the century vision of “building up a longevity COSCO”.



Part III Basic Profiles of Companies Implementing Sustainability Management System

COSCO Group's 21 subsidiaries have fully implemented the Global Compact in 2010. These subsidiaries cover more than 90% of COSCO Group's main businesses and generate over 90% of the group's total sales revenue.

I. Shipping

1. China COSCO Holdings Company Limited

China COSCO Holdings Company Limited (China COSCO) was exclusively established by COSCO Group headquarters on March 3, 2005. In June 2005, China COSCO issued the H shares through global offering and Hong Kong public offering, and started the trading on Hong Kong Stock Exchange (HKSE) on June 30, 2005. On June 26, 2007, the company was listed in Shanghai Stock Exchange. (Stock code: 601919 1919.HK)

Nature: Stock limited company (listed)	Investment proportion: 52.01%
Total assets: RMB150.868 billion	Employee number: 39,458
Business revenue: RMB80.578 billion	
Main businesses: Container shipping, dry & bulk cargo shipping, logistics, terminal and container leasing	
Subsidiaries: China COSCO owns COSCON, COSCO Bulk, COSCO Qingdao, COSCO Hong Kong, COSCO Shenzhen, COSCO Pacific and COSCO Logistics. China COSCO's subsidiaries provide services covering entire shipping value chain such as container shipping, dry and bulk cargo shipping, logistics, terminal and container leasing for customers home and abroad.	
COSCON, the fully-owned subsidiary of China COSCO, is engaged in container shipping and other businesses. COSCON operates 150 vessels with a total carrying capacity of 614,092 TEUs, calls at 144 ports in more than 44 countries and regions worldwide. With 75 international shipping lines, 9 international branch lines, 20 domestic coastal shipping lines and 70 branch lines in Yangtze River and Pearl River Delta Region, COSCON has wide sales and service network in the world, and owns and operates over 400 domestic and overseas sales outlets. The bulk cargo fleet of China COSCO (including COSCO Bulk, COSCO Qingdao, COSCO Hong Kong and COSCO Shenzhen) operates 450 dry and bulk cargo ships, with the total carrying capacity of 38,556,200 DWTs, which form the largest dry and bulk cargo fleet in the world. COSCO Logistics, the holding subsidiary of China COSCO, provides comprehensive logistics services including third-party logistics, ship agent and cargo agent and establishes over 400 branches in 29 provinces, municipalities, autonomous regions, Hong Kong as well as overseas countries. COSCO Pacific, the holding subsidiary of China COSCO, operated 17 terminal projects worldwide with a total of 107 berths, ranking the fifth place in the world. The Florens Container Holdings Co., Ltd affiliated to COSCO Pacific offers container leasing services. As of Dec. 31, 2010, Florens Container Holdings owns and manages 1,631,783 TEUs, with container leasing service occupies 13% of global market shares, ranking the No.3 in the world. China International Marine Containers, a joint-operation company, to which, China COSCO holds shares through COSCO Pacific, operates container manufacturing business. China International Marine Containers is currently the world's largest container manufacturing company, taking over 50% of market shares.	



2. COSCO Container Lines Co., Ltd

COSCO Container Lines Co., Ltd (COSCON), established in 1997, is a core enterprise of COSCO Group specially engaged in ocean container transport business.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB50.33 billion	Employee number: 14,629
Business revenue: RMB41.3 billion	
Main businesses: International and domestic maritime container transport	
Subsidiaries: COSCON owns 21 fully-owned and joint venture subsidiaries (including 9 domestic ones and 12 overseas ones).	
The vessel fleet of COSCON owns and operates 150 vessels with the total carrying capacity of 614,092 TEUs. Calling at over 144 ports in more than 44 countries and regions, it runs 75 international shipping lines, 9 international branch lines, 20 domestic coastal shipping lines and 70 branch lines in Yangtze River and Pearl River Delta Region. COSCON owns wide sales and service network worldwide.	

3. COSCO Bulk Carrier Co., Ltd

COSCO Bulk Carrier Co., Ltd (COSCO Bulk), established in 1995, is one of the large-scaled and professional international dry and bulk cargo transport enterprises affiliated to China COSCO.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB24.2 billion	Employee number: 6,189
Business revenue: RMB17.5 billion	
Main businesses: International dry and bulk cargo transport	
Subsidiaries : COSCO Bulk owns over 22 full-owned and joint venture companies	
The company owns and operates over 90 large bulk cargo vessels of all types such as Handysize, Panamax and Capesize, with the total carrying capacity of 6 million DWTs, and rents 150 vessels. With the total carrying capacity of over 13 million DWTs under control, COSCO Bulk mainly provides ocean shipping services for such goods as grains, ores, coals, fertilizers, steels, woods and farm products. Shipping lines of COSCO Bulk cover 1,000 ports in over 100 countries and regions.	

4. Guangzhou Ocean Shipping Company

Guangzhou Ocean Shipping Company (COSCO Guangzhou), established in 1961, is the first state-owned ocean shipping enterprise established after the foundation of new China. It is China's largest multi-purpose vessel shipping company mainly comprised of special professional vessels.





Nature: Limited liability company	Investment proportion: 100%
Total assets: RMB17.188 billion	Employee number: 6,726
Business revenue: RMB6.346 billion	
Main businesses: Multi-purpose vessel shipping business, with a focus on special transport	
Subsidiaries: COSCO Guangzhou owns 9 fully-owned or shareholding companies (COSCO Shipping controlled by it is a listed company), and 11 fully-owned or shareholding land-based companies.	
<p>COSCO Guangzhou owns and operates 90 ships, with the total carrying capacity of 1.694 million DWTs. With all kinds of special ships such as semi-submersible ships, heavy lift ships, multi-purpose ships, ro-ro ships, timber ships, asphalt ships and general cargo ships, COSCO Guangzhou takes leading positions in many professional transport sectors. After years of operation, COSCO Guangzhou has formed a global business network for special and professional transport business. Shipping lines of COSCO Guangzhou cover over 1,600 ports in 160 countries and regions, making it main carrier of general cargos and equipment in major shipping lines for international trade. It also forms stable, reliable and competitive liner transport ability in shipping lines such as Far East to Mediterranean, North/West Europe, Persian Gulf, South/North America and Africa. Besides general bulk cargos, the company also transports uncontainerable and super-large equipment, super-heavy or long cargos, such as drilling platform, naval ships, locomotives, dredgers, bridge hangers and complete sets of equipment as well as cargos having special loading/unloading requirements such as asphalts.</p>	

5. COSCO Shipping Co., Ltd

COSCO Shipping Co., Ltd (COSCO Shipping) was jointly established by Guangzhou Ocean Shipping Company, COSCO Guangzhou Marine Service Co., Ltd, Guangzhou Ocean Shipping Agency Co., Ltd, Shenzhen Ocean Shipping Company and COSCO Guangzhou International Freight Co., Ltd on Dec. 8, 1999. The company was listed at the Shanghai Stock Exchange on April 18, 2002 (Stock code: 600428).



Nature: Limited liability company	Investment proportion: 50.13% (held by COSCO Guangzhou)
Total assets: RMB10.119 billion	Employee number: 4,434
Business revenue: RMB4.4 billion	
Main businesses: Ocean shipping and coastal shipping, intermodal transport by rail, sea and air (upon business license), crew labor service, wholesale and retail trading (excluding commodities controlled and managed solely by the State), ship agency, leasing, trading, repairing and building, loading and unloading services; storage (dangerous goods excluded), labor service, product information service, communication equipment repairing, and import/export goods shipment and agency;	
Subsidiaries: NYKCOS Car Carrier Co., Ltd, COSCO Shipping (Hong Kong) Investment, Tianjin Ocean Shipping Company (COSCO Tianjin).	
<p>COSCO Shipping owns and operates 61 ships including multi-purpose ships, general cargo ships, heavy lift ships, semi-submersible ships, ro-ro ships and auto carriers. These ships have the average age of 18.6 years and the totally carrying capacity of 1.167 million DWTs. COSCO Shipping is</p>	



mainly engaged in special general cargo ocean shipping and costal shipping, specializing in transport of super-long, heavy, large and uncontainerable cargos and cargos that have special transport and loading/unloading requirements. It also provides irregular transport services to customers. COSCO Shipping mainly operates Far East-Bengal line, Far East-West African line, and lines from Southeast Asia and Far East eastward to Persian Gulf, the Red Sea, Mediterranean Sea, North and West Europe and North America, forming a worldwide ocean shipping network for special general cargos.

6. Qingdao Ocean Shipping Company

Qingdao Ocean Shipping Co., Ltd (COSCO Qingdao), established in 1976, is one of the large, specialized international dry and bulk cargo transport companies affiliated to COSCO Group.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB5.86 billion	Employee number: 4,851
Business revenue: RMB5.54 billion	
Main businesses: Dry and bulk cargo transport	
Subsidiaries: COSCO Qingdao owns 15 fully-owned and shareholding on-land companies and a crew service company.	
COSCO Qingdao owns and operates 25 large dry and bulk cargo ships including Capesize, Panamax, Handysize and Handymax, with the total carrying capacity of over 2.6 million DWTs. With 10 self-owned Capesize vessels, COSCO Qingdao positions itself as the ocean shipping company with largest Capesize vessel fleet. The vessel fleet of COSCO Qingdao provides services in the international lines and domestic coastal lines, carrying various large batches of dry and bulk cargos. Meanwhile, it runs such business as ship-leasing/renting, COA shipment and demise charter in the shipping market. In respect to on-land industry, it has formed businesses such as crew labor service, shipping-related service, international vessel management and trade, and property-buying and logistics.	

7. Dalian Ocean Shipping Company

Dalian Ocean Shipping Company (COSCO Dalian) established in 1978 is the only professional shipping company of COSCO Group engaged in liquid bulk cargo transport.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB9.619 billion	Employee number: 2,960
Business revenue: RMB3.598 billion	
Main businesses: Liquid bulk cargo transport business, with a focus on oil tanker	
Subsidiaries: COSCO Dalian has 17 on-land subsidiaries, of which, 5 are fully-owned companies, 8 are controlled shareholding ones, while 4 are shareholding ones.	
COSCO Dalian currently owns and operates over 42 vessels, including oil tankers, liquefied gas tankers and chemical tankers, with the total carrying capacity of 6.87 million DWTs. (Of which, 35 are self-owned vessels, with the total carrying capacity of 4.7 million DWTs). Scale of vessel fleet of	



COSCO Dalian takes a leading position among enterprises of the same class. COSCO Dalian also owns 17 VLCCs, which are "flagship vessels" for profit-making and brand-building of the company. By increasing its strength on development of international customers continually, and enhancing the strategic cooperation with internationally renowned cargo owners, COSCO Dalian has managed to expand its business scope to 300 ports in over 100 countries and regions.

8. Xiamen Ocean Shipping Company

Xiamen Ocean Shipping Company (COSCO Xiamen), established in 1993, is mainly engaged in dry and bulk cargo and general cargo transport business in international and regional shipping lines as well as passenger transport business between Chinese mainland and ports in Taiwan.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB902 million	Employee number: 157
Business revenue: RMB464 million	
Main businesses: International and regional dry and bulk cargo and general cargo transport, with a focus on transport of grains, ores, coals, fertilizers, steels and bagged sugars and equipment; passenger and cargo transport services between Chinese mainland and Taiwan ports; —small three links” passenger transport service between Xiamen and Jinmen	
Subsidiaries: Besides developing ocean shipping business actively, COSCO Xiamen also operates and manages businesses in related industries such as ship-repairing, container storage and transport, international crew training, and "small three links" passenger transport.	
COSCO Xiamen currently owns and operates 13 vessels of various types, including bulk carriers, multi-purpose ships, high-speed passenger ships and ro-ro ships, and a 32,000 DWT timber ship is in construction. After the successful opening of Xiamen-Jinmen and Quanzhou-Jinmen direct passenger transport lines, the passenger transport ro-ro ship —COSCO Star” started serving for passenger and cargo transport lines between Xiamen and Taiwan ports on Sept. 6, 2009, becoming the first normal passenger and cargo liner after 60 years of isolation on both sides of Taiwan Strait.	

9. COSCO (Hong Kong) Shipping Co., Ltd

COSCO (Hong Kong) Shipping Co., Ltd (COSCO Hong Kong), established on Nov. 1, 1994, is established by merger of Hong Kong Ocean Shipping Liner Co., Ltd (established in 1957) and Yifeng Shipping Company (established in 1960). It is an important member of China Ocean Shipping Company.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB22.59 billion	Employee number: 1,946
Business revenue: RMB9.82 billion	
Main businesses: Dry and bulk cargo transport including coals, grains, steels and steel products, fertilizers, metal ores and non-metal ores, ship leasing and consolidated cargo service	



Subsidiaries: COSCO Hong Kong has 162 companies under its affiliation, of which, 155 are affiliated subsidiaries, three are joint ventures and four are joint companies. It also has four directly-affiliated offices in Tianjin, Dalian, Shanghai and Guangzhou.

COSCO Hong Kong owns and operates 141 vessels, with the total carrying capacity of over 12.2653 million DWTs. Fleets include Handysize vessel fleet, Panama vessel fleet, Capesize vessel fleet.

II. Logistics and terminal

10. COSCO Logistics Co., Ltd

COSCO Logistics Co. Ltd (COSCO Logistics) established in 2002 is a leading international third party logistics enterprise in China.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB10.278 billion	Employee number: 9,777
Business revenue: RMB4.377 billion	
Main businesses: Modern logistics, international ship agency, international multimodal transport, freight forwarding, air transport agency, container yards management, warehousing, LCL service, railway, road and barge transport, project development and management, chartering brokerage	
Subsidiaries: COSCO Logistics headquartered in Beijing has eight regional companies in Dalian, Beijing, Qingdao, Shanghai, Ningbo, Xiamen, Guangzhou and Wuhan under its affiliation. With seven branches and five representative offices in America, Europe, United Arab Emirates, South Korea, Japan, Singapore, Greece and Hong Kong, COSCO Logistics has entered into long-term cooperation agreement with over 40 cargo agencies in overseas countries. Besides, it opened 400 business outlets in 29 provinces, municipalities and autonomous regions in China, forming a logistics network with complete functionalities.	
Committed to the development of modern logistics, COSCO Logistics focuses on providing high value-added logistics services for six sectors, i.e. aviation, household appliance/electronics, chemical, power and exhibition industries based on its international network and market segmentation. It has ranked the first place in the Top 100 Chinese Logistics Enterprises for six times successively, and won the 2010 Advanced Chinese Logistics Enterprise and 2010 Most Innovative Logistics Enterprise. It also won many awards of Chinese logistics industry in 2010, such as 2010 Top 10 Most Influential Chinese Logistics Enterprises, 2010 Top 100 Most Valuable China Logistics Brand and 2010 Classic Logistics Solution Award. In 2010, the COSCO Logistics' Concentrated Cargo Transport Information System received the second-class ministerial scientific and technological progress award, the highest award for domestic logistics and procurement industry approved by the Ministry of Science and Technology.	



11. COSCO Pacific Co., Ltd

COSCO Pacific Co., Ltd (COSCO Pacific) was listed at Hong Kong Stock Exchange in 1994. It is a company affiliated to China COSCO engaged in terminal and container leasing business, and is world's fifth largest container terminal operator.



Nature: Limited liability company	Investment proportion: 42.72% held by China COSCO and 57.28% held by independent shareholders
Total assets: USD5.252 billion	Employee number: 2,809
Business revenue: USD446 million	
Main businesses: container terminal, container lease, management and sales, and container manufacturing	
Subsidiaries: Headquartered in Hong Kong, the company holds stocks of 28 terminal companies worldwide. With respect to container lease business, the company sets up companies and representative offices in Macao, Tianjin, Shanghai, Tokyo, Sidney, Singapore, San Francisco, New York, St. Paul, London, Hamburg and Genoa, forming a globalized service network.	
COSCO Pacific operates 107 berths at 17 ports worldwide, and ranks the fifth place in the world. Its container leasing, management and sale businesses have grown continuously. As of Dec. 31, 2010, carrying capacity of container fleet owned and managed by it totaled 1,631,783 TEUs, and its container leasing business accounts for 13% of global market shares, ranking the third place in the world.	

III. Ship-building and ship-repairing

12. COSCO Shipyard Group Co., Ltd

COSCO Shipyard Group Co. Ltd (COSCO Shipyard) established in 2001 is a large enterprise group affiliated to COSCO Group, specializing in construction, refitting and reparation of large vessel and ocean engineering projects, as well as vessel auxiliary business.



Nature: Limited liability company	Investment proportion: 46.47%
Total assets: RMB27.823 billion	Employee number: 8,531
Business revenue: RMB18.846 billion	
Main businesses: Construction, refitting and reparation of large vessels and ocean engineering projects	
Subsidiaries: Six large ship enterprises in Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang and eight ancillary service enterprises.	
Docks of COSCO Shipyard have a total docking capacity of 2.05 million tons and an annual shipbuilding capacity of 2.4 million tons. These docks include a dock with the capacity of more than 300,000 tons, two docks with the capacity of 300,000 tons, four docks with the capacity of 150,000~200,000 tons, six docks with the capacity of 40,000 to 80,000 tons, 35 berths, two shipbuilding platforms, six water slides, one dock for ocean engineering projects and three auxiliary	



barges. The total site areas is over 5.737 million square meters. These form a "North-Middle-South" scientific and rational geographical distribution and production structure. Ships built by COSCO Shipyard include 5,000-seat ro-ro car carriers, 30,000-ton heavy life ships, 57,000-ton bulk ships, 80,000-ton bulk ships and 92,500-ton bulk ships. Ocean engineering projects under construction include world's first drilling production storage oil vessel (FDPSO), cylindrical drilling platform, self-lifting drilling platform and semi-submersible drilling platforms, and windmill installation vessel.

13. COSCO Shipbuilding Industry Company

COSCO Shipbuilding Industry Company (COSCO Shipbuilding) established in 1993 is a large ship heavy industry group company directly affiliated to COSCO Group headquarters.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB13.6 billion	Employee number: 4,635
Business revenue: RMB6.796 billion	
Main businesses: Shipbuilding and ship auxiliary business	
Subsidiaries: Fully-owned and joint venture enterprises affiliated to COSCO Shipbuilding include Nantong COSCO KHI Ship Engineering Co., Ltd, Dalian COSCO Shipbuilding Industry Co., Ltd, Nantong COSCO Ship Steel Structure Co., Ltd, Shanghai COSCO KHI Steel Structure Co., Ltd, Nantong Ocean Ship Equipment Co., Ltd and Nanjing COSCO Ship-repairing and Ship Equipment Plant.	
Over a decade, COSCO Shipping had cooperated with Japan Kawasaki Heavy Industries Co., Ltd to fulfill the "localization" and "recreation" of production management and technical management through technical introduction, absorption and innovation. COSCO Shipping has the R&D, design and manufacturing ability of various high-performance bulk vessels, super-large oil tankers, container vessels, ro-ro ships, ore ships, LNG ships, LPG ships as well as special ships such as heavy lift ships and semi-submersible ships, and ocean engineering ships. It had successfully delivered 78 large ships, including 300,000-ton VLCC, VLOC, 5000PCC, 6200PCC and 10000TEU large ships. It has taken a lead in the world and reached advanced levels of Japanese and Korean enterprises in terms of main economic and technical indicators such as building work time, steel utilization rate, power consumption per USD10,000 output value and production efficiency. In 2009, its production capacity reached three million tons. After completion and production of Dalian ship-building base in 2010, the annual production capacity of the company will exceed six million DWTs.	

IV. Others

14. China Marine Bunker (PetroChina) Co., Ltd

China Marine Bunker (PetroChina) Co. Ltd (CHIMBUSCO), the former China Marine Bunker Supply Company, was established in 1972. CHIMBUSCO is China's largest professional offshore oil and water provider. On Dec. 26, 2003, the company was reformed as a limited liability company, with COSCO Group headquarters and PetroChina Company Limited as its shareholders.





Nature: Limited liability company	Investment proportion: 50%
Total assets: RMB7.701 billion	Employee number: 2,275
Business revenue: RMB40.185 billion	
Main businesses: Providing fuel, lubricants and freshwater for ships for international routes and for domestic coastal transportation, finished oil import, transport and storage of various oil products, agency of oil products storage, supply, marketing and transport, and lubricant OEM business	
Subsidiaries: CHIMBUSCO has over 30 member units home and abroad, including some most famous regional subsidiaries or joint ventures in main ports in China such as Dalian, Qinhuangdao, Qingdao, Lianyungang, Shanghai, Guangzhou, Zhanjiang, Ningbo, Zhoushan, Yantai, Rizhao, Xiamen, Fangchenggang, Zhuhai, Nanjing, Nantong, Jiangyin, Caifeidian, Shenzhen and Hong Kong, and set up overseas companies or outlets in Singapore, Korea, America and the Netherlands.	
CHIMBUSCO has over 116 ships of various kinds, 19 oil depots with the total storage capacity of 1.6752 million cubic meters. It also has oil terminals and locomotive loading lines with complete facilities, which allows it to provide comprehensive services of ship-owners, ship charterers, investors and equipment manufacturers worldwide. During its service expansion and development processes, CHIMBUSCO also established long-term, stable and extensive contact and cooperation relationships with major shipping companies, oil companies and other customers in the world, building good reputations in both shipping and oil industries.	

15. Hainan Boao COSCO Co., Ltd

Hainan Boao COSCO Co., Ltd (Hainan Boao COSCO), the former Hainan COSCO Boao Development Co., Ltd established in August 2001, has been engaged in large-scaled infrastructure construction for development of Boao and establishment of Boao Forum for Asia. The company started its assets restructuring in 2004. Hainan Boao COSCO was established on March 20, 2006 as the second-tier subsidiary directly affiliated to COSCO Group headquarters.



Nature: Limited liability company	Investment proportion: 99.38%
Total assets: RMB1.492 billion	Employee number: 1,415
Business revenue: RMB278 million	
Main businesses: Conference reception, hotel, golf and scenic spot sightseeing	
Subsidiaries: Sofitel Boao Grand Hotel, Boao Golden Coast Hot Spring Hotel, Boao Forum Asia International Convention Center Golf Club, Boao Forum for Asia Site and Scenic Spot Management Company and Hainan Boao International Convention Co., Ltd.	
Hainan Boao COSCO mainly engaged in development, construction, operation and management of auxiliary facilities of Boao Forum for Asian has established Boao Golden Coast Hot Spring Hotel, Palm Island Hotel and Townhouses, Binlang Island Townhouses, BFA International Convention Center, Sofitel Boao Grand Hotel, 18-hole golf club and many infrastructures. Total construction area of Hainan Boao COSCO in Boao is near to 170,000 square meters, with the total investment of more than RMB3 billion. Besides holding the annual Boao Forum for Asia, these sites will receipt tourists for 750,000 person-times and over 200 middle and high-grade meetings for companies home and abroad.	



16. China Ocean Shipping Tally Company

China Ocean Shipping Tally Company established in 1961 is a core state-owned company specialized in shipping tally business approved by the Ministry of Communications and registered at the State Administration for Industry and Commerce. It became a fully-owned subsidiary of COSCO Group headquarters in 2005 in accordance with the spirits of State Council SASAC on reform of state-owned enterprises.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB441 million	Employee number: 200
Business revenue: RMB96 million	
Main businesses: vessel tally business for international and domestic shipping lines; container loading and unloading tally business; cargo measurement; ship water gauge measurement; loading/unloading supervision; cargo and container damage inspection and appraisal; issuance of cargo tally bills and reports; tally-related consultation services.	
Subsidiaries: China Ocean Shipping Tally owns over 70 companies at ports China, covering main ports such as Shanghai, Ningbo, Tianjin, Qingdao, Dalian, Xiamen, Fuzhou, Shenzhen and Guangzhou.	
Insisting the criteria of "holding fair attitude, seeking truth from facts and protecting legal rights and interests of consignors", China Ocean Shipping Tally has made explorations and innovations continuously and increased scientific inputs and talent cultivation efforts, making great contributions to the country's reform and opening up and development of shipping and foreign trade businesses.	

17. COSCO Manning Cooperation Inc.

COSCO Manning Cooperation Inc. (COSCO Manning) established in 1993 has the operating rights for international labor cooperation and seafarer labor export granted by regulatory department of the country. Main businesses of COSCO Manning include dispatching seafarers and various labors to foreign countries, issuance of certificates for seafarers and providing maritime-related services.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB60.87 million	Employee number: 1,035
Business revenue: RMB70 million	
Main businesses: Dispatching crews and laborers to overseas markets	
Subsidiaries: Shanghai COSCO Manning Cooperation Co., Ltd, Qingdao COSCO Manning Cooperation Co., Ltd, Shenzhen COSCO International Ship Management Co., Ltd and Beijing COSCO Business Consultation Co., Ltd.	
Since its establishment, COSCO Manning has been endeavored to provide qualified seamen and other laborers as well as high quality, high efficient and satisfactory services to customers home and abroad. It has established close cooperation relationships with customers home and abroad, forming a nationwide business network and has dispatched seamen and other laborers for more than 130,000 person-times. COSCO Manning has established a comprehensive management system covering	



quality, environment and occupational health in accordance with the ISO9000, ISO14000 and OHSAS18000 standards and has received the certificates issued by the China Classification Society. It has set up four joint ventures in Shanghai, Qingdao, Shenzhen and Beijing.

18. COSCO Finance Co., Ltd

COSCO Finance Co., Ltd (COSCO Finance) established in October 1993 is a non-banking financial institute directly affiliated to COSCO Group headquarters. It is formerly the finance company of COSCO Group. Approved by the People's Bank of China, it conducted capital increase and system reform and transformed into a limited liability company from a fully-owned subsidiary of COSCO Group headquarters in September 1999. With the approval of the China Banking Regulatory Commission, it increased its share capital again in December 2005. Currently, the company was jointly invested and held by COSCO Group headquarters and 12 member units.



Nature: Limited liability company	Investment proportion: 40.63%
Total assets: RMB18.179 billion	Employee number: 53
Business revenue: RMB413 million	
Main businesses: Loan, financing lease, bill acceptance and discounting for member units of COSCO Group, internal account transfer and settlement between member units, design of settlement and clearance plans, absorption of deposits of member units and negotiable securities investment	
Subsidiaries: None	
Since its establishment, COSCO Finance has insisted on complying with related laws and regulations in its business operation and meeting the supervision requirements of the People's Bank of China and the China Banking Regulatory Commission. Besides good asset quality, it also meets financial supervision requirements by all indicators and achieves significant economic and social benefits.	

19. China Ocean Shipping News Magazine

With the first issue published in 1994, China Ocean Shipping News originally named COSCO Group News is an official newspaper managed by COSCO Group and published by COSCO Group headquarters. In 1996, it was renamed China Ocean Shipping News upon the approval of Beijing Press and Publishing Bureau. Approved by the General Administration of Press and Publication, China Ocean Shipping News started the official publication for the whole society in September 1998. With the publication number of CN11-0261, the cross-fold, eight-page newspaper is published on every Monday.



Nature: State-owned company	Investment proportion: 100%
Employee number: 9	



Main businesses: Based on COSCO Group, China Ocean Shipping News serves as a supplement that covers ocean shipping, ship-building/ship-repairing, ship supply, ship agency and cargo agent industry in China. It mainly reports on COSCO Group's comprehensive news, corporate culture as well as latest trends of international shipping industry as well as literature and art news.

China Ocean Shipping News had won the Advanced Newspaper Prize of the National Public Issuing Enterprise Newspapers, the highest honor bestowed to the national enterprise newspapers, for three consecutive years. It was also awarded the No.1 Prize of China Enterprise Groups' Selected Newspaper in 2005 and the National Excellent Newspaper of Printing Quality in 2006. Since its public issuance, over 200 articles were awarded Good News Prizes and Excellent Essay Prizes of National Enterprise Newspapers.

20. Maritime China Magazine

Maritime China, managed and operated by the China Ocean Shipping (Group) Company, is a professional magazine covering shipping, port, logistics and shipbuilding and ship-repairing industries. Since its first issuance in January 1995, Maritime China has insisted on the tenet of "rooting in global shipping industry, identifying market changes, promoting industrial development and serving for marketing of enterprises". With favorable and interactive relations with senior experts of domestic and overseas shipping industries and the media, the magazine has a tremendous and professional writers' team and provides authoritative market reports, in-depth industrial analysis and wonderful reports for readers. The magazine is issued on the first day of each month.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB300,000	Employee number: 9
Business revenue: RMB2 million	
Main businesses: publication and issuance of Maritime China magazine, ad services home and abroad, release of ads for foreign businessmen in China, photography, organizing of culture exchange activities, and economic information consultation	
The Maritime China magazine has enjoyed high reputation home and abroad. In recent years, it had organized many industry's widely watched and influential International Shipping (China) Annual Summits as one of the sponsors.	

V. Overseas companies

21. COSCO (UK) Ltd.

COSCO (U.K.) Ltd is a fully-owned subsidiary of COSCO Group headquarters, with the registration number of 2216271, the registered capital of GBP 200,000, and the share capital of one million shares. It commenced the business operation on Feb. 16, 1989.

Nature: Limited liability company	Investment proportion: 100%
Total assets: GBP22.4685 million	Employee number: 33
Business revenue: GBP35.7878 million	




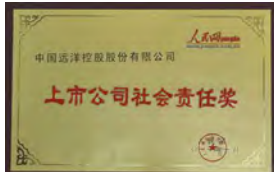
Main businesses: cargo transport, logistics business, bulk cargo ship tax leasing, container ship leasing

Subsidiaries: COSCO (U.K.) Logistics Ltd, COSCO Chartering & Brokage (U.K.) Ltd


Container-related departments and businesses of the former COSCO (U.K.) Ltd were hedged off to set up COSCO Container Lines (U.K.) Ltd. COSCO Shipping Lines was transferred to COSCO Fuqing, and the business of shipping line companies was managed by COSCO (U.K.). Currently, COSCO (U.K.) headquarters has 10 employees, including 3 employees dispatched from China. Subsidiaries of COSCO (U.K.) have a total of 23 employees, of which, four employees are dispatched from China.

Part IV Awards

I. Awards Related to the Global Compact and Sustainability

Award-winning Time	Awards
March 3	COSCO Group's Sustainability Report was included in the Notable COP List of the UN Global Compact for the fourth consecutive year.
April 8	The Board of Harbor Commissioners of the Long Beach held the Green Flag Award Ceremony. COSCON and COSCO Dalian were presented with Green Flags at the ceremony. COSCON has won the Green Flag Award for five years in a row.
May 29	China COSCO was selected one of the —Top20 Most Responsible Listed Companies over the 20 Years' Development of China's Stock Market.”
Nov. 3	COSCO Group headquarters was named Excellent Enterprise by the 2010 Blue Book on Chinese Corporate Social Responsibility.
Dec. 1	<p>COSCO Group's Sustainability Report 2009 received the 2010 Golden bee Excellent CSR Report—Leading Enterprise Award.</p> 
Dec. 31	COSCO Xiamen was awarded the title of Enterprise with Harmonious Labor Relation in Fujian Province 2008-2009.
Jan. 8, 2011	<p>China COSCO was awarded the Social Responsibility Award of China's Listed Companies, and regarded —the pride of Chinese enterprises in 2010, and a model in social contribution and fulfilling responsibilities.”</p> 




April 7, 2011	<p>The Board of Harbor Commissioners of the Long Beach held the 2010 Green Flag Award Ceremony. COSCON won the Green Flag Award for the sixth consecutive year.</p>	
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II. International and Domestic Awards Won by COSCO Group in 2010

Award-winning Time	Awards
Feb. 10	CASAC published the Assessment Results for the Websites of Central Enterprises in 2009. China COSCO Group headquarters' website was awarded A-level website.
April 8	Capt. Wei Jiafu was selected by Fortune China as one of the 25 Most Influential Business Leaders in China in 2009.
April 15	COSCO Guangzhou employees Ma Zhaohui, He Penghui and Huang Hongliang won the title of "National Technical Expert" at the competitions for boatmen and ship machinists among central enterprises. Employees Chen Zanjin and Liang Shihui were named Central Enterprise Technical Expert.
April 27	COSCON Captain Ding Jingguo, COSCO Bulk General Manager Xu Zunwu, Nantong COSCO Shipyard General Manager Ni Tao and COSCO Logistics' Air Transport Project Manager Yu Tao were named National Model Worker in 2010.
May 8	COSCO Shipping was awarded the Excellent Board of Directors Award for the fourth consecutive year since 2006.
May 24	Capt. Wei Jiafu was awarded the 2010 Seatrade Lifetime Achievement Award at the awarding ceremony for British ocean trade industry held in London.
May 30	China COSCO ranked the 450 th place on the Financial Times Global 500 List. This is the third time China COSCO has been listed since 2008.
June 6	Capt. Wei Jiaofu was named one of China's Top 10 Leading Characters in Corporate Innovation in 2010.
June 16	COSCON was awarded "Carrier of the Year" by CIFFA, and the best shipping company of "Far East/East Canada Routes" for the ninth consecutive year.
June 23	COSCO Kansai Paint & Chemicals Co. Ltd was awarded the title of 2009 China Top 10 Foreign Industrial Coating Brand.
July 23	COSCO Group was awarded Special Management Progress Award for



	Central Enterprises from 2007 to 2009.
Aug. 18	Wang Haiqing and other 9 employees were awarded Golden Anchor Award.
Aug. 30	<p>Capt. Wei Jiafu topped 2010 Hua De Prize—Public Image List of Chinese Entrepreneurs in the Transportation Industry with a total of 902.49 points. He ranked 14th in the satisfaction poll of the public images of China’s Top 500 Entrepreneurs.</p> 
Sept. 3	COSCO International’s 2009 annual report won Bronze Prize at the International ARC Awards. This is the third consecutive year COSCO International’s annual report has won prizes at international competitions.
Sept. 15	COSCO Bulk was named Model Company for Cultural Construction in the Transportation Industry by the Ministry of Transportation.
Oct. 5	COSCO Investment (Singapore) was awarded the Most Transparent Company Award. This is the third time COSCO Investment was presented this award since 2007.
Oct. 22	COSCO Guangzhou was named Excellent Enterprise in the 2010 National Safe Production Month campaign.
	The labor union of COSCO Zhoushan Shipyard was named —Model Labor Union” by the All China Federation of Trade Unions.
Nov. 11	COSCO Logistics was awarded three titles, —Top10 Most Influential Logistics Enterprise in 2010,” —Top100 Most Valuable Logistics Brand in 2010,” and —Most Classical Logistics Solution in 2010” for its continuous innovation of the modern logistics business, R&D in of core patent technologies and efforts in promoting the international development of logistics. Ye Weilong, General Manager of COSCO Logistics, was named the Figure of the Year in Chinese Logistics Industry in 2010.
Nov. 20	China COSCO was awarded the titles of —Top100 A-Stock Listed Companies with the Best Investor’s Relation” and —BestIR Innovation” Award.
Nov. 21	Capt. Wei Jiafu was named one of China’s Top 10 Figures for Corporate Innovation in 2010.
Nov. 21	COSCO Network Logistics was presented second prize for science and



	technology progress by the China Federation of Logistics and Purchasing.
Nov. 22	The Board of Directors at COSCO International was awarded —Q10 Outstanding Board of Directors Award—Collective Board of Directors of Listed Companies.” Meanwhile, Zhang Fusheng, Chairman of the Board of Directors and Executive Director, was honored with the title of —2010 Outstanding Board of Directors Award—Individual Award of Listed Companies.”
Dec. 3	COSCO Group was awarded 2010 Most Valuable Management Model prize.
Dec. 8	COSCO Group was named CCTV China Brand of the Year. 
Dec. 10	Capt. Wei Jiafu was presented the International Personality of the Year award at the 7 th Greek Shipping Awards. 
Dec. 18	China COSCO’s board of directors was awarded Board of the Year 2010, and Independent Non-Executive Director of the Board Alexander Reid Hamilton was named Excellent Independent Director of the Board 2010.
Dec. 21	COSCO International’s Revamped website won —Investor/shareholder relation” Bronze Award and —website home page” Excellent Award at the 10 th International iNOVA Awards competition.
Dec. 21	The project on the Development of Trans-Oceanic Transportation of Large Airplane Parts, a joint effort by COSCON and COSCO Logistics, won second-class prize of China Institute of Navigation’s Science and Technology Award.
Dec. 31	COSCO Dalian was awarded the —Outstanding Contribution Award for Talent Cultivation in China.” The company’s boatman Yu Shijiang was awarded the title of —National Technical Expert.”
March 31, 2011	COSCO International won the Asian Excellence Award 2011—Best



	Investors' Relation (Chinese Enterprises) Award presented by Corporate Governance Asia.
April 1, 2011	COSCO Logistics topped the China Logistics Top 100 list for the sixth consecutive year. It also won the titles of 2010 National Leading Logistics Enterprise and 2010 Most Innovative Logistics Enterprise.
April 25, 2011	<p>Capt. Wei Jiafu was awarded the title of "Guardian of American Workers" by the International Longshoremen Association (ILA) and the title of "Honorary Chief Commander" by the Association of American Port Authorities.</p> <div style="display: flex; justify-content: space-around;">   </div>
May 7, 2011	China COSCO was awarded the "Best Board of Directors Award" at the Golden Round Table Award of Listed Chinese Companies.

Part V General Information of the Report

This report is a vivid reflection of COSCO Group's efforts in 2010 to implement the Global Compact, perform social responsibility in a scientific manner, fulfill the scientific development outlook, carry out the Guiding Opinions on Performance of Social Responsibility by Central Enterprises and Central Enterprise Comprehensive Risk Management Guidelines issued by the State-Owned Assets Supervision and Administration of China (SASAC), transform into compatible economic growth mode, establish a harmonious enterprise and fulfill sustainability of COSCO Group. It is also a comprehensive demonstration of performance and achievements of COSCO Group's implementation of social responsibility strategies, a portrait to operating results of COSCO Group's sustainability management system and sustainability information management platform, a carrier for COSCO Group to accept supervision of the society and a bridge for it to communicate with other stakeholders. COSCO Group tries to present a report to objectively and vividly reflect the sustainability of COSCO Group for correlated parties, so as to provide reliable basis for decision-making of related parties, improve decision-making efficiency, reduce trade costs and assist related parties to get higher economic and social benefits. COSCO Group has inherited the principle of "communications creates value" and tried to provide a sustainability report that transforms from green color to golden color for the world.



Dec. 20, 2006	COSCO Group Sustainability Report 2005	A press conference held in Beijing
Dec. 20, 2007	COSCO Group Sustainability Report 2006	A press conference held in Beijing
July 31, 2008	COSCO Group Sustainability Report 2007	A press conference held in Beijing
July 31, 2009	COSCO Group Sustainability Report 2008	Released online
July 31, 2010	COSCO Group Sustainability Report 2009	Released online

I. Scope of Report

COSCO Group Sustainability Report 2010 covers largely the same scope as does the Report 2005, 2006, 2007, 2008 and 2009. The report covers requirements of GRI Sustainability Reporting Guidelines 2006 (hereinafter referred to as GRI 2006 Guidelines) and the supplementary guidelines of the industry, implements all requirements in the SASAC's Guiding Opinions on Performance of Social Responsibility by Central Enterprises, refers to international standards such as ISO26000 Guidance on Social Responsibility and GRI 3.1 Guidelines. With the comprehensive indicators that cover entire COSCO Group, the report includes management methods and performance indicators of COSCO Group headquarters and all its second-tier companies, shipping, logistics & terminals, and ship-building/repairing companies.

Composition of COSCO Group's sustainability reporting system is determined based on the group's sustainability strategies. In consideration of the globalization and standardization features of ocean shipping and logistics business of COSCO Group, the group released uniform COSCO Group Sustainability Report, which covers COSCO Group's sustainability operation information worldwide.

COSCO Group applies the six-sigma C&E approach to establish the COSCO Group Sustainability Risks Rating Matrix (Please see the table below).



Decision-making Matrix for COSCO Group Sustainability Risks

Serial No.	Company	Strategies and General Information		Governance and Management		Economic Performance		Environmental Performance		Labor Performance		Human Right Performance		Social Performance		Product Performance		Risk scores	Risk Level
		Control degree	Scale influences	Supervision and control	Supply chain requirements	Finance	Social investment	Energy-conservation and low-carbon	Pollution prevention	Safety	Human resources	Collective bargaining	Non-discrimination	Community	Anti-corruption	Service product quality	Marketing		
1	COSCON	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	High
2	China COSCO	9	9	9	4	4	4	4	4	9	4	4	1	1	4	1	1	9594	High
3	COSCO Dalian	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	High
4	COSCO Shipping	9	4	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7973	High
5	COSCO Pacific	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium
6	COSCO Logistics	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium
7	COSCO Bulk	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium
8	COSCO Hong Kong	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium
9	COSCO Qingdao	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium
10	COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Medium
11	COSCO Shipbuilding	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Medium
12	CHIMBUS CO	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low



13	COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low
14	COSCO Guangzhou	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Low
15	COSCO Xiamen	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Low
16	Hainan Boao COSCO	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	4	2850	Low
17	COSCO Manning	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	Low
18	COSCO Finance	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1200	Low
19	China Ocean Shipping Tally	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	Low
20	China Ocean Shipping News	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Low
21	Maritime China	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Low



Notes:

1. Control degree: 1 means shareholding; 4 means controlled shareholding; 9 means fully-owned;
2. Scale influence: 1 means little; 4 means moderate; 9 means great;
3. Supervision: 1 means no requirements; 4 means encouraging requirements; 9 means external compulsive requirements;
4. Supply chain requirements: 1 means no requirements; 4 means encouraging requirements; 9 means external compulsive requirements;
5. Finance: 1 means general; 4 means moderate; 9 means large;
6. Social investment: 1 means non-continuous investment; 4 means continuous investment; 9 means special investment;
7. Energy-conservation and low-carbon: 1 means energy conservation of low-power industry; 4 means energy conservation of moderate-power industry; 9 means energy conservation of high-power industry;
8. Pollution prevention: 1 means pollution prevention of low-risk industry; 4 means pollution prevention of moderate-risk industry; 9 means pollution prevention of high-risk industry;
9. Safety: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;
10. Human resources: 1 means low-dependence; 4 means moderate-dependence; 9 means high dependence;
11. Collective bargaining: 1 means low-dependence; 4 means moderate-dependence; 9 means high dependence;
12. Non-discrimination: 1 means industries unlikely to have unfair treatment of employees; 4 means industries that may have unfair treatment of employees; 9 means industries likely to have unfair treatment of employees;
13. Community: 1 means industries that have little influences on the community; 4 means industries that have moderate influences on the community; 9 means industries that have great influences on the community;
14. Anti-corruption: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;
15. Service product quality: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;
16. Marketing: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;

Calculation formula of risk scores:

Strategies and General Information * Governance and Management * (Economic Performance + Environmental Performance + Labor Performance + Human Right Performance + Social Performance + Product Performance)

Based on the COSCO Group Sustainability Risks Rating Matrix, it has scientifically defined the reporting scope in the supply chain and quantitized GRI's requirements on setting up scope



decision-making tree.

It only narrates issues and difficulties of third-tier enterprises that have less controlling ability and little influences on sustainability excluding shipping, logistics and ship-building/repairing companies. With respect to container transport industry which has great influences on sustainability, it released the COSCON Sustainability Report separately since 2006 as an industrial report besides disclosing related information in the COSCO Group Sustainability Report. The COSCON Sustainability Report systematically reports on the implementation situations of its social responsibility strategies. As listed companies, China COSCO and COSCO Shipping also released the social responsibility report in addition to the annual reports since 2008 to systematically disclose their performance of social responsibilities. (Please see the table below)

Decision-making Matrix for COSCO Group Sustainability Reporting Form

Serial No.	Company	Strategies and General Information		Governance and Management		Economic Performance		Environmental Performance		Labor Performance		Human Right Performance		Social Performance		Product Performance		Risk scores	Risk Level
		Control degree	Scale influences	Supervision and control	Supply chain requirements	Finance	Social investment	Energy-conservation and low-carbon	Pollution prevention	Safety	Human resources	Collective bargaining	Non-discrimination	Community	Anti-corruption	Service product quality	Marketing		
1	COSCON	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	Industrial Report
2	China COSCO	9	9	9	4	4	4	4	4	9	4	4	1	1	4	1	1	9594	Released together with the annual report
3	COSCO Dalian	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	Industrial report



4	COSCO Shipping	9	4	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7973	Attachment to the annual report
5	COSCO Pacific	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Group report
6	COSCO Logistics	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Group report
7	COSCO Bulk	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Group report
8	COSCO Hong Kong	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Group report
9	COSCO Qingdao	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Group report
10	COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Group report
11	COSCO Shipbuilding	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Group report
12	CHIMBUSCO	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Group report
13	COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Group report
14	COSCO Guangzhou	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Group report
15	COSCO Xiamen	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Group report
16	Hainan Boao COSCO	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	4	2850	Group report
17	COSCO Manning	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	Group report
18	COSCO Finance	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1200	Group report
19	ChinaOcean Shipping Tally	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	Group report
20	China Ocean Shipping News	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Group report
21	Maritime China	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Group report

Notes:

Group report: a uniform report of the group, with a special emphasis on detailed descriptions in specific chapters;

Industrial report: a professional report as the sub-report of the group report;

Attachments to the annual report: disclosed as attachments to annual reports of the listed companies or disclosed separately;



The report is compiled in both Chinese and English and the Chinese version is the definitive version in audit of the report.

The online version is available at <http://www.cosco.com>.

The COSCO Group Sustainability Report 2010 is also available at <http://www.unglobalcompact.org>, the website appointed by the United Nations Global Compact Office.

The COSCO Group Sustainability Report is edited according to the normal year. Unless specified, all information contained in the report refers to sustainability performance of COSCO Group in 2010.

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II. Report Compilation Principles

The COSCO Group Sustainability Report 2010 is compiled according to the requirements GRI 3.1 Guidelines, and combined the requirements of the United Nations Global Compact Blueprint for Corporate Sustainability Leadership as well as the special requirements on shipping companies promulgated by the International Maritime Organization (IMO). The report also satisfies the requirements of the Central Enterprise Comprehensive Risk Management Guidelines and the Guiding Opinions on Performance of Social Responsibility by Central Enterprises issued by SASAC under the State Council, as well as the Basic Standard for Enterprise Internal Control and its implementing guidelines issued by five ministries and commissions including the Ministry of Finance.

Based on the 2006 Global Reporting Initiative (GRI) Guidelines and the basic principles defining the report contents, such as key factors, participation of stakeholders, sustainability background and integrality, COSCO Group compiled the COSCO Group sustainability reporting framework and COSCO Group sustainability indicators definition table in December 2010. The table is updated and optimized on a yearly basis. Logics of the indicators are deepened and requirements of all correlated parties are brought into the indicator-based management system to form the 2011 Version of COSCO Group Sustainability Indicator System and Definitions and Material Framework Table, which has 793 key process indicators and key risk indicators. The report is therefore compiled based on the sustainability indicator system. New indicators are also added based on new requirements in the GRI 3.1 Guidelines released in March 2011, researches on increase three new indicators, namely fresh water utilization volume of vessels, emissions of substances that may damage ozonosphere and utilization rate of substitute environment-friendly products, are conducted.

To ensure quality of report, the COSCO Group Sustainability Report was compiled based on the



principles of integrity, pertinent, comparability, accuracy, timeliness, clearness and reliability to pursue for effectiveness and transparency.

Integrity	Pertinent	Comparability	Accuracy	Timeliness	Clearness	Reliability
COSCO Group Sustainability Report discloses information about operation and organization, performance and influences of social responsibilities in a comprehensive and systematic manner.	COSCO Group Sustainability Report reflects overall performance of the institute faithfully without exaggeration to avoid influencing the judgment of readers. It applies six-sigma failure mode analysis method to conduct influential degree evaluation to ensure the key factors of the report and ensure the direct ratio between degree of influences of reporting items and its relative key factors. Besides reporting achievements,	Since implementation of the Global Compact, COSCO Group has managed to ensure consistency of the reporting form. COSCO Group has established sustainability indicator system and sustainability information management platform to ensure the comparability of reporting indicators. It also applies six-sigma methods to analyze and compare	COSCO Group sustainability indicator system and material framework are compiled, collected and analyzed based on the sustainability reporting framework to ensure full preparation of the information and consistent analytical results with different tools.	COSCO Group Sustainability Report is released following the specified procedures and plans strictly. In December of each month, report indicator and material collection work are carried out. In April of next month, compilation of the report is completed. In May, the report is submitted for audit of external institutes. The report will be released before	COSCO Group Sustainability Report adopts a number of reporting forms such as online version, Chinese and English printed version and video version. In order to save papers, the Sustainability Report mainly adopts online version, with PDF version provided for the convenience of consultation and download of domestic and overseas	To ensure the report's reliability, COSCO Group innovatively puts forwards 16 steps for establishment and operation of sustainability management system, and has established cautious social responsibility report compilation process and communication mechanism. It has applied 18 evaluation and improvement processes to



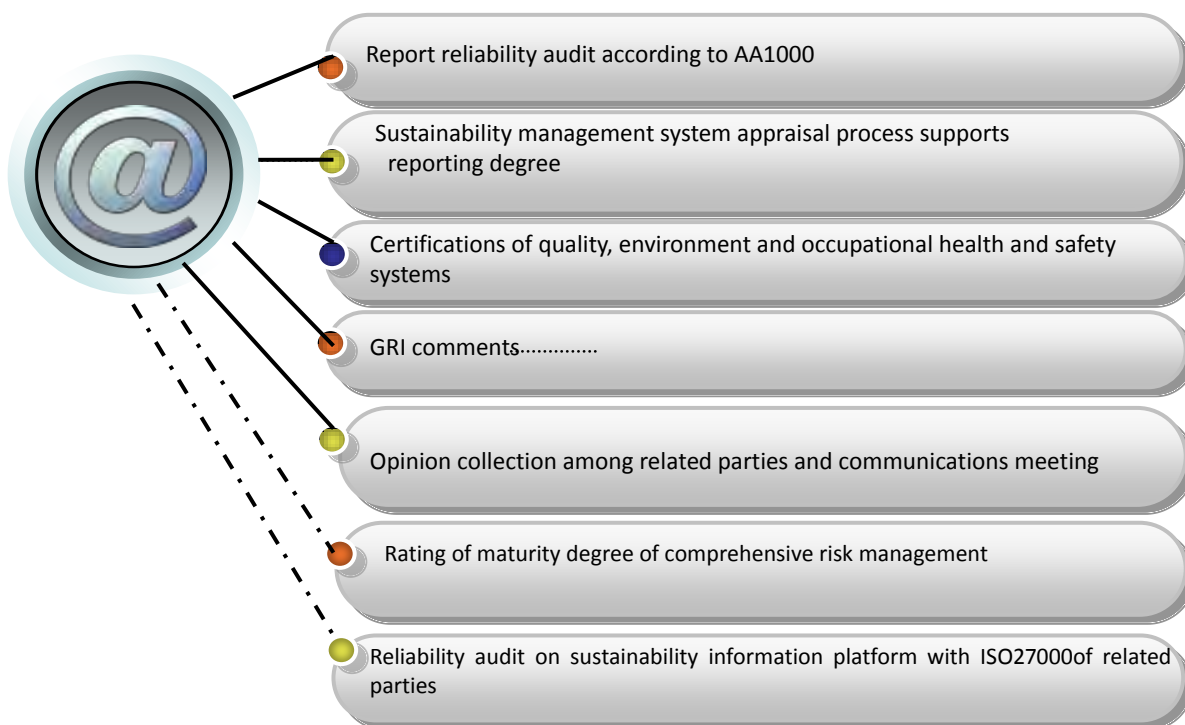
	<p>the report also discloses negative performance of the group.</p>	<p>the data. In the meantime, the report provides date of five consecutive years for the convenience of stakeholders to analyze the performance of COSCO Group.</p>		<p>June 30 to ensure its timeliness.</p>	<p>readers. The printed version is only used for large-scale conference, concentrated promotional activities and submittal to related parties. Discs are provided for common communications. The video version of the sustainability report is accompanied with a video, allowing readers to know COSCO Group's sustainability performance in 2009.</p>	<p>complete the report quality control process from all aspects such as indicator collection, material collection, report framework, report compilation, draft report, report revision, report review, internal audit, review by experts' committee, external review and communications with related parties.</p>
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III. Report Guarantee Methods

COSCO Group cautiously issues the sustainable develop report under the principle of being responsible to the society and makes improvements to the report continuously to elevate its reliability.

COSCO Group establishes the sustainability report reliability and quality guarantee mechanism and continuously improves the sustainability report through a series of review, audit, inspection and evaluation processes.



All financial data in the report are complying with the Accounting Standards for Business Enterprises and the General Rules Governing Enterprise Financial Affairs, and are audited according to the Internal Auditing Standards of China.

COSCO Group organizes internal audit and evaluation of its sustainability report in accordance with AA1000 Sustainability Report Audit Standards and applies lean six-sigma and risk evaluation approaches to determine the auditing period and frequency. The COSCO Group headquarters arranges uniform audit to standardize the Global Compact implementing behaviors and sustainability report compilation process.

COSCO Group carries out management innovation with ISO9000 Quality Management System as the architecture, quality, environment and safety management systems as the basis, and the



sustainability and risk management as the main contents, and forms an indicator-based sustainability management system to implement all sustainability requirements and indicators to processes and posts. The third party certification of the management system effectively ensures the reliability of report data.

COSCO Group establishes the COSCO Group sustainability information management system and establishes information safety management system based on ISO27000 information safety management standards to ensure the authenticity, integration and accuracy of data in the report, and to improve the substantiality, integrity, comparability, accuracy and reliability of the sustainability report continuously.

COSCO Group invites senior responsible persons in charge of social responsibilities of major stakeholders home and abroad to form a COSCO Group sustainability expert committee to supervise the entire process of sustainability work of COSCO Group, including Global Compact China Network Center Office, regulatory institute of the State, supervision department, R&D department, transnational companies, strategic partners, suppliers, customers, media, academic circle and related persons.

To ensure the report's authenticity and reliability, COSCO Group has submitted the report to the Det Norske Veritas (DNV) for review and evaluation according to the Reviewing Procedure of Sustainability Report, with an independent audit report to be provided.

In addition, COSCO Group invited stakeholders and media to offer suggestions in a move to urge COSCO Group to make constant improvements on the report.

Please visit COSCO Group's official website at <http://www.cosco.com> for more information about COSCO Group's strategic objectives and the economic, environmental and social influences of its operation and production activities.

IV. Scope and Level of the Report

Since the issuance of its first report, i.e. COSCO Group Sustainability Report 2005, COSCO Group has adopted the core indicators of the GRI 3.0 Guideline to systematically report all management and performance indicators of GRI. In 2007, 2008 and 2009, COSCO Group's sustainability reports were rated A+ level by GRI, making it the first Chinese enterprise whose sustainability report was rated A+ level by GRI for three consecutive years.

		C	C+	B	B+	A	A+
强制性 Compulsory	企业自评价 Self Declared						<input checked="" type="checkbox"/>
自愿性 Voluntary	第三方评审 Third Party Checked						<input checked="" type="checkbox"/>
	GRI检查评价 GRI Checked						

The statistical scope of the Sustainability Report 2010 is the same with the 2009 report, and self-rating level is A+.

The report has been submitted to GRI for inspection to make final rating (highest level A+) on reporting level.



Statement GRI Application Level Check

GRI hereby states that **China Ocean Shipping (Group) Company** has presented its report "COSCO Sustainability Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 October 2011



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because China Ocean Shipping (Group) Company has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 10 October 2011. GRI explicitly excludes the statement being applied to any later changes to such material.






B. Management and Participation of Stakeholders

Part I Corporate Governance Structure

I. Top Management


The State Council authorizes the SASAC to supervise the top management, key decisions and assets of state-owned enterprises. As COSCO Group is a large-scaled state-owned enterprise, the top management of COSCO Group is appointed and evaluated by SASAC. Shouldering the responsibilities of well developing the enterprise and realizing the prosperity of state-owned economy, COSCO Group's management team shows strong sense of responsibilities and organizes all employees including seafarers and land-based employees to create good business performances.

COSCO Group leaders		Work division	Work division for Global Compact
	Capt. Wei Jiafu, corporate representative, president and CEO of COSCO Group	Being responsible for all administrative works of COSCO Group headquarters, while focusing on accounting and financial affairs	Being responsible for the work related to the Global Compact and sustainability
	Zhang Fusheng, vice president of COSCO Group	Assisting the president to be responsible for all administrative works, managing cadres together with the president and focusing on management of human resource department/organization department and labor and insurance coordination center	Being responsible for the work regarding human resources, labor and insurance and the COSCO Group Charity Foundation and for construction of cultures of labors, human rights and sustainability
	Li Jianhong, vice president, chief risk officer and management representative of COSCO Group	Assisting the president in capital operation, enterprise planning and management, reform planning, on-land assets management, scientific and IT work, and mainly managing the Strategy and Development Department	Being responsible for implementation of the Global Compact and sustainability



	<p>Xu Lirong, vice president and chairman of the Labor Union of COSCO Group</p>	<p>Assisting the president in transport production and external line cooperation of the group, being responsible for the fleets of container ships, oil tankers, general cargo ships and special ships, and mainly managing the Transportation Department and the Labor Union</p>	<p>Being responsible for works of the labor union and for supervision of implementation processes of human rights and labor-related standards</p>
	<p>Zhang Liang, vice president of COSCO Group</p>	<p>Assisting the president in management of safe production, safety committee, bulk cargo fleet, anti-terrorism security work, and mainly managing the President's Office, the Safety Technology and Supervision Department, the R&D Center and Investors' Relations Department; Assisting the president to be responsible for China COSCO Holdings Co., Ltd</p>	<p>Being responsible for safety, environmental protection, scientific research work, anti-terrorism work; being in charge of the work of China COSCO</p>
	<p>Li Yunpeng, vice president of COSCO Group</p>	<p>Assisting the president in supervision, audit and comprehensive management work, and mainly managing the Party Group Working Department, party committees directly affiliated to the group and the Supervision Department</p>	<p>Being responsible for anti-corruption, management of commercial bribery and social work, with a focus on discipline inspection, supervision, audit, comprehensive management and sustainability promotion work</p>
	<p>Sun Yueyin, chief financial officer of COSCO Group</p>	<p>Assisting the president in accounting, financial and asset management work and mainly managing the Accounting Department and the finance company</p>	<p>Being responsible for financial risk management work</p>



	<p>Liu Guoyuan, chief law officer of COSCO Group</p>	<p>Assistant the president to be responsible for legal affair work of the enterprises, coordinate and dispose legal affairs in decision-making of the enterprises and in charge of the Office of Chief Law Officer</p>	<p>Being responsible for legal work</p>
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Remarks: Vice President Li Jianhong left his post on Nov. 8, 2010. Vice President Li Yunpeng took over the Global Compact-related work.

II. Related Committees

COSCO Group headquarters and its subsidiaries establish various management committees with corresponding management functionalities to listen to related parties' opinions and suggestions on corporate management, evaluate and appraise various management systems and business operation processes, revise market strategies and objectives and working contents of the company and improve functional operation of the company. The following table lists seven major committees related to sustainability management system.

Serial No.	Name	Responsibilities
1	COSCO Operation & Management Committee	Being responsible for comprehensive research and advice on important issues emerging in business activities; being responsible for review of the group's working report, supervision and approval of group's annual financial budget and settlement, and discussion on group's development planning; shouldering the functionalities of COSCO Group's Risk Management Committee.
2	Sustainability and Comprehensive Risk Management Committee	Guiding, promoting and arranging the work regarding construction of resource-saving enterprise and implementation of the Global Compact; evaluating and approving the implementation plans for construction of resource-saving enterprise and implementation of the Global Compact; Supervising, guiding and coordinating the key projects for construction of resource-saving enterprise and implementation of the Global Compact; approving technical service provider, budget plan and training plans; approving the issuance and application of the sustainability reports.
3	Management & Innovation Team	Being responsible for strategies and planning for management innovation; being responsible for establishment and perfection of management innovation processes and construction of management system; supervising the execution of management innovation policies and improvement of management systems; organizing argumentation, evaluation and acceptance for technologies of innovative projects; approving the conclusion, application, issuance and promotion of innovation achievements.



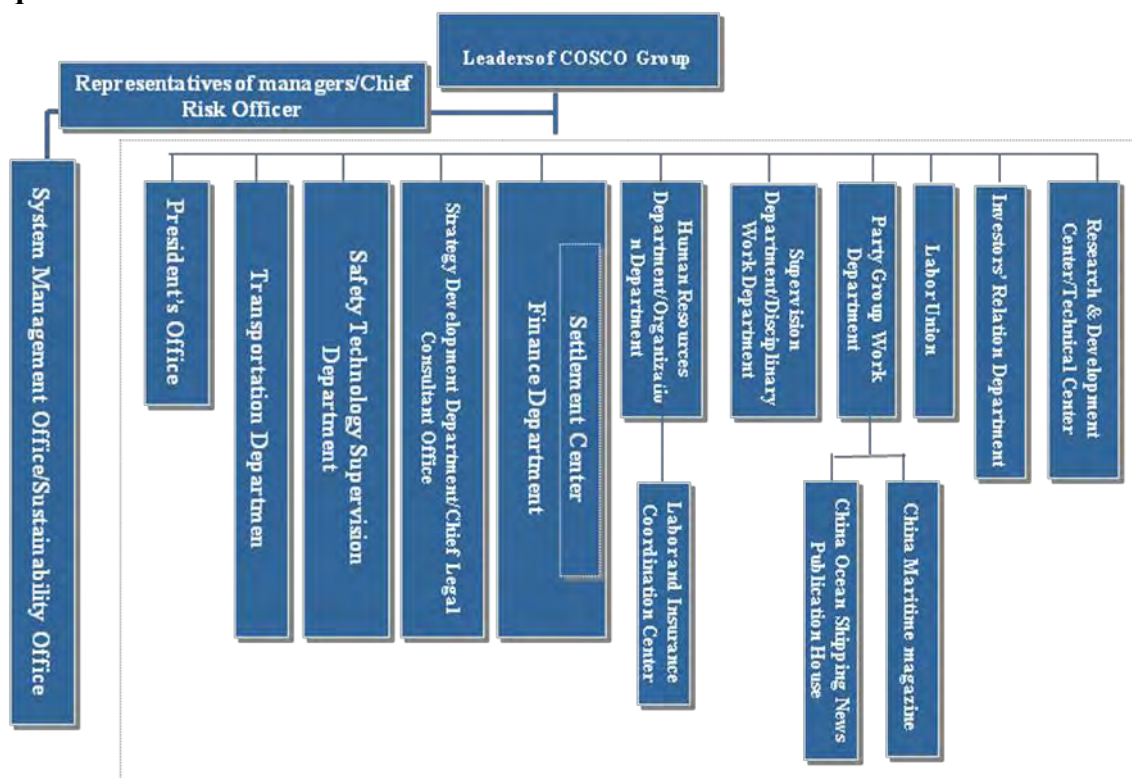
4	Leadership Group and Office for Execution of the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision	Acting in the requirements of the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision of the CPC Central Committee and the Detailed Suggestions on Carrying out the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision of the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council and making overall deployment and arrangement; organizing, leading and promoting the work to promote the COSCO Group's Opinions on Carrying out the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision, researching and putting forward the opinions and requirements for promoting the work in line with the progresses of aforesaid work and ensuring the implementation of the work.
5	Leadership Group for Control of Commercial Bribery	Implementing and carrying out the guidelines and policies of the CPC Central Committee and the State-owned Assets Supervision and Administration Commission of the State Council with regard to promotion of the special work to control commercial bribery; researching, deploying, guiding and coordinating the special work to control commercial bribery; researching and dealing with other important issues related to the work to control commercial bribery.
6	Safety Production Committee	Being responsible for safety management work.
7	Leading Group and Working Group for Security, Stability-keeping and Disposal of Emergent Events of COSCO Group Headquarters	Actively engaging in the emergence response work regarding to social stability, security and employees' safety according to the arrangements of the central government; researching and solving the mechanism of collecting employees' opinions the letters and calls as well as the massive events of COSCO Group; organizing and guiding the implementation of public security supporting measures; uniformly commanding and coordinating the emergence response work regarding to social stability, security and employees' safety of COSCO Group's member units home and abroad; perfecting the alarming mechanism and responding mechanism for substantial emergencies to ensure the smoothness of direction and information channels; keeping in touch with the superior authorities to timely report key and important issues.

III. Decision-making Procedures and Structure

To fulfill its strategic objectives, COSCO Group established strict governance structure in accordance with the requirements on modern enterprise system. COSCO Group headquarters takes the Presidents' Meeting as the highest decision-making unit and sets up its administrative governance structure making up of ten divisions and two centers which fulfill their respective functionalities.



Organizational Chart of Modern Enterprise Management System of COSCO Group Headquarters



IV. All-staff Participation and Communications Mechanism

All employees of COSCO Group are encouraged to participate in the construction of the enterprise and the fulfillment of social responsibility. The Group enhanced its training, popularization and education regarding social responsibility among the employees, continued to adopt innovative management ideas and methods, and made efforts to establish corporate values and culture focusing on social responsibility. In addition, the Group built a sustainability information management platform with IT technology, which not only improved the efficiency of systemic implementation, but also enhanced the employees' awareness for social responsibility in a comprehensive way. Various types of advanced management technologies were adopted, for example, flow management, strategic map and balanced score card, etc., to ensure that the Group's goal to implement the Global Compact and social responsibility could be reflected in the work of every employee.

COSCO Group has established corresponding communications mechanism for different layers within the group, and the group headquarters adopt forms such as monthly operational meeting, system video conference and other forms to communicate with affiliated enterprises. Within the group, forms such as President's work meeting, special conferences, coordination conferences, work liaison list and OA system are taken for communications. Besides, horizontal and vertical communication mechanism was established between management divisions to determine the communications



channels, methods and time limits, so as to make the communications more timely and effective.

In the communication process, COSCO Group has placed special emphases on rights and interests of the shareholders, managers and employees, and recognizes that employees form an important part of the enterprise. All units affiliated to COSCO Group had established the system of the workers' congress and held the workers' congress on a regular basis to listen to and respond to opinions, requirements and suggestions of employees, participate in administration to develop related proposals, review the related issues and release the reports on investigation and research of certain issues.

COSCO Group established a standard external communication mechanism and relevant response mechanism. The investors' relation department insisted upon bidirectional communication, actively reaching out to the media and collecting the investors and media's opinions, suggestions and reports, analyzing external responses and reporting to competent authorities regularly. Two journals, Media Information Watch and Investors' Relation Monthly, were published, along with some theme reports that came out regularly. These reports provided the decision makers with the capital market's opinions, suggestions and advices for the company, the industry and major projects, and were therefore invaluable for the company's decision-making process.

V. Supervision over the Management Team

SASAC has enhanced supervision over financial department and the supervisory board of central SOEs. Chairman of the Supervisory Board carefully performs its supervision functionalities and objectively reports the status of the enterprise.

Focusing on the Focusing on the investor's role of administrating and supervising state-owned assets, COSCO Group carries out innovation on internal supervision mechanisms to ensure the effective administration and supervision of state-owned investors. Companies within the territory of China implement the "4-in-1" supervision mechanism (disciplinary inspection, supervision, audit and the supervisory board).

COSCO Group headquarters has compiled the Decision-making Plans Design and Management Procedures, the Rules of Procedure of the President's Working Conference, the Supervision and Management Procedures, and the Internal Audit Procedures, and carried out administration and supervision according to the national laws and regulations and the provisions in the Interim Rules for Management of Top Executives of COSCO Group headquarters.

The democratic evaluations on work of top management team are organized among all staff regularly to collect for opinions from all staff of the management team. The management team puts forward improvement measures and report improvement results with regard to opinions put forward. In the meantime, information disclosure system is adopted to supervise the management team.



COSCO Group also compiled the Working Rules for Audit of Economic Responsibilities of COSCO Group to audit the economic responsibilities of major top executives in their tenures, so as to improve the operational performance based on the auditing opinions and fulfill the international supervision.

VI. Corporate Evaluation Mechanism

Since 1996, COSCO Group headquarters has started signing document of designating annual performance targets for operational performance with its subsidiaries to assign annual targets. On this basis, it gradually promotes annual salary system for corporate senior management team. Over the years, thanks to continuous efforts on establishing and improving its performance evaluation system from top to bottom, COSCO Group has formed a working mechanism for fulfillment of responsibilities and relay of managerial pressure by target decomposition, as well as an intensive mechanism to link income distribution with operational performance. All these mobilize the initiatives of all levels of the management and staff, which facilitate the successful completion of annual and tenure evaluation targets assigned by SASAC.

In early 2010, SASAC issued the newly-revised Interim Methods on Operational Performance Evaluation of Senior Management Team of Central SOEs. The Methods introduce a new operational performance evaluation system focusing on EVA (Economic Value Added) effective from the beginning of 3rd tenure of senior management team of Central SOEs, and therefore the indicator of EVA has been added into the evaluation system henceforth. In accordance with SASAC's overall arrangement and requirements on EVA evaluation, by systematic planning, mobilizing all the staff, deepening the study, COSCO Group has promoted the work steadily and done a great deal of basic work based on practical situations, such as training personnel in charge of operational performance evaluation, finance and human resources from second-tier subsidiaries in the aspect of EVA evaluation, inviting experts to lecture on the theories and practices of EVA evaluation, adding the indicator of EVA in the agreements of responsibility for the first time in 2010, organizing EVA training video conference throughout the entire COSCO Group, drawing up the Interim Methods on EVA Evaluation of COSCO Group in October 2010, all of which have ensured the effective promotion and implementation of EVA evaluation in the entire COSCO Group.

VII. Personnel Evaluation Mechanism

To further enhance the management of corporate leaders, COSCO Group established a market-oriented leadership assessment system combining comprehensive quality assessment and business management performance evaluation which was in accordance with the Interim Procedures for the Management of Corporate Leaders at COSCO Headquarters, in line with the principles of honesty, fairness and objectivity and which combined evaluation with cultivation, comprehensive quality assessment with business performance evaluation, qualitative assessment with quantitative



evaluation. The Group also introduced talent quality assessment and scientific management techniques that incorporated sustainability indicators.

COSCO Group has ceaselessly enhanced the management over its leaders in accordance with the regulations such as COSCO Group Interim Methods for Management of Corporate Leaders. It has established market-oriented corporate leaders evaluation and appraisal system based on the rules of truth-seeking, objectiveness and fairness and the principles of “combining evaluation and appraisal with usage and cultivation, combining comprehensive quality evaluation with operational and management performance, and combining qualitative and quantitative evaluations”. It also introduced scientific management techniques such as talent quality evaluation and evaluation containing sustainability indicator.

COSCO Group has made adjustment to management team of its second-tier subsidiaries in 2010. It conducted comprehensive evaluations on nine companies, i.e. COSCON, COSCO Bulk, COSCO Qingdao, Zhongbo, COSCO Finance, CHIMBUSCO, COSCO Pacific, COSCO Hong Kong and COSTACO. It also adjusted 33 managers (46 person-times) at COSCON, COSCO Bulk, COSCO Guangzhou, COSCO Qingdao, Zhongbo, COSCO Finance, CHIMBUSCO, Qingdao Ocean Shipping Mariners College, COSCO Hong Kong, COSCO Europe, COSCO Africa and Taiwan Representative Office, with the adjustment rate reached 25%.

It has established competition-based talent selection mechanism, promoted open recruitment and widened cadre selection and appointment channels. So far, open recruitment and competitive post system have become important approaches for COSCO Group to select and appoint new leaders. From December 2009 to October 2010, it implemented competitive post system for three administrative posts and three associated posts of four organs and centers, with probation period and tenure period implemented.

VIII. Internal Statements, Behavioral Principles and Implementation Situations Relating to Economic, Environmental and Social Performance

With an aim to fulfill the obligation of “gradually developing and enhancing its leading position in international shipping, logistics business, terminal operation and ship-building and ship-repairing industries, keeping honest and trustworthy relationships with customers, employees and partners, and bringing best returns to shareholders, the society and the environment”, COSCO Group has determined the core concept of COSCO Group’s cultures, namely “maximizing the corporate value, economic benefits and returns to shareholders”. It also compiled the COSCO Group 11th Five-year Plan for Corporate Culture Construction” based on the “COSCO Group 11th Five-year Development Planning” to define the guiding ideologies, basic principles, objectives, and methods for corporate culture construction of COSCO Group in next five years. For instance, COSCO Group’s environmental-protection specification is comprehensive management, cherish the resources, environmental protection and responsible employees. In the production and operation processes,



COSCO Group has been dedicated to protecting the environment and cherishing the earth resources. It has supported and participated in ecological protection activities and improved ecological environment of enterprises as a “social responsibility undertaker”. The COSCO Group Corporate Culture Construction Outline regulates the behavioral standards and criteria of COSCO Group, such as public relation criteria and principles to treat public opinions. In 2010, COSCO Group completed the compilation of COSCO Group 12th Five-year Development Plan and started the compilation of COSCO Group 12th Five-year Plan for Corporate Culture Construction. All internal statements and behavioral principles would be further improved and amended.

Corporate culture construction has integrated with production, operation and management work of the company. The guidelines and policies regarding economy, environment, safety and anti-corruption formulated by COSCO Group have been implemented, which elevated the group’s operation and management level as well as its brand image. The construction of social responsibility culture and corporate culture has become voluntary behaviors of operators and staff of all units, and a favorable atmosphere of wide participation and devotion as well as COSCO Group’s unique corporate culture have been formed. These provide perpetual power for its continuous, rapid and healthy development.

Part II Main Policies and Management Systems

I. Overview of COSCO Group’s Management Systems

Since 1998, COSCO Group has adopted quality management systems to regulate its decisions and management behaviors. It has insisted on assessing risks and opportunities of enterprises and products, and has endeavored to reduce all kinds of risks in enterprises business activities. After 10 years of development, COSCO Group has set up a sustainability system with risk management as its main route.

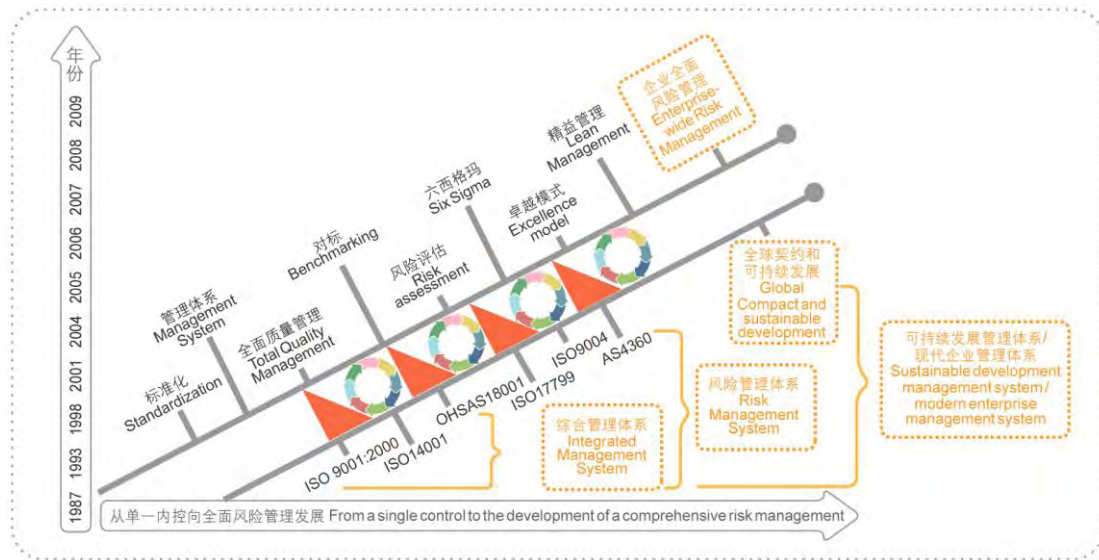
Since joining Global Compact in 2005, COSCO Group has insisted on integrating the ten principles of Global Compact into its strategies and operation, striving for realizing UN Millennium Development Goals, working together with other parties to meet the challenges, and exploring enterprise sustainability modes suitable to developing countries. It has formulated enterprises’ business policies, strategies and development goals in short, medium and long terms, to actively meet future challenges.

Through training and appropriate incentive mechanism, COSCO Group and its second-tier companies successfully enhanced the employees’ enthusiasm to participate in management work. It has innovatively and dynamically integrated the methods of standardization, management systems, TQM, benchmarking, risk assessment, six-sigma, performance excellence model, lean management and etc. It has enhanced and perfected the management systems on quality, environment, occupational safety, information security, risk management into comprehensive risk management systems and sustainability management systems, which are made them to be consistent with its



sustainability strategies, and established a long effective mechanism for fulfillment of sustainability.

Innovation Processes of COSCO Group's Sustainability Management



Through systematic improvements of organization and management systems and all-round carding of management procedures and all segments, COSCO Group has enhanced itself from internal control managements to overall risk managements, with major management programs raised to 67 items, subprograms raised to 219 items, meeting the basic standards of COSCO Comprehensive Risk Management Framework, Central Enterprise Comprehensive Risk Management Guidelines issued by SASAC, as well as the Basic Standard for Enterprise Internal Control of Listed Companies and the National Standards for Risk Management(GB/T24353-2009). These provide guarantees for it to protect and control risks, realize sustainability and cope with financial crisis successfully.

Chart for COSCO Group's Efforts to Implement the Global Compact and Establish Sustainability Management System



中远集团实施全球契约 建立可持续发展管理体系程序图
Chart for COSCO Group's efforts to implement the Global Compact and establish sustainable development management system



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
Internal environment	Basis for internal control of the enterprise, generally include company governance structure, establishment of organizational institutions and responsibility assignment, human resources policies, corporate culture and other basic elements for enterprise internal control & management	Corporate governance structure management	Working procedures for selecting and dispatching senior managers	Management procedures for selecting and dispatching directors and supervisors	Sub-procedures for management work of selecting and dispatching directors and supervisors
				Directors business management procedures	Sub-procedures for management work of dispatching directors
				Supervisors business management procedures	Sub-procedures for basic management work of dispatching supervisors by the headquarters
					Sub-procedures to assign business guidance and training work for supervisors
					Sub-procedures to assign daily liaison work of supervisors
					Sub-procedures for assisting in or conducting supervision and inspection on the company under the entrustment of dispatched supervisors
				Management procedures to execute power of shareholders (reserved)	Sub-procedures for macro guidance over work of the board of supervisors of the stock holding companies
		Management procedures of shareholders' associations of the company	Sub-procedures for management work to execute power of shareholders (reserved)		
		Organization and management of the company	Organizational institution and establishment management procedures	Organizational establishment and committee management procedures	Sub-procedures for institutions and post arrangement work
					Sub-procedures for committee management work



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
		HR management of the company	HR management procedures	HR development and management procedures	Sub-procedures for HR policy research work Sub-procedures for HR planning formulation work of COSCO Group headquarters Sub-procedures for employee recruitment Sub-procedures for internal transfer of employees Sub-procedures for assessment of employees at headquarters Sub-procedures for post appointment and removal of employees at headquarters Sub-procedures for resignation of employees Sub-procedures for dispatch of employees abroad Sub-procedures for talent team cultivation of the system Sub-procedures for assessment of leaders Sub-procedures for post appointment and removal of leaders Sub-procedures for seaman management work
				Procedures for salary management	Sub-procedures for management of total salary plans Sub-procedures for the work to link total payroll with the performance of an enterprise Sub-procedures for salary statistical work Sub-procedures for management of income of corporate leaders Sub-procedures for salary management work of ocean shipping seafarers in domestic market Sub-procedures for salary management work of land-based units in domestic market Sub-procedures for salary management work of offices in foreign countries Sub-procedures for salary management work of administrative employees at headquarters Sub-procedures for salary management work of direct subsidiaries and joint venture units Sub-procedures for welfare management work of employees Sub-procedures for supervision and inspection of salary income of the year
				Labor insurance management procedures	Labor insurance management procedures



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
				Training management procedures	Sub-procedures for formulation of annual training plans Sub-procedures for implementation of detailed training projects Sub-procedures for all departments and centers to dispatch employees to attend trainings Disposal procedures for temporary training projects (out of the plans) Procedures for overseas studying financed by the company Procedures for after-training evaluation
		Corporate culture management	Procedures for corporate culture management	Corporate culture building and promotion procedures	Procedures for corporate culture building and promotion
Target setting	Board of directors and management team of the company set the strategic and operational targets of the company based on its risk preference.	Strategic decision-making management of the company	Scientific strategic decision-making procedures	Procedures for design and control of decision-making plans	General sub-procedures for design and control of decision-making plans
				Decision-making procedures of the President's Working Office	Sub-procedures for decision-making of the President's Working Office
				Decision-making procedures of the party member meeting	Sub-procedures for preparation work of the party member meeting Sub-procedures for holding of the party member meeting Sub-procedures for resolution, task assignment, implementation and inspection work of the party member meeting
		Management of company's strategic planning	Procedures for formulation of strategic planning	Procedures for management of development strategies and planning	Procedures for management of development strategies and planning Procedures for development strategies formulation and revision
		Management of operational plans of the company	Procedures for analysis of operational activities of the company	Procedures for analysis of economic activities	Procedures for analysis of economic activities
			Target management procedures	Procedures for control of annual plans and assignment of tasks	Sub-procedures for control of annual plans and assignment of tasks



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
			Procedures for operational statistics of the company	Comprehensive statistics management procedures	Sub-procedures for comprehensive statistics management work Procedures for transportation and production statistical work
			Operational performance evaluation procedures	Management procedures for operational performance evaluation	Sub-procedures for SASAC's issuance of letter of responsibility for operational performance Sub-procedures to issue letter of responsibilities for operational performance to responsible persons of direct subsidiaries home and abroad
Item identification	Board of directors, management team and other employees confirm the internal and external risk elements that affect target fulfillment of the company.	Risk identification management	Risk identification procedures	Risk identification procedures	Procedures for collection of risk information Procedures for risk identification
Risk evaluation	The company timely identifies and systematically analyzes risks related to fulfillment of internal control targets in its operational process, and reasonably	Risk evaluation management	Risk assessment procedures	Risk assessment procedures	Organizational work for comprehensive risk assessment Comprehensive risk identification and assessment Procedures for assessment of environment and occupational safety and health risks Procedures for assessment of information security risks Procedures for risk responding



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures		
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)	
	determines the procedures and methods to formulate risk dealing strategies		Procedures for key risk emergency response	Procedures for emergency preparation, response and disposal	Procedures for emergency response	
			Procedures for special risk responding	Procedures for management of risks of correlated parties	Disposal of potential accidents and emergent situations of COSCO Group	
				Procedures for management of information security risks	Procedures for customer responding	
					Procedures for letters and visits	
				Procedures for security risk management	Procedures for satisfaction evaluation	
					Procedures for information security management	
					Procedures for management of environmental risks	Procedures for management of safety committee and offices
						Procedures for engine management
						Sub-procedures for ship communications and navigation management
						Procedures for management of safety risks
					Procedures for management of financial risks	Procedures for security management of shipping safeguard and ISPS Rules performance
			Procedures for land-based security management			
				Sub-procedures for labor security management of seamen		
				Sub-procedures for security risk management		
				Sub-procedures for maritime management		
				Sub-procedures for management of environmental risks		
				Sub-procedures for management of ship fuel futures risks		
				Sub-procedures for management of interest rate risks		
				Sub-procedures for management of risks of long-distance shipping freight agreements		



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
					Procedures for management of exchange rate risks (Long-term foreign currency settlement and purchase trade of Renminbi)
					Procedures for management of exchange rate risks (forwards, futures and option trade between non-Renminbi currencies)
					General procedures for management of financial risks
					Sub-procedures for management exchange rate risks (Renminbi foreign currency purchase and settlement trade and non-Renminbi buying and selling trade)
Control activities	The company adopts responding control measures to control the risks within the controllable scope based on risk evaluation results.	Legal management of the company	Procedures for management of legal risks (procedures for external law-compliance management)	Procedures for management of legal risks	Prevention and control of legal risks Laws and regulations collection and identification
					Procedures for legal work related to project operation
					Disposal of dispute sand cases
			Procedures for contract management	Procedures for contract management	Procedures for management of external lawyers
					Sub-procedures for contract management
					Procedures for compilation of financial reports
		Financial management of the company	Procedures for financial and accounting settlement management	Procedures for financial management	Procedures for management of risks of SAP financial accounting information system
					Sub-procedures for capital management
					Sub-procedures for debt management
					Sub-procedures for capital distribution
					Procedures for short-term Renminbi investment
					Procedures for compilation of financial expenditure
Procedures for financial management	Procedures for financial management	Procedures for financial management	Procedures for management of expenditures of business units		
			Sub-procedures for tax management		
			Procedures for management of administrative expenditures		
			Procedures for financial settlement at year-end		
					Procedures for financial information



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
					management Procedures for financial management of enterprises in foreign countries Management procedures for review and filing of state-owned assets approval report Management of registration and annual inspection of property rights of state-owned assets Procedures for financial evaluation of operation and management responsibilities Procedures for tax management Procedures for compilation of financial expenditure Sub-procedures for settlement work of half-year financial reports Sub-procedures for financial settlement work (including settlement procedures for year-end, half-year, Q1 and Q3) Procedures for investment management
		Management of investment and financing of the company	Procedures for investment and post-evaluation	Procedures for investment management Procedures for post evaluation	Procedures for past-evaluation internal control
			Procedures for financing management	Procedures for financing management	Procedures for debt financing management Sub-procedures for equity financing
		Operation and management of the company	Procedures for scientific innovation management	Procedures for scientific management Procedures for statistics of technical innovation and technological activities	Management of key and urgently needed scientific research projects Sub-procedures for statistics of technical innovation and technological activities Sub-procedures for shipping strategy research and planning
			Procedures for company business operation and management procedures	Procedures for transportation management	Sub-procedures for distribution and production management Sub-procedures for logistics management Sub-procedures for transportation and production management Procedures for agency management Sub-procedures for freight and navigation fee management



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures		
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)	
					Sub-procedures for insurance compensation management	
					Sub-procedures for fuel and lubricant management	
					Sub-procedures for shipping exchange and international organization management	
					Procedures for customer relations management work	
					Procedures for terminal management	
					Shipping laws, regulations and convention management	
			Procedures for capital operation	Procedures for management of capital operation		
			Procedures for management of transaction of the company and correlated parties	Procedures for company management	Sub-procedures for management of transactions of correlated parties	
					Sub-procedures for management of joint ventures and joint operation companies	
					Sub-procedures for management of ship buying and ship-building	
		Company asset management	Management procedures for ship buying and clearance	Management procedures for ship buying and selling	Sub-procedures for management of ship retirement	
				Procedures for management of ship retirement	Sub-procedures for management of non-operational fixed assets	
			Procedures for asset management	Procedures for asset management	Sub-procedures for management of equity transfer of state-owned assets	
					Sub-procedures for management of information assets	
					Sub-procedures for social responsibility and construction of harmonious enterprise	
Information and communications	Information and communications refers to the enterprise's efforts to timely and accurately collect and deliver information related to internal control, and	Social responsibility management	Procedures for management of social responsibilities	Procedures for social responsibility and construction of harmonious enterprise	Sub-procedures for COSCO Charity Foundation	
					Sub-procedures for Tibet-aid and poverty-aid work	
			Procedures for management of sustainability	Procedures for sustainability reporting	Procedures for sustainability reporting	
					Sub-procedures for management of sustainability management information platform	



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures		
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)	
	ensure effective communications of information within enterprise and the enterprise with external parties			Procedures for management of sustainability management information platform	Procedures for management of classification and work division of relation management	
		Company relation management	Procedures for relation management	Procedures for relation management	Procedures for management of public relationship	
					Procedures for management of key informationization projects	
		Company information management	Procedures for informationization and standardization management	Procedures for informationization management	Procedures for management of informationization investment projects	
					Procedures for management of IT standards	
			Procedures for information exchange and disclosure (procedures for management of annual reports)	Procedures for information exchange and disclosure	Sub-procedures for information exchange work	
					Sub-procedures for information disclosure work	
					Sub-procedures for management of communications and PC operation, maintenance outsourcing management of administrative offices	
			Procedures for information communications and network-based management	Procedures for management PC software, hardware and network	Procedures for communications of organs	Procedures for management of communications business of administrative offices
						Sub-procedures for information collection, integration and sharing
		Procedures for information collection and management		Procedures for intelligence, research results, information integration and sharing	Sub-procedures for intelligence collection and disposal	
					Sub-procedures for sharing of research achievements	
		Management procedures for openness of factory affairs	Management procedures for openness of factory affairs	Management procedures for openness of factory affairs	Sub-procedures for information collection and disposal	
					Working process for openness of factory affairs	
		Administrative management of the company	Procedures for daily management of the enterprise	Procedures for daily management of the enterprise	Working processes for compilation of overseas development planning and working plans	
Sub-procedures for related system management working processes						
Sub-procedures for management of important company affairs						
Procedures for compilation of development planning for shipbuilding, ship-repairing and ship service-related industries as well as implementation of annual plans						
			Sub-procedures for document receiving			
			Sub-procedures for document issuance and information letters			
			Sub-procedures for management meeting			



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
			Procedures for document disposal	Procedures for document disposal and control	summaries Sub-procedures for management of telephone records Sub-procedures for letter receiving and disposal Sub-procedures for seals and letters management work Sub-procedures for achieve management Sub-procedures working conference of China COSCO's system
			Procedures for organization of meetings	Procedures for organization of meetings	Sub-procedures for medium-sized meetings Special conferences Sub-procedures for distribution conferences Sub-procedures for management of telephone conferences on transportation and production Sub-procedures for analytical conference of monthly economic benefits Sub-procedures for operation management committees Sub-procedures for compilation and control of annual meeting plans Sub-procedures for other unlisted meetings and implementation of aforesaid regulations in accordance with the scale Sub-procedures for management of official activities
			Procedures for management of official activities	Procedures for management of official activities	Sub-procedures for management of fixed assets of logistics
			Procedures for administrative management work	Procedures for administrative management work	Sub-procedures for management of commercial vehicles Sub-procedures for administrative procurement (bidding and tendering) Sub-procedures for management of office and housing properties Sub-procedures for management of going abroad task on business trip
			Procedures for foreign affairs management	Procedures for foreign affairs management	Sub-procedures for management of overseas dispatch residence Sub-procedures for management of labor overseas dispatch tasks Sub-procedures for passport application and management Sub-procedures for handling of outbound certificates Sub-procedures for handling of visa Sub-procedures for handling of exit-entry permit for travelling to and from Hong Kong and Macau and visa



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures			
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)		
					Sub-procedures for foreign affairs reception work		
					Sub-procedures invitation of foreign guests to China		
					Sub-procedures for management of outbound reception		
					Sub-procedures for management of public relations		
					Sub-procedures for enhancing and improving party building work		
		Party group management of the company			Procedures for management of party building work	Procedures for enhancing and improving party building work	Procedures for labor protection of the Workers' Unions
					Procedures for management of Trade Unions	Procedures for management of Trade Unions	Procedures for management of labor models
							Procedures for work related to female employees
							Procedures for organization of Trade Unions
							Cultural education and promotion work of the Group's Trade Unions
							Compilation of information of Trade Unions
							Financial Management of the Trade Unions
Sub-procedures for document management and letters and visits of Trade Unions							
Procedures for warmth-sending work							
Sub-procedures for democratic work of employees							
Carrying out "excellent competition" activity							
Training on cadres of Trade Unions							
Guiding subsidiaries to carry out cultural and sports activities of employees							
Procedures for equal negotiation and collective contracts							
Procedures for work-related to directly affiliated party committees							
Procedures for management of directly-affiliated party committees and league committees				Procedures for work-related to directly affiliated party committees	Procedures for work-related to league committees of the company		
				Procedures for league committees management of COSCO Group	Procedures for party group work		
Procedures for party group work				Procedures for party group work	Sub-procedures for organizational work		
					Compilation of management system documents		
Supervision and control	Supervision and inspection on internal control establishment and implementation	Internal control and management of the company	Procedures for system revision and management	Procedures for formulation and revision of rules, regulations and internal control system	Procedures for formulation and revision of rules and regulations		
					Sub-procedures for management system and internal control system management work of COSCO Group		



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainability management structure and procedures	
Internal control elements	Description of internal control elements	Internal control & management structure	Requirements for internal control & management procedures	Existing procedures	Existing sub-procedures (2010)
	situations, evaluation on effectiveness of internal control, finding internal control defects and making improvements timely		Internal control process management procedures	Management system process control procedures	Focusing on six-sigma lean management
				Procedures for evaluation of effectiveness of internal control	Sub-procedures for internal control activity development work
		Discipline inspection and supervision management of the company	Procedures for internal supervision and inspection work	Procedures for internal audit	Sub-procedures for inspection and appraisal of effectiveness of internal control
				Procedures for working style building and control at headquarters	Procedures for internal audit work
				Supervision and control procedures	Sub-procedures for working style building of headquarters
					Sub-procedures for management work of supervision and control

II. Management Systems and Internal Control Systems of Affiliated Companies

COSCO Group has long been dedicating itself to management system innovation, and innovatively designed sustainability management system by succeeding its management system models. All affiliated companies have stuck to the 16-step method. With the overall system of quality, environment and occupational safety as its basis, and sustainability and risk management as its main routes, they have applied the method of Lean Six Sigma to gradually integrate COSCO Group's sustainability guideline systems into relative procedures and activities of production and operation management. These efforts enable them to form targeted sustainability systems, strengthen managements on procedures and programs, regulate its social responsibility behaviors and co-establish COSCO Group's sustainability management system platform.

In 2010, COSCO Group continued to strengthen its internal control system construction, and conducted necessary inspection and evaluation on internal control conditions of the headquarters and affiliated companies, in accordance with the "Internal Accounting Control Regulations — Basic Regulation (Trial)" and relative specific regulations released by the Ministry of Commerce and the Guidelines for Internal Control of Listed Companies released by Shanghai Stock Exchange, and with a reference to the "Basic Standard for Enterprise Internal Control" released by five ministries and commissions. Through the four steps of internal control diagnosis and evaluation, internal control system building and improvement, internal control examination, and internal integration and informationization construction, they have established the internal control systems throughout entire COSCO Group's system. The main missions include: first, to realize internal control construction and operational effectiveness, specifying gaps and shortcomings of internal control, and to start a comprehensive risk assessment in the headquarters in the mean time, specifying existing grave risks inside the companies and the emphasis of working for risk managements and internal control then;



second, to further optimize and perfect the internal control systems in the headquarters, meanwhile, to establish a healthy internal control system framework throughout the whole company system, instructing affiliated companies to comb their internal control systems and program framework step by step, and starting risk assessments, constructing and perfecting internal control systems of the affiliated companies; third, conforming to the standards of “Enterprise Internal control Assessment Guideline”, to design a effective assessing mechanism of COSCO Group, including internal control effective assessment standards and procedures, defectiveness cognizance standards and procedures, providing sufficient and normative formula and programs for independent assessments and audit supervising, and to implement inspections on internal control improvement to affiliated companies, ensuring the internal control systems of affiliated companies were running effectively and perfecting continually; fourth, combining the inner construction achievements of headquarters and affiliated companies, to realize butt joint and integration of internal control systems in different levels of the companies, to fulfill sufficient communication and comprehensive enforcements of all internal control elements and procedures, and to layout the construction systems of companies’ internal control information systems at the same time, based on the companies’ informationization situation, targeted on the requirements of MOF on internal control regulations and companies’ internal control.

China COSCO has the board of supervisors, which supervises the board of directors’ establishment and implementation of internal control, pays attention to those risky behaviors baffling the companies to realize operation goals, threatening the companies’ assets security, disguising the authenticity of companies’ information, violating laws and regulations, and reminds the companies of correction and improvements. There is also the audit committee under the directorate, assisting the directorate with examining companies’ overall risk managements and internal control systems’ establishments and soundness, supervising the application effectiveness of internal control and its self-assessment situation, coordinating internal control examination and auditing, and applying discussions on companies’ annual “internal control self-assessment reports”. Besides, the companies also organize internal control inspection teams every year, which are responsible of concrete implementation of internal control systems’ self-assessment effectiveness during the year.

III. Certifications Obtained by Affiliated Companies

All companies under COSCO Group carefully applied the management system methods to implement corporate management, and adopted third-party assessment and certification to promote their continuous improvements.

1. Quality management system certification: All companies affiliated to COSCO Group adopted the ISO9000 quality management system standards to manage their product and service quality, as well as the decision-making and operation quality. In 2009, the companies formulated their upgrading plans in accordance to the upgrading requirements to promote the ISO9001:2008 management system certification work.



2. Environmental management system certification: All companies affiliated to COSCO Group established their environmental management system according to the requirements of ISO14000 environmental management system standards. The system served as a basic mechanism for the implementation of the Declaration on Climate Change initiative, and helped to practice relevant national and international conventions on energy conservation and emission reduction.

3. Occupational health and safety management system certification: All companies affiliated to COSCO Group established their safety management system in accordance with the requirements of the OHSAS18000 occupational health and safety management system standards to ensure production safety and occupational health and safety. They also implemented standardized management in terms of mental and physical health to ensure basic rights and interests of employees.

4. ISM and SPS certification: All shipping companies under COSCO Group established management system in accordance with international safety management rules ISM and security rule SPS to ensure the safety of the vessels, employees and properties and to prevent ocean pollution.

5. Other management system certifications: All companies affiliated to COSCO Group established their special management systems in accordance with industrial requirements and demands of customers. COSCO Dalian, for instance, established the HSE management system and accepted evaluation of relevant parties.

NO.	Company name	Certificates obtained
1	COSCO Group headquarters	Quality management system certificate issued by DNV and CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environment management system certificate issued by DNV and CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by DNV and CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards;
2	COSCON	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9000:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate



NO.	Company name	Certificates obtained
		issued by CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards;
3	COSCO Bulk	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards;</p> <p>Compliance certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government;</p>
4	COSCO Shipping	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; and environment management system certificate issued according to ISO14001:2004 environment management standards; and occupational health and safety management system certificate issued according to OHSAS18001:2007 occupational health and safety management system standards;</p> <p>Compliance certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Panama, Malta, and China Hong Kong Flag State Government;</p>
5	COSCO Qingdao	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environmental Management System Certificate issued by the Quality Certification Company of China Classification Society accordance to ISO14001:2004 environmental management system standards;</p> <p>Occupational Health and Safety Management System Certificate issued by the Quality Certification Company of China Classification Society accordance to OHSAS18001:2007</p>



NO.	Company name	Certificates obtained
		occupational health and safety management system standards; Compliance certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government;
6	COSCO Dalian	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards; Qualification certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government;
7	COSCO Xiamen	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards; Compliance certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government;
8	COSCO Hong Kong	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate



NO.	Company name	Certificates obtained
		<p>issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;</p> <p>Qualification certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government;</p>
9	COSCO Logistics	<p>Quality management system certificate issued by British Standards Institute according to ISO9001:2008 quality management system standard;</p> <p>Environment Management system certificate issued by British Standards Institute according to ISO14000:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by British Standards Institute according to OHSAS18001:2007 occupational health and safety management system standards</p>
10	COSCO Shipyard	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;</p>
11	COSCO Shipbuilding	<p>Quality management system certificate issued by DNV according to ISO9001:2008 quality management system standards;</p> <p>Environment management system certificate issued by DNV according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system issued by DNV according to OHSAS18001:2007 occupational health and safety management system standards;</p>
12	China Marine Bunker (Petro	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality</p>



NO.	Company name	Certificates obtained
	China) Co. Ltd	<p>management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;</p>
13	COSCO Hainan Boao	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;</p>
14	COSCO Ocean Shipping Tally Company	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;</p>
15	COSCO Manning cooperation inc.	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;</p>



NO.	Company name	Certificates obtained
16	COSCO UK	Quality management system certificate issued by British Standards Institute according to ISO9001:2008 quality management system standards; Compliance certificate issued by DNV according to ISM rules under the authorization of Flag State Government

IV. On-site Evaluation of Management Systems and Sustainability Report

COSCO Group realizes that the reliability levels of social responsibility and sustainability reports determine the trust levels of relative sides, which will further influence enterprises' international status and reputation. To enhance the reliability of reports, the annual sustainability reports of COSCO Group are all submitted to the third part for examination and check established by DNV and UN Global Compact China Network Center jointly.

The reliability of reports and quality assurance mechanism established by COSCO Group adopt the most advanced control standards and methods. The reports' reliability is examined in accordance with AA1000 and DNV's sustainability reports examination regulation; the reports' reliability supporting levels are made through sustainability management systems' ranking; sustainability strategy management risk control effectiveness is determined by COSCO Group's comprehensive risk management maturity rating; grass-roots guarantee is based on attestation by the three systems, namely quality, environment and occupational healthiness and safety; to examine reliability of sustainability information platform by ISO27000, and etc. Through a series of examinations and training held unified by COSCO Group headquarters, the sustainability reports writing every year are normatively finished; risk examination and audit working mechanism is normative established; sustainability and overall risk management requirements are satisfied; the reliability of reports is ensured by the preciseness working method by the examination and assessment teams; by making use of the examination tools such as AA1000, "finer examination and check guideline" is wrote, to assess different companies' sustainability abilities in horizontal levels; vertical assessment is to compare companies' sustainability abilities in different phases; in the end, the goal of reliability is achieved.

In accordance with the requirements of AA1000 and under the principles of coordination and consistency, COSCO Group, its affiliated companies and other member units, have reviewed the report successively, ensuring the consistency of system operation criteria.



Decision-making Matrix for COSCO Group Sustainability Report Audit

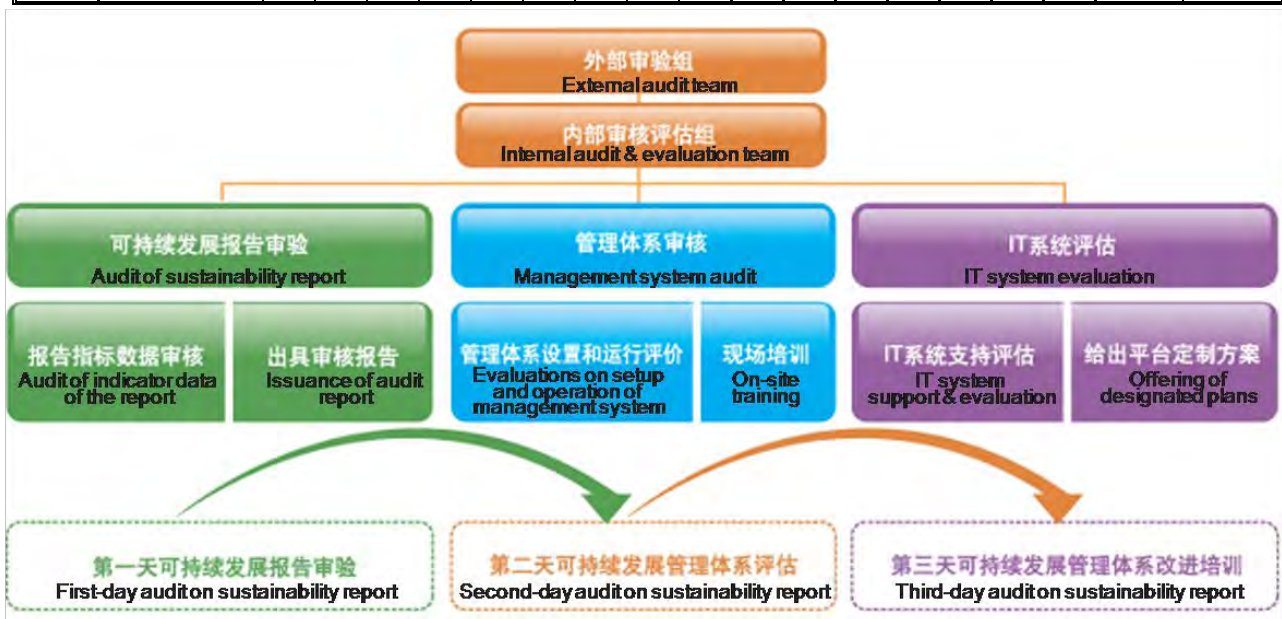
Serial No.	Company	Strategies and General Information		Governance and Management		Economic Performance		Environmental Performance		Labor Performance		Human Right Performance		Social Performance		Product Performance		Risk scores	Risk Level
		Control degree	Scale influences	Supervision and control	Supply chain requirements	Finance	Social investment	Energy-conservation and low-carbon	Pollution prevention	Safety	Human resources	Collective bargaining	Non-discrimination	Community	Anti-corruption	Service product quality	Marketing		
1	COSCON	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	Separate Audit
2	China COSCO	9	9	9	4	4	4	4	4	9	4	4	1	1	4	1	1	9594	Separate Audit
3	COSCO Dalian	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	Separate Audit
4	COSCO Shipping	9	4	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7973	Separate Audit
5	COSCO Pacific	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Together with the Group's Audit



6	COSCO Logistics	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Together with the Group's Audit
7	COSCO Bulk	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Together with the Group's Audit
8	COSCO Hong Kong	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Together with the Group's Audit
9	COSCO Qingdao	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Together with the Group's Audit
10	COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Together with the Group's Audit
11	COSCO Shipbuilding	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Together with the Group's Audit
12	CHIMBU SCO	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Sampling Audit
13	COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Sampling Audit
14	COSCO Guangzhou	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Sampling Audit
15	COSCO Xiamen	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Sampling Audit



16	Hainan Boao COSCO	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	4	2850	Sampling Audit
17	COSCO Manning	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	Sampling Audit
18	COSCO Finance	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1200	Sampling Audit
19	China Ocean Shipping Tally	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	Sampling Audit
20	China Ocean Shipping News	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Sampling Audit
21	Maritime China	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Sampling Audit

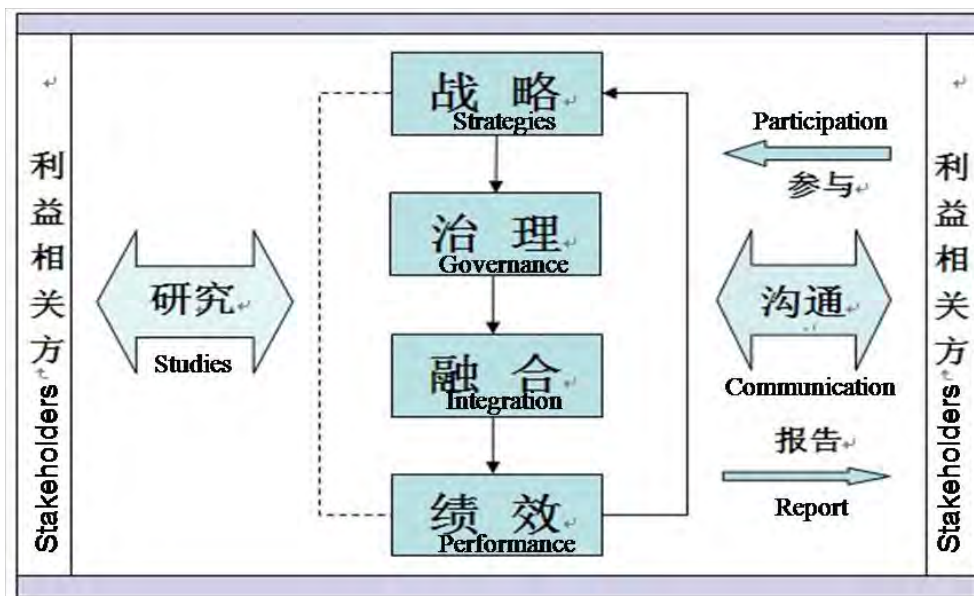




Part III Responsibility Management

COSCO Group carries out responsibility management according to the social responsibility requirements from a number of parties. These include: the implementation guidance on the UN Global Compact, the UN Global Compact's Blueprint for Corporate Sustainability Leadership, and the SASAC's Guiding Opinions on Performance of Social Responsibility by Central Enterprises and Study on the Promotion of Corporate Social Responsibility, etc.

Sextuple Framework of Corporate Social Responsibility



I. Responsibility Strategies

COSCO Group's mission is —gradually establishing and developing a leading position in the fields of shipping, logistics and ship building and maintenance, fostering honest relationships with customers, employees and partners, and rewarding the shareholders, environment and society to the highest extent possible. The Group's core values are —global development and harmonious win-win.” Its development objectives include: human-oriented, market-driven, science and technology-powered, and profitability-centered development, fulfillment of responsibility as a corporate citizen, insisting upon both production operation and capital operation, contributing to the international shipping industry, expanding the logistics and port businesses, developing the ship building and maintenance businesses, exploring the resource and energy businesses, promoting the transformation from a comprehensive shipping company to a comprehensive development company and leading logistics provider, from a transnational operator to a transnational corporation and global company, building a harmonious COSCO, a centenary COSCO and materializing fast, sound and sustainability. Based on the above mission, values and development objectives, COSCO Group has formulated its social responsibility strategies, set its long, medium and short-term goals for sustainability from a strategic perspective, and divided the goals into its Five-Year plan and annual planning so as to ensure the



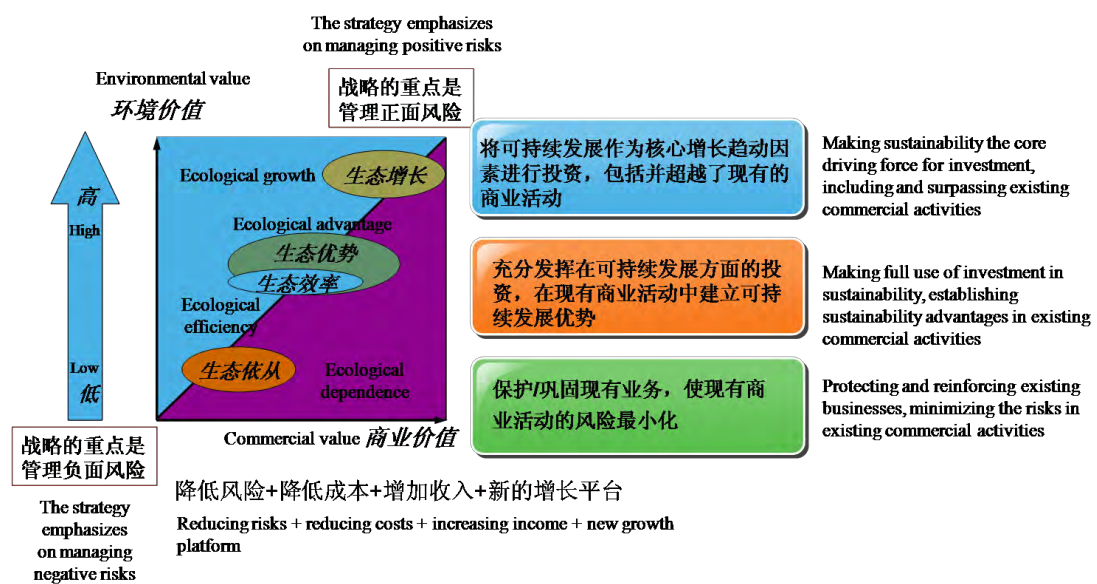
materialization of its sustainability goals.

Starting from 2008, COSCO Group used the six sigma strategy map to analyze its development strategies, so as to ensure its realization in the medium and long term.

A strategy map is an effective tool to transform corporate development strategies into actual practices. It is an innovation in corporate management in the new era. The strategy map is centered round a Balanced Scorecard of four perspectives, namely, Financial, Customer, Internal Business Processes, Learning & Growth. It is a diagram drawn after analyzing the interrelation among the four perspectives to show the causal relations in a company. The key contents of the strategy map include: the company utilizes its intangible assets, i.e. human resources, information and structural resources to innovate and establish its strategic advantages and efficiency (internal flow), and then provides the market (customers) with specific values, and finally realizes the value (financial) of the shareholders.

COSCO Group's domestic and overseas subsidiaries have incorporated the Global Compact and social responsibility into their strategic planning and implemented the work in their daily operation.

COSCO Group has been constantly improving the basic strategic model for its sustainability environment. It endeavors to protect and strengthen its existing businesses, minimize the risks involved in existing commercial activities, make full use of investment in sustainability, and establish ecological efficiency strategic transformation based on its sustainability advantages in existing commercial activities. Further, COSCO Group makes sustainability a key driving force for investment, including and surpassing the ecological growth of all existing commercial activities. The Group has shifted its strategic focus from managing negative risks to managing positive risks. By reducing its risks and costs while increasing and cultivating new growth platforms, COSCO Group has increased its environmental value and commercial value to the largest extent.

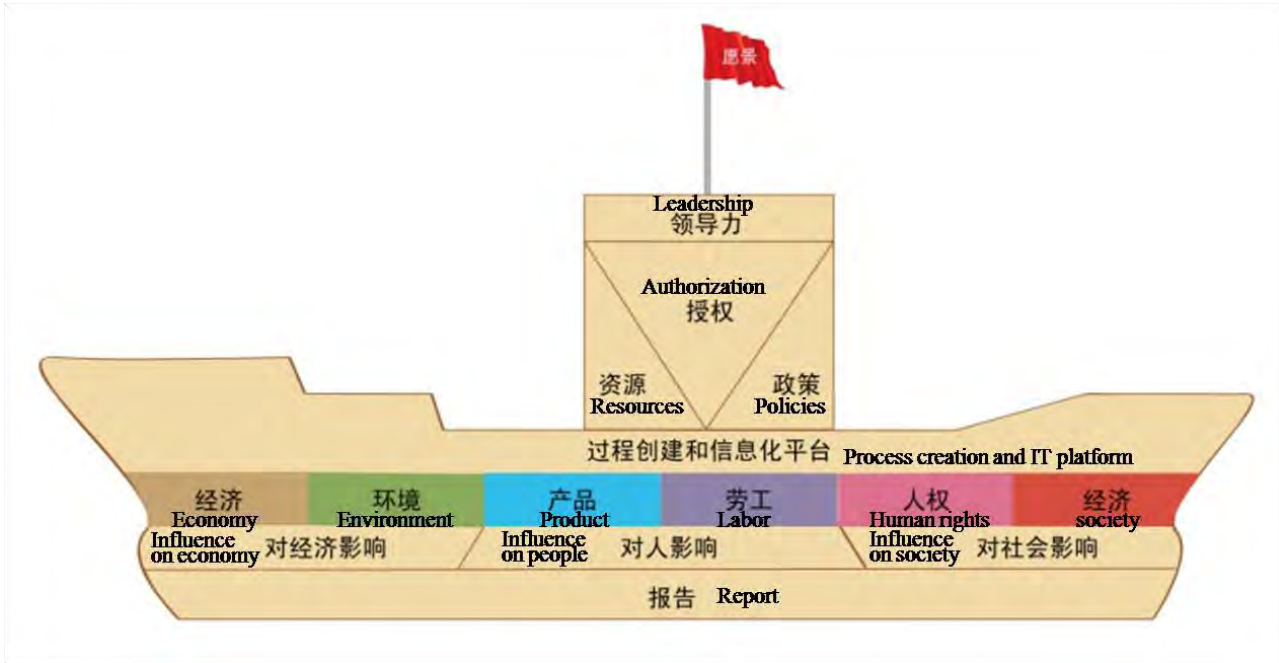


Based on the international assessment standards for corporate sustainability strategic management, COSCO Group formulated six levels for its sustainability strategies: (1) conformity; (2) understanding basic requirements and taking relevant actions; (3) effectively implementing the sustainability system and benefiting from it; (4) thinking with the sustainability strategies, combining sustainability with internal operation; (5) pursuing innovation and excellence in sustainability; and (6) truly realizing sustainability. Starting 2006, DNV began to grade COSCO Group according to this standard. At that time, most international enterprises were graded between level (1) and (2), and only a few outstanding transnational enterprises were graded between level (3) and (4).

In 2006, COSCO Group’s sustainability strategy was graded level 2.5. In 2007, COSCO Group carefully studied and compared the requirements of level 3 and level 4, identified the most important indicators and formulated objectives accordingly, and finally entered the third level of sustainability. In 2008, COSCO Group established the strategies for corporate sustainability—that is, establish strategic management to improve core competitiveness over the next three years, and gradually strive towards the fourth level of sustainability. In 2011, COSCO Group identified a higher objective for social responsibility, and will work hard to achieve the fifth level of sustainability.

(I) Responsibility Model

COSCO Group has established a model for social responsibility, i.e. liner model.



Model structure:

COSCO Group is like a huge vessel formed by different stakeholders.

COSCO Group identified its mission, values and development objectives, established social responsibility leadership in accordance with the UN Global Compact’s Blueprint for Corporate Sustainability Leadership, allocated effective resources for the implementation of the Global Compact and sustainability, established a corporate mechanism for social responsibility, clarified labor division and authorized the risks involved, formulated strategic plans, policies and measures for sustainability, deployed the Global Compact and sustainability tasks across the entire Group and all the subsidiaries, meted out strategic decision-making management to promote the implementation of the Global Compact, and led its branches and subsidiaries to carry out sustainability work.

In order to effectively execute social responsibility leadership, fulfill social responsibilities, the Group and its subsidiaries should promote managerial innovation, re-create the work flow with the methods of social responsibility risk management, established a system and flow for sustainability management and development a sustainability IT management platform to lay a solid foundation for the comprehensive implementation of the Global Compact.

COSCO Group and its subsidiaries should fulfill social responsibility, carry out the scientific outlook on development and launch social responsibility projects in a variety of aspects, including economy, product, labor, human rights, environment and society, and in making decisions for daily operation and management.

COSCO Group made efforts to enlarge positive influence on the economy, people and society,



minimize negative influence and ensure the fast, sound and sustainability of the enterprise; meanwhile the Group made efforts to contribute to the healthy development of the global shipping industry and the prosperity of local communities.

COSCO Group established a report and communication mechanism which closely connected the stakeholders, elicited their opinions, and gained social supervision and trust.

Model analysis:

Guided by its mission, values and development objectives, and led by the senior management teams, the huge vessel of COSCO Group is forging ahead at full speed. Thanks to effective labor division, scientific allocation of all resources, clear objectives and policies, the ship is guaranteed safe and efficient sailing.

The oceans are the most important stakeholders of COSCO Group. As the tide goes in and out, we can never be too careful navigating our ships. COSCO Group established a report and communication mechanism which closely linked all the stakeholders, elicited their opinions and offered swift responses. In this way, the Group managed to adjust to the changes of the seas and effectively controlled risks.

(II) Responsibility Concept

COSCO Group performs its social responsibilities with global thinking and eyesight, and shoulders its global social responsibilities as a world-class transnational company.

1. COSCO Group believes that as the eldest son of PRC, it should try to play a leading role. Therefore, it has undertaken the political responsibilities of constructing a harmonious society, the legal responsibilities of sticking to legal operation, the economic responsibilities of keeping and increasing the value of state-owned assets, the product responsibility of providing products and services for the society and the due social responsibilities of a global corporate citizen.

2. COSCO Group believes that Global Compact and social responsibilities should be comprehensively performed and carried out vigorously within the whole system. Implementing Global Compact and performing social responsibilities accords with the requirements of the Chinese Government and the society. Performing social responsibilities accords with the requirements of the implement of Scientific Outlook on Development and transforming economic development ways by the central authorities. Performing the principles of human rights and laborers in Global Compact accords with the people-oriented policy by the Central Government as well as the requirements of “building a harmonious socialist society” proposed by the Seventeenth National Congress of the Communist Party of China. Performing the anti-corruption principles of Global Compact accords with the CPC’s requirements on strengthening entirely the work style of cadres under new situations.



3. COSCO Group believes that the ten principles of Global Compact established the new evaluation criteria of sustainability capacity of the enterprise in modern time, hence introducing the business management into a new era of sustainability with comprehensive risk management as the core. The meaning of implementing Global Compact lies in prevention and control of risks. The ultimate goal of sustainability is achieved by scientifically utilizing the method and technology of risk management with comprehensive risk management as the main line and core.

4. COSCO Group believes that corporate social responsibility is the purposed, planned and continuous efforts made by an enterprise to undertake its responsibilities to stakeholders, to standard its corporate social responsibility behaviors, to establish a long-term mechanism for performance of Global Compact and social responsibility, and to realize the harmonious and sustainability of enterprise and the society.

5. COSCO Group believes that ISO26000 promotes corporate social responsibility to all kinds of organizations, unifies the concepts of social responsibility globally, specifies the social responsibility principles, determines the core themes for fulfillment of social responsibilities, and describes the methods to integrate social responsibility into organizational strategies and daily activities with sustainability as the target. An enterprise shall actively implements social responsibility work in accordance with the requirements of ISO26000, in combination with practical situations of Chinese enterprises and based on the laws and regulations of countries where it operates.

6. COSCO Group believes that GRI's sustainability reporting framework and guidelines provide applicable and comparable framework mode to know the disclosed information for an enterprise. Therefore, an enterprise shall release the sustainability report cautiously with the attitudes of being responsible to the society.

(III) Responsibility Core Theme

COSCO Group has always concerned itself with the 7 core subjects of social responsibility addressed in the ISO 26000 Guidance on Social Responsibility, making sure that each and every one of them is integrated throughout the decision-making process and the daily operation of the Group.

Responsibility core theme	Main contents	Measures and disclosures of COSCO Group
Organization & governance	Organization and governance can help hold an organization accountable for the impact of its decisions and daily activities and make social responsibility fully integrated into the organization and	To ensure the implementation of the core principles of social responsibility, COSCO Group has set up a strict system of organizational governance, which is consolidated by the use of modern IT technology.



	<p>all its networks. Any socially responsible organization should have an organizational governance system that enables it to exercise oversight and put the core principles of social responsibility into practice.</p>	<p>Relevant results can be found in Section B of Sustainability Report.</p>
Human rights	<p>Recognition and respect for human rights are essential to the rule of law and social justice and equity, and are fundamental to basic social systems such as the judicial system. States have the responsibility and obligation to respect, protect and practice human rights. Organizations are obligated to respect human rights, including respect for human rights within their sphere of influence.</p>	<p>COSCO Group is committed to support, respect and protect human rights in their own sphere of influence. Relevant results can be found in the chapter on human rights performance indicators and themes in Section C of Sustainability Report.</p>
Labor practices	<p>Creating jobs and paying wages and other labor compensation are the most important economic and social contribution that organizations make. Labor practices have a significant impact on creating a sense of respect for the rule of law and social justice: socially responsible labor practices are essential to social justice, stability and peace.</p>	<p>Human resource development is a crucial strategy in COSCO Group. The Group effectively safeguards the fundamental interests of its employees so as to achieve harmony between employees' growth and business development. Relevant results can be found in the chapter on labor relation performance indicators and themes in Section C of Sustainability Report.</p>
Environment	<p>As a prerequisite for human survival and prosperity, environmental protection is an important social responsibility for organizations. As a core subject of social responsibility, the environment is closely related to other social responsibility core subjects</p>	<p>While pursuing economic profits COSCO Group also makes active efforts in fulfilling Global Compact's requirements for environmental protection by making safety and environmental protection an integral part of its business. Relevant results can be found in the chapter on environmental</p>



	<p>and issues. Environmental education and capacity building are crucial for promoting a sustainable society and developing a sustainable way of life.</p>	<p>performance indicators and themes in Section C of Sustainability Report.</p>
<p>Fair operation practices</p>	<p>In the context of social responsibility, fair operating practices refer to the practices of an organization in using its relationships with other organizations to promote positive results. Organizations can achieve positive results by exercising leadership in the entire sphere of its influence and promoting wider acceptance of social responsibility.</p>	<p>With integrity and legitimacy as its business principles, COSCO Group strives to maintain a fair, just and open market environment, and is firmly opposed to trade monopoly. All companies and employees of COSCO Group do not use illegal means to violate its competitors' trade secrets. Relevant results can be found in the chapter on product liability performance indicators and themes and the chapter on social performance indicators and themes in Section C of Sustainability Report.</p>
<p>Consumer-related issues</p>	<p>In the context of social responsibility, consumer issues include the following issues: fair marketing practices, health and safety protection, sustainable consumption, dispute resolution and compensation, information and privacy protection, access to basic products and services, the fulfillment of the demands of disadvantaged consumers, and consumer education.</p>	<p>COSCO Group consciously takes responsibility for its products and services throughout their life cycle and obeys the relevant laws so as to build an honest and law-abiding environment of production and consumption together with its customers. Relevant results can be found in the chapter on product liability performance indicators and themes in Section C of Sustainability Report.</p>
<p>Participation and development of communities</p>	<p>For an organization, community involvement means not only identifying relevant stakeholders and promoting their participation based on the impact of its activities, but also giving support to and</p>	<p>COSCO Group has been persistent in maintaining good relations with its communities and reducing the impact and damage on communities when it enters into or withdraws</p>



	<p>establishing relationships with the community. The most important is for the organization to recognize the values the community holds. Community involvement should be motivated by the recognition that organizations are community stakeholders, and should share common interests with communities.</p>	<p>from them. Relevant results can be found in the chapter on social performance indicators and themes in Section C of Sustainability Report.</p>
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(IV) Responsibility Planning

Following the United Nations Global Compact implementation model, COSCO Group has made systemic plans for its full implementation of social responsibility and has incorporated the requirements into its strategic planning and daily operations. It has successfully achieved the objectives of its first Five-Year Plan, which spans from 2005 to 2009. In 2009 the Group developed its second Five-year Plan, which extends from 2010 to 2014. In 2010 the plan was included in the Group’s 12th Five-year strategic development plan.

1. A sustainability strategy of overall planning and comprehensive implementation. Following international and domestic regulations related to social responsibility, the different departments of COSCO Group lay out their respective sustainability plans, including business integrity, product quality, human resources, safety, employee rights, environmental protection, energy saving, anti-corruption, social welfare, corporate culture building. Together, they make up a complete system of sustainability planning. Units under the Group form their own sustainability plans consistent with the Group's plan, and use management techniques such as strategy maps and balanced scorecards to ensure that the Group’s strategic objectives of social responsibility under the Global Compact are achieved through each employee’s work.

2. A strategy of using risk management to implement social responsibility. Such a strategy includes the following measures: using the concepts and tools of comprehensive risk management for the risk management of social responsibility, conducting risk assessment and developing risk strategies; ensuring standardized management of all investment projects related to social responsibility; further strengthening the current management system of projects in social investment, poverty alleviation in Tibet and charitable donation according to the policy requirements of State-owned Assets Supervision and Administration Commission of the State Council (SASAC); completing a higher level of optimal allocation of resources so as to maximize the integrated value of the Group and its stakeholders; creating a favorable environment for research and investment in social responsibility projects and gaining sustainability advantages in existing business activities; increasing research efforts on the application of nuclear energy in ships and the application of solar



energy and wind energy in large vessels; investing with sustainability as the core growth factor; improving the basic strategic model of sustainability environment, and striving to obtain ecological advantages in the pursuit of eco-efficiency so as to embark on a eco-growth path.

3. A sustainability strategy of technology integration. This strategy includes the following measures: integrating managements such as comprehensive risk management by using sustainability information management platform, and integrating social responsibility and business management through technological means; setting up a unified communication platform by using sustainability information management platform as a carrier, thus forming a dialogue mechanism between companies and stakeholders; selling sustainability information management platform in the domestic market as COSCO Group's first knowledge product, strengthening efforts to make the platform a tool for ISO26000 and increasing COSCO Group's influence in the international community.

4. A golden report strategy. This strategy includes the following measures: setting up procedures that can continuously improve the norms of Sustainability Report, enabling COSCO Group Sustainability Report to become a basis for stakeholders to effectively assess the Group's ability to develop sustainably, creating added value brought by the improvement of the quality and efficiency of communications about responsibility, and creating sustainable economic development worldwide; upgrading COSCO Group Sustainability Report from green to golden so as to enable communication to create value; maintaining the Group's status as the United Nations Global Compact model report provider in the long term.

5. A strategy of being a pioneer in social responsibility. As a pioneer in the Global Compact, a signer to the United Nations declaration on climate change and a supporter of the Universal Declaration of Human Rights, COSCO Group should take effective measures to realize its promises with a positive attitude. As a long-term sponsor of the Golden Bee Corporate Social Responsibility China List, which was jointly launched by COSCO Group, BASF and WTO Tribune, COSCO Group should exert its influence as a pioneer in the field of social responsibility while actively fulfilling its social responsibilities. Together with WBCSD, COSCO Group started the research and development of indicators and guidelines of sustainability in the shipping industry, with the purpose of actively developing green shipping and leading the global shipping industry onto a path of sustainability. What's more, the Group is also actively involved in CDCSD's 3+1 project, promoting social responsibility work in supply chains in order to build —golden green" supply chains.

II. Responsibility Management

(I) Responsibility Management Structure

All companies affiliated to COSCO Group have established Global Compact Promoting Team or —Sustainability Committee". They also established daily management institutes to bring Global



Compact and sustainability work into their daily management work. A promoter team comprising of staff from different departments is formed to organize the Global Compact work and promote sustainability. The number of staff engaged in Global Compact and sustainability has increased year by year. In 2010, the promotion of Global Compact was listed as formal duties of a total of 473 staff from COSCO Group headquarters and companies implementing Global Compact.

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of staff	24	26	33	116	173	173	325	427	473

(II) Social Responsibility Working System

With an aim to ensure timely release of high-quality sustainability report, COSCO Group has established a sustainability and social responsibility management system, and builds up a long-term mechanism for promotion of social responsibility. It has gradually completed the construction of sustainability organization & management system, internal control system and sustainability document system, sustainability objective evaluation & monitoring system, sustainability information management platform as well as other social responsibility and sustainability management systems. Moreover, it has fulfilled the four objectives of standardizing the continuous behaviors relating to corporate social responsibility, balancing expectations of co-related parties and scientific resource allocation, enhancing confidence of co-related parties to the enterprise and improving reliability of sustainability report.

COSCO Group has established all levels of promoters' teams, indicator data collection teams, report compilation teams, IT platform construction & support teams and internal auditors' team to ensure construction of sustainability management system. Under the organization of special personnel of all levels of companies, all departments and offices designate a person specially engaged in construction and operation of sustainability management system, which form the promoters' team. There are more than 1,000 promoters in the group.

In 2010, COSCO Group established the sustainability report compilation team comprising of 36 persons, of which, a core team comprising of 28 persons attended entire process of work from data collection, material selection, outline compilation, concentrated report compilation, improvement and appraisal based on their work division. The concentrated working time of each person totaled 13 days.

Year	2008	2009	2010
Compilation team	45	35	36
Core team	22	24	28
Concentrated working days	30	32	13



Working hours	1,350	2,560	3,744
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Sections of the Report	Contents	Responsible Persons
A. Strategies and General Information	Part I: Statement of the President and Strategies Part I: General Information of COSCO Group Part III: Basic Profiles of Companies Implementing Sustainability Management System Part IV: Awards Part V: General Information of the Report	Ma Hongjin, Hu Yayu, Luo Hu
B. Management and Participation of Stakeholders	Part I: Corporate Governance Structure Part II: Main Policies and Management Systems Part III: Responsibility Management Part IV: Implementation and Reports of Comprehensive Risk Management Part V: Legal Affairs Management Part VI: Management of Sustainability Information Management Platform Part VII: Carrying out SASAC's Social Responsibility Requirements Part VIII: Comprehensively Performing Global Compact Part IX: External Initiatives and Commitments Part X: Participation of Stakeholders Part XI: Researches and Implementation Planning of ISO26000 Guidance on Social Responsibility	Liu Xiaoping, Dai Tao, Meng Xiangjun, Zhao Haotian and Ouyang Hui
C. Management Approaches and Performance Indicators	Economic Performance Report	Zhuang Shaohuang; Xu Ming
	Environmental Performance Report	Huang Yejian and Dong Jie
	Product Performance Report	Guo Shisheng, Li Jun
	Labor Performance Report	Yan Ge, Li Minggang
	Human Right Performance Report	Zheng Yongjiang, Zhang



		Bingcheng, Sun Xuemei
	Social Performance Report	Liu Weini, Di Jin and Ding Dan
Final compilation and editing		Hou Yujia, Li Ying and Ma Xinying
Translation		Xu Chao, Pan Deng, Tao Runyuan, Jing Tian, Zhao Bo Yu, Liu Tao
Audit		Feng Bo, Ma Xinying
Other participants		Cao Bin, Li Lianhua, Zhu Fengyuan, Zhang Yu, Wang Shuming, Luo Jiajun, Tang Jiyun, Wang Xintian, Wang Qingli

(III) Capacity Building of Social Responsibility Specialists

In order to improve the implementation of Global Compact and sustainability management system continuously, COSCO Group has paid special attention to capacity building of its team. With the improvement of ability and business quality of full-time staff as the starting point, it has enhanced studies and exchanges continuously. So far, its capacity building work has achieved primary effects and has promoted the Global Compact and sustainability work to achieve new breakthroughs. To further elevate the business quality of specialists for Global Compact and sustainability system at COSCO Group headquarters and its second-tier companies, COSCO Group organized many training and exchange activities in 2010, including training on ISO26000 Guidance on Social Responsibility, training on new requirements of Global Compact annual progress reports, internal audit training and exchanges on social responsibility with correlated parties.

(IV) Cultivation of Responsibility Culture

COSCO Group is the first Chinese enterprise that joined the United Nations Global Compact and promised the customers, the partners and the global community to abide by the United Nations 10 principles, the Millennium Development Goals and the Blueprint for Corporate Sustainability Leadership. It has gradually integrated the Global Compact and sustainability concept with its management system, made them a part of the management system and procedures, and changed the fulfillment of Global Compact and sustainability concept into daily work of the enterprise.

It has established complete corporate culture and behavioral identifying system, which clearly specify the overall image of the company as well as general behavioral standards and criteria of employees. The behavioral standards require all staff to abide by the standards with strong sense of



honor and responsibility, and contribute to building of COSCO Group's good image and fulfillment of COSCO Group's sustainability.

As a global shipping carrier, COSCO Group has paid special attention to its honesty building and ethics cultivation. Corporate spirits of COSCO Group are truth-seeking and coordination. Truth-seeking refers to being honest, sticking to principles, speaking truth words, focusing on real effects, doing concrete things, insisting on high standards and strict requirements, completing each task carefully and cautiously, doing work justly, treating each other sincerely, strictly implementing laws, regulations and conventions as well as the regulations of the company, not practicing fraud and opposing commercial bribery. Coordination refers to efforts made for balance development. Purpose of the coordination is to promote coordinative development of all companies within COSCO Group, promote coordinative development of COSCO Group and its employees, stakeholders, external customers, strategic partners as well as the society, realize mutual benefits through coordination and realize strategic objectives of COSCO Group.

(V) Special Budget Details

In 2010, companies affiliated to COSCO Group have spent RMB2.13 million of special expenditure on promoting of Global Compact and sustainability to ensure the implementation quality of Global Compact and sustainability management system.

(VI) Participation in International Social Responsibility Affairs

1. Actively Supporting and Participating in United Nations Global Compact

United Nations Global Compact was firstly proposed by Kofi Annan, former Secretary General of the United Nations, at the World Economic Forum held in Davos, Switzerland in January 1999, and was initiated officially in July 2000. It is a studying platform firstly established by United Nations to urge enterprises to fulfill the Millennium Development Goals and cope with common challenges of the world, and to re-considerate and change the bad behaviors of merely focusing on economic development while neglecting the influences on the society and the environment. Ban Ki-Moon, the existing Secretary General of the United Nations, appealed enterprises to pay balanced social development and complete governance structure in economic activities by abiding by international codes, care, participate and play a leading role in common issues in development of human beings such as climate change, protection of water resources and grain issues, thus widening the scope of Global Compact further. In financial market, Global Compact partners with main investors under the principle of responsible investment, making their investment evaluations to consider main environmental, social and governance issues.

COSCO Group became a formal member of Global Compact in 2005. Since then, it actively implemented the global leadership responsibility in accordance with United Nations Secretary General Ban Ki-Moon's requirements on coping with economic recession with Global Compact 2.0.



COSCO Group jointed the Declaration on Climate Change advocated by Global Compact in 2008, becoming the first Chinese enterprise that signs both the Declaration on Climate Change and the Universal Declaration of Human Right.

COSCO Group actively implements the Global Compact Blueprint for Corporate Sustainability Leadership. It joined the United Nations Global Compact LEAD Program in January 2011 and became a member of LEAD Steering Committee.

Please see the: Part VIII: Comprehensively Performing Global Compact

2. Actively Participating in Activities of WBCSD

The World Business Council for Sustainability (WBCSD) is a global alliance comprising of over 200 enterprises who advocate sustainability strategies, with its members covering more than 35 countries and 20 main industries. As a member unit of WBCSD, COSCO Group has participated in the compilation of sustainability indicators and guidelines of global shipping industry initiated by WBCSD and Det Norske Veritas (DNV), and tried to be a standard regulations. On Nov. 1 to Nov. 4, 2010, COSCO Group attended the 2010 WBCSD Conference and meeting of liaison representatives held in Shanghai, and attended the conferences for green building projects and shipping projects based on areas of focus of COSCO Group.

III. Responsibility Promotion

COSCO Group formulates and implements annual promotion plans in accordance with social responsibly promotion and implementations procedures of United Nations Global Compact.



(I) Progresses of Sustainability Work in 2010



Serial No.	Work to be completed	Actual situations	Reasons for uncompleted situations and rectification measures
1	Make coordinative planning for and comprehensively implement the sustainability strategies, establish COSCO Group sustainability planning system throughout the group.	Completed	N/A
2	Manage social responsibility risks, conduct risk evaluations and formulate risk policies by applying comprehensive risk management ideas and approaches.	Completed	N/A
3	Integrate managements such as comprehensive risk management by making use of sustainability information management	Completed	N/A



	platform, and converge social responsibility with operation and management business with scientific approaches.		
4	Change from providing of a green and sustainability report for the world to providing of a golden sustainability report for the world, and fulfill the target of communications creates value. Keep the position of UN Global Compact notable COP.	Completed	N/A
5	Partner with WBCSD on researches and formulation of sustainability indicators and guidelines of shipping industry, actively build up green shipping industry and leading sustainability of global shipping industry.	Completed	N/A
6	Promote researches on new power energies of vessels by making use of renewable energies, fulfill the Qingdao Declaration submitted by COSCO Group at the World Shipping (China) Summit and advocate low speed and emission reduction to realize the objectives of energy conservation, emission reduction, consumption of surplus carrying capacity and improvement of investment efficiency; widely apply measures such as remote conference and online release to reduce carbon emissions; continuously expand COSCO Group's disclosure on carbon footprint calculation.	Completed	N/A

(II) Plans and Implementations

In 2011, COSCO Group will further carry out the requirements of State Council's SASAC on social responsibility work, implement Global Compact and lay an emphasis on completion of following tasks:

1. Comprehensively carry out the Blueprint for Corporate Sustainability Leadership issued by the UN Global Compact as well as the Visions 2050 and Strategies 2020 issued by the WBCSD, implement the COSCO Group Sustainability Planning and propel affiliated companies to formulate social responsibility planning.
2. Organize related units to transplant and make use of sustainability information management platform and integrate enterprise's data and information.



3. Organize COSCO Group headquarters and its affiliated companies to conduct internal audit and evaluation on their sustainability, and conduct sampling evaluation and verification on at least three companies. Compile world's first-class sustainability report at high quality and efficiency, and keep the position as notable COP of UN Global Compact for long term.

(III) Improvements of Sustainability Management System

To ensure systematic and planned implementation of Global Compact and sustainability, COSCO Group carried out process restructuring in accordance with the Guiding Opinions on Performance of Social Responsibility by Central Enterprises

(No.1 Decree of SASAC under the State Council in 2008), UN Global Compact Implementation Guidelines, Global Compacts Guidelines on Corporate Social Responsibility Management System and GRI 2006 Guidelines as well as Central Enterprise Comprehensive Risk Management Guidelines. It has brought the comprehensive risk management and articles of Global Compact into the management, decision-making and business procedures of COSCO Group, established social responsibility and harmonious corporate management procedures and sustainability reporting procedures as well as risk management procedures of key processes, and implemented the requirements of Global Compact social responsibility and risks management obligations as well as indicator management and risk authorization in practical actions of every COSCO staff through working procedures. It has established Global Compact social responsibility management system and sustainability report management system by making use of ISO9000 Quality System Framework, and developed and established sustainability information management platform. All companies affiliated to COSCO Group also established sustainability system gradually and transplanted and customized sustainability information management platforms.

To this end, COSCO Group has designed management systems, information management platforms and reporting framework in accordance with GRI 2006 Guidelines. It also compiled and issued the COSCO Group guidelines for fulfillment of Global Compact and sustainability to standardize behaviors of entire company and ensure the consistency of social responsibility performance.

COSCO Group Sustainability Management System and Construction Guidelines
COSCO Group Sustainability Indicator System and Reporting Guidelines
COSCO Group Sustainability Report and Compilation Guidelines
COSCO Group Sustainability Information Management Platform and Application Guidelines
COSCO Group Sustainability Internal Audit and Assessment



(IV) Internal Audits

Under the principles of “enhancing, improving and elevating the management system construction”, COSCO Group headquarters organized internal audit team comprising of staff from the Audit Section under the Supervision, internal auditors and external auditing experts to review the management system of COSCO Group headquarters each year. In the meantime, internal auditors of second-tier companies were dispatched to make second-party audit on COSCO Group headquarters and submit second-party auditing report, so as to promote the improvements of decision-making and work style of the headquarters.

COSCO Group headquarters smoothly completed the internal audit of management system on June 8 to June 10, 2010 in accordance with COSCO Group Management System Process Control Procedures and the requirements of management system audit and certification institutes and sustainability report auditing institutes. It also invited experts from UN Global Compact China Network Center to lead the joint auditing team comprising of auditors and internal auditors as well as internal auditors from companies in Beijing to complete the internal audit of COSCO Group management system, audit of Sustainability Report 2009 and second-party auditing work. The auditing work covers all activities and processes of COSCO Group’s all departments. The audit team issued the 2009-2010 Internal Audit Report on COSCO Group Management System, internet audit report on COSCO Group Sustainability Report 2009 and second-party audit report.

Companies affiliated to COSCO Group also organized their internal audits and internal control self-evaluation work. China COSCO invited auditors from a professional risk management consultation company to carry out evaluation on effectiveness of internal control on June 8 to June 10, 2010, the same period with management system audit of COSCO Group headquarters. The evaluation covers all rules and regulations, procedures and standards of all departments under COSCO Group headquarters. The audit team issued the evaluation report on effectiveness of internal control of China COSCO.

(V) Management Evaluations

COSCO Group’s top management team conducted special evaluation on operation situations of its sustainability management system on a yearly basis in accordance with the UN Global Compact Blueprint for Corporate Sustainability Leadership and COSCO Group Management System Process Control Procedures, and made decisions on operational issues and improvement measures.

COSCO Group headquarters held the 2009-2010 regular management and evaluation conference for sustainability on July 19, 2010, and the special session of the President Executive Meeting later. The management evaluation was conducted in accordance with the ten principles of UN Global Compact, GRI 2006 Guidelines, SASAC’s Guiding Opinions on Performance of Social Responsibility by Central Enterprises and Central Enterprise Comprehensive Risk Management Guidelines, in



comparison with the Basic Standard for Enterprise Internal Control and the implementation guidelines issued by five ministries and commissions, and in reference to ISO31000 risk management international standards and GB/T23453 risk management national standards. With risk management and sustainability as the main theme, and by applying the AA1000 audit and evaluation methods of sustainability report, it conducted comprehensive evaluations on the operation of COSCO Group sustainability management system, the implementation of the resolutions in the 2009 regular management evaluation report and the performance of Global Compact principles, and made arrangements for the further performance of Global Compact, implementation of comprehensive risk management and continuous improvement of development and management system in 2009-2010 as well as the compilation of COSCO Group Sustainability Report 2009, so as to ensure healthy, stable, standardized and continuous progress of its sustainability work. At the conference, a total of six resolutions were made and will be implemented in 2010-2011.

All companies affiliated to COSCO Group organized their internal audit and internal-control self evaluation work.

IV. Responsibility Convergence

(I) Social Responsibility Education & Training

COSCO Group has established a standardized sustainability training mechanism and carefully planned all-directional sustainability series of trainings. In accordance with the group's conventions of trainings on sustainability management system, and in order to save time and costs, it continued to adopt batch and scaled construction mode, COSCO Group has organized centralized training in stages, scattered implementation, key guidance, uniform organization and audit and centralized compilation of report.

Serial No.	Training stage	Contents	Task	Work
1	Training on indicators and materials collection	New requirements of indicators	Stage I deployment	Collection of indicators and materials
2	Training on information management platform	Systematic operation	Stage II deployment	Installation and improvement system
3	Training on report outline compilation	Report compilation	Stage III deployment	Compilation of report
4	Training on material collection improvement	Material collection	Stage IV deployment	Supplementation of materials
5	Training on reporting	Data	Stage V	Data improvement



	data improvement	improvement	deployment	
6	Training on draft report improvement	Report improvement	Stage VI deployment	Revision of the compilation team
7	Training on report improvement	Report improvement	Stage VII deployment	Revision based on opinions collected
8	Training on internal auditor	Systematic audit	Stage VIII deployment	Internal Audit
9	Training on management evaluation	Management evaluation	Stage IX deployment	Management evaluation
10	All-staff training	Report confirmation	Implementation requirements	Plans in the next year

COSCO Group headquarters and its affiliated companies have promoted the meaning and basic requirements of Global Compact and sustainability via their internet websites and electronic magazines. At the training class for indicators reporting, materials compilation and internal auditors as well as for other Global Compact and sustainability work held in 2010, all participants studied the new requirements of ISO26000, researches and elaborated the new requirements of Global Compact and sustainability work, and discussed on practical situations of their respective companies by referencing to ISO26000, GRI standards and uniform requirements of the group. In 2010, COSCO Group headquarters and its affiliated companies held a total of 10 training classes on social responsibility, with 1,230 persons (times) trained and the total training time of 98,400 hours. According to the plans, a total of 22 training classes will be held in 2011.

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of training class	1	1	1	1	10	9	9	33	10
Number of persons trained	24	26	33	56	410	248	248	1,095	1,230
Total training hours	--	--	--	--	--	--	--	42,946	98,400

(II) Social Responsibility Risk Management

COSCO Group carefully carries out risk evaluation work, formulate risk strategies in response to key social responsibility risks evaluated and set up risk maturity levels based on preference of different risks. It has formulated the social responsibility risk spectrum to analyze the risky events and showcase the results on sustainability information platform. In the meantime, it monitored and controlled social responsibility risks by making use of sustainability information platform, realized



real-time statistics and monitor, gave warnings in form of list, monitor and analyze historical information and showcase analytical results in form of charts.

(III) Charity Foundation

COSCO Group Charity Foundation initiated by COSCO Group in 2005 is China's first non-public and non-profitable charity foundation initiated by a state-owned enterprise. Establishment of the foundation marks that COSCO Group has integrated the voluntary performance of social responsibility with its development strategies, and has established the corporate social responsibility system with a focus on performance of economic, environmental and social responsibilities.

Sticking to the tenet of “—binging forward national spirits, dedicating loving cares of COSCO, supporting public welfare undertaking and promoting the harmony and development of the society”, COSCO Group Charity Foundation has carried out many social rescue activities to aid those who are in difficulties, poverty or disasters, to help orphans and the lonely elders, and power medical and educational industries. These activities have achieved significant social effects.

1. Standardizing the Operation of COSCO Group Charity Foundation and Performing Social Responsibility

COSCO Group Charity Foundation has been dedicated to systematic and standardized construction. It has formulated and improved the foundation management and fund utilization rules, scientifically managed social investment projects, reasonably used social investment funds, brought into full play the active role of social investment and realized the centralized management of social investment funds and investment projects of its member units. In order to ensure that the capitals raised reflect the willingness of donators, to use each sum of charitable donation in practical, and to serve for charitable projects to the maximum extents, the foundation has managed to develop each project into excellent project, and enhanced project development and supervision.

COSCO Group Charity Foundation has changed social responsibility actions of all COSCO people into standardized, professional and daily corporate behaviors, and provided a favorable operating platform for corporate social responsibility performance. It has operated in a standard manner by strictly abiding by related policies and regulations of the country and self-discipline requirements of charity organization industry, actively learned and used advanced management experiences of other charity organizations and ensured that COSCO Group Charity Foundation could develop in a systematic, standard and healthy manner. While enhancing the system construction, the foundation continuously improved its basic management work, completed the annual inspection application of the foundation in accordance with the regulations and schedule, and handled the inspection and verification organization code and application and record-keeping for alteration of supervisors. In addition to annual archiving of basic files on a yearly basic, it also carded and categorized the filing documents of the past years. In accordance with the requirements of the Ministry of Civil Affairs, the



foundation published its annual report on designated media to publicize the foundation's work, ensure its publicity and transparency, and enhance the understandings and recognition of all parties of the society to the foundation.

In accordance with related requirements of the Ministry of Civil Affairs and the Articles of Association of the Foundation, as well as SASAC's Notice on Enhancing Management of Donations Made by Central Enterprises, COSCO Group Charity Foundation held two council meetings in 2010. At the meetings, it researched on development and construction of the foundation as well as other key donations, and voted on matters such as alteration of council members, institutional setups, staff recruitment, financial budget and settlement, project development, working report and working plans, thus ensuring the standardized implementation of the foundation's work.

2. Sticking to Tenet of the Foundation and Actively Carrying out Public Welfare and Charitable Projects

In 2010, COSCO Group Charity Foundation carried out social welfare and charity activities in accordance with the policies and regulations of the country, tenets of the foundation as well as willingness of donators, with an emphasis on cooperative projects with the Ministry of Civil Affairs and the civil affair supporting projects. A total of 26 charitable projects were implemented, with the total donation of RMB71.98 million, receiving good social effects. Main projects carried out by the foundation include poverty relief in Tibet, poverty relief in Hunan, project to rescue children suffering from big illnesses in Hubei, Stage IV of educational facility donation project to minority nationality regions in Lincang, donation for earthquake disaster-stricken areas in Yushu, Qinghai, anti-drought donation project in Yunnan, Guizhou and Guangxi, donation project for flood disaster-stricken areas in Hainan, aiding project in later period for earthquake disaster relief of Wenchuan, etc.

3. Integrating Charity Resources and Establishment a Special Foundation

In a bid to promote the development of charity undertakings, further integrate internal charity resources and urge member units and donators to better carry out the public welfare activities, the poverty relief special fund of COSCO Guangzhou and the special fund to help employees who are in difficulties at companies in Hong Kong and Beijing of COSCO Group Charity Foundation in 2010. To ensure the standardized operation of the special fund, it has formulated the Management Methods of Special Fund of COSCO Group Charity Foundation, set up special accounts, dispatched staff of the foundation to attend the management of the fund and provided effective guidance and supervision.

COSCO Group received the —China Charity Award -- Most Caring Domestic Corporation” and —China Charity Award -- Special Contribution Award” issued by the Ministry of Civil Affairs in 2007 and 2008 respectively. In 2009, it received the honorable title of National Public Welfare and Charity Unit granted by the China Charity Federation. In November 2009, Forbes (Chinese version) released



the China Charity Foundation List, China's first list about charity foundations, and COCCO Group Charity Foundation ranked the first place among non-public national foundations. The "Navigation · Dream Chaser" project received the honorable title of "China Charity Award – Most Influential Project" in the appraisal of 2010 China Charity Awards organized by the Ministry of Civil Affairs. These awards show that COSCO Group's efforts in charity undertakings have received full confirmation and recognition from the government and the society.

(IV) Propelling Responsibility Performance of Affiliated Companies

COSCO Group has made five years of overall arrangements for implementation of Global Compact and performance of social responsibilities to realize its sustainability. All departments formulated three years of implementation schedules based on sustainability risk levels. In 2005, COSCO Group took the headquarters and its largest company – COSCON as the pilot units, and obtained primary experiences on implementation of Global Compact. Based on the successful experiences, it increased the number of companies implementing Global Compact and sustainability report to 15 in 2006. These companies include all shipping companies, logistics companies and ship-repairing companies of COSCO Group. In the meantime, it also selected COSCO U.K. as the pilot unit for its overseas companies. In 2007, COSCO Group has implemented the sustainability management system, and a total of 20 companies including all second-tier companies, shipping companies, logistics companies and shipbuilding and ship-repairing companies have implemented the Global Compact and sustainability report. In 2008, all second-tier companies, shipping companies, logistics companies and shipbuilding and ship-repairing companies have promoted the work to third-tier companies. In 2009, the work has been promoted to overseas companies. All second-tier companies have completed the construction of sustainability strategy risk management systems. In 2010, it has completed and established the COSCO Group sustainability strategy risk management, evaluation and examination systems.

Decision-making Matrix for COSCO Group Sustainability Implementation



Serial No.	Company	Strategies and General Information		Governance and Management		Economic Performance		Environmental Performance		Labor Performance		Human Right Performance		Social Performance		Product Performance		Risk scores	Rankings of Implementation Degrees
		Control degree	Scale influences	Supervision and control	Supply chain requirements	Finance	Social investment	Energy-conservation and low-carbon	Pollution prevention	Safety	Human resources	Collective bargaining	Non-discrimination	Community	Anti-corruption	Service product quality	Marketing		
1	NOSCON	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	Pilot Project
2	China COSCO	9	9	9	4	4	4	4	4	9	4	4	1	1	4	1	1	9594	First Batch
3	COSCO Dalian	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	First Batch



4	COSCO Shipping	9	4	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7973	First Batch
5	COSCO Pacific	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	First Batch
6	COSCO Logistics	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	First Batch
7	COSCO Bulk	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	First Batch
8	COSCO Hong Kong	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	First Batch
9	COSCO Qingdao	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	First Batch
10	COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	First Batch
11	COSCO Shipbuilding	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	First Batch
12	CHIMBUS CO	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Second Batch
13	COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Second Batch



14	COSCO Guangzhou	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Second Batch
15	COSCO Xiamen	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Second Batch
16	Hainan Boso COSCO	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	4	2850	Second Batch
17	COSCO Manning	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	Second Batch
18	COSCO Finance	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1200	Second Batch
19	COSCO Ocean Shipping	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	Second Batch
20	COSCO Ocean Shipping	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Second Batch
21	Martime China	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Second Batch



2005	COSCO Group headquarters and COSCON carried out pilot projects.
2006	Based on the successful experiences, it increased the number of companies implementing Global Compact and sustainability report to 15 in 2006. These companies include all shipping companies, logistics companies and ship-repairing companies of COSCO Group. In the meantime, it also selected COSCO U.K. as the pilot unit for its overseas companies.
2007	COSCO Group has implemented the sustainability management system, and a total of 20 companies including all second-tier companies, shipping companies, logistics companies and shipbuilding and ship-repairing companies have implemented the Global Compact and sustainability report.
2008	All second-tier companies, shipping companies, logistics companies and shipbuilding and ship-repairing companies have promoted the work to third-tier companies.
2009	The work has been promoted to overseas companies. All second-tier companies have completed the construction of sustainability strategy risk management systems.
2010	It has completed and established the COSCO Group sustainability strategy risk management, evaluation and examination systems.



COSCO Group has formed a national framework with Beijing as the center, with Hong Kong, America, Europe, Singapore, Japan, Australia, South Korea, West Asia and Africa as the nine regional companies, and set up more than 1,000 enterprises and branches in over 50 countries worldwide. All affiliated companies have taken part in social responsibility activities of local place actively, and attended the Global Compact-related activities organized at local places on behalf of COSCO Group. For instance, COSCO Europe attended the UN Global Compact Leaders Summit held in Geneva, Switzerland on July 5, 2007; COSCO Hong Kong actively attended the social responsibility activity in Hong Kong and introduced opinions on behalf of COSCO Group; COSCO America attended the Global Compact LEAD Steering Committee's meeting on behalf of COSCO Group in March 2011; COSCO Europe attended the meeting, annual meeting and local online conference of Global Compact working group on behalf of COSCO Group in May 2011.

(V) Propelling Responsibility Performance of Partners

COSCO Group has cooperated with related organizations and enterprises actively to establish strategic partnership relationships, and promoted the implementation of sustainability strategies while promoting the mutual-beneficiary and win-win cooperation with strategic partners. In order to carry forward the cultural concept of "global development, harmony and mutual-benefits", COSCO Group continued to promote VIP customer strategy in 2010, established strategic partnership relationships with local governments and large corporate groups actively, and promoted sustainability of both parties. On June 23 to June 24, 2010, COSCO Group held the 2010 COSCO Group VIP Customers High-level Forum at Boao, Hainan. The forum is the largest and highest level customer exchange activity held by COSCO Group. Over 80 influential partners and 150 representatives of customers worldwide were invited to attend the event, fully demonstrating the tenet of "joining hands for mutual progress, cooperation and mutual benefits".

(VI) Social Responsibility Practices in Overseas Markets

COSCO Group, as a transnational shipping enterprise, has made ceaseless efforts in performing its social responsibility while providing high-quality, high-efficient, stable and reliable offshore transportation services for sustainability of world's economy and trade.

1. Fleet of COSCO Group actively responded to green and environmental-protection activities of all countries, such as "Green Flag" program, "At-Berth Clean fuel Program", etc.
2. COSCO Group's overseas companies employ staff and senior managers from local communities to create employment opportunities actively.
3. It has held high the banner of international humanism and implemented internal rescues.
4. It has promoted the supplier and procurement localization policies to contribute to local economic development.
5. It has actively responded to the appeals and requirements of local port authorities and established harmonious relationships.



(VII) Promoting Sustainability of the Industry

COSCO Group, as a leader in shipping circle, has actively advocated green shipping and led sustainability of the industry.

1. It has attended the Global Compact's team to cope with climate changes and partnered with all member units in shipping industry to research on the countermeasures to cope with climate changes.
2. It has established an exchanging mechanism for shipping companies implementing Global Compact, and elevated the sustainability level of entire industry through exchanges of best practices of all member units in shipping industry.
3. At the 2009 World Shipping (China) Summit, COSCO Group issued the Qingdao Declaration and announced that COSCO Group will take a lead in energy conservation and emission reduction, be a pioneer in shipping industry and promote the sustainability of shipping industry. The emission reduction by lowering speed limits advocated in Qingdao Declaration can on one hand fulfill the targets of energy consumption and emission reductions, and on the other hand, alleviate the pressure on surplus carrying capacity.
4. In order to better fulfill the target of reducing carbon emissions, COSCO Group has provided effective guidance for the energy conservation, emission reduction and sustainability work effectively, and provided effective carbon emission calculation methods for its customers. So far, the carbon emission calculator of COSCON has been put into use, providing customers an accurate tool to calculate the carbon emissions of cargos in ocean shipping process. Designing concept of the calculator adopts most advanced dynamic optimization calculating model, which is certified by third party authoritative institute DNV.

▲On April 15, 2010, CKYH Alliance initiated by COSCO Group held its 2010 CKYH Alliance Summit in Zhenjiang successfully. At the summit, the four parties fully recognized the severe challenges in —postcrisis” era, and indicated that they will further enhance the cooperation between alliance enterprises. CKYH Alliance announced to renew name of the alliance as CKYH Green Alliance to show its determination and attitudes to pay attention to environmental protection. CKYH Green Alliance will be dedicated to promoting green shipping and performing corporate citizen responsibility. Members of the alliance will further lower speed of vessels by increasing number of vessels, so as to fulfill the goals of energy conservation, emission reduction and environmental protection. In order to cope with the challenges, members of the alliance will continue to optimize the shipping lines, enhance the core competitiveness of shipping lines and make full use of resources of the alliance and expand the cooperation sectors to both ends of the transportation chains. (2010 CKYH Alliance Summit)





(VIII) Promoting Social Responsibility within the Value Chain

In 2010, COSCO Group actively promoted social responsibility within the supply chain and tried to promote the social responsibility work of its customers.

1. At the 2010 World Shipping (China) Summit, COSCO Group mobilized suppliers at 10 largest ports home and abroad including Hamburg Port, Long Beach Port and Shanghai Port to release the Guangzhou Declaration, which advocates for constructing intelligent ports and green ports, developing low-carbon logistics and making active contributions to promotion of health development of port and shipping industry and world's economy and reducing the influences of economic development on the nature and the environment.
2. COSCO Group continued to introduce experiences and opinions of experts for its customer China Minmetals in social responsibility planning, management system, sustainability information platform and compilation of sustainability report, and was invited to offer corporate social responsibility training for China Minmetals on Nov. 17 to Nov. 19, 2010. Main themes of the training include introductions and development trends of social responsibility work of central enterprises, international standards for social responsibility work, introductions to sustainability and management system of central enterprises, compilation methods and skills of corporate social responsibility report, as well as establishment and usage of social responsibility and sustainability information management platform of COSCO Group.
3. COSCO Group also introduced experiences in construction and application of comprehensive risk management information system to China Sinosteel Group, winner of 2008 Golden Bee Corporate Social Responsibility · Leading Enterprise. Both sides also discussed on the role of social responsibility and sustainability in leading strategic reform of enterprises.

Moreover, COSCO Group attended exchanges activities on social responsibility-related experiences with its customers such as China National Coal Group and Shanghai Port.

(IX) Responsibility Crisis Management

In today's development globalization, there are more and more possibilities for social responsibility crisis. After the release of ISO26000 Guidance on Social Responsibility, enterprises faced stricter and stricter social responsibility requirements. In order to realize sustainability in fierce market competition, enterprises shall establish sense of crisis, and establish crisis prevention mechanism based on possible crisis while improving its own management mechanism continuously.

COSCO Group tried to improve its social responsibility crisis management level from following aspects:

1. Strengthening social responsibility crisis management sense. COSCO Group emphasizes that establishment of crisis management system doesn't merely mean rapid response to crisis after its occurrence and strict control over crisis, the most important thing is the consciousness to solve social



issues timely and effectively, and prevent against occurrence of crisis. The group has tried to cultivate the sense of crisis, integrated crisis management into its daily system construction and optimized normal management of the company.

2. Establishing complete rules and regulations system. COSCO Group has actively improved the establishment of its rules and regulations system, researched and established rules and regulations system that covers all operation and management behaviors of the company, and supplemented the rules and regulations that are lacked in the framework. In the meantime, legal staff of the company paid close attentions to related laws, regulations and policies home and abroad to ensure business operation in compliant with laws and regulations.

3. Establishing crisis pre-warning mechanism. As crisis events have high level of uncertainties, it is necessary for enterprises to establish scientific crisis warning mechanism. Currently, COSCO Group is trying to establish crisis warning mechanism. All levels of companies have formulated accidental events emergency response plans, established warning and monitoring mechanism of accidental events, made scientific predictions on possible crisis and adopted corresponding countermeasures to avoid crisis or reduce the occurrence rate of crisis to minimum extents.

V. Responsibility Evaluation

(I) Sustainability Indicators System

COSCO Group has established sustainability indicators system, and improved the system based on evaluation results on yearly basis. Since 2005 when the COSCO Group sustainability indicator system was established, it has improved the system through evaluations, realizing the quantitative targets of the report. Through four years of improvements, the number of indicators has increased from over 250 to over 400 and 670, and eventually reached over 793. These indicators comprehensively reflect the key interests concerned by stakeholders from strategic management to management of stakeholders, products, economy, environment, labor and community. The group also realizes classified management over the indicators, elevating the usability of the indicators.

Year	2005	2006	2007	2008	2009	2010
Number of indicators	250 items	470 items	670 items	700 items	770 items	793 items
System construction	System establishment	System expansion	System resolution	System improvement	System exploration	System integration
Improvement focuses	Report quantization	Indicator improvement	Indicator precision cultivation	Indicator logics	Indicator relations	Indicator optimization

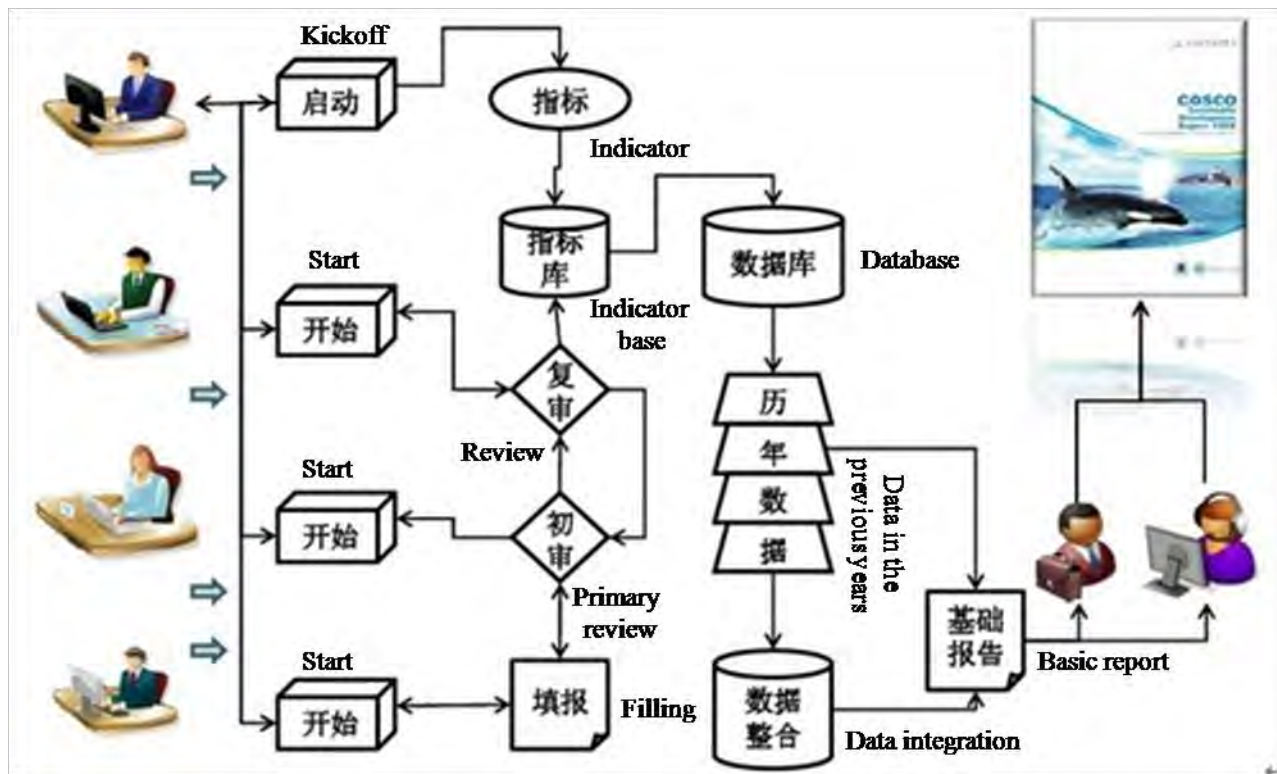
(II) Social Responsibility Evaluation System

Corporate social responsibility evaluation and assessment is the key to promote social responsibility work, propel affiliated units, departments and individuals to transform their working ideologies and working behaviors, and improve the performance of social responsibility, and also the core for



closed-loop improvement of social responsibility. COSCO Group innovatively adopts information system to evaluate and assess its social responsibility.

COSCO Group Social Responsibility Evaluation and Assessment System



VI. Responsibility Communications

COSCO Group take the internal and external responsibility communications as an important content for promotion of corporate social responsibility work, improves its communications mechanism continuously and tries to fulfill two goals: firstly, enabling shareholders, employees, customers, partners, government and the society to know performance of corporate social responsibility, increase the transparency, and eliminate unnecessary misunderstandings on responsibilities. In the meantime, responsibility communications also enables internal and external stakeholders to supervise work of the enterprise.

(I) Participation of Stakeholders

COSCO Group has paid close attentions to any groups or individuals who will affect or will be affected by fulfillment of corporate objectives, and has tried to establish a communications and supervision mechanism for enterprise and its stakeholders through system arrangement and resource guarantee, enabling the enterprise to have a deeper understanding on and full consideration of the demands of stakeholders. COSCO Group has followed the requirements on nine elements for participation of stakeholders to enable stakeholders to take part in and supervise decision-making of



the enterprise, and promote corporate development and satisfaction of stakeholders. These nine elements are as follows: firstly, determining main stakeholders and promoting its participation; secondly, establishing a trustful relationship between the enterprise and its stakeholders; thirdly, starting from the practice and establishing flexible mechanism in communications with stakeholders; fourthly, establishing stakeholder participation and platform operation guarantee mechanisms; fifthly, ensuring transparency of participating process; sixthly, sharing of resolution process; seventhly, common understanding mechanism of targets and processes; eighthly, dispatching excellent employees; ninthly, establishing countermeasures and changing mechanism and preparation. Please see Part IX of this chapter for detail participation contents of stakeholders.

(II) Special Column of Sustainability in Company Website

Special online column for sustainability is an important window for information disclosure of an enterprise. COSCO Group has opened sustainability online column in its official website for disclosure of social responsibility-related information and communications on social responsibility. When setting up the special online column for sustainability, it has followed five principles, i.e. information integrity, information dynamics, information interaction, visitors-friendliness and visual internationalization.

In order to widely collect the feedbacks of stakeholders to sustainability of the company, improve communications efficiency, expand information channel, it opened sustainability special column in its official website since 2010 to showcase the company's contributions to performance of Global Compact in an all-rounded manner, and objectively release the social responsibility practices and action plans. For more information, please visit COSCO Group's official website at <http://www.cosco.com>.

COSCO Group sustainability information management platform is not only an important channel for it to disclose social responsibility information, but also a social responsibility management platform within the enterprise. The website includes rich contents such as news about COSCO Group's sustainability, news about sustainability of its subsidiaries, global sustainability trends, sustainability memorabilia, sustainability honors, and sustainability-related knowledge. It also offers download linkage for its sustainable responsibility reports in the past years. With respect to internal management, the information platform can realize risk management, sustainability report indicator management as well as exchanges of experiences. For more information, please visit <http://gri.cosco.com/ccms/>.

(III) Release of Sustainability Report

COSCO Group believes that sustainability report is the way of information disclosure and communications. It aims at helping stakeholders to obtain bases for correct decision-making through reading of sustainability report. An enterprise shall report on its profit-making process and results



from the perspective of stakeholders to show its sustainability ability. Functions of the sustainability report are same with those of the financial annual reports. Contents disclosed in the financial annual reports are all necessary and useful information for an investor to have a comprehensive understanding on the company. By carefully reading and analyzing the information disclosed in the annual reports, investors can capture the important clues and information contained in the annual report, and explore hidden investment opportunities in the annual reports. Scope of a sustainability report includes non-financial information, which are not only the bases for stakeholders to make correct judgments on the enterprise as well as operation and management decisions, but also a supplementation of its financial annual reports. Sustainability report like financial reports shall provide sufficient information for its readers to make correct judgments and decisions.

COSCO Group scientifically establishes sustainability indicator system and sustainability reporting mechanism, releases sustainability report in a standard manner, and creates value with responsibility and communications.

Following the Global Compact sustainability mode, COSCO Group has continuously improved its sustainability strategies through management system and process innovation, and extended the strategies to a deeper level. Sustainability is a long and complicated task, of which, release of sustainability report is an important step. A scientific and effective report is the outcome and performance of system operation, and improving reliability and effectiveness of the report continuously is an eternal theme.

COSCO Group has established standard processes and procedures for compilation and review of sustainability report, has automatically organize and supervise the progresses through its sustainability information management platform. These will ensure the group to kickoff the work at the end of December in the previous year and release the sustainability report on each June after 18 steps of strict reviews and improvements. In 2010, COSCO Group cautiously released its sustainability report after collecting opinions from internal employees, affiliated companies, external experts, stakeholders and compilation departments and after communicating with stakeholders widely.



COSCO Group Sustainability Report 2010 was released online, and the IE electronic report and video report production work were completed for submittal to the United Nations Global Compact Office in a low-carbon manner.

(IV) Internal Communications for Social Responsibility

COSCO Group has taken the internal communications on social responsibility as an important measure to promote corporate social responsibility concept, enhance social responsibility consciousness of its employees and deeply understand social responsibility practices of an enterprise in many sectors, and has established internal communications mechanism. Internal communications measures on social responsibility include holding communications and exchange meeting on social responsibility, carrying out on-site survey and investigation on social responsibility, producing internal publications on social responsibility, developing sustainability information system and professional IT platforms related to social responsibility. The sustainability report and sustainability information platform are main carriers for communications.

Please see Part IX of this Chapter.

VII. Responsibility Researches

COSCO Group has attached great importance to researches on application of world's advanced management concepts and approaches in the enterprise, and has integrated social responsibility concepts with development strategy, management system and daily operation of Chinese enterprises, and provided theoretical guidance for establishment of social responsibility concepts, formulation of social responsibility strategies and planning, and establishment and improvement of social responsibility management system based on operational natures and management bases of companies affiliated to the group as well as social responsibility implementation methods of related companies. By carrying out researches on responsibilities, it has tried to improve its social responsibility-related work, promoting corporate social responsibility concepts and contribute to formulations of related



social responsibility standards, thus changing the promotion of social responsibility into a continuous improvement process.

(I) Researches on Social Responsibility Topics

COSCO Group has taken part in social responsibility research work of external institutes, and carried out researches on social responsibility independently based on corporate social responsibility theories and practices, so as to improve corporate social responsibility management and optimize corporate social responsibility practices. It has attended the key research topics of SASAC, such as the Researches on Social Responsibility of Central Enterprises and the Researches on Corporate Social Responsibility Promotion Mechanism. It also attended the WBCSD's researches on Guidance for Sustainability Indicators of Shipping Industry.

(II) Partnership with Educational and Research Institutes in Researches on Social Responsibility

COSCO Group has partnered with educational and research institutes actively to carry out researches on corporate social responsibility, and attended the research projects on social responsibility with Peking University and Tsinghua University. These cooperative projects are not only favorable for the enterprise to refer to research advantages of educational and research institutes, make up its insufficient in terms of social responsibility theories and professional knowledge, but also favorable for it to select research directions based on their own demands, so as to ensure the pertinency and usability of the researches. These will also promote the researches on corporate social responsibility.

(III) Participation in Compilation of Domestic and Overseas Social Responsibility Standards

COSCO Group has actively attended the standards relating to social responsibility formulated by the Chinese Government, industrial associations and research institutes to promote and standardize social responsibility development of Chinese enterprises, as well as international and industrial social responsibility standards. With these efforts, it wants to obtain right of speech in formulation of international social responsibility standards and enhance the international influences of Chinese enterprises.



Part IV Implementation and Reports of Comprehensive Risk Management

From the year 2003, while actively participating SASAC overall risk management research group, namely, first starting companies' overall risk management work among state-owned enterprises, COSCO Group also completed Group's comprehensive risk recognition and assessment for the first time in 2005, established a firsthand risk events base, decided the core management idea with sustainability system construction and overall risk management system construction as its main routes. In 2007, COSCON, the largest company in COSCO Group, was decided as a pilot unit to implement overall risk management. Based on the experiences of the above, in 2008, the company continued to promote the work of internal control and overall risk management system construction, under the working instruction of SASAC's Central Enterprise Comprehensive Risk Management Guidelines. In 2009, by the overall and specific working plans of overall risk management system construction, COSCO Group started and completed the management optimization of internal control management and overall risk management system construction. It also raised specific solution plans to grave risks, developed and launched overall risk management information platform.

I. Situations of Comprehensive Risk Management Work in 2010

(I) Progresses of Comprehensive Risk Management Plans

Under the overall plan and specific arrangements of risk management system construction, in 2010, COSCO Group started and finished enterprises home rules and regulations clearing, scientific working, and internal control system construction work. Meanwhile, it also made use of overall risk management information platform to start Group headquarters' risk assessment work, etc. The specific fulfillment situation of the company's overall risk management work in 2010 is shown as the following sheet.

Serial No.	Work to be completed	Actual situations	Reason for uncompleted situations and rectification measures
1	Clearance and scientific management of internal rules and regulations of COSCO Group headquarters	Completed	N/A
2	Construction of internal control system of China COSCO	Completed	N/A
3	Compilation of COSCO Group Comprehensive Risk Management Report 2010	Completed	N/A
4	Risk evaluation and correction of COSCO Group headquarters	Completed	N/A



1. Clearance and Scientific Management of Internal Rules and Regulations of COSCO Group Headquarters

In accordance with 2009 overall plans for clearance and scientific management of internal rules and regulations, the company fully developed the carding of home rules and regulations, got organized and did effectiveness assessment of rules and regulations in 2010. After three times' repeated check, among the rules and regulations, there were all together 796 items cleared up, with 297 items abolished, 110 items added, and 64 items revised, which by normal procedure constituted COSCO Group abolishment list of home rules and regulations, which was required to process the abolishment approval procedure. At the same time, in order to meet the home rules and regulations' management requirements, the company established "Measures on COSCO (Group) headquarters rules and regulations management" and "COSCO (Group) headquarters rules and regulations sorting framework system", and did corresponding correction to the approval and release function of company's digital office system rules and regulations, to realize the joint to the rules and regulations information management system.

2. Construction of Internal Control System of China COSCO

In order to meet the requirements of the Basic Standard for Enterprise Internal Control and its implementing guidelines issued by five ministries and commissions including the Ministry of Finance, to satisfy the demands for elevation of risk management and control ability of China COSCO, and to further deepen and improve its internal control system, China COSCO started the internal control system construction work. Through five phases of work, namely internal control diagnostic assessment, risk assessment, internal control system construction and improvement, internal control examination, internal control integration and information construction, it has established an internal control system covering entire system of China COSCO.

(a) Diagnosis on Internal Control Compliance

In accordance with the Basic Standard for Enterprise Internal Control and its implementing guidelines issued by five ministries and commissions including the Ministry of Finance, it cleared 889 diagnosis points in 18 aspects, namely organization structure, development strategies, human resources, social responsibilities, corporate culture, capital activity, purchase business, assets management, sales operation, research and development, engineering projects, guarantee business, outsourcing, financial reports, overall budget, contract management, internal information transmission and information systems. Through questionnaire, interview, tests and other various methods, it also carried out internal control survey and diagnosis in COSCO Group headquarters and its six subsidiaries to recover its internal control situations and find its difference and defects of internal control. The internal control survey and research cover main business processes of the company. Internal control surveys and investigations were conducted among some key production units in business sectors such as procurement, asset management and sale to ensure that the internal control survey and diagnosis work is carried out in an in-depth and comprehensive manner.



(b) Risk Assessments

Based on the historical risk event database and company's development characteristics and situations, an entire personnel-participated risk distinction and assessments work was organized and started, which updated company's risk information, perfected risk motivation analysis and risk influence analysis, and built a bridge between risks and departments' business activities, to nail down the company's risks layout condition and internal control work emphasis for following steps.

(c) Construction and Improvement of Internal Control System

Combining with the internal control improvement work, it would base on the headquarters' internal control system framework to compile internal control construction plans for subsidiary companies, guide subsidiary companies to nail down internal control organization functions, clear internal control system and program framework, and gradually establish a healthy internal control system.

(d) Internal Control Inspection

Based on internal control diagnostic results and improvement plans, China COSCO has set up an internal control inspection team, to compile inspection plans, nail down inspection emphasis, start tracking and checking subsidiary companies on the implementation of internal control rectification plans, sum up working experiences in spreading internal control implementation, and promote the effective operation and sustained perfection of subsidiary companies' internal control systems.

(e) Internal Control Integration and Informationization Construction

Combining with internal control systems construction achievements of China COSCO and its subsidiary companies, the work of internal control systems' joining and integration were started; relationships among all the units' functionalities and organization were nailed down and perfected; all the units' internal control information transmission and reporting routes were carded and optimized; the joining level and cooperative relationship in all the units' internal control working procedures were strengthened, thus to achieve sufficient run-through and all internal control elements and procedures' overall operation in various levels of the companies. Meanwhile, China COSCO will plan for construction of internal control information system based on its informationization situations as well as internal control regulations of the Ministry of Finance.

3. Compilation of COSCO Group Comprehensive Risk Management Report 2010

In accordance with the requirements of SASAC, the COSCO Group Comprehensive Risk Management Report 2010 was completed in April 2010 to summarize the group's comprehensive risk management system construction work in 2009.

4. Risk Assessment and Rectification of COSCO Group Headquarters

In December, 2010, COSCO Group headquarters started risk assessment and rectification work based on the comprehensive risk assessment in 2005 to distinguish and recognize the risk events influencing strategies goals, find the key risks through risk assessment and specify the risk



management focus and management direction of the company in the next stage.

(II) Key Risk Management in 2010

Through risk assessments in 2010, it identified six key risks, namely market fluctuation risk, investment evaluation risk, capital operation risk, implementation risk, health and safety risk, and document system construction risk. The table below shows the management situations of key risks in 2010.

Management Situations of Key Risks in 2010

Serial No.	Key risks evaluated in annual reports	Whether it occurs?	Whether the influences are within the endurance ability?	Please specify the reasons if the influences go beyond the endurance ability?
1	Market fluctuation risk	Yes	Yes	N/A
2	Investment evaluation risk	Yes	Yes	N/A
3	Capital operation risk	No	Yes	N/A
4	Implementation risk	Yes	Yes	N/A
5	Health and safety risk	No	Yes	N/A
6	Establishment of document system risk	No	Yes	N/A

1. Management of Market Fluctuation Risk

In the face of market situation changes and challenges thereafter, COSCO Group strengthened tracking and research work of international shipping trends, strived to hold the market's developing trend, did timely adjustment of operation strategies, and actively answered potential market risks. In the aspect of resources needs, key-customers strategy was emphasized; customer's condition was closely noticed; existed customers maintenance and strategic customer expansion were strengthened. On daily fleet operation, sea routes were constantly adjusted; association was enhanced; proportion between its own ships and rented ships was reasonably controlled; shipping speed was implemented economically; operation cost was controlled through efforts. Meanwhile, the company sufficiently made use of the Group's industrial status to call on industrial self-discipline, and exerted itself to enhance the level of freight rates, to create sustainability environment for the enterprise.

2. Management of Investment Evaluation Risk

In 2010, COSCO Group achieved the goal of controlling investment assessment risks through the shifts of 3 decision-making ideas. First, the enactment of investment censor and goals for decisions not only need to consider whether the investment projects fit the company's strategic development requirements, but also need to uncover potential risks behind the investment projects, and to



demonstrate whether the risks are within the endurance range of the company, which are more important. Second, on censorship on investment projects goals and decision-making basis, what needs to be considered not only includes the projects' investment benefits, but also confirmation of realistic investment benefit goal combining with COSCO Group's own risk preference and strategic requirements. Third, on the censorship of investment projects risks and decision-making process, a dynamic vision should be adopted in inspecting the influence of the investment benefit goals caused by the risks, namely, static goals realizing-value should not only be considered, the possibility of goals realization should also be considered. Investment assessment risk management designs a complete investment assessment working mechanism on technical level issues like investment decision-making goals setting, investment risk revealing and analysis, etc., and nails down management strategy methods on investment assessment risks.

Under the guidance of the above ideas, in the course of investment projects work, COSCO Group firmly controlled projects' investments apart from investment on industrial development orientation in all enterprises. Those could be delayed on authorization were delayed, and those should be condensed in investment scale were endeavored to condensed. At the same time, during investment assessment, reasonable and effective suggestions were raised.

3. Management of Capital Operation Risk

In the course of daily work, the company adopted various precautions measures from various aspects and links of implement capital operation risks management. Based on Group strategies, corresponding capital operation strategies were made. Under the guidance framework of capital operation strategies, appropriated operation methods and strategies were chosen. Scientific decision-making mechanism was established. On crucial investment decision-making, vetting procedures were strictly performed. Target companies were reasonably chosen, whose financial statements' authenticity was carefully checked, with checks also on other aspects. Meanwhile, costs and benefits analysis were emphasized, with comprehensive survey and research on targeted enterprises. Due to proper measures and effective control, there were no capital operation risks within the year 2010.

4. Management of Implementation Risk

One important task of COSCO Group's 2010 risk management was to perform full carding and optimization to the currently existing 67 major management programs and 121 sub-management programs, to add what was lacking. Because the rules and regulations were under continuous standardization and adjustments, the company's internal control system was undergoing the process of early running-in after full construction, and in some parts there are general limitations existed, compared with Basic Standard for Enterprise Internal Control and its implementing guidelines. In accordance with requirements of the Guidance on Enterprise Internal Control Evaluation and based on existing internal control and risk management, it carried out evaluation on effectiveness of internal measures among COSCO Group headquarters and its subsidiaries through forms such as



questionnaire and survey, interview and test. The evaluation is mainly focused on 18 aspects, i.e. organization and framework, development strategy, human resources, social responsibilities, enterprise culture, capital activity, purchase business, capital management, sales business, research and development, project programs, guarantee business, outsourcing, financial report, comprehensive budget, contract management, inside information transmission and information system. It also discussed on the implementation defects and formulated improvement plans, specified improvement measures and timetables, responsible departments and persons. The responsible departments and companies will further improve the evaluation system, enhance the implementation and evaluation of corresponding management system, and improve the execution ability of internal control work. They will also speed up to improve the corresponding control tools such as PC system. Moreover, they also carried out inspection on effectiveness of the implementation, supervised and propelled the implementation of rectification measures.

5. Management of Health and Safety Risk

In 2010, COSCO Group stuck to the overall goal of safety management, bravely faced many unfavorable elements in the post financial crisis era, constantly innovated new management ideas, strengthened lean management, steadily carried out “national safe production year” activity, “national safe production month” activity, safe production and emergency “double foundation” construction triple-year activity, etc.. The activities were implemented in order to promote safety and management, to feasibly strengthen and solve safe production weak links and significant problems, to strengthen safe production system and mechanism construction through activities, to strictly put safe production accountability system, to persevere in grave and prominent accidents audience system, grave and typical accidents on-site meeting system, accidents announcement system, and to accept supervising within the whole system. Through methods of training enhancement, system perfection, supervising improvement, execution ability, etc., the occurrence of grave and prominent safety accidents were effectively prevented, health and safety situation were generally stable.

6. Management of Document System Construction Risk

The integration of management teams of COSCO Group headquarters and China COSCO was completed in 2009, and the large-scaled clearance of rules and regulations of the group was kicked off. Moreover, it also carried out effectiveness evaluation, abolished invalid documents, unified document forms and established standard internal control document system management framework. Moreover, it also managed documents of internal rules and regulations of the group uniformly by making use of risk management information platform.

In 2010, COSCO Group carried out evaluation on effectiveness of its rules and regulations, cleared work thoroughly, and established COSCO Group rules and regulations database, formulated COSCO Group Headquarters Management Methods of Rules and Regulations and COSCO Group Headquarters Rules and Regulations Framework System; organized and developed COSCO Group rules and regulations collecting system, which set foundation to wholly enhance Group’s



fundamental system construction. It also cleared the rules and regulations of China COSCO and compiled the China COSCO Rules and Regulations 2010 Version. It also organized internal evaluation on internal control in 2010 and implement corrective measures on issues found and observation items.

II. Overview of Comprehensive Risk Management Work in 2011

(I) Plans for Risk Management Work in 2011

(1) Implement the SASAC's Central Enterprise Comprehensive Risk Management Guidelines and the Basic Standard for Enterprise Internal Control and its implementing methods released by five ministries and commissions, formulate and release the COSCO Group Comprehensive Risk Management Planning based on COSCO Group's 12th Five-year Plan. Organize all subsidiary companies and overseas companies to formulate and implement their internal control and comprehensive risk management plans based on the Standard and its implementing methods.

(2) The framework of the comprehensive risk management system has been established. The working focus is to promote all departments and subsidiary companies to promote the comprehensive risk management work in all business sectors. Formulate risk strategies based on investment project evaluations and financial derivatives, establish and run risk processes, establish comprehensive risk management system and implement the work in COSCO Group headquarters and its subsidiary companies.

(3) Improve COSCO Group's comprehensive risk management information system and organize the transplantation and customization of comprehensive risk management information platform to the subsidiary companies, and improve the collecting, analyzing, clearing, reporting and coping ability of risk information.

(4) On the basis of the completion of scientific construction of regulations and systems, COSCO Group will further organize the operation of rules and regulations management system, identify and electronize the international conventions, laws and regulations, compile and establish the manual for rules and regulations of COSCO Group headquarters. Organize the subsidiary companies to promote scientific development of rules and regulations.

(5) In accordance with the Basic Standard for Enterprise Internal Control and its implementing methods released by five ministries and commissions as well as the requirements on supervision of listed companies, formulate internal control planning and plans, complete the internal control building project of China COSCO, require all departments and subsidiary companies to compile self-evaluation report, accept the audit of accenting firms on internal control construction quality and effects and self-evaluation reports.

(6) The focus is to organize COSCO Group headquarters and its subsidiaries to implement internal control system, establish the internal control system for the headquarters and the subsidiary companies with the improvement items in the Management Letter released by the accounting firm, and promote the implementation of internal control system throughout the company.

(7) Set up the project of internal control information system and develop the common internal control information system for COSCO Group and its subsidiary companies.

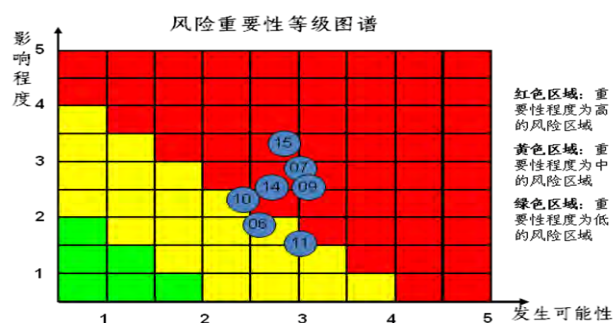


(II) Risk Evaluation

COSCO Group set up the risk event database in 2005. As time passes and the business develops, structure of the risk event database was changed into a three-layered structure comprising of six categories of Level I risks, 62 categories of Level II risks and 199 categories of Level III risks. Based on risk evaluation results in the past few years, it analyzed the changes of its internal and external environment focusing on influences of uncertainties in the future on the group's objectives in December 2010. In accordance with the structure of existing risk event database, COSCO Group carried out the risk identification work for the new-year by making use of the comprehensive risk management system. In collection and clearance of risk events, it fully considered the key issues in shipping, logistics, shipbuilding and ship-repairing, and terminal industries as well as related markets and its rivals. When collecting the risk events, it collected and cleared up external risk events based on aforesaid structure, including threats and opportunities in terms of carrying capacity supplies, cargo sources and customer sources, increased the risks of pirates and fluctuation of shipping market. A total of 1302 risk events were increased to form the 2011 risk event database. The risk identification work integrated the risk information in the past and was carried out by means of all-staff participation. In the meantime, risks were connected with business process to specific the detailed risks of each business activity and provide basic information for taking of specific measures to cope with the risks in the next step.

Based on risk evaluation standards, COSCO Group identified seven items of significant risks subject to possibility and influences of risks: health and safety risk, market fluctuation risk, foreign currency risk, interest rate risk and other risks of financial market, FFA risk, fuel futures hedging risk, credit management risk and implementation risk.

It drew the risk coordinate graph of significant risks in 2011 based on possibility and influences of risks:



图谱对应的风险名称与编号

15	健康与安全风险	10	燃油期货风险
07	市场波动风险	06	信用管理风险
09	汇率风险、利率风险及其它金融市场风险	11	执行风险
14	FFA风险		



(III) Management of Significant Risks

COSCO Group brought the major risks identified into the key scope for risk management work in the next year, and established daily and regular supervision mechanism on major risk events. COSCO Group required all departments of the headquarters and its subsidiary companies to pay close attention to performance of risk events in daily operation, including newly increased events, changes of risk natures. Once these are changed, all departments and subsidiary companies will timely update the evaluation results of risk events and indicate the influences of risk events on major risks in regular evaluation. COSCO Group will organize large-scaled risk evaluation work on a regular basis, i.e. applying risk evaluation model to make large-scaled evaluations on risks in the risk event database, counting the possibilities and influences of major risks, and monitoring the changes of importance of these major risks. In the meantime, the group will carry out regular risk analysis on major risk monitoring indicators formulated to observe the risk endurance degree relevant to major monitoring indicators and adjust the countermeasures timely.

COSCO Group determines major risks to be solved in the next year based on risk evaluation results, and assigns corresponding responsible departments, which are responsible for formulation of risk management strategies and detailed solutions for major risks. The risk management authorities will assist the responsible departments in organizing researches and discussions on major risk management strategies, determine risk monitoring indicators and corresponding risk endurance degree, and formulate detailed risk solutions including risk countermeasures, estimations of costs to cope with risks, timetable, and posts. When necessary, evaluation on remaining risks of major risks will be carried out.

III. Construction of Comprehensive Information Management Information System

In accordance with the requirements of SASAC's Central Enterprise Comprehensive Risk Management Guidelines, COSCO Group applies information technologies into risk management work, and establishes comprehensive risk management information system covering basic risk management process and all sectors of internal control system to satisfy the functions of information collection, storage, processing, analysis, test, delivery, report and disclosure.

In accordance with the general processes for enterprise risk management as specified in the SASAC's Central Enterprise Comprehensive Risk Management Guidelines, COSCO Group increases the requirements on strong driving force, resource allocation and licensing in combination with the continuous improvement management mode of comprehensive risk management, and establishes the management model of comprehensive risk management and sustainability. It further segments the steps that can be implemented based on enterprise management experiences, innovatively puts forward the implementation and promotion steps for scientific construction of risk management system, and realizes management innovation on yearly basis. It also establishes comprehensive risk management information system by making use of IT measures, and makes use



of comprehensive risk management information system to promote deeper and wider development of comprehensive risk management throughout the group.

(I) Construction of Comprehensive Risk Management Information system

COSCO Group implements the comprehensive risk management system under the principle of “overall planning and step-by-step implementation”, and scientifically promotes the in-depth development of the group’s risk management work.

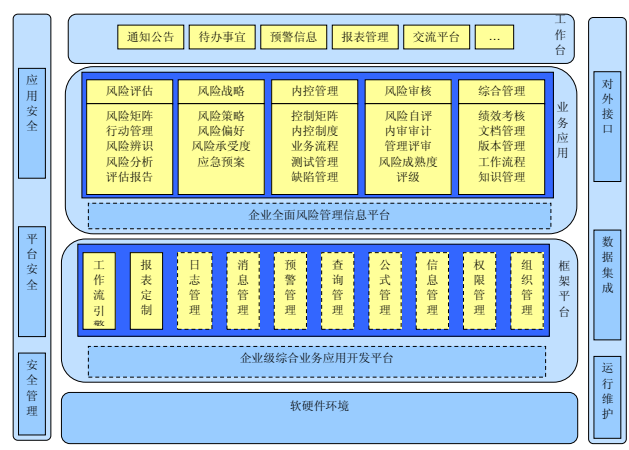
In 2005, COSCO Group successfully completed the stage I of development work of its comprehensive risk management information system, becoming the first central enterprise that establishes the system. In 2006, it started Stage II of development work and completed the development of social responsibility risk sustainability information system and legal risk information system. In 2007, Stage III of the development work was started. After two years of development, test and operation in 2008 and 2009, the information platform has been put into operation completely in 2010, realizing the application of comprehensive risk management system to central enterprises by means of information. The information platform covers COSCO Group headquarters, China COSCO and other key subsidiary companies.

COSCO Group’s comprehensive risk management information platform not only solves the low-efficiency of risk management processes promoted by man power, but also realizes the standardization and uniformity of risk management languages and behaviors of the group through information channels, hence solving the difficulty that risk management system of central enterprises only stays at headquarters level and can’t be promoted to subsidiary companies. In the next step, the group will continue to improve and update its comprehensive risk information management system.

(II) General Information of Comprehensive Risk Management Information System

In the primary stage for establishment of comprehensive risk management system, COSCO Group had considered of establishing a risk management system based on its own characteristics, and done many business process clearing and re-structuring work. In the meantime, it fully considered the features of its comprehensive risk management demands such as changing, staggered and complicated structure, and enhanced its successful management experiences with IT measures by making use of matured J2EE framework, playing a positive role in elevating the risk management level of COSCO Group.

Major management and business processes of the system are shown in chart below:



Built under the principles of “overall planning and step-by-step implementation”, COSCO Group’s comprehensive risk management information system can realize following functions, which are related with and independent from each other:



COSCO Group’s comprehensive risk management information system can support the entire process from risk information initialization to identification, evaluation, disposal, monitoring and improvement. By referring to PDCA’s management approaches, it can realize continuous improvements of risk management work and provide a convenient communications platform for timely reporting of risk management achievements to SASAC and other related parties. In the meantime, a risk pre-warning model is established with the formula customization function of the information system, and the layer-by-layer calculation and summarization mechanism is gradually formed to quantize management processes and make the system operation more scientific and reasonable.

The comprehensive risk management information system showcases the risk charts in an intuitionistic manner with the reporting function, enabling the risk identification clearer and more effective and providing bases for determination of risk preferences.



(III) Operation of Comprehensive Risk Management Information System

1. Solidifying and showcasing COSCO Group's comprehensive risk management system through its risk management information platform to ensure its effective daily operation

Construction of COSCO Group's comprehensive risk management system shall realize the better combination of the requirements on building of theories for comprehensive risk management and the group's existing comprehensive management system, namely, the key elements of its comprehensive risk management system shall be implemented and supplemented based on existing comprehensive management system, and the operational mechanism of comprehensive risk management work shall be implemented based on existing business and management functionalities.

Construction of policies and guidelines, organizational functions, and management measures for COSCO Group's venture financial management will be implemented through formation of risk management strategies, improvement of organizational and functional system as well as elevation of internal control system, and will be realized through comprehensive risk management information system.

COSCO Group's comprehensive risk management information system can support the entire process as required in SASAC's Central Enterprise Comprehensive Risk Management Guidelines. In the first stage, risk identification, evaluation and responding modules have been established. In the future, monitoring and pre-warning mechanism will be established based on enterprise risk management system's KRI, so as to constantly improve the group's management and control system.

2. Chief risk officer and departments in charge of comprehensive risk management will carry out their work on comprehensive risk management system, so as to improve their working efficiency and quality.

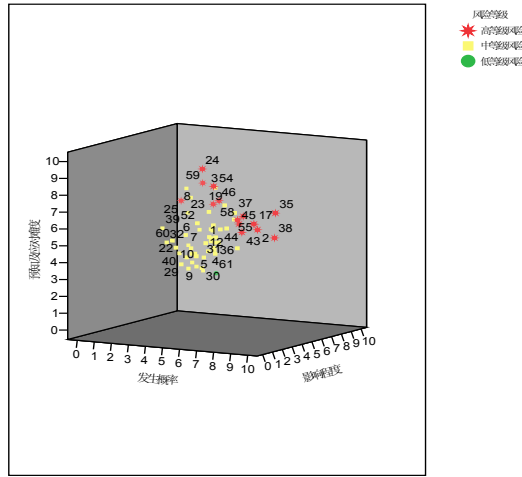


COSCO Group appointed the first chief risk officer (CRO) of central enterprises, who is responsible for sustainability and comprehensive risk management work, and for establishment and implementation of risk management organization and its responsibilities to lay a basis for operation of sustainability and comprehensive risk management systems.

Based on existing organizational structures and management obligations of COSCO Group headquarters, efforts will be made to implement the construction plans of risk management functional departments or establish independent risk management departments, or increase related posts under existing functional departments to shoulder risk management responsibility and gradually transfer to establishment of an independent department. In the meantime, risk management responsibilities of related institutes will be specified, and the implementation methods of risk management obligations of related departments will be determined to lay a foundation for operation of comprehensive risk management system.

3. Carrying out risk evaluations and formulating risk strategies in a scientific manner through information platform to ensure the accuracy and reliability of risk evaluation results

In accordance with the requirements in SASAC's Central Enterprise Comprehensive Risk Management Guidelines, in combination with AS4260 risk management system standards and with reference to COSO comprehensive risk management framework, COSCO Group develops the risk evaluation methods with six sigma technologies. The risk evaluation method adopts three independent variables, namely risk frequency, risk influences and risk prediction and responding difficulties, and 1-10 continuous data evaluation approach to evaluate the risks in a scientific manner. All departments and subsidiary companies of COSCO Group implemented management work focusing on risks as well as features of their respective business management risks, and expanded the management focuses to strategy risk, market risk, financial risk, legal risk and social responsibility risk. As the risk evaluation is carried out in a deeper and wider manner and involves many persons, the manual data collection and analysis require heavy workload while generate low accuracy. The risk evaluation system for development of risk management information system can support single-point log-in to complete risk evaluation, facilitate automatic statistics of calculation results to form three-dimensional risk spectrum and elevate risk evaluation reliability.



Based on risk evaluation results in the primary stage of COSCO Group headquarters, it sequences and revises the risk categories, features and major risks of the group accordance to its development situations and external environment, makes comprehensive and accurate judgments on risk situations of the headquarters, determines major risks at present and specifies management focuses.

Based on the group’s development strategies, risk evaluation results and management resources, it researches and determines the group’s overall risk preferences and endurance degree plans, specifies the countermeasures of major risks and provides decision-making standards and guidelines for specific risk management.

COSCO Group formulates specific management solutions for hedging risks and investment evaluation risks based on international financial environment at present. The hedging risk management solution further specifies the risk management strategies of the company in fuel futures business, FFA business, and currency rate and interest rate risk management, selects definite monitoring indicators and defines corresponding risk endurance degree. In the meantime, the hedging risk management solution optimizes related internal control requirements (such as damage prevention system), specifies corresponding control plans for every risk control points as an important measure for risk prevention, and establishes financial risk management procedures. Investment evaluation risk management solution includes a complete investment risk evaluation mechanism focusing on technical issues, such as setting of investment decision-making targets, disclosure and analysis of investment risks and review of investment risks, and specifies the management and decision-making approaches for investment evaluation risks.

4. Compiling COSCO Group Comprehensive Risk Management Annual Report through comprehensive risk management information system, and collecting information comprehensively and high-efficiently



In accordance with the requirements of SASAC, central enterprises shall carefully summarize the experiences and lessons of comprehensive risk management work when promoting comprehensive risk management work in an in-depth manner, and enhance exchanges focusing on current economic situations and enterprise development demands. Since 2009, it organized the compilation of COSCO Group Comprehensive Risk Management Annual Report on a yearly basis. All companies summarized and reported their risk management situations in accordance with the SASAC's comprehensive risk management reporting framework set in the sustainability information management platform, and referring to examples provided.

In order to make sure that the Central Enterprise Comprehensive Risk Management Report could be submitted to SASAC before the end of April 2011, it arranged the work together with the data and material collection work for 2010 Sustainability Report in mid December 2010, and completed and automatically formed the material database with comprehensive risk management information system for the convenience of high-efficient compilation work.

Part V Legal Affairs Management

As a domestic leading shipping enterprise, COSCO Group has always been law-abiding. Making the compliance with laws and the prevention of legal risks one of the focuses of daily work, it has set an example to other enterprises in the industry.

I. Corporate Legal Construction

COSCO Group has made significant progress in meeting the new three-year goals in legal work set by SASAC for enterprises directly under the central government. In July 2010, to further promote the development of its legal system and to ensure the realization of the three-year goals, the COSCO Group headquarters issued a notice on how it should carry out its third year of legal work during the new three-year period. The notice provided both overall arrangements and specific requirements. Based on its current conditions, it made corresponding changes. It added 10 more companies to its list of key subsidiary companies that need to report to SASAC; it required all subsidiary companies with a legal system of their own to further improve the system; it also asked other qualified second- and third-level subsidiary companies to set up and implement a general legal counsel system. In 2010, a total number of 11 subsidiary companies established their general legal counsel system, thus greatly accelerating the promotion of legal work.

II. Legal Information System Construction

In a bid to make sure that the enterprise is managed in accordance with laws and regulations, and to fully integrate the existing COSCO Group legal information and human resources, COSCO Group headquarters, having set a general legal counsel post, developed and built up a legal information system as the platform for resources sharing and business exchanges in 2007. In 2010, COSCO Group adjusted its legal information system in 8 aspects so as to get rid of the constraints



the organizational structure, personnel and workflow impose on the application of the legal information system. The adjustments include: reconstructing and upgrading the webpage, providing timely updates on key legal information, adding the latest business contract templates and opening an online Q&A section. The improved system is now very timely and has high applicability, laying the foundation for a wider application of legal information during the next phase.



III. Participation in Major Projects and Contract Management

Adhering to the principle of “prevention first, control second”, the legal managerial personnel of COSCO Group participated in the whole process of the major capital operation projects. They undertook the project lawyer’s selection and employment, signed the non-disclosure agreement and authorization files, provided legal advice, and participated in the contract negotiation as well as the legal review of the contracts. They also participated in the business group’s work of the enterprise’s annuity program, such as giving advice on the legal issues in the program, examining related legal documents, joining the inspections, tending and bidding of business institutions, and the following negotiations and paper signing as well, so that the legal risks of major projects had been reduced effectively. In 2010, the major capital projects the legal affairs office of COSCO Group headquarters was mainly involved in include: Project U, Project F6, China Cargo reorganization project, Anhui Ocean Shipping Company free transfer project and Hunan Ocean Shipping Company free transfer project.

Strictly following the provisions on contract management and procedures issued by COSCO Group, the contracts and agreements signed and examined by the headquarter and COSCO Group were examined legally, ensuring that the contract, while keeping both parties’ rights and interests in



balance, could safeguard its rights and interests to the greatest extent, reduce and defuse the possible risks. In 2010, COSCO Group legal affairs office reviewed and stamped COSCO Group contract seal on 54 contracts, and reviewed and stamped COSCO Group's contract seal on 35 contracts. No disputes or problems occurred during the carrying-out of new contracts and contract risks were effectively avoided.

IV. Legal Training

2010 is the last year for the implementation of the fifth five-year plan of law popularization and is also the year to review past achievements in law popularization. Following the requirements of SASAC office of law popularization, COSCO Group formulated and issued a review scheme on COSCO Group's law popularization work during the past 5 years. A comprehensive summarization of the Group's legal work during the fifth five-year plan of law popularization was completed and timely reported to SASAC. Since the beginning of fifth five-year plan in 2006 COSCO Group has organized many legal trainings and has made real efforts to strengthen the corporate legal system. As a result, the legal awareness of the Group's managerial staff and employees has been significantly increased and the level of managing the Group according to the laws has been greatly improved.

COSCO Group also compiled a Q&A brochure about and organized promotion activities for Law on Guarding State Secrets. It also organized relevant events on the "12.4" Legal Publicity Day and actively trained its legal staff on maritime shipping legal affairs and general legal affairs. Its legal staffs were also active participants in special legal training sessions organized by SASAC, the International Chamber of Commerce, Association of Corporate Counsel and other relevant agencies and organizations with the purpose of further improving their legal ability.

Part VI Management of Sustainability Information Management Platform

I. Informationization of Corporate Social Responsibility

Global Compact and social responsibility not only lead to changes in global thinking and values, but also make up a new concept of corporate management. Through fulfilling social responsibilities, enterprises can be led to discover the best business practices, change their business models, improve their level of management when faced with major global challenges, and achieve higher performance levels of sustainability.

In 2010, SASAC required enterprises directly under the central government to fulfill their corporate social responsibilities by focusing on the following 8 aspects: education, organization, planning, responsibility, key points, report releases, experience sharing and building one's own characteristics. Enterprises should prioritize the fulfillment of social responsibilities, further improve their social responsibility management system, further integrate social responsibility into their business management, and further improve their social responsibility communication system.

COSCO Group has been included in the COP notable program of Global Compact for 4 consecutive

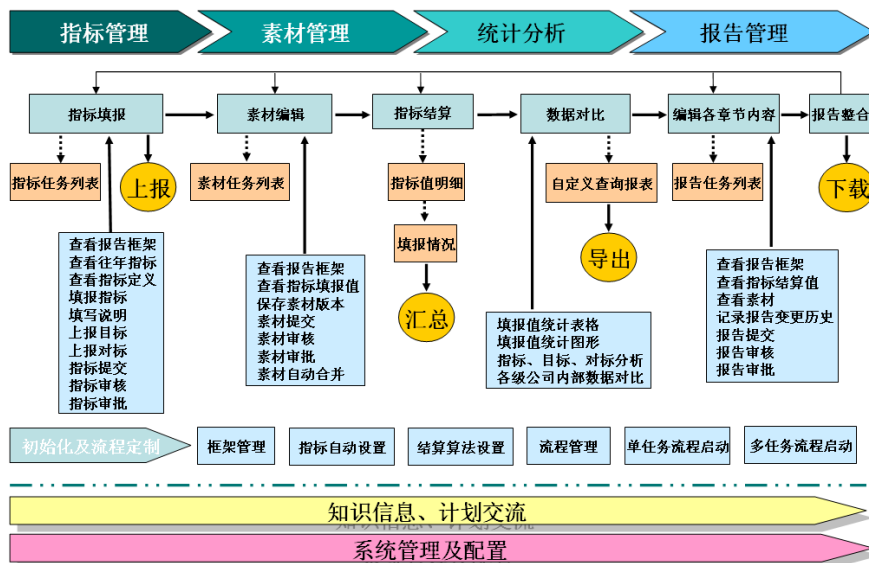


years. With a profound understanding of UN Global Compact's Blueprint for Corporate Sustainability Leadership for the next decade, and with reference to ISO 26000 Guidance on Social Responsibility, the Group has completed the sorting and integration of the framework and indicators of its 2010 Sustainability Report, consolidating the foundation for the compilation of the report.

In short, COSCO Group made full use of information advantage and combined management work of sustainability with information technology on the basis of deep understanding of corporate social responsibility. After 3 years of constant practice and improvement, the Group has gradually achieved the normal management of COSCO Group Sustainability Report process, established a multi-dimensional indicator system and report database. With the help of information system, the Group not only simplified preparation so as to improve efficiency, but also improved the management level of corporate social responsibility.

In 2010, COSCO Group continued its cooperation with the Global Compact China Network Center, and Chinese Academy of Social Sciences. Together, they discussed the dimension and scope of corporate social responsibility report, and completed the framework and indicator system of COSCO Group's 2010 sustainability development report by using the Sustainability Information Management System. A database with 793 indicators was set up; each indicator can be automatically aggregated, and different indicators can be settled through statistical models, thus enhancing the rigor of the data in the report.

报告系统业务流程





Core procedures of COSCO Group's Sustainability Information Management System

指标填报操作

选择机构 = 安全技术监督部 且 指标名称 包含 且 负责人 且 置空
 汇总方式 = 且 序号 = 且 所属填报岗位(单岗) = 查询

维护 & 查看	序号	年度	指标名称	所属框架 (GRI)
维护 & 查看	51	2010年度	所获与全球契约和可持续发展相关奖项数 (中远(集团)总公司-安全技术监督部)	一、全球契约和可持续发展相关奖项
维护 & 查看	52	2010年度	所获主要奖项数 (中远(集团)总公司-安全技术监督部)	二、集团年度获奖情况
维护 & 查看	53	2010年度	参加主要协会和团体数 (中远(集团)总公司-安全技术监督部)	(一) 参加协会及担任职务
维护 & 查看	61	2010年度	船舶认证审核数 (中远(集团)总公司-安全技术监督部)	2、环境管理体系认证情况
维护 & 查看	62	2010年度	船舶中间审核数 (中远(集团)总公司-安全技术监督部)	3、职业健康安全管理体系认证情况
维护 & 查看	63	2010年度	船舶换证审核数 (中远(集团)总公司-安全技术监督部)	4、ISM和SPS认证情况
维护 & 查看	64	2010年度	船舶附加审核数 (中远(集团)总公司-安全技术监督部)	5、其它管理体系认证或审核、评估情况
维护 & 查看	142	2010年度	应对气候变化所带来的财务投入 (中远(集团)总公司-安全技术监督部)	2、因气候变化带来的财务影响
维护 & 查看	148	2010年度	奖金金额 (中远(集团)总公司-安全技术监督部)	奖金：对奖金的奖项进行逐一描述。
维护 & 查看	153	2010年度	从任何政府收到的或应该收到的对任何营运的其它支助金额 (中远(集团)总公司-安全技术监督部)	从任何政府收到的或应该收到的对任何营运的其它
维护 & 查看	155	2010年度	与供应商合作节约能源数 (中远(集团)总公司-安全技术监督部)	(六) 当地供应商和采购政策
维护 & 查看	190	2010年度	获得美国优质船数 (中远(集团)总公司-安全技术监督部)	2、美国优质船数情况
维护 & 查看	191	2010年度	占美国优质船比例 (中远(集团)总公司-安全技术监督部)	2、美国优质船数情况

Indicator data reporting interface in COSCO Group's Sustainability Information Management System

COSCO Group's Sustainability Information Management System is the first successful application of modern information technology in the Global Compact and sustainability management in China. The use of information technology not only increases the implementation efficiency of the system but also significantly improves all employees' awareness of social responsibilities, thus putting sustainability into real effect.

II. Promotion and Cooperation of Sustainability Information System

COSCO Group sustainability information system can provide service for more organizations to fulfill their global compact and social responsibility work and effectively improve the management level of sustainability of enterprises. So the headquarter of an organization will have access to collective management of the subsidiaries' indicators related to sustainability through information platform to promote information transparency in internal and external organization. Therefore, it can inquire, calculate and analyze the overall operation of the corporation from different aspects and levels. It can manage the process of preparing the Sustainability Report in a highly efficient and sound process, enabling enterprises to timely and accurately present their contributions to the Global Compact and social responsibilities.

COSCO Group's rich experience and scientific management methods in fulfilling social responsibility can help other large and medium-sized enterprises at home and abroad in promoting corporate social responsibility and sustainability. Based on the success of the Sustainability Information Management System, we will continue our innovation efforts and expand our areas of services so as to provide technological support for more organizations and enterprises that aim to fulfill the Global Compact and social responsibilities.

As large state-owned enterprises affiliated under SASAC, COSCO Group and China National



Offshore Oil Corporation (CNOOC) share corporate similarities and can learn from each other on many levels, including business management model. In view of this, the two sides have entered into collaboration—COSCO Network (Beijing) Co., a subsidiary of COSCO Group, successfully customized and transplanted sustainability information management system for CNOOC, which has been in use for one year. Currently the system is helping CNOOC in compiling its annual report for the year 2010. The transfer of the corporate social responsibility information management model from COSCO to CNOOC was the first of its kind. It further deepens the close ties between the two companies and provides a good opportunity for the spread of the concept of corporate social responsibility management in the whole society.



Part VII Implementation of SASAC's social responsibility requirements

I. Actively responding to the call of SASAC and playing an exemplary role in fulfilling social responsibility

At the working conference on social responsibilities of enterprises directly under the central government in 2009, SASAC put forward 8 specific tasks:

Tasks	Content
Focus on education	Enhance corporate social responsibility education, build the concept of corporate social responsibility, and improve awareness of corporate social responsibility
Focus on organization	Set up a top-bottom social responsibility system, specify the respective social responsibilities of all departments and subsidiary companies, and promote social responsibility in an all round way
Focus on planning	Formulate a social responsibility plan that suits the development strategy of the company, and specify objectives for the next 3 or 5 years or even longer term
Focus on responsibilities	Assign responsibilities, including decision-making responsibility,



	mid-level management responsibility, major departmental responsibility and responsibilities for various functional organizations
Focus on the key points	Ascertain the key points in the company's social responsibility work based on the features of the industry that the company is in, the company's development strategy and its field of business
Focus on report releases	Regularly release social responsibility report or sustainable report, improve the quality of reports, and enhance communication with the society
Focus on experience sharing	Use various ways to share experiences with others so as to draw on each other's merits and raise the level together
Focus on building one's own characteristics	Explore effective ways to highlight the company's own characteristics based on the features of the industry that the company is in

In its next five-year plan, COSCO Group would make more efforts to improve its sustainability strategies and basic environmental strategies, protecting and consolidating existing businesses, minimizing the risks of existing commercial activities with bio-dependent strategies and giving full play to the investment in sustainability. In existing commercial activities, a sustainable strategy prioritizing ecological efficiency was established and sustainability was taken as a core driving force for growth which incorporated and exceeded all existing eco-growth strategies in commercial activities. Furthermore, the Group conducted active researches and studies on vessel energy, developed renewable energy to build genuinely green shipping, and made efforts to build low-carbon economy and trace carbon footprint. By using its powerful information system, all the indicators and information were collected and analyzed, and efficiency management, risk management and strategic policy were implemented. A common sustainability management information system for central enterprise was established, and a long-term social responsibility and sustainability mechanism was set up and improved, which set a good example to other companies in the fulfillment of social responsibility.

II. Taking part in SASAC's Mechanism Research for Promoting Social Responsibilities of Enterprises Directly under the Central Government

COSCO Group was actively involved in the compilation of SASAC's Mechanism Research for Promoting Social Responsibilities of Enterprises Directly under the Central Government. According to SASAC, the report on promotion mechanism of Corporate Social Responsibilities issued by COSCO Group offers good guidance for all types of enterprises in orderly, gradually, and scientifically promoting their performance of social responsibilities. More specifically, the report has both theoretical and practical significance: to help the leading enterprises that actively fulfill social responsibilities and release social responsibility report/Sustainability Report to further improve their social responsibility management system, to help enterprises that are just starting to fulfill their social responsibilities and release social responsibility report to further enhance their management level and to catch up, and to help those enterprises that want to fulfill their social responsibilities and



want to release social responsibility report to establish a social responsibility management system and be on the right track.

III. Taking part in the compilation of SASAC's Guidelines for Social Responsibilities of Enterprises Directly under the Central Government

COSCO Group actively participated in the compilation of SASAC's Guidelines for Social Responsibilities of Enterprises Directly under the Central Government. The Guidelines comply with international and domestic corporate social responsibility trends and reflect the various stakeholders' requirements and expectations for enterprises directly under the central government to perform their social responsibilities. According to the Guidelines, to fulfill corporate social responsibilities, an enterprise must voluntarily abide by relevant laws and regulations, social norms and business ethics; while in the pursuit of economic efficiency, it should also shoulder the responsibility for shareholders, employees, consumers, suppliers, communities and the natural environment so as to achieve comprehensive, coordinated and sustainability between the enterprise, the society, and the environment. The Guidelines ask enterprises directly under the central government to enhance their sense of social responsibility, to actively fulfill their social responsibilities, to be examples of honest business, integrity, resource conservation, environmental protection, people-orientedness and harmony, and to become pillars of national economy and models for all enterprises.

IV. Participating in SASAC social responsibility working conference and annual work conference

Upon invitation, China COSCO representatives gave a special presentation about its sustainability management system at the social responsibility work training for enterprises directly under the central government organized by SASAC. At the conference, more than 100 questions were raised and discussed by business representatives; leaders from SASAC made a concluding speech and suggested next steps to take.

The social responsibility work training is the central theme of SASAC's first social responsibility annual conference for enterprises directly under the central government. The goal of the training is to establish a platform for companies to review and plan their corporate social responsibility work, to share ideas on social responsibility systems and to promote friendship among peers. SASAC had specified the content of corporate social responsibility system: We spread a noble idea, we advocate a new way of working, and we have passion to go beyond the normal work.

COSCO Group's presentation about its sustainability management system at the conference received favorable comments from SASAC and relevant experts. Representatives from other enterprises directly under the central government were really excited at what they heard and agreed that COSCO Group is a world-class enterprise with best practices in social responsibility and points the direction for future development of corporate social responsibility.



Part VIII Comprehensively Performing Global Compact

Since 2004, COSCO responded to the ten principles regarding social responsibilities put forward by Former United Nations Secretary General Kofi Atta Annan, namely Global Compact, became the pilot project of United Nations Global Compact in China and implemented the Global Compact in China. As a pioneer in performing of Global Compact, COSCO Group has taken actions actively to support new Secretary General Ban Ki-moon to inherit and innovative on the global initiative that pursues for fairness, justice and harmony, and has tried to fulfill the Millennium Development Goals and coped with the common challenges of the world. In the face of global financial crisis, COSCO actively fulfilled the requirements of Global Compact 2.0 and cooperated with challenges through successful cooperation. By attending the Global Compact's Blueprint for Corporate Sustainability Leadership program and becoming a member of the Steering Committee, it has actively fulfilled the United Nations Global Compact's Blueprint for Corporate Sustainability Leadership.

The main reason for why COSCO selects Global Compact is that the principles and spirits of Global Compact comply with the willingness of people in the world and is the basic direction of globalization.

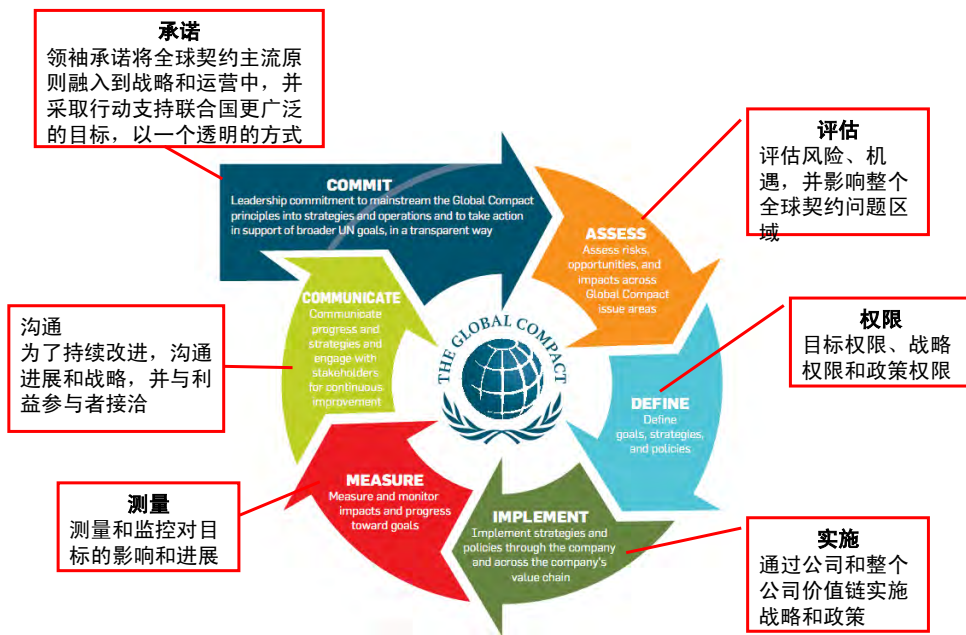
1. United Nations' targets are common targets of all people in the world. Global Compact is a way to realize such targets.
2. Global Compact's targets comply with the target of "world harmony" put forward by President Hu Jintao.
3. Global Compact can mobilize and activate the voluntariness, self-discipline and innovation of enterprises.
4. Global Compact is flexible and usable, and is the best tool for combination of globalization and localization.
5. Global Compact is a platform for enterprises to take part in global affairs, talk with the government and persons of all circles caring about development of enterprises, and for studying and exchanges between them. These are of significant importance for Chinese enterprises developing towards globalization.
6. Global Compact is the embryonic form of the first common management rule of the Borderless World in the future. Chinese enterprises shall learn to attend the formulation of global rules and regulations.

COSCO Group organized comprehensive performance of Global Compact in accordance with the ten principles of United Nations Global Compact. Since the issuance of the COSCO Group Sustainability Report 2005, it has disclosed the fiscal, social, environmental and ethical performance and value-increase situations in implementation of Global Compact in accordance with GRI Framework. Later, it made continuous improvements on the report in accordance with United Nations Global Compact's guidelines on progress reports and United Nations Global Compact's



management mode. COSCO Group's sustainable development report covers the operation mechanism as well as information communications and disclosure mechanism for an enterprise to establish the leadership and execution. It formulated sustainability strategies, established the sustainability operation system, and adopted sustainability actions that can support wider targets and affairs of United Nations. It also attended United Nations Global Compact and supported local network center of China. Its sustainability report was appraised COP notable reports for four years in succession and was rated A+ level, the highest GRI rating, for three years in succession.

COSCO Group believes that the ten principles of Global Compact lay new appraisal standards of modern society on sustainability of enterprise, and lead corporate management into a new sustainable era centering on comprehensive risk management. Implementing Global Compact aims at preventing and controlling risks, and realizing the ultimate goal of sustainability with comprehensive risk management as the main task and center and by applying risk management approach and skills in a comprehensive manner. Based on the policy platform established by COSCO Group through 10 years of basic work in Global Compact and cooperation with global partners, COSCO Group applied the sustainability framework provided by it and implemented Global Compact in a comprehensive manner by implementing the United Nations Global Compact Participation Guideline and the United Nations Global Compact Management Mode. Moreover, it also attended the UN Global Compact LEAD Program, a platform for implementation of the blueprint of sustainability leadership, by making use of the Blueprint for Corporate Sustainability Leadership released in June 2010, a sustainability leadership mode that can guide Global Compact to make greater achievements and create higher value, systematically evaluated the commitment, strategies and implementation situations, and facilitated effective communications by making use of the technical tools such as sustainability information management platform. Reports released by the group comply with the advanced project standards released by Global Compact in October 2010 and cover the standards included in the Blueprint, and enable COSCO Group and its stakeholders to contribute to sustainability of Global Compact in studying and progressing processes.



Concrete actions and implementation situations are reflected on following 49 aspects, so as to fulfill the requirements of the blueprint on corporate sustainability leadership.



Articles of the Blueprint on Corporate Sustainability Leadership		Implementation Requirements and Situations of COSCO Group	Mentioned in the report	
Implementing the ten principles in strategies and operation of the enterprise	Covering and integrating with all principles	Aspect 1	By following the performance management mode of Global Compact, COSCO Group brought the ten principles of Global Compact into its strategies and operation. It constantly improved the sustainability strategies through management system and process innovation to cover all aspects including human rights, labor, environment and anti-corruption and integrate with all principles.	A. Strategies and General Information B. Management and Stakeholders
		Aspect 2	COSCO Group designs corporate sustainability strategies through sustainability risks analysis, and formulates implementation plans, so as to bring into the internal and external coordination function, reasonably allocate the resources and effectively deal with related affairs.	A. Strategies and General Information, Part I
		Aspect 3	COSCO Group establishes and improves sustainability governance institute, set up all levels of organizational functions in accordance with the performance and management mode of Global Compact, establishes constraining mechanism to ensure the coordination of all functionalities of the enterprise; It also establishes internal communications and cooperation mechanism to bring into its performance level to the maximum extents and implements comprehensive risk management to avoid any negative influences caused unconsciously.	A. Strategies and General Information B. Management and Stakeholders, Part I, II, IV



	Powerful management policies and procedures	Aspect 4	<p>Since 2005, COSCO Group has established the risk evaluation mechanism, developed three-dimensional risk evaluation methods for continuous variables, widely applied risk evaluation methods and implemented risk management in all sectors of Global Compact. It also organized comprehensive risk evaluation to evaluate risks and opportunities at corporate and product layers, and ensure the enterprise to clearly know any negative influences caused by its business operation and activities through due-diligence evaluation methods.</p>	<p>A. Strategies and General Information, Part V B. Management and Stakeholders, Part IV</p>
		Aspect 5	<p>COSCO Group formulated the 2020 development strategies and changed the corporate's operational environment and imaginations on future development into concrete strategies and policies by applying strategic map, and set the short-, middle- and long-term targets complying with the practical situations and organized implementation of these targets.</p>	<p>A. Strategies and General Information, Part I</p>
		Aspect 6	<p>COSCO Group creatively developed the 16 steps for construction of sustainability system, organized the construction of sustainability system, and trained its employees through training activities, development and adjustment of business processes and complete incentive plans.</p>	<p>B. Management and Stakeholders, Part I, II and III</p>
		Aspect 7	<p>COSCO Group has established and implemented a set of performance tracing and measurement system</p>	<p>B. Management and</p>



			based on standardized performance indicators.	Stakeholders, Part I, II and III
Bringing into functionalities and business departments of the enterprise	Aspect 8	<p>COSCO Group divided the responsibilities of sustainability strategies in accordance with the Global Compact sustainability model, and formulated the working standards to bring risk responsibilities and indicator management responsibilities into functionalities of the enterprise. Through annual inspection and evaluation, it ensured that there are no conflicts between the enterprise' s functionalities and commitment to sustainability and targets of the enterprise.</p>		B. Management and Stakeholders, Part I, II and III
	Aspect 9	<p>COSCO Group has established strategic planning management procedures, scientifically formed the vision, five-year plans, the group' s professional development plans, as well as plans and professional plans of subsidiaries, enabling the structure of the strategies, targets and incentive plans to be inconsistent with its sustainability strategies.</p>		A. Strategies and General Information, Part I B. Management and Stakeholders, Part I, II and III
	Aspect 10	<p>By formulating related working standards, COSCO Group divided the responsibilities for implementation of sustainable development to individuals and groups of each business unit and subsidiary, formulated the social and risk responsibilities in working standards, as well as management indexes and evaluation indexes. It also established 67 main procedures</p>		B. Management and Stakeholders, Part I, II and III



			and 219 sub-procedures to implement related responsibilities and indexes in the working process.	
	Bringing into value chain	Aspect 11	By applying SWOT and other risk management tools, COSCO Group analyzed the risks, opportunities and influences, carefully analyzed each sector in upper and lower streams of the value chain and found the opportunities and challenges of the company.	A. Strategies and General Information, Part I
		Aspect 12	COSCO Group analyzed the expectations of suppliers and other partners, exchanged opinions with suppliers and other business partners on policies of the enterprise in an irregular basis and brought the requirements of Global Compact into management of value chain.	B. Management and Stakeholders, Part I, III, IX and X
		Aspect 13	Within its influential scope, COSCO Group established and implemented sustainability supervision and guarantee mechanism to ensure implementation of the requirements of Global Compact thoroughly.	B. Management and Stakeholders, Part I
		Aspect 14	COSCO Group widely used any channels and platforms to carry out the activities to enhance sustainability consciousness and other capability cultivation activities together with other suppliers and partners.	B. Management and Stakeholders, Part III, VII, IX and X
Taking actions to support the wider goals of United Nations	Greatest contributions made by the enterprise to United Nations goals and affairs	Aspect 15	(United Nations Millennium Development Goals) COSCO Group formulates the corporate strategies based on eight aspects of United Nations Millennium Development Goals, develops shipping economy actively to benefit human being; It	A. Strategies and General Information, Part I C. Management Approaches



			<p>invests into educational undertaking actively to support school and industrial education; It tries to promote equality of two gender; It cares about employees, improves healthcare for pregnant employees and prevents against AIDs and other diseases; It guides green revolution of the industry and ensures sustainability of environment; It brings into its leading role in the industry, cooperates in a wide manner to promote development of global shipping industry and promotes consistency of enterprise's core strategies with many goals and affairs of United Nations.</p>	<p>and Performance Indicators</p>
		Aspect 16	<p>COSCO Group actively implements its strategies to provide related products and services including transport, logistics, shipbuilding and terminal; It also carries out design of related service items and commercial modes, so as to contribute to the fulfillment of United Nations Millennium Development Goals and affairs.</p>	<p>A. Strategies and General Information, Part I C. Management Approaches and Performance Indicators, Part III</p>
		Aspect 17	<p>COSCO Group carries out process restructuring in accordance with Global Compact's management and development model, and improves its operation model by adopting and revising its operational procedures, so as to contribute to the fulfillment of United Nations goals and affairs to the maximum extents.</p>	<p>B. Management and Stakeholders, Part II and III</p>
	Strategic social investment and	Aspect 18	<p>COSCO Group establishes the charity foundation, which associates</p>	<p>B. Management</p>



	charitable undertaking		social investment and charitable donation with its core capability and operational environment as an integral part of its sustainability strategies.	and Stakeholders, Part III C. Management Approaches and Performance Indicators, Part I
		Aspect 19	COSCO Group integrates the requirements of United Nations Global Compact with other organizations and initiatives it attended such as the World Business Council for Sustainable Development and the Declaration on Climate Change, enhancing its ability to implement Global Compact and sustainability and accelerating this process.	B. Management and Stakeholders, Part IX and X
		Aspect 20	COSCO Group promotes investment to responsibilities, formulates investment risk management procedures, applies risk management approaches to conduct feasibility investigation and make cautious decision on investment projects, shoulders any conscious and unconscious influences caused by the investment projects, and respects and considers preferential items of local customs, traditions, religions and related individuals and groups.	B. Management and Stakeholders, Part II C. Management Approaches and Performance Indicators, Part I and V
	Promotion and participation of public policies	Aspect 21	COSCO Group establishes communications and promotion mechanism to make use of any channels and public occasions to promote the importance of taking	B. Management and Stakeholders, Part VII,



			actions to support the United Nations goals and affairs.	VIII, IX and X
		Aspect 22	<p>COSCO Group ensures that its leaders will attend important summits, conferences and other important public policy exchange activities related to one or multiple United Nations goals and affairs. On Jan. 20, 2011, COSCO Group joined United Nations Global Compact LEAD program officially, and became a member of its Steering Committee. On Jan. 28, 2011, Capt. Wei Jiafu, President of COSCO Group, delivered a speech on behalf of COSCO Group at the inauguration luncheon for Global Compact LEAD Program held during the Davos World Economic Forum. In his speech, Capt. Wei Jiafu introduced COSCO Group's experiences and feeling in fulfilling the Global Compact's Blueprint for Corporate Sustainability Leadership and pursuing sustainable development, and analyzed the main challenges of the enterprise in performing Global Compact's Blueprint for Corporate Sustainability Leadership.</p>	<p>B. Management and Stakeholders, Part VII, VIII, IX and X</p> <p>C. Management Approaches and Performance Indicators, Part VI</p>
	Partnership and collective actions	Aspect 23	<p>COSCO Group cooperates with United Nations entities, governmental offices, NGOs and other groups in a wide manner, establishes strategic partnership with them and implements partnership programs in terms of corporate establishment, social investment and promotion.</p>	<p>B. Management and Stakeholders, Part VII, VIII, IX and X</p> <p>C. Management Approaches</p>



				and Performance Indicators, Part I, III and VI
		Aspect 24	<p>COSCO Group plays its role as an industrial leader, partners with companies of the same industry and other stakeholders to promote the solution of common challenges and difficulties of global shipping industry, initiates programs such as Qingdao Declaration, CKYH-Green Alliance and Guangzhou Declaration, and focuses on enlarging the active influences of COSCO Group in the industry and the value chain. It also initiates the Golden Bee CSR China Honor Roll and promotes performance of social responsibility in China.</p>	<p>B. Management and Stakeholders, Part IX C. Management Approaches and Performance Indicators, Part II</p>
Attending United Nations Global Compact	Participation of local network and subsidiaries	Aspect 25	<p>COSCO Group actively attends the construction of Global Compact China Network Center. Since 2005, it became the pilot unit in China and obtained experiences, and helps other enterprises to improve efficiency level through training, guidance and audited COPs.</p>	B. Management and Stakeholders, Part VII, VIII, IX and X
		Aspect 26	<p>COSCO Group encourages its subsidiaries to join the local network regarding Global Compact, and its companies in Europe, North America, Hong Kong and Denmark all attended local network organization and various affairs and activities.</p>	B. Management and Stakeholders, Part III
		Aspect 27	<p>COSCO Group releases sustainability information of each</p>	A. Strategies and General



			<p>subsidiary through its sustainability information platform, and introduces the detailed progresses of the subsidies in its COPs.</p>	<p>Information, Part II</p>
	<p>Global and local working teams</p>	<p>Aspect 28</p>	<p>COSCO Group joins the working team of climate change of United Nations Global Compact and attends many working teams of local network in China. It actively attends regional exchange activities to share experiences with other participants of UN Global Compact, and introduces its experiences with network technologies such as COSCO Group's website and sustainability information platform. In March 2010, Global Compact planned to release the achievements of survey on implementation of Global Compact in China, Japan and Korea at the UN Global Compact 10th Anniversary Summit. COSCO Group cooperated with survey of the project and completed the investigation table in short period of time, making active contributions for United Nations Global Compact Office and networks in China, Japan and Korea to explore regional network of Global Compact.</p>	<p>B. Management and Stakeholders, Part III</p>
		<p>Aspect 29</p>	<p>COSCO Group actively attends the formulation of working plans of China Network Center, offers suggestions for working scope and targets of new working groups, and guides related working teams to do the work. On Feb. 4, 2010, it attended the opinion collection conference for 2010 Working Plans of the Office of China Network</p>	



			Center. On June 20, 2010, it attended the appraisal of Global Compact notable COPs and was appraised as notable COP.	
Based on issues and departmental initiatives		Aspect 30	COSCO Group attends and promotes one and more existing initiatives of United Nations Global Compact. It signed the Declaration on Climate Change and the working team on caring the climate change, promised to support the Universal Declaration of Human Rights and attended the collection work of human right cases, supported and promoted the principles to grant rights for women, and compiled cases for submit.	C. Management Approaches and Performance Indicators, Part II, IV and V
		Aspect 31	Within the scope of United Nations Global Compact and entire United Nations, COSCO Group actively attends development activities based on issues or departmental initiatives, and offers opinions and suggestions on United Nations Global Compact's Blueprint on Corporate Sustainability Leadership, leadership platform, and commercial guidance of highly conflicted and dangerous regions.	
Promoting and supporting United Nations Global Compact		Aspect 32	COSCO Group makes use of any channels and opportunities to promote United Nations Global Compact to its commercial partners, companies of the industry and the public.	B. Management and Stakeholders, Part III, VII, VIII, IX
		Aspect 33	COSCO Group encourages suppliers and other commercial partners to join the United Nations Global Compact. In 2010, it promoted its customers such as Sinograin,	B. Management and Stakeholders, Part III, VII,



			National Machine Group, CNOOC, China Coal, Beiche and Minmetals to implement the Global Compact and provided guidance for GE and other companies on issues related to initiatives.	VIII, IX and X
		Aspect 34	COSCO Group attends various activities to further enlarge United Nations Global Compact. In August 2010, COSCO Group attended the United Nations China Top Management Forum and conference of China, Japan and Korea held at the United Nations Hall of World Expo Shanghai, and delivered keynote speech on the implementation of United Nations Global Compact's Blueprint on Corporate Sustainability Leadership.	B. Management and Stakeholders, Part III, VII, VIII, IX and X
Trans-industrial parts	CEO's commitment and leadership	Aspect 35	Capt. Wei Jiafu, CEO of COSCO Group, issued public declaration on sustainability and commitment of United Nations Global Compact to showcase ability of individual leaders.	A. Strategies and General Information
		Aspect 36	COSCO CEO promotes the progress of the initiative, holds management appraisal meeting and the conference of President's Office each year to systematically appraise the progress of Global Compact and makes decisions on improvement, so as to enhance the sustainability ability of corporate departments and promote the development of industrial standards.	B. Management and Stakeholders, Part III, VII, VIII, IX and X
		Aspect 37	COSCO Group establishes Strategy Committee and appoints CEO to be head of the team to lead the team to	A. Strategies and General Information



			formulate the 2020 sustainability strategies of the enterprise, make arrangement for implementation of the strategies, set the targets and supervise implementation of the strategies.	B. Management and Stakeholders, Part I, II and III
		Aspect 38	COSCO Group takes the sustainability standards and United Nations' ten principles regarding Global Compact as the targets of its CEO and implementation and management team, and establishes performance evaluation mechanism as a part of the awarding plans.	B. Management and Stakeholders, Part I, II and III
	Passing of supreme decision-making mechanism and supervision functionality	Aspect 39	Working Conference of the President is the supreme decision-making mechanism of COSCO Group, and shoulders the responsibilities and supervision functionalities to ensure that the group can implement sustainability strategy arrangements in long-term.	B. Management and Stakeholders, Part I, II and III
		Aspect 40	Capt. Wei Jiafu, the higher manager of COSCO Group, appoints Vice President Sun Jiakuang as the representative of managers and chief risk officer to shoulder the sustainability responsibilities of the enterprise.	B. Management and Stakeholders, Part I and III
		Aspect 41	COSCO Group holds special working conference of president each year to review and approve COSCO Group sustainability report (i.e. Global Compact COP) and put forward requirements on improvements in the next year.	B. Management and Stakeholders, Part III
	Participation of stakeholders	Aspect 42	COSCO Group evaluates the requests of related parties and admits its responsibilities to internal and	B. Management and



			external stakeholders publicly.	Stakeholders, Part X
		Aspect 43	COSCO Group formulates sustainability strategies, objectives and policies through negotiation with key stakeholders.	B. Management and Stakeholders, Part X
		Aspect 44	When dealing with the difficulties and challenges it encountered, it actively negotiated with stakeholders and invited them to take part in review of performance actively.	B. Management and Stakeholders, Part I, III and V
		Aspect 45	COSCO Group establishes all-directional communications mechanism and listens to voices of stakeholders through workers' congress system and reasonable suggestion program. In the meantime, all levels of companies set up office for letters and calls, establish the communications channels with employees and other stakeholders to remove their worries and protect whistle-blowers.	B. Management and Stakeholders, Part I, C. Management Approaches and Performance Indicators, Part III and V
	Transparency and information disclosure	Aspect 46	COSCO Group establishes sustainability information platform to share sustainability information with all interested parties, responses to inquiries of stakeholders and removes their worries.	B. Management and Stakeholders, Part VI
		Aspect 47	Since the release of 2005 Sustainability Report, COSCO Group has adopted GRI framework and received A+ rating, the highest rating since 2007. It also tries to ensure the COP covers all aspects of the blueprint on corporate	A. Strategies and General Information, Part IV



			sustainability leadership and is used under proper situations.	
		Aspect 48	China COSCO, a listed company affiliated to COSCO Group, and COSCON, a professional container transport company, released sustainability reports together with the financial reports each year as an effective supplement to the annual financial reports.	A. Strategies and General Information, Part IV
		Aspect 49	In order to ensure reliability of the report, COSCO Group submits its sustainability report to DNV and the Office of China Network Center of UN Global Compact for third party approval, establishes cautious sustainability report compilation process and communications mechanism, and releases sustainability report cautiously.	A. Strategies and General Information, Part IV

Part IX External Initiatives and Commitments

COSCO Group signs external initiatives with cautious and responsible attitudes, and fulfills its commitments under active, careful and honest principles. COSCO Group brings its external commitments to its planning and plans and allocates resources to ensure smooth fulfillment of its commitments.

I. Signing of External Compacts, Acts and Other Action Plans Regarding Economy, Environment and Society

(I) United Nations Declaration on Climate Change

Since July 2, 2008 when Capt. Wei Jiafu announced that COSCO Group will officially join the Declaration on Climate Change initiated by the United Nations, COSCO Group has actively fulfilled the principles and measures put forward in the Declaration to cope with climate changes. In 2010, it has been endeavored in reduction of greenhouse gas emissions. It has invested on researches of new vessel powers, i.e. wind power and solar energy, and has invested on sustainability, which is taken as the core impetus for growth. It has joined the UN Global Compact Project Team on Climate Change, partnered with companies in shipping industry on researches of technological applications, including



carbon footprint calculation of supply chain and tracing of implementation situations of green passport.

COSCO Group has attended the national R&D project of the Ministry of Communications such as Real-time Monitoring Platform of Vessel Fuel Consumption and Application of Electronic Cylinder Lubricator, which were appraised as first batch of typical demo projects for energy conservation of water transport industry. The Application of Automatic Testing and Controlling Technology of Cargo Oil Heating and Application of Yapu Natural Gas in Shipbuilding and Ship-repairing Industries researched and developed by COSCO Group were appraised as second batch of typical demo projects for energy conservation of water transport industry.

(II) Universal Declaration of Human Rights

As the first Chinese enterprise that promised to support the Universal Declaration of Human Rights, COSCO Group has insisted on supporting, respecting and protecting human rights within its influential scope with global thinking in 2010.

(III) Golden Bee CSR China Roll

COSCO Group and BASF have partnered with China WTO Tribune to initiate the Golden Bee CSR China Roll, promoting the promotion and development of social responsibility. In its nature, Golden Bee is the symbol of sustainability. —GoldenBee” enterprises are what we believe the most sustainable enterprises. They not only make profits for themselves, but also promote prosperity of the industry like bees and seek for harmonious co-existence with the nature.

On Oct. 28, 2010, Golden Bee CSR Delegation attended the corporate social responsibility annual conference themed on Enterprise 2020 Market Place held by CSR Europe in Brussels, Belgium, and held the sub-forum themed on —social responsibility in China”, becoming a focus of the world and attracting many audiences.

On Dec. 1, 2010, the awarding ceremony of Golden Bee 2010 Excellent CSR Report co-organized by China WTO Tribune and the China Business Council for Sustainability (CBCSD) was held in Pudong, Shanghai. The social responsibility reports released by 37 enterprises, one local government and one industrial organization received five categories of awards.

COSCO Group Sustainability Report 2009 continued the persistent style and features, and mainly disclosed the company’s practices to bring responsibility indicators into its operation and decision-making by making use of the sustainability management system and information management platform. With its enhanced readability and intimacy, it was the best example for communications on social responsibility of Chinese enterprises, and therefore won the Golden Bee 2010 Excellent CSR Report • Leading Enterprise Award.



II. Participation in Associations

As the largest shipping enterprise in China and a leading member in global shipping industry, COSCO Group has fulfilled its corporate social responsibility actively, joined many influential shipping organizations home and abroad, and participated in activities of these organizations. It has made its own contributions and plays a leading role in promoting healthier and more sustainable development of global shipping industry.

Non-profitable and Non-governmental Organizations Participated		
Organization	Position	Function
UN Global Compact	Member	Promoting sustainability
World Business Council for Sustainability	Member	Promoting sustainability
China Business Council for Sustainability	Vice President Member	Promoting sustainability
Council of China Quality Association	President Member	Improving quality
Quality Management Association under the China Ministry of Transport	Vice President Member	Improving quality
China Maritime Law Association	Vice President Unit	Promoting development of maritime law
Chinese Trademark Association	Member	Promoting intellectual property rights
China Association of National Advertisers	Member	Promoting intellectual property rights and advertising honesty
Environmental Protection Web of China Ministry of Communications	Member	Promoting environmental protection in transportation industry
China Internal Audit Association	Member	Promoting anti-corruption work
China Supervision Association	Member	Promoting anti-corruption work
China Research Institute of Communications Education	Member	Promoting education and training of transportation industry
China Navigation Education Research Institute	Vice President Member	Playing a key role in promoting development of navigation education standardization
China Ocean Ship	Member	Standardization



Standardization Committee		
Association of Transportation and Environmental Protection Information	Member	Protecting environment and improving traffic and environmental protection level
Transportation and Environmental Protection Association	Member	Promoting environmental protection
Transportation and Energy Management Association	Member	Promoting saving of traffic resources and environmental protection
International Association of Business for Social Responsibility	Member (COSCON)	Working with other enterprises to build a more equal, sustainable global economic environment
Business Environment Council of Hong Kong	Committee member (COSCO Pacific)	Signing the Clean Air Charter initiated by the Business Environment Alliance of the Pearl River Delta Region
China Tally Association	President unit (China Ocean Shipping Tally Company)	Promoting sustainability of Chinese tally industry

COSCO Group joins legitimate non-government groups and non-profitable organizations to actively participate in activities related to social responsibility and sustainability. In 2010, COSCO Group participated in 82 associations and groups, of which, the most important ones are listed as follows:

Organization	Position and Function	Valuable Activities
ISF	Global shipping industry association	Promoting cooperation and co-development of global shipping industry
BOX CLUB	Association of world's container shipping industry	Promoting healthy development of world's container shipping industry
World Shipping Council	Association of ocean shipping companies in the US	Taking part in ocean shipping business in the US actively
BIMCO		
Asian Ship-owners Forum	Organization of Asian ship-owners	Promoting cooperation of ship-owners in Asia
European Liner Affairs Association	Association of European container shipping industry	Promoting healthy development of container shipping industry in Europe



China Federation of Logistics and Purchasing	Association of Chinese logistics industry	Promoting cooperation of logistics industry and industrial and commercial industry
China Ship-owners' Association	Association of Chinese ship-owners (COSCO Group is the chairman unit)	Promoting mutual cooperation and development of Chinese ship-owners
China International Freight Forwarders Association	Association of Chinese freight forwarding industry	Promoting healthy development of Chinese freight forwarding industry
Cross Straits Shipping Exchange Association	Association for shipping industry of both sides of the Taiwan Strait	Promoting healthy development of ocean shipping industries on both sides of Taiwan Strait
Special Committee for Dangerous Goods Transportation	Special organization for transportation of dangerous goods	Promoting sustainability of dangerous goods in transportation industry
China Logistics Association	Research institute of Chinese logistics industry	Promoting healthy development of Chinese logistics industry
China Communications and Transportation Association	Association of transportation industry organized by the Ministry of Communications	Promoting healthy development of Chinese communications and transportation industry
China Institute of Navigation	Leading academic organization in Chinese navigation industry (COSCO Group is one of the founders)	Promoting academic discussion and key research of navigation industry
China Association of the National Shipbuilding Industry	National organization for the shipping industry	Promoting growth and development of Chinese shipping industry
China Ports Association	Standing director company	

Part X Participation of Stakeholders

COSCO Group identifies and selects stakeholders based on their sustainability risks and its influences of COSCO Group. It also applies risk evaluation method to identify main indicators concerned by related stakeholders to determine identification of stakeholders, communications and use of information of COSCO Group.

I. Determination of Stakeholders

COSCO Group analyzes stakeholders affected by its operation and its importance to fulfillment of its strategic objectives by the degree of influences based on their operation and strategic development



requirements, so as to determine the rankings of stakeholders of COSCO Group and determine the main stakeholders of the group.

Stakeholders	Way of Communication	Expectation on COSCO Group	Detailed Requirements	Main Indicators
Government (Chinese Government and local governments of places where it operates)	Release of laws, regulations, policies and indicators, meetings of the country and related ministries and commissions, special reporting meetings, reports and visits	Continuous and stable growth, taxation income, employment opportunities, and driving of global prosperity	Requirements on building a harmonious society, conservation-oriented society, and law-compliance	Total tax paid; employment opportunities created
Investors (SASAC is representative of investors)	Issuance and implementation of documents; participation in conferences and fulfillment of sprits conveyed at the conferences, periodical reports, daily communication with authorities, reports and visits	Continuously improve its profitability and key competitiveness so as to keep and increase value of state-owned assets	Requirements on comprehensive risk management, enterprise sustainability, corporate social reliability report, and construction of resource-saving enterprise as well as related evaluation indicators	Profit, capital return ratio, rate for value keeping and increase of state-owned assets, total debts, asset-liability ratio, owners' equity
Social public shareholders (Shareholders of all listed companies of COSCO Group)	Annual reports, shareholders' conference, written notice for shareholders, daily communication via telephone	Continuously improve company's value and market value, decrease enterprise risk, ensure enterprise'	Public disclosure of important company information, opportunities for equal participation, protection of shareholders' interests	Market value; listed companies' reward ratio; minority shareholders' rights and interests; number of listed companies



		sustainability		
Strategic partners (juridical persons signing agreements with COSCO on strategic cooperation, joint operation and joint venture)	Contract implementation; regular meetings; meetings of top management; file and mail transfer, daily communications	Constantly improve profitability in strategic cooperation sector and ensure common interest of strategic partners	Information and resource sharing, management innovation, win-win cooperation	Sales revenues, return rate of capital, market occupancy
Clients (direct clients purchasing any product or services of COSCO Group)	Client conference, suggestion collection, daily communications with sales representatives	Provide high-quality products and services at reasonable prices, make continuous improvement	Responding speed, individualized services for clients, service quality	Customer satisfaction, comprehensive on-time ratio
Subsidiaries (COSCO Group's wholly owned, joint venture, joint operation, and cooperative companies)	Work meeting, opinions collection, communication with top executives, daily business mails and phone calls	Provide accurate decision-making and scientific management, continuously improve management level and efficiency	Market command capability, high-efficiency decision-making, transparent and democratic management, capital guarantee and turnover	Profit, sales revenue, carrying capacity and turnover capacity, return rate on capital, debt ratio
All members in organizational structure of the company	Rational suggestions, president's mailbox, conference, opinions collection and exchanges	Continuously improve company's profitability and sustainability ability, provide more welfare and promotion opportunities to employees	Career development, opportunity, treatment, graceful and confident working environment	Employees' satisfaction, employee loyalty, job-hopping ratio, investment to employee training



Suppliers (suppliers and sub-contractors including ship agency, freight forwarding, classification society, service provider, consulting companies, certification and auditing units, etc)	Contract and agreement negotiation, regular visits, bidding meeting, opinions collection	Have the opportunity to serve for COSCO Group in long period of time and get reasonable benefits	Reasonable prices, stable policies, win-win cooperation	Number of business partners, bunker costs, ship-building costs, payment percentage in compliance with contract articles
Financial and insurance units of bond owners	Contract negotiation, regular visits, daily exchanges of business personnel	Operate stably to ensure timely payment and prevent risks	Timely payment, reduction of risky events	
Labor unions (Labor unions in China and in places where it operates)	Speaking rights on important company decisions, collective negotiation, labor union representatives in periodical communication with contacts, staff representative conference	Respect labor rights, comply with requirements of labor unions, maintain legal rights and interests of employees	Respects to staff's rights and interests, complying with requirements on democratic management and transparent company affairs	Percentage of employees joining the labor union, number of labor unions in subsidiaries set by group labor union, signing collective contracts, employee participation ratio
Community (in China and business locations)	Signing contract on joint civilized construction, joint program development, periodical	Civilized production, boost community prosperity and harmony,	Non-pollution and non-damages on community environment, no safety accidents, input of resources to	Investment in community building, number of pollution-related complaints



	meeting for communication, parties for celebrating days	provide safe and healthy living environment	build harmonious society	
Non-governmental institutions and organization (international environmental protection organizations, international labor organizations, international maritime organizations, industry associations, local communities, etc.)	Joining associations and assuming some posts, payment of membership fees, participation in project investment, participation in activities beneficial to industry and society	Play a driving and leading role in various fields of sustainability, industry development, and local development	Practices and resources to meet standards and requirements advocated by organizations of sustainable economic development, healthy industry development, local prosperity and non-profit organizations	Number of associations and societies related to social responsibilities participated, annual membership fees, social contribution ratio, investment in social welfares
Persons, organizations and media interested in related issues of the corporation	Press release conference, active news report and propaganda, periodical report release, legal information disclosure	COSCO Group is an excellent enterprise pursuing healthy development, and undertaking social responsibility is a mean to fulfill the sustainability.	Faithful, healthy, professional, internationalized	

COSCO Group has worked together with its stakeholders to promote social responsibility. By forming social responsibility alliance and launching social responsibility projects, COSCO Group managed to engage its stakeholders into the sustainability work to the maximum extents.

II. Surveys and Investigations on Demands of Stakeholders

COSCO Group has paid close attentions to demands of stakeholders, and tried to understand hopes and requirements of stakeholders on it through symposiums, visits, telephones and online forms, analyzed and considered their demands in its operation and decision-making processes, and tried to



ensure the mutual benefits with stakeholders in business operation.

III. Stakeholders' Participation in Corporate Social Responsibility

COSCO Group has set up the Investor Relations Department, which is dedicated to communicating and exchanging with investors and stakeholders in capital market. The Investor Relations Department is mainly focused on communications and exchanges with investors in capital market. It not only attends investors' conference held by domestic and overseas investment banks and securities dealers, accepts visits and inquiries of domestic and overseas investors, fund managers and analysts, but also answers telephones and inquiries of small and medium-sized investors effortlessly. Currently, COSCO Group has established close contracts with over 1,000 international institutional investors and over 400 domestic funds, insurance companies and securities companies as well as private-run institutes. From 2005 to 2010, COSCO Group met with 11,087 A+H investors and received more than 3,300 phone calls from small and medium-sized investors, totaling over 11,000 minutes. In order to better communicate with investors in capital market, the Investor Relations Department registered emails of all investors and stakeholders in capital market that have contacted with the company, set up email groups, and send all kinds of reports, notices, information of shipping market, key news of the company and reports of analysts to them at the first time. Currently, the number of H-share investors included in the email group has reached over 1,500, while that of A-share investors has reached over 900.

IV. Stakeholders' Participation in External Corporate Social Responsibility

(I) Organizing the World Shipping Summit

World Shipping (China) Summit is the largest, highest-level and most notable summit in international shipping industry and enjoys the fame of —**D**ivos in shipping circle”.

As one of the most important summits in global shipping industry, the event provides an interactive platform for top executives in global shipping industry to grasp market trends, discern customers' demands, create business opportunities and realize mutual benefits. Discussion contents of the event include shipping, shipbuilding, port, logistics, trade and financial industries. Top executives and leaders from domestic and overseas enterprises, industrial associations, international organizations and governmental offices, industrial elites and experts gathered together each year to exchange opinions and discuss on commonly concerned topics. The concepts such as —**C**hines Element”, —**G**rassing the Changes”, —**W**inning in the Market”, —**O**perating Based on Market Situations” and —**M**aking Adjustment Based on Market Situations” discussed in the previous summits have become the key words of international shipping industry.

On Nov. 9, 2010, the World Shipping (China) Summit 2010 was held in Guangzhou, China under the theme of —**G**rassing market changes”. Zhang Fusheng, Vice President of COSCO Group, hosted the opening ceremony. Capt. Wei Jiafu, President of COSCO Group, attended the event and delivered a



keynoted speech themed on —fluctuating in recovery and developing in fluctuation”. In his speech, Capt. Wei Jiafu said that the basic rules for economic development determine the continuous growth of shipping demands. Firstly, the inevitable economic globalization will promote international trade volume to be at high level and grow continuously. Secondly, Chinese elements will provide continuous impetus for global economic development. In the meantime, economic development environment determines the periodical fluctuation of shipping demands. Shipping enterprises shall follow the market fluctuation and develop and develop following the market trends. In details, enterprises shall do following four works: firstly, establish a more rational market concept; secondly, cultivate a more compatible corporate culture; thirdly, promote closer industrial cooperation; fourthly, enhancing a more farsighted sense of responsibility. Capt. Wei Jiafu emphasized that world economy is recovering stably, while shipping market is recovering in a rational manner. However, economic recovery basis is unstable and even weak. Therefore, he appealed all insiders of shipping industry that a healthy, stable and orderly market needs maintenance efforts of all people. This is not only the demand for existence and development of shipping enterprises, the demand to create better and higher value services for customers and the demand to contribute to world economic recovery and prosperity.

(II) Strategic Partnership Agreements with Governments, VIP Customers and Suppliers

In recent years, COSCO Group has insisted on the development concept of —harmony and mutual-benefits”, and achieved fruitful results in promoting VIP Customer Strategies. In order to further carry forward COSCO Group’s culture concept of —global development, harmony and mutual-benefits”, the group will continue to do a better in work related to the government, VIP customers and suppliers and enhance communications with them.

On June 23, 2010 to June 24, 2010, COSCO Group held the 2010 COSCO Group VIP Customers High-level Forum in Boao, Hainan. The forum is the largest and highest level customer exchange activity held by COSCO Group. Over 80 partners with great influences worldwide as well as 150 representatives of customers were invited to attend the forum, further reflecting the theme of —joining hands for mutual progresses and cooperating for mutual benefits”. Xu Lirong, Vice President of COSCO Group, hosted the forum, and COSCO Group President Wei Jiafu and Vice President Zhang Fusheng attended the forum. At the forum, Capt. Wei Jiafu delivered a keynote speech themed on —joining hands for mutual progresses and cooperating for mutual benefits”. In his speech, Capt. Wei Jiafu said that COSCO Group has insisted on taking the VIP Customer Strategies as its top priority over the years, and has promoted and deepened the strategic partnership relationships with VIP customers effortlessly.

The forum enables COSCO Group to show its honesty to seek for mutual benefits with VIP customers, further deepen its relationships with VIP customers and achieve many fruitful results. Participants all indicated that COSCO Group, as a Global 500 enterprise, is the enterprise that is



worthy of their trusts and long-term cooperation.

(III) Social Responsibility Management within the Supply Chain

COSCO Group actively promoted social responsibility within the supply chain. It introduced its experiences in construction and application of comprehensive risk management information system to Sinosteel Corporation, who once won the honorable title of “2008 Golden Bea CSR · Leading Enterprise”. Later, both sides discussed on the role of social responsibility and sustainability in promoting reform of corporate strategies.

Last year, it introduces experiences on social responsibility planning, management system, compilation and release of sustainability report to its customer, China Minmetals Corporation, and offered opinions of experts. This year, COSCO Group was invited to offer corporate social responsibility training for the corporation on Nov. 17 to Nov. 19, 2010. Main topics of the training include introduction and development trend of social responsibility work of central enterprises, international standards for social responsibility work, introduction to sustainability management system of central enterprises; compilation methods and skills of corporate social responsibility report, establishment and use of COSCO Group social responsibility and sustainability information management platform.

(IV) Actively Promoting Sustainability of the Industry and Building a Green Ocean Shipping Industry

As a pioneer in global shipping industry, COSCO Group has promoted the sustainability of the industry actively and tried to create a green shipping industry.

In order to better fulfill the objectives of carbon emission reduction, it has offered effective guidance for energy conservation, emission reduction and sustainability work and provided effective calculation method of carbon emission for customers. Currently, carbon emission calculator of COSCON affiliated to COSCO Group has been put into use, providing a tool for customers to calculate total carbon emissions of cargos in ocean shipping process accurately. Designing concept of the calculator adopts most advanced dynamic optimization calculation model and receives certification of third party authoritative institute DNV.

(V) Actively Participating in Compilation of International and Domestic Social Responsibilities Standards

In 2010, COSCO Group actively attended the formulation of ISO26000 standards. COSCO Group has formulated the guidelines for sustainability information management system based on concepts related to Global Compact and corporate social responsibility and in combination with the related guidance, initiatives and standards of international organizations such as Global Compact, OECD, GRI and AA. The guidelines were formulated by COSCO Group based on the five to six years of



successful practices of it and some Chinese enterprises, in combination with requirements of its own management system, researching and comparing social responsibility management features of domestic and overseas enterprises and by referring to third party appraises such as DNV, GRI and Global Compact.

(VI) Exchanges with Research Institutes, Colleagues and Universities

On March 24, 2010, Capt. Wei Jiafu, President of COSCO Group, visited School of Economics and Management, Tsinghua University, delivered a keynoted speech themed on “COSCO Group: Promoting Development, Overcoming Crisis and Winning the Future with Innovation” at the Forum on Best Management Practices of Chinese Enterprises. In his speech, Capt. Wei Jiafu exchanged opinions with the audiences from three aspects, i.e. development situations of transportation business and COSCO Group in recent years, its efforts to realize sustainability with innovation as well as COSCO Group and “Chinese-styled management”. As the core part of the speech, Capt. Wei Jiafu has focused on the topic of “Chinese-styled management”. He believes that Chinese-styled management means reflecting Chinese characteristics and Chinese-styled management with Chinese culture. At the end of his speech, Capt. Wei Jiafu’s understandings and interpretation on “winning culture” of China won applauses for audiences.

(VII) Exchanges with Intermediary Agencies

Under the invitation of SynTao Company, COSCO Group attended the Carbon Disclosure Project (CDP) and Renewable Energy and Energy Efficiency Partnership (REEEP) Initiative to provide references for all levels of governmental leaders in design and evaluation of its renewable energy and energy-efficiency policies.

Over the years, DNV has paid close attentions to the partnership relationships with COSCO Group, a long-term and important partner of DNV. In September 2010, COSCO Group was invited to exchange opinions with senior managers worldwide at the DNV Global Senior Manager Training Class on how to provide social responsibility-related services for enterprises.

V. Providing a Platform for Participation of Stakeholders with Informationization Measures and Websites

In order to collect opinions of stakeholders on the company’s sustainability, improve communications efficiency and widen information channel, it has carried out social responsibility activities participated by stakeholders actively through IT information system platform.

It has opened sustainability special column in its official website to showcase the company’s contributions to performance of Global Compact, and objectively report on social responsibility practices and action plans. For more information, please visit <http://www.cosco.com>.



COSCO Group sustainability information management platform is not only an important channel for an enterprise to disclose social responsibility information, but also a social responsibility management platform within an enterprise. The website includes news about COSCO Group's sustainability, news about sustainability of its affiliated companies, global sustainability trends of the world, major events of sustainability, honors of sustainability as well as knowledge related to sustainability. The website also offers linkages for download of its social responsibility reports. With respect to internal management, information platform can realize risk management, sustainability report indicator management, experience exchanges and other functions. For more information, please visit <http://gri.cosco.com/ccms/>.



It has established COSCO Group Spiritual Home website to showcase progresses of work in terms of innovative development, social responsibility and corporate culture, and has established a platform for communications with netizens. For more information, please visit <http://jsjy.cosco.com>.

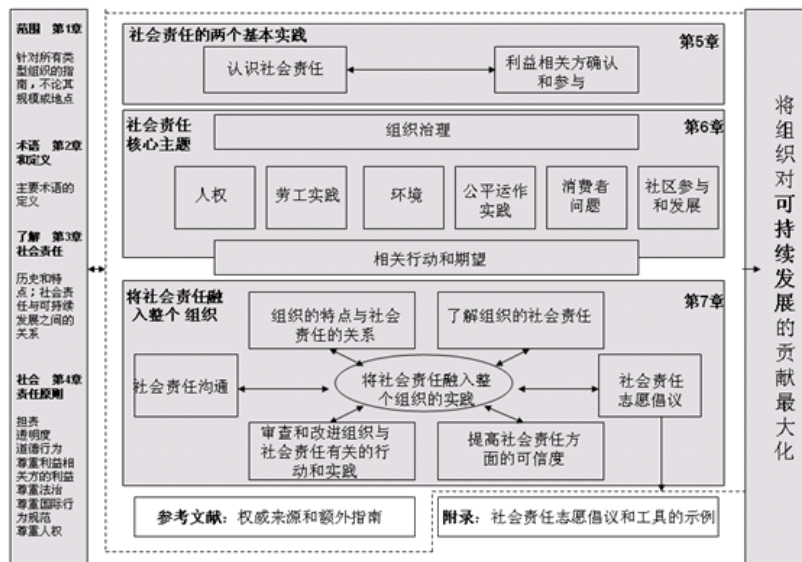




Moreover, COSCO Group also established professional platforms such as legal information system, charity foundation special column, punishment and prevention information system by making use of digital office system.

Part XI Researches and Implementation Planning of ISO26000 Guidance on Social Responsibility

COSCO Group actively researches and implements ISO26000 Guidance on Social Responsibility, formulates implementation plans and implements the plans actively.



I. Comparative Researches and Smoothing of ISO26000

In 2010, COSCO Group actively traced the formulation of ISO26000 Guidance on Social Responsibility, tried to take COSCO Group sustainability information platform as ISO26000 tool and made preparations correspondingly. After the formal release of ISO26000 on Nov. 1, 2010, COSCO Group actively researches on the methods to bring it into its sustainability management system, and carefully compared it with GRI reporting guidelines.

1. COSCO Group invited related experts to offer special training on personnel in its sustainability system to elevate their recognition and understanding on ISO26000 Guidance on Social Responsibility.

2. In order to better integrate the requirements related to ISO26000 into the sustainability management system of the company, COSCO Group conducted comparable researches of ISO26000 and GRI reporting guidelines with the assistance of GRI, and formed the Comparison Table of GRI Reporting Guidelines and ISO26000. Moreover, it organized personnel in sustainability system to attend studying activities, and researched on how to better combine the ISO26000 requirements with COSCO Group Sustainability Report.



II. Organization of Risk Evaluations Regarding ISO26000

In December 2010, COSCO Group carried out risk evaluations on COSCO Group headquarters. It firstly integrated the requirements of ISO26000 social responsibility guidelines in the evaluation and achieved significant results. In the next step, it will organize related units to assess and evaluate the social responsibility risks found in the risk evaluations and formulated reasonable risk countermeasures.

III. Formulation of Implementation Planning for ISO26000

In 2010, it has completed the ISO26000 framework comparison and risk evaluation work.

In 2011, it will form the comparison table of detailed articles of ISO26000 and formulate implementation plans.

In 2012, it will realize the comprehensive implementation of ISO26000.

IV. Report Revision and Modification Based on Definitions in ISO26000

ISO26000 released this time unifies the definition of social responsibility and provides some definitions and interpretations of some terms related to social responsibility. COSCO Group organized special personnel to research and compare definitions of related terms and indicators in its sustainability reports based on definitions and requirements of ISO26000. It will adopt uniform definitions of terms and indicators of ISO26000 in future reports.



ECONOMIC PERFORMANCE INDICATOR AND THEME REPORT



C. Management Approaches and Performance Indicators

Part I Economic Performance Indicators and Theme Report

I. Management Approaches

(I) Objectives and Performance

Upholding the obligations of “gradually advancing and establishing its leading positions in international shipping, logistics, terminal operation and shipbuilding/ship-repairing industries, keeping the honest and trustworthy relationships with customers, employees and partners, and bringing best returns to shareholders, the society and the environment”, COSCO Group fulfills its corporate citizenship responsibilities with people as the focus, market as the direction, technology as the measure and earnings as the center, and insists on the double-engine growth of production operation and capital operation. It tries to make international shipping business stronger, expand logistics and terminal business, and develop the ship building and ship-repairing businesses. With shipping business as the basis, it propels its transformation from a global shipping carrier to a global logistics operator and international shipping logistics system integrator and from a cross-border business player to a transnational company and global conglomerate, so as to fulfill the objectives of pursuing a harmonious and century-old COSCO and realizing better, faster and sustainable growth.

(II) Policies and Regulations

COSCO Group headquarters establishes the decision-making quality management system with ISO9000 as the framework, and brings decision-making management and objective management into related management procedures. It also promotes comprehensive risk management system to control decision-making and operation risks. Besides, it adopts lean management to optimize business flows, reduce wastes in operation and lower operational costs. All shipping, logistics and shipbuilding/ship-repairing subsidiaries gradually have established and implemented the quality, environment and occupational health & safety management systems to bring the decision-making, production and management processes into management system. They also commenced the establishment of comprehensive risk management system for management and control of decision-making and operational risks.

(III) Organization and Responsibilities

COSCO Group headquarters has set up a special department for the management system, and has assigned the decision-making and management functionalities to each functional department through the Working Standards.

The System Office of the COSCO Group headquarters is responsible for system maintenance and control of the headquarters. The Strategic Development Department is responsible for assignment of their targets to second-tier companies and for supervision and evaluation on annual production and operation objectives of second-tier companies. The Supervision Department is responsible for audit



of operational performance of second-tier companies. The Transportation Department, Safety Supervision Department, Accounting Department and others of the group are responsible for guidance, supervision and inspection of production and operation activities of their subsidiaries and for signing strategic partnership agreements with related parties. The investor relations Department is responsible for communications with investors.

Second-tier companies sub-divide the objectives assigned by the headquarters layer-by-layer, analyze the fulfillment progresses of the objectives and report them to the headquarters monthly. The regulatory departments of the second-tier companies shall be responsible for system operation and maintenance, while the functional departments are responsible for business expansion and implementation of production activities based on their respective work as well as related system documents regarding contract control, transportation & production, procurement control, and working procedure control.

(IV) Training and Communications

COSCO Group establishes the Employee Training Procedures and identifies employees' training needs from aspects such as development strategy, business demands, basic information of employees and career development. Each year, it formulates training plans, establishes mechanism and makes investment to carry out multiple-formed trainings, and facilitates communications of all layers by ways such as meetings, internal information network, newspapers and news briefs. All subsidiaries of COSCO Group formulate annual training plans of the companies based on annual training plans of the headquarters and in combination with their practical situations. Trainings are organized on a regular basis to improve occupational quality and working skills of employees and ensure the effective fulfillment of the group's strategies and objectives.

(V) Supervision and Inspection

COSCO Group's supervision over economic performance is fulfilled by following ways: First, evaluation and constant improvements on decision-making processes through after-decision evaluation, internal audit of management system and management evaluation; Second, daily and annual inspection through establishment of annual operational objectives, balance score card, performance indicators and other indicator systems; Third, audit supervision and effectiveness supervision over operational performances conducted by specific audit & supervision departments of COSCO Group headquarters and its subsidiaries; Fourth, operational supervision and control of management system; Fifth, first-party audit conducted by COSCO Group headquarters on its subsidiaries and second-party audit conducted by the subsidiaries on the headquarters.

The comprehensive management systems regarding quality, environment and occupational health & safety on COSCO Group headquarters won the jointly certification of DNV and CCS Quality Assurance Company. With the establishment of the Global Compact and sustainability management system, quality, environment and occupational health & safety management systems were further improved.



All subsidiaries of COSCO Group also establish quality, environment and occupational health & safety management systems and organized related certifications.

The table below shows establishment and operation status of quality management system (according to ISO9000 standards), Global Compact sustainability management system, and information safety management system of all companies.

Unit	Quality management standards		Other management standards	
	Established	Certified		Established
COSCO Group headquarters	★	★	■▲	■
China COSCO	★			
COSCON	★	★	■▲	■▲
COSCO Bulk	★	★		
COSCO Guangzhou	★			
COSCO Shipping	★	★		
COSCO Qingdao	★	★		
COSCO Dalian	★	★		
COSCO Xiamen	★	★		
COSCO Hong Kong	★	★		
COSCO Logistics	★	★		
COSCO Shipyard	★	★		
COSCO Shipbuilding	★	★		
CHIMBUSCO	★	★		
Hainan Boao COSCO	★	★		
China Ocean Shipping Tally	★	★		
COSCO Manning	★	★		
COSCO Finance	★			
China Ocean Shipping News	★			
Maritime China Magazine	★			
COSCO U.K.	★	★		

Symbol:

★ Completed

■ Global Compact and sustainability management system

▲ Information safety management system



II. Performance Indicators

On July 7, 2011, Fortune magazine released the FT Global 500, in which, COSCO Group ranked the 399th with the operating revenue of USD24.2497 billion in 2010. Moreover, COSCO Group also ranked the 48th among Top 50 fastest-rising companies.

Comparison of indicators of shipping companies included in FT Global 500 in 2010

In 2010, a total of three shipping companies were included in FT Global 500, among which, COSCO ranked the second. The group's position in international shipping industry was elevated significantly. Moreover, COSCO Group ranked the first in the industry for growth rate of operating revenue.

(I) Direct Economic Value Created and Distributed

1. Direct Value Created and Distributed

In 2010, COSCO Group completed the freight volume of 435.8225 million tons, with the freight turnover of 2108.803 billion ton nautical miles". The market occupancy in container shipping market was 6.2%, the market occupancy in dry and bulk cargo shipping market was 8.8% and the market occupancy in tanker market was above 1.7%. Its logistics business ranked the first place among Top 100 Chinese Logistics Companies for six times in succession, and its ship-repairing business also took a lead in domestic market.

In 2010, COSCO Group realized the operating revenue of RMB164.151 billion. Operating revenues of the group since 2003 are as follows:

Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenue (RMB100 million)	758	935	1,123	1,229	1,585	1,906	1,188	1,641.51

Fleet size:

		owned ship fleet							
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010	
Container ships	Number of ships	86	87	86	85	93	92	101	
	Capacity (10,000 TEU)	18.3	18.4	18.2	19.9	29.28	31.54	35.91	
Dry and bulk carriers	Number of ships	207	208	228	217	224	238	245	
	Capacity (10,000 DWT)	1,198	1,256	1,431	1,380	1,476	1,745	1,882.16	
Oil tankers	Number of ships	14	17	28	27	24	25	29	



	Capacity (10,000 DWT)	108	205	340	338	347	382	463.5
Other liquid bulk carriers	Number of ships	10	8	16	19	22	18	19
	Capacity (10,000 DWT)	4	4	5.9	8.63	10.4	9.26	10
General cargo ships	Number of ships	92	94	97	94	93	74	73
	Capacity (10,000 DWT)	152	157	170	164.92	161	143	157.16
Other ships	Number of ships	11	11	19	18	18	15	14
	Capacity (10,000 DWT)	13	13	20	20.7	20.7	21.35	22.91
Total of owned ships	Number of ships	420	425	474	460	474	462	481
	Capacity (10,000 DWT)	1,748	1,910	2,237	2,198	2,411	2,720	3,007.45

Notes: Agency and joint venture companies are not included.

		leased Ship fleet						
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010
Container ships	Number of ships	17	19	54	59	48	54	49
	Capacity (10,000 TEU)	6.9	7.4	21.7	23.6	20.35	24.56	25.5
Dry and bulk carriers	Number of ships	156	130	179	305	292	236	238
	Capacity (10,000 DWT)	1,419	1,296	1,641	2,530	2,489	2,094	2,166.88
Oil tankers	Number of ships	0	0	2	5	5	6	8
	Capacity (10,000 DWT)	0	0	58	141	141	171	239.25
Other liquid bulk carriers	Number of ships	0	0	1	0	1	2	1
	Capacity (10,000 DWT)	0	0	0.7	0	0.5	1.23	0.62



General cargo ships	Number of ships	0	1	3	3	9	6	16
	Capacity (10,000 DWT)	0	2	6	6	22	18	50.58
Other ships	Number of ships	0	0	2	9	6	4	6
	Capacity (10,000 DWT)	0	0	1.7	11	6.82	4.58	6.84
Total ships leased	Number of ships	173	150	241	381	361	308	318
	Capacity (10,000 DWT)	1,518	1,396	1,982	2,987	2,910	2,587	2,771.26

Notes: Agency and joint venture companies are not included in aforesaid figures.

Total fleet controlled								
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010
Container ships	Number of ships	103	106	140	144	141	146	150
	Capacity (10,000 TEU)	25.2	25.8	39.9	43.5	49.63	56.1	61.41
Dry and bulk carriers	Number of ships	363	338	407	522	516	474	483
	Capacity (10,000 DWT)	2,617	2,552	3,072	3,910	3,965	3,839	4,049.04
Oil tankers	Number of ships	14	17	30	32	29	31	37
	Capacity (10,000 DWT)	108	205	398	479	488.5	553	702.75
Other liquid bulk carriers	Number of ships	10	8	17	19	23	20	20
	Capacity (10,000 DWT)	4	4	6.6	8.6	10.9	10.5	10.62
General cargo ships	Number of ships	92	95	100	97	102	80	89
	Capacity (10,000 DWT)	152	159	176	171	183	161	207.74
Other ships	Number of ships	11	11	21	27	24	19	20



	Capacity (10,000 DWT)	13	13	22	31	27.56	25.93	29.75
Total ships controlled	Number of ships	593	575	715	841	835	770	799
	Capacity (10,000 DWT)	3,266	3,306	4,219	5,185	5,321	5,307	5,778.71

Notes: Agency and joint venture companies are not included .

Registration of ships

Ship flag registered (region)	China	Panama	Hong Kong	Others
Number of ships	230	146	98	7

Transportation, production and related indicators

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Freight volume (10,000 tons)	27,022.87	32,103.33	35,617.33	41,158.12	44,098.57	40,979.06	43,582.25
Freight turnover (100 million ton nautical miles ²)	13,757.8	15,835.6	17,078.8	20602.8	22,071.74	19,626.18	21,088.03
Average age of self-owned ships (years)	13.90	14.6	15.16	15.48	15.23	14	13.27
Revenue of logistics business (RMB10,000)	173,486	206,623	351,000	1,200,000	1,431,263	1,221,755	1,529,787
Output value of ship-repairing business (RMB10,000)	268,000	417,000	553,000	787,652	900,500	476,160	422,743
Output value of shipbuilding business (RMB10,000)	178,309	201,558	250,278	325,696	1,080,200	1,118,511	2,018,640

2. Operational Costs

Effective cost control is a key element for an enterprise to make profits and achieve success. As shipping industry has the obvious feature of market periodicity and shipping market is in depression at present, the meaning of cost reduction is far from creating of benefits, and is closely related to existence and sustainability of enterprises.



COSCO Group has paid close attentions to cost control. In 2010, it continued to promote the “Lean Management” Program with an emphasis on reducing the costs and increasing the earnings, and has enhanced the control over key cost points in its operation and management. Measures taken by shipping, logistics, shipbuilding and ship-repairing enterprises are as follows: Firstly, establish cost control mechanism, decompose cost indicators, detail control measures, improve cost evaluation system and control operation costs; Secondly, enhance education on sense of cost and elevate the cost-saving consciousness of employees; Thirdly, carry out many forms of activities and mobilize the cost control initiative of employees; Fourthly, explore the potentials and manage the key costs; Fifthly, solve the cost-saving difficulties by using tools such as lean management and QC team, and try to reduce costs.

(a) Save fuel consumption: fuel consumption is one of the key operating costs of ocean vessels. All shipping companies of COSCO Group have adopted a series of measures to save fuel consumption and reduce costs. Please see --Environment Section of this report for detailed information.

(b) Optimize branch lines and reduce transshipment costs effectively: COSCO Group applies the approaches of QC team to optimize branch lines in Southeast Asia and effectively reduce transshipment costs. Through implementation of the project, it has reduced the average transshipment costs by 22% and achieved significant effects.

(c) Emphasize on cost sources management: By controlling occurrence and payment of costs, optimizing adjustment and control standards and enhancing cost responsibilities, COSCO Bulk saved a total of USD14 million in terms of sail schedules, port fees, fuel costs and contract implementation in 2010; The expenditure of meeting fees was reduced by 49.21%, saving RMB770,000.

(d) to reduce costs and increase efficiency: All liners of COSCO Qingdao carried out the activity to reduce costs and increase efficiency among all its ships. Under the pre-condition of ensuring the safety, it has fully mobilized activeness of its seafarers, carried out activities such as fuel caving, material consumption reduction and expansion of self-reparation, raising the upsurge of reducing costs and increasing efficiency among vessels. In 2010, mechanic reparation fees saved by the company reached over RMB3 million.

(e) Save costs of spare parts: By clearing and analyzing the spare parts supply, usage and management processes, it tried to find the main reasons for waste of spare parts and adopted countermeasures to reduce wastes, thus saving over RMB306,000 of spare parts costs. By refurbishing spare parts such as cylinder heads, piston heads and exhaust valves, COSCO Dalian saved over RMB2.89 million of spare parts costs.

(f) Adopt lean management to save engine cylinder lubricants: COSCO Shipping traced and debugged the volume of engine cylinder lubricants of old vessels, saving costs of lubricants. In 2010,



it completed debugging of cylinder lubricants of over 20 vessels, saving over RMB900,000 lubricant costs.

(g) Reduce consumption of cylinder oil of new vessels in running-in period: COSCO Shanghai has researched on the influential factors of cylinder oil consumption volume of 10,000-TEU vessels in running-in period to find the most suitable cylinder oil injection rate, thus reducing the cylinder oil consumption of new 10,000-TEU container vessels in running-in period. Four COSCO Asia series of vessels saved a total of RMB3.6 million for the company.

(h) Reduce the waste rate in steel formation process: Nantong COSCO KHI adopted the approaches of QC team to analyze the generation reasons of waste materials in steel sheets production to find out the main reasons, formulated and implemented countermeasures to reduce consumption volume of steel sheets, saving over RMB8.8 million of costs for the company.

(i) Widely adopt advanced energy-conservation technologies to reduce costs. COSCO Sofitel Boao Hotel realized satisfactory energy conservation effects by implementing fuel-switch project, saving over RMB1.5 million of energy costs in a year. Company managing the scenic spot carefully implemented the work to reduce costs and increase efficiency and reasonable adjust the fuels to reduce fuel consumption and lower costs.

3. Salaries and Welfares of Employees

All levels of companies affiliated to COSCO Group have established different forms of salary and welfare systems in accordance with the national laws, rules regulations and requirements of related polices and based on practical situations of the industry and enterprises, protecting basic rights and interests of employees.

In addition to gain favorable economic benefits, all units affiliated to COSCO Group have tried to improve the salaries and treatment of their employees, improving employees recognition on the enterprise and enhancing the cohesion.

COSCO Group bought various social insurances for its employees in accordance with the laws, covering items such as endowment, medical, work injury, maternity, employment issuances and housing funds, ensuring legal rights and interests of employees.”

In 2010, basic endowment insurance fees paid by COSCO Group totaled RMB1231.9664 million, up 8.17% year-on-year. The payment proportion of the group was 20% and that of employees was 8%. Besides aforesaid social insurances, COSCO Group established enterprise supplementary medical insurance, work injury insurance and annuity of enterprises for all its employees. In 2008, the detailed implementation plans of the annuity of the enterprises were approved by SASAC, and in 2009, the plans were put into records by the Ministry of Human Resources and Social Security. In 2010, COSCO Group Annuity Fund was put into operation, and a complete annuity management



mechanism was established.

4. Payment to Capital Providers

Although the shipping market is in post-crisis era and the global shipping market was in periodical depression in 2010, profits created by COSCO Group totalled RMB16.326 billion.

Total Profits of COSCO Group in Recent Eight Years

Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010
Total profits (RMB10,000)	189,481	1,217,889	2,007,100	1,504,100	3,405,542	1,740,386	126,437	1,632,600

In the face of shipping market in post-crisis era, listed companies of COSCO Group home and abroad further improved related systems as well as its governance structure and mechanism of the company, promoted comprehensive risk management, effectively controlled the market risks and costs, promoted lean management, and achieved good results.

In order to meet SASAC's requirements of not taking real estate as the main business, which aims at propelling central enterprises to withdraw from real estate industry, and focus its efforts on expansion of shipping business, COSCO Group announced to withdraw from the ocean real estate business in March 2010. In December of the same year, COSCO Hong Kong, a second-tier subsidiary of COSCO Group, sold 8% of stake it held indirectly in COSCO Real Estate Holdings Co., Ltd. Sale of the equity marks that COSCO Group has fulfilled its commitment, implemented SASAC's requirements and withdraw from ocean real estate business completely.

(a) China COSCO has realized the social contribution of RMB1.44 per share in 2010. Social contribution per share is the added value per share created by the company for the society, including the basic earnings per share the company created for its shareholders, the annual tax the company paid for the country, the wages paid for its employees, the interests paid for banks and other creditors, the donation of the company and the value amount the company created for other relevant stakeholders after deducting other social costs caused by environmental pollution. It is calculated in accordance with the requirement of the Notice on Strengthening Listed Company Social Responsibility and Commitment and Releasing Shanghai Stock Exchange's Guidance on Information Disclosure of Listed Companies. The figure can help the public to have a more comprehensive understanding on the real value the company created for its shareholders, employees, customers, creditors, communities and the whole society.

▲ On May 30, 2010, FT Global 500 List was released. China COSCO ranked the 450th place with a market value of USD17.6 billion, the third consecutive year for the company to be included in the list.





▲ On Dec. 18, 2010, the 9th China Company Governance Forum sponsored by Shanghai Securities Exchange and supported by SASAC under the State Council and the Organization for Economic Co-operation and Development (OECD), as a key activity of the 20 Years of Chinese Capital Market series of celebrating activities, was held in Shanghai. Capt. Wei Jiafu was invited to deliver a speech themed on “Explorations and Practices of State-owned Listed Holding Companies to Improve the Governance Mechanism”, in which, he introduced the successful experiences of and effective explorations made by China COSCO in improving its governance mechanism. At the event, three awards were announced. COSCO Group has distinguished from thousands of listed companies, with its Board of Directors won the 2010 Board of Directors Award and its independent director Alexander Reid Hamilton received the 2010 Excellent Independent Director Award. (In this photo, Capt. Wei Jiafu and the secretary receive the award.)



▲ On Nov. 20, 2010, the 2009 China Investor Relations Annual Conference sponsored by the China Management and Research Center for Investor Relations of Listed Companies was held in Nanjing. At the conference, the annual report on investor relations management was released, and many awards were announced. China COSCO received two awards, i.e. Top 100 A-share Chinese Companies for Investor Relations Management and Best IR Innovation Award.

▲ Among 2010 China Logistics Industry Awards appraised at the 6th China International Logistics Festival, COSCO Logistics won three industrial awards, i.e. 2010 Top 10 Influential Enterprises in Chinese Logistics Industry, 2010 Top 100 Chinese Logistics Companies for Brand Value and 2010 Classic Logistics Solution Award for its continuous innovation on modern logistics business, R&D and application of key logistics patent technologies and internationalization of logistics business. Ye Weilong, General Manager of COSCO Logistics won the 2010 Top 10 Characters in Chinese Logistics Industry.

(b) On May 8, 2010, COSCO Shipping won the Excellent Board of Directors Award of the 6th Golden Roundtable Award for Listed Chinese Companies' Board of Directors (Year 2009), the fourth consecutive time for COSCO Shipping to win the award since 2006.

(c) COSCO Investment (Singapore) Co., Ltd won the “Most Transparent Foreign Company” in the appraisal of 11th Investors' Choices Award held by the Securities Investors Association Singapore, a third time for COSCO Investment to win such award since 2007. The award is voted by an appraisal committee comprising of representatives from academic circle, media and investors association in Singapore based on information disclosure of listed companies. COSCO Investment has distinguished itself and won the award among over 300 foreign companies listed in Singapore.

(d) The Board of Directors of COSCO International received the 2010 Outstanding Director Award –



Collective Board of Directors of Listed Companies (Non-Hang Seng Index Constituents) granted by the Hong Kong Institute of Directors, and Zhang Fusheng, Chairman of the Board of Directors and Executive Director received the 2010 Outstanding Director Award – Individual Director of Listed Companies (Non-Hang Seng Index Constituents). The Outstanding Director Award is the annual appraisal organized by the Hong Kong Institute of Directors to find the most outstanding board of directors and directors. Themed on “strengthening company management and improving the performance”, this year’s appraisal aims at highlighting the importance of excellent corporate governance for performance improvement.



(e) Mr. Zhou Guanghui, the independent non-executive director of COSCO Pacific, was awarded the 2010 Outstanding Director Award (Hang Seng Index Constituents) – Non-executive Director Award” by the Hong Kong Institute of Directors. Winning of the award reflects all circles of the society’s recognition on COSCO Group’s ceaseless efforts to keep and elevate its corporate governance level.

COSCO Group’s Indicators for Listed Companies (As of Dec. 31, 2010)

Company	Listing place	Total market value (RMB100 million)	Share proportion (%)	Market value calculated by share proportion (100 million)	ROE on net assets (%)	Dividend per share at end-period	Basic profits per share (RMB)
China COSCO	Hong Kong/Shanghai	960.33	52.80	507.05	14.97	0.09	0.66
COSCO Pacific	Hong Kong	312.82	42.72	133.64	11.22	0.16	0.94
COSCO International	Hong Kong	58.7	59.85	35.13	18.5	HKD0.03	HKD0.84
COSCO Investment	Singapore	246.69	53.35	131.61	19.98	0.21	0.57
COSCO Shipping	Shanghai	100.9	50.52	51.76	7.72	0.04	0.26

5. Payment to the Government

In 2010, COSCO Group generated more than RMB10 billion of profits, and paid RMB4654.3 million taxes to the government.



Indicator/Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total tax paid (RMB10,000)	106,064	181,792	327,812	578,271	523,653	865,959	1,079,733	344,384	465,430

6. Social Investments and Inputs

(a) Care for people's life and pay back to the society

COSCO Group actively shoulders social responsibilities, supports social investment activities, cares for people's life and pays back to the society. Over a long period of time, all companies affiliated to COSCO Group have been engaged in social investment, charity and public welfare activities actively while focusing on its own development.

In 2010, donations made by COSCO Group through COSCO Group Charity Foundation to social projects totaled RMB71.98 million.

Indicator (RMB10,000)/year	2003	2004	2005	2006	2007	2008	2009	2010
Investment capitals provided for social projects (RMB10,000)	866.1	584.37	3,794.63	3,355.68	5,875.96	6,142.35	2,208	7,198

Notes:

Please see COSCO Group Charity Foundation in Part III, Chapter B of this report for basic information of COSCO Group Charity Foundation.

(b) Care for drought disaster-stricken areas in Southwest China

In early 2010, China's Southwestern provinces were stricken by serious drought disaster. COSCO Group Charity Foundation donated a total of RMB9.9 million to some drought disaster-stricken areas in Southwest China.

(c) Disaster relief and donate to earthquake disaster-stricken areas

On April 14, 2010, a magnitude 7.1 strong earthquake struck Yushu, Qinghai. Upholding the tenet of "helping the wounded and rescuing the dying, helping those in distress and lending support to those in danger or in need", COSCO Group Charity Foundation donated RMB10 million to disaster-stricken areas in Yushu, Qinghai Province to help residents in earthquake disaster-stricken areas to fight against the disaster and reconstruct their homes.

(d) Relieve those in poverty and help those in difficulties ceaselessly

▲ A donation of RMB3 million was made to Ruanling County, Hunan Province to help Jiemuxi Village, Jiemuxi Township, Ruanling County, Hunan Province in infrastructure construction such as truck road, industrial products such as tea production and bee breeding as well as farmers' skill training activities.

▲ A donation of RMB3 million was made to Anhua County, Hunan Province to support the Tea



City Project in Huangshaping, reconstruct Qingshiban Street of Huangshaping Town, repair anti-flood dams, decorate and construct houses, so as to drive the development of tea industry of the province.

(e) Care the children

▲ COSCO Group accompanies children of 56 nationalities to sail away

In 2010, COSCO Group Charity Foundation partnered with the China Working Committee for Caring the Next Generation to kick off the —Sailing Love Card” charity activity to help those children of minority nationalities who are in poverty due to orphanedness, disaster and disability. In the project, 10 children of each nationality who need special helps are selected, with a —Sailing Love Card” and a sponsorship of RMB1,000 offered for each children. Through the —Sailing Love Card” charity project that integrates loves of all COSCO employees, children of minority nationalities can feel the warmth of the motherland and grow healthily and happily. The loves of COSCO people will sail away together with new generations of 56 nationalities.
(Sailing Love Card)



▲ Donation of RMB2 million to rescue children suffering from serious diseases in Hubei Province

In a bid to support the development of public welfare undertaking in Hubei Province, carry forward and show loves of COSCO Group and care for children suffering from serious diseases, COSCO Group Charity Foundation donated RMB2 million to set up Hubei Charity Federation COSCO Foundation to Rescue Children Suffering from Serious Diseases in Hubei. The foundation aims at helping children suffering from serious diseases of poverty-stricken families aged between 0 to 18 in Tongshan County and Danjiangkou City, Hubei Province, including children suffering from serious diseases of urban residents who enjoy or are at the edge of enjoying minimum living allowances, enjoy special cares or are in special difficulties. (Rescuing children suffering from serious diseases)



(f) Establishment of COSCO Group Scholarship and COSCO Group Stipend

In order to encourage students to study diligently and cultivate more excellent talents for ocean shipping industry of China, COSCO Group set up five-year —COSCO Group Scholarship” at Dalian Maritime University and Jimei University since 2008 to donate RMB200,000 of scholarships to



aforesaid two universities respectively each year. Since 2009, COSCO Group set up five-year COSCO Group Scholarship at Wuhan University of Technology to donate RMB200,000 each year, and set up five-year COSCO Group Scholarship at COSCO Group Stipend to donate RMB250,000 each year.

(g) Provide supplies for convoy fleet

In recent years, pirates at the sea area of Gulf of Aden are rampant, seriously threatening the safety of vessels and personnel from all nations. On Dec. 26, 2008, COSCO Group following the resolution of the United Nations dispatched convoy fleet to implement escort task at the Gulf of Aden. COSCO Group also shouldered the task to send supplies to naval forces at the sea areas of Gulf of Aden and Somalia. By the end of 2010, a total of 12 ships implemented the supply tasks, transporting 30 TEUs of materials (of which, 29 TEUs of refrigerators), 19 wooden boxes and 2,000 kg refrigerated vegetable. Moreover, COSCO Hong Kong’s “Kanglong” Liner, Dahua Liner of COSCO Guangzhou sent condolence gifts as well as sincere blesses on behalf of all employees of COSCO Group before and after the Army Day.



(Taicang Liner of COSCO Group implements open sea guarantee task)

(h) Coal and power transportation

Since winter 2009, disastrous weathers such as heavy snow, low temperature and frost influenced most of the regions influences most of the regions in China continuously, resulting in intensified coal supplies of power plants in some regions. Some provinces limited the use of electricity one after another, thus failing to meet the heating and social production demands of the public. China COSCO responded to the State Council’s appeal on “ensuring people’s life and operation” and “preventing and reducing the losses caused by disastrous weathers”, and dispatched all 25 self-owned vessels (totaling 1.215 million DWTs) of Shenzhen Ocean Shipping Co., Ltd, its coastal transportation fleet, to coal and power transportation. Since November 2009 to early 2010, COSCO Shenzhen completed 74 voyages for coal and power transportation, with a total of 3.21 million tons of coals transported, making active contribution to alleviation of intensified coal supplies in South China.

(II) Influences of Climate Changes

The global environment issues caused by climate changes have gradually raised concerns of all circles of the world. In particular, the Copenhagen Climate Change Conference held in December



2009 brought focuses of the world to environmental and economic issues caused by climate changes. With the opening of carbon emission trading, the influences of climate changes on financial performance of the company become more and more significant. For COSCO Group, climate changes brought following safety risks and financial risks:

1. Risks Caused by Climate Changes

Climate changes affected the typhoon occurrence period, moving path and intensity changes. These, in addition with increase of weathers with poor visibility, threaten shipping safety of COSCO Group's ships in various sea areas.

Increase of typhoons and bad weathers with poor visibility need more labors and materials from the bank to guide safe shipping of vessels. In the meantime, as anti-typhoons and bad visibility affect the arrangements in and out the port, increase shipping time of vessels and non-productive berthing time at port.

The international community and port countries had formulated new conventions, rules and regulations to tackle with the influences of climate changes, bringing new financial risks to COSCO Group.

2. Financial Influences of Climate Changes

In order to prevent and fight against the possible damages caused by typhoons, COSCO Group input more human resources and materials into the organization establishment, shore-based shifts, command and coordination. Typhoons also led to the increase in the sailing time and distance as well as the delay in the schedules. In 2010, a total of 87 tropical cyclones (including TD) were generated worldwide, effecting 433 ships (times) of COSCO Group, up 26.6% from 342 ships (times) in 2009.

Restricted by poor visibility, many ports have taken entry and departure prohibition measures protect ship security during berthing at the port. This resulted in increase of non-productive berthing time of COSCO Group's fleet at Hong Kong.

In order to alleviate global environmental pressure, reduce emissions and energy consumption, and in advocacy of Chinese government's appeal for energy conservation and emission reduction, COSCO Group has invested material and financial resources to enhance R&D of emission reduction technologies and improvement of related equipment and facilities, so as to save energy consumption and reduce emissions. It also invested capitals to establish management systems of operational quality, environment and occupational health & safety, and opened safety and environment web and occupational health & safety web. Moreover, it has established effective training mechanism to carry out science popularization and operational skill trainings, so as to enhance the environment consciousness and management ability of employees and increase additional costs.

Since 2005, COSCO Group has invested RMB504.7823 million to reduce emissions by applying



electronic control device cylinder petrol supply system, installing homogeneous fuel equipment on vessel engines, installing waterway guide cover, airscrew clipper, Shipaneng oil-saving devices on vessels.

In order to cope with climate changes, the international community had revised the international conventions, resulting in increase of management costs and equipment expenses of COSCO Group. In 2010, COSCO Group adopted 110,475 tons of low-Sulphur fuel with the sulphur content of 1.5%_{m/m} in a bid to satisfy the requirements of MARPOL Appendix VI and reduce emission of ships. This resulted in increase of costs by RMB28.48 million and decrease of sulfur dioxide emissions by 5,648 tons.

COSCO Group has responded to preventative measures taken by port countries and coastal countries to deal with climate changes, resulting in increase of its operating costs. For instance, COSCO Group has actively responded to the "Green Ship Flag" advocated by California in US, requiring ships to reduce the speed in advance before sailing into or departing from the ports. COSCO Group's ships sail into and depart from ports at a speed lower than 12 nautical miles per hour and use the light oil-based fuels with less sulfur content instead of heavy oil in a bid to alleviate air pollution. As the price of the light oil is 1.8 times of heavy oil, COSCO Group has to pay more when buying light oil-based fuels for ships. In order to meet the requirements that sulfur content of fuels used by vessels arriving at EU ports shall be no higher than 0.1%, all shipping companies affiliated to COSCO Group have rebuild equipment on their s hips and used low-sulfur fuels, resulting in increase of costs correspondingly.

(III) Fixed Welfare Plans

Retirement life guarantee is a main factor considered by all employees when selecting their jobs. Proper arrangement of retirement pension can solve the worries of employees for aging. and is favorable for attracting and keeping stable employees' team.

▲ COSCO Group has attached great importance to fixed welfare plans for employees and paid endowment insurances for every employee according to policies of the State and local employees central and local government. COSCO Group calculated the budget for endowment insurances by 20% of total salary bases of employees and paid the endowment insurances monthly to the social insurance institutes of the country. By the end of 2010, total number of retired employees of the group reached 29,855.

Year	Number of new retired employees in the year	Number of retired employees as of the year end
2004	2,851	16,944
2005	2,818	19,559
2006	2,864	22,235



2007	2,604	24,665
2008	1,858	26,356
2009	1,977	28,074
2010	2,046	29,855

COSCO Group has set up a specialized institute, dispatched special personnel and allocated specialized expenditure to provide services for retired employees, ensuring that all retired employees can enjoy pensions when they are old and can have medical treatment when they are ill. In key legal festivals the group will distribute festival subsidies to retired employees, allowing them to enjoy the humanistic cares of COSCO Group.

(IV) Key Financial Supports Provided by the Government

In order to support the market expansion of Ro-Ro passenger ships traveling between both sides of Taiwan Strait and serving for businessmen traveling between the two places, Fujian Provincial People's Government and Xiamen Municipal People's Government each offered RMB3.61 million of fuel subsidies to COSCO Star, and Xiamen Siming District Municipal People's Government also offered RMB800,000 investment subsidies for Xiamen Mintai Ferry Co., Ltd, which operates the liner. COSCO Star is the first Ro-Ro passenger ship that offers regular services between both sides of Taiwan Strait after the opening of postal services, businesses and shipping services between both sides of Taiwan Strait in 2008, and also the only Ro-Ro passenger ship that offers regular services across the Strait.

(V) Minimum Wage and Comparison with Standards

COSCO Group strictly implemented the salary system of the central and local governments to ensure that salaries of employees are higher than the minimum salary level set by the Government. Minimum salaries of shore-based employees of all companies of COSCO Group are higher than the minimum salary levels regulated by local governments.

In March 2007, COSCO Group adjusted the salaries of crews based on the principles of internationalization, marketization, transparency and simplification, greatly improving the salaries and treatments of seafarers. Under the circumstances that shipping market has seriously affected by the financial crisis in 2009, all shipping companies of COSCO Group insisted on not lowering the treatment of employees regardless market recession and tried to keep the income of seafarers. In 2010, COSCO Group has achieved favorable economic benefits despite of the challenges of post financial crisis and the periodical fluctuation of shipping market.

(VI) Local Suppliers and Procurement Policies

Hundreds of member units home and abroad of COSCO Group have formed a global business network with Beijing as the center, ocean shipping and global logistics services as the basis, and nine



regions, i.e. Hong Kong, Japan, Singapore, America, Europe, Australia, Korea, South Africa and West Asia as the radiation points. They have more than 1000 enterprises and operation institutes in 50 countries and regions worldwide. COSCO Group’s worldwide institutes have brought active influences to prosperity of local economy. By supporting local business activities in the supply chain, COSCO Group has introduced more capitals to local economic development. In the meantime, it is determined that local procurement can be a policy to ensure supplies and stabilize local economy. It has established long-term and sustainable strategy with local suppliers, and drive healthy development of supply chain of related business with shipping, logistics and terminal businesses.

(VII) Employing Staff and Senior Managers from Local Communities

The adoption of local residents as members of its top management and accommodation of local people can increase human capitals of COSCO Groups, bring economic benefits to local society and improve COSCO Group's ability to know local demands.

COSCO Group adopts the jurisdictional management mode for its overseas companies, and employs local people according to laws and regulations of the places where overseas companies are located. Except for a few of top executives dispatched by COSCO Group, most members of intermediate and top management teams are employed at local places. In 2010, COSCO Group has employed 4,023 foreign employees, accounting for 5.66% of the total.

Number of Foreign Employees Recruited by COSCO Group in Recent Years

Year	2004	2005	2006	2007	2008	2009	2010
Number of foreign employees (persons)	3,989	3,877	4,048	3,752	4,188	4,207	4,023

(VIII) Public Services

Besides economic value created and distributed, COSCO Group also attached great importance to investment in infrastructure construction for public welfare.

1. COSCO Shipping acted as the ambassador of Shanghai Route of “Road of Asia” -- Kukachin Princess

COSCO Shipping has taken part in the promotional activity of 2010 Asian Games in Guangzhou by providing shipping and agency services for Kukachin Princess, the ancient ship for the —Road of Asia” campaign from Guangzhou to Persia and Persia to Southeast Asia. The —Road of Asia” campaign is a large-scaled promotional activity held at the two years in countdown of 2010 Asian Games in Guangzhou. Jointly sponsored by the Olympic Council of Asia and the Organizing Committee of the Asian Games in Guangzhou, it aims at promoting the event by traveling along the Silk Road again. The campaign to travel along the Silk Road absorbs the kernels of traditional culture, and visits 45 countries and regions attending the Asian Games by promoting Asian Games in



Guangzhou along the land-based and offshore Silk Road. The offshore trip starts from Kuwait, and passes 35 countries and regions such as West Asia, South Asia, Southeast Asia and East Asia. The task was completed by Kukachin Princess.

In the history, Kukachin Princess named —LuckyShip” and was build in the era governed by Kublai Khan for the marriage of Kublai Khan’s daughter Kukachin Princess to Persia. According to the Travels on the Orient written by Marco Polo, Marco Polo escorted Kukachin Princess to Persia on the Lucky Ship. The ship has started from Quanzhou, Fujian and arrived at Persia after passing



Southeast Asia, South China Sea and India Ocean after two years.

Photo caption:

1. International Olympic Committee president Jacques Rogge (fifth from left, back row), Xu Ruisheng, deputy mayor of Guangzhou and executive vice secretary of the Organizing Committee of the Asian Games in Guangzhou (fourth from left, back row) take photos with seafarers of Kukachin Princess.
2. COSCO Shipping CEO Guo Jing (fifth from the left) receives the model of Kukachin Princess from Xu Ruisheng, deputy mayor of Guangzhou and executive vice secretary of the Organizing Committee of the Asian Games in Guangzhou (second from the left).
3. International Olympic Committee president Jacques Rogge (second from left, front row) and officials of the International Olympic Committee are present at the inauguration ceremony of Kukachin Princess held at terminal near Persian Gulf Road, Kuwait.

2. Attending Maritime Rescue Actively

Ship and shore-based staff of COSCO Group has carried forward the international humanistic spirit. At the critical time when personnel and property safety of other vessels was serious threatened, they put others first, offered a helping hand and showed excellent quality, showing the generous heart and high spirits of COSCO Group’s seafarers. In 2010, COSCO Group attended a total of six times of ship rescues.

▲ At 5:30 on Oct. 8, 2010, COSCO America Liner received a warning on collision of a large-sized bulk carrier —HANJIN RIZHAO” and an oil carrier (name of the carrier is unknown). HANJIN RIZHAO was out of control, while the unknown oil carrier was inclined with water entered the cabin and announced to give up the ship. Later, the liner received a directive from French-based USHANT TRAFFIC, requiring COSCO America Liner to attend the rescue action and approach the ships caught by accidents. All seafarers of the liner made preparations for emergency response and sailed to the sea area one sea mile away to the accidental ship to wait for further directives. At 7:15, it is



confirmed that HANJIN RIZHAO had returned to normal, while 13 seafarers caught by the accidents had been rescued by HANJIN RIZHAO. Captain of HANJIN RIZHAO reported on the rescuing process to USHANT TRAFFIC, and requested for further navigation with the approval of USHANT TRAFFIC.

▲ On Dec. 31, 2010, Korea-registered cargo ship was caught by an accident at the Yellow Sea. MV Tonghai of COSCO Shenzhen attended the offshore rescue action organized by the Rescue Center of Jiangsu Maritime Bureau. After more than 30 hours of rescue, MV Tonghai and other four large-sized vessels successfully rescued five seafarers caught by the disaster.

3. Attending the Cross-Strait Rescue Rehearsal

On Sept. 16, 2010, related units on both sides of Taiwan Strait jointly held an offshore rescue rehearsal, the first one focusing on cross-strait offshore transportation as well as life and property safety held by offshore rescue forces on both sides of Taiwan Strait after the opening of daily flights, new shipping routes and postal links — the so called Three Links. The rehearsal aims at showcasing the coordination, command and fast responding ability of rescue forces and institutes on both sides of Taiwan Strait to the public, demonstrating the resolutions of rescue institutes on both sides of Taiwan Strait to construct safe strait and received great concerns of all circles. Wuyuan Liner of COSCO Xiamen, as a vessel attending the joint rescue rehearsal, gave up three half days of operating time and attended the rehearsal actively. COSCO Shipyard (Xiamen) also dispatched persons to attend and assist in the joint rescue rehearsal.

4. Assisting in Holding of PSC Inspection Contest

On Dec. 29, 2010, Hainan Provincial Maritime Bureau took MV Shenquanhai of COSCO Shenzhen as the examination room to hold the Vessel PSC Inspection Contest among PSC inspectors. The event aims at improving the safety inspection accuracy and efficiency of maritime officials. All seafarers of MV Shenquanhai had cooperated with each other carefully and ensured the smooth holding of the event.

(IX) Key Indirect Economic Influences

1. Investing into Scientific R&D to Promote Economic Development

COSCO Group has attached great importance to scientific R&D work and has established technical and R&D centers, which are responsible for organization, implementation and management of scientific R&D work of the group. Since 2003, the number of scientific research projects has increased year-on-year. In 2010, COSCO Group kicked off a total of 341 scientific research projects, with total expenditure of RMB989.12 million, up 32%.



COSCO Group's scientific research inputs and achievements are as follows:

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Expenses on scientific and technological activities (RMB10,000)	38,565.70	20,378	49,680.03	55,769.20	101,917	74,867	98,912
Expenses on R&D and experiments (RMB10,000)	33,507	17,242	27,634.02	28,261.10	37,701.39	29,207	57,861
Total number of scientific and technological projects	152	137	137	257	263	329	341
Number of foreign cooperation projects	17	25	37	30	45	33	61
Number of scientific and technological awards received	3	2	2	2	3	1	2

▲ The “physical purification and disposal technology of ship blast water”, to which, COSCO Group invested RMB16 million, is a sub-project of the national scientific research project on “key technologies of physical purification and disposal technology of ship blast water and emergency response for offshore oil leakage” of the Ministry of Science and Technology. The project has achieved great innovation achievements in pre-disposal, high-efficient virus inactivation and removal technology and system automation, forming blast water disposal technology with independent intellectual property right formed and establishing standard shore-based testing facilities and inspection method systems. The R&D achievements have reached internationally advanced level, and the technologies such as pre-inlet gas auxiliary liquid backwash filter self-clean technologies and UV dosage control self-adaptive technology have reached internationally leading level. The project passed the check and acceptance organized by the Ministry of Transport on April 26, 2010, and passed the check and acceptance of the expert team of the Ministry of Science and Technology on Oct. 9, 2010. A total of nine patents have been achieved, of which, eight are national patents, while one is new patent.

▲ The “Multimodal -- FOCUS System”, to which, COSCO Online Logistics Information Science & Technology Co., Ltd, the joint venture of COSCO Logistics and COSCO Hong Kong, owned independent intellectual property rights, won the 2010 Second-class Technological Progress Award issued by the China Federation of Logistics & Purchasing. The award is the highest scientific and technological progress award approved by the Ministry of Science and Technology for national logistics and purchasing industry. Multimodal -- FOCUS System is a multimodal information technology platform in supply chain sector for centralized monitoring and control of entire cargo transport supply chain and provides multimodal cargo transport agency information service for COSCO Logistics. With a focus on customers' demands, by combining effective drive of business and technological application, it has established an operational and management information



coordination system throughout all sectors of international cargo agency business, realizing visibility of entire business and management processes and shortening the distance between COSCO Logistics and its customers with informationization.

▲ The Development of Trans-Oceanic Transportation Technology of Large Aircraft Parts co-developed by COSCO Logistics and COSCON won the Second-class Scientific and Technological Progress Award of the China Institute of Navigation, which was established with the approval of the Ministry of Science and Technology and the National Office for Science & Technology Awards. Achievements of the project reached international leading level. With the development of aerospace and aviation industry and the trend of trans-regional cooperation and manufacturing of large aircraft parts, achievements of the project have wide application scope. The project had important meaning for promoting the leap-forward development and progress of manufacturing mode of aerospace and aviation industry, elevating the technical level of Chinese logistics and shipping companies and attending international competition, and achieved significant economic and social benefits.

▲ In 2009, COSCO (Nantong) Shipyard Co., Ltd successfully built the world's first and most advanced cylinder-shaped super deepwater ocean drilling and oil storage platform, which is named Sevan. It is China's first cylinder-shaped super deepwater ocean drilling and oil storage platform, and boasts drilling, oil storage and pre-treatment ability. It is also the world's only platform that boasts aforesaid three functions. When the platform is conducting pre-treatment, it can also conduct water and mud deprivation operation, which can not only increase commercial added value, but also is environment-friendly. In February 2010, the Key Manufacturing Technology of Super Deepwater Highly-stable Cylinder Drilling and Oil Storage Platform won the first-class Scientific and Technological Progress Award of Jiangsu Province.

2. Informationization Construction

Enterprise informationization refers to the establishment of modern information network system by making use of modern management science and information technology, enable all sectors of enterprise's management activities to realize integration of capital flow, material flow, workflow and information flow through rapid circulation and effective services of information, so as to realize optimized configuration of enterprise resources, improve management efficiency and level of enterprise and enhance the economic benefits and core competition. Process informationization is an important approach to help an enterprise to elevate its management level. In today's society where global knowledge economy and informationization have developed rapidly, informationization is the key factor to determine success of an enterprise, and also an important pre-condition to realize trans-regional, trans-industrial and trans-national operation.

In order to better integrate with the transformation and upgrade of the enterprise, COSCO Group actively welcomed the challenges of economic globalization and global informationization, and



continuously enhanced the supporting role of informationization to an enterprise's competitiveness.

▲ In 2010, COSCO Group has invested a total of RMB600 million for informationization construction. Main shipping, logistics, shipbuilding and ship-repairing enterprises have introduced office automation system, and invested capitals for independent development and introduction of information system based on nature of the business, so as to improve working efficiency and realize information sharing.

▲ All shipping companies invested for construction of ship and shore electronic information communications platform, including engineer information system, shipping management system and ship and shore Chinese-language e-mail communications system. COSCO Logistics and COSCON have established customer service information system. COSCO Shipyard established CAD production and management platform, introduced international advanced and professional design software such as Inteliship, Tribon and Napa, and is implementing ERP project for enterprise resource application system.

▲ COSCON has invested capitals to promote upgrade of IRIS-2, CORIS and other systems, optimize existing informationization system and improve the performance of informationization system, and has accelerated the construction of ships based on technological innovation. The project of global ship dynamic monitoring system developed by the company has received one utility model patent and four invention patents, and received the first-class China Shipping Science and Technology Award and first-class Shanghai Scientific and Technological Progress Award.

▲ COSCO Bulk has continuously improved its financial reports analytical system (Stage I of BI Project), overseas outlet information system, software development and data backup verification environment, comprehensive management system online platform, as well as its production and operation management system (BMS), seafarers management information system (CSIS), human resources and comprehensive performance management system and other informationization application systems.

▲ During the 11th Five-year Plan period, COSCO Dalian developed management systems of shipping operation and management system, shipping business management system, engineering fee approval system, process management system and seafarers salary management system. In 2010, it completed the operation and promotion of shipping operation and management system, seafarer salary management system, process management system and ship navigation monitoring and management system, enabling these systems to play an important role in production and operation management, safety management and IT-based process development.

▲ COSCO Logistics has strengthened the implementation of IT management system, promoted construction of resource management platform, and further cleared the information system management process. In 2010, it completed the clearing and planning of IT governance basic



framework system, realizing the design of key elements to make continuous improvements on IT ability of COSCO Logistics, and formulated detailed implementation plans. It has deployed the process operation platform of IT service quality management system, and established uniform and visual reports based on standard processes. These efforts realized the reasonable, orderly, traceable and plannable processes of resource allocation, effectively managed and protected the software asset of COSCO Logistics and laid a solid foundation for fulfillment of COSCO Logistics' IT service comprehensive management system.

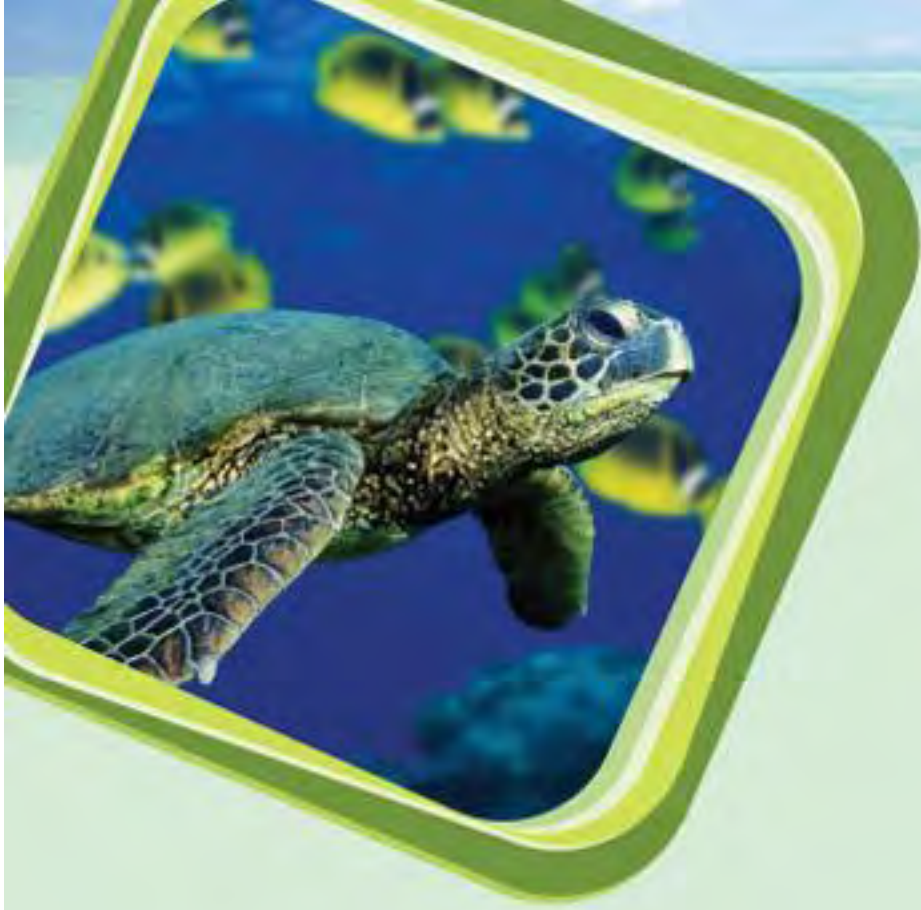
▲ In order to elevate its operation and management ability, COSCO Finance entrusted its system developer China Merchants Bank to make second-time development based on original capital management platform of COSCO Group. After operation, it was proved that the modules of the new system have strong modularized functions, expanded its reporting, statistics and capital planning functions, significantly elevated the credit business management ability and capital distribution level and provided accurate data supports for operation and decision-making of the group and the company.

(X) Creation of Employment Opportunities

COSCO Group created 1,129 job opportunities in 2010.

▲ Through market competition, COSCO Pacific obtained 35 years of operational rights of No.2 and No.3 container terminals of Piraeus Port, Greece. According to the agreement signed by both sides, COSCO Group's takeover of container terminals of Piraeus Port will create 1,000 jobs directly or indirectly.

▲ Despite of depressed operational environment in 2009, COSCO Bulk insisted on not lowering the salaries or cutting jobs of frontier seafarers, enhanced trainings for them, improved the cohesion and accelerated the development, making active contributions to stable development of Tianjin and winning the honorable title of —2009 Tianjin Advanced Unit in Employment Work”.



ENVIRONMENTAL PERFORMANCE INDICATOR AND THEME REPORT



Part II Environmental Performance Indicators and Theme Report

I. Management Approaches

(I). Objectives and Performance

While pursuing economic benefits, COSCO Group shoulders social responsibilities and performs the environmental protection requirements in Global Compact. It has set the guidelines of environmental protection as “comprehensive management, preservation of resources, environment protection” and has committed to protecting the environment and preserving global resources, and supporting and participating in ecological protection activities as a social responsibility undertaker to initiatively improve enterprises’ environmental protection system. COSCO Group has taken the safety and the environmental protection as an important part of its commitment. COSCO Group has strictly implemented rules and regulations regarding environmental protection in domestic laws and regulations as well as international conventions, actively performed applicable suggesting standards, decrees and related requirements on environment protection home and abroad. It has promised to the United Nations to protect the environment, save global resources and establish a resource-conservative enterprise. It has adopted technological innovation to protect limited resources and took effective measures to avoid negative influences on the environment, so as to protect the beautiful environments that human beings are relying on. In 2010, COSCO Group was free from any environment pollution accidents and the associated penalties. Companies affiliated to COSCO Group were awarded the environmental protection flags successively in the Green Flag program organized by the Long Beach Authority of the U.S. In this year, companies affiliated to COSCO Group provided to ship carbon emission calculator to customers worldwide, marking the promotion of its “low-carbon shipping” ideas and its new commitment to effective control of environmental pollution brought by ship operation.

(II). Policies and Regulations

COSCO Group has formulated the Guiding Opinions for COSCO Group to Build up a Resource-saving Enterprise and Implement the Global Compact. It requires related department to construct COSCO Group into a resource-saving enterprise, implement the requirements of Global Compact and fulfill sustainability. All companies affiliated to COSCO Group have formulated implementation plans and methods, and established corresponding procedures, notices and operating criteria. COSCO Group headquarters has introduced the ISO14001 Environmental Management Systems Standard for establishment of the environmental management system and has passed third-party certification. Major second-tier companies of the group also introduced the ISO14001 Environmental Management Systems Standard, established and implemented the environment management system. Some companies have passed the third-party certifications. Meanwhile, all shipping companies have introduced the International Safety Management Code (ISM) and established their safety management systems. By carrying out corresponding management measures and solutions, COSCO Group is in compliance with all applicable environment-related international conventions, rules and Chinese laws & regulations as well as other requirements to prevent damage



to the environment.

(III). Organization and Responsibilities

The Safety Technology Supervision Division is responsible for the environmental protection work of COSCO Group. Each second-tier company has set up the administrative unit or specific posts for environmental protection, which are mainly responsible for tracing and analyzing the environmental protection trends home and abroad, researching and stipulating policies and measures relating to environmental protection, supervising and guiding positions at all levels to effectively implement the solutions relating to environmental protection, and dealing with and correcting the deficiencies in environmental protection work. The group's executive vice president in charge of environmental protection is responsible for supervision and coordination, and the top executives of subsidiaries are responsible for supervision and implementation. In respect to environmental protection of ships, the captain is the first responsible person, and chief engineer officer is the main responsible person. They are responsible for studying rules of energy conservation and environmental protection work, paying attention to each process of the energy conservation, establishing related mechanisms and systems, improving the company's energy conservation and environmental protection management system as well as establishing and improving the incentive mechanisms which are favorable for energy conservation, energy reduction and enhancement of environmental protection work.

(IV). Training and Communications

COSCO Group brought environmental protection contents into training plans and temporarily training plans of employees each year through effective operation of quality and environment management systems, and implemented the training plans via a number of forms such as delegated training, the company's organization of trainings and self-study. At meantime, it also organized knowledge update and management skill trainings for managing personnel of environmental management system and persons in environmental management posts, so as to improve the environmental protection consciousness and environmental protection management level of employees. The company uploaded the environment reports and sustainability reports as well as environment-related information of COSCO Group headquarters via portal website and WLAN, allowing employees of the company and the public to know environment-related policies, guidelines and performances of the company.

(V). Supervision and Inspection

Based on internal and external audit procedures of environmental management system, regular and annual evaluation procedures and the opinion solicitation from stakeholders, COSCO Group enhanced the supervision over the environment-related behavior and improved the deficiencies through corrective and preventative procedures, thus constantly improving the company's environment performances and building a secure and environment-friendly PDCA recycling management system. COSCO Group headquarters has established its safety supervisor system to supervise shipping companies' environmental management and ISMC operation. All shipping companies have conducted internal audits for all ships they controlled on schedule, calculated and



analyzed the unqualified items found in the internal audit, found the reasons and made corrections. In addition, onsite checking is conducted for the ships arriving at overseas ports through COSCO Group's overseas ship engineering outlets, including the checking on the environmental protection efforts taken by the ships. COSCO Group headquarters' environment management system has passed the joint certification of DNV and CSS, and certifications for environment management systems of the subsidiaries are being organized.

Statistical Table for Environmental Management System Certifications Obtained by Companies Affiliated to COSCO Group

Company	Environmental management system		Safety and anti-pollution management system	
	Established	Certified	Established	Certified
COSCO Group headquarters	★	★	--	--
COSCON	★	★	--	--
COSCO Bulk	★	★	★	★
COSCO Guangzhou	★	--	--	--
COSCO Shipping	★	★	★	★
COSCO Qingdao	★	★	★	★
COSCO Dalian	★	★	★	★
COSCO Xiamen	★	★	★	★
COSCO Hong Kong	★	★	★	★
COSCO Logistics	★	★	--	--
COSCO Shipyard	★	★	--	--
COSCO Shipbuilding	★	★	--	--
CHIMBUSCO	★	★	--	--
Hainan Boao COSCO	★	★	--	--
China Ocean Shipping Tally	★	★	--	--
COSCO Manning	★	★	--	--
COSCO UK	★	--	★	★

Symbol:
Completed -- N/A



II. Performance Indicators

(I) Resource Sustainable Utilization

Raw materials, energies and water are limited, irreplaceable and rare resources, and also an important guarantee for sustainable economic and social development. Therefore, sustainable utilization of resources has realistic and profound influences on sustainability.

1. Raw Materials

In order to protect the global resources, COSCO Group has actively reduced the consumption of raw materials and implemented lean management to maximize the utilization rate of raw materials and save resources.

(1) Steel Utilization of Shipbuilding and Ship-repairing Business

COSCO Group mainly uses steel for shipbuilding and ship-repairing businesses. All companies affiliated to COSCO Group adopted reasonable design specification, strict production procedures and construction techniques as well as material consumption calculation system to reduce losses and wastes, and improve raw material utilization. Steel utilization rate of shipbuilding and ship-repairing business remained at a relatively high level in 2010.

(2) Total Amount of Raw Materials Used

Raw Materials Utilization of COSCO Group in Recent Years

Indicator/ Year	2003	2004	2005	2006	2007	2008	2009	2010
Steel structure engineering volume in ship repairing (ton)	57,458	75,639	100,926	163,496	192,698	303,238	212,264	161,858
Steel utilization volume in shipbuilding business (ton)	85,771	86,331	101,395	179,800	151,728	256,300	235,500	311,200
Utilization rate of steel materials in shipbuilding industry	92%	92%	92%	92%	92%	92%	92%	92.18%
Steel utilization volume of COSCO Shipyard in shipbuilding business (ton)	—	—	—	—	—	—	219,433	181,649
Total raw materials utilization volume (ton)	412,299	161,970	202,321	313,296	344,426	599,538	667,197	383,580

* COSCO Shipyard, a subsidiary of COSCO Group, recently carried out shipbuilding business. The total raw materials utilization volume includes steels used by COSCO Shipyard in



shipbuilding business. The utilization rate of steels for shipbuilding business of COSCO Shipyard is not calculated.

(3)Vessels with Green Passport

With the adoption of International Convention for the Safe and Environmentally Sound Recycling of Ships, shipbuilding industry is speeding up the structural adjustment, optimization and upgrade of vessel products, so as to promote green and environmental protection in entire life cycle of vessels from shipbuilding, operation to dismantling. Use of hazardous articles and materials in shipbuilding process will be strictly controlled to avoid environmental pollution when they are disassembled.

COSCO Group is actively tracing the latest trends of world's advanced shipbuilding industry, considering energy conservation in terms of shape optimization, propeller selection, power management, conversion from heavy oil to light oil, boost burning efficiency of engines, energy substitution, recycling of waste gas in shipbuilding process, and researching on the innovative measures such as control of hazardous materials and substitution.

COSCO Shipyard has exerted great efforts to promote “green design” and “green shipbuilding”, and tried to take a lead in domestic market in terms of economic and technological indexes such as ship energy efficiency. Guided by the ideas of resource conservation and environmental protection, it made comprehensive evaluations on ship energy efficiency system based on IMO's EEDI. After calculating and comparing the energy efficiency indexes of different vessels, it was found that energy efficiency index of container vessels built by NACKS is 15% to 25% lower than the baseline (Denmark Energy Efficiency Index Baseline), and that of automobile Ro-Ro ships and bulk carriers is 8% lower and 7% lower than the baseline.



(4) Refurbishing and Recycling of Spare Parts and Materials

While safeguarding operation safety of vessels and ensuring quality of spare parts, it puts forward the requirements on refurbishing and recycling of old spare parts with refurbishing value and spare parts damaged in utilization process. It has set quota for the consumption of spare parts and materials for each vessel, and conducted assessment on a regular basis. The results of the assessments are directly related to the company's performance, so that raw materials can be conserved. Meanwhile, the group required vessels to enhance the service life of vessel auxiliary materials and binding backers, reduce the use of timber and improve replacement rate. So far, it has carried out refurbishing of engine heads, piston heads, gas valves, wiring board, oil motors as well as recycling of binding materials, saving a total of RMB10.33 million in 2010.



▲ COSCO Dalian and COSCO Guangzhou have carried out spare parts and materials refurbishing and recycling actively, such as cylinder heads, piston heads, gas valves and other spare parts, while ensuring the quality of vessel safety and spare parts, saving the resources effectively. In 2010, COSCO Dalian refurbished four engine cylinder heads (MAN 60MC), 13 engine piston heads (MAN 80MC) and three gas valves, saving a total of RMB2.9 million. COSCO Guangzhou refurbished 10 engine piston heads, five cylinder heads, over 50 sets of inlet and outlet gas valves, 15 cylinder lines, binding wires and boards, saving over RMB3 million.

(5) Paper Saving

COSCO Group has insisted on office automation and used digital management platform in document and material processing, so as to realize paperless office. Moreover, it also promoted paperless office among affiliated companies, lowered the paper consumption as much as possible and reduced the paper consumption of COSCO Group headquarters year-on-year. In 2010, COSCO Group headquarters used a total of 243 boxes of papers, down 6.6% compared with that in 2009. Its affiliated companies also responded to the paper-saving action plan actively.

▲ COSCO Hong Kong has set up waste paper recycle bin, mobilizing every employee to re-utilize and recycle papers voluntarily. It is required that employees shall check the documents to be printed carefully, so as to avoid re-printing due to any mistakes. Moreover, employees are required to save the space of page header, page footer, page margins, and distances between paragraphs and reduce size of words as much as possible, so as to accommodate more contents with each paper. Besides official documents, internal documents shall be printed on both sides of the paper. By making use of the trays of duplicating machine and printer, the one-side-printed papers are used. Different boxes are placed in every office of COSCO Guangzhou, one-side-printed papers are placed in the box marked “recycling papers”, and two-side-printed papers are placed in the box marked “waste papers”. Besides printing documents, the recycling papers can be cut into notepapers. For instance, internal documents of the company are printed on both sides of a paper, electronic forms are adopted for notices and logs as much as possible, saving at least half of the paper utilization volume.

(6) Utilization of Renewable Materials

COSCO Group has focused on resource recycling and comprehensive utilization. It appealed all production enterprises to redouble their efforts in energy conservation and waste recycling. COSCO shipyards and maintenance plants, based on their actual characteristics, enhanced the comprehensive use of wastes, reduced the wasting of resources, and did a good job recycling renewable resources. Renewable metals, old tires and electronic products were among the key items for recycling, promoting the recycling and utilization of renewable energies.

2. Energy

As a signatory of the Declaration on Climate Change, COSCO Group actively carried out and implemented the Energy Conservation Laws of the People's Republic of China, the Decision on



Enhancing Energy conservation Work of the State Council, the Detailed Rules for Traffic Industry to Implement Energy Conservation Laws, the Notice on Implementation Plans and Methods on Statistics, Supervision and Evaluation on Energy conservation and Emission Reduction approved and circulated by the State Council, the Notice on Environmental Protection of the State during 11th Five-year Period issued and printed by the State Council, the Working Opinions on Enhancing Energy conservation and Emission Reduction of Central Enterprises and the Notice on Energy conservation and Emission Reduction Management Objectives of Central Enterprises during the Tenure issued by the State-owned Assets Supervision and Management Commission, and fulfilled the concretion and feasibility of energy conservation and emission reduction work.

Ocean shipping industry is powered by fuel, a non-renewable energy. COSCO Group owns and controls more than 800 vessels, which consume over 4.5 million tons of fuels and 40,000 tons of lubricant oils each year. In order to protect the environment, save energy and reduce emissions, COSCO Group has made great efforts on fuel conservation work in recent years and has achieved significant results. Although total energy consumption volume has increased with its business growth, the specific power consumption was kept or reduced.

In 2010, COSCO Group redoubled its efforts in energy conservation. It has insisted on the guiding principles of realizing synchronization of development and energy conservation, and paying equal attention to development and resource-saving. With a focus on introduction and promotion of new energy-conservation technologies and techniques, the establishment of an energy-conservative industrial system as the target, it has made comprehensive deployment with regard to energy consumption, equipment condition and environmental pollution risks, etc. Guided by the lean management ideology, it has determined the key industries (shipping, ship-building/ship-repairing and logistics), key ships (container ship, asphalt carrier, bulk chemical carrier and LPG ship), key equipment (ship main engine, ship auxiliary engine and boiler) and key enterprises (shipping companies whose energy consumption accounts for more than 98% of the total energy consumption of the group) for its energy conservation and emission reduction work, and carried out energy conservation and emission reduction work in a wide and in-depth manner.

Total Energy Consumption of COSCO Group in Recent Years

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Total energy consumption (ton standard coal)	3,508,609	5,195,554	5,966,153	6,349,471	6,507,927	6,513,347	6,886,200

(1) Direct Energy Consumption

Direct Energy Consumption of COSCO Group in Recent Years



Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Specific fuel consumption (kg/kt·sea mile)	7.39	5.17	5.16	5.16	4.65	4.39	4.12
Total fuel consumption of ships (ton)	2,389,649	3,560,000	4,080,000	4,410,531	4,622,342	4,559,896	4,596,579
Total consumption of motor gasoline	33,710.94	41,457.54	49,158.41	2,461	66,412	78,905.10	2,505
Total consumption of motor diesel (ton)	17,176.58	18,696.44	23,624.97	3,101	4,688	19,877.67	8,496.55

(2) Measures Taken to Reduce Direct Energy Consumption and Results Achieved

COSCO Group has set the guidelines of environmental protection as —comprehensive management, preservation of resources, environment protection; being dedicated to environmental, cherishing resources on the earth, supporting and participating ecological protection activities as a social responsibility undertaker, and improving environmental protection system of the enterprise”. It has taken the environmental safety and environmental protection as an important part in its business operation, and carried out energy conservation and emission reduction projects in a comprehensive manner. It has determined the key industries (shipping, ship-building/ship-repairing and logistics), key ships (container ship, asphalt carrier, bulk chemical carrier and LPG ship), key equipment (ship main engine, ship auxiliary engine and boiler) and key enterprises (shipping companies whose energy consumption accounts for more than 98% of the total energy consumption of the group) and priorities of energy conservation and emission reduction work (container vessels of COSCON whose energy consumption accounts for 65% of the total) for its energy conservation and emission reduction work.

(a) Energy Conservation Management

COSCO Group actively implements the national guidelines and policies regarding energy conservation and emission reduction, insists on reducing the costs and increasing the efficiency and tries to reduce energy consumption by widely applying lean management approaches to carry out energy-conservation activities. COSCO Group has set up the Leading Group for Energy Conservation and Emission Reduction Work with Capt. Wei Jiafu as the president, and with general manager of related departments and second-tier companies as the members. All second-tier companies of COSCO Group have established leading groups for energy conservation and emission



reduction work with main responsible persons as the heads, and with deputy general managers in charge of safety production as the deputy heads. Moreover, they also established environmental protection and energy conservation departments, energy conservation offices and other institutes in charge of energy conservation and emission reduction work based on shipping management and features of land-based industries to implement responsibility system and formulate liaison system for work of related departments.

To fulfill its commitment to the society in performing Global Compact, COSCO Group actively builds up an environmental and ocean protection, resource saving and environment-friendly enterprises and promotes its sustainability, so as to reduce oil consumption and emission reduction, fulfills its energy conservation and emission reduction responsibility and mobilize all its staff. Since 2008 when it called upon all units to promote energy conservation and emission reduction, COSCO Group and its affiliated companies have promoted energy conservation work continuously and tried to realize energy conservation through management.

▲COSCON widely applies scientific manners to carry out lean management on vessel fuel, and established various energy conservation and emission reduction activity teams to carry out energy conservation activities with cost reduction and efficiency increase and reduction of energy conservation as the objectives. In 2010, it carried out three activities, namely Enhancing Accurate Management and Reducing Fuel Consumption, Segmenting Fuel Monitoring and Deepening Energy Conservation and Emission Reduction and Reducing Energy Consumption of New Ships. All activity teams have started from management, personnel and technology to promote energy conservation and emission reduction, achieving favorable social and economic benefits and receiving high praises from Shanghai Federation of Economic Organizations and Shanghai Construction and Communications Commission. At the Exchange Conference of Pilot Work of Shanghai Energy-conservation and Emission Reduction JJ Team” held on July 9, 2010, COSCON was received the honorable title of Advanced Unit in Pilot Work of Shanghai Energy-conservation and Emission Reduction JJ Team by the Shanghai JJ Activity Team Guiding Committee.



▲In the Special Action for Low-carbon Traffic and Transportation of 1,000 Enterprises in Auto, Ship, Road and Port Industries organized by the Ministry of Transport in 2010, COSCON affiliated to COSCO Group won the “Advanced Unit Award”.

(b) Fuel Consumption and Conservation

In 2010, total fuel consumption of 799 vessels owned and controlled by COSCO Group reached 4.5966 million tons. Ship fuel consumption is an important energy consumption of COSCO Group. Therefore, insisting on fuel conservation of ships has significant meaning. Companies affiliated to



COSCO Group has applied lean management approach to manage the fuel consumption of ships, timely calculated ship fuel consumption, and guided ships to reduce fuel consumption. It assigned specific persons in charge of fuel consumption work, and listed the fuel consumption in the performance evaluation indicators. They have formulated relatively complete management measures and developed ship fuel consumption information management platform. By analyzing fuel consumption in ship operation process with the information system, it traced and compared the fuel and lubricant oil consumptions of various ships, so as to set up the quota for fuel and lubricant consumption of ships in a scientific and reasonable manner and effective control the fuel consumption of ships. They have started from source control, targets segmentation, enhancement of maintenance, dynamic tracing, process control and key focuses to control all sectors consuming fuels through management approaches, thus fulfilling the management of energy conservation.

In 2010, all companies affiliated to COSCO Group designed and implemented slow-steaming programs, adjusted the schedule of vessels on some routes, and reduced vessel speed step by step, so as to save fuel consumption to the maximum extents. In the meantime, all companies enhanced the daily fuel management to further reduce the fuel consumption.

Fuel Consumption of Various Ship Types Per 1000 Ton Sea Mile:

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Container vessel Kg/1000ton·sea mile	9.13	8.94	8.95	8.58	8.15	8.44	7.3
Bulk vessel Kg/1000ton·sea mile	2.66	2.70	2.44	2.53	2.46	2.54	2.47
Oil carrier Kg/1000ton·sea mile	5.28	3.36	2.80	2.12	2.06	2.11	2.07
General cargo vessel Kg/1000ton·sea mile	7.14	6.88	6.65	6.23	5.74	6.46	5.63

▲ In 2010, COSCON controlled its fuel consumption from three aspects, i.e. management, operation and technologies. It managed energy conservation measures and emphasized that shipping line coordinators are first responsible persons of energy conservation and emission reduction of ships. It established dynamic indicators for fuel oil consumption to ensure weekly update of the indicators to ensure they are more reasonable and scientific, and used data of information system to automatically connect and timely and accurately adjust the quota for oil consumption of ships. Moreover, it continued to use “COSCON weekly statistical table on ship fuel consumption”, promoted the utilization of “daily monitoring table for extra fuel consumption of ships above 4000 TEU”, made full use of “ship coordinating system” and “COSCO online fuel trading platform”, which are organically integrated with “COSCON fuel monitoring system” to realize data sharing, so as to



accurately check the logic relations of fuel consumption, oil filling and oil storage. It also took a lead to introduce the evaluation indicator of “daily oil consumption of single-TEU carrying capacity” to enhance the evaluation strengths. In 2009 and 2009, it lowered speed of its fleet by 10%. On this basis, it required its fleet to reduce the speed by 10% again in 2010. It continued to trace energy conservation and speed-lowering situations of ships, redefined quota for oil consumption in accordance with speed-lowering requirements, and timely adjusted the oil consumption quota based on different periods for carrying capacity input, so as to strictly control oil consumptions in different shipping stages and trace the situations of ship. With respect to technical measures, it carried out technical reform on slide valve-styled oil head of main engines of Luhe and Tianhou Series of ships, so as to ensure low-steaming of ships.

(c) Lubricant Oil Consumption and Conservation

In 2010, COSCO Group consumed a total of 49,500 tons of lubricant oils. The management of lubricant oil constituted a very important part in COSCO Group’s energy conservation and emission reduction efforts. The group enhanced regular examination of lubricating oil on its vessels and ensured that all performance indicators meet the requirements. For cases where the indicators exceeded the standards, the reasons would be analyzed and corrective measures such as changing oil, adding new oil and enhancing separation adopted. Strictly managing the quota of lubricating oil, the group enhanced its examination on lubricating oil consumption based on the actual situation during each voyage.

Total Lubricant Oil Consumption of COSCO Group in Recent Years

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Total consumption of lubricant oils (ton)	45,632.20	46,739.50	46,755.75	40,068.79	44,560.49	44,908.41	49,571.46

▲ COSCO Qingdao has enhanced the management on use of ship lubricant oils, and has formulated related regulations to enhance the supplies and management of ship lubricant oils. It guided the ships to conduct sampling test on lubricant oils of equipment such as main and auxiliary engines, steering machine and anchoring machine on a regular basis to ensure that technical indicators of lubricant oils can satisfy the using demands. In case that the use of lubricant oils exceeds the standards, it timely guided related ships to find the reasons and adopt corrective measures such as enhancing the separation and adding new oil to improve the performance of lubricant oil. With respect to new ships such as Yuzhonghai Liner and Yuhuaihai Liner, it traced their navigation time to find the cylinder oil consumption in running-in period of main engines, and guided the ships to adjust the cylinder oil consumption timely, thus better controlling the lubricant oil consumption of ships.

▲ COSCO Hong Kong strengthened its promotional and training efforts by organizing trainings for engine officers, enhancing trainings before stepping on vessels and publishing professional articles in



internal magazines of the company, so as to enhance the energy conservation consciousness of engine officers and strengthen management of cylinder oil. The company has collected data of various ships, including workshop inspection report before shipment, oil injection criteria in instructions of main engines, types of cylinder oil injector and related management tips, statistics of cylinder oil injecting rate of main engines and statistics of wear rate of main engine cylinder liners, and formulated implementation plans in partnership with professional manufacturers based on actual situations of each ship and adjusted the ships. For instance, oil injection rate of Fu'an Liner was gradually reduced from 340L/D to 255L/D, that of Yongtong Liner was reduced from 320L/D to 250L/D and that of Kangyuan Liner was reduced from 320L/D to 240L/D. This has greatly reduced the oil consumption while ensuring the normal operation of ship main engines. Moreover, it also promoted the work stably by introducing the successful experiences of specific ships to all ships, and enhanced the monitoring to ensure safety of equipment. The company effectively adjusted the oil injecting rate of cylinder oil of 65 ships, accounting for 58.5% of the company's fleet. The oil consumption rate of cylinder oil has reduced by 14.3% averagely, and the daily consumption volume has reduced by more than 2250L, saving more than 520,000 liters of cylinder oil each year.

(d) Ship Energy Conservation and Oil Saving Technologies

COSCO Group tightly focused on development trends of international ship energy-saving and environmental-protection technologies, and input a great deal of human resources, materials and financial supports to research, digest and absorb internationally leading management methods and energy-saving and environmental-protection technologies and to promote advanced and matured energy-conservation products and environmental-protection technologies. In the meantime, it continuously developed energy-conservation and environmental-protection application technologies for its system, and implemented energy conservation from many aspects with a focus on energy conservation through technologies and management.

▲ COSCO Qingdao has actively promoted and applied new energy conservation technologies. In 2010, it arranged RMB3.6 million of special energy conservation fund for promotion and application of technologies such as main engine electronic oil injectors, fuel quality balancers and propeller caps. It has installed main engine electronic oil injectors on eight Capsize ships, reducing the single-ship cylinder oil consumption by 30% averagely and saving 160 tons of cylinder oil each year. Moreover, it has installed fuel quality balancers on eight ships including Yuanninghai Liner, increasing the ship fuel conservation rate by 0.5% and saving over 300 tons of fuels per year.

▲ Pengfeng Liner, an old ship with a history of 28 years of COSCO Hong Kong, has actively carried out the “energy conservation and emission reduction” activity. Under the guidance of its captain, the liner actively promoted energy-conservative navigation and operation, fully considered the influences of coastal shipping lines and climate elements, selected reasonable and safe shipping lines by making use of favorable elements such as wind and water flow, and adopted proper and economical shipping speed based on features of navigation tasks, thus achieving favorable energy



conservation and emission reduction effects. It has made full use of the self-pilot and berthing ships to save shipping time and save fuel consumption of ships. It also promoted energy conservation and emission reduction of main oil-consuming equipment by improving the fuel management and optimizing combustion quality. In the meantime, it has actively tested and installed fuel environmental-protection and oil conservation devices on the ship, catalyzed fuel oil of ships before combustion and enabled the fuels to be combusted fully, achieving favorable energy conservation and emission reduction effects.

▲ COSCO Guangzhou has promoted the application of energy-conservation technologies actively. It installed fuel mill on six ships suitable for refitting to improve fuel utilization rate, improve fuel combustion conditions and reduce fuel consumption. It strengthened the promotion of new nanometer technology (JM-1) fuel additives. In 2010, a total of 2,200 tons of fuels were saved. It also installed Shipa energy-saving devices on three liners, i.e. Baishaling, Ruichanghai and Jinniuling liners. These three liners can save 1.02 tons of fuel per day. In 2010, it promoted the devices at dozens of ships affiliated to Yuanda Shipping comprehensively. The technology can not only save fuel consumption by over 3%, but also improves combustion conditions significantly.

(e) Automobile Fuel Consumption and Conservation

COSCO Group has enhanced management of automobile fuel conservation, and implemented energy conservation technology reform on production automobiles of logistics system. It also accelerated the elimination of equipment and automobiles with high energy conservation and lagged technologies. In 2010, it eliminated a batch of automobiles that exceed using time limit, have great hidden safety troubles and with high energy consumption and high pollution series. Also, it formulated the fuel standards for operating automobiles, and enhanced its evaluation and award mechanisms.

COSCO Logistics (Guangzhou) updated and eliminated some business automobiles that can't meet standards, and strengthened the technical reform of automobiles based on local government's environmental protection requirements on. On one hand, it improved automobile technologies to meet environmental protection and energy conservation standards. On the other hand, it conducted regular technical inspection on automobiles to meet emission standards of local government and eliminate some —“low label” automobiles.

(3) Measures and Achievements to Provide Energy-conservative Products and Services

(a) Promoting Low-steaming and Emission Reduction Actively to Build up a Green Shipping Industry

At the 2009 World Shipping (China) Summit, COSCO Group released the Qingdao Declaration, and announced that it will try to be a pioneer in energy conservation and emission reduction of shipping industry and promote the sustainability of shipping industry. In Qingdao Declaration, it appeals ships to adopt low steaming, further reduce fuel consumption and reduce carbon dioxide emissions, thus performing its corporate social responsibility with practical actions and promoting the action plan to



entire shipping industry.

COSCO Group, Kline, Yangming Shipping and Hanjin Shipping jointly established the CKYH Alliance. Members of the alliance have enhanced their strategic alliance and cooperation to improve service competitiveness comprehensively. At the 2010 CKYH Alliance Summit, the four parties fully recognized the severe challenges in post-crisis era, and determined to further enhance the cooperation between members of the alliance. They also renamed the alliance as CKYH Green Alliance to show their resolution and attitudes to environmental protection. CKYH Alliance will be dedicated to promoting green shipping and performing its corporate citizen responsibility, while members of the alliance will further promote low-steaming of ships to save energies, reduce emissions and realize environmental protection. In order to cope with the challenges, members of the alliance will continue to optimize the shipping lines, improve core competitiveness of shipping lines and make full use of resources of the alliance to extend the cooperation to both ends of the supply chain.

(b) Competing for Energy-conservation Demo Project in Domestic Traffic Industry

Since 2007, COSCO Group actively competed to set up energy-conservation demo project in domestic traffic industry. It's R&D projects such as Ship Fuel Consumption Implementation and Monitoring Platform, Application of Electronic Cylinder Oil Injectors, Application of Oil Carrier's Cargo Oil Heating Automatic Detection Technology, Application of Yapu Natural Gas in Shipbuilding and Ship-repairing Industries and Application of Reactive Power Compensation and Filtrating Devices at Shipyards achieved favorable energy conservation and emission reduction effects in practical applications. These projects were appraised as first three batches of energy-conservation and emission reduction demo projects in water transport industry. Advanced experiences in the projects were greatly promoted in traffic industry.

▲COSCO (Guangdong) Shipyard is a large-sized shipbuilding and ship-repairing enterprise in South China, with the annual power consumption of over 65 million kwh. Power consumption of power-driven equipment of the shipyard such as air compressors, transformers, electric welding machine, cranes and lamps accounts for 33% of the total annual power consumption of the shipyard. In recent years, the company has carried out energy conservation and emission reduction activities to reduce its indirect energy consumption. It has set up a reform project for static reactive power compensation for power distribution system of the shipyard, scientific applied dynamic reactive power compensation and harmonic wave control technology for integration, elevated the power grid quality and power energy utilization rate, improved operational environment of power equipment of the enterprise, reduced the





malfunction rate of power equipment and achieved significant energy conservation effects. On March 6, 2010, the expert team from the Water Transportation Science Research Institute of the Ministry of Transport conducted on-site survey and investigation on the company's research project of Application of Reactive Power Compensation and Filtrating Devices at Shipyards, and gave high praises to the project. Members of the expert team believed unanimously that the project is a typical and successful example for domestic shipyards to increase factor of grid power and control harmonic waves, and has value for promotion among enterprises of the same industry.

(On-site Meeting for the Project Application of Reactive Power Compensation and Filtrating Devices at Shipyards of COSCO (Guangdong) Shipyard)

(c) Researches on Application of Clean Energies

Solar power and wind power, as a supplement to ship energy, is an ideal intermediacy energy to effectively reduce fuel costs and pollutant emission of shipping industry. Adhering to the ideas of environmental protection in ocean shipping, COSCO Group is actively researching on the development of substitute energy in the future, and is researching on the possibility of adopting nuclear power, wind power and solar energy as ship power.

(4) Indirect Energy Consumption

Total Electricity Consumption

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Total electricity consumption (kwh)	54,442,489	58,917,533	82,889,859	330,679,826	447,548,643	447,710,797	169,724,975
Electricity consumption at offices (kwh)	12,223,274	18,937,974	23,021,411	30,178,179	35,928,540	27,565,904	32,169,786

(5) Measures and Achievements to Reduce Indirect Energy Consumption

(a) Energy Conservation in Production and Operation Process

All production units affiliated to COSCO Group analyzed all sectors in their production processes, explored energy conservation potentials and reduced the indirect energy consumption. They also replaced and upgraded old facilities and tools with high energy consumption, achieving excellent energy-conservation results.

▲ All shareholding terminals affiliated to COSCO Pacific have promoted energy conservation and emission reduction through technical innovation and reform. Yangzhou Yuanyang Terminal conducted bulk cargo loading with autos for loading stage, saving the ship loading sector with door



machines, thus saving 0.18 kwh of electricity per ton, totaling 167,000 kwh of electricity. Yangzhou Yuanyang Port Area reformed 70 groups of high mask lightings with automatic photosensitive control and manual remote control. Lightings at production areas without operation are shut down with remote controller or turn on partially to ensure road lighting, thus saving RMB250,000 of electricity fee each year.

(b) Electricity Saving at Offices

COSCO Group actively advocates electricity saving at offices, detailed measures include setting air-conditioner temperature of no lower than 26 degree in summer and no higher than 20 degree in winter, not using light source at locations where natural lighting is good, turning off the lights timely, and turning off equipment when they are not used.

▲ In 2010, COSCO Group headquarters and its affiliated companies enhanced other electricity saving work, carried out different forms of energy-saving activities at offices and promoted use of energy-conservative lamps while continuing to control air-conditioner temperature at office buildings.

3. Water resources

Water resources are closely linked to the social and economic development of the world. As the human society and economy continue to grow, demand for water resources is rising dramatically. As a result, the problem of water shortage is becoming increasingly conspicuous. Water resources constitute as an important carrier for human development and progress, and the idea of sustainability bears profound meaning for the utilization of water resources.

(1) Total Water Consumption

Table for Water Consumption of COSCO Group in Recent Years

Indicator/Year	2004	2005	2006	2007	2008	2009	2010 年
Total water consumption (m ³)	8,662,064	4,320,209	5,687,118	732,179,068	5,471,942	4,264,061	2,742,445
Sea water desalination volume (m ³)	960,145	959,196	976,719	760,269	883,940.1	596,674	612,569
Underground water consumption (m ³)	65,700	72,100	77,800	568,766	50,000	40,615	130,441
Consumption of water from water supply system (m ³)	3,197,193	870,763	1,774,445	3,953,004	4,452,944.58	4,364,604	2,537,016
Water consumption in shipbuilding (m ³)	1,523,196	1,743,688	1,690,551	6,069,398	491,301	2,997,301	1,303,170



(2) Significant Impact of Water Consumption on Water Resources

Water resources have become an integral part of global economic and social development. The exploration and utilization of water resources are directly related to the sustainability of society. COSCO Group mainly consumes water from the self-supply water system and the desalination of sea water for its production and vessel transportation, which does not exert major impact on rivers, lakes, underground water or glaciers.

(3) Water Conservation Measures

Water conservation of COSCO Group was comprised of ship water conservation and land-based water conservation. In terms of ship water conservation, all ships of COSCO Group were equipped with seawater desalination devices to de-salt the seawater with waste heat energies of main engines for daily water use of crews and equipment cooling water of equipment, so as to reduce fresh water supply of ships and save fresh water consumption. In terms of land-based water conservation, ship-building and ship-repairing enterprises set the objectives of production water conservation, strictly prohibited leakage and conducted the work to protect ocean environment to reduce the pollution on water resources. Land-based units also engaged in water conservation actions and obtained favorable results.

▲ Ocean Plaza Company affiliated to COSCO Bulk has enhanced system building by establishing “water consumption measurement and management system”, so as to provide system guarantee for implementation of energy conservation and emission reduction work. It has strengthened promotional efforts to promote water conservation-related skills and approaches and enhance sense of water conservation of all staff. It also enhanced equipment reform, timely replaced parts and components to avoid water leakage, and provided technical guarantees for water conservation work. Moreover, it repaired key facilities and equipment, ensuring high-efficient operation of equipment and providing reliable guarantee for water conservation work. In 2010, it was awarded the honorable title of “Energy-conservative Unit” by Tianjin Municipal People’s Government for its outstanding achievements in water consumption work. On April 8, related leaders of Hebei District Construction Commission of Tianjin and Energy Conservation Office visited Ocean Plaza to award the plate.

Decrease of Water Consumption Compared with Same Period of Previous Year

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Decrease of water consumption (ton)	50,737	45,415	52,669	58,134	120,924	188,450	57,817

(II) Pollution Prevention

By strictly observing relevant international and national laws and regulations on the emission and treatment of exhaust, sewage and waste, COSCO Group has managed to minimize the emission of exhaust gas, sewage and waste and therefore their negative impacts on the environment. In 2010, COSCO Group enhanced its efforts to conserve energy and cut emissions, which considerably



reduced the amount of exhaust gas, sewage and waste discharged and kept emission per cargo handling at a relatively low level. All vessels operated by COSCO Group have been issued an International Oil Pollution Prevention (IOPP) certificate.

1. Exhaust

The international maritime community has been calling for the reduction of greenhouse effect by cutting carbon dioxide emissions. Actively responding to this initiative, COSCO Group has taken effective measures in a number of aspects to reduce carbon dioxide emissions. In 2010, it carried out promotion and emission reduction activities throughout the system and tried to reduce exhaust emissions by reducing fuel consumption, improving fuel efficiency, increasing use of low-sulfur fuel and controlling and reducing exhaust emission of automotives.

Use of low-sulfur fuel is an effective measure to reduce emissions of sulfur oxides. Ships of COSCO Group further enhanced the convention performance strengths, and continued to use low-sulfur fuels in specific shipping areas in accordance with the requirements of MARPOL Convention Appendix VI, so as to reduce emissions. In 2010, it used a total of 110,475 tons of low-sulfur fuels, resulting in increase of fuel costs by RMB18.185 million and reduction of sulfur dioxide emissions by 5,648.05 tons.

▲ China Division affiliated to COSCON actively responded to the appeal and carried out emission reduction activities within the system. On June 13, it released the letter of appeal for the Special Action Plan of Low-carbon Cargo Transport throughout the company, appealing all departments to take the energy conservation, emission reduction and low-carbon operation as their common responsibilities. In the letter of appeal, it is pointed out that resource is an important material basis for existence and development of human beings. Environment not only constrains development of human beings, but also affects living quality of them. As energy crisis becomes more and more significant, energy conservation and emission reduction has become a focus of the country and the society. The letter of appeal calls upon us to recognize the issues and take actions ahead of time. Firstly, we shall set up energy-conservation and emission reduction ideas, and be a leader in low-carbon cargo transport action plan; Secondly, we shall voluntarily study and apply energy-conservation and emission reduction technologies and try to be an innovator in low-carbon cargo transport special action plan; Thirdly, we shall actively implement energy-conservative production and consumption approaches, and be an contributor to low-carbon cargo transport special action plan; Fourthly, we shall actively promote and propel energy conservation and emission reduction, and be an advocator in low-carbon cargo transport special action plan. The letter of appeal points out that low-carbon economy is coming, while low-carbon operation of shipping industry also takes off. Let's join hands to jointly create economical, high-efficient, safe and green living environment and working mode, actively perform energy-conservation and emission reduction responsibility, try to provide soft strength of production and operation of enterprises, voluntarily perform —green” responsibility, compete for —green” efficiency and contribute to construction of



green, high-efficient, energy-conservative and sustainable container transport business of COSCO Group.

Table for Total Emissions:

Indicator/year	2004	2005	2006	2007	2008	2009	2010
Carbon dioxide (CO ₂) (tonne)	7,408,051	11,071,600	12,688,800	13,716,510	11,962,989	14,181,600	14,295,360
Nitric oxide (tonne)	207,903	301,176	345,168	373,131	339,501	396,720	399,902
Sulfur oxide (tonne)	133,823	213,600	244,800	263,039	274,564	273,600	275,794

a) Carbon dioxide: according to IMO MEPC/29/18/DEC.1989 of IMO Marine Environment Union, one kilogram fuel produces 3,110 grams carbon dioxide.

b) Nitric oxide: According to Clean Cargo Working Group Environmental Performance Survey Appendix II, one kilogram fuel of two-stroke diesel machine produces 87 grams NO_x; one kilogram fuel of four-stroke diesel machine produces 57 grams NO_x.

c) Sulfur oxide: According to Clean Cargo Working Group Environmental Performance Survey Appendix II, under the premise that sulfur content is 3%, on kilogram fuel produces 60 grams SO_x.

Emissions for Unit Turnover Volume

Indicator/year	2004	2005	2006	2007	2008	2009	2010
Carbon dioxide (CO ₂) (kilogram/thousand ton mile at sea)	22.91	16.07	16.05	16.05	17.46	13.64	12.82
Nitric oxide (NO _x) (kilogram/thousand ton mile at sea)	0.64	0.44	0.44	0.44	0.70	0.38	0.36
Sulfur oxide (SO _x) (kilogram/thousand ton mile at sea)	0.41	0.31	0.31	0.31	0.57	0.26	0.25

Costs of Exhaust Reduction:

Indicator/year	2004	2005	2006	2007	2008	2009	2010
Costs of exhaust reduction (RMB10,000)	273	311	2,293	546	6,127	3,905	8,896



(2) Sewage

COSCO Group continued to bid by the regulations as specified in IMO's MARPOL 73/78 conventions, Appendix IV —Rules on Preventing Domestic Sewage Pollution of Ships" and Appendix V —Rules on Preventing Garbage Pollution of Ships", required all ships to take the responsibilities of environmental protection and pollution reduction, operated in accordance with the regulations of the Convention and the Constitution of the company, reduced the ship oil residues, garbage and sewage of ships as much as possible and strictly followed the regulations relating to special region and oil content of the international conventions in ship discharges. With an aim to implement all tasks in practice, COSCO Group established strict and complete management system and formulated operational regulations for management activities such as oil residue disposal, shore-returning of garbage and sewage discharge. In the past seven years, neither oil residue pollution accidents were occurred, nor the group received any economical or non-economical penalties.

All ships of COSCO Group were equipped with 15PPM monitoring devices of oil-water separator. The environmental protection facilities had kept 100% of perfection rate and 100% of stable operation rate. Companies affiliated to the group have done a good job in anti-pollution work of ships based on requirements of related ports to prevent against any pollution accidents.

▲ In respect to the requirements of the Implementation Plans for —Green Offshore City" Action Plan carried out by the Qinhuangdao Maritime Bureau, COSCO Hong Kong made special arrangements on ships arriving at Qinhuangdao Sea Area, and enhanced anti-pollution work of ships. It also put forward detailed working requirements, requiring ships to carry out and implement related laws and regulations, enhanced on-duty and inspection, strengthened inspection on conditions of equipment on ships, in particular, kept anti-pollution equipment at normal status. It also formulated strict anti-pollution rules and regulations, implemented strict on-ship oil residue emergency response plans, carried out inspections, trainings and rehearsals on on-ship oil residue emergency-response plans and requirements. It also carefully acted in and implemented the pollution reporting system and avoided any pollution leakage.

▲ COSCO Shipyard (Shanghai) carried out oil leakage emergency response rehearsal to prevent against pollution and build up Green World Expo Shanghai. On April 15, COSCO Shipyard (Shanghai)'s Baiyunshan Floating Dock and surrounding sea areas organized an oil leakage emergency response rehearsal. At 11:30 in the morning, Baiyunshan Floating Dock's ship-repairing dock gave out warning on oil leakage. After receiving the warning, related units took actions immediately, organized related persons to clean oil pollution on deck and floating in surrounding sea areas with various cleaning tools, and prepared various firefighting measures. After 20 minutes of emergency response operation, all oil pollutions are cleaned, and the rehearsal achieved satisfactory results. In the rehearsal, the company has changed the traditional of giving a notice before rehearsal, and carried out sudden rehearsal without any prior notice. This not only checked the emergency response ability of staff in face of accidental events, but also played an important role in promoting environmental protection work during the World Expo Shanghai.



Oil Residues Pollution Discharged to the Sea and Pollution Discharge and Shore-Returning Volume

Indicator/Year	2004	2005	2006	2007	2008	2009	2010
Oil residues discharged to the sea (ton)	0	0	0	0	0	0	0
Ship pollution discharge and shore-returning volume (ton)	35,706	44,866	48,753	44,658	35,021	31,578	42,325

(3) Waste

By strictly complying with the supplementary provisions to the MARPOL Convention, all ships operated by COSCO Group recycled and incinerated the solid wastes. The disposal rate of industrial wastes including garbage, sump oils and oil residues of ships reached 100%.

In 2010, COSCO Group continued to enhance environmental protection at the work place and recycled all the sump oil, used fluorescent tubes and batteries. It established a work account for the recycling and processing of harmful wastes, which effectively reduced and prevented environmental pollution caused by these wastes.

Waste Disposal Volume

Indicator/year	2004	2005	2006	2007	2008	2009	2010
Solid waste (including tarpaulin, plastics) (ton)	1,801	2,369	4,799	9,814	6,830	7,692	10,775
Disposal volume of industrial waste of ships (including garbage, sump oil, oil residue) (ton)	123,611	132,292	176,028	253,212	287,863	200,397	280,052
Total volume of waste recycled (ton)	97,333	100,044	134,286	146,091	82,552	51,279	51,309
Total volume of waste incinerated (ton)	8,605	9,842	10,533	7,569	6,057	7,802	5,978

(III) Alleviation and Adaptation to Climate Changes

1. Greenhouse Gas Emissions

In order to alleviate and adapt to climate changes, intervention measures shall be adopted to reduce



greenhouse gas emissions. Ships are main assets of COSCO Group. Main source of greenhouse gas emissions is fuel oil of ships. By adjusting fleet structure, increasing operation capacity of ships, optimizing design of shipping lines, reducing navigation speed, adopting matured technologies and developing new technologies, it has successfully reduced specific fuel consumption and greenhouse gas emissions.

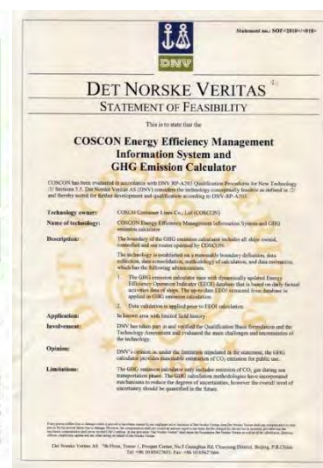
2. Carbon Footprint Calculation

In a world where energy conservation, emission reduction and green ecology are the major themes, enterprises are endeavoring to establish an economic mode that is energy-efficient and environmentally-friendly. COSCO Group promoted scientific and technological innovation in energy conservation and emission reduction by improving energy efficiency and eliminating energy-consuming, pollution-causing production. It is the company's social responsibility to develop low-carbon economy and reduce carbon emissions. Therefore, the calculation of carbon footprint serves as a new token of the group's commitment to social responsibility and points to the way for the group's future development.

In 2010, COSCO Group adopted Life Cycle Assessment (LCA) to calculate and study the carbon emissions throughout the entire life cycle of vessel transportation, especially in its ocean shipping business. Carbon footprint (carbon consumption) was studied on three stages: ship manufacturing, vessel transportation and vessel disposal. After having obtained a clear picture of the carbon emission at every link and period, the Group was able to control and reduce its carbon emissions.

3. Carbon Emission Calculator

After eight months of struggling, COSCON affiliated to COSCO Group successfully completed the R&D of COSCON carbon emission calculator. It is the third shipping company in the world (the other two are Orient Overseas and Han Jin Shipping) and the first in China that can provide carbon emission calculator for global users. Its carbon emission calculator is the only one that passes DNV's certification. The carbon emission calculator adopts systematic and dynamic calculator approach, i.e. establishment of dynamic EEOI value based on real oil consumption and other shipping data of the company's fleet in recent years, so as to vividly reflect the carbon emissions of each ship at different shipping lines. In the meantime, dynamic EEOI value will help customers to reduce the deviation when calculating the carbon emissions of cargos transported, which is innovative among carbon emission calculators of existing shipping companies. Release and operation of the carbon emission calculator further promotes the energy conservation and





emission reduction management work and further elevation of the comprehensive competitiveness of the company. (Carbon emission calculator and DNV certificate)

4. The “Green Flag” Program

The —Green Flag” program is an environmental protection program initiated by the Port of Long Beach of the United States. The program requires ships entering and departing the port to lower its navigation speed to 12 sea-mile/h at the distance of 20 sea-miles to the terminal, so as to reduce exhaust emission generated in combustion. Since the implementation of the Green Flag program in 2005, COSCO Group has responded and supported the program with full strengths. On April 7, 2011, ships of COSCON met the Port of Long Beach’s requirements on reduction of air pollution at terminals as regulated by the Long Beach Port Authority, winning the Green Flag Award from the authority for six years successively.



(IV) Bio-diversity

After assessing the value of ocean shipping and other operations to biological diversity in involved areas, COSCO Group decided that traditional vessel paint, ballast water and vessel pollution had the largest impact on marine bio-diversity.

Therefore, COSCO Group tracked the requirements for bio-diversity in international conventions, and formulated policies to protect bio-diversity. After active research and effective implementation, non-toxic paint was used in the entire supply chain from shipbuilding to ship maintenance to protect the lives of ocean creatures. The Group also introduced and implemented plans for the treatment of ballast water to protect the living environment of marine life. In addition, international safety management regulations were strictly observed to prevent sea pollution and ensure the safety of ocean creatures.

COSCO Group paid close attention to the natural resources and ecological environment in the world and made efforts to sustain bio-diversity in the ocean environment to fulfill its responsibility as a multinational company. In 2010, it continued to promote the use of energy-conservative and environment-friendly paints. It invested RMB22.44 million to painted three ships with INTERSLEEK paint. It prolonged the reparation period at docks, thus reducing the total consumption volume of paints while better protecting the marine creatures.



▲ Ballast Water Treatment

COSCO Group strictly followed the conventions and requirements of related port countries. It formulated Ship Ballast Water Management Plans for every ship, clearly defined responsibilities, formulated requirements on replacement of blast water, recorded the blast process and implemented whole-process supervision of blast water, so as to fully protect marine environment and maintain biological diversity. Based on the research and development of COSCO Group Ship Ballast Waster Physical Purification Treatment Technology, COSCO Group actively minimized the negative impact of ship ballast water to marine biological diversity and promoted marine environment and marine biological diversity protection. All the vessels operated by COSCO Group also responded actively to the initiative and incorporated bio-diversity protection into their daily operations.

The Ocean Ship Ballast Waster Physical Purification Treatment Technology invested and developed by the group achieved fruitful results in pre-treatment of blast water treatment system, high-efficient disinfection technology and system automation, forming blast water treatment technology with independent intellectual property rights and establishing standard shore-based testing facilities and inspection approaches. The R&D achievement have met international advanced level, and the pre-inlet-style gas-aid, liquid-backswing filter self-clean technology and UV treated water turbidity degree self-adaptive adjustment technology have reached internationally leading level. The project passed the check and acceptance organized by the Ministry of Transport on April 26, 2010, and passed the check and acceptance of the expert team organized by the Ministry of Science and Technology on Oct. 9, 2010. A total of nine patents were formed, of which, eight are national invention patents, while one is useful new patent. (COSCO Blue Ocean Shield Blast Water Management System)



(V) Environmental Protection Products and Services

Over the years, COSCO Group has been actively fulfilling its behavior standards in environmental protection, endeavoring to become a —green service” provider. In order to improve oil quality and the burning efficiency thus reducing the environmental influences of emissions of ships’ propulsion, COSCO Group actively used the additives that have combustion-support, stabilization and energy-conservation functions on fuels.

COSCO Logistics has enhanced the survey, investigation, design and preparation work during transportation processes and sought for best opportunities in terms of time, equipment and operation to reduce the influence on neighboring residents as much as possible. In terms of ship-building and ship-repairing, related companies actively controlled the environment-influencing factors such as



emission, dust and noise, building a harmonious production and living environment as well as a coordinated community environment.

NACKS affiliated to COSCO Shipyard has paid close attentions to factors such as noise of factory area that may influence the environment. In 2010, it conducted environmental protection inspections on Lingjin Workshop Reconstruction Project, Project to Replace Natural Gas with Ethyne, Technological Building Project and Wood Model Workshop Project. It carried out noise monitoring and environmental protection inspection before opening of new workshops. Moreover, it also conducted noise reduction on main noises, monitored specific noises (night monitoring), and inspected on the noise control status of the workshop. In 2010, it conducted 13 times noise monitoring and inspection within the company, with favorable results achieved and no disputes with communities due to noises.

▲ Ship Decommissioning Policies

COSCO Group is very concerned about the disposal of vessels, which are the major service tools in ocean shipping, after they are decommissioned.

In 2010, COSCO Group continued to implement related requirements of the Ministry of Communications to put the ships reaching the decommissioning age out of commission. In the meantime, ships not reaching the decommissioning age, but were in a poor state and were considered as not suitable to ocean shipping were also put out of commission. The decommissioned ships of COSCO Group were sold in two ways, i.e. operational ships and waste steel ships, which were sold to shipping companies with operational qualifications and to qualified ship scrapping companies respectively, so as to avoid the environmental influences. For ships sold to qualified ship scrapping companies, COSCO Group required the scrapping companies to made commitment on the contract in terms of qualifications, establishment and operation of environment management systems and main purposes after scrapping, ensuring the scrapping of ships the premise of environmental protection and thus reducing the impacts to the environment to minimum extents.

Statistics of Decommissioned Ships of COSCO Group in Recent Years

Indicator/year	2003	2004	2005	2006	2007	2008	2009	2010
Number of retired vessels	8	2	4	2	5	14	38	24
Tonnage of retired vessels (ton)	111,747	17,067	159,185	35,732	84,632	192,943	690,456	280,934

(VI) Compliance with Environmental Protection Laws and Regulations

COSCO Group Strictly enforced the International Convention for the Prevention of Pollution From Ships, the International Convention Relating to Intervention on the High Seas in Cases of Oil



Pollution Casualties, the International Convention Relating to Intervention on the High Seas in Cases of Non-Oil Pollution Casualties, the International Convention on Civil Liability for Oil Pollution Damage, the International Maritime Dangerous Goods Code and other relevant international environmental protection conventions and agreements, as well as the Energy Conservation Law of the People's Republic of China, the Maritime Environment Protection Law of the People's Republic of China, the China Ocean Law, the Environment Protection Law of the People's Republic of China. The Group has paid close attention to collection and research of laws and regulations at home and abroad and regularly held training and symposium classes on related laws and regulations to improve employees' awareness of law compliance and prevent the law and regulation-breaching accidents. In 2010, no incident or punishment ever occurred relating to environmental protection.

(VII) Traffic and Transportation

COSCO Group advocated “Green Driving” and strictly abided by the regulations that displacement volume of newly purchased official vehicles should be 2.4L or less. COSCO Group strictly implemented the business trip approval system, encouraged online communications between companies and departments, and held video and telephone conferences as many as possible to reduce exhaust gas emissions and energy consumption of traffic tools. In 2010, COSCO Group saved RMB26.7718 million of traveling expenses through video and telephone conferences.

Indicator/year	2004	2005	2006	2007	2008	2009	2010
Travel expense saved by television and telephone conference (RMB10,000)	244.26	363.41	792.24	425.49	1,878	676.8	2,677.18

▲ Transportation of Dangerous Goods

COSCO Group implements a three-level management model, namely macro-level, operational level, and onsite level, for the transportation of dangerous chemicals and other goods. It acts in strict accordance to the International Maritime Dangerous Goods Code and the regulations introduced by different countries and regions along its travel routes regarding the carriage of dangerous goods. All vessels operated by COSCO Group with dangerous goods onboard would choose to sail, moor and operate in shipping environments that meet safety standards. In addition, they would discharge ballast water, cabin water and other wastes according to relevant regulations introduced by the country or region where they are. No discharge to the water where this is forbidden by the country or region, so as to prevent environmental pollution. In 2010, vessels and land enterprises under COSCO Group did not cause any pollution due to the spill of dangerous chemicals.



(VIII) Overall Situations

With the continuous development of the social economy, people's awareness for protecting the natural environment is becoming increasingly stronger. COSCO Group increased the inputs for environmental protection while creating the atmosphere of safety and environmental protection, establishing the philosophy of safety being the priority and harmonious development and ensuring life and property safety and environmental cleanliness. Meanwhile, it actively promoted R&D and introduction of environmental protection technologies, developed indicators for emission reduction and divided the indicators for emission reduction into different levels for evaluation at the end of year. In this way, COSCO Group has made remarkable achievements in energy conservation and environmental protection.

Total Expenditure and Investment in Environmental Protection:

Indicator/year	2004	2005	2006	2007	2008	2009	2010
Total expenditure for environmental protection (RMB10,000)	4,847.90	5,528.85	6,658.51	6,418.44	8,091	9,255	12,562.86
Total investment in environmental protection (RMB10,000)	701.78	1,830.82	2,926.48	4,310.28	16,356.82	16,649.40	3,936.42

Major investment in environmental protection:

Indicator/year	2004	2005	2006	2007	2008	2009	2010
Costs for waste treatment (RMB10,000)	234.65	299.90	384.37	692.38	523.51	224.45	1,568.86
Environmental responsibility insurance (RMB10,000)	2,219.61	2,367.90	2,764.56	2,299.16	2,091	7,035.87	10,203.91
Costs for using external services for environmental management (RMB10,000)	109.90	81.37	188.73	91.80	121.27	64.12	101
Costs for overall environmental management activities (RMB10,000)	135.36	203.88	283.15	184.05	593.65	862.73	300.1
Costs for waste, emission treatment and remediation (RMB10,000)	38.49	44.51	85.53	953.28	379.84	370.9	651.22



PRODUCT LIABILITY PERFORMANCE INDICATOR AND THEME REPORT



Part III Product Liability Performance Indicators and Theme Report

I. Management approaches

(I) Objectives and Performance

All international shipping, logistics, shipbuilding and ship-repairing companies affiliated to COSCO Group voluntarily shouldered their due responsibilities in product life cycle and service providing process. In the product development, design, performance, implementation and follow-up service sectors, they paid close attention to safety and health of consumers and actively delivered product and service information by making use of IT technologies. They stuck to the self-disciplinary marketing strategies of "being honest to customers worldwide and establishing the credit", operated the business in accordance with laws and regulations, and established law-complying production and consumption environment together with customers. In 2010, COSCO Group entered into strategic partnership relationships with many Global 500 enterprises and local governments.

(II) Policies and Regulations

All companies affiliated to COSCO Group established and implemented the sustainability management system and comprehensive risk management system to fulfill the requirements regarding to related products and services. By establishing procedures such as product design and development, contract control, production implementation and management of upstream and downstream industrial chains, they eliminated all possibilities that may affect safety and health of customers or controlled them to the minimum extents. They established law-compliance evaluation procedures to change related regulations on customer health and safety and product liability of international companies and the national laws into daily operational principles. They formulated marketing service manual and rules for freight canvassers and information disclosure regulations to standardize marketing and product promotion processes. They developed and used cargo operational system, logistics information platform, ship management dynamic tracing system and other software systems to ensure timely and effective information transmission in product and service providing processes.

(III) Organization and Responsibilities

COSCO Group and all its subsidiaries set up the offices for sustainability committees or regulatory departments to be responsible for effective operation and control of quality, environment, occupational health and social responsibility management systems of the headquarters and its subsidiaries. The Transportation Department of COSCO Group headquarters is responsible for formulation of guidelines and policies for transportation production of COSCO Group. The Safety Technology Supervision Department is responsible for ship, crew and cargo safety in transportation process. The product and service design and development departments of the companies are responsible for collection and identification of customers' safety and health demands and product and service liability requirements. The product manufacturing and service providing departments strictly



implement related regulations to ensure quality of product manufacturing and service providing processes. The marketing departments promote the products and services honestly and faithfully under the marketing guidelines of the group, and participate in opening and fair competition of the market. The management departments are responsible for collection of customer satisfaction information, investigation and analyses on insufficiencies, formulation of corrective and preventative measures and supervision on the implementation.

(IV) Training and Communications

COSCO Group has enhanced the training and popularization of knowledge regarding product and service liability through its own portal website and other professional websites, allowing more employees to know the group's regulations on product liability and the commitment made to the society. It released information via network and commercial platform to enhance the communications with customers and consumers. COSCO Group and its subsidiaries all have formulated annual training plans, set up a special budget, and organized daily trainings for employees in form of self-study class and trailing class to deliver information such as customer health and safety, information types and providing methods, requirements of laws and regulations, industrial regulations, customer privacy protection, law-compliant and legal production and operation, so as to enhance the product liability consciousness of employees and improve their skills.

(V) Supervision and Inspection

COSCO Group and its subsidiaries supervised and checked the product and service liability relating activities through annual internal audit, second-party supervision and audit, and third party certification and audit. Based on internal audit and management evaluation, it summarized and analyzed the implementation effectiveness of regulations related to product and service liability. It evaluated the compliance degree in performing product and service liability from the angle of customers through on-site audit of the second party. It also justly and objectively evaluated the consistency and effectiveness of the companies' efforts to perform product and service liability compared with related standards and documents through third-party certification and audit. COSCO Group headquarters and its subsidiaries established daily and annual evaluation mechanism to supervise, evaluate and check the product and service liability-related contents as specified in the operation and management liability objectives. It carried out customer satisfaction survey and information collection work through various ways to get customers' opinions and suggestions, so as to accept supervision of the customers and the public.

Statistical table for establishment and operation of management systems established by companies affiliated to COSCO Group according to Quality Management Standards (ISO9000) and international/domestic safety management regulations (ISM CODE/NSM CODE)



Company	Quality management standard		International and domestic safety management rules	
	Established	Certified	Established	Certified
COSCO Group headquarters	★	★	--	--
China COSCO	★		--	--
COSCON	★	★	--	--
COSCO Bulk	★	★	★	★
COSCO Shipping	★	★	★	★
COSCO Qingdao	★	★	★	★
COSCO Dalian	★	★	★	★
COSCO Xiamen	★	★	★	★
COSCO Hong Kong	★	★	★	★
COSCO Logistics	★	★	--	--
COSCO Shipyard	★	★	--	--
COSCO Shipbuilding	★	★	--	--
CHIMBUSCO	★	★	--	--
Hainan Boao COSCO	★	★	--	--
COSCO Ocean Shipping Tally	★	★	--	--
COSCO Manning	★	★	--	--
COSCO U.K.	★	★	--	--

Symbol: ★ Completed; -- Not applicable

II. Performance Indicators

In 2010, COSCO Group and its subsidiaries systematically classified and identified all products and services involved in its sustainability report again, and comprehensively evaluated the influences of products and services on health and safety in entire life cycle. Please see the table below for products and services provided by COSCO Group:



Product classification and impacts assessment

Serial No.	Product Classification	Product Description	Completion of Life Cycle Assessment	
1	China COSCO	Container Transport	It operates 150 vessels, with the total carrying capacity of 614,092 TEUs. Its 75 international shipping lines, nine international branch lines, 20 domestic coastal shipping lines and 70 branch lines in Pearl River Delta Region and Yangtze River call at more than 144 ports in 44 countries and regions worldwide.	Yes
		Dry and Bulk Cargo Transport	It operates 450 dry and bulk cargo ships, with the total carrying capacity of 38.5562 million DWTs, which is the world's largest dry and bulk fleet.	Yes
		Integrated Logistics	COSCO Logistics provides integrated logistic services including modern logistics, international ship agent, international multimodal transportation, public transportation agent, air cargo agent, container station management, warehousing and LCL service, railway, highway and barge transportation as well as charter broker. COSCO Logistics has ranked the first place in the rankings —Best100 Chinese Logistics Enterprises” for six years successively.	Yes
		Terminal Business	It operates 17 terminal projects worldwide, with the total number of berths reaches 107 and ranking the fifth place in the world.	Yes
		Container Leasing	Floren Container Co., Ltd owns and manages 1,631,783 TEUs. Its container leasing business accounts for over 13% of the global market.	Yes
		Container Manufacturing	China International Marine Container Co., Ltd, a joint venture through COSCO Pacific, is the world's largest container manufacturing company and occupies more than 50% of global market shares.	Yes
2	Other shipping companies	Liquid Bulk Cargo Transport	It owns and controls 42 oil tankers, liquefied gas carriers and chemical ships, with the total capacity of more than 6.87 million DWTs (of which, 35 are self-owned ships, with the carrying capacity of 4.77 million DWTs). The fleet size takes a lead among similar enterprises in domestic market.	Yes



		General Cargo Transport	It owns, operates and manages 102 ships, with the total carrying capacity of 1.83 million DWTs. Ship types include semi-submersible vessels, heavy lift ships, multi-functional ships, ro-ro ships, timber ships, bitumen ships and general cargo ships. Comprehensive strengths of professional general cargo ships, multi-functional ships and special carrier fleets take a leading position in the world.	Yes
3	Shipbuilding and ship-repairing	Ship-repairing	COSCO Group owns a total of 16 docks of various types such as 300,000 ton-class and 500,000 ton-class, and its business covers sectors such as large-sized ship and ocean engineering projects, refitting and repairing. It takes a lead in domestic market for production equipment assembling level as well as production and management level, and takes a lead in the world for technical ability, production efficiency and production costs. It is the largest ship-repairing enterprise and most-advanced shipbuilding enterprise in China.	Yes
		Shipbuilding	COSCO Shipbuilding Industry Co., Ltd is a large shipbuilding enterprise in domestic market, and boasts R&D, design and manufacturing ability of various high-performance bulk ships, super-large oil tankers, container vessels, Ro-Ro ships, ore & sand ships, LNG and LPG ships, heavy lift ships, semi-submersible ships and maritime engineering ships. It has successfully delivered 78 large ships including 300,000 ton-class VLCC, VLOC, 5000PCC, 6200PCCC and 10000-TEU ships, and takes a lead in the world for indicators such as shipbuilding working hours, steel utilization rate, electricity consumption per 10,000 dollars of output value and production efficiency. In 2010, its manufacturing capacity reached 6 million tons, and its shipbuilding technologies take a lead in domestic market.	Yes
4	Others	Fuel Procurement and Sales, Lubricant	CHIMBUSCO owns 116 ships of various types, and 19 oil reservoirs with a total storage capacity of 1.6752 million cubic meters. It owns docks with mature equipments and truck loading and unloading lines to provide fuels, lubricants and freshwaters for ships	Yes



	Agency Service	serving for international shipping lines and domestic coastal transportation business. It is also engaged in import trade of finished oils, transport and warehouse of various oil products, storage, supplies, sale and transport of various oil products and processing of lubricants.	
	Ship Tally	China Ocean Shipping Tally is a backbone enterprise dedicating to ship tally business. It has set more 80 branches or companies nationwide, covering major port cities such as in Shanghai, Ningbo, Tianjin, Qingdao, Dalian, Xiamen, Fuzhou, Shenzhen and Guangzhou.	
	Finance	Approved by China Banking Regulatory Commission, COSCO Finance is a non-bank financial institution aiming at the centralized management of group's funds and improving the use efficiency of funds. It provides it group members with financial management services.	Yes
	Business Meeting, Hotel and Vacation	Boao COSCO Co., Ltd is committed to the development, construction, operation and management of equipped facilities of Boao Forum for Asia. It has five operation units, namely, Sofitel Hotel (five-star), Boao Golden Coast Hot Spring Hotel (five-star), Boao Asia Forum Scenic Spot Management Company, Boao Asia Forum International Convention Center Golf Club and Dongyu Island Hot Springs Hotel. In addition to the annual forum reception work, it also receives over 750,000 tourists and hosts nearly 200 domestic and international middle- and high-level meetings.	Yes
	International Labor Service	COSCO Manning is a state-owned enterprise with operation qualifications of labor dispatch business approved by the Ministry of Commerce. It mainly provides qualified seafarers and other labors to overseas customers. So far, it exported more than 130,000 persons (times) of seafarers and other labors, and received the honorable title of "Excellent Chinese Enterprise for Foreign Labor Cooperation" by governmental authorities.	Yes



According to the assessment results of safety and health impact of self-owned products and services on the whole life cycle, COSCO Group and its subsidiaries further optimized corresponding management plans and took active actions to complete various production and operation indicators under the premises of safety, health and environmental protection. Completion situations of various indicators are as follows:

Table for Transportation Production and Related Indicators

Name of Target/Year	2004	2005	2006	2007	2008	2009	2010
Number of arrivals behind schedule	451	495	542	382	725	293	677
Number of departures behind schedule	942	539	598	438	742	316	754
On-time arrival rate (%)	95.27	95.50	95.96	96.97	94.05	97.67	96.50
On-time departure rate (%)	94.84	95.10	95.24	96.55	93.91	97.50	96.83
Integrated On-time Rate (%)	95.06	95.30	95.46	96.76	93.98	97.58	96.50

In 2010, companies affiliated to COSCO Group paid closer and closer attentions to quality management improvement work. They organized a total of 367 QC team activities, of which, 294 QC team quality management improvement achievements were submitted to the group. Two projects won the honorable title of national excellent projects, 57 won the honorable titles of excellent projects of the Ministry of Transportation, with RMB148.25 million of economic values created.

(I) Customer' Health and Safety

In all sectors of related product life cycle of shipping, logistics and ship-building and ship-repairing industries, COSCO Group fully evaluated and considered the matters related to customer health and safety. When the shipping companies open new lines, the regulatory departments will make an all-round understanding and evaluation on such aspects as the universe and the geography of the sea areas and ports along the routes, the technology situation of ships and local requirements of laws and regulations through collecting information or on-site investigation, thus meeting the needs of customers and related requirements for opening of the lines. Before transporting the cargos, responsible persons of the companies will check the category, nature, quantity and weight of the cargos as well as the seaworthiness and fitness of ships to ensure safe transportation of cargos. The logistics companies provided three stages of evaluation and control, i.e. cargo attribute verification, proposal design and services, ensuring customers' health and safety and fulfilling customers' logistics and transportation demands of customers very efficiently and safely. Ship-building and ship-repairing companies abided by the regulations of the management systems in terms of product design, manufacturing and delivery as well as after-sales service, and conducted full-process supervision and control over the project based on the work division to ensure customers' health and the safety relating to ship-building and ship-repairing projects.



COSCO Group and its subsidiaries established, implemented and approved the ISO9000 quality management system, carried out the general principles regarding safety, efficiency, quality and effectiveness, assessed and took into consideration the customers' concerns about health and safety, observed relevant rules and regulations, strictly adhered to the systemic documents formulated by the company, and tried its best to satisfy the customers' requirements and needs for the products and services at every stage.

In 2010, COSCO Group was not complained or punished due to influences of products and services on health and safety.

▲ COSCO U.K. found commercial frauds timely, helping customers to save losses. In mid June 2010, Cyle Link Group's company in U.K. met a serious commercial fraud case. A company, as supplier of the group, forged weight bills and under-calculated weights of cargos of 50 40-inch containers to gain improper commercial interests. Before loading of the cargos to the ship, COSCO U.K. found and pointed out the issue, avoiding great losses of Cyle Link Group. Later, Cyle Link Group sent a letter of acknowledge, hoping to establish long-term and stable partnership relationships with COSCO Group.

(II) Products and Service Logos

In order to ensure that customers can get timely, accurate and effective product or service information, through text, e-commerce platform, newspapers, magazines and other channels, shipping enterprises timely and accurately released the public voyage/route information, ship dynamic information, ship technical information, transportation expenses information, booking information and other relevant sales information; through customer needs analysis, in adoption of website, magazine, phone call, fax, email and other methods, logistics enterprises timely and accurately published its customers information regarding routes, tariffs, logistics lines, station data, quality assurance and other relevant information; ship repairing enterprises, after classified and organized various types of data and supervision information regarding ship repairing and conversion works, regularly announced to the public via newspaper, newsletter, magazine and NEWSLETTER system, this information releasing methods has been maintained and developed via mechanism and system construction.

COSCO Group has insisted on managing the trademarks uniformly, and managed the domestic and overseas registration, licenses and trademark protection of COSCO, COSCO ship logos, Zhongyuan and Yuanyang. With a focus on customers, COSCO Group and its subsidiaries paid close attention to —customers' voices". They actively collected opinions and suggestions from customers through customer satisfaction information collecting and analyzing mechanism, regular customer satisfaction investigations, customers representatives conference, customer exchange meetings and opinion collection activities, analyzed the fundamental reasons for the issues found and formulated



improvement measures correspondingly.

In 2010, COSCO Group had no accidents or complaints caused by breaching related laws and voluntary codes of behaviors in terms of products/service information and logo.

In 2010, COSCO Group continued to enhance its strategic cooperation with big customers, and signed a series of strategic cooperation agreements. The Group signed strategic cooperative agreements with China Classification Society, German Lloyd's Register of Shipping (GL), the Provincial People's Government of Zhejiang, Ansteel Group, China National Offshore Oil Corporation, China Export and Credit Insurance Company, China LCO, SNPTC, and Qingdao Port Group to enhance the Group's service capacity and promote the products and services of COSCO Group.

▲ In early March 2010, right after the successful delivery of "Sevan Driller", its first cylindrical ultra-deep offshore drilling oil storage platform, COSCO Shipyard obtained the "Sevan Brazil" cylindrical offshore platform building project with a total contract price of over \$500 million; in mid-June, the Brazilian national oil company's contract of long-term lease of "Sevan Driller" with COSCO Shipyard came into effect; in late June, COSCO Shipyard successfully delivered the world's first self-propelled self-elevating platform "Remedial" to Remedial Offshore Company in the U.S.; in mid-July, COSCO Shipyard signed with the Danish company A2SEA A/S an order to design and build a self-elevating wind turbine installation vessel.



▲ On June 29, 2010, COSCO Nantong Shipyard successfully delivered "Remedial", the world's first self-propelled self-elevating platform, to Remedial Offshore Company in the U.S. The platform is the second innovative marine product self-designed, built and delivered by COSCO Shipyard following its successful delivery of SEVAN 650, the world's first ultra-deep offshore drilling oil storage platform, at the end of 2009. The delivery of the "Remedial" platform means that COSCO Shipyard has achieved full coverage from offshore to deep sea in marine engineering and has made key technological innovations in the same types of marine products, with some products achieving industry-leading level in the world. (COSCO Shipyard's "Remedial" Platform)

▲ On Aug. 22, 2010, COSCO Dalian Shipyard kicked off its construction of the world's largest DP3 deepwater drillship — "Dalian Developer". "Dalian Developer" is not only the first drillship project for COSCO Shipyard under COSCO Group, but is also the first drillship project for all shipyards in China so far. Its construction involves more technical challenges than any existing deepwater drillships in the world. This unique vessel, with a hull size of 290 meters by 50 meters and equipped



with the world's most advanced rotary DP3 dynamic positioning system, is capable of oilfield drilling, crude oil storage and loading and unloading. It is designed to drill wells in international oilfields with high efficiency and safety in harsh environments and at ultradeep water depths up to 3,050 meters and drilling depths exceeding 12,000 meters. What's worth mentioning is that the vessel has a separate production moon-pool, its variable deck-load capacity can reach 40,000 tons and its crude oil storage capacity can reach 1 million barrels, being the highest among all drillships ever built. The kick off of the construction of "Dalian Developer" will fill the technology gaps of China's marine equipment manufacturing industry in the field of drillship construction, break the long-time monopoly of foreign companies in the global drillship market, and promote China's marine equipment manufacturing industry to achieve major breakthroughs in drillship construction technology. COSCO Shipyard's smooth start of deepwater drillship construction not only breaks the monopoly Korea has over the world's deepwater drillship market and paves a new path for China's shipbuilding companies to enter the marine engineering and manufacturing industry, but also indicates that the capacity of China's shipbuilding enterprises in building deepwater equipment is growing, which has a very important historical significance to the protection of China's large-scale development of offshore oil resources and China's implementation of its energy security strategy. (Two photos showing Dalian Developer)



▲ The opening of regular liner routes between Damaiyu Port in Zhejiang Province and Keelung, Taiwan. Following the inauguration of COSCO Star passenger ro-ro ship routes between Xiamen and Taichung, and between Xiamen and Keelung, COSCO Star opened up a new passenger ro-ro ship route between Damaiyu Port in Zhejiang and Keelung, Taiwan on July 3, 2010 in order to further promote cross-strait economic and trade exchanges. While striving to improve living facilities and service quality on board, COSCO Star also actively explores opportunities to expand the passenger transport market. After careful study and analysis, it opened up Damaiyu-Keelung route while maintaining Xiamen-Keelung and Xiamen-Taichung routes, increasing the overall status and role of COSCO Star in cross-strait passenger transport. In 2010 COSCO Star ran a total of 94 voyages and transported a total number of 48,154 passengers, with mainland tourist teams forming the bulk and individual visitors mostly from Taiwan. While actively promoting cross-strait tourism, COSCO Star also gradually increases its interaction with religious, cultural, sports and business organizations in order to secure a stable and comprehensive development of passenger sources.

▲ COSCO Shipyard secured a self-elevating wind turbine installation vessel order from a Danish company. COSCO Nantong Shipyard signed an order worth more than \$100 million with A2SEA



A/S, a subsidiary of the Danish national energy company Dong Energy Power A/S, to build a self-elevating wind turbine installation vessel for the latter. To complete this turnkey EPC project, COSCO Nantong Shipyard will be responsible for the engineering, procurement and construction of the vessel. The 132.34m by 39m by 9m vessel will have an operating water depth of 45 meters. As the latest generation of installation vessel specially made for offshore wind power, it has outstanding performance and is equipped with advanced DP dynamic positioning system and leg hydraulic lifting system. It will cater to the needs of future European offshore wind power projects and have broad market prospects. By securing the order to build such a vessel, COSCO Nantong Shipyard became the first Chinese shipyard company to have intellectual property rights from engineering to construction of similar marine engineering projects.

▲ COSCO Ship Steel Structure Company successfully entered the international offshore wind power equipment manufacturing industry. Nantong COSCO Ship Steel Structure Company, a subsidiary of COSCO Group, signed a strategic cooperation agreement in Shanghai with SeaEnergy Renewables, a Scottish company with rich experiences in developing deepwater offshore wind energy. Both sides agreed to work together in the development and operation of offshore wind power equipment. By signing the agreement, Nantong COSCO Ship Steel Structure Company successfully entered the new energy equipment manufacturing industry using the platform provided by a world-renowned company in manufacturing offshore wind power equipment. As an independent offshore wind power developer in Scotland, SeaEnergy Renewables constructed the world's first deepwater wind farm along the Scottish coast and boasts of advanced technology in the research and development of offshore wind power equipment. By cooperating with SeaEnergy Renewables, Nantong COSCO Ship Steel Structure Company took an important step towards transforming and upgrading its products and becoming a manufacturer of ship and heavy marine engineering equipment. Soon, the two sides will work together to develop a detailed business plan and business structure and promote the development and operation of steel products suitable for the offshore wind power industry, including offshore wind turbine jacket structure, tower and access system.

(Offshore wind power equipment of Nantong COSCO Ship Steel Structure Company)





▲ In 2010 COSCO Logistics set several new transportation records in China, including the record for super-high and super-wide goods transportation, the record for the ro-ro and road transportation of the longest piece of equipment and the record for the transportation of bridge EMU. On the evening of 26 September 2010, COSCO Logistics successfully transported the 23.47-meter and 952.1-ton CA01 T-shaped module of the world's first third-generation nuclear power AP1000 unit Shandong Haiyang nuclear power project. This means that COSCO Logistics broke China's transportation record of super-high goods once again and successfully completed the transportation task of another large item of the AP1000 project, ensuring the smooth realization of the third major project node of Shandong Haiyang nuclear power project. On November 29, 2010, COSCO Logistics successfully transported the nuclear reactor containment (the third ring of the CV, with a diameter of 43.2 m, a weight of 818 tons and a height of 11.7 m) of the world's first third-generation nuclear power AP1000 unit Shandong Haiyang nuclear power project. As a result, COSCO Logistics broke the record for super-wide goods transportation in China, which was set by itself in April this year for the same project (with a diameter of 40 meters).

(III) Customer Liability and Customer Service Satisfaction

COSCO Group is always committed to maintaining an honest and mutually-trust relation with its customers, employees and partners. Through excellent customer relation management in the life cycle of its products, COSCO Group ensured maximum satisfaction among its customers. By improving customer satisfaction through effective service management, COSCO Group improved the customers' service experiences and maintained excellent long-term relations with the customers.

1. Customer Relationship Management System

All subsidiary companies of COSCO Group attach great importance to the construction of customer relationship management system. They are all making great efforts in setting up a customer relationship management system and forming customer management procedures and relevant regulations in order to enhance communication with customers, understand customer demands, and improve products and services to meet customer demands. In 2010, the COSCON South China Branch successfully held a customer gathering event during the 2010 COSCON South China Branch VIP Customers Forum in Dongguan. Some 40 VIP customer representatives from Guangdong, Guangxi, Yunnan and Hong Kong attended the customer gathering event of the Forum. Through wide-ranging and lively exchanges during the event, the two sides enhanced mutual friendship, stressed the importance of cooperation, and discussed business opportunities, laying a solid foundation for future long-term friendly cooperation. When it comes to customer needs survey, quality of service, communication channels, handling of complaints and suggestions, receiving customer visits, COSCO Shipping strictly observes Customer Management Regulations on Shore-based Shipping Business. It strives to meet and go beyond customer needs, whether existing or potential, and to ensure that all advice and complaints raised by customers concerning service quality, the environment and occupational health and safety management are handled promptly. In 2010,



all customer complaints were timely received and dealt with. In 2010, CHIMBUSCO held a customer meeting attended by 140 delegates from well-known domestic and foreign shipping companies, relevant departments of the Ministry of Transport and domestic and overseas subsidiaries of CHIMBUSCO. The meeting effectively maintained and consolidated the sustainability of the company. Adopting a customer-centered approach, COSCO Logistics set up its own Customer Satisfaction Management System (TCSS). As a result, its entire logistics system shifted from passive service to active service where the company paid constant attention to customers, keep track of customer needs, and improved customer satisfaction and loyalty so as to prevent loss of customers. Now, the company has been implementing TCSS customer satisfaction system for seven years and has achieved good results in system-wide customer survey. In 2010, based on its years of experience in TCSS system application, the company upgraded the management of the original TCSS system in order to better meet customer requirements.

2. Customer Service Satisfaction

All subsidiary companies of COSCO Group actively carry out customer satisfaction surveys. Each year, COSCON invites a third party to conduct customer satisfaction surveys. In 2010 a survey was conducted among the company's customers in eight regions, including Dalian, Shanghai, Qingdao, Tianjin, Xiamen, South China region, Wuhan, and Beijing, and some shipping companies. The survey covered the following eight routes: North American route, Europe-Mediterranean route, South Africa-South American route, the Gulf route, Australia-New Zealand route, China-Japan route, near-sea route and domestic trade route. Through satisfaction index measurement and analysis of 171 effective samples that were returned, the company learnt of the "customer satisfaction index (CSI)" of its shipping services, identified existing gaps and was thus able to continuously improve market performance and competitiveness through improvement of its services. During business process, COSCO Finance always communicates with its customers in a timely and relevant manner and keeps in mind the interests of customers by simplifying procedures and reducing the transit time of capital.



Customer satisfaction surveys also show that customer satisfaction index of other subsidiary companies of COSCO Group is almost 100%.

3. Systemic Measures to Support Product and Service Innovation

When it comes to supporting innovation in products and services, subsidiary companies of COSCO Group all take active measures. COSCON Wuhan makes customer demands as its guide and ensures a high utilization rate of main and branch lines. Using Dongfeng CKD export project as a platform, the company adheres to the principle of giving top priority to customer demand, making



the loading rate of main and branch lines a corporate responsibility” so as to improve its project operational capability and ensure customer satisfaction.

Through marine engineering, COSCO Shipyard has come out of its difficulties and completed its transformation from an ordinary ship repairer to a main contractor of marine engineering. Bolstered by global economic recovery, most oil companies in the world raised their oil exploration and development budget and the market of offshore drilling platform construction gradually warmed up with companies seeing a substantial increase in the number of orders compared with the same period the previous year. COSCO Shipyard seized the opportunity to promote its scientific development. Since the second half of 2008, COSCO Shipyard has started construction of 11 marine construction products and 5 marine modification products, and delivered 4 construction products and 6 modification products. In 2010, COSCO Shipyard took 58.1% of the domestic marine construction and modification market share. With its huge scale and continuous delivery of world-class products, the company has taken a dominant position in the domestic marine market.

All second-tier companies of COSCO Group have improved their new product identification system and ensured that the development of new routes was under control and met the relevant requirements and the needs of the company. They make new route development plans according to their own business plans and market demands; they also make clear the content of the development plans, work arrangements at various stages, the requirements, responsibilities and powers involved in the assessment, verification and validation at various stages, and the relations among all the participating departments. For example, in 2010, COSCO Guangzhou successfully opened up the Far East-North America route. The company has made profits on every single voyage of this new route, and this bimonthly route was later upgraded to be a monthly one.

4. R&D Investment and Achievements

All subsidiary companies of COSCO Group have increased their research and development (R&D) investment and have achieved positive results. COSCO Shipyard has taken many actions to promote technological innovation in many areas. In early November 2010, it began its strategic cooperation with Harbin Engineering University. At the same time, it held its first technical training course together with Qingdao Ocean-Shipping Mariners College. In the future, it will also set up an external expert committee led by an academician from the Chinese Academy of Engineering and a post-doctoral work station so as to conduct systematic research in key technology research projects and on key technological issues. Backed by existing products, the company also devotes a lot of efforts into the research and development of marine products and environmental-friendly ships in order to set up and expand a ship database. By substantially increasing R&D investments, COSCO Shipyard also intends to develop its own technical personnel; its goal is to train a large number of junior and senior technicians during the 12th Five-Year Plan period so as to prepare rich human resources for technological innovation.



5. Product Quality Management

In 2010, the fuel monitoring system and the international ferry "3S service" of COSCON won the Youth Innovation Excellence Award for Enterprises Directly under the Central Government. Jointly launched by the Central government-owned enterprises work committee of Chinese Communist Youth League, Youth Federation of Enterprises Directly under the



Central Government, the State Office of Science and Technology Awards and China Enterprise Confederation, the second "Shenhua Cup" Youth Innovation Award contest received a total of 517 youth innovation projects from 103 central enterprises since April 2009. Most of the projects involved practical technological and skill innovation. In the end, the fuel monitoring system and the international ferry "3S service" of COSCON stood out among all projects and won the Award.



COSCON was awarded the title of "Five-star Ship Company" and continued to top the list with a high score of 4.766. In April 2010, the "2009 Sixth China Ship and Port Service Star list" was announced. It was sponsored by the China International Marine Network and jointly organized and supported by China Shipping and Port Academy, China Water Transport Newspaper, International Business Daily, Xinhua, Wenhui Newspaper, Ta Kung Pao Newspaper, China Business News, Sina, Sohu and other well-known media. (Award certificates of COSCON)

In Nantong COSCO KHI, quality management adheres to the principle of "building ships that meet the quality requirements of ship owners in an economical way". During the production process, the company implements lean management, improves ship quality, and constantly promotes and improves the "6S" (Selri, Seiton, Seiso, Setketsu, Shitsuke, Security) management and NPS (COSCO KHI production management system) management. "6S" management is an effective vehicle for self-management of quality. It requires that all production workers must avoid waste and pollution in operation regions and wastes must be cleaned every day and every time by whoever produces them so as to ensure that there are no hidden risks and problems concerning safety and quality. NPS mainly consists of "clear management", "invalid operation management", "versatile management of personnel", and "improved management of equipment and logistics". Driven by "6S" and NPS, wastes are effectively controlled, the capacities of people, materials and equipment are maximized, costs are reduced, and shipbuilding efficiency and ship quality are improved.

With its excellent service, pursuit of perfection and great team spirit, COSCO Montreal Company was awarded the title of the Far East Best Carrier for the ninth



consecutive year. On June 16, 2010, the annual award ceremony hosted by the Canadian International Freight Forwarders Association (CIFFA) was held in Montreal. COSCO Montreal Company won two awards: 2010 Best Carrier for the Far East Route Award and 2010 Best Shipping Company of the Year Award. Every year, CIFFA asks freight forwarders to vote by secret ballot on route service, marketing, customer service document quality and other aspects. In the end, COSCO Montreal beat more than 20 shipping companies and won the Best Shipping Company of the Year Award for the first time. (The medal won by COSCO Montreal Company)



6. Emphasis on Product Safety during Design Process

COSCO Group continues to strengthen its security management so as to ensure that the safety of all products is under control.

▲ In 2010, COSCON strengthened security management to guarantee no risks during the Shanghai World Expo. During the Expo, the relevant government departments imposed a very strict control on the transportation and operation of dangerous goods through the Shanghai port; the new version of "IMDG Code" that officially came into effect on January 1, 2010, posed new challenges and requirements for the company in safety management of dangerous goods transportation. In 2010 the company launched a special training on the safety management of dangerous goods transportation. The purpose of the training was to enforce the principle of "safety first, prevention first" during production, eliminate unacceptable risks, and correctly identify sources of danger. The company strives to effectively resolve and prevent risks, eradicate loopholes in the transportation and operation of hazardous chemicals, and maintain the company's overall safety so as to further increase profits.

▲ COSCO Group co-sponsored China Oil Transportation Safety Forum in Beijing. On July 20-21, 2010, the 2010 China Oil Transportation Safety Forum, which was co-sponsored by COSCO Group, China Classification Society and China Petroleum & Chemical Group, was held in Beijing. With the theme of "Clean, green, safe and efficient", the forum aimed to "work together to create an efficient and safe oil transportation system." Vice Minister of Ministry of Transport Xu Zuyuan, Vice President of COSCO Group Xu Lirong, leaders from National Development and Reform Commission, Ministry of Industry and Information and other relevant government departments and more than 130 representatives from domestic and foreign maritime agencies, shipping industry associations and shipbuilding enterprises attended the forum. Vice Minister Xu Zuyuan and Vice president Xu Lirong respectively delivered their keynote speeches. COSCO Dalian general manager Meng Qinglin, deputy general manager Li Yuping and heads of the relevant departments of the company also attended the meeting. During the forum, Meng shared his views



on issues such as domestic and international economic situation and oil transportation market trends; he also discussed with his peers from home and abroad on how to improve the safety management level and technological level of oil transportation, how to build an efficient and safe oil transportation management system, how to fulfill the obligations in protecting the marine environment, and how to develop green shipping companies. His talks helped raise the profile of COSCO Dalian among all the delegates. By fully demonstrating the safety culture at COSCO Dalian and the competence and management skills of COSCO Dalian leaders, the forum greatly enhanced the brand power, visibility and influence of COSCO Dalian.

▲COSCON launched a ship-shore joint drill of emergency rescue of dangerous goods. On June 18, 2010, it launched the 2010 ship-shore joint emergency rehearsal of the transportation of dangerous goods, and tested the overall ship-shore implementation of the comprehensive emergency plan as well as the emergency response of various departments. The whole rehearsal proceeded as planned; the procedures covered the entire process of an emergency situation: a simulation ship discovered a spill of dangerous goods and a fire, and reported it, then the company responded to the emergency, and then the ship took various emergency measures, and finally cleaned up the site and treated injured crew members. The rehearsal achieved its expected results. (Rehearsal)



7. Emphasis on Low-carbon and Environmental Protection in R&D and Production Management

All subsidiary companies of COSCO Group put an emphasis on low carbon and environmental protection in its research and development and production management.

In order to achieve a balance between economic, social and environmental benefits, Nantong COSCO KHI Ship Engineering Company has always strived to become a modern shipbuilding enterprise with low energy consumption, limited environmental pollution and high resource conservation. As the driving force of shipbuilding, research and development is an important starting point to save energy. Through innovative digital shipbuilding and lean R&D and management model, the company now has a great impetus for manufacturing low carbon products. By setting up an integrated system of information management named NACKS-CIMS, the company computerized the



whole process from ship engineering to procurement of raw materials to ship construction, thus achieving remarkable results in digital shipbuilding. In the meantime, it also fully optimized the integrated environment for digital research and development, engineering, manufacturing, testing and management of ship products, synchronizing the modern ship engineering system and manufacturing system and freeing ship engineers from drawing boards.

(IV) Honest Marketing and Promotional Activities

Upholding the marketing strategies of “Honesty and Sincerity-oriented Business Operation”, COSCO Group has insisted on winning market shares and customers with high quality, brand and reputation in promotional and marketing processes, which are also taken as core competitiveness for its development. In 2010, COSCO Group was not punished for violating any related laws, regulations or voluntary conventions with regard to promotional and marketing activities.

1. Concepts and System Guarantees for Honest Operation

In the face of business opportunities and market competition, COSCO Group upheld the scientific outlook on development, actively fulfilled its social responsibilities and strived for the goals of achieving sound and rapid development and sustainability. Companies affiliated to the group made customer services their top priority, return to shareholders their ultimate goal, and stuck to the corporate principles of practicality, innovation and persistence and the managerial and operational ideas of honesty and devotion in an effort to create customers' values, protect customers' benefits and realize a reciprocal, win-win corporate value. Upholding the principle of being safe, rapid, economical and thoughtful, the Group established an information release responsibility mechanism, examining all promotional materials and information publicized or unveiled. The anti-monopoly laws of all trading countries were observed to protect the rights and interests of the goods owners and interest parties. By signing long-term strategic agreements with partners, the Group established mutually beneficial relations with a number of competitive partners and realized win-win through fair competition and healthy cooperation. When dealing with its relations with the investors and partners, COSCO Group was always standing by and sharing honors with them in an honest manner; when dealing with its relations with the rivals, on the other hand, COSCO Group emphasized both competition and coordination. Based in China, COSCO Group provided services across the world and gained considerable recognition and praise from the general public.

2. Sales and Publicity

The shipping, logistics and shipbuilding subsidiaries of COSCO Group shared their opinions about market trends with their customers through customers' meetings and routes' meeting. Sales policies and relevant information were openly released, while the companies' sizes, business capabilities and managerial levels disclosed in a timely and accurate manner. The companies would never exaggerate or fabricate specific information about themselves, which was against the principles of honest sales and marketing.



▲ On April 7 to April 9, COSCO Group held a Conference of Some VIP Customers at Boao Forum for Asia. With the rare opportunity provided by the Boao Forum for Asia, COSCO Bulk and other second-tier companies of COSCO Group fully communicated with some VIP customers, and attended in-depth business negotiations with top executives of Hualing Group, FMG and other enterprises. Later, top executives of COSCO Bulk also accompanied Capt. Wei Jiafu to meet with Henry Paulson, former Minister of Finance of America and former chairman and CEO of Goldman Sachs Group, and other special guests. Special guests of the meeting jointly discussed on economic trends at present and the correlated factors of shipping market. This year's Boao Forum for Asia was the one with highest number of participants, and continued the features of high-level. Political celebrities of many Asian countries were present at the event. Chinese Vice President Xi Jinping attended the event and delivered a keynote speech. (Forum for VIP Customers)



▲ On June 23 to June 28, COSCO Group held the first VIP Customers High-level Forum in Boao, Hainan. More than 150 representatives from 80 VIP customers home and abroad attended the forum. At the event, Capt. Wei Jiafu firstly delivered a keynoted speech on behalf of the group. Representatives of main business departments of the group as well as VIP customers also exchanged opinions at the event. Besides introducing their business development situations, both sides also expressed the willingness to deep the cooperation and exchange. At the event, COSCO Group also signed strategic partnership agreements with VIP customers such as Hunan Hualing Iron & Steel, Sinograin and Northern Industry Corporation. (Meeting with VIP customers in Boao)



▲ Under the invitation of New Binhai Area, Tianjin, general manager of COSCO Bulk attended the special forum for Tianjin at World Expo Shanghai on May 9, 2010. When attending the event, he visited some VIP customers and exchanged opinions with leaders of Baosteel Group, Salim Group and Huaneng Group. As the VIP Customers Strategy was the key task promoted by the group in the year, General Manager of COSCO Bulk took the visiting of VIP customers as the main task for this visit to Shanghai, and achieved favorable communications effects in talks with customers. Baosteel



Group has paid close attentions to the visit. General Manager of Baosteel Group and chairman of Baosteel Holdings introduced the business development situations of the company, and had in-depth discussion with COSCO Bulk on adjustment of traditional business structure, how to further extend the industrial chain, improve service quality and strengthen industrial innovation. It was believed that both sides could seek for new cooperation opportunities, such as iron ore exploitation and transportation. Business of Indonesia-based Salim covers many industries such as energy, real estate and finance. Mr. Chen, chief representative of Salim in China and General Manager Xu also talked on energy exploitation and transportation sectors, discussed on iron ore and coal exploitation projects as well as Stage II of Zhejiang Energy Group.

▲ Since official establishment of the VIP Customers Service Center of COSCO Logistics in January 2010, all companies and business sections in the system have continuously enhance their coordination consciousness and achieved substantial progresses in joint marketing and PR operation. With respect to electronic business, cargo transport, air transport and COSCO network have partnered with each other in coordinative marketing and successfully developed Chongqing HP project. With respect to engineering logistics and product logistics, they have partnered with air business to develop Tianjin Air-port Supplier Village Project and Air Passenger Logistics Project, and partnered with COSCO Air Transport and other regional companies in marketing of many projects. With respect to petro-chemical business, product logistics, shipyard and cargo transport departments have jointly developed the integrated logistics service project for Sinochem International and Shell. With respect to comprehensive business, product logistics and air transport departments jointly developed the ocean shipping import and export project of Hefei Jingdongfang's equipment under the leadership of cargo transport departments. COSCO Logistics has provided professional solutions for VIP customers, which are highly praised by the customers. In 2010, Dongfang Electric and Qinshan Nuclear Power Plant of China Nuclear Engineering Group awarded COSCO Logistics and offered bonus. This is rarely seen in the industry and greatly enhanced the group's brand influences and reputation in domestic and international logistics market.

▲ All second-tier companies of COSCO Group have enhanced the management over suppliers. On Dec. 3, 2010, general manager of COSCO Bulk led a delegation to visit chairman of Hunan Hualing Group in Changsha. Chairman of Hualing Group has paid close attention to the visit, and led many top executives including general manager and deputy general managers of Hualing Holdings to attend the COA signing ceremony. They also had in-depth discussions with COSCO Bulk on strategic cooperation projects such as establishment of a jointly operated company and transportation agreements, with common understandings on mutual-trust, cooperative and mutual-beneficiary cooperation reached. On March 8, COSCO Dalian and Dalian West Pacific Petrochemical Co., Ltd signed a long-term transportation agreement.



3. Suppliers and Management of Supply Chain

COSCO Group is committed to establishing a mutually beneficial demand-and-supply relation with the suppliers. By maintaining such as relationship with the suppliers, the creative values of COSCO Group's subsidiaries were enhanced and their operational risks reduced. All companies would assess their important suppliers in terms of quality guarantee, services, prices and credit, etc, which would help them choose their suppliers in the future. All the shipping, logistics and shipbuilding and maintenance companies established suppliers' control procedures, and would evaluate and choose suppliers from the qualified ones selected by the headquarters and then provide feedbacks about the performance of the suppliers to COSCO Group. Through the evaluation, selection and management of suppliers, the companies played proactive role in ensuring quality, controlling prices and optimizing services, established a mutually beneficial relation with the suppliers, and effectively reduced procurement costs and operation risks.

▲ COSCON received the Special Partner Award from Mattel Toys. At the annual conference of logistics and logistics suppliers held by American Mattel Toys a few days ago, COSCON received the Special Partner Award, becoming the only shipping carrier of Mattel Toys that win such honorable award. Winning of the award is an outcome of COSCON's ceaseless efforts to improve its business service quality since 2003 when it signed cargo transport agreements with Mattel Toys, and shows recognition of the world's renowned brand on COSCON's service quality. Headquartered in South California, America, Mattel Toys is world's largest toy company, and ranks a leading position in the world in toy design, production and sale.

▲ In 2010, COSCO Supply Chain Management Co., Ltd started operation officially. Under the premises of operability, customers' trusts, considerable benefits and controllable risks, the company realized uniform management on the impawning supervision business of the system. By strictly managing the business process, business approval and inspection as well as its employees, it has effectively controlled the business risks. In 2010, the supply chain of iron & steel industry achieved considerable earnings and increased the income of traditional logistics services. On this basis, it tried to further explore the customer resources and values of traditional impawning supervision business customers, and provided useful experiences for further extension to value-added logistics services and the strategic transformation to high-end supply chain management services.

▲ Shanghai COSCO Kawasaki received the first order for Companhia Vale do Rio Doce (CVRD)'s steel structure procurement in China. Zhao Zengshan, Deputy Executive Manager of Shanghai COSCO Kawasaki Heavy Industries Steel Structure Co., Ltd affiliated to COSCO Shipbuilding Industries, was invited to attend the signing ceremony for the project held during the Brazilian Week at World Expo Shanghai, and signed an order for steel structures with CVRD, world's second largest mining company. This marks an important breakthrough made by the company in expanding its business presence in overseas market actively. It is noted that the iron ores for steel structure project of CVRD had always been purchased in Brazil before that. After the global financial crisis, the



company started to purchase the iron ores in international market. The steel structure project between companies of COSCO Group and CVRD is the first order signed by CVRD in an overseas iron structure market after the global financial crisis, and has greatly elevated the reputation of Shanghai COSCO Kawasaki in internal steel structure market. It is also another cooperation opportunity with world's second largest mining company after establishing cooperation relationships with BHP Billiton, Rio Tinto and Xstrata Nickel.

▲ COSCON won the 2009 Best Logistics Supplier Award from Aeolus Tyre. The award was issued by Aeolus Tyre to COSCON in Jiaozuo, and was the first of one issued by Aeolus Tyre in the history. COSCON is the only winner of the award. Winning of the award is not only a confirmation to COSCON's excellent services, but also an award for the outstanding contributions made by COSCON in logistics sector of Aeolus Tyre.

(V)Protecting Information Security and Respecting Customers' Privacies

COSCO Group implemented the ISO17799 information security management system standards and ensured piracy of customers including employees by establishing necessary mechanism and system. It also established information safety management procedures. It set up COSCO Group Confidentiality Committee for confidential work. It also signed confidentiality agreements with employees, requiring employees to properly manage the information of customers and all related parties and respect their privacies. By signing confidential agreements with customers, the company promises to keep the customer information, contract contents and articles and freight as confidential, thus trying to protect piracy of customers. When it is necessary for customers to provide information, the company will explain the reasons and the purpose of the information. Except for employees of the company, the customer's authorized agents, partners or subsidiaries, the company will not share with others the customer's information, not to disclose or sell the information of customers or potential customers. The company received no complaints due to infringing the privacy right of customers in 2010.

▲ On March 4, 2010, Joseph, Deputy General Manager of the International Association of Independent Tanker Owners (INTERTANKO), and Tim Wilkins, Asia and Pacific General Manager of INTERTANKO, held a symposium on tanker manager at the Dalian International Ocean Building. Initiated by INTERTANKO, the symposium aims at enhancing the interactions and communications with its members, focusing on critical issues of the industry, promoting information sharing and elevating safety management level of tankers. Experts from INTERTANKO gave detailed introductions to interest issues of tanker owners, such as tanker market, seafarers' training standards, terminal inspection database, ship inspection, anti-pirates, greenhouse gas emissions and blast water treatment. They also had discussions with technical personnel from COSCO Dalian on commonly concerned issues.



▲ American Carrier held a conference for reefer container service agencies of Asia and Pacific in Hanoi, Vietnam. Tianjin Yuanchang Reefer Container Service Co., Ltd (hereinafter referred to as Yuanchang) distinguished from 66 agencies of American Carrier in Asia and Pacific and won the only comprehensive award – Top Performer Award. After the conference, Chiou Fun Sin, vice president of Carrier, specially expressed congratulations to Yuanchang. The Top Performer is the highest award issued by Carrier, a large transnational company for manufacturing of refrigerating equipment, for its most excellent agency. It aims at awarding the outstanding performance made by agencies in commercial operation, employee development, information management, spare parts management and customer satisfaction. Winning of the award is the best confirmation to Tianjin Yuanchang’s efforts to promote prosperity of industry and to cope with financial crisis successfully. (Plate for Yuanchang)



(IV) Law Compliance

COSCO Group has insisted on relevant laws and regulations in business operation, operate honestly and trustfully and protect the legal interests of customers and consumers. COSCO Group strives to provide customers with safer, more convenient and more effective high-quality services, which has earned the company a good reputation in the industry. In terms of contract management, COSCO Group strictly observed the regulations stipulated in the COSCO Group Contract Management Methods and relevant work flows, conducted validity assessment over the contracts and agreements signed and approved by the headquarters, and ensured the rights and interests of both parties in the agreement while safeguarding the headquarters’ rights and interests at a maximum degree and reducing possible risks. In terms of the management and protection of brand names, COSCO Group headquarters attached high importance of the management of brand names, upheld the principle of concentrated management of trademarks, including the domestic and foreign registration, permitted use and protection of “COSCO,” —COSCO” vessel trade mark, —ZHONGYUAN” and —YUNYANG,” etc.

Legal affairs institute of COSCO Group headquarters established a legal information platform to dynamically trace the laws and regulations of related industries and analyze the adaptability and help customers to know the relevant requirements in product and service implementation processes. Companies affiliated to COSCO Group set up the legal affair regulatory departments and system regulatory departments to evaluate the law compliance of products and services, identify the requirements of laws and industry regulations that products and services should conform to. They strictly enacted the compulsory regulations, found the deficits and adopted corrective measures to make improvements, so as to ensure that the production course, the realization of products and



services as well as the marketing and the advertising activities can meet the requirements of related laws and regulations. Based on arrangement of the Board of Directors, shareholders of the companies affiliated to COSCO Group will invite external legal institutions to evaluate the legal compliance and the validity of the companies' business operation each year and invited well-known auditing institutions to conduct the audit for the companies in a bid to identify the related requirements of laws and industry regulations for the companies' production, operation, products and services. They reported the situation of legal compliance and the validity according to the standard auditing system, which will be delivered to the Board of Directors for examination and made corrections and improvements on the deficiencies.

In 2010, COSCO Group faced no severe penalties for breaching related laws and regulations regarding product and service liability.





LABOR RELATION PERFORMANCE INDICATOR AND THEME REPORT



Part IV Labor Relations Performance and Theme Report

I. Management Approaches

(I) Objectives and Performance

COSCO Group insists on people-orientation, studies and implements the scientific outlook of development in an in-depth manner, and starts from its long-term development strategy to innovate operational ideas, improve its management, optimize the structure and establish a harmonious enterprise, so as to establish teams of entrepreneurs, technical talents, operational and management talents, and seafarers that are adaptable to requirements of its development strategies. COSCO Group actively promotes the diversified management of employees and corporate cultures as well as its global operation and management. It propels the overall development of human resources, deepens reform on seafarer management system and promotes the social work such as pensions and medical insurance. It establishes peaceful and diversified talent competition mechanism, builds up a platform for employees to bring their talents into full play and fulfills the harmony and unification of employees' growth and enterprises' development. It promotes employee quality project in an in-depth manner, exerts great efforts to implement the strategy of "empowering enterprise with talents", adapts to the 11th Five-year Development Plan of COSCO Group, further improves the overall quality of COSCO employees, protects basic rights and interests of the employees and realizes harmonization and win-win of growth and development of enterprises. In 2010, it has completed the health & safety and training objectives set in early of the year.

▲ **Long-term target:** Continuously improve overall quality of employees, establish professional teams that are suitable to requirements of strategic development of COSCO Group, and create harmonious labor relations. Insist on scientific development and human-orientation, fulfill the strategic targets of "zero accidents, zero injuries and zero pollution" and ensure occupational health and safety of employees;

▲ **Annual target:** Enhance safety consciousness of all staff and effectively reduce human injuries. Prohibit severe injury and death accidents, avoid serious accidents, effectively control common accidents and small accidents and reduce the death toll of employees to below 0.1%.

(II) Policies and Regulations

Based on requirements with regard to seafarer employment and management in the Labor Law of the People's Republic of China and the Regulations of the People's Republic of China for Seafarers, COSCO Group has formulated the Human Resources Management Procedures, the Safety Risk Management Procedures, the Employees Brochure and the Collection of Organization and Human Resources Working Systems, and revised the COSCO Group Management Methods of Shipping Seafarers and the COSCO Group Management Methods of Seafarers at Bases, defining rights, obligations and welfares of employees from aspects such as employee recruitment, management, employment as well as the occupational health, labor safety, welfares and treatments. It holds no



discrimination against disabled persons, provides equal opportunities to all people, and lays a solid policy foundation and system guarantee for construction of “harmonious COSCO”. The group has established and improved the articles of associations for the labor unions and organized collective negotiation and democratic negotiation as well as the communications and exchanges between employees’ representatives and members of top management of the company.

COSCO Group has stuck to the strategy of “developing enterprises by talents”, deepened the reform on modern personnel systems, established the human resources management system, and enhanced the transparency and democracy for selection and appointment of cadres. It implemented the public disclosure system in appointment of cadres and adopted competition-for-post method on a just and fair basis to enhance employees’ enthusiasm, prospects and creativity. It established the COSCO Group Seafarer Information System (CSIS) to standardize the recruitment, appointment, evaluation, training and management of seafarers, making sure that it has a crew team with sufficient members, reasonable structure and excellent quality. COSCO Group and its subsidiaries gradually introduced OHSAS18000 occupational health & safety management standards and ISM regulations, established and implemented the occupational health & safety management system, formulated related procedures, notices and operational regulations for occupational health & safety management and enhanced the management on working safety and occupational health.

(III) Organization and Responsibilities

COSCO Group set up functional departments such as human resources departments, labor unions, safety management committees and safety supervision departments, which were mainly responsible for employee recruitment, daily evaluation, training and education, elevation and promotion and salary & benefits; for coordination and signature of collective contracts and protection of rights and interests of employees, including supervising the company to perform the articles of the contract, protecting female employees and legal rights and interests of other employees; for comprehensive safety management work, including the management of production locations, production processes and safety and occupational health of production personnel.

(IV) Training and Communications

COSCO Group, based on its strategic development planning and annual targets, has formulated annual plans for training and the education of employees on occupational health and safety, labor laws and regulations, working skills, management knowledge and employees’ code of conduct. It carried out “Three 300s” talent project to promote the overall development of human resources of the group. It has enhanced training strengths on urgently needed talents and laid special effects on the cultivation of teams of directors and supervisors, high-tech talents, senior financial management personnel, advanced crews and legal talents. In the meantime, it carefully implemented the Regulations on Seafarers, expanded the training modes of crews, enhanced the training strengths and continuously improved the comprehensive quality of crews. It attached great importance to pre-post, technical, safety and special work type trainings on peasant workers, with the training rate of as high as 100%. It also did a better job in communications of related knowledge and information with



various meetings, media and networks and improved management ability and level of employees at all levels.

COSCO Group and its affiliated companies have established diversified and effective communication mechanism between employees and top executives, such as workers congress, general manager's mailbox, letters and visits, democratic meeting for opinions collection and irregular symposiums.

(V) Career Development of Employees

COSCO Group has attached great importance to career development of employees and coordinative planned the career development demands of employees and its development planning. By establishing fair, transparent and just talent selection mechanism, providing diversified cultivation channels and establish talent selection mechanism focusing on educational background and practical working ability, it establishes an evaluation system with working performance as the evaluation standards and encouraged employees to improve their comprehensive ability. It makes full, reasonable and effective use of internal human resources and balances the human demands of enterprise and career development demands of employees. It deepens the human resources development and management, and develops talent team to the maximum extents. It also plans career development of employees to promote the joint progress of employees and enterprise.

(VI) Supervision and Inspection

COSCO Group supervised and inspected the occupational health and safety production work of its subsidiaries as well as the establishment and implementation of related rules and regulations through quarterly inspection on management system, internal audit and management and evaluation. In respect to problems found, it analyzed the reasons, formulated corrective measures, and made self-adjustment and self-improvement to ensure the implementation of all regulations. Based on the activity of "creating four bests leadership team", it supervised and promoted the cultivation of leadership at all levels. Through such means as "making public the affairs of factories and enterprises" and the "workers' congress", COSCO Group accepted the supervision of the public and the employees on its fulfillment of related regulations, evaluated and reviewed the key and important affairs of the company and the production and operation status that are related to the fundamental interests of employees, and evaluated and commented on matters such as employees welfare, occupational health, labor contract and safety product. COSCO Group established the safety supervisor system to supervise the occupational health and safety management as well as the operation of management systems of companies at all levels, while guiding and carrying out the measures and proposals for labor protection and production safety. COSCO Group headquarters and second-tier companies gradually established related systems and passed certifications of related organizations.



System Establishment and Certification of COSCO Group's Subsidiaries in Accordance with Related Standards and Regulations

Companies	Occupational health & safety management system		International/domestic safety management rules		International Ship and Port Facility Security (ISPS)	
	Established	Certified	Established	Certified	Established	Certified
COSCO Group headquarters	★	★	--	--	--	--
China COSCO	★		▲	▲	▲	▲
COSCON	★	★	▲	▲	▲	▲
COSCO Bulk	★		★	★	★	★
COSCO Guangzhou			▲	▲	▲	▲
COSCO Shipping	★	★	★	★	★	★
COSCO Qingdao	★	★	★	★	★	★
COSCO Dalian	★	★	★	★	★	★
COSCO Xiamen	★	★	★	★	★	★
COSCO Hong Kong	★	★	★	★	★	★
COSCO Logistics	★	★	--	--	--	--
COSCO Shipyard	★	★	--	--	--	--
COSCO Shipbuilding	★	★	--	--	--	--
CHIMBUSCO	★	★	▲	▲	▲	▲
Hainan Boao COSCO	★	★	--	--	--	--
COSCO Ocean Shipping Tally	★	★	--	--	--	--
COSCO Manning	★	★	--	--	--	--
COSCO Finance			--	--	--	--
China Ocean Shipping News			--	--	--	--
Maritime China			--	--	--	--
COSCO U.K.	★		★	★	--	--
Symbol: ★ Completed; -- Not applicable ▲ Consigned vessel management companies or affiliated companies						



II. Performance Indicators

(I) Staff Employment

COSCO Group promotes diversified employee and implements “—global thinking and local operation”. It spares no efforts to attract, retain, award and use excellent talents worldwide and actively fulfills its global operation and development.

COSCO Group has always adhered to the idea of people-oriented and staff caring during its development process. The company has fully mobilized and tapped the potentials of its employees, stimulated their enthusiasm and offered its staffs the sense of belonging, thus achieving common growth of the company and its employees.

1. Personnel Structure

Indicator/year	2006	2007	2008	2009	2010
Total number of employees	69,549	69,285	67,643	71,584	71,105
Number of land-based employees in China	38,435	39,959	38,757	44,036	44,642
Number of employees working abroad	384	383	393	407	405
Number of foreign employees	4,048	3,752	4,188	4,207	4,023
Proportion of foreign employees	5.82%	5.42%	6.19%	5.88%	5.66%
Number of land-based foreign female employees	1,602	1,590	1,713	1,658	1,686
Proportion of land-based foreign female employees	39.67%	42.4%	40.9%	39.41%	41.91%
All-staff labor productivity (RMB)	392,000	684,764	665,836	152,579	395,500

2. Employee Turnover

COSCO Group has been committed to creating good working environment for employees, encouraging their enthusiasm, and improving the mechanism of retaining talents with good welfares, passions and development opportunities, so as to increase employees' satisfaction and loyalty, and achieved good results. In 2010, total number of resigned employees reached 4,945, and the employee turnover rate was 6.95%.



3. Insurance and Welfares for Employees

COSCO Group establishes attends various social insurances including pension, primary endowment insurance , medical care, work-related injury safety, maternity and unemployment insurances, as well as housing accumulation fund for all its employees. It joins the social insurance of Beijing’ s social insurance institutes regardless of units and regions to ensure the legal rights and interests of employees. COSCO Group also establishes complementary medical care issuance and traffic accidental insurance for all its employees. Currently, COSCO Group is propelling the establishment of annuity system. The detailed implementation plans had been approved by SASAC and submitted to the Ministry of Human Resources and Social Security for record-keeping.

4. Vacation System

COSCO Group provides competitive paid annual leave, maternity leave, paternity leave and recreation system among companies of the same industry.

Table of various holidays of COSCO Group

Indicators	Number of days
Marriage leave	3 days
Marriage leave (late marriage)	3+7days
Maternity leave	90 days
Maternity leave (late childbirth)	90 days + 30 days
Maternity leave (multiple gestation)	Additional 15 days for every extra child given
Paternity leave	15 days
Funeral leave	3 days
Home leave to see couples	30 days/year
Home leave to see parents (unmarried)	20 days/year
Home leave to see parents (married)	20 days/four years
Paid annual leave (employees working at the company for less than 10 years continuously)	5 working days per year
Paid annual leave (employees working at the company for more than 10 days but less than 20 years continuously)	10 working days per year



Paid annual leave (employees working at the company for more than 20 years continuously)	15 working days per year
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Labor unions of all companies at all levels organize recreational activities for employees in different times and batches each year. These recreational activities enhance employees' physical quality, alleviate their working pressure, promote the unity and friendship of employees, create a harmonious and relaxing atmosphere, allow employees to feel the warmth of working in COSCO Group and to love COSCO Group, and enhance the cohesion of the enterprise.

▲ In a bid to improve the mental and physical health of labor models, respect and award the contributions made by them to the enterprise, and try to form the atmosphere of “studying, respecting, caring, advocating and competing to be labor models”, the Labor Union of COSCO Group organized recreational activity for 36 labor models and advanced workers from 15 units on Nov. 17 to Nov. 23. COSCO Qingdao organized 39 persons including excellent captains, commissars, chief engineers and labor models as well as their family members to attend recreational activity in Boao, Hainan. These recreational activities pleased employees' moods, cultivated their tastes, and mobilized their working enthusiasm and voluntariness.

5. Leadership Selection and Appointment

COSCO Group has established its enterprise leadership selection and appointment management principles and procedures in accordance with the modern enterprise system requirements. Through a series of cadre adjustment and exchange activities, and in accordance with the standards of truth-seeking, being objective and comprehensive, it has promoted the distinguishing of excellent talents from many aspects such as ideological quality, working performance, team coordination and working style and image. Thus, it has made the age structure, professional background and experiences of the management team of related units more reasonable.

6. Seafarer Management

Statistics for Number of Seafarers of COSCO Group

Indicator/Year	2006	2007	2008	2009	2010
Self-owned seafarers	26,682	25,191	24,305	22, 943	22,035
Number of migrant workers and contracted workers as seafarers	8,875	9,435	10,924	12, 408	12,288



The progress of navigation technologies and the application of modern equipment make greater demands on building and management of seafarer team. COSCO Group sets protecting employees' life and health as its fundamental objective, organically combines the staffing and training of the crew, and continuously enhances crew employees' basic knowledge and skills and their adaptation to emergencies and changes so as to meet new situation. Proceeding from the overall improvement of crew quality, we endeavors to strengthen the weak links of comprehensive quality of the crew and train a host of maritime professionals with strong theoretical insights and professional qualities.

In 2010, COSCO Group organically combined the utilization and cultivation of seafarers, and offered planned trainings for seafarers by making use of existing facilities and measures. It formulated the system of arranging a certain number of intern seafarers for each ship, arranged captains and chief engineers with rich theoretical knowledge and practices to guide the intern seafarers, thus doing a better job in knowledge delivery. It improved and enhanced the management of seafarers, and strictly controlled the recruitment, training, elevation, distribution and dispatch of seafarers by means of competency evaluation. It enhanced the management of safety supervision on dispatched seafarers, strictly controlled the dispatch from the source, and systematically evaluated the qualification, safety supervision management level and safety technologies of ships, so as to ensure life safety of dispatched seafarers.

As informationization construction of seafarer management of COSCO Group is closely related to elevation of overall seafarer management level of the group, the group has exerted great efforts to promote the informationization construction of seafarer management. On the basis of successful operation of COSCO Seafarer Information System (CSIS), COSCO Group further expanded the system in 2010, and enhanced the information sharing of seafarer management by transplanting and promoting the system at COSCO Bulk, COSCO Qingdao and COSCO Manning, thus elevating the overall seafarer management level of the group.

7. Management of Migrant Workers

Number of Contracted Migrant Workers Used by COSCO Group

Indicator/Year	2006	2007	2008	2009	2010
Number of contracted migrant workers	—	—	—	44, 697	42,514

By the end of 2010, COSCO Group's subsidiary companies have a total of number 42,514 migrant workers. In order to protect the practical rights and interests of migrant workers, it signs standard labor contracts with migrant workers, protecting legal rights and interest of migrant workers in terms of system. It purchases endowment insurance, work-related injury insurance and other social insurances for migrant workers, and tries to improve the treatment of migrant workers. In order to improve the professional quality of migrant workers and enhance their awareness of safe production,



COSCO Group always attached importance to the training of migrant workers, continued to set safe development as the basic measure for sustainable, rapid development of the company. In the migrant worker skill training for safe production, through exploration, training content has been systematized, training forms diversified, training resources intensified training effects socialized. All of the migrant workers participate in pre-job safety skills training. It develops scientific, realistic safety education and training measures and systems for them to obey and implement them in targeted manner. To effectively take care of migrant workers and their families, help them to solve their problems, labor unions at all levels regularly visit poor families, let them feel the warmth of organization and fully mobilize their enthusiasm for work. In COSCO Group, the harmonious atmosphere has gradually formed, in which migrant workers are taken care of, their educational level and working skills continue to improve.

▲ In August 2010, COSCO Group organized a special survey on migrant worker management. Headed by Secretary Zhang Fusheng, the special investigation team specially conducted a survey at COSCO (Nantong) Shipyard and NACKS. With the changes of economic structure and the development of enterprise, COSCO Group will face new situations and issues in migrant worker management work. Therefore, COSCO Group has attached great importance to this. Leaders of COSCO Group listened to reports made by related units and departments repeatedly, and required related departments to take “scientific outsourcing management” and “ideological building of migrant workers” as the main task, do a better job in migrant worker management work with innovative spirits, and list the special investigation on migrant worker management as one of the key tasks of the group in the second half.

▲ With the target of improving safety skills and labor safety of migrant workers, COSCO (Nantong) Shipyard carried out all-staff safety production contest by means of training & examination, promotion and education, and skill content under the themed of “individuals are safe individuals, and organizations are safe organizations”. The ship and engineering workshops carried out safety education and training themed on “studying skills and learning rules” among team heads and managers. With respect to issues on-site, it carried out special safety knowledge training on fire and explosion prevention and firefighting skill contest in form of “one person offers one class”. Moreover, it also created many cartoon stories themed on safety production, and carried out a series of safety production promotional and educational activities in match with safety-themed corridor. (COSCO (Nantong) Shipyard Employees’ Contest)





(II) Relations between Labors and Management Team

1. Working Mechanism and Performance of Labor Unions

Labor unions at all levels of COSCO Group fully expressed and protected legal rights and interests of employees. They mobilized and organized employees to actively attend the production, operation, management and reform, and tried to complete various tasks. They represented and organized employees to attend the democratic decision-making, democratic management and democratic supervision of enterprises. They spared no efforts to enhance the democratic, public and legal construction of the labor unions, increased the number of activities organized and served for employees whole-heartedly, so as to construct the labor unions into reliable homes of employees with complete governance structure, effective right-protection mechanism, active working mechanism and significant functions.

Indicator/year	2006	2007	2008	2009	2010
Proportion of employees joining the labor unions (%)	98	98	99.58	99.72	99.84
Number of second-tier labor unions under the labor union of COSCO	16	16	16	15	15
Coverage rate of collective contracts (%)	100	100	100	100	100
Coverage rate of labor contracts (%)	100	100	100	100	100
Number of labor protection supervisors and inspectors (persons)	1,515	1,267	1,356	2,037	1251
Number of information personnel of labor unions (persons)	933	635	465	826	333
Number of information released by information personnel of labor unions*	3,787 pieces	3,073 pieces	782 periods	1,480 periods	2,693 periods
Time limit for pre-announcement of key events*	14-30 days	14-30 days	14-30 days	14-30 days	14-30 days
Pre-announcement rate of key events (%)	100	100	100	100	100



Remarks:

1. The time-limit for pre-informing of key events of listed companies shall follow the regulations of the Company Law, the Securities Law and Information Disclosure Management Methods of Listed Companies.
2. Since 2008, the information collector of the labor union adopted statistics of information data by periods.
3. The merger of China COSCO and COSCO Group in early 2009 had resulted in decrease of the number of second-tier labor unions under COSCO Group's Labor Union to 15.

▲ In the past six years since its establishment, the Labor Union of COSCO (Zhoushan) Shipyard actively promoted the construction of Employees' Homes and Small Employees' Homes at grassroots focusing on the target of "building a harmonious enterprise". By implementing the housing project for talents, warmth-sending project and cultural project, it cared for people's life and the employees, and enhanced the cohesion of its team. In 2010, the Labor Union of COSCO (Zhoushan) Shipyard received the honorable title of "National Model Employees' Home".

2. Signing of Collective Contract

COSCO Group protects legal rights and interests of its companies and employees in accordance with the laws, and maintains stable and harmonious labor relations. The Labor Union of COSCO Group issued the Implementing Rules of COSCO Group Headquarters to Implement the Regulations on Collective Contract in accordance with related rules and regulations of the country, further improved the system and mechanism to coordinate labor relations and protect legal rights and interests of employees in accordance with laws. The coverage of collective contracts reached 100%.

In accordance with the Trade Union Law of the People's Republic of China, the Labor Law of the People's Republic of China and other national laws and regulations, all levels of labor unions of COSCO Group perform their protection obligations to promote the transformation of copyright protection work from caring employees' difficulties and solving their specific issues to focusing on basic interests of employees and establishing right protection mechanism in accordance with laws. COSCO Group and all its subsidiary companies strictly implement the Labor Contract Law of the People's Republic of China, and sign labor contracts such as fixed term labor contracts, non-fixed-term labor contracts and migrant worker labor contracts with their employees in accordance with related rules and regulations, building up harmonious and stable labor relations.

▲ After the promulgation and implementation of the Labor Contract Law of the People's Republic of China, COSCON further improved its labor contract management system to standardize labor contract management, protect legal rights and interests of the enterprise and the employees, and establish harmonious and stable labor relations. In accordance with related laws and regulations of the country and based on practical situations of the country, it revised the COSCO International Freight Labor Contract Management Methods and the Labor Contract, collected opinions from the



employees through the Labor Union and sufficiently communicated and negotiated with the employees. The final versions were released on May 7, 2010.

3. Communication Mechanism for Employees and Management Team

In accordance with laws, COSCO Group labor unions at all levels organize employees to participate in the democratic decision-making, democratic management and democratic supervision through the Worker's Congress and in other forms. They pay attention to the decision-making role of Worker's Congress Joint Meeting during in the closure of Worker's Congress, actively promoting the inspection work of worker representatives, to ensure that employees can fully exercise of the rights of democratic management and democratic supervision in the major issues such as production, operations management and their vital interests. At present, COSCO Group has established a multi-level Worker's Congress system covering the group, second-tier and third-tier companies. The annual production and operation objectives and major issues are submitted to the Worker's Congresses for approval, and important decisions involving the interests of workers are submitted for vote. Employee representatives are organized to evaluate the work of leaders on a regular basis, and plans regarding corporate restructuring, closure, bankruptcy and resettlement of workers are all submitted for the approval of the Worker's congresses. The Group managed to achieve openness in company affairs and soundness in organization, with company affairs made public in a variety of forms and in close connection to the actual situation of the enterprise. All work was made effective to play important roles in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions. The worker's congresses in units have been recognized by the worker representatives who sing praise for the organization of worker's congresses, duty clarification and role. (Workers' Congress of COSCO Qingdao)



4. Deepening information disclosure system, Establishing Key Event Prior Notice System

To further improve the openness of factory affairs, the labor unions of COSCO Group wrote new requirements and provisions into the assessment system according to the requirements of the SASAC. Various forms of openness were innovated, like conferences on openness of company affairs, online columns for openness of factory affairs, dialogues between leaders and employees, workers'



meetings, and theme briefing conferences. The mechanism for openness of company affairs continued to improve, and the work was regularized and standardized. An advanced reporting system for major events (major changes that have substantial impact on employees (shareholders)) was established to report major events in advance. The advanced reporting rates were 100%, which played an important role in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions.

▲ South China Branch of COSCON further enhanced the democratic management and released the Implementing Rules for “Open Business, Democratic Management” Work, which further detail the open business and democratic work. The open business was warmly received by the employees, who offer suggestions for operation and development of the company through various means, thus enhancing the activeness of employees and their enthusiasm for democratic management.

5. Solicitation of Reasonable Suggestions

In order to encourage employees to give suggestions on how to improve business management, COSCO Group formulated “management approaches on COSCO Group headquarter employees raising reasonable suggestions” (temporary) according to the Awarding Decrees of Raising Reasonable Suggestions and Technical Improvements”. COSCO Group’s Labor Union and the subsidiary labor unions collected reasonable suggestions extensively from the ordinary employees through Workers’ Congress, working meeting and e-mail and other communications channels. Feedbacks were given to individuals when their proposals were adopted, and with rewarding to those good ones. In 2010, 2,895 reasonable suggestions were received, and 1,423 were adopted.

▲ On April 2, 2010, COSCO Bulk held a promotional fair for activity of raising reasonable suggestions from employees to award the excellent suggestions offered by its employees in 2009. It also formulated and released the Notice on Collecting Reasonable Suggestions on Employees’ Dormitories in 2010 with Awards, encouraging its employees to offer reasonable suggestions actively and trying to improve the quality of reasonable suggestions. It also required related functional departments to pay close attention to and carefully treat the suggestions and opinions of employees, and make feedbacks and replies timely.

6. Employee Satisfaction

In order to have a comprehensive understanding on ideological trends of employees of COSCO Group headquarters, collect employees’ suggestions on corporate management, enhance the recognition of employees on the enterprise, improve cohesion of employees, further elevate the management level of COSCO Group headquarters and promote the mutual growth of the enterprise and the employees, the Human Resources Department organized an employee satisfaction survey among employees at COSCO Group headquarters in 2010. The employee satisfaction survey took the form of secret questionnaire, and was conducted on six aspects, namely basic working conditions, working post, career development, salaries and welfares, training of employees and corporate ideas.



All employees of COSCO Group headquarters attended the survey, with the satisfaction rate reached 92.55%.

▲ In May 2010, the Shanghai Federation of Trade Unions awarded the honorable title of 2008-2009 Most Satisfactory Enterprises (Business Units) of Employees in Shanghai to COSCO (Shanghai) Shipyard. As COSCO (Shanghai) Shipyard is engaged shipbuilding business, which is a labor-intensive industry, economic benefits of the enterprise are created by frontier employees of the company at the production site with their diligence, wisdom and sweats. They are real owners of the enterprise. COSCO (Shanghai) Shipyard has been committed to encouraging the working ardor of employees from different regions, with different backgrounds and educational levels, and tried to create a harmonious working environment for them. In the employee satisfaction survey carried out by the Shanghai Federation of Trade Unions, the three most dissatisfying items of employees are: —my salary is satisfactory compared with other employees of the same industry or others of the same work type or post”, —my comments on fairness and rationality of internal distribution system of the enterprise” and —cadres’ attention on opinions and suggestions of employees”. However, COSCO (Shanghai) Shipyard enjoyed high satisfaction with respect to aforesaid three items.

7. Prior Notice System before Cadre Appointment

COSCO Group put into practice the system of public notice before cadre appointment. Public notice is to be held for those workers who are going to be promoted to the level above vice manager in headquarter or the leadership of subordinate unit. The content include name, sex, date of birth, place of origin, academic degree, the political affiliation, CV, current position and promotion positions. Generally all the information is to be posted in public for 7 days. It is often published through the OA system or in paper and at same time with telephone and email open for receiving public opinions. Public opinions are to be recorded, handled, carefully verified and kept confidential. The system of public scrutiny before cadre appointment effectively ensures employee’s the right to know, participate, to choose and to supervise the cadre selection and appointment. In 2010, COSCO Group and its subsidiary companies should publicize 18 cadres’ information before appointment. The actual number of cadres subject to the system is 18. The rate of public scrutiny is 100%.

(III) Safety and Occupational Health

1. Safety Production and Occupational Health Management Mechanism

COSCO Group and its subsidiary companied attached great importance to safety responsibility. All subsidiary companies and groups were equipped with Safety Production Commission. Safety Production Office was set up as subsidiary to the Safety Production Commission. Main tasks and responsibilities of the Safety Production Office were insisting to the implementation of national production safety laws and administrative regulations, studying major measures of safety production works, coordinating and resolving major issues in safety production, guiding safety production work



and offering instructive suggestions on the universal and tendentious issues that occurred in safety production.

Under the management of the safety committees, the safety committee offices were responsible for dealing with daily safe production and occupational health work, completing important tasks assigned by the safety committees, regularly organizing symposium and summary meeting on safety product, conducting inspection, evaluation and survey on the safe production, occupational health and environmental protection, putting forward requirements and improvement proposals for the above tasks and timely reporting to the safety committees.

The safety committees of ships were responsible for safe operation of ships, avoiding casualties, protecting health of crew and preventing ocean environment pollution. They shall strictly perform the international conventions and related regulations of local authorities and guarantee effective operation of safety management systems of ships. In case of any emergent accidents or events, captains have the rights to make final decisions in order to protect ship and personnel safety, avoid environmental pollution and reduce property losses.

COSCO Group has set up its Safety Technical Supervision Department, all subsidiary units have set up Safety Management Functional Department. Responsibilities included charging of safety production works; in charge of marine monitoring, maintenance management, ship resistance, marine and land emergency response, labor safety, traffic safety management, safety production inspection, risk assessment, safety health and environment management works guidance, as well as guiding the environmental-protection and energy consumption works in accordance with the implementation of international conce3ntions, national legislation and industry requirements. Safety Production Office worked under the leadership of Safety Production Commission.

Strengthening ships' safety health and technical guidance as well as shore-based support. COSCO Group has set up its ship safety supervision mechanism in the national major ports so as to conduct safety inspections and guidance for arrival ships. This measure has strengthened the effective control of safety management of COSCO Group. COSCO Group and all its subsidiary units have all established emergency response and disposal leading group and working group in charge of supervising, coordinating, guiding and dealing with the emergent incidents and accidents occurred on ships and on shore.

Labor union of COSCO Group issued the Opinions on Establishment and Perfecting the Labor Unions' Working Mechanism on Labor Protection Supervision and Inspection. Second-tier labor unions had established and perfected the organizational systems for labor protection supervision and inspection work of the labor unions according to the spirits and requirements in the Opinions, propelled and assisted the enterprise to perform labor protection and safety production laws and regulations of the State and the regulations and systems of the enterprise, and ensured safety and



health of employees in working processes.

▲ Employee Representatives of Safety Committees

Employee representatives of safety committees: chairmen and vice-chairmen of labor unions of COSCO Group headquarters and its subsidiaries at all levels are major members of safety committees. Responsible persons for labor safety protection and supervision of labor unions at all levels are main members of the safety committees. In the safety committee of COSCO Group headquarters, the number of employee representatives accounted for 18% of the total, compared with 20% in safety committees at all levels.

2. Planning and Deployment for Safety and Occupational Health Work

COSCO Group has attached great importance to safety and occupational health work. On Jan. 6, 2010, safe production work conference for the entire production system was held to summarize and arrange for safety and occupational health work. In order to better implement the policy of the State Council on safe production, and to implement the spirits conveyed at the COSCO Group 2010 Safe production Work Conference, COSCO Group 2010 Guidance on Safe Production was formulated and issued, requiring all the subsidiary companies to implement in details.

▲ Guiding Ideologies

Under the guidance of scientific outlook of development, we shall enhance recognition and leadership, and take the safety development as the top priority; implement safe production responsibility system, consolidate security management infrastructure, improve emergency management level; focus on supporting the group's development in post financial crisis era in accordance with the uniform deployments and requirements of the group, ensure stable development of safety work of ocean transport and land-based enterprises, and further consolidate the safety guarantee system; In safety management, we endeavor to explore laws, develop innovatively and achieve "zero accidents, zero injuries, zero pollution" relying on scientific and technological progress.

▲ Safety and Occupational Health Strategy

Adhere to people-orientation, ensure the health and lives of employees, adhere to safe development, ensure no loss of property, protect the environment from be polluted; adhere to scientific development, achieve sustainability, and ultimately intrinsic safety.

3. Overview of Safety and Occupational Health Work

In 2010, COSCO Group actively implemented the measures of the State Council regarding safety production, established and implemented the scientific outlook of development, enhanced lean management focusing on the overall objectives of safety management, and steadily carried out the "Safe Production Year" activity. By enhancing the trainings, improvement the system, enhancing the supervision and elevating the execution ability, we effectively protected the serious and extremely



serious accidents, kept stable safety situations in the year and achieved satisfactory results in safety and occupational health work.

Statistics of all types of accidents:

In 2010, 96 work-related injury cases were taken place in COSCO Group, resulting in slight injuries of 96 persons, with no serious injuries or deaths occurred.

Indicators/year	2006	2007	2008	2009	2010
Number of human injuries	73	120	60	91	96
Work-related death toll	1	5	0	3	0
Death rate for safety liability accidents per 1,000 persons	0.014	0.038	0	0.04	0
Number of persons involved in work-related injuries	66	100	60	92	96
Loss of working time	3,379	4,470	3,049	22,433	21,683
Lost Time Injury ‰	0.19	0.26	0.15	1.51	1.49
Loss of working time caused by accidents	12,064	35,757	24,392	179,464	173,464

Note: Because according to GB6441-86 Enterprise Workers Casualty Classification of the statistical regulations, 1 death is equal to 6000 days loss of working time. Therefore rate of loss of working time, Loss of working time caused by accidents are adjusted accordingly. This sort of calculation was applied from 2009, so the data changed a lot.

In the year of 2010, altogether 7 small marine accidents occurred, with no accidents at reporting level occurred and no machine damages and pollution accidents at report level occurred.

COSCO Group marine accidents statistics					
Year	Extremely Serious	Serious	Common	Small	Total
2007	1	1	3	7	12



2008	0	0	1	5	6
2009	1	0	3	3	7
2010	0	0	0	7	7

4. Implementation Measures of Safety and Occupational Health Work

(1) Studying and Implementing the State Council's Spirits on Enhancing Safety Work in an In-depth Manner, and Enhancing the Sense of Responsibility and Obligation in Safety Work

In 2010, COSCO Group studied and implemented the requirements on safety work of the State Council in an in-depth manner, firmly established the ideas of “safety means efficiency and responsibility”, and enhanced the sense of responsibility and obligation in safety work. Leaders of the group take a lead in studying the State Council's Notice on Further Enhancing the Safety Production Work of the Enterprises. All companies affiliated to the group actively studied and implemented the spirits conveyed in the State Council's Notice, analyzed the requirements of the Notice article by article, conducted comprehensive evaluations on safety management system documents, rules and regulations, working procedures, emergency response plans and safety management regulations to find the insufficiencies and put forward improvement methods. All units have tried to explore and research on new ideas, measures and methods of safety management work under new situations. These efforts formed the favorable atmosphere of “leaders' attentions, all-staff participation, fast promotion and effective implementation”, created a harmonious and stable safety management environment and ensured the stability of safety situations of the system.

(2) Continuously Increasing the Inputs to Safety Production and Promoting the Strategy of Ensuring Production Safety through Science & Technology

In 2010, COSCO Group continuously increased the inputs to safety production, and specially strengthened the ship repair and maintenance as well as fleet structure adjustment. It approved retirement of more than 30 ships in the whole year, optimized and adjusted fleet structure, and improved the safety production and operation environment. The group has constantly enhanced the informationization of safety management, established safety management information platform, realized timely statistics of safety information, emergency response management, various accidents and safety input, and promoted the resource sharing and information exchange within the system.

(3) Enhancing System Construction and Continuously Improving Safety Management Level

COSCO Group has taken the activities such as the “National Safety Production Year”, the “National Safety Production Month”, and construction of basic infrastructure for safety production and emergency response as important content for establishment of a long-term safety mechanism, promoted safety and management with activities, enhanced and solved the weak sectors and obvious issues in safety production. In activities, it has enhanced the construction of safety production system and mechanism, strictly implemented the safety production responsibility system and insisted on negotiation system on key events.



With respect to ocean shipping, ship and shore-based employees made concerted efforts to enhance the seasonal safety work. In 2010, the group traced navigation of ships in large waves for 2,424 times, in fog for 1,539 times, in special situations for 1,114 times and ships affected by tropical cyclone for 433 times. No obvious dangerous situation occurred.

With respect to engine safety management, all units enhanced the management of old ships, paid close attention to daily reparation and maintenance of ships, in particular, strengthened the evaluation on ship safety technologies and safety of structure of old ships and large-sized ships, continuously improved the engine safety management and monitoring ability, hence effectively avoided the ship engine damage and pollution accidents.

With the “OneGlance” Project as the starting point, all land-based units actively promoted the standardization of land-based safety business safety management system within the system, completed the revision and improvement of rules and regulations regarding labor and land-based business safety, and further enhanced process control, key point control and process restructuring.

(4) Strengthening Safety Supervision, Inspection and Hidden Worry Management, Implementing Preventative Measures

In 2010, COSCO Group strengthened the safety supervision, inspection and hidden worry management, and enhanced the construction of a long-term mechanism for removal of hidden worries. In accordance with the State Council’s arrangements for the Safety Production Year, it carried out Safety Production Year activity within the system actively, carried out hidden worry removal activity and safety protection supervision activity in an in-depth manner, and strictly inspected the illegal and non-compliant behaviors. With a focus on “rectifying navigation style and strictly controlling on-duty disciplines”, all shipping companies and ships strictly managed the shipping disciplines at operation console, standard behaviors in navigation operation and identified unsafe factors in navigation behaviors of daily work to avoid any accidents due to wrong operation. In 2010, COSCO Group organized two large-scaled safety production supervision activities, with 60 units and 411 ships supervised, effectively promoting the “hiddenworry removal” activity within the system. A total of 2,412 units and ships carried out the activity, finding 31,523 safety hidden worries, of which, 31,426 have been rectified, with the rectification rate of 99.7%. A total of 83 serious hidden worries were found, all of which have been rectified, with the rectification rate of 100%.

(5) Insisting on Safety as Top Priority, Carrying forward Safety Culture and Ensuring Occupational Health and Safety of Employees

Under the guiding ideologies of people-orientation and life is top priority, in 2010, COSCO Group, on the basis of organizing trainings for safety management personnel according to the plans, insisted on propelling and supervising all units to strengthen the safety training and education on employees, focus on weak points, frontier employees and special work types in training work, try to enhance the safety consciousness, behavioral standards and business capacity of the employees and create strong



atmosphere for safety production. All shipping units under the group enhanced the labor safety education on seafarers focusing on labor protection in winter and bad weathers, and tried to prevent any offshore human injuries. All land-based units enhanced the tracing and guidance on key sectors, strengthened the supervision on production, storage and transport safety of dangerous products, and enhanced the prevention of natural disasters and bad weathers, hence preventing the occurrence of significant human injury accidents.

(6) Strengthen Emergency Management and Effectively Improve Emergency Responding Ability

In 2010, COSCO Group further strengthened its emergency management work, optimized the preparation and amendment work of emergency plans at all levels and were capable of “having plan to meet emergency plan, having team to rescue, having mechanism to launch joint action and having measures to recover.” COSCO Group has strengthened its emergency management training which improved emergency handling ability of its employees at all levels and contributed to the linkage and continuous improvement of emergency plans at all level with relevant COSCO Group and government emergency plans.

COSCO Group emergency plan has played its important role in emergency handling and accidents prevention. Particularly, in natural disaster prevention, COSCO Group kept 100% successful in fighting against typhoon in 2010, hence no accidents occurred. It has established high-efficient anti-typhoon organization and formulated careful anti-typhoon emergency responding plans, and annually updated focuses of anti-typhoon work.

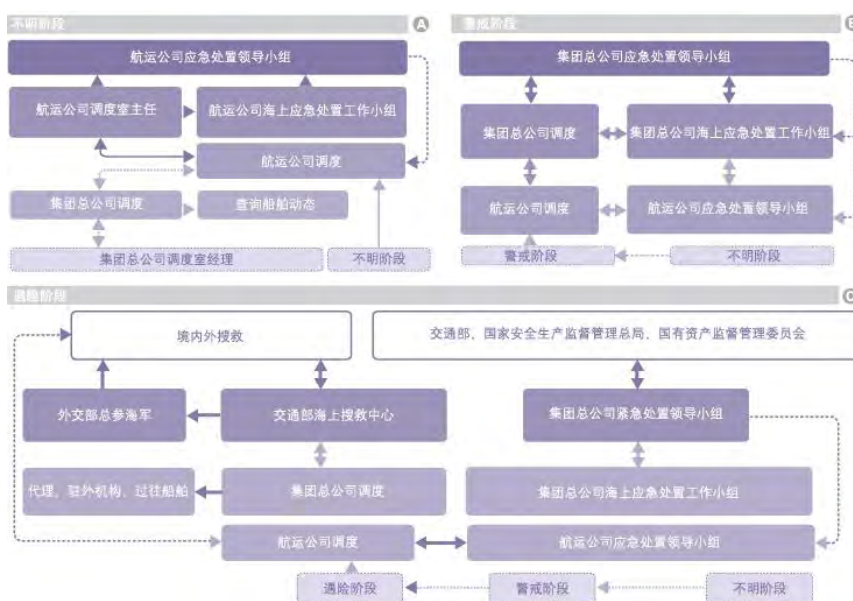
COSCO Group headquarters and its subsidiary companies have established emergency response linkage mechanism to unify the command, and support and cooperate with each other in coping with various accidental events. Emergency response commanding institutes of all units organize regular or irregular emergency response rehearsals based on their respective situations and in accordance with international conventions as well as related rules and regulations, so as to ensure effective implementation of all levels of emergency response plans. The rehearsals on ship firefighting and emergency rescue are organized on a monthly basis. Land-based enterprises organize at least one large-scaled emergency response rehearsal each year. Shipping companies organize emergency rehearsals such as sea damage, engine damage and oil leakage on a regular basis, and organize ship and land-based security guard emergency response rehearsals according to the plans. In 2010, COSCO Group and its subsidiary companies organized a total of 2,463 comprehensive rehearsals, 17,445 special rehearsals, with 141,254 persons (times) involved.

COSCO Hong Kong has focused on implementation and practical effects in emergency response rehearsal. In order to ensure the effects of emergency response trainings and rehearsals of ships, the company revised the Classified Management Methods of Ships repeatedly, specifying that emergency response rehearsals will be a compulsive inspection item and an important basis for rating



and award appraisal. COSCO Dalian organized a joint ship and shore-based rehearsal on quarterly basis. It also organized the anti-pirate joint rehearsal of Yuanyanghu Liner and the joint rehearsal for navigation in war zone of Yangmeihu Liner. During the Safety Production Month (emergency response rehearsal week), it also organized the injury rescue in fire accident of cabin for Dongtinghu Liner. These rehearsals further elevated the capability of ship and shore-based employees to cope with emergent events.

Offshore Emergency Response Procedures of COSCO Group



(7) Strengthen the Emergency Response Platform with the Guidance of Science and Technology

Under the guidance of science and technology, COSCO Group has enhanced safety management informationization construction and established global disastrous weather prevention system. In order to improve its emergency response capability, COSCO Group has continuously strengthened technology innovation and new technology promotion and application, updated its self-developed Ship Management Information System (shortened hereafter SMIS). The system enabled shore-based departments to grasp detailed information of ship facilities, emergency facilities and equipments so as to provide positive shore-based support. In 2010, COSCO Group has finished the development of its "COSCO Group Ship and Goods Transportation Online Monitoring System", which realizes the seamless tracing and monitoring of shipping situations of ships worldwide, and provides reliable technology and information guarantees for emergency response command and decision-making. The entire system of COSCO Group was equipped with new high-definition video and telephone conference system which provided effective guarantee for emergency command access. (Ship and





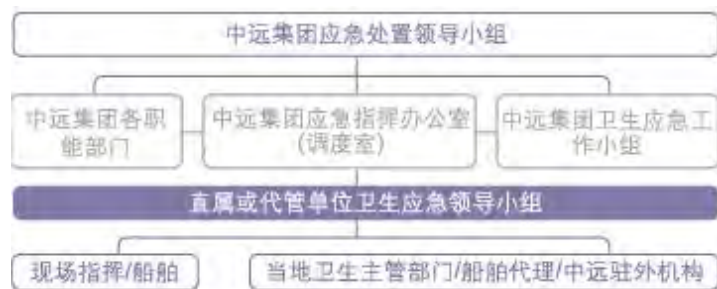
Cargo Online Monitoring System)

Besides keeping the smooth communications with COSCO Group, the video emergency-response commanding platform of COSCO Guangzhou can also be connected with its subsidiaries such as COSCO Shipping and COSCO Southern to meet the disaster rescue and alleviation functions such as duty guard, information collection, command and coordination, discussions and researches with experts and video conference. COSCO Dalian increased the effective input to emergency response management, such as emergency response equipment, provision and maintenance of facilities, emergency response communications equipment, provision of electronic shipping maps, ship and shore-based IT construction, emergency response training, installation of LRIT and Ship and Cargo Online Monitoring System, laying a solid foundation for emergency rescue work.

5. Employee’s Health and Disease Prevention

COSCO Group is a transnational enterprise with international shipping, logistics, terminals and ship repairing as its main business. It is also a high-risk industry attracted high great attention of the national safety production. In production and business operation, there are sudden infectious diseases, unknown diseases, major food and occupational poisoning and other serious events which may cause serious harm to the health of employees, hence serious business losses and significant adverse impact on environment and society. In order to effectively prevent, control and eliminate public health emergencies and its harm and impacts, guide and standardize various public health emergencies, minimize the health impact of public health emergencies on employees and public, ensure physical and mental health of staffs and public, COSCO Group formulated the Special Plan for Public Health Emergencies in accordance with the People's Republic of China Unexpected Emergencies Law, People's Republic of China Infectious Disease Law, People's Republic of China Food Sanitation Law, People's Republic of China Occupational Disease Prevention Law, People's Republic of China Frontier Health and Quarantine Law, Public Health Emergency Bill and Domestic Transportation Health and Quarantine Regulation.

Flowchart for Reporting of Public Health Accidents



All shipping companies (or its subsidiary crew companies) have set up specialized medical institutions providing medical assistance and services for ships and seafarers. The medical



institutions were in charge of guiding ship medical equipment and medicine management, setting medicine and drug procurement, equipment, supply and distribution as well as in charge of health care management, epidemic prevention, infectious disease control and statistics reporting works of company's ships and land units.

COSCO Group has allocated special funds and organized its employees to take regular physical examinations, thus gradually established health record for its employees.

▲ Dec. 1, 2010 is the 23rd World AIDS Day, on which, COSCO Dalian carried out promotional and educational activity on AIDs prevention. Under the theme of “~~Sp~~ AIDS, Keep the Promise”, it posted promotional pictorials and posters at public venues, distributed brochures about AIDs knowledge to ships, organized medical personnel to learn AIDs prevention knowledge, and guided its employees to know AIDs prevention knowledge.

▲ Upholding the principle of people-orientation, COSCO Xiamen improved and completed the employee physical examination processes, strengthened health consultation services, and established a green channel for medical treatment. It also provided medical information to its employees and recommended health-care knowledge and materials to them irregularly.

6. Ship Security and Contract Performance

(1) Carefully Performing the International Ship and Port Facility Security Code

In 2010, COSCO Group continued to enhance the monitoring and guidance on ships' performance of ISPS. It paid close attentions to ISPS inspection situations of ports in different countries, collected information, researched their inspection approaches, features, rules and specific requirements, and guided the ships to do a better job in accepting the inspection. Ships of COSCO Group received ISPS checks for 726 times, with the passing rate reached 100%. Since COSCO Group ships docked at various countries with different customs and conditions, seafarers are required to strictly follow ISPS rules, conscientiously study and grasp the non-invasive security check operation. It was required not to miss any clues, and to avoid being accused of violations of human rights. Before the ships' arrival to the port, the captain was demanded to ask information as much as possible in various aspects such as security level of the port, basic social conditions and local customs habits in order to take appropriate security checking measures.

According to statistics, in 2010, on all the COSCO ships only 1 case of stowaway involving one people sneaked into the ship and were found and captured before the ship leaving the port.



Indicators/year	2005	2006	2007	2008	2009	2010
Number of stowaway case	27	14	10	9	1	1
Number of captured stowaway cases before departure (cases)	27	10	8	9	1	1
Capture Rate	100%	71%	80%	100%	100%	100%
Number of Stowaways (persons)	179	32	24	30	5	1
Number of captured stowaways before departure (persons)	179	26	22	30	5	1
Capture Rate	100%	81%	92%	100%	100%	100%

(2) Preventing Hijack of Pirates and Ensuring Safety of Seafarers and Ships

In recent years, armed pirates off the Somali coast have frequently hijacked passing ships; known as most rampant sea area. In face of such grim situations in Somali and the Gulf of Aden, shipping companies of COSCO Group the effective implemented anti-pirate emergency plans, endeavored to improve fast response and emergency response capabilities, and enhanced the monitoring, pre-warming and prevention of pirating actions. Based on rules, characteristics and changes of pirating activities in different times, it released pre-warning information on a regular or irregular basis, timely adjusted the policies and countermeasures and guided the ships to do a better job in prevention work. In 2010, Lecong Liner and other 9 ships timely discovered pirates chase and fought valiantly back and successfully resisted pirate attacks and harassment, thus effective making sure that ships of COSCO Group safely passed pirate-infested sea area and protect the safety of seafarers and ships.

Indicator/Year	2007	2008	2009	2010
Pirate Attack and Harassment Cases	0	65	13	10
Successful Blocking Pirate Attacks	0	65	12	10
Rate for Successful Blocking Pirate Attacks	0	100%	92%	100%



▲ On Nov. 18, 2010, Congle Liner of COSCO Shipping was attacked by pirates at the Arabian Sea in the north of Indian Ocean. After being attacked, Congle Liner kicked off anti-pirate emergency response plans. COSCO Group offered assistance and guidance to Congle Liner to fight against pirates at the first time. In accordance with the deployments made by the Ministry of Transport and COSCO Group in anti-pirate rehearsal, all crew members of the liner united together, dashed ahead bravely regardless of their own safety, and prevented pirates from stepping on the liner through high pressure water jet, hence defeating the traces and attacks of pirates successfully and ensuring the safety of seafarers and ships.



▲ At 16:40 on Nov. 20, 2010, Taiankou Liner of COSCO Shipping was attacked by pirates in Arabian Sea near Oman. After pirates stepped on the ships, seafarers of Taiankou Liner dodged into safety cabin timely to wait for rescues in accordance with the deployments in the anti-pirate rehearsal. At 8:44 on Nov. 21, Chinese naval escort fleets arrived at the sea area. Members of the escort fleet stepped on the ship for inspection and rescued all 21 seafarers from the safety cabins after confirming that the ship is safe. Taiankou Liner was rescue safely and successfully. (Anti-pirate)

In 2011, COSCO Group will continue to promote the implementation of anti-pirate measures completely focusing on anti-pirate of ships. It will endeavor to provide shore-based supports and guidance for ships, grasp the work in practical and effectively ensure the safety of seafarers and ships.

7. Labor Competition

In 2010, the Labor Union of COSCO Group continued to organize the activity of "Safety is around me; Reducing cost and increasing efficiency start from me", to make sure that labor safety of employees are protected. Early in the year, COSCO Group Labor Union further enriched the contents, innovated on forms of activities, and mobilized all-staff participation by applying safety concepts and lean ideologies, maximizing the economical and social benefits.

▲ COSCO Bulk carried out on-the-post trainings for common seafarers in an in-depth manner. The company formulated and released the Implementation Plans for Carrying out On-the-Post Trainings and Skill Contest among Common Seafarers, which combine on-the-post training with the elevation of seafarers' values, competing for excellence, standardization of operational processes, correction of habitual incompliant activities, finding of blankness of safety consciousness and removal hidden worries of equipment's performance. With a focus on elevating the safety management level, it endeavored to promote the stability of ships' production situations. All ships of the company



responded to the plans actively, formulated training schedules and plans, and promoted the activity by means of seafarers' congress, open business column and promotional columns. Seafarers are enthusiastic to participate in the activity and their voluntariness to practice their skills was elevated.

▲ COSCO Qingdao carried out the on-the-post trainings of seafarers actively. In order to further encourage and mobilize the activeness and voluntariness of seafarers to study knowledge, grasp skills and become talents on their posts, elevate the overall quality of seafarers, and cultivate a top-grade seafarer team which is adaptable to market demands, the company formulated the Implementation Plans for On-the-Post Trainings of Seafarers based on development planning of seafarer team and practical demands of ships on safety production. It carried out on-the-post trainings for seafarers based on the implementation plans, selected, found, cultivate and stored a batch of professional seafarers, providing effective talent guarantee for fulfillment of the company's objectives on safety and efficiency. From Nov. 5 to Nov. 11, COSCO Qingdao successfully organized contests of captains, chief engineers and cooks.

A total of 93 seafarers attended the contests on theories, English and operation, with 19 seafarers won the individual awards or awards for comprehensive ability. These contests created a better atmosphere for study, mobilized the activeness of seafarers to study professional knowledge, and laid a good foundation for organization of skill contents for seafarers from all aspects. (On-the-post training of COSCO Qingdao)



8. Caring for Mental Health of Employees and Health of Their Family Members

Given the working environment, labor intensity, food and other aspects, seafarers are easily to have psychological problems on board. COSCO Group conducted in-depth analysis and study on internal and external factors that affect physical and mental health of seafarers, such as environmental factors, social factors, management factors, personal and family factors. In response to solving problems in safe production that easily lead to psychological and physiological changes, the group explored the rules, improved the prediction ability of such problems, and promptly took effective measures to establish seafarer mental consultation agencies, which will offer mental health services for seafarers and provide psychological consultation and treatment for seafarers in need. The group also enhanced guidance and training of psychological health knowledge in all aspects, and created the favorable atmosphere of respecting, caring and protecting seafarers by means of management, guidance, service, assistance and so on.

▲ Mental health of employees is related to existence and development of an enterprise. Under fiercer and fiercer market competition in modern society, intensified working and living speed



brought various pressures on people when pursuing recognition on individual and social values. In September 2010, COSCO Group headquarters invited a psychology professor from Tsinghua University to offer a half-day lecture on pressure and mental health for all its employees, which aims at improving the mental health of employees. In response to the lecture, the group also brought textbooks –“You Can Not Be Angry Today” for all its employees.

9. Articles Regarding Sanitation and Labor Safety Covered in the Collective Contract

In order to protect the legal rights and interests as well as physical and mental health of employees, the collective contract signed by COSCO Group with the Labor Union and the labor contracts signed with the employees all includes articles regarding working time, labor safety and health, labor protection, insurance and welfare. These articles clearly define the health and labor safety of employees in details, such as stipulating that enterprise should establish and improve work safety responsibility system; the workplace and facilities shall comply with requirements of national safety, labor protection and physical examination and recuperation; illegal commanding and forcing of dangerous operation are strictly prohibited; special protection should be provided for female workers; disposal of casualties and deaths.

(IV) Training and Evaluation

COSCO Group adheres to the guideline of people-oriented training as well as the strategy of reinvigorating the enterprise through human resource development, and focuses on improving the overall quality of the workforce. According to COSCO Eleventh Five-year Plan for Developing Human Resource, a variety of training programs have been formulated and fully funded. In these programs, training is closely connected with practice. Special training programs for management team and professional personnel have been organized, so as to improve the management and market competitiveness for the enterprise constantly.

Indicator/Year		2006	2007	2008	2009	2010
Total training hours of each category of employees	Top management team	10,363	21,278	6,977	7,724.4	12,468
	Middle management team	27,366	129,910	23,984	33,361	70,328
	Grassroots	72,758	255,371	235,887	111,331	281,313
	Technologies	---	---	---	203,365	210,985
	Seafarer training	---	---	---	420,500	449,935
	Operation management	---	---	---	93,238	140,656
	Skill operation	---	---	---	63,383	188,994
Average training	Top management team	74.76	64.17	71.96	65.26	83.9



hours of each category of employees	Middle management	47.83	39.04	25.56	41.34	69.1
	Grassroots	39.85	33.99	18.14	29.84	43.9
	Technicians	---	---	---	41.38	42.5
Total inputs for employee training (RMB)		22, 091,	67,458,63	41,220,84	37, 526,	41,796,60
Training hours in public expense		631,213	1,108,230	980,028	1,108,231	804,354
Training on safety management system (persons/times)		12,514	12,375	39,973	12,375	17,918
Training on contract performance (persons/times)		18,037	18,805	20,388	18,805	10,307
—The 300s”talent training program (persons/times)		245	400	0	460	510
Training before retirement (persons/times)		2,676	371	658	371	400
Vocation training and post returning rate after getting certificates (%)		100	100	100	100	100
Training rate for allocation of unemployed employees (%)		100	100	100	100	100
Proportion of security guards accepting formal trainings on human right policies or procedures (%)		100	100	100	100	100
Number of lean six sigma projects		78	270	44	67	21
Number of participants of lean six sigma projects		1,459	7,695	7,100	7,581	7,461
Number of achievements of quality management team		350	335	387	367	354
Number of participants of quality management team		2,711	2,958	2,890	2, 852	2,832
Training on lean management, six sigma and quality management teams(persons/times)		3,877	8,087	2,741	1,589	1,666



1. Training of Top Executives

In 2010, COSCO Group organized its top executives and leaders to attend the provincial and ministerial training classes for leaders, special topics classes such as “Elevating Self-innovation Ability”, “Promoting Optimization and Upgrade of Industrial Structure”, “Improving Trans-national Operation Ability”, “National Defense Construction and National Economy Mobilization”, GE Research Class for Senior Chinese Managers, as well as the training classes for young and middle-aged cadres and the training classes on responsibilities of directors and supervisors and company governance, and listing rules organized by the National School of Administration.

2. All-staff Training

Under the principles of specifying the tasks and emphasizing the focuses, COSCO Group and its subsidiary companies carried out various forms of trainings on employees by different levels and classifications. A total of 2,319 training classes and lectures were held in the year, with 30,040 persons (times) trained. The training forms include: dispatch young employees with outstanding performance to work and study at the headquarters or related business units through post exchanging, so as to store talents for long-term and sustainability of the company; provide opportunities for employees to enrich and accumulate their working experiences through post rotation and trainings, so as to promote balanced development of talents for different business units and enhance their awareness of coordination; offer on-the-job and off-the-job trainings for employees, so as to enhance their mutual exchanges, studies, advancement and elevation between employees; carry out trainings on new knowledge and technologies by means of “Inviting in and dispatching out” based on production demands, so as to cultivate various professionals. While attending the studying activities and trainings organized by the company, the employees also attended various diplomatic educations, as well as trainings and examinations of job-related knowledge, post skills, professional qualifications and occupational qualifications in their spare time. Aforesaid trainings not only fully reflect the company’s respects for talents and the importance paid to personal development of employees, but also provide effective guarantees for the company to cultivate versatile senior managers and professional directors and supervisors who are good at production operation and capital operation, are familiar with both professional knowledge and law-compliant operation, and have both rich experiences and global eyesight.

▲ In 2010, COSCO Guangzhou and its subsidiary companies held 857 trainings, 25 lectures, with 22,733 persons involved, of which, 21,640 trained in internal training and 1,697 persons trained in external training. A total of 10 members of the top management were training, with the training rate reached 100%. Over 623 members of the middle management were trained, with the training rate reached 91.6%.

▲ In accordance with the requirements of the strategic requirements of “developing enterprises with talents”, based with the practical situations and under the principles of “practice and utility and the combination of pertinence and practice”, COSCO Hong Kong deeply explored the training resources



within the company, brought its internal training advantages and implemented the training work in practical. A total of 66 trainings were held in the year, with 558 persons trained.

3. Training of Professional Teams

As international and diversified large enterprise group, COSCO Group attached great importance to its professionals training. In accordance with long- and short-term development plan and objectives, COSCO Group sent its professionals to participate in training and learning courses of corresponding institutions and organizations every year.

▲ In 2010, COSCO Guangzhou and its subsidiary companies constantly enhanced the training on employees, in particular, trainings on professional teams, by making use of existing resources and through various means and measures. They tried to elevate quality of employees through education and training, and achieved fruitful results. A total of six persons obtained master's degrees, three obtained senior professional titles, 23 obtained senior qualification certificates, 231 obtained other intermediate-level qualifications for technicians, managers, teachers and trainers, 2,662 obtained primary qualification certificates and work licenses.

4. “Three 300s” Talent Project

—The “Three 300s” Talent Project, as a key project for COSCO Group's talents team construction, refers to cultivating three hundred managerial and administrative talents, three hundred professional technologists (including 100 managers, 100 professionals, 100 political workers), three hundred senior ship managers (including 100 captains, 100 chief engineers, 100 commissars), for the purpose of reserving enough quality senior managers for COSCO Group. Since the group launched this project in 2003, it has conducted training on relevant staffs of the —The “Three 300s” talent pool. Thanks to full preparation, training participants have been highly satisfied as their knowledge and technology has been improved and updated and their comprehensive ability, adaptability and operational level have been strengthened. In 2010, 10 rounds of training under the project were organized, with 510 backbone talents trained. To be specific, 3 rounds of them were on operating management, involving 163 participants; 3 rounds were for political work cadres, involving 150 participants; 3 rounds were for captains and chief engineers, involving 143 participants; the last round was on comprehensive transporting, involving 54 participants.

5. Training of Seafarers

At the 2010 COSCO Group Safety Working Conference, it was proposed to —strengthen safety training and improve overall qualities of seafarers in service”, to take safety training as the vital measures to improve seafarers' safety qualities and the fundamental solution to ensure safe production of the group. In accordance with the five-year development plan for seafarer team, COSCO furthered enhanced the building of seafarer team. Seafarer management departments of all units maintain a strict standard in recruiting, training, promotion and deployment. Guided by the principle of —continuous improvement through persistent training”, they have constantly elevated the



seafarers' safety skills and professional work ethics to build a seafarer team with sufficient number, high quality and reasonable structure.

COSCO Group has always attached importance to the training of migrant worker seafarers and regarded safe development as the fundamental measure to promote constant and rapid development of the enterprise. It has included the career development of migrant workers into its development planning, formulated corresponding encouragement and promotion methods, and developed the detailed methods for transformation of migrant worker seafarers into formal seafarers.

▲ Based on the training plans for 2010, COSCO Guangzhou strictly followed the regulations on seafarer training plans and expenditure while ensuring its safety production. A total of 75 training classes for seafarers were held, with 1,307 persons trained.

▲ In 2010, COSCO Qingdao has enhanced the contract performance training and voluntary training under the training guidelines of “practice, utility, effectiveness” to improve the “four consciousness” and “four abilities” of seafarers. In accordance with the requirements of STCW/78/95 international conventions and the regulations of the National Maritime Bureau, it offered trainings by plans and batches on qualification certificates, professional certificates, special certificates and advanced education certificates to be held by various types of seafarers. It organized a total of 19 trainings and exams for seafarer's qualification certificates, with 390 persons trained. It also offered ship security guard training for 31 persons, advanced education training for 198 persons, on-ship medical treatment for 25 persons and large-sized ship operation training for 16 persons. Based on the current situations of seafarer team and the requirements of ship-owners, the company also enhanced the voluntary trainings that aim at enhancing the awareness of overall situations, safety, service and obedience, and elevating the safety, business, management, PSC inspection coping abilities of seafarers. It organized 981 persons to attend various forms of trainings such console resource management training and comprehensive quality training on captains and chief engineers. (Training for seafarers of COSCO Qingdao)



6. Labor Protection Supervision and Inspection

In accordance with the responsibilities and authorities bestowed to the labor union in safe production and prevention of occupational hazards by “Trade Union Law”, “Labor Law”, “Production Safety Law” and “Law of the PRC on Prevention and Control of Occupational Diseases”, COSCO Group carried out the labor protection supervision and inspection work in accordance with the laws, raised employees' awareness of participation and prevention, and thus successfully implemented the labor union's responsibilities in supervision and inspection of labor protection. By means of systematic



trainings on supervision of the labor protection, it organized employees to learn about laws and regulations on labor protection and production safety, labor union regulations on inspection of labor protection, incident reporting and injury compensation and related safety skills, so as to elevate the professional knowledge and level regarding labor protection and the supervision ability of the public. It constantly improved its working level and business ability, and cultivated a high quality team for labor protection work for the labor union, so as to better protect the life safety and physical health of employees. In 2010, the number of inspectors and supervisors of labor protection in COSCO labor union reached 1,251; 17 training classes on the inspection of labor protection were organized, involving 1,097 participants; 850 inspections on labor protection and production safety were carried out.

7. Effective Training, Evaluation and Incentive Mechanism

COSCO Group tried to improve the overall level of talent team construction with the cultivation of high-grade talents as the core contents and provided intelligence supports and talent guarantees for construction of "harmonious COSCO ". In a bid to improve the training effects, COSCO Group connected employees' skill studying, elevation and promotion with its distribution system and provided corresponding treatment. It conducted inspection and evaluation on progresses of talent quality project on a regular basis and took the evaluation results as important bases for appraisal and reward of advanced workers. It formulated on-the-job training and education incentives, which greatly stimulated the staff's learning enthusiasm and motivation. It also improved various talent guarantee mechanisms to create good atmosphere and environment for studying and growth of employees.

▲ COSCO Guangzhou carried out the —RedForestry Project” employee education and training program throughout the company, and formulated related training plans and awarding regulations. It encouraged employees to attend diplomatic and degree studies and exams. Employees, who attended professional studies relevant to their posts, can be reimbursed with certain training fees if they obtained master's degrees or diplomatic certificates and signed the training agreement with the company. It also carried out appraisals of best trainers, best study-type employees and best study-type teams and provided them with appropriate awards.

(V) Equal Opportunities and Diversification

COSCO Group has conscientiously abided by —Labor Law of the People's Republic of China” and relevant laws and regulations of the overseas sectors, strictly complied with the relevant international conventions recognized by Chinese Government and established a perfect labor management system, in which all employees have been treated equally, regardless of their nationality, race, gender, religious belief or cultural background. These efforts have promoted employment of local residents, females and the ethnic minorities and built a labor relation that is equal and harmonious.



1. Gender, Age and Minority Nationalities (foreigners) of Members of Management Team

COSCO Group has paid special attentions to structural composition in terms of age, gender, nationality and party when cultivating, selecting and appointing leaders at all levels. Among 33 leaders of COSCO Group headquarters and related departments, two are non-party members, accounting for 6.06% of the total. Among 131 members of top management of second-tier companies, 10 are females, accounting for 7.63%. Six are below 40 years old, accounting for 4.58%. One is non-party member, accounting for 0.76%. One is of minority nationality, accounting for 0.76%. COSCO Group has gradually formed the leadership group with complete specialties, reasonable age structure, excellent quality and connection of both new and old cadres.

2. Basic Salary Policies and Practical Situations of Male and Female Employees

COSCO Group established post-based salary system within the group, determined salaries based on posts, distributed salaries according to work and fulfilled the equal employment opportunities and equal pay for equal work. It has no discrimination policies in terms of gender, age, health, race and religion. At meantime, it didn't pursue equality blindly, and realistically allocated working posts based on the nature of the work and psychological and physiological differences of male and female employees, so as to bring active rules of employees in the work. Meanwhile, COSCO Group insisted on providing special welfare pregnant and lactating female employees, better protecting rights and interests of female employees. The proportion of basic income of male and female employees is 1:1.



HUMAN RIGHT PERFORMANCE INDICATOR AND THEME REPORT



Part V Human Rights Performance and Theme Report

I. Management Approaches

(I) Objectives and Performance

COSCO Group carries out the scientific outlook of development and strives to “—establish a century-old company” and fulfills the objectives for the second performance evaluation period implemented by SASAC. Abiding by the national rules and regulations applicable to the company, the international agreements and labor standards affirmed by the Chinese Government and other applicable industrial standards in terms of investment and purchase, non-discrimination, rights to free association and collective negotiation, child labor, forced labor, security guarding and indigenous rights, etc., COSCO Group fulfils its commitments to respect human rights, prevent child labor, practice non-discrimination, and protect the rights of the local people, etc. It also promises to support the Universal Declaration of Human Rights, and reemphasizes on respecting and protecting human rights within its influential scope. The labor union, acting on behalf of the employees, communicates and negotiates with the company’s administration on issues related to the employees’ interests and rights, so as to protect the employees’ rights to free choice of employment, resignation, and labor freedom, etc., and to promote a harmonious and stable employer-employee relationship that boosts the company’s development. COSCO Group attaches great importance to the human rights investigation on its suppliers and contractors. The human rights problems on the part of important suppliers and contractors may undermine COSCO Group’s prestige, and/or result in unstable supplying. Therefore, COSCO Group conducts investigations on its suppliers and contractors to lower the company’s management risks. In 2010, no events involving human rights were occurred. Besides, COSCO Group made favorable achievements in terms of internal control system, investment, procurement, training, caring to special group and collective bargaining.

(II) Policies and Regulations

By implementing the State Council’s Directives on Matters of Migrant Workers, COSCO Group solved the problems related to migrant workers, boosted the development of the company, and maintained social harmony and stability. The Women Workers’ Committee actively protects the legal rights and special rights of female employees outlined in the rules and regulations for the protection of women workers. The corporate labor union signs collective agreements with such departments as the Department of Human Resources, protects the legal rights of the company and its employees, and maintains a stable and harmonious labor relationship. COSCO Group has formulated the Open Business Procedures and COSCO (Group) Headquarters Open Business Provisional Regulations, and accordingly, the subsidiaries have formulated practical plans and enforcement regulations in support of the establishment of a harmonious enterprise. With its robust personnel management system, COSCO Group prevents child labor and all forms of discrimination. The legitimate interests of the local people in COSCO Group’s operational areas are protected, and the company’s relationship with the local people properly dealt with. Furthermore, COSCO Group makes full use of the IT system and the Internet to promote the Global Compact, familiarizing the employees with the importance of



the Global Compact to the development of COSCO Group and encouraging them to take active parts in the implementation of the Global Compact. IT is used as a tool for the realization of people-oriented business, and the Internet as a channel for communication. The employees are encouraged to participate in the management of the company's affairs and to contribute in their own ways to the sustainability of COSCO Group, which demonstrates the company's respect for human rights.

(III) Organization and Responsibilities

The subsidiaries of COSCO Group have established their respective Employees Representative Conference for democratic management. The relevant competent authorities in each subsidiary, such as the Department of Human Resources, implement employee management policies. The company recruits new staff openly according to work needs, signs contracts of labor and establishes labor relations with the employees on principles of equality, voluntariness and mutual agreement and in accordance with the law. Child labor is strictly prevented according to the relevant national laws and regulations and COSCO Group's recruitment policies. Internally, all the employees enjoy equal opportunities at work, and male and female employees are entitled to equal pay for the same work. COSCO Group's Labor Union is responsible for the organization and implementation of the open business policies, and the secondary labor unions are responsible for the specific work. Public mailboxes and complaints handling systems are in place at every COSCO subsidiary, dealing with complaints from the employees with regard to human rights issues. Women Workers' Committee is established within the Labor Union to handle issues related to female employees and to protect their legal interests. Also, COSCO Group has introduced the management approaches for overseas companies which outline the regulations and requirements for overseas companies to comply with local laws, respect the manners, customers and rights of the local residents, etc.

(IV) Training and Communications

COSCO Group enhances the employees' awareness of human rights and rights protection by organizing a variety of training programs and familiarizing the relevant employees with human rights and rights protection knowledge. To improve the company's capabilities to help the employees protect their rights, COSCO Group attaches great importance to the training of Labor Union cadres, and organizes a variety of training activities for the cadres every year to improve their comprehensive quality. The Labor Union organizes trainings for the officials responsible for the open business policies and labor protection supervision annually, so as to improve their abilities to protect the employees' legal rights. Meanwhile, the employees working in such section as the Department of Purchasing are given training in human rights knowledge. The human rights clauses in the purchase contracts are improved and assessments are carried out for the suppliers' human rights environment. The subsidiaries focus on the continuity of training policies in regard to safety management system, contract fulfillment, —Three 300s, and the arrangement for retired employees, employees on leave, and dismissed employees, etc. Guiding the practical work with solid knowledge and policies, COSCO Group establishes its sustainability information management platform, makes full use of the



Internet to promote the human rights concepts in the Global Compact, and strives for the realization of sustainability of the company.

(V) Supervision and Inspection

COSCO Group's labor unions at different levels, formed by the employees on voluntary terms, not only protect the company's collective interests, but also work independently according to the Trade Union Law of the People's Republic of China and the Constitution of the Trade Unions of the People's Republic of China to represent and protect the employees' legal rights. The focus of human rights protection has shifted from the specific difficulties and problems of the employees to their fundamental interests and the establishment of rights protection mechanism. COSCO Group has formulated the Implementation Methods for the Supervision and Evaluation of Open Business, enhancing the supervision and evaluation systems and clarifying responsibilities. The implementation of the open business policy is regarded as the most important prerequisite for the evaluation of advanced companies, the performance of the company's open business assessed methodically and the quality improved significantly. Through such mechanisms as democratic management supervision, safe production supervision and labor safety supervision, etc., the employees' rights, the recruitment policy and the implementation of human rights obligations in the processes of purchasing are supervised, evaluated and brought into the overall assessment system of the companies. Meanwhile, the employees supervise, manage and implement the tasks at work through the Employees' Representative Conference, and they also offer suggestions for the implementation of human rights protection.

II. Performance Indicators

While fully analyzing and researching the United Nations' Universal Declaration of Human Rights and the international conventions on human rights approved by the Chinese Government such as the International Covenant on Economic, Social and Cultural Rights, as well as core labor conventions of the International Labor Organization, COSCO Group brings the principles and requirements regarding human rights to its sustainability information management platform. It enhances communications and exchanges by making full use of internet, and promotes the Global Compact's concepts regarding human rights. It respects and protects human rights, encourages its staff to take part in the company's affairs, so as to represents the value and contributions of employees, ensure equal participation and development rights of them and promote its sustainability.

(I) Sourcing with Social Accountability

1. Due Diligence Investigation and Avoidance of Complicity in Investment Activities

In the research, approval and implementation of investment projects, COSCO Group lists human rights performance as one of the required assessment items, lowers investment risks, and avoids any harm to the Group's prestige that could impact the stability of investment.

COSCO Group pays attention to the human rights provisions in foreign investment contracts, and lists human rights provisions as a requirement in the foreign investment contracts signed, which is in



line with the requirement of laws and regulations. By way of human rights assessment, COSCO Group clarifies the employees' labor rights, employment, wages, working hours, labor insurance and welfare, as well as the regulations and arrangements related to the employees, taking into full consideration the protection of the employees' human rights in the economic entity.

2. Due Diligence Investigation and Avoidance of Complicity in Procurement Activities

In accordance to the requirements in the Guidance for Responsible Commercial Practices in Conflicted Affected and High-risk Regions, COSCO Group inspects and supervises human rights performance in the supply chain during the process of purchase. The company performs investigations on its important suppliers and distributors to prevent any possible harm to COSCO's prestige and any instability of the supply activities due to human rights problems.

COSCO Group specifies human rights provisions in its procurement contracts, setting up terms for labor rights, wages, working hours, labor insurance and welfare, etc, and exerting influence on suppliers to ensure labor rights.

COSCO Group and all its subsidiaries use standard contracts in procurement process. Contents of the contract include requirements on human rights.

3. Human Rights Training

COSCO Group actively organizes professional trainings on human rights. In 2010, total training hours on human rights accepted by staff of COSCO reached 17,295 hours, with 38.96% of the staff trained.

4. Social Responsibility Promotion in Value Chain

In business dealings with suppliers, COSCO Group informs suppliers its regulations in terms of labor rights, employment, salaries, working hours, labor insurance and welfares as well as other contents regarding its staff, requesting suppliers to fully consider the due human rights as well as other rights and interests of staff in economic entities.

In practical, it focuses on human rights performance of suppliers, and conducts investigations on its important suppliers and distributors to prevent any possible harm to COSCO's prestige and any instability of the supply activities due to human rights problems.

(II) Non-discrimination and Cares for Vulnerable Groups

The non-discrimination policy is one of the major requirements of the International agreements, social legislation and various kinds of guiding principles. COSCO Group complies strictly with the International agreements, social legislation and various kinds of guiding principles in the management of the enterprise, and establishes effective supervision mechanisms to ensure the



implementation and practice of the non-discrimination policy in all kinds of business activities. Discrimination events related to internal and/or external interest groups in the business activities, including the race discrimination, color discrimination, sex discrimination, religious discrimination, political discrimination, nationality discrimination, social status discrimination and other forms of discrimination defined by the International labor organizations as well as age discrimination, region discrimination and household registry discrimination, will be appealed to the company's senior officials, via the special general manager e-mail, complaint letter, or the company's Labor Union. The discrimination events can also be investigated and solved through legal means.

COSCO Group strictly implements the Regulations on Work-Related Injury Insurance to ensure that its employees can receive medical treatment, economic compensation and occupational rehabilitation when meeting accidental injuries in production or other working processes or suffering from occupational diseases. So far, all employees of COSCO Group have attended work-related injury insurance.

By the end of 2010, COSCO Group had no discrimination events.

1. Providing Equal Career Development Opportunities

COSCO Group provides equal career development opportunities for all employees. In accordance to the principles of “openness, equality, competition and selection,” COSCO Group improves its public recruitment system to promote capable employees, optimize internal human resources and boost the employees' initiative.

▲ COSCO Shipyard attaches high importance to the creation of individual development opportunities for contract workers. To better improve the skills of contract workers, Nantong COSCO Kawasaki signed a long-term agreement with Japan-based Kawasaki Shipbuilding Corporation to dispatch contract workers to Japan for research and training, which achieved a win-win result—contract workers were provided opportunities to learn technologies, improve their skills and increase their incomes, while the company managed to cultivate and preserve excellent, skillful workers. COSCO Shipyard would select and reward outstanding contract workers at the end of every year to set up model roles.

2. Gender Equality and Women Workers' Committee

In regard to respecting and safeguarding the legitimate rights and special interests of women employees, COSCO Group conforms to relevant provisions in the Labor Law, and at the same time, further protects the special rights and interests of women workers.

Women Workers' Committees have been established in COSCO Group headquarters and all of its affiliated companies. Full-time or part-time cadres are employed, and meetings of women workers are held on a regular basis to hear their demands and requirements and to maintain their physical and psychological health. The Women Workers' Committees actively protect legal rights and interests of



female employees in line with labor protection rules and regulations regarding female employees. Companies affiliated to COSCO Group, including COSCON, COSCO Dalian, COSCO Qingdao, CHIMBUSCO, COSCO Shipbuilding and COSCO Xiamen, formulated the Collective Contract for Special Protection of Women Workers, specifying the benefits women workers enjoy with regard to marriage, pregnancy, child birth, breastfeeding, promotion, assessment of professional titles and so on, achieving equality between men and women and ensuring the interests of women workers.

To further enhance structural construction and improve the quality of women workers, COSCO Group carried out activities with the themes of “learning, growing and making contributions” and “contributions made by women” among women workers, mobilizing their enthusiasm to make contributions to the Group. Women workers’ organizations of labor unions at all levels combined the activity of “contributions made by women” with the project of “women workers making great achievements,” innovated the carriers of the activities, enriched the contents of the activities according to the characteristics of women workers, and provided a grand platform for women workers to display their intelligence and wisdom.

3. Cultural Life of Workers

COSCO Group attaches great importance to the cultural life of workers, and promotes construction of a harmonious enterprise through corporate culture building and enhancement of corporate cohesion. Labor unions at all levels actively organize cultural and sports activities for workers and establish various cultural and sports associations.

▲ In September 2010, the Labor Union of COSCO Group organized the 4th Employees Cultural Month Activity in Xiamen under the theme of “working together to maintain growth and contributing to development”. A total of 26 works performed by 15 delegations from its second-tier companies attended the performance, and a batch of Excellent Creation Awards, Excellent Performance Awards and Excellent Program Awards were appraised. The Employees Cultural Month Activity closely focused on development of the enterprise, reflected the achievements of COSCO Group in carrying out the activity of “working together to maintain growth and contributing to development” among its employees, and showcased the efforts made by front-tier employees to promote development of the enterprise. By organizing all employees to watch the activity via COSCO online TV, it further encouraged and mobilized its employees’ activeness to contribute to the group’s scientific development.



▲ COSCO Dalian, implementing the spirit of the Group’s working conference and in line with the purposes of enhancing corporate cohesiveness, enriching employees’ cultural life and boosting employee morale, successfully held a Spring Festival Gala for 2010. Wonderful performance was put



on by the company's employees and their families, which demonstrated their spirits and the company's vitality. (Spring Festival Gala of COSCO Dalian)

4. Cultural and Sports Associations

COSCO Group attaches importance to cultural and sports activities for its employees, and organizes a variety of activities to enrich the cultural life of workers at leisure time.

▲ In response to the 2010 COSCO Group Employees Cultural Month, COSCO Dalian held the COSCO Dalian Cup Employees Badminton Contest among related units in Dalian to enhance the friendship and exchanges between them, strengthen the awareness of group and team spirits, and promote the organization of regional cultural activities. The contest was concluded successfully on July 3, 2010. More than 40 male and female badminton athletes from six units, namely COSCO Dalian, shipyard, logistics, fuel supply, cargo transport and shipbuilding companies, attended 15 rounds of group contest and 36 rounds of single-contest.

▲ On Oct. 16, 2010, leaders, retired comrades and over 1,000 land and shore-based employees of COSCO Dalian gathered at the playground of Dalian Experimental Primary School and attended the biennial COSCO Dalian Employees Sports Contest. Over 260 athletes from administrative offices, ships and grassroots units attended the competition of 47 items. The sports contest encouraged the struggling spirits of employees, enhanced their cohesion and enriched their cultural and sports life.



(COSCO Dalian Sports Contest)

5. Care for Employees

COSCO Group attaches importance to the employees' interests, and its care for them is exemplified in a number of ways.

To protect employees' legal rights and safeguard their physical and mental health, companies of COSCO Group signed relevant agreements with the labor unions, including the Collective Contract, the Collective Agreement to Protect Women Employees' Special Rights and the Collective Agreement on Safety and Hygiene.

Chapter Four of the Collective Contract, Working Hours, Leave and Furlough, stipulates the employees' working hours, the leaves they are entitled to, relevant regulations about overtime work and the right to refuse behaviors harmful to employees' physical health, etc. Chapter Five, Safety and



Hygiene, provides provisions regarding the establishment of comprehensive labor safety accountability system, the workplace and facilities' adherence to national safety standards, labor protection, health check-up and rehabilitation, opposition to commands that violate security policy, special protection for women, and treatment for injuries and deaths, etc. The Collective Agreement on Safety and Hygiene details regulations regarding the accountability system for employees' safety and hygiene, working condition and safety measures, the storage and transportation of dangerous chemicals, safety operation specifications, safety training, professional hygiene and labor protection, treatment of accident work injuries, emergency handling and the use of special equipment, etc.

In accordance with the Labor Law and relevant national regulations, COSCO Group guarantees the employees rights to paid annual leaves. The Group makes vacation arrangement for each employee according to their work condition and personal preference, which ensure that they have enough time for vacation and recuperation activities. Concerned about the employees' physical and mental health, COSCO labor unions at all levels make efforts to promote the paid annual leave system by COSCO headquarters. They set up appropriate arrangements for the cadres and employees' vacation and furlough, organize recuperation activities for them, and provide a platform for the implementation of employees' paid annual leaves.

In accordance with the Management Methods of Recuperation Activities for Employees of COSCO Group Headquarters, the labor union directly under COSCO Group organizes recuperation activities for COSCO employees every year since 2001, which won recognition and praise from all employees.

All levels of leaders of COSCO Group and the Labor Union pay close attention to physical and mental health and life of seafarers, employees and retired employees, and carry out regular and irregular condolence activities.

Before the Spring Festival of 2010, the condolence team of COSCO Group visited 66 grassroots units, six ships berthing at ports, 46 employees' families who are in difficulties, 14 labor models, 146 retired old cadres and some migrant workers who are in difficulties. On the New Year's Day of 2010 and during the Spring Festival, all units of COSCO Group condoled and help 15,595 persons (times) who are in difficulties, visited 267 ships, and paid a total of RMB10.9027 million. Moreover, it condoled 14,486 of migrant workers and seafarers of the cooperation center, with RMB1.1022 million condolence fees distributed, and paid RMB4.21 million for buying returning train tickets for migrant workers. (Visit to the ship.)



▲ COSCO Dalian offered training for the first batch of ship's doctors. On May 24 to May 28, 2010,



COSCO Dalian offered five-day training for the first batch of 20 ship's doctors newly recruited at the training base of Seaman Management Center. The training aims at improving the medical treatment level of newly recruited doctors and enabling them to grasp more clinical medical knowledge, so as to meet medical demands of ships and guarantee physical and mental health of seafarers. The company specially invited four professors and senior doctors to introduce the diagnosis, identification and treatment of common diseases based on their rich clinical experiences and the features of medical treatment on ships. Related persons of the HR Department and Outpatient Department of the company analyzed and introduced issues in medical treatment on ships and treatment of frequently occurred diseases of seafarers. After five days of studies, seafarers grasped gained rich clinical experiences and medical knowledge and applied their knowledge in practical treatment on ships. They all indicated to do their work well and provide better services for physical health of seafarers.

▲ In order to protect the safety of seafarers, COSCO Group has strengthened the anti-pirate work of ships and actively improved its anti-pirate equipment. Since this year, shipping companies, based on uniform requirements of COSCO Group, strengthened the anti-pirate work of ships in accordance with the standards that each ship shall be equipped with at least six bullet-proof vests, six bullet-proof helmets and two bullet-proof shields. So far, ships of all shipping companies have satisfied and exceeded these minimum standards. In accordance with the spirits conveyed by the Ministry of Transport and the requirements of COSCO Group headquarters, all shipping companies are actively promoting the construction of “safe ship cabins” and accelerating the installation of “electric fences”, “sword fences” and “wire fences”.

▲ Upholding the principles of human-orientation, COSCO Xiamen has made ceaseless efforts to improve the health conditions of employees and improve the medical examination procedures. It strengthened health consultation services, established a channel for “green medical services”, provided medical information to employees, and introduced health-care knowledge and materials to employees irregularly.

▲ COSCO (Dalian) Shipyard dispatched special cars to sent employees back home, bringing great convenience to theme and receiving their high praises.

6. Care for Employees' Families

Attaching importance to work on the employees' families, COSCO Group has taken systemic measures to help the employees take care of their families, removing their hidden worries.

To resolve the seafarers' worries about their families, COSCO Group establishes 248 contact stations for the families of seafarers through which the companies could learn about the families' needs and provide timely assistance.



▲ From Jan. 27 to Jan. 29, 2010 and from Feb. 1 to Feb. 5, 2010, president of the Labor Union of COSCO Dalian led a condolence team to visit over 300 seafarers' families at 14 contact stations for seafarers' families in places such as Pulandian, Wafangdian, Dandong, Zhuanghe, Yingkou, Anshan, Liaoyang, Shenyang, Fushun, Jinzhou, Huludao, Chaoyang and Panjin in Liaoning Province on behalf of leaders of the company, and expressed holiday greetings to seafarers and their families living in other places.

7. Care for Children of Employees

COSCO Group cares about the crew members' children, and has carried out a number of activities to help them resolve their problems.

▲ During the May 1st Holiday, COSCO (Nantong) Shipyard prepared articles of studying for children of 14 poverty-stricken migrant workers, carried out loving care donation activities and organized children to travel in suburban areas. On May 4, the second league branch of shipbuilding unit of COSCO (Zhoushan) Shipyard established aiding relationships with children of two migrant workers studying in the island, and donated bags, studying tools and books to them. The league committee of COSCO (Guangdong) Shipyard visited dormitories of migrant workers and fed back the information to educational and medical authorities of Mayong Town, helping them to solve the practical issues. League committees of COSCO (Dalian) Shipyard, COSCO (Shanghai) Shipyard and COSCO (Lianyungang) Shipyard carried out the activities of donating books and articles for studying to children of sub-contractors' employees, enabling these children to feel warmth and respects.

▲ COSCO Guangzhou gives special cares for children of seafarers. It invites these children to attend the recreational activities organized for its employees, and reduces some fees. It issues medical treatment certificates for eligible children of employees to reimburse some medical fees. It also carries out higher education and hope project aiding programs for children of poverty-stricken employees, helping them to solve the schooling issues.

8. Complaints Disposal

COSCO Group provides appealing channels for its employees, such as general manager's mailbox, letters and visits. Moreover, employees can also appeal to the Labor Union, which will report the discrimination cases to the company managers on behalf of the employees. Discrimination cases can also be dealt with through legal proceedings. The group also investigates and disposes discrimination cases and corrects improper behaviors, so as to eliminate discrimination behaviors.

(III) Freedom of Association and Collective Negotiation

1. Collective Contract and Collective Negotiation

COSCO Group's labor unions at all levels conduct collective negotiations and sign collective



agreements with the company, on behalf of the employees, with regard to wages, working hours, leave allowances, health and hygiene, professional training, insurance and welfares, etc., in accordance with related laws and regulations of the country, so as to protect the legal rights and interests of the employees.

The overseas subsidiaries of COSCO Group fulfill the collective negotiation policy according to local laws, regulations and the requirements of the industrial organizations to protect the legal rights of the overseas employees. COSCO Group supports its employees to perform the rights of collective negotiation and adopts corresponding risk evaluation measures to support these rights in all operational activities.

At the second sessions of the 4th COSCO Group Workers' Congress, the new Collective Contract was approved and adopted, and a signing ceremony for collective contract was held. At the end of April, the Ministry of Human Resources and Social Security reviewed and approved the new Collective Contract of COSCO Group, which took effects since May 20, 2010. The new Collective Contract is a revision and supplementation to the 2008 version of Collective Contract. Firstly, it includes the laws, rules and regulations regarding collective contract released by the country in recent years; Secondly, it includes concrete measures to ensure rights and interests of employees through constant improvements.

2. Workers Congress System

COSCO Group has established a multi-level employees' congress system covering the group, second-tier and third-tier companies. The annual production and operation objectives and major issues are submitted to the workers' congresses for approval, and important decisions involving the interests of workers are submitted for vote. Employee representatives are organized to evaluate the work of leaders on a regular basis, and plans regarding corporate restructuring, closure, bankruptcy and resettlement of workers are all submitted for the approval of the employees' congresses. The group manages to achieve openness in factory affairs and soundness in organization, with factory affairs made public in a variety of forms and in close connection to the actual situation of the enterprise. All work are made effective to play important roles in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions.

At the 2010 Central Enterprises Working Conference held by SASAC, COSCO Group was appraised as a typical unit. It gave special introductions to COSCO Group's experiences in promoting democratic management of enterprises, ensuring legal rights and interests of employees, promoting and propelling democratic and political construction of grassroots.

Second-tier companies also organize workers congresses at different times to summarize the work for last year and plan for the work in the following year, which realize the goal of openness of



factory affairs and encourage employees' participation in corporate management.

3. Openness of Company Affairs

Open business is a major measure taken by COSCO Group to promote democratic management. COSCO Group headquarters has formulated the Implementation Methods for the Supervision and Assessment of the Open Business Policy, enhanced the supervision and assessment mechanism and clarified the responsibilities. With the assessment closely integrated with the actual work, the employees are given a clear picture of the company's operation and are mobilized to contribute their own efforts. To further improve the openness of factory affairs, the labor unions of COSCO Group wrote new requirements and provisions into the assessment system according to the requirements of the SASAC. The form of openness of company affairs was innovated and the mechanism was improved continuously, realizing the regularity and standardization of work. Special columns and suggestion boxes for the open business are established, and the employees' opinions are studied, adopted, explained and reported by the members of the open business supervision team, forcefully enhancing the democratic management.

In 2010, the coverage rates of the Group's collective contracts, the report rates on major incidents and the coverage rates of democratic supervision were all 100%.

(IV) Prohibition of Child Labor

1. Risks of Human Rights

The employment of child labor and/or young workers in hazardous tasks is strictly forbidden by COSCO Group, as this is the requirement in the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Office and the related guidelines of the organizations for economic cooperation and development. The possible risks of child labor are assessed, and measures to eliminate child labor are formulated according to the definition of child labor and young labor in the Convention No. 138 of the International Labor Office.

Apart from complying with the International laws, the company conforms to the relevant regulations in the Labor Law. Complete procedures for employment and recruitment are established to prevent the employment of child labor and young labor. Strict recruitment rules and promotion procedures regarding the employment of ship crew are established to make sure that no child or young person will be employed. As for the rural migrant workers, COSCO Group clarifies all the duties and obligations with the signing of related contracts, restricts the contracted companies and labor companies responsible for the migrant workers, penalizes them according to the clauses in the contracts and reports to local labor management departments once child labor and young labor are found to be illegally employed.



When engaged in shipbuilding and related work abroad, responsible persons of the ships, on behalf of the company, will confirm the suspected employment of child labor and young labor, discuss the matters with utmost seriousness and solve them properly if any illegal acts are confirmed.

2. Basic Principles and Rights of Labors

COSCO Group headquarters and its subsidiaries stick to the administrative provisions for employment and recruitment. By 2010, no child labor has ever been employed and the occurrence of child labor is precluded in principle and in practice.

(V) Prohibition of Forced or Compulsory Labor

The abolishment of enforced and compelled labor is basic human rights. It is one of the clauses of the Universal Declaration of Human Rights and the No. 29 and No. 105 core convention of the ILO. COSCO Group supports and abides by the No. 29 Convention of ILO – Convention on Enforced Labors, and standardized behaviors of enterprises in line with related laws and regulations of the country and international community. The employees of COSCO Group sign labor contracts with the enterprise out of their free will, and the Labor Union organizes employee representatives to sign collective contracts with the enterprise which strictly stipulate the working hours, working intensity, vacation and welfare for the employees, protecting their rights and benefits at work.

The employees are allowed to choose their own jobs. The company will not prevent an employee from choosing a new job for any reason or in any form when he/she decides to resign. Nor will the company restrict the employees' personal freedom in any way. Compelled labor by means of paperwork and money detainment, debt repayment, surveillance, and threat is prohibited. It will obtain prior consent of its employees for any overtime work, and will not force employees to work overtime in any forms.

In 2010, COSCO Group received no complaint or appeal with regard to enforced and compelled labor.

(VI) Caring Human Rights in Security and Safeguard Work

COSCO Group organizes training programs for the third-party security guards, on the use of force and firearms in particular, enhances education about human rights to prevent any harm to the company's prestige or risk of lawsuit resulted from inappropriate behavior or measures. Meanwhile, the security guards are made aware of COSCO Group's expectation with regard to human rights performance.

The security force of COSCO Group is divided into two groups: the land-based security guards and the ship-based security guards. Some of the Group's land-based subsidiaries recruit security guards directly or from security service companies. The guards are formally trained and given related



certificates before going on their duty. Other subsidiaries use their own employees as security guards. The security guards are trained in human rights and related knowledge by the COSCO subsidiaries or by the entrusted security service companies. Administrative provisions with regard to human rights are listed in the employment agreements with the security service companies, and the latter's work are supervised and evaluated.

The security of the ships is managed jointly by the security force on the ships and from the companies. Institutionalized management is carried out strictly according to the national laws and regulations, as well as the requirements of the international security rules. The management methods for shore bases and the security plans for ships are formulated, and the responsible security guards are trained and approved by the Maritime Administration of the Ministry of Communications. The training includes contents about human rights and the prevention of human rights violation, and so on.

▲ From March 24 to March 26, 2010, COSCO Dalian held a training class for labor protection supervisors and inspectors (security guards) at the meeting room of Dalian Coal Mine Sanatorium. Over 80 persons including labor protection supervisors and inspectors and commissars of frontier ships and some land-based labor protection supervisors and inspectors (security guards) attended the training class. In recent years, COSCO Dalian has paid close attentions to labor protection supervision and inspection work, and has input great efforts and materials to carry out trainings on ship and land-based labor protection supervisors and inspectors, promoting the security work of the company in a stable manner. Based on previous training classes, this year's training class increased the lessons offered by external security experts. Moreover, the evaluation table for training of labor protection supervisors and inspectors was formulated to enable trainees to evaluate the training contents and trainers, offer opinions and suggestions, so as to gradually improve the training contents and better serve for safety production of the company.

In 2010, COSCO Group reported no incident of human right violation by the security guards.

Indicator	2006	2007	2008	2009	2010
Company security guards (CSO)	72	72	145	18	23
Ship security guards (CSO)	3320	1618	1383	2117	2198
Percentage of security guards accepting formal trainings with regard to human rights issues	100	100	100	100	100
Percentage of security guards directly employed by land-based companies accepting formal trainings	100	100	100	100	100
Number of security guards directly employed	346	2844	2853	2640	2586



Percentage of security guards accepting formal trainings on human right policies and specific procedures	100	100	100	100	100
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(VII) Respecting and Protecting Rights and Interests of Indigenous Residents and Local Employees

COSCO Group upholds the principle of respecting for the indigenous residents’ rights. In the overseas investment and corporate business activities, COSCO Group headquarters and its subsidiaries emphasize both the localized management of the employees and the respect for the policies and rules in regard to indigenous residents’ rights and interests as well as legal rights and interests of local employees.

According to the regulations of the local governments, the incomes are redistributed to the communities where the companies are located. The group also actively participates in the local public events in the form of public welfare activities and cultural exchanges, etc.

Based on the rearranged emergency plans, COSCO Group will take the following actions when any events are reported:

- (1) Investigate the event;
- (2) Implement the remedial measures;
- (3) Evaluate the results of the remedial measures through the normal internal management procedures;
- (4) Ensure that no more action needs to be taken with regard to the event (i.e., the problem is solved and the case settled, and no more action is needed on the part of the company).

In 2010, no complaint has been filed with regard to the infringement of the rights of the indigenous people.



SOCIAL PERFORMANCE INDICATOR AND THEME REPORT



Part VI Social Performance Indicators and Theme Report

I. Management Approaches

(I) Objectives and Performance

COSCO Group commits itself to the fulfillment of social responsibilities, and shoulders its responsibilities as a global citizen. COSCO Group strives to maintain good relations with the local communities and to reduce the influence and harm on the communities when entering and leaving. The company makes continuous efforts to construct the comprehensive corruption penalty and prevention system, upholds the corporate philosophy of legal operation and standard management, and adheres to the management principles of “prioritizing prevention and combining prevention with penalty.” After years of efforts, the combat against corruption and the construction of an honest enterprise are successful, the honest, efficient operation and the harmonious, healthy and stable development of the enterprise guaranteed. In terms of the formulation and study of related international and domestic regulations, COSCO Group continues to invest in the comprehensive promotion of the philosophies and guidelines in the Global Compact and the sustainability initiative, and calls for the popularization and implementation of the philosophies in all walks of life. Based on the principles of honest operation and lawful production, COSCO Group strives to promote a fair, just and open market environment and fights against industrial monopoly with determination. The subsidiaries and employees never probe into the commercial secrets of the rivals by illegal means. Nor have they ever been accused of dishonest competition or monopolistic behavior.

(II) Policies and Regulations

COSCO Group requires its subsidiaries to fulfill their respective social responsibilities in their local communities, maintain good relationships with the communities, and minimize the negative impacts on the communities. All of the subsidiaries have implemented this basic principle effectively. COSCO Group has developed the COSCO Group Implementation Guidelines for the Establishment of A Sound Educational, Administrative and Supervision System to Prevent Corruption. The companies have formulated their respective implementation programs and enforcement regulations, incorporated the relevant requirements of the anti-corruption system into the scope of comprehensive risk management, and carried out anti-corruption and anti-monopoly work effectively. COSCO Group clarifies the relevant regulations for anti-corruption, anti-monopoly and unfair competition, along with the work requirements for the organizations, responsible personnel, and responsible departments. The companies under COSCO Group always abide by the principle of fairness and honesty, safeguarding free, fair competition in the market, complying with the anti-monopoly laws of the trading countries, upholding the principle of win-win cooperation, and protecting the interests of the goods, owners and the stakeholders. Engaged in fair competition and legal operation activities, the companies and employees of COSCO Group never supplant the rivals by any improper, illegal means. Nor have they deliberately fabricated and spread false facts to damage the reputation of the competitors. COSCO Group companies formulate corresponding measures to guard against operational risks, improve the implementation capacity, investigate and punish disciplinary offences,



and strengthen supervision and discipline.

(III) Organization and Responsibilities

COSCO Group companies have set up their respective Commission on Sustainability, established administrative departments and public relations departments to maintain the good relations of cooperation with the communities. Moreover, the companies have set up inspection and supervision departments and discipline inspection commissions which are responsible for the implementation of the anti-corruption work. The main duties of these departments and commissions are: research and track the national legislation and international policies and guidelines on anti-commercial bribery and anti-corruption, develop and implement the corporate procedures and measures for anti-corruption, organize and conduct the communication and education on anti-corruption policies and regulations, supervise and inspect the performance of various departments and posts with regard to the implementation of the provisions, investigate and deal with disciplinary offences. Administrative departments, such as the President's Office or General Manager's Office, are established in the companies. These departments are responsible for the daily leadership conferences, receptions and public affairs, ensuring that leaders at all levels are engaged in public speeches, lectures and other lobbying activities in accordance with the relevant procedural requirements and the companies' commitment and willingness are expressed and communicated. The companies' market or sales departments are responsible for implementing the relevant national and international policies and regulations with regard to antitrust and anti-unfair competition.

(IV) Training and Communications

COSCO Group is committed to the popularization of the philosophies and concepts of social responsibility throughout the entire Group by employee training and communication. Community construction, anti-corruption, anti-monopoly and other related content are incorporated into the training programs, and these programs are organized in various forms and at different levels. The training programs include: special events, theme essay competition, picture exhibition and other forms of activities. In this way, the relevant policies and regulations are promoted throughout the entire corporate system. Through the promotion of the construction of an honest enterprise, the main objectives, principles, major tasks, procedures, measures and so on are outlined in detail. And through the well-planned, all-round, multi-level and systematic promotion of the honest culture, the companies are guided towards corporate integrity and legal operation, and the awareness of the staff members is enhanced. Unhealthy trends are corrected and overcome, a strong moral line of defense against corruption established among all the employees. To improve the work and management capacities of the audit staff in the Department of Supervision, intensive training courses about related knowledge and professional skills are organized in the companies every year, which has promoted the effective implementation of the relevant work. The companies also upload the relevant policies, regulations and cases on the Internet for the employees to learn about, so that they can enhance their precaution awareness and self-discipline abilities.



(V) Supervision and Inspection

COSCO Group includes the requirements of anti-corruption and anti-monopoly as the contents for the daily examination and assessment of the employees, and the relevant indicators are included in the assessment of the construction of spiritual civilization. The companies' supervision and discipline departments supervise and assess the implementation of the provisions, and propose rectification measures for the problems identified. By establishing justice departments and posts, the companies supervise the management of the contracts and the implementation of the legal requirements. And by operating the supervision perfection mechanism for the management system and the labor unions democratic management function, the companies inspect and evaluate the community construction undertaken by the departments in charge, as well as the business exchanges and cooperation with foreign countries. The companies organize inspections for operative discipline and contract fulfillment to promote the implementation of the relevant provisions. The State-owned Assets Supervision and Administration Commission conduct regular or occasional spot checks on the implementation of the anti-corruption and anti-monopoly policies on the part of COSCO Group, as a form of external supervision.

II. Performance Indicators

(I) Community

When entering and leaving communities, COSCO Group evaluates influences of business operation on local places, abides by existing rules of the communities and actively promotes the friendly cooperation relationships with the communities. COSCO Group and its affiliated companies, when entering and leaving the local communities, always conduct influence evaluations, and communicate with representatives of the communities and the relevant management authorities on possible behaviors to ensure full compliance with the communities' laws, regulations and established rules after entering the communities. They also minimize impact on the communities in accordance with the provisions of the local authorities when leaving the communities. These help them to create good cooperation atmosphere and environment for entry and withdrawal of the enterprises and prevent against any damages to the communities. In 2010, COSCO Group conducted 24 evaluations on its influences to local communities, with no disharmonious events found before entering or after leaving the communities due to insufficient communications. Keeping good relations with local communities will be a basic guiding principle for COSCO Group in the cooperation with local communities.

By actively promoting the cooperation with the communities, COSCO Group identifies the needs of the communities and makes contribution accordingly to fulfill its social responsibilities. In 2010, the group managed to maintain good relationships with the local communities, and promoted social cooperation in various forms. The efforts devoted by COSCO Group in the construction of the local communities were highly praised.



1. Community Involvement

COSCO Group has been committed to the cooperation with the related parties in the communities, including the community-related government departments, the military garrison units, non-profit organizations and private groups, etc. Through cooperation with relevant parties, COSCO Group has established a good image within the communities, cultivated harmonious atmosphere in the communities, and contributed to the overall development, harmony and progress of the communities.

Environmental protection within the community has been a major concern for the COSCO Group. The Group not only makes sure that its production and other business activities do not pose negative impact on community environment but also actively takes part in activities to protect community environment.

Through donations, tree planting and volunteer service teams, subsidiary companies have made active contributions to improvement of ecological environment and promotion of spiritual civilization

▲ COSCO Xiamen establishes a voluntary service team whose mission is to promote the spirit of "dedication, friendship, mutual help, and progress" by actively participating in social welfare activities. The team members go to Hongshan Park in Xiamen to do public service, including collecting garbage, promoting ecological civilization and the Global Compact, and promoting "Xiamen Citizen Convention". In 2010, the company organized six volunteer team activities, involving a total number of 108 people. (Volunteers from COSCO Xiamen)



▲ On July 16, 2010, China National Petroleum Corporation's oil pipeline at Dalian Xingang oil pool had an explosion, resulting oil leakage into the sea. To help deal with the explosion, COSCO Shipyard then took a number of effective measures. It put in four environmental protection boats, one tugboat, two waste oil barges, 2,000 meters of oil containment boom, 50 oil buckets, and pollution prevention materials including 7 tons of oil absorption felt, 2 tons of dispersants and 11,000 pieces of straw mats. Besides, the company sent 116 people to clear up the spilled oil every day. A total amount of 215 tons of oil waste was cleared up and the impact of oil pollution was thus reduced to a minimum.



2. Education and Culture

By helping communities to alleviate poverty through knowledge and technology, COSCO Group has promoted the educational development and cultural quality elevation of the communities, and provided a strong guarantee for spiritual civilization construction.

▲ After the May 12 Wenchuan earthquake in 2008, COSCO Group donated RMB30 million and RMB8.2 million through COSCO Charity Foundation for reconstruction of Cifeng School at Pengzhou City, Sichuan Province, and Xiguan Primary School at Chengxian county, Gansu Province, respectively. In 2010, COSCO Charity Foundation donated another RMB21.75 million to Cifeng School to help it purchase teaching equipment, plant trees on campus and set up funds for follow-up maintenance and scholarships for outstanding teachers and students. Meanwhile, the Foundation also donated another RMB 5.3 million to Xiguan Primary School to help it upgrade school facilities to first-tier standards of Longnan City, Gansu Province. The donation would be used to purchase teaching equipment, books, multimedia facilities, musical instruments, art equipment, and sports facilities, and to plant trees on campus.

(COSCO Group donates for construction of COSCO School in Pengzhou)



▲ Continuing the —Start a Voyage, Chase Your Dream” project to donate for basic education in Lincang, Yunnan

—Start a Voyage, Chase Your Dream” is a project launched by COSCO Charity Foundation to improve the basic education of ethnic minority people at poverty-stricken villages in Lincang City, Yunnan Province. During the four years from 2007 to 2010, the Foundation implemented four phases of the project, involving a total sum of RMB4.712 million (RMB1 million for phase one, RMB1.17 million for phase two, RMB1.15 million for phase three, RMB1 million for phase four, and 6,030 school bags totaling RMB392,000). The Foundation bought 10,570 sets of desks and chairs, 2124 bunk beds, 792 office desks, 280 teaching tables, 1054 sets of dining tables and chairs, 32 sets of experimental cabinet tables for 45 full primary schools from six counties and districts—Dai Autonomous County of Gengma, Lahu-Va-Blang-Dai Autonomous County of Shuangjiang, Wa Autonomous County of Cangyuan, Zhenkang County, Yunxian County, and



Linxiang district; it also bought televisions, cameras, refrigerators, electric cookers and other teaching, office and living equipment for Shihuiyao Full Primary School in Gengma County and Xiabaha Primary School and Nongba Full Primary School in Shuangjiang County and new schoolbags for all the students from schools involved in the project. Covering 6 counties and districts and 28 townships, the project has benefited over 8580 students and 490 teachers and has received warm welcome from the local government, the general public and all teachers and students.

▲ On May 27, 2010, employees from COSCO Dalian went to the company's pair village—Natun village at Taiyang Street, Wafangdian City. They donated 217 books and 30 sets of audio-visual materials totaling RMB5,000. Since the company paired up with Natun village in 2009 in accordance with the requirements of Dalian City Women's Federation, it has donated a total number of more than 1,000 books to the village committee of Natun. Covering a wide range of topics, the books help bring knowledge to the villagers, enhance their skills, broaden their knowledge scope and enrich their spiritual life.

▲ COSCO Shipyard continued to implement the Blue Ocean Plan, whose purpose is to provide care for migrant workers' children in various forms. In May 2010, COSCO Shipyard in various cities used various methods to answer the call of the Central Committee of Communist Youth League to care for migrant workers' children. COSCO (Nantong) Shipyard made donations to migrant workers' children; it also took 14 children of extremely poor migrant workers on a sight-seeing trip around the Haohe segment of the Nantong Central West Plaza and let them watch the latest animated film "Black Cat Detective" together with their parents. Lianyungang COSCO Shipyard took some of the sub-contractor employees' children to city amusement park and gave them more than 100 sets of stationery including pencil, notebooks, pencil-box and colored pens. COSCO (Shanghai) Shipyard Youth League Committee gave out copies of Jonathan Livingston Seagull to migrant workers' children who had been helped by the Committee during school enrollment in Shanghai. The purpose was to develop the children's interest in after-school reading and help them learn about life. COSCO (Guangdong) Shipyard took measures to create a better environment for migrant workers. On May 4, the company's Youth League Committee and outsourcing management department went to the company's migrant workers' dormitories, learned about the difficulties they encounter in their daily life and work, and listened to their opinions concerning their children's education and growth. Later their views were collected and given to education and medical organizations of Mayong Township, so that their concerns can be addressed.

3. Job Creation and Skill Development

After entering a community COSCO Group always makes active efforts in creating employment opportunities for the community. In this way, it has cultivated a large number of versatile talents and fully implemented its social responsibility.

▲ On December 29, 2010, COSCO Logistics set up COSCO Yantian Bonded Area Logistics



Center at Yantian, Shenzhen. Covering a total floor area of 29,229 square meters, the center has three stories and adopts the modern logistics design concept of double-car ramp to the second floor and 58 container berths. It provides a large number of opportunities for local employment. At present, there are 22 local employees in the center.

▲ Located in the High-tech Zone of Qingdao, COSCO Qingdao Logistics Center is neighbored by Qingdao International Airport, Jiaozhou-Jinan Railway and Jinan-Qingdao 308 national highway, and is a major hub for aviation, rail, road and sea transportation in and out of Qingdao. It covers a total area of 210 mu and has a total floor area of 150,000 square meters. Since its full operation in 2010, the center has employed nearly 100 local people.

▲ In 2010, COSCO Shipyard made active efforts in cultivating composite-type work type and enhancing the skills of employees and sub-contractors' staff members. It organized 54 composite-type p

ersonnel trainings, involving 2,946 people. A total number of 1,622 employees became composite-type workers, including 496



from sub-contractors. (COSCO Shipyard Migrant Workers Skill Contest)

▲ In 2010, a total of 1,013 COSCO Shipyard employees participated in qualification tests (including 53 sub-contractors' employees), with 91% of them passing the tests. 21 people gained senior technician qualification and 67 people gained technician qualification, one of whom was a migrant worker and thus made history in COSCO Group as the first ever migrant worker to become a technician.

4. Social Investment Projects

When carrying out social activities, COSCO Group and its affiliated companies always pay attention to the construction of community infrastructure and the construction of new rural areas. It has made a positive contribution to the development of health care and economy in local communities.

▲ In October 2010, Hainan Province, where Hainan Boao COSCO is located, suffered serious floods. Through the Department of Civil Affairs of Hainan Province, COSCO Charity Foundation donated RMB1 million to Boao's neighboring city Qionghai to help its reconstruction.



5. Public Welfares

Through collaboration with community stakeholders, COSCO Group has built up an image of a socially responsible company within communities and has created a safe, civilized and harmonious community environment. In 2010, a total number of 7,643 COSCO Group employees participated in various social and community activities as volunteers, which had created good social effects.

▲ In June 2010, COSCO Dalian affiliated to COSCO Group, carried out promotional activities of out promotional activities of Safety Production Month. With a focus on the promotion of safety-related knowledge, accident prevention on production sites and emergency rescue, emergency rescue and self-rescue, and accident investigations and risk management in modern enterprises, it promoted safety-related knowledge, emergency response measures and its safety culture to the public.

(Safety Culture of COSCO Dalian)



▲ —COSCO Star” helped Red Cross with a humanitarian transportation task. On Dec. 26, 2010, —COSCO Star” departed from Keelung with an injured fisherman on board and arrived in Xiamen at 9:00 the next morning. The fisherman was a mainlander and suffered brain damage after getting injured while working in Taiwan. Because of his conditions, Mini three-link transportation and airplanes were both unable to carry him back home. —COSCO Star”, however, is a direct cross-strait passenger ship and thus is able to take the case. After learning about the situation, —COSCO Star” promptly contacted their Taiwan agent, helped arrange early customs clearance and a suitable room for the fisherman and provided him with assistance in boarding and getting off the ship and care during the trip. In this way, it successfully helped Red Cross complete the humanitarian transportation task.

6. Helping Those in Poverty and Difficulties

As a traditional Chinese virtue, helping the poor is also a fine tradition in COSCO Group. All subsidiary companies of the Group use various means to participate in social and community activities and to faithfully fulfill their corporate social responsibilities. In 2010, COSCO Group employees’ donations amounted to RMB3.7428 million.



Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010
Donations of employees (RMB10,000)	41.43	54.95	110.78	111.45	269.39	2,410.55	277.6	374.28

▲ COSCO Group attaches great importance to Tibet poverty alleviation program and has paired up with Lhorong County to offer aids to the latter. With the improvement of poor farmers and herdsmen's living conditions and the increase of economic vitality in poor areas as its aim, the Group bases its poverty alleviation work on the real conditions of Lhorong county, gives full play to its corporate advantages, and gradually increases its poverty alleviation efforts. In 2010, it provided a total amount of RMB12 million capitals to aid Tibet. Main projects include:

(1) Launching a non-powered water supply project in Lhorong county so as to help solve the water problems faced by 1,370 people and 3,700 heads of livestock at the two villages along the county town; repairing and maintaining the teaching buildings at the county primary school and primary schools in Kangsha County, Shuodu County and Zhongyi township, and the teacher dormitories at the county middle school; providing Lhorong County with housing construction subsidies; providing local farmers and herdsmen with a special fund so that their production and living can be ensured if they get ill or have an accident.

(2) Offering training programs for cadres, accountants, engineering technicians, teachers, doctors and nurses, animal defense, skilled workers and heads of village committees in Lhorong County; infusing RMB300,000 into Lhorong County "COSCO-Kelsang Metok" grant.

▲ In the "Sunshine in Winter" program launched by COSCON, the company visited college students that had received aids from it, including Chen Panji from Institute of Economics and Management, China Agricultural University, He Zhenjiang from Sichuan Panzhihua University, Fan Min from Chengdu University of Information Technology, and Ren Yong from Materials Science and Engineering Department. Each of them also received a 2,000-yuan grant.

▲ In 2010, COSCO International launched the "Nursery Challenge 12 Hours Charity Marathon 2010" fund-raising event to help poor children in mountainous areas in China's mainland to complete their education. The company sent 6 teams, each team with 4 employees, to participate in the 10-km walk fundraising; besides, it also sent volunteers to help with the event. (COSCO International)





▲ In 2010, COSCO Charity Foundation set up a special poverty alleviation fund in Guangzhou Ocean Shipping Company, the first special fund set by COSCO Charity Foundation in second-tier companies. For COSCO Guangzhou, the fund offers a high-standard platform and would play a great role in the systematization and standardization of its poverty alleviation work; for COSCO Charity Foundation, the fund is an exploration of its overall operation.

▲ In 2010, COSCO Guangzhou allocated RMB800,000 for poverty alleviation work in Dongxing Village, its partner of aid-the-poor cooperation. The company helped the village build bookstores, culture rooms, bulletin boards and waste pits; it bought health insurances for 257 people from 58 poor households and old-age insurances for 44 elderly people; it rebuilt houses for six poor families, built a duck shed for one poor family, and gave higher education grants to the children of one poor family; it provided 58 poor households with start-up capital for their farming projects; meanwhile, it also constructed village water conservancy projects and helped develop the collective economy of the village.

▲ Since 2007, COSCON and COSCO Shanghai have started their poverty alleviation work in Beiqiao Village at Sanxing Town, Chongming County, Shanghai. So far, a total amount of RMB753,000 has been provided. 5 dangerous bridges were rebuilt; 10 km cement road, 10 km gravel road and 8 km canals were built; a new village office was built and more than 1000 books, 6 computers, one TV and five DVD players were donated to the village committee and were put in their reading room. For more than three years, members of the COSCON poverty alleviation group, under the leadership of the union president, have been visiting poor households three times a year. They have given a total amount of RMB150,000 to 25 extremely poor households and 75 poor households. When learning that most young people at the village are unemployed, the group selected a total of 20 young people who have high school diplomas and sent them for training at the crew training base of COSCO Shanghai. So far, two young villagers have become crew members of COSCO Shipyard and have started working on board.

▲ On the Chinese New Year Eve of 2010, COSCO Shipyard sent RMB20,000 together with gifts such as rice and oil to over 50 poor rural households at villages that are COSCO's partners in aid-the-poor cooperation. Mother of Wang Kuixu, a child who unfortunately got leukemia 5 years ago, wrote a thank-you letter to COSCO Shipyard, saying, "How time flies. It's already five years since my son got the disease. In our most difficult times, you have helped us pull through. Now, after three and a half years of treatment, Kuixu has stopped medication for one year. His condition is very stable and is now attending the fourth grade."

7. Dealing with Adverse Events

In 2010, all companies under COSCO Group have neither caused any adverse events in the communities involved nor received any pollution complaints from them.



(II) Anti-corruption and Anti-commercial Bribery

1. Overall Planning and Deployment

In 2010, COSCO Group studied and implemented the scientific outlook of development in an in-depth manner according to the requirements conveyed at the 4th and 5th Plenary Session of the 17th Central Commission for Discipline inspections of the CPC, work arrangement of SASAC under the State Council and the requirements of the Global Compact. It steadily implemented all measures adopted by the group to deal with international financial crisis, with a focus on “building confidence, competing for benefits, maintaining stability, promoting development”. It built punishment and prevention systems based on its operation and management situations, carried out supervision, inspection, efficiency monitoring and internal audit, cooperated with the National Audit Office in the audit work by carrying out reforms in auditing process, deepened the anti-corruption and anti-commercial bribery work, investigated illegal and incompliant cases, and actively and steadily boosted the pilot project for “vertical supervision” system, making great contributions to its healthy development.

2. Building of Punishment and Prevention System

COSCO Group carried out the 2008-2012 COSCO Group Implementing Plans of Corruption Punishment and Prevention System. In accordance with the requirements of “integrating the punishment and prevention system with its internal control and risk management system, as well as its operation and management system”, all units affiliated to COSCO Group enhanced supervision and constraints over its leaders, right execution, key sectors and businesses, constantly improved business process management and system construction, and promoted their standardized management, with lean management as the carrier, system building as the measure, and improvement of the responsibility system for clean government building as the basis. In 2010, the group has revised 2,063 rules, formulate 159 new rules, and effectively promote the organic integration of building of punishment and prevention system with its operation and management system by enhancing system building.

3. Anti-corruption Education

All subsidiary companies of COSCO Group have launched an anti-corruption education campaign using the method of “defining priority, enriching content, educating differently”. They organize study sessions on “Rules for Clean and Honest Governance” and regulations related to self-discipline for all levels of the company leadership and employees at key positions; they provide a variety of content-rich trainings on laws and regulations, professional ethics, and work integrity, which suit their own conditions; they take typical corruption cases within COSCO Group as a warning for all employees; they also organize talks on work integrity among leaders at all levels and employees at key positions, thus further enhancing the pertinence and effectiveness of their anti-corruption education campaign. During the 2010 Shanghai World Expo, Chinese-Polish Joint Stock Shipping Company launched Expo-themed disciplinary education campaign. It issued learning materials on



the theme of corruption-free Expo, made clear disciplinary requirements in achieving a corruption-free Expo, and integrated anti-corruption activities into services to Expo. The company won the title of "World Expo Monthly Model Volunteer Group". Over the past year, COSCO Group has compiled and issued a total number of 108,900 copies of educational materials on anti-corruption, held 658 special anti-corruption report sessions which were participated by 19,700 persons, organized 958 anti-corruption study sessions for 31,600 middle-level managers or above, and engaged 21,800 employees in anti-corruption talks.

4. Supervision and Inspection

In order to prevent and control risk and standardize management, discipline inspection and auditing authorities at all levels of COSCO Group carried out inspection, performance monitoring and audit supervision. These efforts promoted standardized operation of subsidiary companies, maintained and increased the value of state-owned assets, safeguarded the interests of COSCO shareholders and improved the corporate management level. Discipline inspection commissions and supervision departments at all levels inspected how well company leaders of all levels enforced the —Three important and one large” (decisions on important corporate issues, important job positions, important projects and the use of large sums of money must be subject to group discussion) decision-making system, principles on honest governance and rules on honest work, and supervised how well they implemented the Group headquarters’ decisions; discipline commissions and departments also carried out performance monitoring and comprehensive inspection of maintenance management, shipping services, supplies purchasing and other key areas. With its system engineering involving multiple projects and large amounts of investment, COSCO Shipbuilding Industry Corporation did performance monitoring and supervision that suited its own conditions, promoting project management and strengthening risk prevention. Following the central government’s work arrangements, the whole Group made special efforts to solve prominent problems in "Private coffer" and engineering construction. By focusing on study and mobilization, division of responsibilities, self-check and correction, problem rectification, the Group achieved overall progress in solving the problems and strengthened the management of corporate infrastructure. Meanwhile, affiliated companies kept innovating on their ways and methods of supervision. They incorporate information technology into their supervision work and substantially improved the quality and efficiency of inspection and supervision through technological means. A case in point is COSCO Bulk. By continuously improving the operating system of supervision information platform and enhancing the real-time monitoring of various units’ implementation of the —Three important and one large” decision-making system and the operational process of important areas such as shipping, the company successfully used science and technology to fight corruption in many areas. In 2010 the whole Group carried out supervision and performance monitoring for 715 times, involving 1,168 work units. 739 problems were found, 824 pieces of recommendations were made, 520 problems were solved, 37 systems were improved, and an economic loss of RMB10.1512 million was avoided and saved.



5. Internal Audit

In 2010, the National Audit Office audited corporate economic responsibilities and revenues and expenditures of COSCO Group. Following the deployment of the Group headquarter, all units and departments cooperated with the National Audit Office during the audit, did an in-depth analysis of the problems found by the National Audit Office and promptly rectified them. When learning about the problems found by the National Audit Office, the Group finance department immediately called together COSCO Bulk, COSCON, COSCO Dalian, COSCO Guangzhou and other relevant units to do a special analysis of the problems and actively implemented and arranged work to rectify them. Major leaders from COSCO Bulk and COSCO Hong Kong Group were actively involved during the process; functional departments took effective measures to solve the problems, enhancing the standardization of corporate management. Audit departments at all levels of the Group actively carried out internal audit and risk management audit on important areas and key business operations, strengthening risk prevention and control. They especially focused on the audit on economic responsibilities and financial revenues so as to plug up loopholes and improve the Group's immune system. They also did special audits on engineering construction, maintenance management and supplies purchasing and evaluations on decision-making in investment projects so as to further perfect the system and standardize management. In 2010, the Group completed a total number of 11,202 audits, found 2,400 problems, proposed 2,636 pieces of audit advice and recommendations, improved 221 systems, and saved economic losses of RMB424 million.

6. Strengthening Letter and Visit Work

When having letters and visits about corruption cases concerning company leaders and problems that involve the vital interests of workers and affect the harmony and stability of the company, COSCO Group would send out an investigation team and invite petitioners to the company to express their views. The group would carry out an in-depth investigation to learn about the real situations, seriously punish those who have violated the laws, and coordinate with relevant units to solve problems involving the interests of workers; letter and visit work in 18 units was inspected. Discipline inspection and supervision organizations at all levels carefully sort through and analyze each letter and visit, made explicit the specific measures to take for each petition, and strengthen investigation and coordination to solve problems raised in each petition. In this way, the overall stability of the Group is maintained. In 2010 the whole Group received 135 letters and visits and concluded 130 of them, with conclusion rate standing at 96%.

Discipline inspection commissions at all levels of COSCO Group strengthened investigation efforts among those who are at key positions and are prone to violate the law. Adhering to the "Four Mustn't Let Pass" principle (A case must not be let pass if its causes were not made clear; a case must not be let pass if the responsible parties and the general public did not learn a lesson; a case must not be let pass if preventive measures were not taken; a case must not be let pass if the responsible parties were not punished.), they made sure that every corruption case acts as a warning to company leaders; they perfected management system, promoted standardized management and



gave full play to the warning function of case investigation. With clues provided by the National Audit Office and with support from company leaders, the discipline inspection commission of COSCO Shipyard cooperated with the judicial departments in investigating a collusion case in COSCO Shipyard (Guangdong). When performing supervisory duties, functional departments at COSCON found clues to an embezzlement case. The company leadership didn't evade the issue and was very resolute in investigating the case. Led by the company's discipline inspection commission and with coordination from the functional departments, the case received quick and thorough investigation and was timely transferred to judicial organs. In 2010, the group did 14 preliminary case investigations and completed all of them; the group filed 11 cases and closed 10 of them, with closing rate standing at 90.9%; a total number of six people were sentenced.

7. Deepening Reform on the Supervision System

COSCO Group did an in-depth study of the growth rules of century-old companies, and reviewed the supervision experience under the "vertical supervision" system; it conducted an in-depth analysis of its existing problems and actively and steadily pushed forward innovation efforts in the supervision system so as to ensure continued healthy development of the group. Leaders of COSCON attached great importance to the "vertical supervision" pilot program and solved problems in a timely and coordinated manner to ensure the smooth progress of the pilot program. The company's discipline inspection commission kept exploring ways to improve the organizational structure, working mechanism, guarantee measures, and evaluation mechanism of the "vertical supervision" system. By combining supervision forces of the whole company, it substantially increased the effectiveness of auditing, expanded supervision coverage and found more problems and better ways to solve those problems. A supervisory structure with discipline inspection and supervision as the focus and internal audit as the carrier was further improved; corporate functional departments play a greater role in daily supervision; the overall strength of supervision kept growing.

8. Carrying out Theme Practical Activities

In 2010, COSCO Group set a goal of strengthening the ideological development of discipline inspection secretaries. It laid out work requirements for discipline inspection secretaries to improve their political judgment, ability to enforce discipline, ability to do research, ability to innovate and ability to summarize and to set an example in diligent learning, hard work, justice and discipline, maintaining unity and self-discipline. It continued to organize discipline inspection secretaries from companies directly under the group to report on their official work. Besides carefully reviewing their reports, the group also sent a group of people to "listen, look, and check" six companies directly under the group, including COSCO Dalian. People from same- or lower-level discipline inspection commission and supervision departments listened to discipline inspection secretaries' reports on their official work; they also evaluated the job performances and achievements of discipline inspection secretaries, whose sense of responsibility and ability to perform their duties got improved when they were overseen by their superiors, peers and subordinates.



With local conditions as their point of departure, discipline inspection commissions at all levels put great emphasis on capacity building of discipline inspection and supervision cadres in grass-roots units and promote the smooth completion of anti-corruption and supervision work. COSCO Logistics launched an inspection campaign, where discipline inspection secretaries from regional companies led employees from functional departments and inspected the anti-corruption and supervision work in various grass-roots units. Existing problems were discovered and solved in a coordinated manner, and the inspection results were included in the annual assessment of discipline inspection secretaries.

(III) Public Policies

1. Participation in Formulation of National and International Sustainability Policies

COSCO Group, as a participant in the Global Compact, has always been committed to the promotion of global economic development and the fulfillment of the Global Compact and sustainability. To promote the fulfillment of social responsibilities, fight against commercial bribery and industrial monopolies, COSCO Group actively participated in relevant national, industrial and international activities, displaying the company's philosophy and awareness at management level, and making relevant promises to the public through a variety of effective channels, in accordance with the principles of establishing a fair, just and open market competition environment. COSCO Group also participated in the research and formulation of relevant international conventions and relevant national rules and regulations. It engaged in the communications and exchanges on economic, environmental and social affairs in the international community and in China with the mind and attitude of a transnational enterprise. It also strived to enhance the Global Compact. In terms of daily public policies, Capt. Wei Jiafu used to report the benefits of fulfilling the Global Compact and Social Responsibility to competent authorities in China, providing the latter with a basis to improve the nation and people's anti-corruption ability and to elevate the overall awareness for fulfilling social responsibilities across the country by using the methods of the Global Compact and Social Responsibility.

In 2010, COSCO Group's mainly participated in following activities:

Date	Activities
Jan. 22, 2010	Capt. Wei Jiafu, President of COSCO Group, attended the "Cheung Kong Annual Forum 2010" which was held in Sanya, Hainan, and jointly organized by Cheung Kong Graduate School of Business and Hainan Provincial People's Government. During the forum, Capt. Wei shared his views on "the future of green leadership" with other guests.
March 5, 2010	As a representative of the Eleventh National People's Congress, Party Secretary of COSCO Group Zhang Fusheng attended the 3rd Session of 11th National People's Congress and submitted motions on behalf of COSCO Group, including "Motion on the establishment of China Maritime Festival", "On the introduction of Seafarers' Act and Seafarers'



	<p>Regulations", "On further regulating the management of China's third-party logistics industry and promoting the development of third-party logistics industry", "Suggestions on protecting the safety of imported oil and developing a national tanker fleet", —Suggestions on China's implementation of the 2006 Maritime Labor Convention proposal", "Suggestions on improving personnel development of Chinese Seafarers", "Suggestions on implementing a flexible policy on replacing convenience flag with the five-star flag in Chinese-owned ships". Most of his proposals and recommendations attracted the attention of and were adopted by the NPC and the government.</p> <p>The above proposals are closely related to the shipping industry and fully reflect COSCO Group's determination in the revival of China's shipping industry and sustainability.</p>
<p>April 11, 2010</p>	<p>COSCO Group participated in the cross-straits entrepreneurs' round-table meeting of the Boao Forum for Asia Annual Conference 2010 with the theme "Green Recovery: Asia's Realistic Choice for Sustainable Growth", and presented a speech entitled "ECFA helps boost the development of cross-strait shipping and logistics industry" on behalf of entrepreneurs from the mainland.</p>
<p>June 21-25, 2010</p>	<p>The International Maritime Organization (IMO) held the International Convention on Standards of Training, Certification and Watch-keeping for Seafarers (the STCW Convention in short) Diplomatic Conference in Manila, the Philippines. IMO Council members acknowledged the outstanding contributions made by world seafarers for international maritime trade, global economy and the whole society and agreed to establish "World Seafarers Day" to thank the contributions of seafarers all over the world. The Conference passed the amendment to the STCW Convention 2010 and designated June 25 as "World Seafarers Day".</p> <p>Through its own newspaper China Ocean News, COSCO Group actively promotes "World Seafarers Day" and pushes for its recognition in China.</p>
<p>Oct. 13, 2010</p>	<p>On Oct. 13, 2010, the awarding ceremony of 2010 China International Maritime Awards was held in Dalian. COSCO Group leaders and representatives attended the ceremony.</p> <p>With the purpose of awarding enterprises and individuals who had made outstanding contributions and innovations to China's maritime industry during the past year, the award ceremony presented more than a dozen</p>



	<p>awards, including Environmental Protection Award, Education and Training Award, Technical Innovation Award, Port of the Year Award, Corporate Social Responsibility Award, Ship Financing Award, Safety Award, Young Person of the Year Award, Entrepreneurship Award, and Lifetime Achievement Award.</p>
<p>Dec. 1, 2010</p>	<p>On Dec.1, 2010, COSCO Group attended the "2010 Global Entrepreneur Summit". During the summit, Capt. Wei made a speech entitled "Reconstruction and leadership: International operations of Chinese enterprises", where he took COSCO Group as an example and proposed three points on the internationalization of Chinese enterprises: First, form a global way of thinking, rise from national enterprises to global companies, and use global resources to participate in global competition; second, strengthen independent innovation, build brands, and shift from cost-driven business development to innovation-driven business development; third, follow the trend of low-carbon economy, perform the responsibilities of "corporate citizen", and establish a good international image.</p>



(Boao Forum for Asia)

2. Donation of Capitals and Materials to Parties, Politicians and Related Institutes of Different Countries

COSCO Group has promoted its business development under the principles of fair competition, and never depended on preferential treatments and benefits brought by political donations.

(IV) Fair Competition

COSCO Group set itself against any unfair competitions and encouraged fair competitions. It didn't adopt the operation strategy of dumping sales and monopoly. It can consciously safeguard the interests of the concerned parties and win the trust of the consumers and the social recognition through its own practical actions.

The orientation of products, services and prices of COSCO Group is high quality, high grade, high



technology, low cost, low consumption; the sales promotion strategy of COSCO Group is to make innovations, produce quality goods and win reputations; the promise of marketing management and the principles of accumulating credit in COSCO Group is to obey the laws and regulations and respect the requests of the customers.

Anti-monopoly Act of the PRC actively participated and promoted by COSCO Group has been put into effect officially. As a unit that participated and promoted the establishment and implement of the act, COSCO Group followed close to the line of anti-monopoly act and protected fair market competition; it improved the efficiency of economic operations; it preserved the interests of the consumers and social public interests; it enhanced the sound development of market economy. In 2010, COSCO Group didn't have any contentious cases due to anti-competition action, anti-trust or monopolies.

▲ Capt. Wei Jiafu gave a keynote speech at the World Shipping (China) Summit 2010.

On Nov. 9, 2010, the World Shipping (China) Summit 2010 themed on "Seizing the future" was held in Guangzhou. Capt. Wei Jiafu, President of COSCO Group, attended the summit and delivered a keynote speech entitled —Fluctuations in recovery, development in fluctuations". In his speech, President Wei pointed out that the basic law of economic development determines the sustained growth in shipping demand. First, the irreversible economic globalization will maintain the continued high level and growth of international trade. Secondly, the "China factor" will continue to provide momentum for the continued development of global economy. At the same time, the realities of economic development determine that shipping demands have fluctuations. He believes that shipping companies should seize development opportunities in fluctuations. Specifically, shipping companies should pay attention to the following four points: First, establish a more rational market concept; second, cultivate a more inclusive corporate culture; third, promote closer industrial cooperation; four, strengthen a more long-term sense of responsibility. He also stressed that although the world economy was steadily recovering and the shipping market was regaining vitality, the foundation of the recovery was not strong or even vulnerable. Therefore, he called on all shipping practitioners to build a healthy, stable and orderly shipping market. This is the starting point for the survival and development of shipping companies, for creating better services and greater value for customers, and for the maritime sector to make due contributions to the world economic recovery and renewed prosperity. (Capt. Wei gives a keynote speech.)





(V) Observing the Laws and Disciplines

COSCO Group has consistently operated abiding by laws and regulations, obeying strictly international conventions, laws and regulations of the nation, ensuring conducting according to disciplines, as a result, it prevented effectively legal risks and thus reduced the financial risks caused by direct penalty or indirect destroy of the reputation. In 2010, no penalty events caused by violation laws or regulations occurred in COSCO Group.

COSCO Group is very active in all kinds of legal research and seminars. It participated in the formulation and amendment of Regulations on Ocean Observing Forecast Management, State-owned Enterprise Restructuring Act, Regulations on Domestic Waterway Transport, Regulations on Foreign Labor Service Cooperation, Regulations on Sending Seafarers Abroad, Law Governing the Application of Laws to Civil Matters Involving Foreign Elements, Provisions on Several Issues Concerning Ship Oil Waste Pollution Compensation Disputes Trial and the modification and repeal of administrative regulations. It also actively expresses its own views to the relevant state department, safeguards the interests of shipping companies, and keeps itself informed of the latest developments of international shipping conventions and national and local shipping laws and regulations.

The Group has always carried out legal literacy activities that suit the Group's own operation and management. It has already formed a culture of studying, knowing, observing, and using laws.

Providing legal literacy trainings to improve employees' level of legal knowledge. 2010 is the last year for the implementation of the fifth five-year plan of law popularization and is also the year to review past achievements in law popularization. Following the requirements of SASAC office of law popularization, COSCO Group formulated and issued a review scheme on COSCO Group's law popularization work during the past 5 years. A comprehensive summarization of the Group's legal work during the fifth five-year plan of law popularization was completed and timely reported to SASAC. Since the beginning of fifth five-year plan in 2006 COSCO Group has organized many legal trainings and has made real efforts to strengthen the corporate legal system. As a result, the legal awareness of the Group's managerial staff and employees has been significantly increased and the level of managing the Group according to the laws has been greatly improved.

The Group also compiled a Q&A brochure about and organized promotion activities for Law on Guarding State Secrets. It also organized relevant events on the "12.4" Legal Publicity Day and actively trained its legal staff on maritime shipping legal affairs and general legal affairs. The Group's legal staff were also active participants in special legal training sessions organized by SASAC, the International Chamber of Commerce, Association of Corporate Counsel and other relevant agencies and organizations with the purpose of further improving their legal ability.



ASSURANCE STATEMENT

Introduction

Det Norske Veritas AS ('DNV') has been commissioned by China Ocean Shipping (Group) Company ('COSCO' or the Company) to carry out an assurance engagement on 2010 COSCO Sustainability Report ('the Report') concerning the AA1000 Assurance Standard (2008) ('AA1000AS 2008').

COSCO is responsible for the collection, analysis, aggregation and presentation of information within the Report. Our responsibility in performing the work commissioned is solely towards the management of COSCO and in accordance with the terms of reference agreed on with the Company. The stakeholders at COSCO are the intended users of this statement. The assurance engagement is based on the assumption that the data and information provided is complete, sufficient and authentic.

Scope of Assurance and Limitations

The scope of work agreed upon with COSCO includes the following:

- Data and activities related to social, environmental and economic issues between January 2010 and December 2010, as contained in the 2010 Report.
- the report of on-site verification covered the headquarters of COSCO and its subsidiary companies;
- Interviews with two key external stakeholders:
 - Global compact China network office
 - China National Offshore Oil Corporation
- The specified information includes:
 - Energy saving in shipping operation processes
 - key indicators in GRI G3.0
- Evaluation of adherence to the AA1000 Accountability Principles and specified sustainability performance information (Type 2) with a moderate level of assurance, according to AA1000AS 2008;
- Our verification was carried out during May and June 2011;
- We did not verify the financial data presented in the Report (already verified by another third part);
- DNV has not observed significant factors limiting our assurance activities.

Verification Methodology

Our verification was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting.¹ The Report was evaluated with regard to the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness, as well as Reliability of specified sustainability performance information, as set out in the AA1000AS 2008;
- Adherence to additional principles of Completeness and Neutrality, as set out in DNV's Protocol.

As part of the verification, DNV has challenged the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. For example, we have:

- Examined and reviewed documents, data and other information made available to DNV by COSCO;
- Visited the functional departments at COSCO headquarters, and interviewed a group of 60 people within the Company who are involved in the operational management of matters covered in the Report, including senior managers and key employees;
- Visited the subsidiary Company, including:
 - COSCO Container Lines Company Limited
 - COSCO Shanghai shipping Co., Ltd
- Performed sample-based reviews of the mechanisms for implementing COSCO's social responsibility policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative and qualitative data included in the Report.

Conclusions

In DNV's opinion, COSCO's Sustainability Report 2010 provides a credible and objective presentation of COSCO's overall sustainability performance and application of the AA1000 Accountability Principles. DNV has not observed any untrue statement.

AA1000 Principles

Inclusivity: Acceptable. The Report shows the Company established a communication mechanism with stakeholders, to let them know the sustainability information of the Company, and express their expectation towards the company through the communication mechanism. And the company identifies the concerns and key matters of different stakeholders through various methods, such as industry

¹ www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/index.asp



ASSURANCE STATEMENT

association, internet and questionnaires. The Company has addressed the outcomes of these identified concerns as part of the main reporting indicators.

Materiality: Acceptable. COSCO has established effective engage processes to ensure the materiality matters gather from various resources are comprehensive and objective. That has brought out the sustainability issues significant to the Company and its stakeholders. The results have informed the focus and content of the Report..

Responsiveness: Good. In order to reach the sustainability goals and specified performance target which specified in sustainability plan, COSCO continues to improve the management approach and stakeholder's engagement. The achievement has shown in the Report in the way of 7 years historical data and detailed context.

Reliability: Acceptable. According to the requirements of Type 2 and moderate level of assurance, the system for collecting specified performance data and information presented in the Report appears generally reliable. The underlying database, data measurement techniques and calculation basis have been adequately described to DNV. No systematic errors were detected during verification.

Additional Principles

Completeness: Good. Within the reporting scope and boundary defined by COSCON, we accept that the Report does not omit relevant information that could significantly influence stakeholders' decisions or that reflect significant sustainability impacts during the reporting period.

Neutrality: Acceptable. We consider the overall tone of the Report to be neutral and the presentation of information to be balanced. The emphasis on various topics in the Report is basically proportionate to their relative materiality.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported back to the management of COSCON. However, these do not affect our conclusions on the Report, and they are indeed generally consistent with the management objectives already in place.

- It is suggested to disclosure more environmental data, such as indirect greenhouse gas emissions and Emissions of ozone-depleting substances.
- It is suggested to reveal the achievement of the sustainability target and commitment which was set up in last report.
- It is suggested to improve the processes of sustainability performance promotion and verification mechanism of its subsidiary companies.
-

Statement of DNV's Competence and Independence

DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward the verification by numerous public means to understand positive and negative comments on COSCON. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

Det Norske Veritas Business Assurance

Lead Verifier
Cai Kun Quan
Beijing, July 2011

Antonio Astone
Assurance Engagement Reviewer



AA1000
Licensed Assurance Provider
000-10



Statement GRI Application Level Check

GRI hereby states that **China Ocean Shipping (Group) Company** has presented its report "COSCO Sustainability Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 October 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because China Ocean Shipping (Group) Company has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 10 October 2011. GRI explicitly excludes the statement being applied to any later changes to such material.