

COSCO 2011

Sustainability Report

中远集团2011年可持续发展报告





Table of Contents

A. Strategies and General Information.....	7
Part I Statement of the Chairman and Strategies	7
I. Statement of the Chairman	7
II. Strategies	10
III. Analysis on Primary Influences, Risks, Opportunities and Measures of Sustainability	15
Part II General Information of COSCO Group	22
Part III Basic Profiles of COSCO Group's Subsidiaries	25
I. Shipping	25
II. Logistics and terminal	29
III. Ship-building and ship-repairing	30
IV. Others	31
V. Overseas companies	35
Part IV Awards	37
I. Awards Related to the Global Compact and Sustainability	37
II. International and Domestic Awards Won by COSCO Group in 2011	37
Part V General Information of the Report	38
I. Scope of Report	39
II. Report Compilation Principles	47
III. Report Guarantee Methods	49
IV. Scope and Level of the Report	51
B. Management and Participation of Stakeholders.....	53
Part I Corporate Governance	53
I. Board of Directors	53
II. Supervisory Committee	54
III. Management Team	54



IV. Management Organization & Structure	55
V. Related Committees	56
VI. All-staff Participation and Communication Mechanism	58
VII. Corporate Evaluation Mechanism	58
VIII. Personnel Evaluation Mechanism	58
IX. Internal Statements, Behavioral Principles and Implementation Situations Relating to Economic, Environmental and Social Performance	59
Part II Main Policies and Management Systems	61
I. Overview of COSCO Group's Management Systems	61
II. Management Systems and Internal Control System of Subsidiaries	62
III. Certifications Obtained by the Subsidiaries	63
IV. On-site Evaluation and Internal Audit of Management Systems	66
Part III Integration of Social Responsibility into Organization and Management	67
I. Responsibility Strategies	67
II. Responsibility Management	76
III. Responsibility Integration	80
IV. Responsibility Communication	95
V. Responsibility Researches	98
Part IV Implementation and Report of Comprehensive Risk Management	99
I. Review of Comprehensive Risk Management Work in 2011	99
II. Risk Evaluation Situation in 2012	102
III. Comprehensive Risk Management Plans and Management of Key Risks in 2012	102
Part V Legal Affairs Management	105
I. Corporate Legal Construction	105
II. Convergence of "Three Significances" of Legal Audit with Enterprise Operation and Management	105
III. Disposal of Major Legal Disputes	105
IV. Law Popularization and Training	105



V. Law-compliance	106
Part VI Construction of Sustainability Information Management Platform	107
I. Informationization of Corporate Social Responsibility	107
II. Promotion and Cooperation of Sustainability Information System.....	110
Part VII Implementation of SASAC's Social Responsibility Requirements	112
I. Implement SASAC's Outlines on Implementation of Harmonious Development Strategies of Central Enterprises during the 12th Five-year Plan Period	112
II. Take Part in SASAC's Researches on Social Responsibility Management System of Central Enterprises.....	112
III. Take Part in SASAC's Compilation of the Guidelines on Social Responsibility Management of Central Enterprises	112
IV. Attend SASAC's Working Conference on Social Responsibility of Central Enterprises	112
Part VIII Comprehensive Implementation of UN Global Compact Principles	113
I. UN Millennium Development Goals	113
II. Global Compact LEAD Program	114
III. Global Compact's Blueprint for Sustainability Leadership	114
IV. Local Network and Participation of Subsidiary Institutions	114
V. Key Topics and Industrial Initiatives	115
VI. Advocacy and Participation of Public Policies	115
VII. Cooperative and Collective Action	115
Part IX Voluntary Initiatives and Commitments Regarding Social Responsibility	116
I. Signing of External Compacts, Acts and Other Action Plans Regarding Economy, Environment and Society	116
II. Participation in Associations	117
Part X Identification and Participation of Stakeholders	118
I. Identification of Stakeholders	118
II. Survey and Investigation on Demands of Stakeholders and Respecting Interests of Stakeholders	121
III. Mechanism for Stakeholders' Participation in Corporate Social Responsibility	121



IV. Stakeholders' Participation in External Corporate Social Responsibility	121
V. Providing a Platform for Participation of Stakeholders with Informationization Measures and Websites.....	124
Part XI Implementation of ISO26000 International Standards on Social Responsibility	125
I. ISO26000 Planning.....	125
II. Implementation of ISO26000	125
III. ISO26000 Implementation Results	125
C. Management Approaches and Performance Indicators	128
Part I Economic Performance Indicators and Keynote Report	128
I. Management Approaches	128
II. Performance Indicators	130
Part II Environmental Performance Indicators and Keynote Report	154
I. Management Approaches	154
II. Performance Indicators	157
Part III Product Liability Performance Indicators and Keynote Report.....	177
I. Management Approaches	177
II. Performance Indicators	179
Part IV Labor Relation Performance and Keynote Report	205
I. Management Approaches	205
II. Performance Indicators	208
Part V Human Right Performance and Keynote Report	241
I. Management Approaches	241
II. Performance Indicators	243
Part VI Social Performance Indicators and Keynote Report	254
I. Management Approaches	254
II. Performance Indicators	256



战略和概况

STRATEGY AND GENERAL INFORMATION





A. STRATEGIES AND GENERAL INFORMATION

PART I STATEMENT OF THE CHAIRMAN AND STRATEGIES

I. STATEMENT OF THE CHAIRMAN

In 2011, global economy was in a complex and volatile environment, growth of international trade slowed down, shipping market was in continuous depression, and most shipping companies suffered from losses, so did COSCO Group. In the face of severe situation, COSCO Group implemented the scientific development outlook in an in-depth manner, coped with the challenges calmly, seized the market opportunities, deepened internal reform, enhanced management innovation, promoted harmonious development and made new achievements in various areas. In the Global 500 Enterprise released by Fortune magazine in 2011, COSCO Group ranked the 399th place with the operating revenue of USD24.2497 billion and the profits of USD1.1613 billion in 2010.

The year 2011 was the beginning year of the 12th Five-year Plan period. In this year, COSCO Group made scientific and long-term arrangements, and formulated the COSCO Group's Development Strategies in 2020. Core contents of the Strategies are to "transform from a comprehensive shipping enterprise into a comprehensive development enterprise, transit into a leader in shipping cluster, and build a leading company in global shipping cluster with shipping logistics as the core, and with various businesses supplementing with each other and developing coordinatively" through implementation of industrial expansion and development plans as well as coordinative development of shipping, non-shipping and supplementary industries. Formulation of the strategies pointed a direction for development of COSCO Group in next 10 years, and laid a solid foundation for construction of a globally leading enterprise with international competitiveness.

In 2011, COSCO Group vigorously deepened the reform, made important system reform in accordance with modern enterprise system, and established the board of directors. These efforts enabled the company to stride towards the establishment of modern enterprise system, and had long-term meaning for COSCO Group's sustained, stable and healthy development. The system reform is a great leap-forward and a milestone in COSCO Group's development history.

In 2011, COSCO Group accelerated the adjustment of internal structure, ceaselessly optimized its fleet structure, and reasonably arranged the proportion of self-owned and leased ships. By the end of December 2011, the group had 481 self-owned ships, with the total carrying capacity of 31.9418 million DWTs, accounting for 58% of the total. It also had 262 leased ships with the total carrying capacity of 23.3853 million DWTs, accounting for 42% of the total, and lower than 47.9% in early 2011. The group had exerted great efforts to optimize its customer structure, enhanced its VIP customer strategy, and had formed strategic alliance with 48 large-scaled enterprise





groups.

In 2011, COSCO Group was appraised as the Excellent Team for Implementation of National Science and Technology Program during the 11th Five-year Plan Period, and ranked a leading position in domestic industry for the innovation ability. The ballast water processing equipment for ocean ships co-developed by COSCO Shipbuilding Industry Company (COSIC) and Tsinghua University was showcased at the Exhibition of National Major Science & Technology Achievements during the 11th Five-year Plan Period. The project of Key Design and Manufacturing Technology for Highly-stable and Cylinder-shaped Deep-ocean Drilling and Oil Storage Platform of COSCO (Nantong) Shipyard received the First Prize of the National Science and Technology Progress Award, marking that COSCO Group had reached a new level in scientific and technological innovation.

As a pioneering and model enterprise for implementation of the Global Compact, COSCO Group voluntarily supports Global Compact's activities, innovatively integrates its future development with Global Compact and sustainability implementation plans, supports wider targets and affairs of United Nations with practical actions, actively fulfills the UN Millennium Development Goals and copes with global challenges, explores the enterprise development mode suitable for developing countries, and contributes to sustainable economic and social development on a global scale. Despite great pressure in a low ebb, COSCO Group still overcame various difficulties and voluntarily shouldered its social responsibilities to share the worries of the country and contribute to people's life. COSCO Group became the only Asian enterprise whose sustainability report was included in the UN Global Compact Notable COP List for four years in succession.

In 2011, COSCO Group actively performed the Global Compact and social responsibilities. Key social responsibility projects are as follows:

(1) COSCO Group continuously deepened the low-carbon development concept in operation and practices. It voluntarily reduced the fuel consumption by enhancing fuel management and implementing the plans to increase number of ships and lower navigation speed. It also promoted sustainable development of shipping industry by promoting green shipping, enhancing CKYH Green Alliance, and advocating speed and emission reduction.

(2) In response to the appeal of the CPC Central Committee and the State Council, COSCO Group took part in the political task for evacuation of stranded compatriots in Libya in February, and successfully evacuated 559 people with Tianfuhe Liner. In November, Jinguangling Liner successfully rescued 10 crew members fell in the water off a Korean cargo ship. Aforesaid actions had won high praises from all circles of the society.

(3) COSCO Group carefully acted in spirits of the 5th Tibetan Work Symposium of the CPC Central Committee and the poverty-aid work of the State Council, and enhanced the aid-Tibet and poverty-alleviation work. We formulated the COSCO Group Aid-Tibet Planning during the 12th Five-year Plan Period and implemented the aid-Tibet and poverty-alleviation project construction plans of COSCO Group in 2011, with RMB12 million provided to Luolong County, and RMB3 million provided to Ruanling County and Anhua County respectively. The group also received the honorable title of National Advanced Group for Poverty-alleviation and Development, and the China Charity Award, the highest governmental award in charitable sector of China, for a fourth time in succession.

Looking into 2012, global economy and shipping industry are still full of uncertainties. The 50 years of extraordinary development history of COSCO Group has given us valuable spiritual legacy, which will be our courage, confidence and impetus to construct a century-old group and a globally leading enterprise with



international competitiveness. We will continue to perform the Global Compact, actively participate in and support activities of UN Global Compact and UN Global Compact China Network, and be a leader in fulfillment of corporate social responsibilities with practical actions.

Wei Jiafu

Chairman

COSCO Group

June 29, 2012



II. STRATEGIES

COSCO Group tries to become a reliable, innovative and globally leading supplier of shipping and logistics. The group advocates and promotes market-oriented and commerce-dominated solutions to cope with the challenges of development and the environment, and promotes the sustainable development of world's shipping and logistics industries. It cooperates with related departments and enterprises to cope with sustainability challenges of value chain, and improves the sustainable development performance by working together with them in tool design and strategy formulation. It explores the ways to reduce costs, tries to be a provider of solutions to cope with development challenges and leads the innovation and reform needed for sustainable development of shipping and logistics industries. The group carries out a series of green contests such as "competing for excellence" and "serving for stakeholders", so as to realize green growth and sustainable development objectives of the world. With technology and management innovation as the power, it tries to create green economy and creates profits for the enterprise in this process.

COSCO Group's sustainability concept

COSCO Group has insisted on people-orientation and honest operation in the global operation, strived for mutual-benefits and co-growth with customers, employees, shareholders and other stakeholders, and tried to benefit the society with our development achievements. The group has promoted the green development of shipping industry, handled major challenges of the globe and contributed to sustainable future of human society.

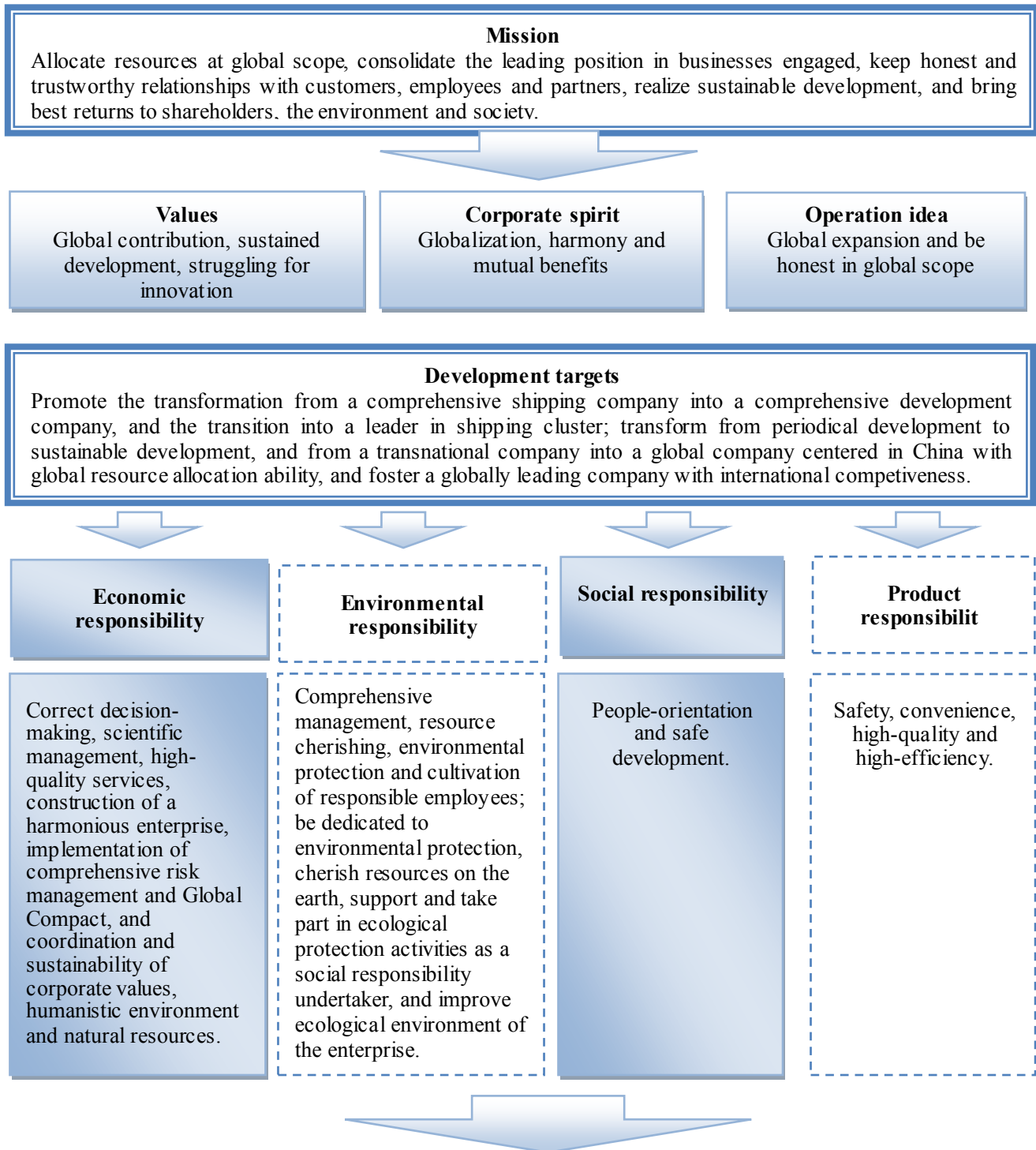
With the values of realizing harmonious development and benefiting human beings, and the obligation of bringing best returns to shareholders, environment and society, COSCO Group innovatively puts forward the concept of "responsibility is top priority", and integrates the concept with all aspects of the enterprise. We have been dedicated to contributing to global sustainable development and fulfilling the UN Millennium Development Goals.

COSCO Group believes that competition between transnational companies has transformed from competition on hardware into competition on software, and from competition on technologies and products to competition on social responsibility concept and ethical level in economic globalization era. Advanced social responsibility concepts and behaviors have become indispensable competitiveness for success of the enterprise. The evaluation standards on sustainability of the enterprise have been changed, and the enterprise's ability to shoulder social responsibilities and profitability of intangible assets have attracted great attention. Therefore, Capt. Wei Jiafu, Chairman of COSCO Group, requires that COSCO Group shall perform the social responsibilities with global thinking and vision, and shoulder the global social responsibilities. The group shall not only shoulder the political obligation and the mission to establish a harmonious society, but also the economic and legal responsibilities to operate in accordance with laws, and the product responsibilities to provide high-quality products and services to the society.

COSCO Group believes that corporate social responsibility has become a new concept and way for enterprises to create value in the new century, which is the nature of corporate social responsibility. The fundamental meaning of an enterprise is to increase social welfares, pay close attention to the society and environment in daily operation, change corporate social responsibility into an indispensable part of all operational activities and blood of enterprises. On this basis, an enterprise shall promote its logo to all stakeholders in the society, make commitment and take actions to improve its transparency, and voluntarily accept supervision of all circles, so as to enhance its core competency in new era marked by responsibility competitiveness and realize the organic combination of sustainable development of the enterprise and the society.



COSCO Group has established middle and long-term sustainable development strategies. In the sustainability report for 2011, we successfully apply the “strategic map” analytical method of six-sigma to analyze and showcase the development strategies of COSCO Group.



Development strategies

Transform from a comprehensive shipping company into a comprehensive development company, transit into a leader in shipping cluster, and cultivate a leading company in global shipping cluster with shipping logistics as the core, and with various businesses supplementing with each other and developing coordinatively. Develop into a global company centered in China with green and low-carbon strategies, strong competitiveness, high-efficiency and global resource allocation ability, and become a globally leading and sustainable resource allocator of super supply chain.

“Four transformations” development strategies

Transform from periodical development to sustainable development; from an emphasis on hardware to an emphasis on software while paying equal attentions to both hardware and software; from possessing and controlling resources to allocating social resources; and from obtaining benefits mainly from production business to obtaining benefits from both production business and capital

Globalization strategies

Globalization of operation & services, capital operation, cultural management, cooperation & competition, social responsibilities, and diplomatic resources

Develop ideas and objectives during the 12th Five-year Plan period

Implement the scientific outlook of development in an in-depth manner, adapt to changes of new situations in post-crisis era, seize development opportunities of the era, and promote industrial upgrade, technological innovation, international operation, talents-based and harmonious development with scientific development as the theme, transformation of economic development mode as the main task, enhancement of sustainability as the center and the overall listing as the target.

With the target of structural adjustment and quality improvement, actively develop oil tanker fleet as well as coastal container and bulk cargo fleets, reasonably control scale of container and bulk cargo fleets, moderately develop special fleet, and conduct strategic adjustment on the group's fleet structure, ship age structure and high cost ships through asset operation.

Pay attention to and increase the inputs to logistics business, make full use of the resource advantages internally and realize project cooperation and alliance strategies externally with COSCO Logistics as the platform for development of logistics business, provide high added-value of the supply chain as well as logistics services related to shipping industry and trans-boundary transportation to customers, form core competitiveness for COSCO Group's logistics business, and become the most profitable provider of integrated logistics services in China.

Build up the brand of COSCO Ports with COSCO Pacific as the platform for development of terminal business, establish and improve a global network for terminal operation focusing on domestic ports, accelerate the transformation from owning terminals into controlling terminals, from strategic investment into operation and management, and from single-terminal into diversified terminals, and improve the industrialization level of terminals.

Integrate shipbuilding, ocean engineering and other industrial resources, improve capital structure, promote strategic transformation of shipbuilding industry, expand business presence in ocean engineering market, elevate design and development level of ships with high added value, establish high-end industrial chain, cultivate shipbuilding industrial brand, discuss on the feasibility to smooth shipbuilding industrial management system, elevate management level, and enhance market competitiveness.



Bring into full play regional, capital, system, market and information advantages of COSCO (Hong Kong) Group to build up supplementary industrial platform, enhance development of supplementary industries, make arrangement in energy and mineral resource, highway and financial industries through multiple channels, aspects and measures, speed up cultivation of new revenue and profit growing points, and improve comprehensive profitability of the group.

Further promote the entry of main business into capital market through unified deployment and standard implementation in accordance with the requirements of the State Council and SASAC on encouraging large and medium-sized enterprises to implement shareholding system and enter capital market, raise funds in capital market, promote system transformation, build up a flagship capital company in shipping industry with China COSCO as the listing platform, and realize overall listing of shipping business.

Improve overseas operation and management mechanism of COSCO Group, strengthen exploration ability in international market and global operation ability, and improve internationalization indexes and the sales volume of the whole group.

Guided by the core values of “contributing to global development and ceaselessly striving for innovation”, promote the building of corporate culture and employees’ team, promote the organic combination of forms and contents of corporate culture, promote the coordination of spiritual, behavioral and material cultures, form a profit-sharing mechanism of enterprise and employees, and establish harmonious labor relations.

Balance Scorecard for Sustainability Work of COSCO Group

Economic performance	Product/environmental/social performance	Corporate governance	Labor/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
Coverage of fixed welfare	Customer satisfaction	Supervision mechanism	Occupational health and safety
Key financial supports provided by the government	Honesty operation and market promotion	Evaluation mechanism	Training and education
Index of minimum wage compared to the standard	Customers’ privacies	Internal control and risk management mechanism	Equal opportunities and diversification
Procurement from local suppliers	Raw materials	Improvement mechanism	Responsible procurement
Proportion of local employees	Energy	Responsibility strategies	Non-discrimination
Public service	Water resources	Responsibility governance	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 communications	Security and safeguard work
	Laws and regulations	Responsibility researches	Rights and interests of indigenous people
	Traffic and transportation	Legal affairs management	
	Community	Sustainability information management platform	
	Anti-corruption and anti-commercial bribery	Social responsibility requirements of SASAC	
	Public policies	External initiatives and commitments	
	Fair competition	Participation of stakeholders	
	Law compliance	ISO26000 Social Responsibility Guidelines	



III. ANALYSIS ON PRIMARY INFLUENCES, RISKS, OPPORTUNITIES AND MEASURES OF SUSTAINABILITY

COSCO Group has insisted on using the scientific development outlook in all kinds of work, systematically analyzed the primary influences, risks, opportunities and measures of sustainability 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 measures correspondingly, so as to fulfill the sustainability of COSCO Group.

1. ANALYSIS ON PRIMARY INFLUENCES OF SUSTAINABILITY

SWOT analysis on sustainability strategies

Strengths (S):

- Strong advantages of large shipping business scale, expanded fleet size and asset scale, and strong strengths.
- High brand recognition and great influences in the industry.
- Network-based development of terminal business supported by shipping business, and diversified terminal investment.
- Continuously improved and leading logistics and shipbuilding technologies, and improved service and fuel supplying networks.
- High internationalization level and advantages in expansion of supplementary industries.

Weaknesses (W):

- Complex market situation of fluctuation in recovery in post-crisis era, as well as fluctuation and imbalanced development of shipping and related industries.
- Unreasonable fleet structure, management level and marketing ability need to be improved.
- Concentrated distribution of terminals, imbalanced distribution of logistics network, fuel supplying network to be improved, and shipbuilding working mechanism to be smoothed.
- Insufficient researches on shipping-supplementary industries, and incomplete transformation from periodic development to sustainable development.

Opportunities (O)

- Global economic development enters post-crisis era and the overall situation develops favorably in fluctuation. In middle and long-term, global economy is expected to keep stable and sustained growth.
- Good beginning in the 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.
- Economic development of China will boost development of shipping business.
- Terminal business sees opportunities, development of logistics business accelerated, shipbuilding industry continues to

Strength & Opportunity (SO) Strategies:

- Seize opportunities of the era, adjust and optimize development of the main business, and maintain and expand scale, industrial chain and network advantages.
- Fulfill “double-hundred COSCO” strategy and establish world’s first-tier transnational company with great brand influences.
- Improve technology and management innovation ability to support development of shipping business;
- Transform from a comprehensive shipping enterprise into a comprehensive development enterprise, exert great efforts to develop supplementary industries, and

Weakness & Opportunity (WO) Strategies:

- Seize opportunities in fluctuation and rebound of shipping market in post-crisis era, strengthen profitability and innovation ability, and realize stable performance 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; Optimize organization structure, reasonably allocate internal resources, adjust and optimize fleet structure and scientifically control fleet size by enhancing comprehensive risk management, strengthening operational mode innovation and accelerating system and mechanism innovation.



transfer to China, and marine fuel supplying business has great development space.
 ■Supplementary industries unveil a period with rare strategic opportunities.

optimize product structure.
 ■Enhance international market exploration ability and global operation ability.

■Transform from a transnational company into a global company centered in China with global resource allocation ability.

Threats (T):

■As global financial crisis has not passed completely, 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. Strong periodical feature results in severe challenges. Energy conservation and emission reduction pressure of shipping industry increases.
 ■Supply and demand situations of terminal industry are unoptimistic, and M&A activities will be more active in meager profit era. Competition on logistics becomes fiercer and fiercer, shipping market is in surplus production capacity, and marine bunker supply market is further opened. Uncertainty of shipping-supplementary industries increases.

Strength & Threat (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 resource integration, optimization and allocation and external alliance and M&A, so as to develop into a leader of international shipping logistics industrial cluster.
 ■Transform from obtaining benefits mainly from production operation to obtaining benefits from both production operation and capital operation.
 ■Implement Global Compact comprehensively, actively perform corporate citizenship responsibilities, and build up a resource-conservative and environment-friendly enterprise.

Weakness & Threat (WT) Strategies:

■Cope with the challenges, avoid the weaknesses, develop a platform for supplementary industries, and realize the supplementation and coordinative development of various businesses.
 ■Transform from periodic development into sustainable development. Firstly, with respect to development contents, special emphasis shall be put on development of anti-cycle shipping business, i.e. shipping-supplementary business; Secondly, with respect to development mode, special emphasis shall be laid on implementation of anti-cycle and low-cost operation. Thirdly, with respect to development features, special emphasis shall be laid on low-carbon and green development.
 ■Implement overall listing step-by-step and build up “capital-based COSCO”, promote mechanism transformation and optimize debt structure by making full use of capital market



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 has greatly promoted the development of China's national economy and foreign trade, and provides guarantees for transportation 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 participate in 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 carrying COSCO log shuttle between over 1,600 ports in more than 160 countries and regions, promoting prosperity of global trade and economy, enlarging international influences of Chinese enterprises.	COSCO Group endeavors to cultivate the comprehensive competitiveness of container, dry and bulk cargo fleets, and to foster the integrated competitiveness that extends from shipping business to both ends of the supply chain, such as logistics, terminal and resource supplying sectors. Development of COSCO Group has profound influences on promoting the stable development of global logistics supply chain and industrial chain.	By constantly improving the competitiveness of its shipping business, COSCO has expanded its business 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 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 listed global shipping company, COSCO Group's sustainability is of great significance to and has important impacts on the domestic and international economy, its shareholders, employees, customers and partners, related industries such as shipping, logistics and terminal, as well as society and environment.



2. ANALYSIS ON MAIN RISKS AND OPPORTUNITIES OF SUSTAINABILITY

Long-term risks	External perspective	<p>Uncertain, changing and competing environment faced by COSCO Group externally, including imbalanced and uncertain economic and trade development of the world and China; periodicity and fluctuation of shipping logistics industries; drastic fluctuation of global and domestic capital and financial markets as well as resources and energy prices, in particular oil price; increased 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 COSCO Group's sustainability.</p>	
	Internal perspective	<p>In general, the biggest risk or challenge to COSCO Group's sustainability 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>	
Short-term risks	<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. In 2011, the imbalances of supplies and demands, cost and income, market entities, interest demands and profit distribution appeared in the market. These resulted in fluctuated performance and imbalanced development of enterprises in shipping and related industries including COSCO Group.</p>		
			<p>Strategic risks: In face of great uncertainties of global economy, countries worldwide enhanced the adjustment of economic, trade, monetary, taxation and other macro-economic policies. COSCO Group has single industrial chain, poor industrial structure supplementation ability, weak anti-risk ability, and increased risks in formulation, selection, implementation and control of strategies, and needs to further enhance its strategic risk management and control strategies.</p>
			<p>Market risks. For a certain period of time at present and in the future, although the market started to recover, the issues such as rapidly increased carrying capacity, slowed increase of demands, and imbalanced supplies of carrying capacity of shipping market will be obvious in short term, and the market recovery will be unstable with great fluctuations. Efforts should be made to cultivate new revenue source and profit growth points.</p>
			<p>Operational risks. The imbalances of supplies and demands, cost and income, market entities, interest demands and profit distribution has resulted in operational difficulty as well as unstable and unbalanced operational benefits. Global network needs to be improved further.</p>
		<p>Management risks. In the time when the market and operational benefits are unstable and unbalanced, enterprises will face higher requirements on enhancing the management and reducing the costs. The risks of safety and stability will be enlarged. Efforts should be made to further improve the overseas operation and management mechanism.</p>	



Opportunities		<p>Financial risks. The cash flow has increased. If the market risks, operational risks and management risks can not be dealt with actively and correctly, financial risks may appear. Moreover, fluctuation of international financial market may increase the financial risks. Efforts should be made to further improve the ability to prevent and control operational risks in capital market.</p> <p>Legal risks. The market is in depression, and the competition becomes fiercer and fiercer. Legal risks brought by the contracts increase. Failure to implement or effectively implement legal risk controlling measures will result in losses of enterprises. Ineffective control of legal risks will bring serious results, and even irrecoverable losses.</p> <p>Social responsibility risks. Corporate social responsibility has developed into a global campaign. In trans-national operation, in particular, in overseas market, the social responsibility-related sectors such as labor relation, human right and environmental protection bring greater and greater risks to M&A, daily operation and reputation of enterprises.</p>
	Short-term	<p>By making use of the rarely-seen high level prosperity in international shipping market, and the breakneck growth of Chinese economy, COSCO Group, the largest international shipping company in China, has successfully seized the opportunities to speed up the development and transform the development and operational modes.</p> <p>Accelerate the establishment of strategic partnerships with large cargo-owners to lay a solid foundation of cargo sources for a stable and sustainable operational mode.</p> <p>Accelerate the 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 financial and institutional foundation for a stable and sustainable operational model.</p> <p>Accelerate the adjustment and optimization in such aspects as industrial structure, asset structure, fleet structure and staff structure, so as to lay a solid material basis for a stable and sustainable operational mode.</p>
		<p>As COSCO Group had made full preparation before the crisis, and coped with the crisis correctly after the burst of the crisis, it is expected to seize 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 market and environmental foundation in terms of market and environment for a stable and sustainable operational mode, and long-term sustainability.</p> <p>In the first 30 years of 21st century, global economic development will become balanced again, economic entities in the world, in particular, in new emerging countries are expected to keep stable and sustainable growth. 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 and the fact that China is in a strategic period to transform from a large shipping country into a powerful shipping country decide the growth speed and size of China's shipping, logistics and related businesses 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, and the environmental protection and CSR attracted greater and greater attention. The 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>
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3. ANALYSIS ON PRIMARY MEASURES FOR SUSTAINABILITY

Short-term	<p>Take effective measures to cope with complicated and fast-changing market situations in post-crisis era, and try to fulfill the targets of "seeking for development, controlling risks, seizing 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 seizing the opportunities in a difficult time. Review the contractionary strategies and transform operational strategies; transform from active contraction to rational contraction, and from strict control of risks to scientific and rational development.</p> <p>Cultivate new advantages in international competition through adjustment and upgrade. Firstly, pay close attention to changes of market structure, adjust market and customer structures, and improve effectiveness and pertinency of marketing activities. Secondly, carefully deploy carrying capacity and optimize structure of carrying capacity, enhance technological reservation; Thirdly, actively expand and supplement periodical business, and promote industrial structure adjustment steadily.</p> <p>Operate business carefully and explore profit-making sources effortlessly. Firstly, implement comprehensive management, strengthen benchmarking management, cost management and lean management, so as to reduce costs and increase efficiency; Secondly, enhance risk management, realize comprehensive budget management, insist on the ideology of "cash is king", make investments stably, insist on legal operation and improve risk management and control ability; Thirdly, innovate on operational mode, strengthen scientific and technological innovation, and expand new profit-growing points; Fourthly, optimize structural organization, enhance coordination of the system and reasonably allocate internal resources.</p> <p>Deepen the reform and continuously enhance development impetus. Complete overall listing of shipping business step-by-step in accordance with the requirements of the State Council and SASAC on encouraging large and medium-sized enterprises to implement shareholding system and enter capital market, and by making use of the opportunities of market recovery 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 effortlessly.</p>
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Middle- and Long-term

Continue to promote “four transformations” with a focus on establishing a stable and sustainable operation mode.

The transformation from periodical development to sustainable development. Firstly, with respect to development contents, special emphasis shall be laid on development of supplementary industries. Transform from a comprehensive shipping enterprise into a comprehensively developed enterprise, including increase the inputs to existing logistics and terminal business, and actively arrange for non-periodic businesses with high returns, such as energy and mineral resources, highway and financial industries. Improve operation and management mechanism in overseas markets, and enhance the expansion ability in international market and global operation ability. Secondly, with respect to development mode, special emphasis shall be laid to implementation of anti-cycle and low-cost operation. COSCO Group shall continue to reduce or delay key investment projects when the situations are not clear. On the other hand, it shall conduct tracing analysis carefully, and make investment at the low price. Capitals can be raised through capital market to promote transformation of mechanism of enterprises. Thirdly, with respect to development features, special emphasis shall be laid to environment-friendly development.

Efforts should be made to implement Global Compact, actively perform the responsibilities as a corporate citizen, and build up a resource-conservative and environment-friendly enterprise.

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, with a view to development in post-crisis era, will promote the transformation into the combination of software and hardware with software as the emphasis by enhancing comprehensive risk management and innovation of operational 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 internal restructuring and integration and external alliance and M&A and try to become a leader in international shipping logistics industrial cluster. Thirdly, centering in China, promote transformation from a transnational company into a global company through global resource allocation.

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



PART II GENERAL INFORMATION OF COSCO GROUP

Name: China Ocean Shipping (Group) Company

Date of establishment: April 27, 1961

Legal representative: Capt. Wei Jiafu

Main businesses: international passenger and cargo transport, cabin order, voyage charter and time charter, ship-building/repairing/buying/selling, container and reparation and component manufacturing, storage, cargo-forwarding, inter-modal transport and door-to-door transport, as well as overseas futures business as approved.

Industrial rankings: China's 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

At the beginning of the establishment on April 27, 1961, China Ocean Shipping (Group) Company (hereinafter referred to as COSCO or COSCO Group) was only a small shipping company with four ships and a total carrying capacity 22,600 DWTs. After 51 years of development, the group has developed into a transnational enterprise group focusing on shipping, logistics & terminal, ship-building and ship-repairing businesses.

COSCO owns and controls over 800 modern merchant vessels with a total tonnage of 55 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 the first in China and the fifth in the world by container fleet size, and the first in the world by dry bulk fleet. It takes a lead in the world for comprehensive strengths of professional bulk carrier, 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 in worldwide scope, with 157 berths offered. Statistics of Drewry show that COSCO Pacific, a subsidiary of COSCO Group, also ranks the fifth place in the world for throughput of container terminals.

COSCO Group owns rich logistics facilities and resources. It operates more than 4,000 logistics vehicles including large cargo transport vehicle with 289 axles and highest carrying capacity of 8,000 tons, 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 domestic appliances, chemicals, power, and financing among others, offers logistics services for many key projects home and abroad such as Qinghai-Tibet Railway, Tianjin Air Bus and India Power Station, and sets many world records.

COSCO Group, through many ship-building and ship-repairing bases in mainland China, owns a total of 16 docks including 300,000-ton-class docks and 500,000-ton-class docks, with businesses include large-sized ship and



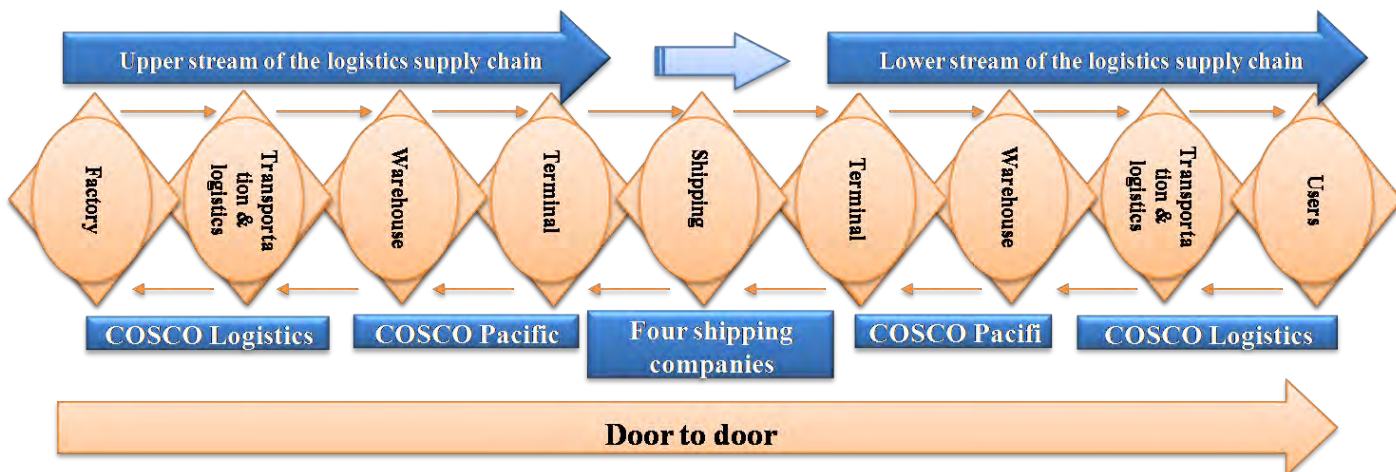
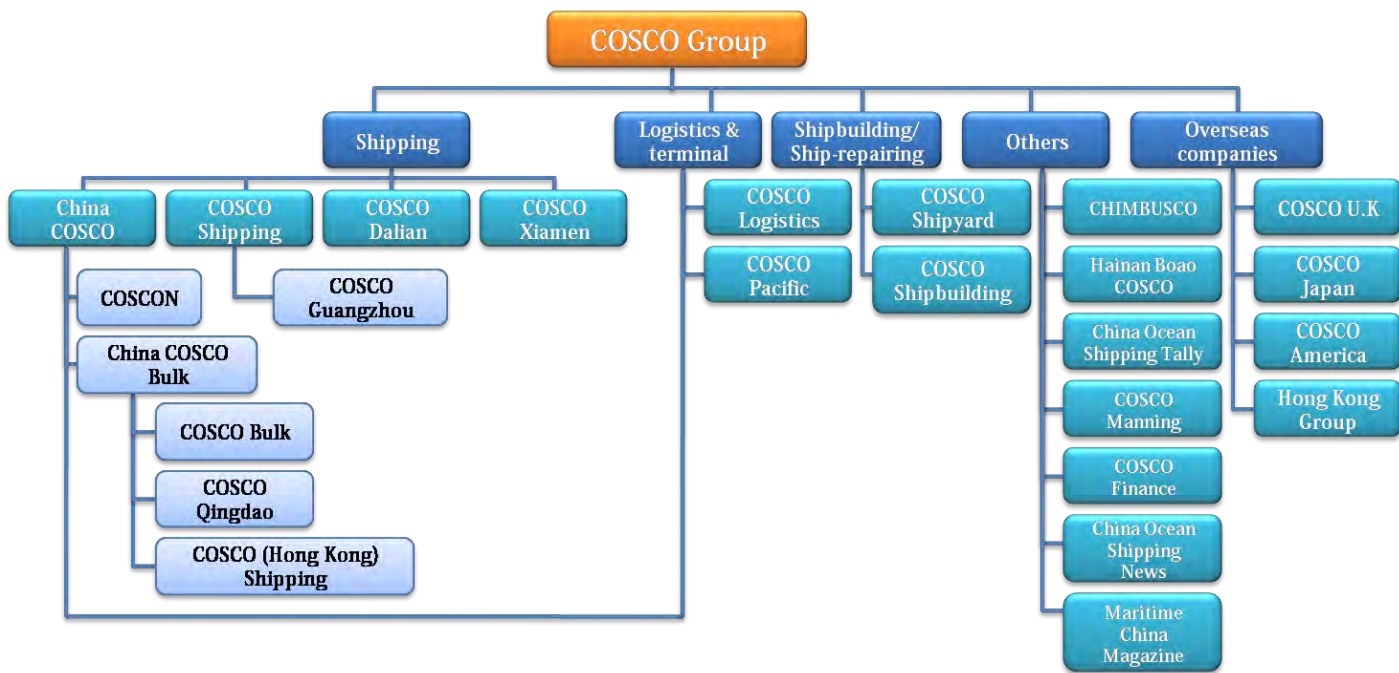
ocean engineering construction, refitting and reparation. These bases boast leading production equipment assembling ability and production management level, and take a lead in the world in terms of indicators such as technical capability, production efficiency and production costs. The group repairs and refits over 500 large ships annually, and has an annual ship-building ability of 8.4 million tons, which make it 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 nine regional companies in Hong Kong, America, Europe, Singapore, Japan, Australia, Korea, West Asia and Africa as the radiation points. With over 1,000 enterprises and branches in over 50 countries and regions worldwide, COSCO Group hires over 130,000 employees including 400 employees working in overseas countries and 4000 overseas employees. Total asset value of the group has exceeded RMB300 billion, and the proportion of overseas assets and revenue has exceeded more than 50% of the total. Currently, the group is forming a complete global business 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. In 1993, COSCO Investment was listed in Singapore in form of back-door listing. Currently, it holds controlling shares or shares in eight listed companies including China COSCO, COSCO Pacific, COSCO International, COSCO Investment, COSCO Shipping, CIMC, China Merchants Bank and China Merchants Securities. 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 started to shoulder its extensive corporate citizen responsibilities long before. In 2001, it established a comprehensive management system, which includes international environment management system, and occupational safety and health management system, becoming the first Chinese enterprise that passes certification of three management systems. In 2004, 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 become the only Asian enterprise whose sustainability report was included in the list of notable COPs for four years in a row. COSCO Group is also a member of the Global Compact LEAD Steering Committee.

COSCO Group has combined the performance of corporate social responsibilities with corporate development strategies, and actively cultivated “green competitiveness”. Its main indicators for internationalization operation are close to UN’s standards for Global 100 transnational companies. It is gradually enhancing its position as a system integrator in international shipping, logistics and terminal operation and ship-building and ship-repairing sectors. COSCO 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 century-old COSCO”.



Supply chain and industrial structure of COSCO Group



PART III BASIC PROFILES OF COSCO GROUP'S SUBSIDIARIES

In 2011, COSCO Group's subsidiaries implemented the Global Compact in a comprehensive manner, covering all businesses of COSCO Group and extending to regional companies abroad.

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 in 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: RMB157.4 billion	Employee number: 40,632
Business revenue: RMB68.9 billion	
Main businesses: Container shipping, dry & bulk cargo shipping, logistics, terminal and container leasing	
Subsidiaries: China COSCO has COSCON, China COSCO Bulk (COSCO Bulk, COSCO Qingdao, COSCO (Hong Kong) Shipping, COSCO Shenzhen), COSCO Pacific and COSCO Logistics under its affiliation. Currently, China COSCO, through its 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 157 vessels with a total carrying capacity of 660,000 TEUs, calls at 145 ports in more than 50 countries and regions worldwide. With 67 international shipping lines, 11 international branch lines, 21 domestic coastal shipping lines and 61 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) Shipping and COSCO Shenzhen) operates 372 dry and bulk cargo ships, with a total carrying capacity of 3.66 million DWTs and 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 32 terminal projects worldwide with a total of 157 berths, ranking the fifth place in the world. The Florens Container Holdings Co., Ltd affiliated to COSCO Pacific owns and manages a container scale of 770,000 TEUs, with container leasing service occupies 12.5% of global market shares, ranking the second in the world. China International Marine Containers (Group) Co., Ltd (CIMC), a joint-operation company, to which, China COSCO holds shares through COSCO Pacific, operates container manufacturing business. CIMC 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 maritime container transport business.





Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB48.855 billion	Employee number: 14,408
Business revenue: RMB34.661 billion	
Main businesses: International and domestic maritime container transport	
Subsidiaries: COSCON owns 19 fully-owned and joint venture subsidiaries (including eight domestic ones and 11 overseas ones).	
The vessel fleet of COSCON owns and operates 157 vessels with the total carrying capacity of 668,000 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. China COSCO Bulk Shipping (Group) Co., Ltd

China COSCO Bulk Shipping (Group) Co., Ltd (China COSCO Bulk), affiliated to COSCO Group, is an important member of COSCO Holdings Company Limited (China COSCO). China COSCO Bulk put up its plate on Dec. 21, 2011, and started formal operation on Jan. 1, 2012.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB52.367 billion	Employee number: 14,356
Business revenue: RMB23.462 billion	
Main businesses: International dry and bulk cargo transport	
Subsidiaries: three professional shipping companies in four places, namely COSCO Bulk, COSCO Qingdao and COSCO (Hong Kong) Shipping (COSCO Shenzhen).	
China COSCO Bulk now owns 249 large-sized bulk ships of various types such as Capsize, Panamax and Handymax, with the total carrying capacity of over 19 million DWTs. It controls over 400 ships in a year averagely, with the total carrying capacity exceeds 35 million DWTs. Shipping lines of China COSCO Bulk cover 1000 ports in 100 countries and regions. China COSCO Bulk is also world's largest bulk cargo transportation fleet with the annual cargo transportation volume of more than 200 million tons. China COSCO Bulk has operational platforms in its Beijing headquarters and Hong Kong, operational companies in Hong Kong, Europe, America, Australia, Singapore and Indonesia, and service institutes in Africa, Japan, Korea and India to provide ocean shipping services of grains, ores and sands, coals, fertilizers, steels, timbers, agricultural products and cements for customers. It also provides ship-booking and other services related to international trade for cargo owners.	

4. 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: RMB23.4 billion	Employee number: 7,838
Business revenue: RMB12.7 billion	
Main businesses: International dry and bulk cargo transport	
Subsidiaries : COSCO Bulk owns over 15 full-owned and joint venture companies	
COSCO Bulk 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.

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

COSCO (Hong Kong) Shipping Co., Ltd (COSCO (Hong Kong) Shipping), established in 1994, is one of the large-scaled and professional international dry and bulk cargo transport enterprises of COSCO Group.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB20.5 billion	Employee number: 1,897
Business revenue: RMB6.509 billion	
Subsidiaries: COSCO (Hong Kong) Shipping has 162 companies under its affiliation, of which, 155 are affiliated subsidiaries and seven are jointly-operated companies. It also has six directly-affiliated offices in Tianjin, Dalian, Shanghai, Guangzhou, Haikou and Fuzhou.	
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	
COSCO (Hong Kong) Shipping owns and operates 132 vessels, with the total carrying capacity of over 11.58 million DWTs. Fleets include Handysize vessel fleet, Panama vessel fleet and Capesize vessel fleet.	

6. Qingdao Ocean Shipping Co., Ltd

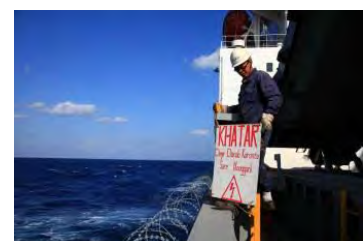
Qingdao Ocean Shipping Co., Ltd (COSCO Qingdao), established in 1976, is one of the large, specialized international dry and bulk cargo transport companies affiliated to COSCO Group.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB8.467 billion	Employee number: 4,621
Business revenue: RMB4.253 billion	
Main businesses: Dry and bulk cargo transport	
Subsidiaries: COSCO Qingdao owns 15 fully-owned and holding land-based companies and one 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. Guangzhou Ocean Shipping Company

Guangzhou Ocean Shipping Company (COSCO Guangzhou), established on April 27, 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: State-owned company	Investment proportion: 100%
Total assets: RMB18.913 billion	Employee number: 6398
Business revenue: RMB6.827 billion	
Main businesses: Multi-purpose vessel shipping business, with a focus on special transport	
Subsidiaries: COSCO Guangzhou owns 9 fully-owned or holding companies (COSCO Shipping controlled by it is a listed company), and 11 fully-owned or holding land-based companies.	
COSCO Guangzhou owns and operates over 100 ships, with the total carrying capacity of more than two 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.	

8. 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 on the Shanghai Stock Exchange on April 18, 2002 (Stock code: 600428).



Nature: Limited liability company	Investment proportion: 50.52%
Total assets: RMB13.122 billion	Employee number: 3822
Business revenue: RMB5.163 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) and Shanghai COSCO Shipping Co., Ltd.	
By the end of 2011, COSCO Shipping owned and operated 65 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 19.2 years and the totally carrying capacity of 1.2646 million DWTs. COSCO Shipping is 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/unload ing 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.	

9. Dalian Ocean Shipping Company

Dalian Ocean Shipping Company (COSCO Dalian), established in on Jan. 1, 1978, is a large-scaled shipping enterprise affiliated to COSCO Group, and also COSCO Group's only professional shipping company engaged in liquid bulk cargo transport.





Nature: State-owned company	Investment proportion: 100%
Total assets: RMB8.1 billion	Employee number: 3142
Business revenue: RMB3.521 billion	
Main businesses: Liquid bulk cargo transport business, with a focus on oil tanker	
Subsidiaries: COSCO Dalian has 19 land-based subsidiaries, of which, five are fully-owned companies, nine are holding companies and four are shareholding companies.	
COSCO Dalian currently owns and operates over 51 vessels, including oil tankers, liquefied gas tankers and chemical tankers, with the total carrying capacity of 8.89 million DWTs. Scale of vessel fleet of COSCO Dalian takes a leading position among enterprises of the same class. COSCO Dalian also owns 13 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.	

10. Xiamen Ocean Shipping Company

Xiamen Ocean Shipping Company (COSCO Xiamen), established on Oct 28, 1993, is a fully-owned subsidiary of COSCO Group. Besides building up its shipping fleet, the company also develops direct shipping service for the cross-strait "three links" project actively. After the dispatch of Wuyuan Liner for Xiamen-Jinmen passenger transport lines in 2007, the passenger transport ro-ro ship "COSCO Star" started serving for passenger and cargo transport lines between Xiamen and Taiwan ports in September 2009, opening the first normalized direct shipping line between both sides of the Taiwan Strait.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB976 million	Employee number: 182
Business revenue: RMB504 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.	

II. LOGISTICS AND TERMINAL

11. 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: RMB12.548 billion	Employee number: 9780
Business revenue: RMB6.396 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 nine subsidiaries and 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.	
Eyeing on becoming an “integrated logistics service provider”, COSCO Logistics offers whole-processed logistics solution for domestic and overseas customers in market segments such as electronic, chemical, aviation, power and exhibition, striving to improve the management quality of supply chain. It has ranked the first place in the Top 100 Chinese Logistics Enterprises for six times successively, and has won first-class logistics awards in China’s cargo transport industry.	

12. 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 world’s fifth largest container terminal operator. Florens Container affiliated to COSCO Pacific is world’s second largest container leasing company, and holds 21.80% equity in CIMC, the largest container manufacturer in China.



Nature: Limited liability company	Investment proportion: 42.71% (held by China COSCO)
Total assets: USD6.5 billion	Employee number: 2,900
Business revenue: USD600 million	
Main businesses: container terminal, container lease, management and sales, and container manufacturing	
Subsidiaries: Headquartered in Hong Kong, the company holds stocks of 27 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 134 berths at 27 ports worldwide, and ranks the fifth place in the world.	

III. SHIP-BUILDING AND SHIP-REPAIRING

13. COSCO Shipyard Group Co., Ltd

COSCO Shipyard Group Co. Ltd (COSCO Shipyard), specialized in building of large ships and construction of ocean engineering projects, ship refitting and reparation, and ancillary service businesses, is a large enterprise group affiliated to COSCO Group. With six large shipbuilding enterprises in Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang and eight ancillary service enterprises, COSCO Group has developed into an internationally renowned shipping company and the first option of partners for offshore oil service providers after nine years of leap-forward development.





Nature: Limited liability company	Investment proportion: 46.47%
Total assets: RMB31.6 billion	Employee number: 9575
Business revenue: RMB21.8 billion	
Main businesses: Construction, refitting and reparation of large vessels and ocean engineering projects	
Subsidiaries: Six large shipbuilding enterprises in Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang and eight ancillary service enterprises.	
Docks of COSCO Shipyard have a total docking capacity of 1.85 million tons and an annual shipbuilding capacity of 2.4 million tons. These docks include 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, 31 berths, two shipbuilding platforms, six water slides, one dock for ocean engineering projects and three auxiliary barges. The total site area is over 5.65 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), cylinder drilling platform, self-lifting drilling platform and semi-submersible drilling platforms.	

14. COSCO Shipbuilding Industry Company

COSCO Shipbuilding Industry Company (COSCO Shipbuilding), established in 1993 with a total registered capital of RMB2.58 billion, is a direct subsidiary of COSCO Group. COSCO Shipbuilding has formulated the development strategies of "enhancing shipbuilding business, enlarge ancillary service business and development non-shipbuilding businesses" during the 12th Five-year Plan period, trying to develop into a world's leading large shipbuilding industrial group.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB12.846 billion	Employee number: 4995
Business revenue: RMB8.233 billion	
Main businesses: Shipbuilding and ancillary service 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.	
For more than one 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

15. 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: RMB4.682 billion	Employee number: 1500
Business revenue: RMB12.419 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, Changzhou, Caifeidian, Shenzhen and Hong Kong, and set up overseas companies or outlets in Singapore, Korea, America and the Netherlands.	
CHIMBUSCO has more than 100 ships of various kinds, 18 oil depots with the total storage capacity of 1.19 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.	

16. 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. After two years of restructuring, Hainan Boao COSCO was established on March 20, 2006 as the second-tier subsidiary directly affiliated to COSCO Group.



Nature: Limited liability company	Investment proportion: 99.38%
Total assets: RMB1.402 billion	Employee number: 1361
Business revenue: RMB163 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.	



17. 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 (SAIC). It was firstly managed by the State Assets Supervision and Administration Commission (SASAC) of the State Council, and became a fully-owned subsidiary of COSCO Group 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: RMB479 million	Employee number: 205
Business revenue: RMB115 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.	

18. COSCO Manning Cooperation Inc.

COSCO Manning Cooperation Inc. (COSCO Manning) is a state-owned enterprise directly under the affiliation of COSCO Group. The company has the operating rights for international labor cooperation and seafarer labor export granted by the regulatory authorities. 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: RMB58.89 million	Employee number: 1035
Business revenue: RMB71.42 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.	



19. 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: RMB26.598 billion	Employee number: 57
Business revenue: RMB730 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.	

20. 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%
Total assets:	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.	
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.	

21. Maritime China Magazine

Maritime China, sponsored by COSCO Group and managed by the Ministry of Transport 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". The magazine is



issued on the first day of each month.

Nature: State-owned company	Investment proportion: 100%
Total assets: RMB300,000	Employee number: 8
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

22. 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: GBP19.8715 million	Employee number: 33
Business revenue: GBP24.9486	
Main businesses: Agency, bulk carrier operation, logistics business.	
Subsidiaries: COSCO (U.K.) Logistics Ltd, COSCO Chartering & Brokerage (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 (Cayman) Fortune Holdings Co., Ltd, and the business of shipping line companies was managed by COSCO (U.K.). Currently, COSCO (U.K.) headquarters has six employees, including 2 employees dispatched from China. Subsidiaries of COSCO (U.K.) have a total of 27 employees, of which, four employees are dispatched from China.	

23. COSCO Japan Co., Ltd

Established in June 1994, COSCO Japan Co., Ltd (COSCO Japan) is the general agent of COSCO Group's ships in Japan, and also a regional company of COSCO Group in Japan for uniform management of COSCO Group's institutes in Japan.

COSCO Japan and its subsidiaries mainly engage in ship agent, cargo LCL, container management, ship materials supplying, ship and container reparation, passenger and cargo ship operation, labor and tourism businesses.

Besides container cargo canvassing and on-site services for ships, COSCO Japan also develops businesses such as air freight, labor dispatch, container transport-related reparation business, inland transport and other new businesses, making substantial progress in business diversification.

24. COSCO America Co., Ltd

Established in August 1982, COSCO Americas, Inc. (COSCO America) is a regional center for COSCO Group to manage businesses in United States and Canada, North and Central America, and South America. Business cope of COSCO America includes management of COSCO Group's institutions, personnel and business in the whole area, and on-site management of container and general cargo shipping lines of COSCO Group in America, irregular bulk and general cargo shipping lines of other member companies of COSCO Group, as well as industries and business except for shipping business of COSCO Group.

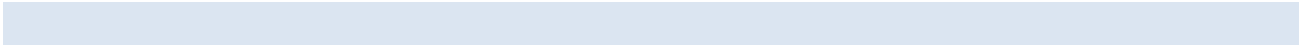


25. COSCO (Hong Kong) Group Co., Ltd

COSCO (Hong Kong) Group Co., Ltd was established on Aug. 28, 1994, and has a history of over 40 years. After painstaking efforts, the group has developed from a Hong Kong-based Chinese enterprise with the total asset of more than USD4 billion from a small shipping company with only several old ships.

As a fully-owned regional company and economic entity of COSCO Group, COSCO (Hong Kong) Group manages hundreds of enterprises of COSCO Group in Hong Kong, Macao and Philippines. Business outlets and investment projects of COSCO (Hong Kong) Group cover major cities in mainland China as well as Asia, Europe and America.

COSCO (Hong Kong) Group has formed the pillar industries of dry and bulk cargo transport, container leasing, terminal and industry, real estate, infrastructure investment, architecture industry, energy industry, logistics, information technology, metal material process, ship trade, maritime fuel and materials trade, ship agent and cargo agency. Business scope of the group also covers finance, insurance brokerage, tourism, and hotel industries.



PART IV AWARDS

I. AWARDS RELATED TO THE GLOBAL COMPACT AND SUSTAINABILITY

Award-winning Time	Awards
Jan. 8	China COSCO received the Social Responsibility Award for Listed Companies.
March 1	COSCO Group ranked the first place among domestic companies in the Top 100 Chinese Enterprises for Corporate Social Responsibility released by Fortune magazine.
July 15	COSCO Group won the 6th China Charity Award.
July 27	COSCO Charity Foundation receives the Special Contribution Award for China Great Home Caring Activity.
Nov. 8	COSCO Group was award the Excellent Enterprise in the 2011 Blue Paper on Corporate Social Responsibility.
Nov. 22	The COSCO Group Sustainability Report 2010 received the Outstanding Achievement Award.
Nov. 29	COSCO Group received the honorable title of National Model Organization for Poverty Alleviation and Development.
Dec. 2	COSCO Group received the Leading Enterprise Award and Evergreen Award of the 2011 Golden Bee Excellent CSR Award.
Dec. 13	COSCO Group received the Best Corporate Social Responsibility Award.

II. INTERNATIONAL AND DOMESTIC AWARDS WON BY COSCO GROUP IN 2011

Award-winning Time	Awards
Jan. 28	COSCO Group rated A-class in performance evaluation on websites of central enterprises successively.
Feb. 18	COSCO Group received the honorable title of Excellent Implementation Team for National Scientific and Technological Plan during the 11th Five-year Plan Period.
April 1	COSCO Logistics ranked the first in the Top 100 Chinese Logistics Enterprises for the sixth successive time.
April 18	COSCO Group was awarded the "Lighthouse Customer of SAP Industry".
April 25	Chairman Wei Jiayu received the honorable title of "Guardian of American Workers" and the "Honorary Chief Commander of the Massachusetts State".
April 30	Li Zhenyu, General Manager of COSCO (Hong Kong) Shipping, Lu Guanrong, General Manager of Ningbo Cargo Transport Division, COSFRESH (COSCON), and Pu Yucai, Technical Engineer of Guangdong COSCO Shipyard Engineering Co., Ltd, COSCO Shipyard Group, won the May 1st Labor Medals, and Lecong Liner of COSCO Guangzhou received the honorable title of the National Workers' Pioneer.
May 7	COSCO Shipping received the "Golden Round Table" Excellent Board of Directors Award for Listed Companies in China.
June 3	COSCO Group received the A-class Enterprise for Tax Credit.
June 16	COSCON received the Best Ocean Carrier Award for Far East Route by the Canadian International Freight Forwarder Association (CIFFA) for the 10th successive time.
June 20	COSCO International received the 2011 Corporate Governance Asia Recognition Award.
June 24	COSCON received three gold awards for China-North America, China-Australia/New Zealand, and China/Southeast Asia shipping lines and many silver and bronze awards in the appraisal of 8th China Freight Industry Awards.
June 25	COSCO Qingdao's Leng Juji, COSCO Bulk's Pan Shaoqiang and COSCO Guangzhou's Zhang Jianong appraised as China Top 10 Seafarers.
July 7	COSCO Group ranked the 398th in the 2011 Fortune Global 500 List.
Aug. 21	COSCO Shipping received the 2011 CCTV Top 10 Chinese Listed Companies for



	Corporate Governance.
Aug. 23	COSCO Logistics received the Excellent Partner Award of Shenzhen Huaxing Photoelectric Technology Co., Ltd. China Lianhe Credit Rating kept the AAA rating on China COSCO.
Aug. 24	COSCO International received three honors of the 25th International ARC Annual Report Awards.
Oct. 27	COSCO Investment awarded the “Most Transparent Foreign Company” Award.
Nov. 3	COSCO Logistics received the 2011 Most Influential Enterprise Award in Chinese Logistics Industry, the 2011 Best Employer Award in Chinese Logistics Industry and the 2011 Top 10 Chinese Logistics Enterprise for Brand Value at the 7th China International Logistics Festival.
Nov. 11	COSCO Group ranked the sixth in the 2011 Top 100 Chinese Transnational Companies.
Nov. 15	COSCO Pacific’s takeover of the Port of Piraeus in Greece was appraised as Classic Overseas Investment Case of Chinese Enterprises.
Nov. 18	Chairman Wei Jiafu received the Outstanding Contribution Award for Sino-US Exchange.
Nov. 19	Chairman Wei Jiafu received the 2011 Top 10 Leaders in Chinese Economic Circle.
Dec. 1	Chairman Wei Jiafu received the Asian Supply Chain Famous Character Award.
Dec. 20	COSCO Group received the honorable title of 3rd Batch National Civilization Organizations.

PART V GENERAL INFORMATION OF THE REPORT

This report is a vivid reflection of COSCO Group's efforts in 2011 to implement the Global Compact Sustainable Development Leadership Blueprint based on COSCO Group's sustainability strategic planning, 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) and the SASAC's Implementation Outlines of Harmonious Development Strategies during 12th Five-year Plan Period, transform into compatible economic growth mode, establish a harmonious enterprise and fulfill sustainability of COSCO Group in accordance with requirements of related parties on social responsibility, such as the Notice of the Shanghai Stock Exchange on Promoting Social Responsibility Undertaking of Listed Companies and the Release of “Shanghai Stock Exchange's Guidance on Disclosure of Environmental Information by Listed Companies” and the Guidance on Compilation of Report for Performance of Social Responsibilities. 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	Press conference held in Beijing
Dec. 20, 2007	COSCO Group Sustainability Report 2006	Press conference held in Beijing
July 31, 2008	COSCO Group Sustainability Report 2007	Press conference held in Beijing



July 31, 2009	COSCO Group Sustainability Report 2008	Online release
July 31, 2010	COSCO Group Sustainability Report 2009	Online release
June 30, 2011	COSCO Group Sustainability Report 2010	Online release
June 30, 2012	COSCO Group Sustainability Report 2011	Online release

I. SCOPE OF REPORT

Contents of the COSCO Group Sustainability Report 2011 were enriched based on the 2010 version. The report covers requirements of GRI Sustainability Reporting Guidelines 2006 (hereinafter referred to as GRI 2006) and the supplementary guidelines of the industry, integrates the core articles of the ISO26000 Guidance on Social Responsibility, and satisfies the requirements of related parties on social responsibility, such as the Notice of the Shanghai Stock Exchange on Promoting Social Responsibility Undertaking of Listed Companies and the Release of “Shanghai Stock Exchange’s Guidance on Disclosure of Environmental Information by Listed Companies” and the Guidance on Compilation of Report for Performance of Social Responsibilities. With the comprehensive indicators that cover entire COSCO Group, the report covers the management methods and performance indicators of COSCO Group, all its second-tier companies, and all international shipping, logistics & terminals, shipbuilding/ship-repairing companies, as well as basic implementation situations of regional companies and other companies in Hong Kong, Japan, Europe and America that attend LEAD program.

1. DETERMINING SCOPE OF REPORTING SYSTEM IN A SCIENTIFIC MANNER

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 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	4	9	4	4	4	1	4	4	4	5200	Medium
8	COSCO Hong Kong	4	4	9	4	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	4	9	4	4	4	1	4	4	4	5200	Medium
10	COSCO Shipyard	4	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	4	9	4	4	9	9	4	4	4	4032	Medium
12	CHIMBUSCO	4	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	4	3072	Low
14	COSCO Guangzhou	4	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	4	1	4	4	4	2880	Low
16	Hainan Boao COSCO	9	1	1	4	1	9	4	4	4	4	4	4	1	9	4	9	4	2850	Low
17	COSCO Mannings	9	1	1	4	1	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)

2. DETERMINING REPORTING FORM IN A SCIENTIFIC MANNER

COSCO Group scientifically defines the reporting scope in the supply chain and quantizes GRI's recommendations on setting up scope decision-making tree based on the Decision-making Matrix for Sustainability Risks. 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. Related indicators and performance of other second-tier companies are reported in accordance with uniform reporting structure in the report. Issues and difficulties of key third-tier enterprises home and abroad are also described in the report.

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 Level
										Risk scores
										Marketing
										Service product quality
										Anti-corruption
										Community
										Non-discrimination
										Collective bargaining
										Human resources
										Safety
										Pollution prevention
										Energy-conservation and low-carbon
										Social investment
										Finance
										Supply chain requirements
										Supervision and control
										Scale influences
										Control degree



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	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	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 Shipyards	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	CHIM BUSC O	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Group report
13	COSC O U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Group report
14	COSC O Guang zhou	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	4	2880	Group report
15	COSC O Xiame n	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	4	2880	Group report
16	Hainan Boao COSC O	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	4	4	2850	Group report
17	COSC O Manni ng	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	4	1900	Group report
18	COSC O Financ e	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1	1200	Group report
19	China Ocean Shippi ng Tally	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	4	720	Group report
20	China Ocean Shippi ng News	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Group report
21	Mariti me China	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Group report

Notes:

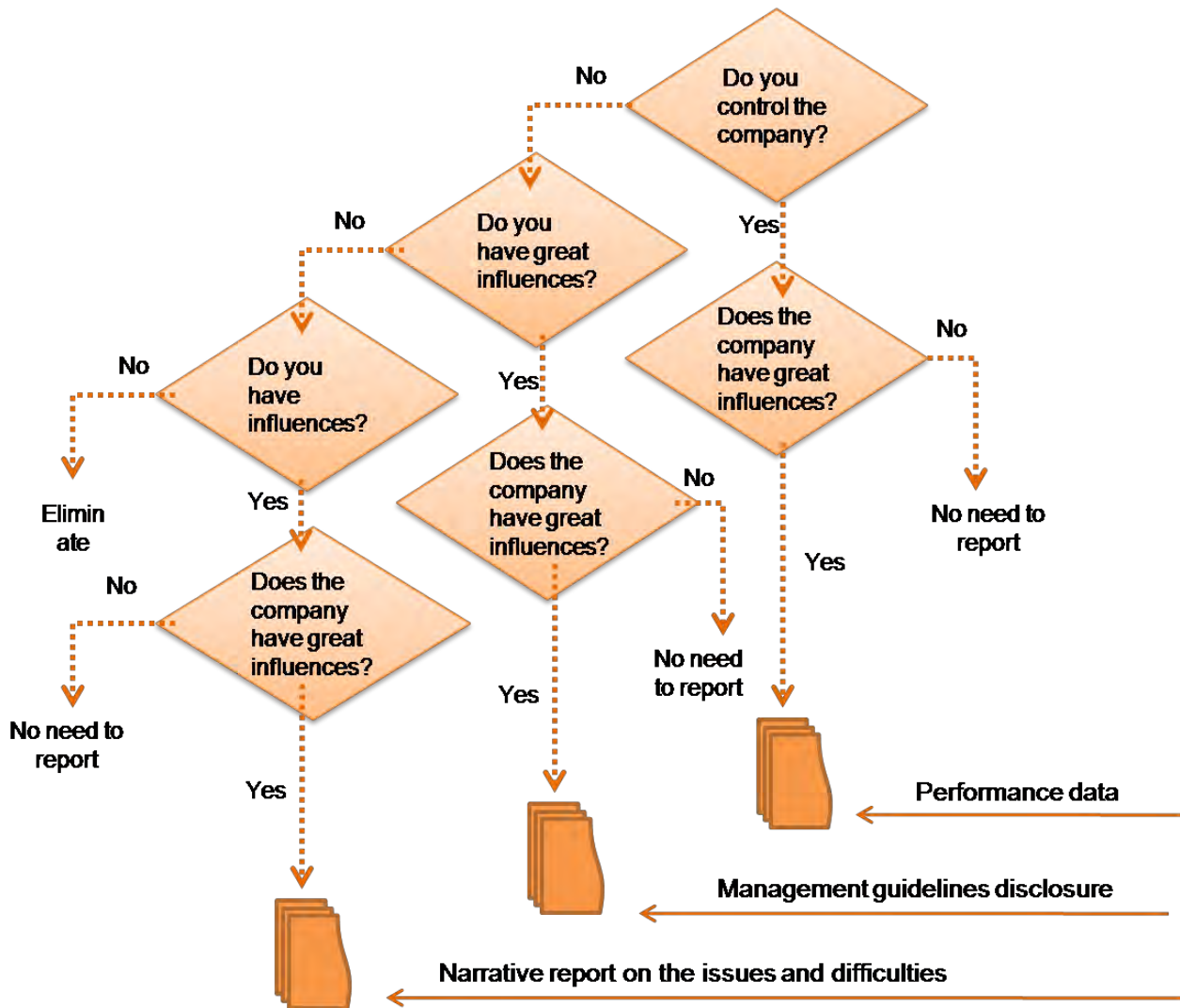
Group report: a uniform report of the group, with detailed descriptions in specific chapters;

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;

3. DETERMINING SCOPE OF REPORTING CONTENTS IN A SCIENTIFIC MANNER



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 official website of COSCO Group (<http://www.chinacosco.com>) -- The COSCO Group Sustainability Report.

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 2011.

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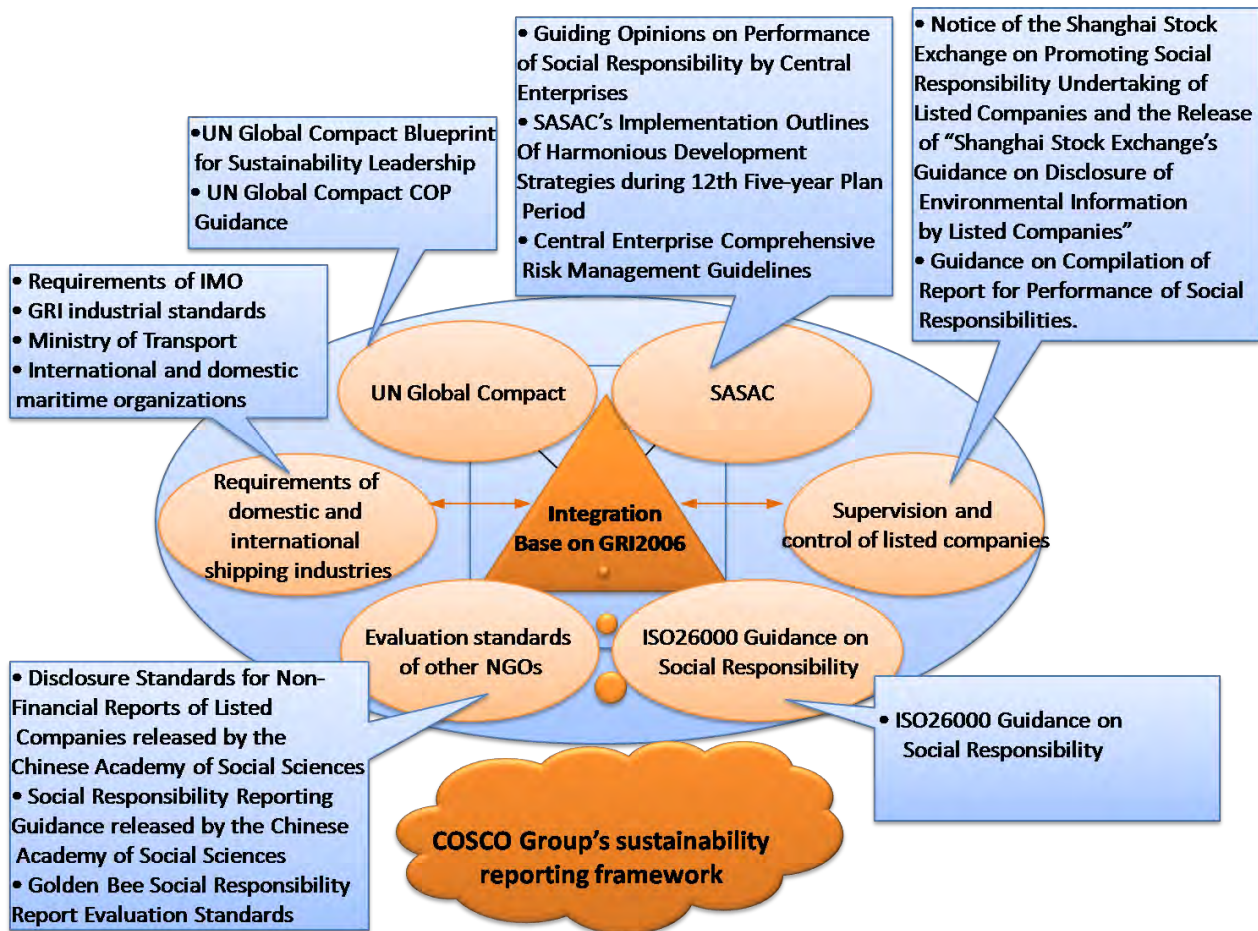


II. REPORT COMPILATION PRINCIPLES

The COSCO Group Sustainability Report 2011 sets up the reporting framework based on the GRI Sustainability Reporting Guidelines 2006. The report systematically integrates the requirements of key guidance and standards and satisfies requirements of related parties.

The report is compiled in accordance with the requirements of the GRI Sustainability Reporting Guidelines 2006 and the supplementary guidelines of the industry as well as the ISO26000 Guidance on Social Responsibility, considers the requirements of the UN Global Compact Blueprint for Corporate Sustainability Leadership and the special requirements of the International Maritime Organization on shipping companies, and satisfies requirements of related parties on social responsibility, such as the Implementation Outlines of Harmonious Development Strategies during 12th Five-year Plan Period, the Central Enterprise Comprehensive Risk Management Guidelines and the Guiding Opinions on Performance of Social Responsibility by Central Enterprises issued by SASAC, the Implementation Guidelines for Internal Control of Listed Companies and related guidelines issued by five ministries and commissions including the Ministry of Finance, and the Notice of the Shanghai Stock Exchange on Promoting Social Responsibility Undertaking of Listed Companies and the Release of “Shanghai Stock Exchange’s Guidance on Disclosure of Environmental Information by Listed Companies” and the Guidance on Compilation of Report for Performance of Social Responsibilities. Please see the table below.

Standard Bases for COSCO Group’s Sustainability Reporting Framework





Based on the 2006 Global Reporting Initiative (GRI) Guidelines and the basic principles defining the report contents, such as importance, participation of stakeholders, sustainability background and integrity, 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 799 key process indicators and key risk indicators. The report is therefore compiled based on the sustainability indicator system.

To ensure quality of report, the COSCO Group Sustainability Report was compiled based on the principles of integrity, inclusiveness, responsiveness, materiality, comparability, balance, accuracy, timeliness, clearness and reliability to pursue for effective transparency.

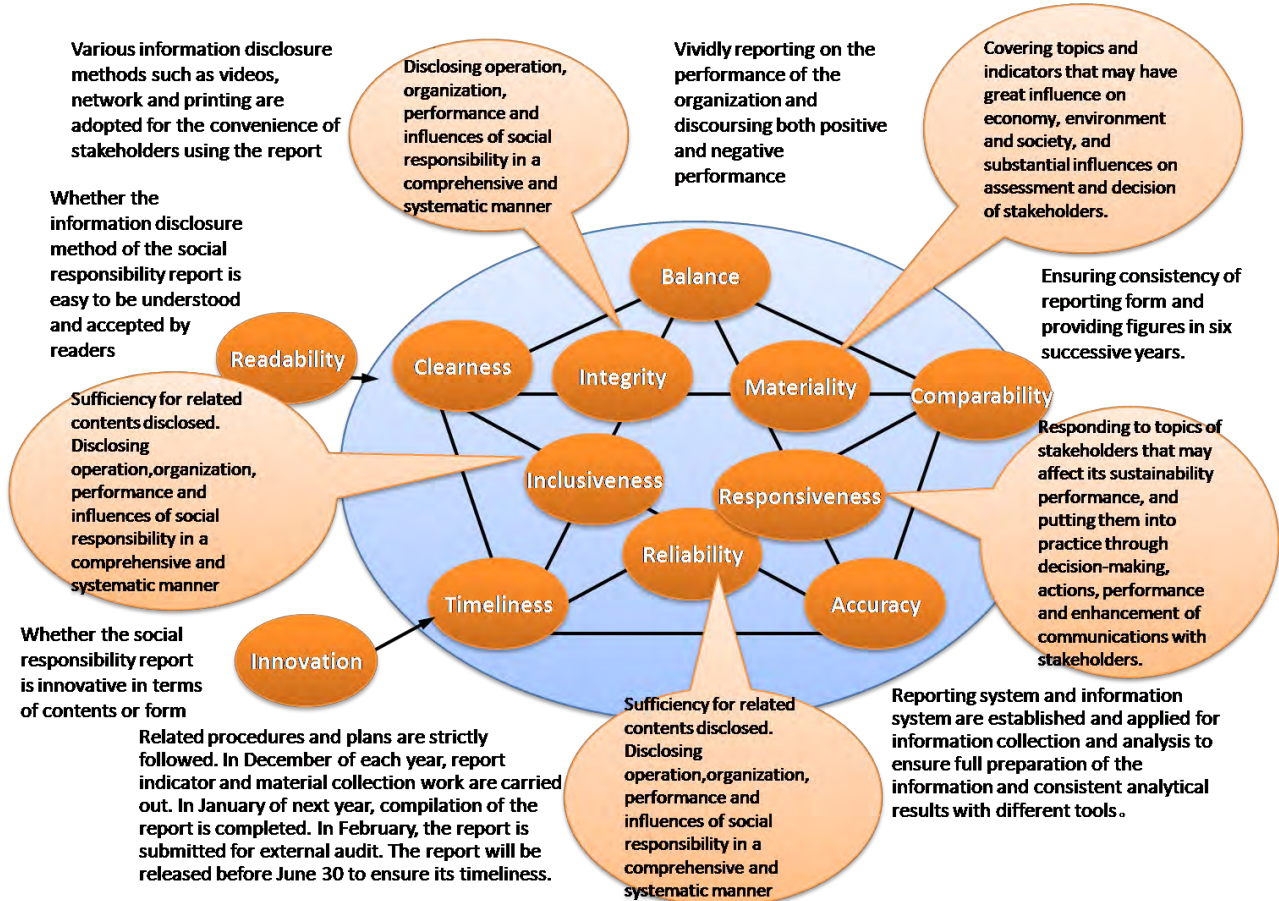
1	Integrity	COSCO Group Sustainability Report discloses information about operation and organization, performance and influences of social responsibilities in a comprehensive and systematic manner.
2	Inclusiveness	COSCO Group works together with stakeholders to make responsible and strategic responses to sustainability. Stakeholder refers to those individuals, groups or organizations that can affect or be affected by activities, products (services) or performance of the organization.
3	Responsiveness	COSCO Group responses to stakeholders' proposal that may affect its sustainability performance, and put it into practice through decision-making, action, performance and enhancing communications with stakeholders.
4	Materiality	Information in the report includes topics and indicators that reflect COSCO Group's influences on economy, environment and the society, or have substantial influences on evaluation and decision of stakeholders.
5	Comparability	COSCO Group establishes sustainability indicator system and sustainability information management platform to ensure consistency of reporting form and comparability of information. It also applies six-sigma analytical method in analysis and comparison to ensure consistency of reporting form. Figures in three successive years are provided in the report for the convenience of stakeholders to analyze the performance of China COSCO. Industry-wide comparison is made to show the industrial position objectively.
6	Balance	COSCO Group sustainability report faithfully reflects the overall performance of the institution with any exaggerations to avoid any influences on judgments of readers. Six-sigma's failure mode analytical method is applied to evaluate influential degree and determine importance of the reporting items and ensure that influential degree of reporting items is proportional to its relative importance. Besides reporting performance, the report also discloses negative performance.
7	Accuracy	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.
8	Timeliness	COSCO Group Sustainability Report is released following the specified procedures and plans strictly. In December of each year, report indicator and material collection work are carried out. In January of next year, compilation of the report is completed. In February, the report is submitted for external audit. The report will be released before June 30 to ensure its timeliness.
9	Clearness	COSCO Group Sustainability Report adopts a number of reporting forms such as PDF version for online release, Chinese and English printed version and summary version released with the financial report. In order to save papers, the sustainability report mainly adopts PDF version for online release and for the convenience of reading and download of domestic and overseas readers.
10	Reliability	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 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.

Two compilation principles, i.e. readability and innovation are added based on related evaluation standards. The readability appraises whether the information disclosure method of the report is easy to understand and accept by the readers, while the innovation appraises whether the report is innovative in terms of contents or form.

Quality Composition and Principles of COSCO Group Sustainability Report



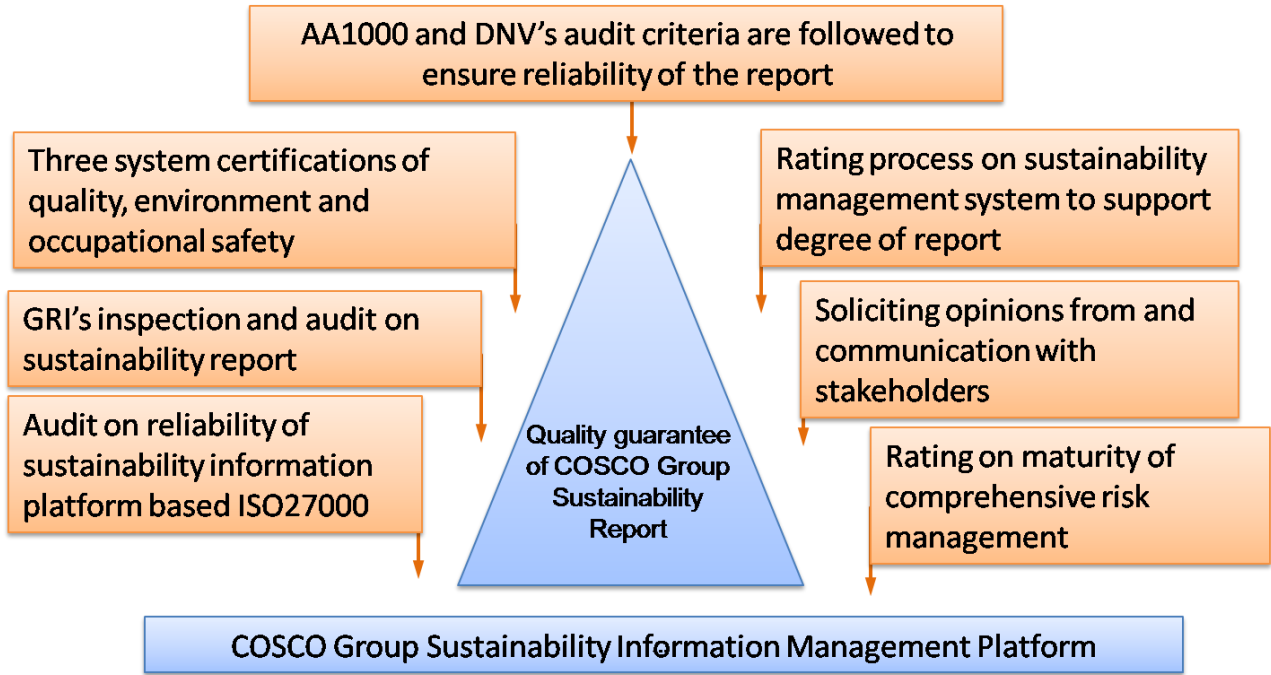
III. REPORT GUARANTEE METHODS

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.



Guarantee system of COSCO Sustainability Report



All financial data are audited figures complying with the Accounting Criteria for Enterprises and the Enterprise Accounting System released by the government.

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. It also 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 and evaluates the quality of the report, COSCO Group submits 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, through green channel for communication with related parties of its sustainability information management platform, invites stakeholders and media to offer suggestions in a move to propel



constant improvements on the report.

Please visit COSCO Group's sustainability information management platform at <http://gri.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

COSCO Group adopts the core indicators of the GRI Guideline 2006 to systematically report all management and performance indicators.

The statistical scope of the sustainability report 2011 is the same with the 2010 report, and self-rating level is A+.



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MANAGEMENT AND PARTICIPATION
OF STAKEHOLDERS





B. MANAGEMENT AND PARTICIPATION OF STAKEHOLDERS

PART I CORPORATE GOVERNANCE

I. BOARD OF DIRECTORS

On Dec. 28, 2011, COSCO Group established the Board of Directors. Wei Jiafu was appointed Chairman of COSCO Group, Ma Zehua was appointed director and general manager of COSCO Group, Yu Ning, Ye Daji, He Qingyuan, Chen Geng and Xu Liejun were appointed as external director of COSCO Group. Establishment of the Board of Directors marks that COSCO Group has made an important step in establishing modern enterprise system and improving its legal person governance structure. All the members of the Board of Directors possess the professional knowledge required to discharge their duties, and have extensive experience in operation management, and discharge their duties loyally, honestly and diligently. The Board of the company has five subordinate special committees, namely the Strategic Development Committee, the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee. These special committees are responsible to the Board of Directors and provide advices and suggestions for decision-making of the Board of Directors.

Special committees	Responsibilities	Responsibilities in sustainability
Strategic Development Committee	The Strategic Development Committee considers, evaluates and examines important investment, acquisition and sale projects, and offers suggestions to the Board. The Committee also conducts after-investment evaluation on the investment projects, and examines and considers the overall strategic direction and business development of the company.	Be responsible for sustainability strategies and investment decisions of the company.
Risk Management Committee	The Risk Management Committee provides supports to the Board independently, assists the Board in identifying, monitoring and managing operation risks, defines the direction for risk management strategies of the group, and enhances the risk management system of the group.	Assisting the Board in identifying, monitoring and managing operation risks, defining the direction for risk management strategies of the group, and enhancing the risk management system of the group.
Audit Committee	The Audit Committee is mainly responsible for reviewing and monitoring the financial reporting procedures of the company, and for reviewing the appointment and remuneration of the auditors as well as any matters related to dismissal and resignation of auditors. The Audit Committee is also responsible for inspecting internal control effects of the company, including conducting regular inspection on internal controls over structure and business processes of related companies, and considering the potential risks and urgency to ensure business operation and fulfillment of targets and strategies of the company. Aforesaid inspections cover financial, operational, legal and risk management. The Audit Committee also examines the internal audit plan of the company and submits reports and suggestions to the Board on a regular basis.	Be responsible for reviewing and supervising financial report of the company.



Remuneration Committee	Be responsible for draft of operational performance evaluation methods and remuneration management methods of senior managers of the company. The Remuneration Committee examines and evaluates on performance of senior managers, and offers suggestions on remuneration of senior managers to the Board.	Be responsible for management of remuneration of senior managers.
Nomination Committee	The main duty of the Nomination Committee is to research the selection standards, procedures and methods of senior managers of the company. The Committee investigates and nominates candidates of senior managers in accordance with related regulations. The Nomination Committee, under authorization of the Board, can investigate on directors and supervisors of important subsidiaries as well as general managers of important subsidiaries having no board, and offer suggestions to the Board.	Be responsible for appointment and nomination of directors of the company.

II. SUPERVISORY COMMITTEE

The Supervisory Committee is the supervisory body of the company. The number and composition of the Supervisory Committee shall comply with the provisions and requirements of the relevant laws, regulations and the Articles of Association of the COSCO Group. In the spirit of being responsible to shareholders, the Supervisory Committee of the company seriously discharge its duties, and protect the interests of the shareholders and the company through inspecting the company's financial situation, implementation of resolutions of the general meetings, and discharge of duties by the senior management.

III. MANAGEMENT TEAM

The election and appointment of management of the company shall be in strict compliance with the Articles of Association of the company. The managers of the company shall discharge their duties and power limits as strictly required, seriously implement the resolutions of the Board, and implement effective management and control on the operation management of the company, and continue to enhance the company's management level and operation results.

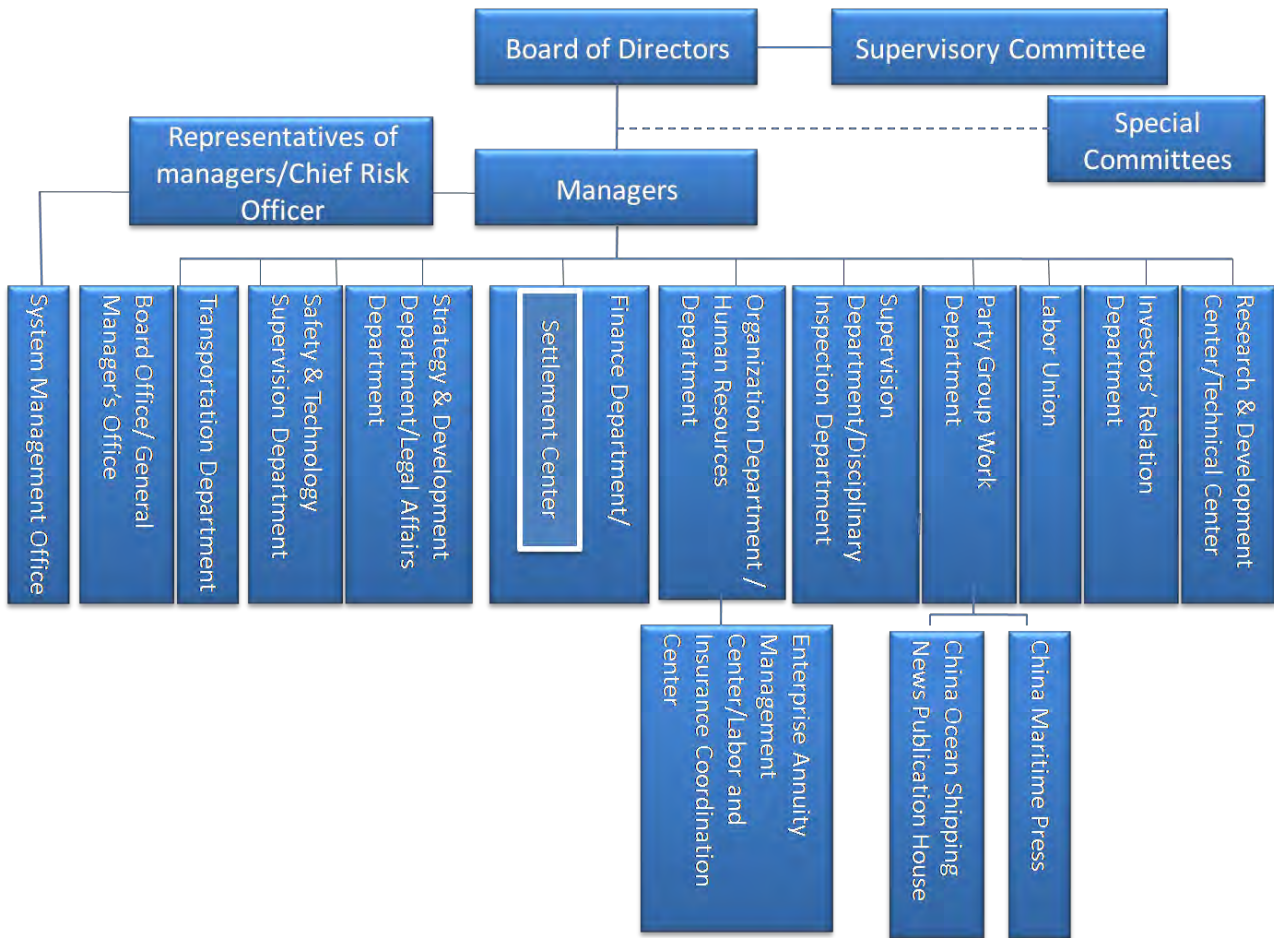
Leaders of the Company	Division of work in terms of Global Compact, social responsibility and sustainability	Remarks
Chairman Wei Jiafu	Be fully responsible for implementation of Global Compact and sustainability work, be in charge of human resources and labor insurance work, be responsible for labor, human right and sustainability cultural building	Assumed the post in August 2011
Former Vice President Zhang Fusheng	Be in charge of human resources and labor insurance work, and be responsible for labor, human right and sustainability cultural building	Left the post in August 2011
Managing Director Ma Zehua	Be fully responsible for sustainable development of the company's business	Assumed the post in August 2011
Former Vice President Xu Lirong	Be responsible for the Trade Union, and be in charge of supervision over implementation of human right and labor standards	Left the post in August 2011
Former Vice President Zhang Liang	Be in charge of safety, environmental protection and scientific research work as well as counter-terrorist and defense work	Left the post in April 2011



Deputy General Manager Li Yunpeng	Be in charge of Global Compact and sustainability work	Assumed the post in December 2011
Chief Accountant Sun Yueying	Be in charge of management of financial risks as well as public welfare and charity work	
Deputy General Manager Sun Jiakang	Be in charge of sustainability work	Assumed the post in February 2011
Deputy General Manager Xu Minjie	Be in charge of safety, environmental protection, counter-terrorist and defense work	Assumed the post in February 2011
Deputy General Manager Ye Weilong	Be in charge of scientific research work	Assumed the post in December 2011
Director Song Dawei	Be in charge of anti-corruption, combating commercial bribery and social work, and be responsible for disciplinary inspection, supervision, audit, comprehensive control, and sustainability promotion work	Assumed the post in December 2011
General Counsel Liu Guoyuan	Be in charge of legal and law-compliance work	
Chairman of Trade Union Fu Xiangyang	Be responsible for the Trade Union, and be in charge of supervision over implementation of human right and labor standards	Assumed the post in October 2011

IV. MANAGEMENT ORGANIZATION & STRUCTURE

In order to ensure the fulfillment of its strategic objectives, COSCO Group establishes rigorous management structure in accordance with requirements of the modern enterprise system. The group takes the Board of Directors as its supreme decision-making body, and sets up the administrative management and organization structure of 12 departments and two centers, under which, each division shoulder its due responsibilities.



The Board has the functionality of managing strategic decision of the company. The Board has paid close attention to bring into full play the role of special committees. As an important body that supports decision-making of the Board, the special committees play their role in prevention and control of operation risks and law-compliance risks in decision-making process.

The Supervisory Committee is the supervisory body of the company, and performs the dual functions of supervising strategic decision of the Board and its subordinate special committees and the supervising operation decision of the company's management team.

V. 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 letters and calls as well as the massive events of COSCO Group; organizing and guiding the implementation of social safety and security controlling 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.



VI. ALL-STAFF PARTICIPATION AND COMMUNICATION MECHANISM

COSCO Group actively encourages all staff to participate in enterprise construction and perform the social responsibilities. It has enhanced all-staff training and education on social responsibility, made continuous innovation on management ideas and working methods, and formed the value concept and corporate culture for performance of social responsibility. In addition, the group has built a sustainability information management platform with IT technology, which not only improves the efficiency of system implementation, but also enhances the employees' social responsibility awareness and promotes implementation of sustainability in practical. Various types of advanced management technologies, such as flow management, strategic map and balanced score card, were adopted ensure that the group's goal to implement the Global Compact and social responsibility could be reflected in the work of every staff.

COSCO Group has established corresponding communication mechanism for different layers within the group, and headquarters of the group adopt forms such as distribution meeting, system video conference and other forms to communicate with affiliated enterprises. Communication within the group were realized through shareholders' meeting, board meeting, general manager's work meeting, special meetings, coordination meeting, work liaison list and OA system. Besides, horizontal and vertical communication mechanism was established between management divisions to determine the communication channels, methods and time limit, so as to make the communication more timely and effective.

VII. CORPORATE EVALUATION MECHANISM

COSCO Group establishes and improves the up-bottom performance evaluation mechanism, assigns annual tasks and targets by signing letters of responsibility with the direct subsidiaries, and implements annual salary system of leaders based on letters of responsibility signed. With respect to assessment indicators of the direct subsidiaries, the group not only pays attention to economic indicators such as total profits/net profits, economic value-added, proportion of costs and expenses to income, but also emphasizes on key indicators such as capital management, investment management, collection of receivables, information disclosure and connected transactions. The group determines operational objectives and directions based on the assessment results, mobilizes activeness of operators, tries to improve the operational efficiency, and promotes healthy development and standard operation of the listed companies.

VIII. PERSONNEL EVALUATION MECHANISM

1. STAFF EVALUATION

COSCO Group carried out staff evaluation in 2011 in accordance with the COSCO Group Headquarters' Interim Measures for Staff Evaluation. The evaluation covered all 325 persons who should attend the evaluation, with the evaluation participation rate reached 100%. Persons attending the evaluation include board secretary, leaders of related departments and centers, managers and deputy managers of the offices, and staff of business department.

In the meantime, opinions and suggestions of the employees on management of the enterprise were collected to gain a comprehensive view on thoughts of the employees, enhance their sense of recognition towards the enterprise, improve cohesion of the enterprise, further elevate the management level of COSCO Group headquarters, and promote mutual development of the enterprise and the employee. In order to satisfy the requirements on audit of management system, customer satisfaction investigation was also conducted in the evaluation work. The investigation took the form of anonymous questionnaire, including 17 questions on six



aspects, namely basic working conditions, post, career development, salaries and welfares, staff training and corporate concept. A total of 325 persons at the COSCO Group headquarters should attend the investigation, while the actual number of participants reached 325. The valid questionnaire return rate reached 100%.

2. STAFF TRAINING

In accordance with the spirits conveyed in the Outlines for Cadre Education and Training Reform in 2010-2020 issued by the CPC Central Committee, the trainings in 2011 were focused on knowledge update, quality improvement, ability elevation and problem-solving, with a special emphasis on the enterprise's demands for high-quality talents. Active efforts had been made to promote the development of training work and to improve training quality and efficiency, providing effective talent supports and guarantees for development and construction of the company.

At the beginning of 2011, the group organized the directly affiliated institutions and related departments (centers) under the headquarters to summarize the training work in 2010 in terms of whether the training objectives are clear, the training contents are enriched, the training schedule is reasonable, the training cost meets the requirements of lean management, and whether the training achieved anticipated results, analyze and research on the issues appeared, and put forward measures and methods to further improve the training work. In the notice on annual training plans, the group offered the guiding opinions on training work to related departments and institutions. The group also required them to further increase the recognition and attention on the training work, improve the system and optimize the process centering on the practical demands of enterprise development and employee team building, carry out training on guidelines of the party and the government, economic situation, laws and regulations, operation and management, and business knowledge by different levels and types, and improve the training quality.

IX. INTERNAL STATEMENTS, BEHAVIORAL PRINCIPLES AND IMPLEMENTATION SITUATIONS RELATING TO ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE

With an aim to fulfill the obligation of ~~g~~ 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, realizing sustainable development and bringing best returns to shareholders, the society and the environment", COSCO Group has determined the core concept of COSCO Group's cultures, namely ~~m~~ maximizing the corporate value, economic benefits and returns to shareholders". 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 ~~s~~ social responsibility undertaker". In 2009, the Group started the compilation of the COSCO Group's Development Plan during the 12th Five-year Plan Period and the COSCO Group's Development Plan for Corporate Culture Building during the 12th Five-year Plan Period, which had been completed in 2011.

Corporate culture construction has been integrated into 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,



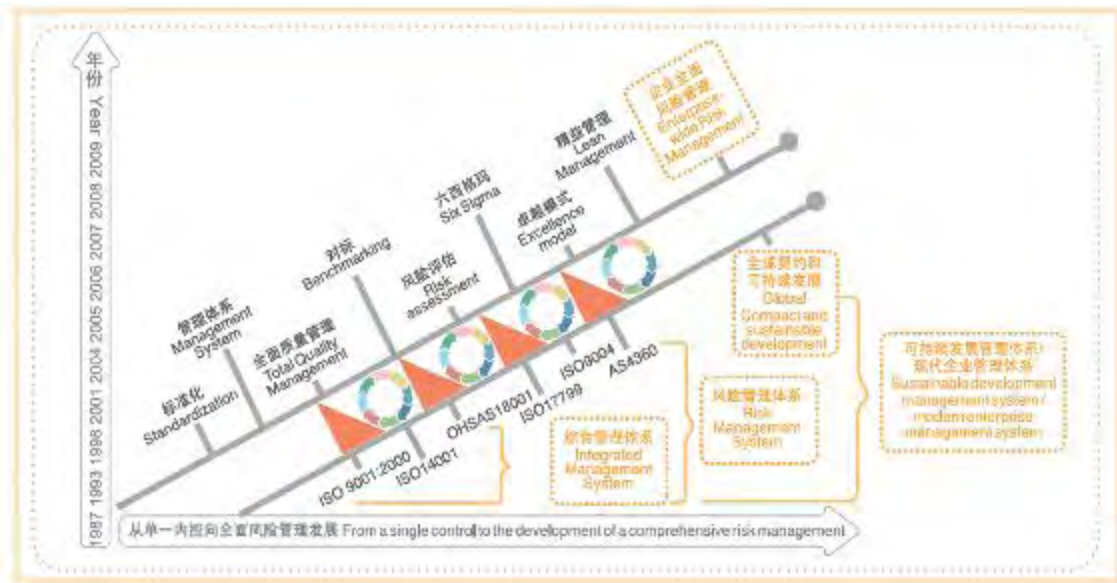
rapid and healthy development.





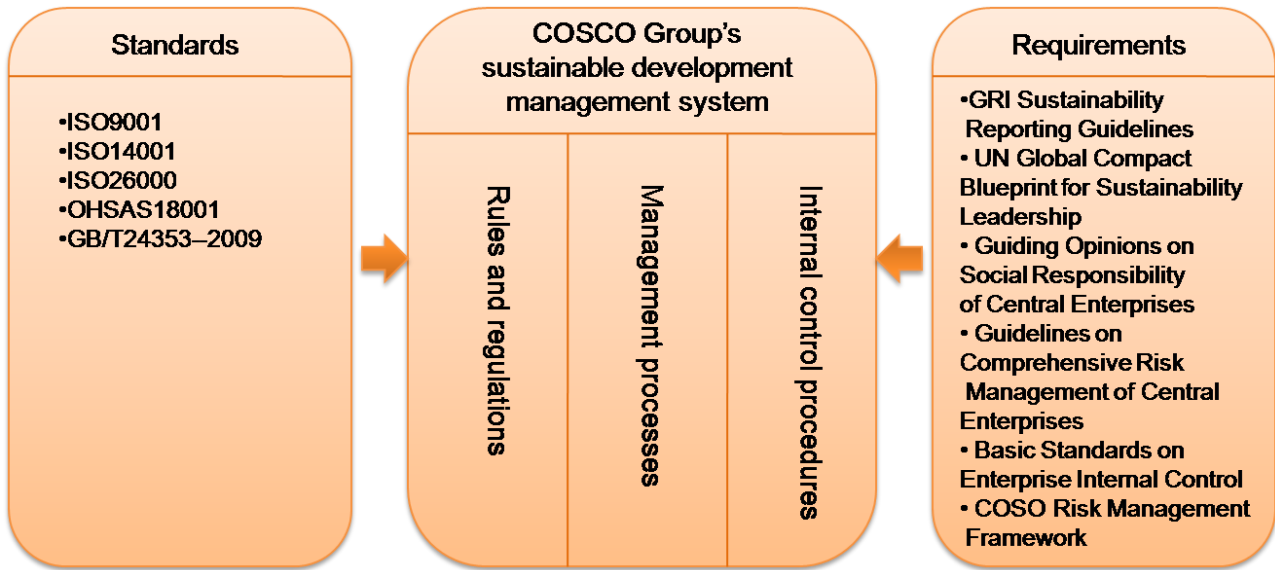
PART II MAIN POLICIES AND MANAGEMENT SYSTEMS

I. OVERVIEW OF COSCO GROUP'S MANAGEMENT SYSTEMS



The subsidiaries of COSCO Group operate in a standard manner by successfully applying the quality management system, establish ISO9001-based decision-making quality management system and bring decision-making management and target management into related management procedures of the system. The subsidiaries also deploy comprehensive risk management risk to control decision-making and operating risks, and promote lean management to optimize business process, reduce wastes in operation process and reduce operation costs. By gradually establishing the management systems of operation quality, environment and occupational health & safety, the member units bring the decision-making, production and management into related procedures of the management system for control, and establish a comprehensive risk management system to manage and control decision-making and operating risks.

Through systematic improvements to management systems and all-round clearing of management procedures and all segments, COSCO Group has enhanced itself from internal control managements to comprehensive risk managements. It has met the basic requirements of COSO Comprehensive Risk Management Framework, the SASAC's Guidelines on Comprehensives Risk Management of Central Enterprises, the Basic Standards for Enterprise Internal Control released by five ministries and commissions, and the National Standards for Risk Management (GB/T24353-2009), and met the anticipated requirements on key performance indicators. These provide guarantees for it to prevent and control risks, and realize sustainability.



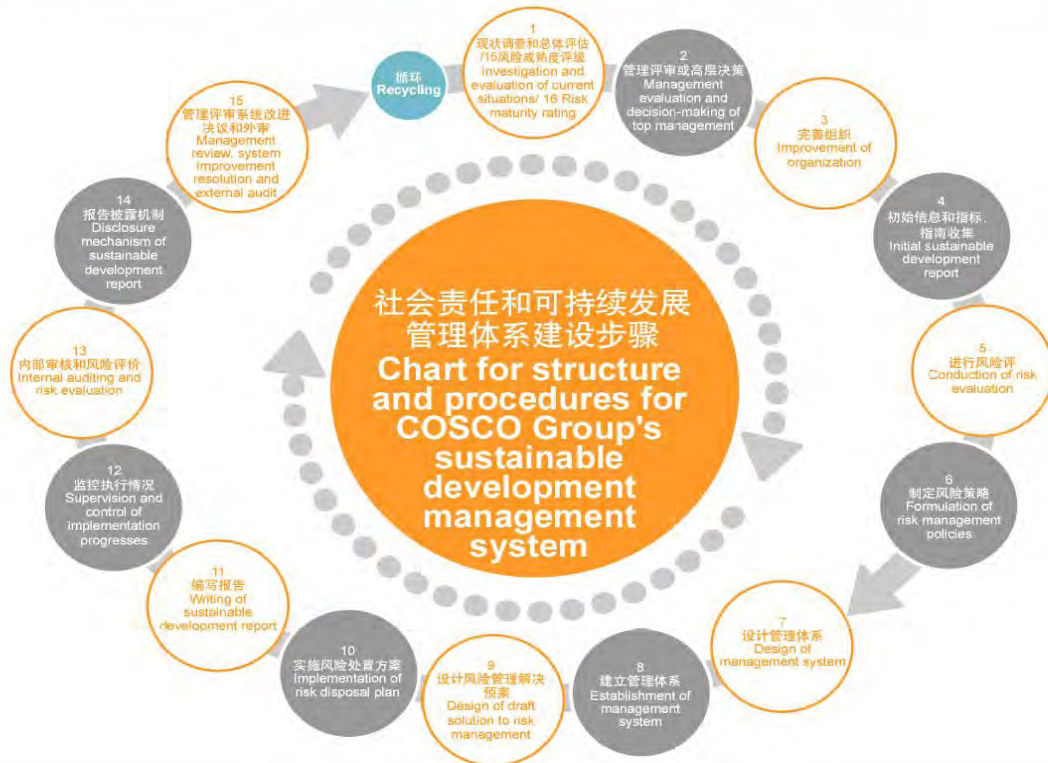
II. MANAGEMENT SYSTEMS AND INTERNAL CONTROL SYSTEM OF SUBSIDIARIES

With the integrated system of quality, environment and occupational safety as the basis, and sustainability and risk management as the main routes, all subsidiaries of COSCO Group continued to apply 16-step method to bring the indicators in the group's sustainability indicator system to related production, operation and management decision-making processes and actions. These efforts enable them to form indicator-based sustainability systems, strengthen the management on procedures and procedures, regulate the social responsibility behaviors and jointly establish COSCO Group's sustainability management system.

In 2011, COSCO Group actively promoted the Implementation Plans of Internal Control Standards of COSCO Group with China COSCO as the pilot unit, so as to implement internal control building work in a comprehensive manner. COSCO Group headquarters cleared up existing 165 rules and regulations, finding 13 insufficiencies that need re-formulation or revision. The group compiled the COSCO Group Internal Control Rules and Regulations System Framework, conducted internal control investigation and diagnosis and risk evaluation from 18 aspects to form 889 diagnosing points, and carried out internal control investigation and diagnosis at the headquarters and six subsidiaries to know internal control situation. It also investigated and analyzed insufficiencies of the group's internal control system in meeting the rules and regulations, and compiled the Internal Control Diagnosis Report.



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



Based on scientific establishment of rules and regulations, COSCO Group organizes its subsidiaries to promote scientific development of rules and regulations, and to establish and implement internal control and risk process. With a focus on business process management, COSCO Group headquarters and its subsidiaries established and gradually improved the group-wide internal control and comprehensive risk management system was established. The group completed the revision of the COSCO Group Internal Control Manual based on the Basic Standards for Enterprise Internal Control and its implementation guidelines, and compiled and issued the COSCO Group's Guidance on Internal Control Building to guide establishment of internal control system of its subsidiaries. The headquarters carried out all-staff risk identification activity, with 1300 risk events identified. Moreover, risk evaluation model was used to formulate a ranking of risks of the company, and the Risk Evaluation Report was compiled to comprehensively analyze internal control defects and risk distribution of COSCO Group. In the meantime, COSCO Group's internal control system and procedures were established based on eight elements identified by the group, forming uniform management system of internal control system.

III. CERTIFICATIONS OBTAINED BY THE SUBSIDIARIES

On June 26 to June 28, 2012, the joint audit team on quality, environment and safety management system jointly established by DNV, CCS and the China Research Institute of Safety Production conducted a comprehensive audit on internal control of COSCO Group, and reviewed the certificates for quality, environment and safety systems issued to the group.

All subsidiaries affiliated to COSCO Group managed the enterprise by carefully applying the management system methods, and promoted continuous improvement through third party audit and certification.



Quality management system certification: All subsidiaries of 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.

Environmental management system certification: All subsidiaries of 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.

Occupational health and safety management system certification: All subsidiaries of 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. In 2011, all subsidiaries formulated version upgrade plans in accordance with the requirements and promoted the work related to OHSAS18000 Occupational Health and Safety Management System Standards.

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.

Company name	Certificates obtained
COSCO Group	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 ISO14000:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards;
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 issued by CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards;
COSCO Bulk	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; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:2007 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;
COSCO Shipping	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 ISO14001:2007 environment management standards; and occupational health and safety management system



	<p>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>
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 occupational health and safety management system standards;</p> <p>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;</p>
COSCO Dalian	<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> <p>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;</p>
COSCO Xiamen	<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> <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>
COSCO (Hong Kong) Shipping	<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> <p>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;</p>
COSCO Logistics	<p>Quality management system certificate issued by the International Standards Association 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>
COSCO Shipyard	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p>



	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;
COSCO Shipbuilding	Quality management system certificate issued by DNV according to ISO9001:2008 quality management system standards; Environment management system certificate issued by DNV according to ISO14001:2004 environment management system standards; Occupational health and safety management system issued by DNV according to OHSAS18001:2007 occupational health and safety management system standards;
China Marine Bunker (Petro China) Co. Ltd	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;
COSCO Hainan Boao	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;
COSCO Ocean Shipping Tally Company	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;
COSCO Manning	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;
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
COSCO Pacific	The company has established complete management system and hasn't adopted any third party certification yet.
COSCON Japan	Quality management system certificate issued by Nippon Kaiji Kentei Quality Assurance Ltd. according to ISO9001:2008 quality management system standards

IV. ON-SITE EVALUATION AND INTERNAL AUDIT OF MANAGEMENT SYSTEMS

All subsidiaries of COSCO Group organized their respective internal audit and internal control self-evaluation work to ensure the effectiveness of the management system.

From July to September 2011, the internal control testing work on COSCO Bulk, COSCO Logistics and COSCON was organized. At the end of 2011, the internal control evaluation work was deployed to specify the



working plans and internal control evaluation plans in 2012.

In the next step, COSCO Group will continue to focus on system building of its subsidiaries, identify risks based on basic business process, improve control measures, realize seamless connection of internal control system and business and promote the transformation from effective system design to effective implementation of internal control.



PART III INTEGRATION OF SOCIAL RESPONSIBILITY INTO ORGANIZATION AND MANAGEMENT

COSCO Group carries out responsibility management according to social responsibility requirements of all parties, such as the UN Global Compact Implementation Guidelines and SASAC’s Guiding Opinions on Performance of Social Responsibility of Central Enterprises, Shanghai Stock Exchange’s Notice on Enhancing Social Responsibility Undertaking of Listed Companies and the Release of Shanghai Stock Exchange’s Guidance on Environmental Information Disclosure of Listed Companies and the Guidelines on Compilation of Report on Performance of Social Responsibility.

I. RESPONSIBILITY STRATEGIES

Mission of COSCO Group is to allocate resources in worldwide scope, enhance its leading position in businesses engaged, keep honest and mutual-trust relationships with customers, employees and partners, realize sustainability and bring best returns to shareholders, environment and society.

COSCO Group upholds the principle of people-orientation, fulfills its corporate citizen responsibility with market as the focus, technology as the measure and efficiency as the center, and insists on the double-wheel engine of production and capital operations. The group enhances the international shipping business, increases the inputs to logistics infrastructure, actively expands terminal production, and cultivates and expands its container leasing business. It also promotes the transformation from a comprehensive shipping enterprise into a leader in shipping cluster, and from a transnational business operator into a transnational and global company, and fulfills the overall targets of faster, better and sustainable development.

Under the guidance of general strategic targets, the group implements its management, environmental protection, safety and quality guidelines by applying modern management tool and through implementation of comprehensive quality management, six-sigma, lean management, comprehensive risk management and digital management, and promotes its “four transformations”, namely, the transformation from periodical development to sustainable development, the transformation from an emphasis on hardware to an emphasis on software while paying equal attentions to both hardware and software, the transformation from possessing and controlling the resources to allocating social resources, and the transformation from obtaining benefits mainly from production operation to obtaining benefits from both production and capital operation. It also divides the general strategic targets into four layers, i.e. economic performance, product performance/environmental performance/social performance, corporate governance, labor and human right to ensure fulfillment of the strategic targets.

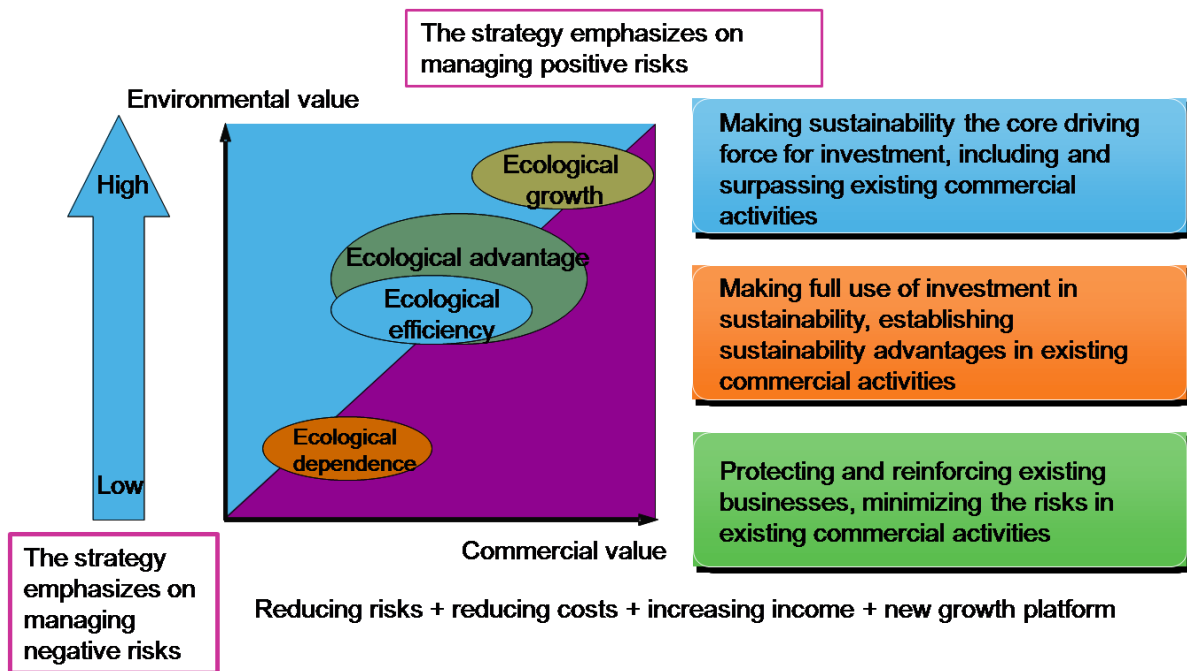
Starting from 2008, COSCO Group used the six sigma strategy map to analyze its development strategies, so as to ensure realization of its medium and long-term development strategies.

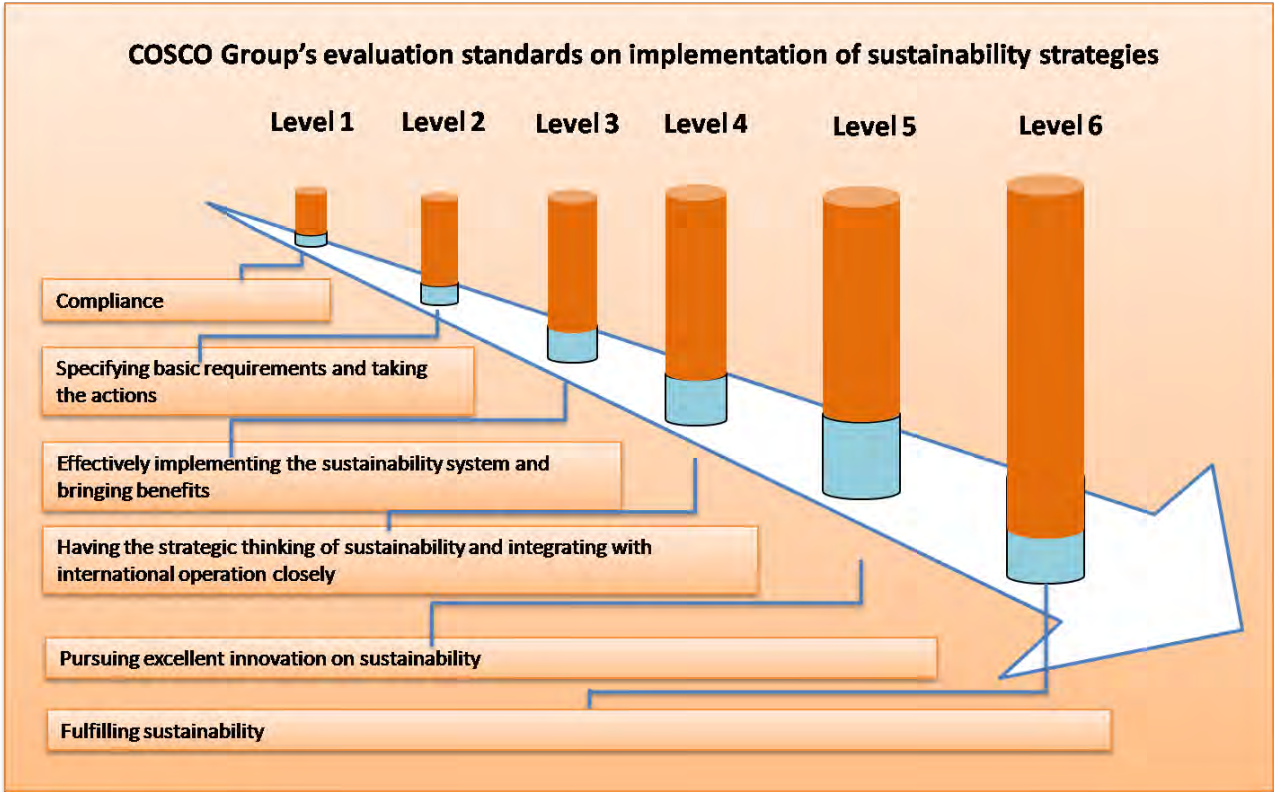


A strategy map is an effective tool to transform corporate development strategies into actual practices. It is an innovation in corporate management in the new era. The strategy map is centered on four aspects of the balanced score card, namely, financial layer, customer layer, internal layer, studying and growth layer. 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 (studying and growth) 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.

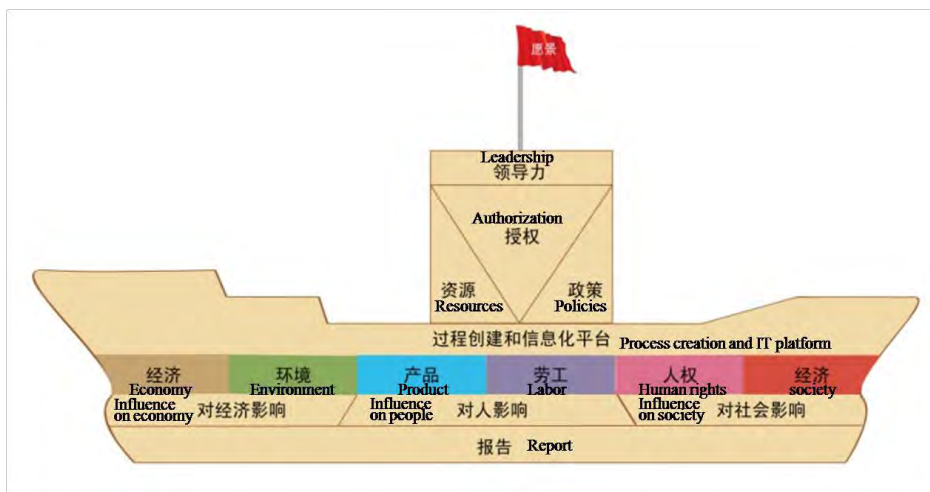




Based on the international assessment standards for corporate sustainability strategic management, COSCO Group formulated six levels for its sustainability strategies: In 2007, COSCO Group formulated the detailed standards for research and comparison with Level 3 and Level 4 to find the key indicators, formulated related targets and entered the scope of Level 3. 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 reach Level 4. In 2011, COSCO Group identified a higher objective for social responsibility, and will enter Level 5 primarily. In 2012, it will make improvements continuously.

(I) RESPONSIBILITY MODEL

COSCO Group has established a model for social responsibility, i.e. liner model (Please see the table below).





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 and fulfill social responsibilities, the group shall promote managerial innovation, re-create the work flow with the methods of social responsibility risk management, establish sustainability management system and process, and develop sustainability IT management platform to lay a solid foundation for the comprehensive implementation of the Global Compact.

COSCO Group 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 it should undertake 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 development of the enterprise, environment and society as well as the sustainability targets.
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 PRINCIPLES

Principles	Contents	Measures of COSCO Group
Responsibility undertaking	An organization shall be responsible to its social, economic and environmental influences, accept related supervision and undertake the obligation to respond to the supervision.	COSCO Group pays close attention to harmonious development of the enterprise, the environment and the society, accepts supervision of stakeholders actively and takes practical measures to shoulder its due responsibilities.
Transparency	An organization shall be transparent in decision-making and activity that may affect the society and environment. An organization shall reasonably and sufficiently disclose any know and possible influences of its responsible policies, decisions and activities to the society and the environment in a clear, accurate and comprehensive way.	The group conducts external information disclosure through sustainability report, official website and mainstream media, and makes internal information disclosure through the transparency mechanism and internal website.
Ethical behaviors	Behaviors of an organization shall be ethical, and shall be based on honest, fair and just value concept. The value concept reflects the organization's special cares for people, animals and environment, and its commitment to effectively management influences of its activities and decisions on stakeholders.	COSCO Group insists on the value concept of "global development, harmony and mutual benefits". It actively guides standard development of industrial behaviors and abides by ethical standards of local places in global operation.
Respecting stakeholders	An organization shall respect, consider and respond to interests of stakeholders. Although targets of an organization may be limited to interest of its owner, members, customers or member units, rights and interests, opinions or special interests of other individuals and group shall also be considered. These individuals and groups form the stakeholders of the organization.	The group identifies and communicates on risks of sustainability and the influential degree on the group by stakeholders, and strives to satisfy special demands of stakeholders. The group also tries to know demands and hopes of stakeholders, considers appeals of stakeholders and responds to such appeals effectively.
Respecting the law	An organization shall admit that it is a compulsive obligation to respect the laws. An organization shall take measures to know any applicable laws and regulations, and request its member units to undertake their obligations to abide by and implement these laws and regulations.	COSCO Group insists on legal operation, and strictly abides by international conventions as well as laws and regulations of local places where it operates.
Respecting international behaviors	An organization shall also respect international code of conduct while insisting on the principle of respect the law.	In business operation, COSCO Group respects related international conventions, agreements and industrial standards.
Respecting human rights	An organization shall also respect human rights, and admit the importance and commonness of human rights.	COSCO Group commits to respect the United Nations Human Rights Conventions, and supports, respects and protects human rights in its influential scope.

(IV) RESPONSIBILITY THEMES

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 themes	Main contents	Disposal measures and information disclosure of COSCO Group
Organization & governance	<p>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 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>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. 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 and issues. Environmental education and capacity building are crucial for promoting a sustainable society and developing a sustainable way of life.</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 performance indicators and themes in Section C of Sustainability Report.</p>
Fair operation practices	<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 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>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 from them. Relevant results can be found in the chapter on social performance indicators and themes in Section C of Sustainability Report.</p>

(V) 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. In 2011, COSCO Group brought the social responsibility planning into 12th Five-year Strategic Development Planning of the company, and works done are as follows:

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 communication 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.

(VI) STRATEGIC ACTIONS

In order to fulfill the strategic targets for sustainability, COSCO Group took actions to cope with challenges from all parties actively:

Strategy	Break down the development strategies with strategic map of Six-sigma method to ensure fulfillment of the intermediate and long-term development strategies. The strategy map is centered on four aspects of the balanced score card, namely, financial layer, customer layer, internal layer, studying and growth layer. It is a diagram drawn after analyzing the interrelation among the four perspectives to show the causal relations in a company.
Management and participation of stakeholders	Enhance governance of the company, integrate sustainability concept into its organization and management, and enhance internal control, construction of sustainability information system and legal affair management. Identify and communicate on risks of sustainability and the influential degree on the group by stakeholders, and strive to satisfy special demands of stakeholders. Try to know demands and hopes of stakeholders, consider appeals of stakeholders, and respond to such appeals effectively.
Economy	1. Evaluate and continuously improve the decision-making process through evaluation after decision-making, internal audit on management system and management evaluation;



	<p>2. Implement daily and annual evaluation by establishing indicator systems such as annual operation targets, balanced score card and performance indicators.</p> <p>3. Special audit and supervision departments of COSCO Group headquarters and its subsidiaries are responsible for audit, supervision and efficiency monitoring on the operational performance.</p>
Environment	<p>1. Enhance the supervision on environmental protection behaviors through internal and external audit procedures of environment management system, daily and annual evaluation procedures and opinion solicitation among stakeholders, and improve the insufficiencies by performance corrective and preventative measures.</p> <p>2. Conduct on-site inspection on ships calling at overseas ports through overseas network of COSCO Group, including inspection on the ships' implementation of environmental protection policies.</p>
Product	<p>1. Supervise and check activities related to product and service responsibilities through annual internal audit, second-party supervision and audit and third-party certification and audit.</p> <p>2. By establishing daily and annual evaluation mechanism to supervise, evaluate, examine and verify contents related to products and services in operation and management responsibility targets by establishing daily and annual evaluation mechanism.</p> <p>3. Carry out customer satisfaction investigation and information collection through various channels to gain opinions or suggestions of customers, and accept supervision of external customers and the public.</p>
Labor	<p>1. Supervise and check occupational health and safety production of the company through quarterly inspection on management system, internal audit and management appraisal, find issues and analyze reasons, formulate rectification measures and ensure implementation of various regulations.</p> <p>2. Establish safety supervisor mechanism to supervise occupational health, safety management and management system operation of all levels of companies; Guide and implement related measures and plans regarding labor protection and protection safety.</p> <p>3. Accept supervision of the employees on the company's performance of related rules and regulations, and supervise and evaluate the important events related to rights and interests of employees, such as welfare, occupational health, labor contract, and safety production.</p>
Human right	<p>1. Inspect, evaluate and analyze the implementation of human rights in terms of staff right, employment system and procurement process by establishing democratic management supervision, safety production supervision and labor safety supervision mechanisms, and bring aforesaid responsibilities into evaluation system.</p> <p>2. Promote supervision and management of staff and implementation of various work through workers' congress, verify implementation of human rights such as rights and interests of employees, and offer opinions and suggestions.</p>
Society	<p>1. Include the requirements on anti-bribery, anti-corruption and anti-monopoly in daily evaluation of staff and annual evaluation of management team. Supervision and disciplinary inspection departments of various companies shall supervise and check implementation of related regulations, and offer rectification measures for issues found.</p> <p>2. Inspect and evaluate efforts made by regulatory authorization and posts of the company in community construction, business transaction and foreign cooperation through supervision and improvement mechanism of management system and democratic management of the trade union.</p> <p>3. The State Council and SASAC conduct regular and irregular sampling inspection or inspection on the group's anti-bribery, anti-corruption and anti-monopoly efforts, and implement external supervision.</p>

II. RESPONSIBILITY MANAGEMENT

(I) RESPONSIBILITY MANAGEMENT STRUCTURE

COSCO Group and its subsidiaries have established Global Compact Steering 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 2011, 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	2005	2006	2007	2008	2009	2010	2011
Number of persons	116	173	173	325	427	473	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 2011, COSCO Group established the sustainability report compilation team comprising of 38 persons, of which, a core team comprising of 27 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 14 days.

Year	2008	2009	2010	2011
Compilation team	45	35	36	38
Core team	22	24	28	27
Concentrated working days	30	32	13	14
Working hours	1,350	2,560	3,744	4256

Chapters	Contents	Responsible Persons
A. Strategies and General Information	Part I: Statement of the Chairman and Strategies Part I: General Information of COSCO Group Part III: Basic Profiles of Companies	Ma Hongjin, Hu Yayu and Dong Lei



	Implementing Sustainability Management System Part IV: Awards Part V: General Information of the Report	
B. Management and Participation of Stakeholders	Part I: Corporate Governance Part II: Main Policies and Management Systems Part III: Integration of Social Responsibility into Organization and Management Part IV: Implementation and Report of Comprehensive Risk Management Part V: Legal Affairs Management Part VI: Construction of Sustainability Information Management Platform Part VII: Implementation of SASAC's Social Responsibility Requirements Part VIII: Comprehensive Implementation of UN Global Compact Principles Part IX: Voluntary Initiatives and Commitments Regarding Social Responsibility Part X: Identification and Participation of Stakeholders Part XI: Implementation of ISO26000 International Standards on Social Responsibility	Liu Xiaoping, Daitao, Meng Xiangjun, Chen Haotian, Wu Fan
C. Management Approaches and Performance Indicators	Economic Performance Indicator and Keynote Report	Zhuang Shaohuang, Dong Lei, Gui Yeling
	Environmental Performance Indicator and Keynote Report	Huang Yejian, Dong Jie, Tang Jingbo
	Product Liability Performance Indicator and Keynoted Report	Guo Shisheng, Li Jun, Huang Chao
	Labor Practice Performance Indicator and Keynote Report	Yan Ge, Li Minggang
	Human Right Performance Indicator and Keynote Report	Zheng Yongjiang, Sun Xuemei
	Social Performance Indicator and Keynoted Report	Liu Weini, Di Jin, Ding Dan
Final compilation and editing		Hou Yujia, Tao Runyuan, Ma Xinying
Translation		Pan Deng, Tao Runyuan
Audit		Feng Bo, Ma Xinying
Other participants		Cao Bin, Li Lianhua, Zhu Fengyuan, Zhang Yu, Guan Ying, Wang Xintian, Yang Liyuan, Ren Wei, Lu Bin, Chen Dong

(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 subsidiaries, COSCO Group required all specialists for sustainability to attend the capacity training and obtain related training certificates since 2011. A total of 12 persons attended the Training on Elevation of Professional Ability of Persons Engaged in Social Responsibility and Sustainability Management organized by Global Compact China Network Office. COSCO Group also organized many training and exchange activities 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.

COSCO Group promoted the corporate culture concept in an in-depth manner within the group through internal training, promotion, and publicizing of typical cases.

(V) SPECIAL BUDGET

In order to ensure the implementation quality of Global Compact and sustainability management system, COSCO Group and its subsidiaries formulate special budget for Global Compact and sustainability each year.

In 2011, total expenditure of COSCO Group for Global Compact and sustainability reached RMB1.54 million.

(VI) PARTICIPATION IN INTERNATIONAL SOCIAL RESPONSIBILITY AFFAIRS

1. Actively Supporting and Participating in United Nations Global Compact



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 joined 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. On Jan. 28, 2011, Chairman Wei Jiafu attended the launching ceremony of the UN Global Compact LEAD Program and joined the Steering Committee of the program.

In line with the arrangement made by the Office of UN Global Compact LEAD Program, representatives of COSCO Group attended the meeting of the Steering Committee held in March 2011 in Atlanta, US, and attended the meeting held in July and December in form of online conference. During these meetings, COSCO Group attended the discussion on plans for various activities of LEAD Program, and exchanged with members of the Program on experiences in practicing the Global Compact Blueprint for Sustainability Leadership. In the meantime, COSCO Group also attended the themed activities and important meetings of LEAD Program in accordance with requirements of the Global Compact. In May 2011, COSCO Group entrusted representatives from COSCO Europe to attend the UN Global Compact Annual Conference and local online conference and deliver keynote speeches at the event. In July 2011, the group joined the working group for communication on sustainability leadership of LEAD Program, and shared COSCO Group's experiences on sustainability work with other member enterprises. In November 2011, it attended the 3rd Global Compact Roundtable of China, Japan and Korea and delivered keynote speeches. Moreover, it also had discussion with Global Compact Office on formulation of the UN Global Compact LEAD Stage Evaluation and the Minimum Standards for UN Global Compact LEAD Program.

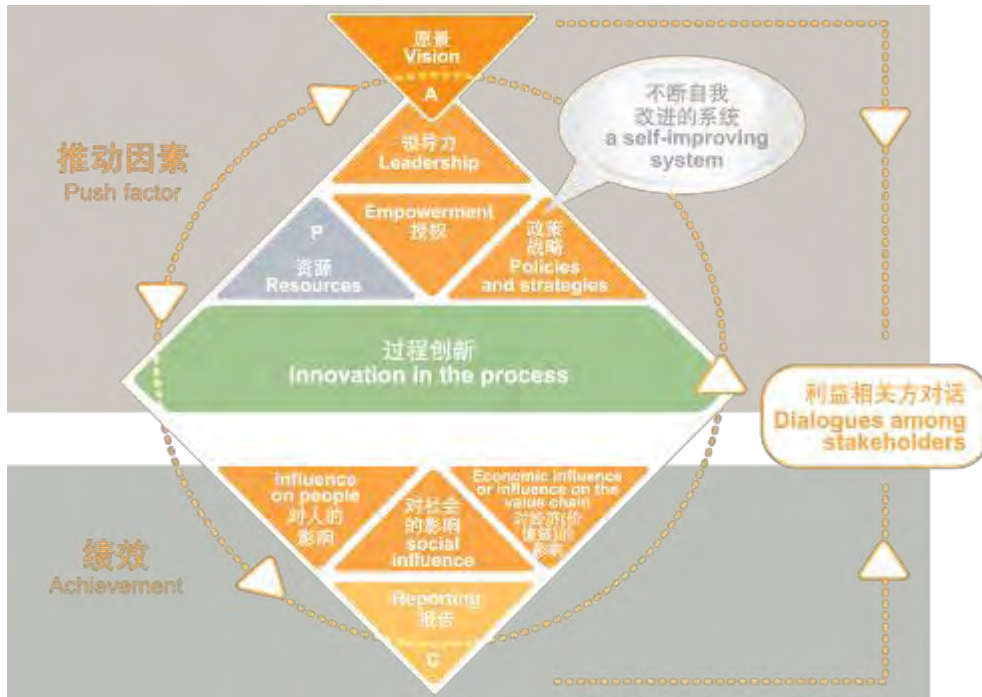
2. Actively Participating in Activities of WBCSD

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 formulator. In 2011, WBCSD held many conferences themed on climate change and water resources. COSCO Group paid close attention to these meetings and researched on solution to related issues actively.

III. RESPONSIBILITY INTEGRATION



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



(I) UNDERSTANDING SOCIAL RES PONSIBILITY

1. Promotion and Training of Social Responsibility Concept

In order to integrate the Global Compact and sustainability concept into its daily operation and management, COSCO Group attached great importance to promotion and training of concepts, and established standard sustainability training mechanism and carefully formulated all-directional trainings on sustainability. 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, promoted scattered implementation, offered key guidance, organized uniform organization 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	Deployment of 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 improvement	Data improvement	Stage V deployment	Data improvement
6	Training on draft report improvement	Report improvement	Stage VI deployment	Revision by 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 subsidiaries 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 2011, all participants studied the new requirements of ISO26000, researched 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 2011, COSCO Group headquarters and its subsidiaries held a total of 16 training classes on social responsibility, with 1,326 persons (times) trained and the total training time of 10,608 hours.

Year	2006	2007	2008	2009	2010	2011
Number of training classes	10	9	9	33	10	16
Number of persons trained	410	248	248	1,095	1,230	1,326
Total training hours	--	--	--	42,946	9,840	10,608

2. Social Responsibility Risk Management

COSCO Group carries out regular risk evaluation work, formulates risk strategies in response to key social responsibility risks evaluated and sets up risk maturity levels based on preference of different risks. It also formulates the social responsibility risk spectrum to analyze the risky events and showcase the results on sustainability information platform. In the meantime, it monitors and controls social responsibility risks by making use of sustainability information platform, realizes real-time statistics and monitoring, gives warnings in form of list, monitors and analyzes historical information and showcases analytical results in form of charts.

Based on in the previous year, the risk identification work in 2011 fully considered the major issues in shipping, logistics, shipbuilding/ship-repairing and terminal industries, related markets, rivals, as well as operation and development process. In event collection process, it collected and cleared external risk events in aforesaid sectors, including threats and opportunities in carrying capacity supply, cargo sources and passenger sources, increased the risks of pirate and shipping market fluctuation, and formed the risk event database in 2011. It also analyzed top 10 major risks and formulated countermeasures correspondingly.

3. Charity Foundation

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 "bringing 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. More than 100 donation projects were organized, with RMB300 million of capitals donated, receiving good social effects. Classic projects include the Educational Facility Donation Project to Poverty-stricken Areas of Minority Nationalities in Lincang, Wenchuan Earthquake Disastrous Areas Donation Project and Donation Project to Earthquake Disaster-stricken Areas in Yushu, Qinghai.

The charity and public welfare behaviors of COSCO Group had contributed to guarantee and improvement of people's life, and had received high praises from the society. In July 2011, COSCO Group received the 6th China Charity Award appraised by the Ministry of Civil Affairs for a fourth successive year. As the highest governmental award in China's charity sector, the award aims at awarding institutions, projects and individuals who had made outstanding contributions in aiding educational and medical industries, alleviating disaster and poverty, helping the old, disabled and orphans, and supporting environmental and cultural sectors. The group's "Navigation and Dream-seeking" Program was appraised as China Charity Award – Most Influential Program Award in the appraisal of 2010. In November 2009, Forbes Chinese Edition released the Ranking of China Charity Foundations, the first ranking about charity foundations in China, and COSCO Charity Foundation ranked the first place among national non-public foundations. In 2011, China Charity Foundation implemented more than 30 social public welfare projects, with RMB39 million capitals donated, covering education and poverty-aid, disaster and poverty alleviation and environmental protection sectors.

(II) RESPONSIBILITY PROMOTION

1. Social responsibility promotion principles of COSCO Group

(1) When managing the performance of social responsibilities, COSCO Group abides by following basic contents and principles put forward by related international organizations and institutions:

- i. Responsibility undertaking: COSCO Group pays close attention to harmonious development of the enterprise, the environment and the society, accepts supervision of stakeholders actively and takes practical measures to shoulder its due responsibilities.
- ii. Transparency: The group is transparent in decision-making and activities that may have influences on the society and the environment. It conducts external information disclosure in a clear, accurate and complete manner through sustainability report, official website and mainstream media, and makes internal information disclosure through the transparency mechanism and internal website. It discloses the existing and possible influences of its policies, decisions and activities on the society and the environment in a sufficient manner.
- iii. Ethical behavior: COSCO Group insists on the value concept of "honesty, fairness and justice" and the value objective of "global development, harmony and mutual benefits". It abides by ethical standards of local community in global operation, promises to pay attention to employees and the people, animals and environment, and effectively manages the influences of its activities and decisions on stakeholders.
- iv. Respecting stakeholders: COSCO Group respects, considers and responses to rights and interests, opinions or special rights of company owners, employees, customers, or other individuals or groups except for its member units as stakeholders, tries to know their appeals in operation process and makes responses effectively.
- v. Respecting the laws: COSCO Group insists on law-compliant production and operation activities. All levels of managers and employees undertook the obligations to abide by national laws and regulations, local laws and regulations, as well as laws and regulations of countries and regions where overseas operation activities are



carried out.

vi. Respecting international codes: COSCO Group insists on respecting related international conventions, articles, agreements and industrial specifications while respecting laws and regulations.

vii. Respecting human rights: COSCO Group promises to support United Nations Human Rights Conventions, admits the importance and commonness of human rights, and supports and respects human right protection within its influential scope.

(2) When managing social responsibilities, COSCO Group formulates and abides by following working principles:

i. Taking the scientific outlook of development as the guidance

ii. All-staff participation under the leadership of top executives

iii. Uniform planning and annual plans

iv. Serving for production activities based on practical situations

v. Focusing on COSCO Group and eyeing international market

vi. Exchange, cooperation and supports of experts

2. COSCO Group's Social Responsibility Initiative

COSCO Group adopts a proactive and flexible strategy in the promotion of social responsibility, taking into account the differences and actual needs of companies, departments, business areas and employees, and is therefore able to deliver its social responsibility initiative in a well-organized and efficient manner.

(1) Focus on the present, with one eye on the future. The Five Year Plan for Social Responsibility and the annual work objectives should be based on a number of objective conditions, including the senior management's level of understanding of social responsibility, the major tasks faced by the companies with regard to social responsibility, and the management of these companies. Meanwhile, we have to consider their actual needs and the requirements from the top management, and try to combine the needs with the possibilities to make the plans and objectives achievable through endeavor.

(2) Learn from the typical cases and promote work in all areas by drawing upon the experience gained on key points. For most companies, fulfilling social responsibility is something new, unfamiliar to the senior management, the administrative staff and the employees. This would naturally make the road ahead filled with many detours. The best way out is to assign a specific task about social responsibility to one of the departments, use it as a test field to draw up experience before promoting the practice across the company. As the saying goes, a stitch in time saves nine.

(3) First the easy steps, then the difficult ones. Social responsibility involves a lot of things, some easier, like raising a donation, others difficult, such as doing R&D on an energy-efficient product. As such, the companies should follow this order when tackling social responsibility—first the easy steps, then the difficult ones. The management and employees should be allowed to do the easier tasks first to get to know the nature, organization, contents and methods of fulfilling social responsibility, so they will be able to proceed to deal with more difficult tasks. This would be a logical process that leads to positive results.

(4) Rely on the employees to be successful, and seek necessary supports from the experts. The promotion of social



responsibility is closely intertwined with production and operation, and therefore has to depend substantially on the employees. Meanwhile it is a new type of management that requires professional knowhow. So apart from relying on the employees, including the top management and different departments, the company should make good use of its resources and consult experts for their professional opinions when it comes to theoretical, legal and professional matters.

(5) Organize constant trainings to deepen the work step by step. The promotion of social responsibility is a brand new task which creates the need for learning by both the senior management and the employees. It is COSCO Group's belief that education and training should always go hand-in-hand with the promotion of social responsibility. The basic practice is to provide timely training programs with a variety of contents to different staff members. Trainings on social responsibility planning and annual promotion plans target all the employees, and departments shouldering major responsibilities have to train their people in charge. For certain important tasks (for example, the compilation of the Sustainable Development Report), the company should arrange concentrated courses. Attendance policies may vary depending on the courses, some attended by a few people, like the top management or employees responsible for promoting social responsibility, while others by hundreds of staff members.

(6) Grasp the key points and summarize the cases. Put major social responsibility tasks on top of the list, for example the tasks assigned by the State-owned Assets Supervision and Administration Commission in terms of energy conservation, environmental protection, service for the people, and anti-corruption bid, etc. Concentrate all useful resources to tackle these tasks in order to achieve substantial results. Upon completion, prepare a timely summary of the work already done so this case may provide experience for further programs.

3. COSCO Group's Process to Fulfill Social Responsibility

COSCO Group's social responsibility initiative is deployed by the headquarters and carried out by each branch/subsidiary. The processes to fulfill their social responsibility are listed as follows:

(1) Formulate a plan with a clear goal

Formulate COSCO Group Sustainable Development Plan and the long-term and mid-term goals of fulfilling social responsibility in accordance with the goals mapped out at the Work Meeting on Social Responsibility of Central Enterprises by the State-owned Assets Supervision and Administration Commission, the Essentials on the Implementation of the Twelfth Five-Year Balanced Development Strategy by Central Enterprises, and the UN Global Compact's Blueprint for Corporate Sustainable Development. These long-term and mid-term goals will be the guidance for subsidiary companies to formulate their social responsibility planning and to fulfill their social responsibility at a strategic level.

(2) Fulfill the items on annual plan one by one

All the companies should formulate their Annual Plan for the Fulfilling of Social Responsibility, divide the year's work to different departments, positions, and make sure the tasks are explicit, the division of labor clear and the time limit accurate.

(3) Mobilize and train the employees toward a unified understanding

The company should hold a mobilization meeting to help the senior management and employees get a unified understanding and better awareness regarding the fulfillment of social responsibility. It should also make clear



why and how to fulfill social responsibility as well as the problems that can be solved by fulfilling social responsibility.

(4) Improve the system and incorporate social responsibility into daily operation

All departments should establish their own systems regarding the fulfilling of social responsibility, and make relevant tasks systemized routine. The company should improve its existing management and operating system in order to incorporate social responsibility into daily management and operation.

(5) Each department checked for implementation results

Each department should fulfill their own social responsibility tasks in a proactive manner in accordance with the company's Annual Work Plan for Fulfilling Social Responsibility and relevant rules and regulations. The people in charge of promoting social responsibility and the company's enterprise management department should keep track of the work performed by each department and ensure the implementation results.

(6) Managing information and compiling report

The companies should use COSCO Group Sustainable Development Information Management System to share information, statistics and data regarding the fulfillment of social responsibility, and compile the annual Sustainable Development Report.

(7) Review results and continue to improve performance

Based on the principals of "consolidate, perfect and improve," COSCO Group carries out reviews on social responsibility performance at two levels every year.

The first level is carried out by COSCO headquarters' audit department, internal assessors and third-party experts who review COSCO headquarters' performance in fulfilling social responsibility. All subsidiary companies also conduct their own internal assessment and evaluation on internal control.

The second level is carried out by Det Norske Veritas, the Chinese Network Center of UN Global Compact and the internal assessors who review COSCO headquarters' performance for a second time, and prepare the assessment report for COSCO Group's annual Sustainable Development Report in order to help the headquarters improve its performance.

For the subsidiary companies, COSCO headquarters form assessment groups by Det Norske Veritas, the Chinese Network Center of UN Global Compact and the internal assessors who prepare assessment reports for the annual Sustainable Development Report of some key branches/subsidiaries.

In accordance with the Blueprint for Corporate Sustainable Development Leadership of the UN Global Compact and COSCO Group's Management System Process Control, the senior management of COSCO Group conduct an assessment on the performance of COSCO's sustainable development management system on an annual basis and make decisions on problems that require intervention.

The strict, thorough assessment and review plan an important role in promoting the Global Compact, implementing overall risk control, compiling COSCO Group's annual Sustainable Development Report and ensuring the healthy, steady, regulated and continuous performance on sustainable development and social responsibility.



(8) Report disclosure and social supervision

COSCO Group will issue the Sustainable Development Report as an important part to reveal its work with regard to social responsibility. Upon completion of the Report, the Group will organize a press conference which is attended by representatives from the UN Global Compact, the news media, government authorities, shippers, communities and employees. At the press conference, COSCO Group will report its sustainable development strategies and its fulfillment of social responsibility, listen to opinions from all interested parties and welcome social supervision. In recent years, COSCO Group has been holding cyber press conference to issue its “green report” for the sake of environmental protection, and this practice well received and widely applauded.

4. Planning and Implementation

Serial No.	Working plans	Completion time	Completion situation in 2011
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 the subsidiaries to formulate social responsibility planning.	Long-term	Continuous implementation
2	Organize related units to transplant and make use of sustainability information management platform and integrate enterprise's data and information.	Three to five years	All companies have deployed the platform and migration work is promoting gradually.
3	Organize COSCO Group headquarters and its subsidiaries 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.	Each year	Completed

In 2012, COSCO Group will further carry out the requirements of State Council's SASAC on social responsibility work and implement Global Compact comprehensively. Besides completing aforesaid work, it will also focus on following tasks:

Serial No.	Working plans	Completion time
1	Actively implementing the UN Global Compact Blueprint for Sustainability Leadership, attending the activities of UN Global Compact LEAD Program and promoting more overseas companies to join local Global Compact network;	Long-term
2	Comprehensively the SASAC's Implementation Guidelines on Harmonious Development Strategies during 12th Five-year Plan Period	Three to five years

5. Improvement 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 Review and Audit Guidelines

6. Audit of the Report

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 the subsidiaries 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.



18-Step for Review of Sustainability Report

On May 24 to May 26, 2011, COSCO Group invited experts of UN Global Compact China Network Center to form a joint audit team together with internal auditors of the headquarters and internal auditors of units in Beijing to complete audit of COSCO Group Sustainability Report 2010. The audit covered all activities and processes of departments under COSCO Group. The Audit Team issued the internal audit report on COSCO Group Sustainability Report 2010.

From July to September 2011, COSCO Group organized a joint audit team comprising of experts of DNV and UN Global Compact China Network Center as well as internal auditors of the group to conduct on-site audit on 2010 sustainability report of COSCON, COSCO Bulk and COSCO Logistics.



All subsidiaries of COSCO Group also organized their management system internal audit and internal control self-evaluation.

7. Monitoring and Inspection Procedures of Social Responsibilities

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 smoothly completed the internal audit of management system on May 24 to May 26, 2011 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 CCS 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 and second-party audit on COSCO Group's management system, covering all activities and processes of COSCO Group's departments. The audit team issued the 2010-2011 internal audit report and the second-party audit report on management system of COSCO Group. In the meantime, COSCO Group entrusted auditors from a professional risk management consultation company to evaluate internal control effectiveness of the headquarters, covering all rules and regales, procedures and standards of all functional departments. The audit team issued a report on effectiveness of internal control of the group.

COSCO Group held the 2010-2011 regular management and evaluation conference for sustainability on July 18, 2011, 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 2010 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 2010-2011 as well as the compilation of COSCO Group Sustainability Report 2010, so as to ensure healthy, stable, standardized and continuous progress of its sustainability work.

(III) RESPONSIBILITY-RELATED DAILY OPERATION

1. Social Responsibility Practices in Overseas Markets

COSCO Group, as a transnational shipping company, has a shipping network covering more than 1300 ports in 160 countries and region, and branches in more than 50 countries and regions. It is a Chinese enterprise with highest internationalization degree, with nine regional companies in Hong Kong, Europe, America, Singapore, Australia, Japan, Korean, Africa and West Asia. Upholding the principle of "global thinking and local operation" in internationalization operation, the group makes ceaseless efforts in performing social responsibilities while providing high-quality, high-efficient, stable and reliable shipping services for sustainable development of international economy and trade.

Overseas companies of COSCO Group operate in strict accordance with laws and regulations of local place and make active efforts to enhance their influences and positions.

The group promotes cohesion of its staff with value concept and corporate spirits, insists on people-oriented management, and creates a healthy and struggling atmosphere. For instance, the overseas companies appraise "foreign labor models" each year, promote their stories and organize them to visit the group's headquarters in



China, enhancing their sense of honor and dedication towards the company.

Fleet of COSCO Group actively responds to green and environmental-protection activities of all countries, such as “Green Flag” program, “At-Berth Clean Fuel Program”, etc.

COSCO Group’s overseas companies employ staff and senior managers from local communities to create employment opportunities actively.

The group holds high the banner of international humanism and implements international rescues.

The group promotes the supplier and procurement localization policies to contribute to local economic development.

It also actively responds to the appeals and requirements of local port authorities to establish harmonious relationships.

2. Promoting Sustainability of the Industry

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

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.

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.

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.

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 Nov. 15, 2011, COSCO (Hong Kong) Shipping and the Hong Kong Branch of China Classification Society held a launching ceremony for performance of the Maritime Labor Convention (MLC) and a special symposium to guide performance of the convention of the company. MLC, which aims at establishing uniform international standards for maritime labor and improving working and living conditions of seafarers, will take effects after 12 months once being approved by 30 member states that jointly account for 33% of the total tonnage of commercial vessels in the world. Currently, more than 20 countries have approved the convention. Once the convention takes effects, it will bring new changes to seafarer management and operation of shipping companies. Performance of MLC is a concrete measure taken by the company to fulfill its “human-oriented” management concept, fully



reflects the company’s special cares on seafarers and its special attention on ensure basic rights and interests of seafarers, and marks elevation of the company’s seafarer management level to a new height.

3. Promoting Social Responsibility within the Value Chain

Besides performing its social responsibility, COSCO Group also helps enterprises (including supplies and customers) in the value chain to better perform their social responsibilities. In recent years, COSCO Group actively promoted social responsibility within the value chain and tried to promote social responsibility work of suppliers and customers.

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.

As a member enterprise of UN Global Compact LEAD Program Steering Committee, COSCO Group took part in actions of the steering team actively to offer strategic guidance for other enterprises. In 2011, COSCO Group attended the Communicating Corporate Sustainability Leadership, and shared its sustainability achievements and experiences with other enterprises at related meetings and activities.

In 2011, COSCO Group carried out exchanges on social responsibility experiences with enterprises such as China General Technology (Group) Holdings Limited and CNOOC.

4. Promoting Social Responsibility Performance of Subsidiaries

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. In 2011, overseas companies joined local network to carry out substantial work and disclosed the work in the report.

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. 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.
2011	Overseas companies joined local network to carry out substantial work and disclose the work in the report.

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 subsidiaries 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) Group 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, and attended the meeting of UN Global LEAD Program Steering Committee on behalf of COSCO Group in November. In December 2011, COSCO Japan attended the China, Japan and Korea Roundtable of Global Compact.

5. Promoting Social 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.

COSCO Group also carried out exchange activities on social responsibility experiences with its customers such as ICBC, China Nuclear Group and State Grid.

6. 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:

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.

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.

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.

7. Social Activities

COSCO Group attended sustainability-related activities home and abroad actively, and communicated sufficiently with related enterprises and institutions on Global Compact and sustainability implementation situation at various conferences and activities. Main activities attended by COSCO Group in 2011 were as follows:

▲ On Jan. 28, 2011, Chairman Wei Jiafu attended a small-scaled luncheon at the 41st World Economic Forum held in Davos, Switzerland. Ban Ki-moon, Secretary-General of the United Nations, initiated the UN Global Compact LEAD Program at the luncheon. Capt. Wei Jiafu, on behalf of COSCO Group, delivered a speech at the event. In his speech, Capt. Wei Jiafu introduced the experiences and feeling of COSCO Group in implementing the UN Global Compact Blueprint for Sustainability Leadership and pursuing sustainability, and analyzed the main challenges of an enterprise in practicing the blueprint. Wei Jiafu pointed out that the blueprint puts forward higher requirements for enterprises while guiding sustainability of the enterprise, and requires an enterprise to welcome the challenges and create the future in innovative thinking and mode. COSCO Group was also invited to join the Steering Committee of the program.

▲ On Sept. 20, 2011, representatives from COSCO Group attended a special conference themed on “Why Listed Companies Shall Release Sustainability Report” jointly organized by GRI and Shanghai Securities Exchange, and delivered a keynote speech. In the speech, COSCO Group introduced its sustainability reporting practice, receiving high praises from the participants.

▲ On Nov. 22, 2011, representatives from COSCO Group attended the 1st Annual Conference on Sustainable Development and Enterprise Competitiveness held by the Office of the Global Compact China Network Center, and delivered a speech titled “Scientific Construction of Sustainability Management System under the Background of Globalization”.

Moreover, COSCO Group also attended the exchanges on sustainability practices with organizations such as WED, World Economic Forum and KPMG.

(IV) RES PONSIBILITY PERFORMANCE EVALUATION

1. Social Responsibility Indicator System



COSCO Group has established sustainability indicators system, which was improved after evaluation 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 continuous evaluation and improvements, the number of indicators has increased from over 250 to over 400 and 670, and eventually reached over 789. 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	2011
Number of indicators	250 items	470 items	670 items	700 items	770 items	793 items	789 items
System building	System establishment	System expansion	System split	System improvement	System exploration	System integration	System optimization
Improvement focuses	Report quantization	Indicator integrity	Indicator accuracy	Indicator logics	Indicator relations	Indicator optimization	Indicator convergence

2. Social Responsibility Evaluation System

Corporate social responsibility evaluation and assessment is the key to promote social responsibility work, propel subsidiary 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 conducts evaluation and assessment through sustainability information management platform.

COSCO Group Social Responsibility Evaluation and Assessment System



IV. RESPONSIBILITY COMMUNICATION

COSCO Group takes the internal and external responsibility communication as an important content for



promotion of corporate social responsibility work, improves its communication mechanism continuously and tries to fulfill two goals: Firstly, enable shareholders, employees, customers, partners, government and the society to know performance of corporate social responsibility, respond to their demands, increase the transparency, and eliminate unnecessary misunderstandings related to responsibilities. Secondly, responsibility communication also enables internal and external stakeholders to supervise work of the enterprise.

(I) ESTABLISHMENT OF SUSTAINABILITY COMMUNICATION MECHANISM

COSCO Group has established cautious compilation processes and communication mechanism for sustainability and social responsibility report, and releases its sustainability report cautiously together with the financial reports each year.

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 communication 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 communication 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 the mechanism and requirements to cope with changes, enabling stakeholders to take part in and supervise decision-making of the enterprises, and promote mutual benefits of enterprise development and satisfaction of stakeholders.

(II) COMPILATION AND RELEASE OF SUSTAINABILITY REPORT

COSCO Group believes that sustainability report is the way of information disclosure and communication. 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 decisions.

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 in first three months of each year after 18 steps of strict reviews and improvements. In 2011, 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. The COSCO Group Sustainability Report will be released online.

(III) INTERNAL COMMUNICATION ON SOCIAL RESPONSIBILITY

COSCO Group has taken the internal communication 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 communication mechanism. Internal communication measures on social responsibility include holding communication 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 communication.

(IV) CONSTRUCTION OF SOCIAL RESPONSIBILITY WEBSITE AND SYSTEM

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 communication 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, user-friendly interface and visual internationalization.

In order to widely collect the feedbacks of stakeholders to sustainability of the company, improve communication 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/>.

(V) IMPROVING TRUST DEGREE OF SOCIAL RESPONSIBILITY

COSCO Group has taken various effective measures to improve the trust degree of social responsibility in



compilation and release of sustainability report. These include:

1. Compile the report in accordance with requirements of GRI2006 Guidance, integrate the requirements of UN Global Compact Blueprint for Sustainability Leadership and special requirements on shipping companies put forward by the International Maritime Organization into the report, and satisfy the requirements in the Guidance on Comprehensive Risk Management of Central Enterprises and the Guiding Opinions on Social Responsibility Performance of Central Enterprises issued by SASAC, and the Basic Standards for Internal Control of Listed Companies and its implementation rules released by five ministries and commissions including the Ministry of Finance.
2. Pay attention to comparability of data in the report, including horizontal comparability of reports in different years and vertical comparability with reports of companies in the same industry, and admit that nature of the report is determined by organization type, scale and ability.
3. Pay attention to balance of the report, faithfully disclose the events with negative influences occurred within the reporting period, analyze reasons of these events and put forward effective rectification measures.
4. Invite third parties to conduct external audit on the report and release audit report.
5. Create a communication platform for release of the report to enable all stakeholders to put forward suggestions and opinions to contents of the report, and make responses to their suggestions timely.

V. 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.

From May to June 2011, COSCO Group partnered with the Harvard Business School and Peking University to carry out researches on COSCO Group's social responsibility case. By interview top management, staff, subsidiaries and stakeholders of COSCO Group, the research team summarized COSCO Group's excellent social responsibility performances and experiences in recent years and formulated the COSCO Implementation Sustainability management case, which was adopted at classes of Harvard Business School and Peking University.

(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 REPORT OF COMPREHENSIVE RISK MANAGEMENT

I. REVIEW OF COMPREHENSIVE RISK MANAGEMENT WORK IN 2011

(I) SITUATIONS OF COMPREHENSIVE RISK MANAGEMENT WORK

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. In 2010, risk management work of the company was focused on related internal control management and implementation work. In accordance with the Basic Standards for Enterprise Internal Control and related implementation rules issued by five ministries and commissions including the Ministry of Finance, internal control system was established at the headquarters and the subsidiaries for pilot project. With the target of ensuring value-keeping and value-increase of state-owned assets and sustainable, healthy and stable development of the enterprises, the company promoted all departments and subsidiaries to implement internal control and comprehensive risk management in various business sectors based on macro



framework of comprehensive risk management system while implementing the SASAC's Guidance on Comprehensive Risk Management and promoting the comprehensive risk management work. It also carried out special risk management in terms of stabilization risk evaluation, taxation risk evaluation, survey on management and control of the group, fuel futures audit, rectification, inspection and verification, corruption risk control and construction of punishment system, so as to elevate its risk prevention and control ability.

Table 1 below shows the fulfillment situation of comprehensive risk management work in 2011.

Serial No.	Work to be completed	Actual completion situation	Reason for uncompleted situations and rectification measures
1	Formulation of planning for internal control and comprehensive risk management	Completed	N/A
2	Establishment and operation of risk processes	Completed	N/A
3	Improvement of COSCO Group's comprehensive risk management information system	Completed	N/A
4	Implementation of management system of rules and regulations	Completed	N/A
5	Formulation of internal control planning and plans	Completed	N/A
6	Implementation of internal control system	Completed	N/A
7	Development of internal control information system	Completed	N/A
8	Promotion of scientific development of rules and regulations	Completed	N/A

(II) MANAGEMENT OF KEY RISKS IN 2011

By managing the seven key risks identified in risk evaluation work in 2011, namely health and safety risk, market fluctuation risk, foreign currency rate and other risks of financial market, FFA risk, fuel futures and hedging risk, credit management risk and implementation risk, the group has effectively controlled the occurrence of related risks and their influences. Table 2 shows management situation of key risks in 2011.

Table 2: Management Situation 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	Health and safety risk	Yes	Yes	N/A
2	Market fluctuation risk	Yes	Yes	N/A
3	Foreign currency rate and other risks of financial market	No	Yes	N/A
4	FFA risk	Yes	Yes	N/A
5	Fuel futures and hedging risk	No	Yes	N/A
6	Credit management risk	No	Yes	N/A
7	Implementation risk	Yes	Yes	N/A



(III) CONSTRUCTION OF INTERNAL CONTROL SYSTEM

In 2011, the internal control construction was carried out in following four phases with China COSCO as the pilot unit:

The first phase is carrying out research and compliance diagnostic evaluation to the internal control status quo in China COSCO headquarters and its six subsidiaries. Meanwhile, risk assessment and its report were completed in the headquarters, demonstrating and analyzing the shortcomings and risks distribution situation of China COSCO headquarters and its subsidiaries.

In accordance with the Basic Standards for Enterprise Internal Control and its implementing guidelines issued by five ministries and commissions including the Ministry of Finance, it cleared 889 diagnosis points. 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.

The second phase is putting forward internal control improvement plan of China COSCO headquarters and its subsidiaries according to research of internal control status quo and the result of standardized diagnosis. China COSCO Internal Control Building Guidelines was also made and released, to direct all subsidiaries to establish and perfect internal control norms and system under the headquarters' internal control system frame. Besides, the amendment of China COSCO Internal Control Manual was completed, which now has been submitted to the Risk Management Committee, the Audit Committee and the Board, and will be carried out after consideration and approval.

The third phase is formulating and issuing China COSCO Internal control Self-Assessment Working Mechanism, and organizing walk-through tests in its subsidiaries on internal control building situation, to make sure that the subsidiaries' internal control system could work effectively and keep perfecting.

The fourth phase is organizing the design of China COSCO internal control management information system, based on the Finance Ministry's internal control norms and the company's internal control requirements. The system is estimated to be completed in the first quarter of 2012.

(IV) RISK MANAGEMENT INFORMATIONIZATION

Comprehensive risk management information platform is an important part of COSCO Group's sustainable development platform, and also one of the strategic measures to fulfill the group's sustainability objectives. In accordance with the requirements of SASAC's Guidance on Comprehensive Risk Management of Central Enterprises, 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 2011, COSCO Group expanded the functions of its comprehensive risk management information platform under the guidance of the Guidance on Enterprise Internal Control Application, the



Guidance on Enterprise Internal Control Evaluation, and the Guidance on Enterprise Internal Control Audit issued by five ministries and commissions, so as to establish a management information system centering on internal control and risk management. Through establishment, implementation and operation of the system, COSCO Group will form a dynamic self-risk identification ability to identify and prevent risks, and will design and adopt corresponding management and control measures to reduce losses caused by the risks.

II. RISK EVALUATION SITUATION IN 2012

Based on risk evaluation results of related companies, COSCO Group headquarters organized related experts to improve and adjust its risk framework. In addition to six first-layer risks, 62 second-layer risks and 199 third-layer risks, the group further increased 35 second-layer risks and 156 third-layer risks, forming the 2012 version of risk framework with six first-layer risks, 97 second-layer risks and 355 third-layer risks, and organized all staff to supplement and identify the risks. A total of 308 risk events were added, forming a risk database with 1610 risk events. COSCO Group evaluated the risks with risk evaluation model based on three indicators, namely possibility for occurrence of risks, influential degree and countermeasure difficulties, formulated rankings of risks, and specific 10 key risks to be concerned in operation and management process.

Based on risk evaluation standards, the group determined following 10 key risks by possibility for occurrence of risks and influential degree: industrial structure risk, market price risk, macro-economic risk, risk of listed company, cash flow risk, credit management risk, investment risk, hedging risk, health and safety risk and procurement risk.

III. COMPREHENSIVE RISK MANAGEMENT PLANS AND MANAGEMENT OF KEY RISKS IN 2012

1. COMPREHENSIVE RISK MANAGEMENT PLANS IN 2012

In order to implement and act in the spirits conveyed at the working conference of the group in 2012, and in accordance with the requirements in SASAC's Notice on Comprehensive Risk Management Work of Central Enterprises, COSCO Group specified focuses of its comprehensive risk management work in 2012 to better adapt to domestic and overseas situations, elevate its risk management level continuously and ensure continuous and healthy development of the group. The comprehensive risk management plans in 2012 are as follows:

(1) Revision and release of the COSCO Group's Planning for Internal Control and Comprehensive Risk Management and related implementation plans

Implement the SASAC's Guidance on Comprehensive Risk Management of Central Enterprises, the Notice on Accelerating Establishment of Internal Control System of Central Enterprises, and the Basic Standard for Enterprise Internal Control and its implementing rules related by five ministries and commissions, revise and release the COSCO Group's Planning for Internal Control and Comprehensive Risk Management in accordance with the group's development planning during the 12th Five-year Plan period, and organize all subsidiaries and overseas companies to formulate and implement the planning for internal control and comprehensive risk management, divide the planning into annual plans, formulate implementation rules and implement the plans actively in accordance with the requirements of the Basic Standards for Enterprise Internal Control and its implementing rules.



(2) Establishment of Complete, Thorough and Uniform Risk Evaluation System

Establish a thorough risk evaluation system at the headquarters and the subsidiaries to integrate the risk evaluation work in operation and management activities, further establish and improve risk evaluation mechanism, elevate risk evaluation level and do a better job in coping with risks. All units shall take corresponding measures to improve the risk evaluation accuracy and timeliness in accordance with situation of comprehensive risk evaluation work in 2012, supervise effective implementation of measures to cope with related risks, and adjust risk coping strategies based on changes of operational environment to enhance the risk management and control of operation and management activities.

(3) Continuous Improvement of Internal Control and Comprehensive Risk Management System

Through efforts in past few years, the group's risk management system frame has established. The working focus in the next step is to promote all departments and subsidiaries to promote the comprehensive risk management work in all business sectors.

Promote the subsidiaries to improve the risk management system continuously, enhance the construction of risk management system and cultivation of professional talents, formulate countermeasures to cope with key risks based on risk evaluation results, improve the ability to prevent and control key risks and further improve the internal control system.

(4) Management of Risks of Special Businesses

Formulate risk strategies and solutions with a focus on two key businesses, namely investment project evaluation and financial derivatives, establish and run risk processes, create thorough comprehensive risk management system, and organize the headquarters and related subsidiaries to implement the system. Select one or two investment projects approved as the pilot project, form a working group comprising of staff of investment, supervision, legal and related business departments, five four to five key risks in procurement, supplier management, payment, check & acceptance and evaluation with main bodies of the investment, implement risk monitoring and management, and improve the investment evaluation risk management manual.

(5) Improvement of Governance Structure, Rules and Regulations of the Company

Organize the Board of Directors of COSCO Group to revise rules and regulations and document system, update the COSCO Group's Comprehensive Risk Management Manual, risk management system and COSCO Group's Modern Enterprise Management Manual.

(6) Enhancement of Construction of Internal Control System

Listed companies: formulate internal control planning and plans, and promote their implantation in accordance with the Basic Standards for Enterprise Internal Control and the implementing rules released by five ministries and countries, as well as supervision requirements of listed companies. Deepen the internal control construction project of China COSCO, gradually construct internal control organization, process and reporting mechanism of the subsidiaries while completing the establishment of internal control system framework at the headquarters, and integrate with internal control system of the headquarters. On the basis of internal control construction work, deepen the internal control construction in terms of professional blocks, key business units or key units based on practical situations of the company, gradually form the thorough, coordinative and effective internal control system with the headquarters, and promote elevation of operational efficiency and risk prevention & control



ability. Require related departments and subsidiaries to compile self-evaluation report on internal control, sign the letter of statement on internal control, and accept internal control audit of the accounting firm.

Non-listed companies: All units shall enhance construction of internal control organization system in accordance with the SASAC's Notice on Speeding up Establishment of Internal Control System of Central Enterprises, formulate internal control implementation plans complying with practical situations of the company, establish internal control system in 2012 and carry out self-evaluation work. In recent years, SASAC has made ceaseless efforts to enhance the management over domestic and overseas investments, and released the Interim Methods for Supervision and Management of Overseas Investment of Central Enterprises. Regional companies in overseas market shall enhance construction of internal control system, carry out comprehensive risk evaluation, comprehensively clear the risk points in related business sectors, specify control measures of key risks and effectively prevent various business risks.

(7) Continuous Improvement of Comprehensive Risk Management Information System

Efforts should be made to continuously improve the comprehensive risk management information of COSCO Group based on current situations of the group, promote the system among subsidiaries, organize some subsidiaries to transplant the system and customize comprehensive risk management information management, so as to improve the ability to collect, analyze, clear up, report and dispose risk information.

(8) Enhancement of Crisis Management

Enhance crisis management consciousness and improve the enterprise's ability to prevent and fight against crisis; Improve company governance, enhance internal control standardize the operation, enhance information disclosure, and prevent against occurrence of law-violation and unfaithful behaviors to the maximum extents.

2. CHANGES OF KEY RISKS IN 2012 COMPARED WITH 2011 AND REASONS FOR SUCH CHANGES

Compared with key risk management in 2011, COSCO Group enhanced its own risk management in 2012, lowered the risk tolerance degree, elevate the judgment standards of key risks, upgraded the important risks in the previous year to key risks, increased the number of key risks from 7 to 11, further enhanced the attention paid by the group to risks, and strengthened the management and control of various risks.

To be specific, the group's ability to control periodic fluctuation needs to be improved and the risk of industrial structure is the biggest risk with the great changes of the market. Global economy will enter a long low-speed growth period and international trade will be in depression. The most direct influences of these on the enterprises are market recession, insufficient demands, low prices, and the market fluctuation risk will be replaced by market price risks. The cash flow risk and withdrawal risk of listed companies are also increased. With the continuous depression of global economy, great changes had taken place to the operational environment and the macroeconomic risks were increased. There are some unharmonious and inadaptible situations in service quality, cost control and management efficiency of enterprises, and the procurement and investment risks had increased. Based on risk framework adjustment, FAA, swap exchange rate and fuel hedging are summarized as Category I hedging risk. Moreover, the company conducted internal control diagnosis and rectification in 18 business sectors based on internal control requirements of five ministries and commissions including SASAC, which effectively improve the effectiveness of internal control system and reduce the implementation risks.



PART V LEGAL AFFAIRS MANAGEMENT

As a leader in domestic shipping industry, 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

Year 2011 is the check and acceptance year for the 2nd three-year target on legal construction of central enterprises set up by the SASAC. In accordance with the Notice on Check and Acceptance Work for 2nd Three-year Target on Legal Construction of COSCO Group, special arrangement and deployment were made on check and acceptance work. The check and acceptance work were carried out in form of written materials and on-site sampling inspection. General Counsel Liu Guoyuan organized and guided the check and acceptance work by himself, and led a team to conduct on-site sampling check and acceptance on COSCO (Hong Kong) Shipping and COSCO Pacific. All companies completed the self-inspection and rectification work as scheduled, the working archives were complete and the reporting materials were in detailed, reflecting the industrial features and legal management characteristics of ocean shipping enterprises.

After three years' effort, all subsidiaries of COSCO Group have established the general counsel system with initial progress: all the subsidiaries' legal management and business management had the fusion degree increased; norms and regulations, major decisions and legal acceptance of the economic contracts all reached to 100% as planned; major legacy cases solved; no violation of laws appeared in the cases; the 2nd three-year target on legal construction of central enterprises set up by SASAC had been realized.

II. CONVERGENCE OF "THREE SIGNIFICANCES" OF LEGAL AUDIT WITH ENTERPRISE OPERATION AND MANAGEMENT

The "three significances" of legal audit are legal audits on rules and regulations, economic contracts and important decisions of the enterprise. With respect to rules and regulations, office system of the company realized electronized working process for release of rules and regulations, ensuring 100% of legal audit rate of its rules and regulations and avoiding legal risks of contracts effectively. With respect to legal audit on important decisions made in operation process, the legal advisor attended the whole process of the important projects, the general counsel attended the decision-making conference, and related working mechanism were streamlined to enhance the risk prevention and control in key decisions. In 2011, legal audits were conducted on transfer of equities of Taicang Terminal, the Agreement on Terminal Container Volume in Europe and ISAD project.

III. DISPOSAL OF MAJOR LEGAL DISPUTES

In 2011, when organizing the comprehensive acceptance check of the 2nd three-year target, COSCO Group paid special attention to major cases' treatments. All the subsidiaries were required to do detailed report, with reason illustration on those legacy cases. To those new major disputes, all subsidiaries' general counsel organized thematic research and special deployment, and corporate legal affairs department was responsible for execution, thus to prevent new cases to be solved piling up. In 2011, the legal counsel participated in treatment of the following cases: Hong Kong Games "Hong Kong Star" dispute, Xin Feng Company recovering Grand China receivable dispute, and subsidiaries account freezing, etc.

IV. LAW POPULARIZATION AND TRAINING



In 2011, COSCO continued to take law popularization as an important basic work to enhance employees' legal awareness and improve legal governance level. In addition to check and acceptance and summary of work done in 5th Five-year Plan of Law Popularization, the group recommended one advanced unit and one advanced individual in COSCO's system for national law publicity and education work from 2006 to 2010, and three advanced units and one advanced individual for law publicity and education of central enterprises from 2006 to 2010. In accordance with the deployment of the Office for Law Popularization of the State Council and the requirements of the State Council and SASAC, and COSCO Group's 6th Five-year Plan on Law Publicity and Education, the group kicked off the implementation of 6th Five-year Plan for Law Publicity and Education.

In 2011, COSCO Group organized "4.24" National Legal Propaganda Day activities, prepared legal knowledge questionnaire based on latest laws, and organized quiz contest activity. Legal staff also attended the special training organized by the headquarters, as well as special legal trainings organized by related institutions and organizations such as SASAC, Ministry of Transport, Ministry of Commerce, the Association of Corporate Legal Counsels and the law firms, further elevating their legal quality.

V. LAW-COMPLIANCE

COSCO Group has insisted on relevant laws and regulations in business operation, operated honestly and trustfully and protected the legal interests of customers and consumers. COSCO Group strived to provide customers with safer, more convenient and more effective high-quality services, which has earned the company a good reputation in the industry. COSCO Group 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 order to ensure law-compliance of its products and services and in addition to the establishment of Office for General Counsel, COSCO Group established legal information system and built up human resource sharing platform and business exchange platform. Legal information system of the group includes many legal information databases which are updated in a real-time manner, and features functions such as information exchange, legal resource-sharing, contract document recording, and personnel and institution search, providing legal information for the company and customers effectively. The system provides powerful data supports for legal work, and helps legal staff to read massive legal materials, continuous focus on and study new laws, rule, policies, legal interpretations and new cases. The system also provides convenient, fast and accurate inquiry system of legal information with managers and employees of all subsidiaries of COSCO Group, creates a high-efficient platform



for business exchange of the company, realizes human resources sharing and brings into full play of human resources. Establishment of legal information system provides a solid foundation for law popularization work of the company and creates conditions for the establishment of lawyers' resource network for the group. The information network helps the group to better integrate and use legal resources, save costs of legal work and avoid legal risks in product and service cycle.

In 2011, COSCO Group faced no severe penalties for breaching related laws and regulations regarding product and service liability.

PART VI CONSTRUCTION OF SUSTAINABILITY INFORMATION MANAGEMENT PLATFORM

I. INFORMATIONIZATION OF CORPORATE SOCIAL RESPONSIBILITY

In the era of economic globalization, competition between transnational companies has upgraded from competition on hardware to competition on software, and from the competition on technologies and productions to the competition on corporate social responsibility concept and ethics. Advanced CSR concepts and behaviors have become the indispensable core competitiveness for an enterprise to get success. Global Compact Ten Principles and social responsibility standards form the new standards of modern society to elevate sustainability ability of the enterprise. The ability of an enterprise to shoulder social responsibility and obtain intangible assets becomes a key to development of the enterprise.

COSCO Group realized that performance of social responsibility is a long-term accumulation and development process, and a complicated and systematic project that needs great inputs of the enterprise. Therefore, it kicked off project construction in 2006 by applying modernized IT and network methods, and initiated sustainability information management platform in 2008 to support implementation of social responsibility work and collection of sustainability information. The construction and application of information system enabled the group to conveniently and accurately collect data for sustainability indicator system of related departments and branches, and achieved the results of fast filling and reporting, online verification, summary and analysis, system response and collection of indicator data. The convenient functions of editing, controlling and auditing functions also enabled related persons to timely and high-efficiently compile Global Compact sustainability report based on data collected, so as to reflect the group's social responsibility concept and practices as well as its efforts to promote implementation of Global Compact and sustainable development with the world to the staff, customer, partner, shareholders and investors, national authorities, communities and all other stakeholders.

Core Business Processes of COSCO Group's Sustainability Information Management Platform



First aspect

Bringing Global Compact Ten Principles into strategies and operation of the enterprise

1. Comprehensive coverage and integration of ten principles
2. Complete management system and process
3. Streamlining ten principles in functional departments and business departments of the enterprise
4. Implementation in supply chain



Second aspects

Taking actions to support wider UN's objectives and affairs

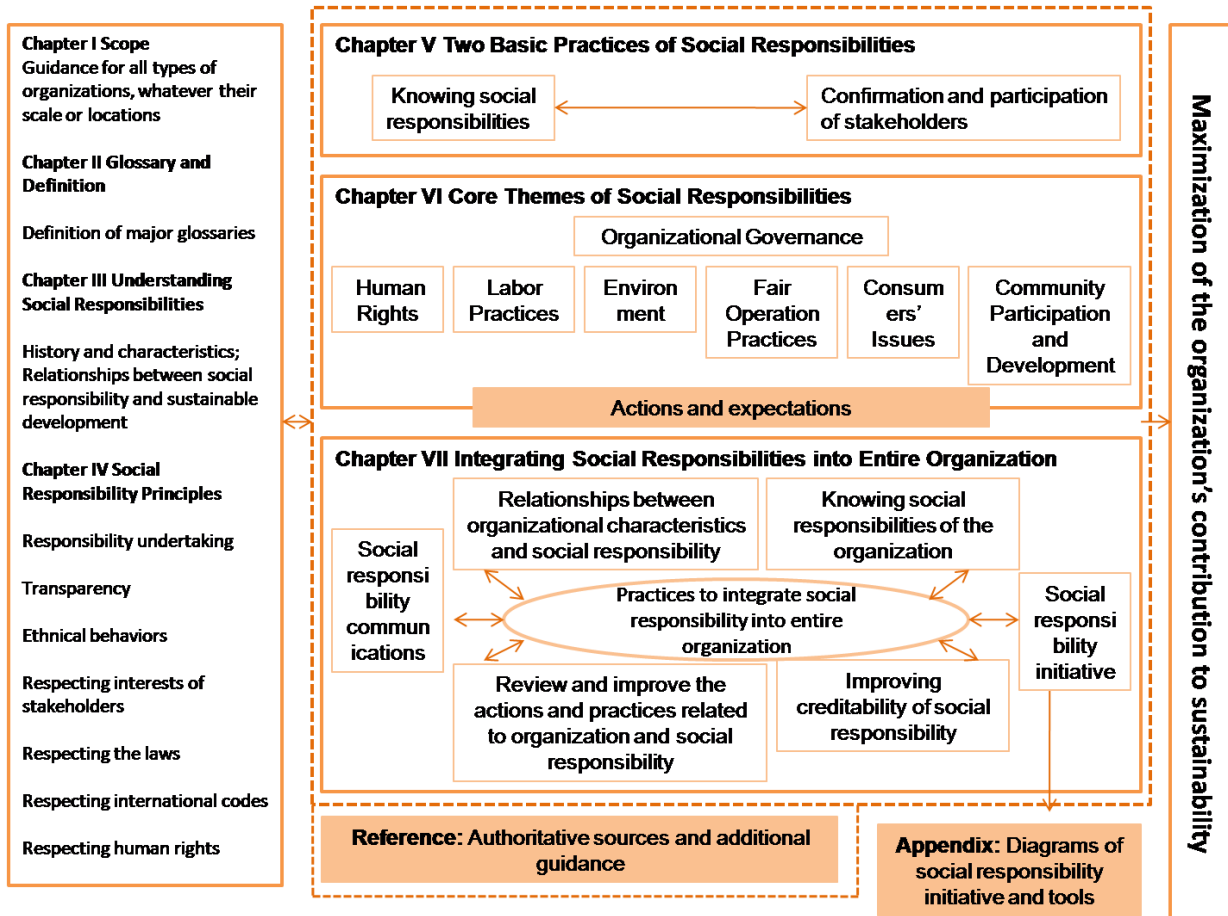
1. Contribute to UN's objectives and affairs through core business
2. Strategic social investment and charity
3. Advocate and participation in public policies
4. Partnership and collective actions

Third aspects

Participating in Global Compact in a comprehensive and in-depth manner

1. Local network and branches/participation of subsidiaries
2. Global and local working team
3. Sectors and initiative of industrial actions
4. Public promotion and supports to UN Global Compact

▲ Diagram for ISO26000





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 2011, 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 2011 sustainability development report by using the Sustainability Information Management System. A database with 790 indicators was set up and further detailed more than 10,000 reporting indicators based on practical situations of the subsidiaries. Each indicator can be automatically aggregated, and different indicators can be settled through statistical models, thus enhancing the cautiousness of the data in the report.

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's sustainability information system can serve for more organizations fulfilling the Global Compact and social responsibility. The system can effectively improve the sustainability management level of enterprises, realize concentrated disposal of social responsibility management information of its subsidiaries at all levels, promote transparency of internal and external information, realize fast inquiry, statistics and analysis of data in a multi-layer and multi-angle manner, and effectively improve the compilation efficiency and quality of sustainability report. These provides convenient technical guarantee for the enterprise to timely and accurately showcase its outstanding contributions in terms of Global Compact and social responsibility.

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 2011. 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.



 **中国海洋石油可持续发展信息管理平台**
CHINA NATIONAL OFFSHORE OIL GRI

用户登录

 用户名
User

 密码
Password

 登录





PART VII IMPLEMENTATION OF SASAC’S SOCIAL RESPONSIBILITY REQUIREMENTS

I. IMPLEMENT SASAC’S OUTLINES ON IMPLEMENTATION OF HARMONIOUS DEVELOPMENT STRATEGIES OF CENTRAL ENTERPRISES DURING THE 12TH FIVE-YEAR PLAN PERIOD

COSCO Group carefully studies and researches the SASAC’s Outlines on Implementation of Harmonious Development Strategies of Central Enterprises during 12th Five-year Plan Period, implements the work deployment and requirements of SASAC, establishes social responsibility concept with a focus on sustainability, enhances social responsibility management, clears existing work in accordance with requirements of the Outline and actively promotes the construction of a honesty, green, safe, energetic and responsible central enterprise. It brought contents of the Outline into its plans in 2012, compiled the detailed implementation rules of the Outline with a focus on its development, exerted great efforts to implement harmonious development strategies, and made ceaseless efforts to elevate the group’s ability and level to perform social responsibility. It also took effective measures to make explorations actively, tried to elevate social responsibility management level and contributed to new and greater contributions to sustained and healthy development of economy and society.

II. TAKE PART IN SASAC’S RESEARCHES ON SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM OF CENTRAL ENTERPRISES

As one of the central enterprises under SASAC, COSCO Group actively attended the topic research projects of SASAC and provided cases for analysis. So far, the topic research had been completed, and achievements of the Researches on Social Responsibility Management System of Central Enterprises were reported and announced at the SASAC’s working conference on social responsibility work of central enterprises. Since 2011, COSCO Group started to improve its internal management system in accordance with achievements of the researches, and disclosed related contents in the sustainability report.

III. TAKE PART IN SASAC’S COMPILATION OF THE GUIDELINES ON SOCIAL RESPONSIBILITY MANAGEMENT OF CENTRAL ENTERPRISES

COSCO Group attended the compilation of SASAC’s Guidelines on Social Responsibility Management of Central Enterprises. So far, the draft version of the Guidelines has been formed, and social responsibility evaluation will be carried out among central enterprises. These moves will promote COSCO Group and other central enterprises to act in and implement harmonious development strategies, further establish the corporate social responsibility concept of scientific and continuous development, improve social responsibility management system, enhance sustainability of the enterprise and elevate the level of social responsibility work in a comprehensive manner.

IV. ATTEND SASAC’S WORKING CONFERENCE ON SOCIAL RESPONSIBILITY OF CENTRAL ENTERPRISES

On Nov. 11, 2011, Sun Yueying, Secretary-general of COSCO Charity Foundation, was invited to attend the Working Conference on Social Responsibility of Central Enterprises organized by SASAC of the State Council. Secretary-general Sun Yueying delivered a speech at the Enterprise Foundation Forum on behalf of COSCO Group to introduce the foundation’s standardized operation experiences and achievements as the first non-public and non-profitable charity foundations initiated by a state-owned enterprise





in China. The speech received high praises from representatives of central enterprises. Secretary-general Sun Yueying also exchanged opinions with representatives of related central enterprises on issues such as establishment and operation mode of charity foundation.

At the conference, SASAC of the State Council also announced that COSCO Group's Project of "Scientific Performing Social Responsibility and Operating COSCO Charity Foundation in a Standard Manner" was appraised as one of the excellent social responsibility cases of central enterprises in 2011.

PART VIII COMPREHENSIVE IMPLEMENTATION OF UN GLOBAL COMPACT PRINCIPLES



I. UN MILLENNIUM DEVELOPMENT GOALS

September 2000 witnessed *UN Millennium Declaration* signed by 189 countries during the UN Summit. UN Millennium Development Goals includes eight aspects. COSCO Group firmly supports and actively participates in the realization of the goals. The group has included the goals relevant to the enterprise into its strategic development management to ensure consistence of performance of social responsibility and elevation of sustainable development ability, and promote healthy and sustainable development of world's shipping and logistics industry. Please see the table below.

Serial No.	UN Millennium Development Goals	Related activities of COSCO Group
1.	Eradicate extreme poverty and hunger	Poverty-alleviation, etc.
2.	Achieve universal primary education	Hope Project and donation to educational industry, etc.
3.	Promote gender equality and empower women	Equality of males and females, equal pay for equal work, protection of female employees, etc.
4.	Reduce child mortality	Support to medical and healthcare undertaking, etc.
5.	Improve maternal health	Birth medical insurance and maternal care for employees, etc.
6.	Combat HIV/AIDS, malaria and other diseases	Actively support related activities.



7.	Ensure environmental sustainability	Exert great efforts to guide environment-friendly development, energy-conservation and emission reduction of the industry.
8.	Develop a global partnership for development	Promote equal and mutual-beneficiary cooperation in global operation and support development of the community.

II. GLOBAL COMPACT LEAD PROGRAM

The Global Compact LEAD Program is intended to support leading enterprises to perfect itself on the basis of sustainable development, and it gives highly recognition to enterprises' such commitments. COSCO Group was officially invited to sign letter of commitment for joining the program on Jan. 20, 2011. The signing list of its member enterprises was declared by UN Secretary-General Pan Ki-moon at the World Economic Forum held in Davos, Switzerland on Jan. 28, 2011. COSCO Group Chairman Wei Jiafu attended the launching ceremony of LEAD Program and attended the initiation of UN Global Compact LEAD Program. Chairman Wei Jiafu said that the UN Global Compact's Blueprint for Sustainability Leadership puts higher requirements on enterprises, while guiding sustainable development of enterprises, and requires enterprises to cope with challenges and create the future with new thinking and mode.

III. GLOBAL COMPACT'S BLUEPRINT FOR SUSTAINABILITY LEADERSHIP

In accordance with the requirements of Global Compact's Blueprint for Sustainability Leadership, the specific implementation of China COSCO could be shown in the following 49 aspects of four categories: 1. Implement the 10 principles in strategies and operation of the enterprise, including three aspects to cover and integrate all principles, four aspects about effective management policies and procedures, three aspects to bring the work into functional and business departments of the enterprise and four aspects to bring the work into the value chain; 2. Take actions to support fulfillment of wider goals of United Nations, including three aspects about great contributions to United Nations' targets and affairs, three aspects about strategic social investment and charity undertaking, two aspects about publicity and participation of public policies and two aspects about relations with partners and collective action; 3. Attend the UN Global Compact, including three aspects about local network and participation of the group's subsidiaries, two aspects about global and local working team, two aspects of issues and initiatives of the department, and three aspects to promote and support UN Global Compact. 4. Trans-sector components, including four aspects about CEO's commitment and leadership, three aspects of approval by supreme decision-making institutes and supervision function, four aspects about participation of stakeholders and four aspects about transparency and information disclosure.

IV. LOCAL NETWORK AND PARTICIPATION OF SUBSIDIARY INSTITUTIONS

COSCO Group positively participates and supports activities of the Global Compact's local network, and cooperates closely with Global Compact China network. The group's overseas companies, such as Japan company, America company and Europe company, also participate in relevant local activities, and cooperate with Global Compact's local branch as members of local network.

In November 2011, COSCO Japan attended the online roundtable of China, Japan and Korea. In June 2011, COSCO Europe attended the annual online conference of UN Global Compact and delivered a speech. In March 2011, COSCO North America attended the meeting of UN Global Compact LEAD Program on behalf of Wei Jiafu, chairman of the group.



V. KEY TOPICS AND INDUSTRIAL INITIATIVES

In January 2011, Wei Jiafu, Chairman of COSCO Group, participated in Davos World Economic Forum held in Switzerland. He pointed out that enterprises face three major challenges in practicing Global Compact's Blueprint for Sustainability Leadership:

First is how to integrate Global Compact principles into enterprises' daily operations.

Second is how to combine enterprises' operations with disposal of key issues of the world.

Third is how to take joint action with other social communities, and let more enterprises and the public to support implementation of the Blueprint.

On Sept. 17, 2011, Chairman Wei Jiafu attended the 41st Global Conference of International Financial Officers' Conference in Beijing, and delivered a speech titled "Scientifically Elevating Competitiveness of the Enterprise and Realizing Sustainability".



VI. ADVOCACY AND PARTICIPATION OF PUBLIC POLICIES

On March 12, 2011, on behalf of China COSCO, Vice Chairman Zhang Fusheng submitted 10 industry-related recommendations to the Fourth Session of the 11th National People's Congress, such as "Recommendation on a unified and standardized state-owned shipping fleet development from the national strategic level" and "Recommendation on ensuring national maritime strategic channel security". The proposals involved promotion of upgrade of China's shipping industry, sustainable development, and sustainable development direction of the industry, etc.

VII. COOPERATIVE AND COLLECTIVE ACTION

On Oct. 28, 2011, "Central Enterprises Business Cooperation and Internal Investment Conference" was held by SASAC at Beijing Conference Center. COSCO Group Chairman Wei Jiafu and Vice Chairman Ma Zehua attended the meeting hosted by Shao Ning, Vice Chairman of SASAC. Wang Yong, Chairman of SASAC, attended the event and delivered an important speech.

During the conference, the signing ceremony for business cooperation of central enterprises was held. Chairman Wei Jiafu and Fu Chengyu, Chairman of Sinopec, jointly signed the Letter of Intent for Joint Development of Carrying Capacity for National Oil Self-Transportation Project between COSCO Group and Sinopec (Letter of Intent). In June 2011, COSCO Group and Sinopec signed the Strategic Partnership Framework Agreement for National Oil Self-transportation Project. The Letter of Intent is a further implementation to the Framework Agreement. In the Letter of Intent, both sides further specify the contents such as shipbuilding, cooperation term and calculation of ship utilization costs. Signing of the Letter of Intent has significant meaning for implementing the National Oil Self-Transportation Project and ensuring national strategy and energy safety, and will greatly promote both sides to realize advantage supplementation, mutual benefits and enhance their core competitiveness.



COSCO Group was invited to attend the Strategic Symposium on Global Competiveness of Chinese Enterprises on Sept. 8, 2011. The symposium was organized by China International Economic Exchange Center, and was participated by over 300 persons including renowned economists and entrepreneurs. Capt. Wei Jiafu attended the discussion at the event as a special guest, and expressed his opinions on global competitiveness of Chinese enterprises, factors to elevate global competitiveness of enterprises, trends to be grasped in globalization, and global operation mode of COSCO Group, receiving high recognition from special guests of the event.



PART IX VOLUNTARY INITIATIVES AND COMMITMENTS REGARDING SOCIAL RESPONSIBILITY

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

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 Chairman 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 2011.

(III) GOLDEN BEE CSR CHINA ROLL

On June 15, 2011, China COSCO and BSAF joined hands with WTO Tribune to bring forward the Golden Bee Initiative 2020, which aims at forming scale effects through unanimous responsibility concept and innovative action mode, promoting continuous and in-depth development of corporate social responsibility in China, enabling more enterprises to become “golden bee” enterprises and jointly building up a homeland for sustainability of human beings.

On Dec. 2, 2011, the 2011 Golden Bee China Roll of Excellent Social Responsibility Reports released at the “Responsibility Communication Creates Value – 4th International Seminar on CSR Report of Chinese Enterprises” jointly held by the WTO Economic Herald of the Ministry of Commerce, CBCSD and the International Research Center on Social Responsibility and Sustainability of Peking University, with a total of 32 enterprises and one industrial organization awarded.

II. PARTICIPATION IN ASSOCIATIONS

As the largest shipping enterprise in China and a leader 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 all organizations. It has played as a promoter in international shipping industry, and made its own contributions to keep and promote the healthy and sustainability of international shipping industry.

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
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 of Chinese ship-owners	Promoting mutual cooperation and



Association	(COSCO Group is the chairman unit)	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	Promoting modernized development of ports in China
China Entrepreneur Association	Vice president unit	Promoting cooperation and development of enterprises
China Group Companies Association	Standing director unit	Promoting reform and development of group companies
Canada China Business Council	A privately-run and non-profitable membership organization that aims at promoting bilateral trade and investment between China and Canada	Promoting trade cooperation between China and Canada
Province of British Columbia Association of Commercial Vessels	An organization and association of shipping industry	Promoting co-development of international shipping industry of the west coast of Canada

PART X IDENTIFICATION AND PARTICIPATION OF STAKEHOLDERS

COSCO Group identifies and selects stakeholders based on their sustainability risks and its influences on the 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. IDENTIFICATION OF STAKEHOLDERS

Based on requirements of its operational strategy, COSCO Group analyzes the stakeholders involved in its operation through two-dimensional matrix by their influential degree on COSCO Group and the group's dependence on them, determines the rankings of its stakeholders and specifies the group's expectations and requirements.



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 sprints 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' sustainability	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
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 meeting for communication, parties for celebrating days	Civilized production, boost community prosperity and harmony, provide safe and healthy living environment	Non-pollution and non-damages on community environment, no safety accidents, input of resources to build harmonious society	Investment in community building, number of pollution-related complaints
Non-governmental institutions and organization (international environmental protection organizations, international labor organizations,	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,	Number of associations and societies related to social responsibilities participated, annual membership fees, social



international maritime organizations, industry associations, local communities, etc.)			local prosperity and non-profit organizations	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. SURVEY AND INVESTIGATION ON DEMANDS OF STAKEHOLDERS AND RESPECTING INTERESTS 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. MECHANISM FOR STAKEHOLDERS' PARTICIPATION IN CORPORATE SOCIAL RESPONSIBILITY

China COSCO sets 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 2011, COSCO Group met with more than 11,000 investors and received more than 4,000 phone calls from small and medium-sized investors, totaling over 13,000 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 investors included in the email group had exceeded 2,600.

IV. STAKEHOLDERS' PARTICIPATION IN EXTERNAL CORPORATE SOCIAL RESPONSIBILITY

COSCO Group establishes close relationships with shareholders, the government, customers and the public in accordance with the participation mechanism, and brings their requirements to operation and management decision-making of the enterprise.



(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 “Davos in shipping circle”.

On Nov. 2, 2011, the World Shipping (China) Summit 2011 organized by COSCO Group was opened in Boao, Hainan. Over 800 persons from shipping, port, shipbuilding/ship-repairing, financial, trade and industries in upper and lower reaches of shipping industry were invited to attend the event. Participants had discussion on eight major topics, namely strategic change, mode reform, rational development, structural upgrade, market trends, emission reduction measures, industrial innovation and balanced development. Capt. Wei Jiafu believed that there were five imbalances of shipping industry, and efforts should be made in three aspects to keep healthy development of shipping industry: firstly, rational development; Secondly, innovative development; and thirdly, cooperative development.

(II) STRATEGIC PARTNERSHIP AGREEMENTS WITH GOVERNMENTS, VIP CUSTOMERS AND SUPPLIERS

On Jan. 4, 2011, COSCO Group and China Communications Construction Group (CCCC) signed a strategic partnership agreement, marking that CCCC had become a strategic partner of COSCO Group. Thus, the number of customers in shipping and logistics industries of COSCO Group had reached 48.

On May 24, 2011, COSCO Group and CCS entered into a strategic partnership agreement at Ocean Plaza, Beijing. Both sides also discussed the inspection situation after implementation of New PSC Rules, researched on countermeasures, and talked about working plans in “anti-pollution” year regarding the International Convention on Anti-pollution and this revision that took effects lately.

(III) SOCIAL RESPONSIBILITY MANAGEMENT WITHIN THE SUPPLY CHAIN

On Dec. 1, the awarding ceremony of the Supply Chain Asia Logistics Awards was held in Shanghai Marriott Hotel City Centre, and Capt. Wei Jiafu was awarded the Supply Chain Asia Hall of Fame Award. The Supply Chain Asia Hall of Fame Award aims at awarding leaders who have made outstanding contributions to global supply chain management, and was the most important one among 17 awards given to individuals and institutions one that evening. This year’s activity was also a 10th anniversary celebrating ceremony of the award, with over 260 senior managers from global supply chain and logistics enterprises attended the event.

(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.

During the 11th Five-year Plan period, COSCO Group undertook the R&D of “Ballast Water Physical Purification and Processing Technology of Ocean Ships”, a national “Eleventh Five-Year” scientific and technological support plan. After four years of efforts, it had completed R&D task successfully, and developed a sample machine (BOS-600) with the processing ability of 600 tons per hour. The machine after shore- and sea-based tests, have obtained “preliminary recognition” of IMO, the “ultimate recognition” of the Maritime Safety Administration and the “pattern recognition” of CCS.



(V) ACTIVELY PARTICIPATING IN COMPILATION OF INTERNATIONAL AND DOMESTIC SOCIAL RESPONSIBILITIES STANDARDS

In 2011, COSCO Group actively attended the formulation of domestic social responsibility standards. It 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 Oct. 25, 2011, Capt. Wei Jiafu was invited to attend the evening banquet of Harvard Business School Club of Beijing to welcome the visit of Nitin Nohria, Dean of Harvard Business School. Capt. Wei Jiafu, as a member of Asia-Pacific Advisor Committee of the Harvard Business School, delivered a speech on behalf of all members of the school. In his speech, Capt. Wei Jiafu said that the number of students of Harvard Business School in China has increased continuously, and the influences of school have increased. Chinese economy is connecting with the world, and China's positive influences on the world become greater and greater. As a member of the school and the business circle, the most important thing is to cultivate leadership, seize economic development trends and contribute to economic prosperity and social development. His opinions were widely accepted by the participants.



On Dec. 12, 2011, Capt. Wei Jiafu met with a delegation of the University of California, Los Angeles, headed by Bijan, President of the University, at Ocean Plaza. Capt. Wei Jiafu introduced the basic situation to the visiting guests, including the business development in America, in particular, West America. Both sides had in-depth exchanges on further cooperation and international political and economic situations.



(VII) EXCHANGES WITH INTERMEDIARY AGENCIES

On Nov. 15, 2011, Chairman Wei Jiafu met with Mr. Don Bonker, former member of American House of Representatives and APCO SVP, at the Washington National Media Center, America. Both sides exchanged opinions on global economic situations and international trade. Mr. Don Bonker delivered the duplicated copy of national records on celebrating 50th anniversary of COSCO Group of American Congress to Chairman Wei Jiafu.



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, China COSCO has carried out social responsibility activities participated by stakeholders actively through information system platform.

It has opened special column of sustainability 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's 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 IMPLEMENTATION OF ISO26000 INTERNATIONAL STANDARDS ON SOCIAL RESPONSIBILITY

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

I. ISO26000 PLANNING

Framework comparison and risk assessment of ISO26000 were completed in 2010.

Comparison of detailed articles of ISO26000 was completed and implementation plans were determined in 2011.

Comprehensive promotion and implementation of ISO26000 were completed in 2012.

II. IMPLEMENTATION OF ISO26000

After the formal release of ISO26000 Guidelines on Social Responsibility on Nov. 1, 2010, COSCO Group has actively researched on the methods to bring the Guidelines into its sustainability management system.

In 2011, the group promoted implementation of ISO26000 from following aspects:

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 January 2011, 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.
3. 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, researched on how to better combine the ISO26000 requirements with COSCO Group Sustainability Report, and made adjustments on the reporting framework correspondingly.
4. 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.

III. ISO26000 IMPLEMENTATION RESULTS

Following results were achieved through effective implementation of aforesaid measures:

1. By enhancing training and guidance, social responsibility concept has been gradually integrated into organization and management of the company;
2. Through integration of related requirements of ISO26000, risk assessment results of China COSCO become more comprehensive;
3. Through comparable researches of ISO26000 and GRI reporting guidelines, and the discussion with external



experts, China COSCO has gradually improved its sustainability reporting framework and enabled to better meet demands of stakeholders.

4. Through studies and researches on ISO26000, China COSCO has made improvements on related nouns and definition of indicators in sustainability report, enabling words in the report to be more accurate and definitions of indicators to be clearer.





经济绩效指标和主题报告

ECONOMIC PERFORMANCE
INDICATOR AND THEME REPORT





C. MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS

PART I ECONOMIC PERFORMANCE INDICATORS AND KEYNOTE REPORT

I. MANAGEMENT APPROACHES

(I) OBJECTIVES AND PERFORMANCE

Upholding the obligations of “gradually developing and establishing its leading positions in international shipping, logistics business, 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 fulfill the objectives of constructing a harmonious and century-old COSCO and realizing better, faster and sustainability.

(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 set up a special department for the management system, and assigns 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, together with the Strategic Development Department, the Finance Department and the Human Resources Department, is responsible for supervision of operational performance of second-tier companies. The Transportation Department, Safety Supervision Department, Accounting Department and other departments 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 Investors Relationship Department is responsible for communications with investors.



Second-tier companies sub-divides the objectives assigned by the headquarters layer-by-layer, analyzes the fulfillment progresses of the objectives and reports them to the headquarters on a monthly basis. 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	Certified
COSCO Group headquarters	★	★	■▲	■
China COSCO	★	★		
COSCON	★	★	■▲	■▲
COSCO Bulk	★	★		
COSCO Pacific				



COSCO Guangzhou	★			
COSCO Shipping	★	★		
COSCO Qingdao	★	★		
COSCO Dalian	★	★		
COSCO Xiamen	★	★		
COSCO (Hong Kong) Shipping	★	★		
COSCO Logistics	★	★		
COSCO Shipyard	★	★		
COSCO Shipbuilding	★	★		
CHIMBUSCO	★	★		
Hainan Boao COSCO	★	★		
China Ocean Shipping Tally	★	★		
COSCO Human Resources/COSCO Manning	★	★		
COSCO Finance	★			
China Ocean Shipping News	★			
Maritime China Magazine	★			
COSCO U.K.	★	★		

Symbols:

★ Completed ■ Global Compact and sustainability management system

▲ Information safety management system

(VI) IDENTIFICATION OF STAKEHOLDERS AND RISK EVALUATION

COSCO Group pays close attention to management of stakeholders, and systematically identifies expectations, detailed requirements and related indicators of the stakeholders including government, investors, strategic partnerships and suppliers. It also systematically identifies and evaluates various risks of the company including risks concerned by stakeholders with comprehensive risk management approach, and adopts control measures corresponding to risk level based on results of risk evaluation, so as to effectively avoid or reduce influences of risks.

Controlling listed companies of COSCO Group pay attention to management of investor relations, establish communication channels with stakeholders through company website, sustainability information platform, annual report, various reports, meetings and symposiums, and timely announce or disclose information concerned by stakeholders.

II. PERFORMANCE INDICATORS

(I) DIRECT ECONOMIC VALUE CREATED AND DISTRIBUTED

Affected by many unfavorable factors such as macroeconomic adjustment of China, slow economic recovery of America, intensification of European debt crisis, high prices of bulk commodities, great earthquake in Japan, flood disaster in Australia and expansion of carrying capacity, the supplies and demands of global container shipping market were imbalanced, and the freights dropped continuously in 2011. International dry and bulk cargo shipping market was fluctuated at low level, and average value of BDI dropped from 2758 in 2010 to 1548, down 44% year-on-year. Shipping industry was in losses.

In face of extremely depressing shipping market, COSCO further improved related systems, improved its



governance structure and mechanism, promoted comprehensive risk management, tried to control market risks and increase its revenue, and reduced losses as much as possible in 2011.

On July 9, 2012, Fortune magazine released the Global 500 List, in which, COSCO ranked the 384th place with the operating revenue of USD28.7965 billion in 2011. In face of great depression of international shipping market, only ranking of COSCO Group was elevated by 15 places compared with that in 2010 among three international shipping companies that were included in 2011 Global 500 List.

Company	Ranking in 2011	Operating revenue in 2011 (USD 100 million)	Ranking in 2010	Operating revenue in 2010 (USD 100 million)
Maersk	154	601.936	144	561.77
COSCO Group	384	287.965	399	242.497
NYK	481	228.962	434	225.24

1. Direct Value Created and Distributed

In 2011, COSCO Group completed the shipping volume of 441.7632 million tons, with the freight turnover of 2081.748 billion ton-sea miles. The market occupancy in container shipping market was 6.1%, the market occupancy in bulk cargo shipping market was 7.2% and the market occupancy in tanker market was over 2.1%. It was the fifth largest terminal operator and third largest container leasing company in the world. It also ranked the fourth place for number of berths, and ranked the first place in Rankings of Top 100 Chinese Logistics Companies for six times in succession. Moreover, its ship-repairing business also took a lead in domestic market.

In 2011, COSCO Group realized the operating revenue of RMB186.2 billion. The table below shows operating revenue of the group since 2003:

Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenue (RMB100 million)	758	935	1,123	1,229	1,585	1,906	1,188	1,641.51	1,862

(1) Fleet size

Fleet size of self-owned									
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010	2011
Container ships	Number of ships	86	87	86	85	93	92	101	100
	Capacity (10,000 TEU)	18.3	18.4	18.2	19.9	29.28	31.54	35.91	35.87
Dry and bulk carriers	Number of ships	207	208	228	217	224	238	245	249
	Capacity (10,000 DWT)	1,198	1,256	1,431	1,380	1,476	1,745	1,882.16	1,997.28
Oil tankers	Number of ships	14	17	28	27	24	25	29	31
	Capacity (10,000 DWT)	108	205	340	338	347	382	463.5	522.96
Other liquid bulk carriers	Number of ships	10	8	16	19	22	18	19	15



	Capacity (10,000 DWT)	4	4	5.9	8.63	10.4	9.26	10	8.5
General cargo ships	Number of ships	92	94	97	94	93	74	73	68
	Capacity (10,000 DWT)	152	157	170	164.92	161	143	157.16	153.04
Other ships	Number of ships	11	11	19	18	18	15	14	18
	Capacity (10,000 DWT)	13	13	20	20.7	20.7	21.35	22.91	41.63
Total of self-owned ships	Number of ships	420	425	474	460	474	462	481	481
	Capacity (10,000 DWT)	1,748	1,910	2,237	2,198	2,411	2,720	3,007.45	3194.18

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

Fleet size of leased ships									
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010	2011
Container ships	Number of ships	17	19	54	59	48	54	49	57
	Capacity (10,000 TEU)	6.9	7.4	21.7	23.6	20.35	24.56	25.5	30.93
Dry and bulk carriers	Number of ships	156	130	179	305	292	236	238	160
	Capacity (10,000 DWT)	1,419	1,296	1,641	2,530	2,489	2,094	2,166.88	1598.95
Oil tankers	Number of ships	0	0	2	5	5	6	8	10
	Capacity (10,000 DWT)	0	0	58	141	141	171	239.25	298.67
Other liquid bulk carriers	Number of ships	0	0	1	0	1	2	1	4
	Capacity (10,000 DWT)	0	0	0.7	0	0.5	1.23	0.62	2.95
General cargo ships	Number of ships	0	1	3	3	9	6	16	23
	Capacity (10,000 DWT)	0	2	6	6	22	18	50.58	59.16
Other ships	Number of ships	0	0	2	9	6	4	6	8
	Capacity (10,000 DWT)	0	0	1.7	11	6.82	4.58	6.84	11.28
Total ships leased	Number of ships	173	150	241	381	361	308	318	262
	Capacity (10,000 DWT)	1,518	1,396	1,982	2,987	2,910	2,587	2,771.26	2338.53



Total fleet size controlled									
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010	2011
Container ships	Number of ships	103	106	140	144	141	146	150	157
	Capacity (10,000 TEU)	25.2	25.8	39.9	43.5	49.63	56.1	61.41	66.8
Dry and bulk carriers	Number of ships	363	338	407	522	516	474	483	409
	Capacity (10,000 DWT)	2,617	2,552	3,072	3,910	3,965	3,839	4,049.04	3596.23
Oil tankers	Number of ships	14	17	30	32	29	31	37	41
	Capacity (10,000 DWT)	108	205	398	479	488.5	553	702.75	821.63
Other liquid bulk carriers	Number of ships	10	8	17	19	23	20	20	19
	Capacity (10,000 DWT)	4	4	6.6	8.6	10.9	10.5	10.62	11.45
General cargo ships	Number of ships	92	95	100	97	102	80	89	91
	Capacity (10,000 DWT)	152	159	176	171	183	161	207.74	212.2
Other ships	Number of ships	11	11	21	27	24	19	20	26
	Capacity (10,000 DWT)	13	13	22	31	27.56	25.93	29.75	52.91
Total ships controlled	Number of ships	593	575	715	841	835	770	799	743
	Capacity (10,000 DWT)	3,266	3,306	4,219	5,185	5,321	5,307	5,778.71	5532.71

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

(2) Registration of ships

Ship flag registered (region)	China	Panama	Hong Kong	Others
Number of ships	215	150	109	7

(3) Transportation, production and related indicators

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011
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	44,176.32
Freight turnover (100 million ton·sea mile)	13,757.8	15,835.6	17,078.8	20602.8	22,071.74	19,626.18	21,088.03	20,817.48
Average age of self-owned ships (years)	13.90	14.6	15.16	15.48	15.23	14	13.27	13.06
Revenue of logistics business (RMB10,000)	173,486	206,623	351,000	1,200,000	1,431,263	1,221,755	1,529,787	1,727,062



Output value of ship-repairing business (RMB10,000)	268,000	417,000	553,000	787,652	900,500	476,160	422,743	346,586
Output value of shipbuilding business (RMB10,000)	178,309	201,558	250,278	325,696	1,080,200	1,118,511	2,018,640	1,063,540

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 attention to cost control work. In 2011, it continued to promote the “Lean Management” Program with an emphasis on reducing the costs and increasing the earnings, enhanced the control over key cost points in its operation and management, strengthened quota and benchmarking management, improved cost control work from the origin and all sectors, continuously improved cost control ability and reduced various costs. 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.

(1) Enhance fuel cost control. By the end of December, COSCO Group saved a total of RMB375 million of expenses through batch procurement, and saved RMB85 million of expenses through batch procurement of lubricant oil.

(2) Promote reduction of rents of dry and bulk carriers with high rents. By the end of December, bulk fleet of COSCO Group saved USD28.03 million of expenses through lease agreement restructuring, reduction of rents, advance return of ships as well as rent stop and deduction by making use of articles of the agreement.

(3) Enhance control of port charges, container management fees, cargo handling fees and administrative fees.

(4) Promote lean management activity focusing on cost cut and benefit increase, and strength the control of key costs in operation and management. Measures taken by shipping, shipbuilding/ship-repairing and logistics enterprises are as follows: firstly, establish cost control mechanism to sub-divide cost indicators, develop detailed control measures, improve cost evaluation system and control operating costs; secondly, enhance education on cost consciousness and elevate cost-saving consciousness of the staff; thirdly, carry out various activities to mobilize cost-control voluntariness of the staff; fourthly, explore the potential and focus on control of key costs; fifthly, solve the difficulties in cost-saving by making use of tools such as lean management and quality control, and try to reduce costs.

(a) Reduce fuel consumption of ships. Fuel consumption is one of the main operating costs of ocean ships. Shipping companies of COSCO Group have taken various measures to save fuel consumption and reduce costs. Please refer to the Environmental Performance and Keynote Report in this report for details.

(b) By deepening the energy-conservation and emission reduction measures, COSCON had reduced the oil



consumption per TEU by 7% year-on-year, reducing oil consumption by 250,000 tons in the whole year and saving RMB1 billion of fuel costs.

(c) Save maintenance fees. Shipping companies of COSCO Group had effectively reduced the ship maintenance fees by increasing self-repairation, enhancing repairation management, enhancing maintenance as well as repairation and waste utilization of spare parts. In 2011, COSCO (Hong Kong) Shipping made payment for repairation of 37 ships, saving RMB11.8696 million and accounting for 12.55% of the repairation fee. –COSCO Asian Liner” of COSCO Shanghai analyzed the factors influencing five fees namely dock repairation, voyage repair, spare parts, materials and navigation fees by making use of the method of QC team, formulated and implemented related countermeasures, realized scientific management and reduces the five fees of ships by RMB730,000.

(d) Reduce cylinder oil consumption of main engine. Crewmembers of Xinshenghai Liner of COSCO Bulk drew on collective wisdom, carefully read engine specifications and technical notice of the manufacturers, and formulated scientific and cautious plans to reduce consumption of cylinder oils based on inspection results of operating situations of main engines and scavenging port after arrival. After gradual adjustment as well as careful observation and inspection, the liner not only kept favorable working conditions of the main engine, but also reduced the daily consumption volume of cylinder oil from 400L to 345L, a reduction of 55L per day. By researching the oil injecting rules of cylinder oil injector, Tianlihai Liner took effective measures to improve the oil injecting method of cylinder oil, and reduced the cylinder oil consumption volume of main engine from 420L per day to 320L per day.

(e) Reduce single-container’s fuel, water and electricity costs. After taking over the operation and management of No. 2 Terminal of the Port of Piraeus Port from PCT Terminal, COSCO Pacific faced the issue of long-neglected 12 bridge cranes and 58 straddle carriers with high power consumption. By enhancing reasonable planning and arrangement of the production and loading/unloading process, the company tried to use newly-purchased track cranes and reduced the operation of straddle carriers as much as possible, and greatly reduced the fuel consumption of the company. Although the container transport volume of the port was increased sharply by 73.3% compared with 2010, the fuel costs in the whole year only increased by EUR567,000, up 18.1%. The water and electricity cost only increased by EUR57,000, up 6.4%. The fuel, water and electricity costs per natural container were reduced from EUR8.29 in early 2011 to EUR4.5 at the end of 2011, and the single-container’s cost was reduced greatly.

(f) Reduce lubricant oil consumption. –COSCO Star” of COSCO Xiamen analyzed the factors influencing lubricant oil consumption of main and auxiliary engines by making use of QC tools to find out main influential factors, and took measures to effectively reduce the lubricant oil consumption of the engines, saving RMB240,000 lubricant oil costs in a year.

(g) Reasonable suggestions. COSCO Shipyard carried out “reasonable suggestion collecting activity” to collect reasonable suggestions from the staff, evaluated and implemented reasonable suggestion activities and achieved satisfactory results. The project to improve second-time utilization of platforms had saved 136 tons of board and RMB440,600 costs per year. The energy-conservation re-construction project of workshop and road lamps saved 544,500kwh of electricity consumption and RMB262,300 costs per year.

3. Salaries and Welfares of Employees

All levels of subsidiaries of COSCO Group have established different forms of salary and welfare systems in



accordance with requirements of national laws and regulations and provisions of related policies, and based on practical situations of the industry and enterprises, so as to protect 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 2011, the payment proportion of the group was 20% and that of employees was 8%. Besides aforesaid social insurances, COSCO Group also established enterprise supplementary medical insurance, work injury insurance and annuity of enterprises for all its employees.

4. Payment to Capital Providers

In 2011, net losses of COSCO Group reached 3.717 billion.

(1) Total Profits of COSCO Group in Recent Eight Years

Indicator/ Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	-371,703

(2) Indicators of Listed Companies under COSCO Group (As of Dec. 31, 2011)

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	437.2	52.8%	230.8	-15.72%	0	-1.02
COSCO Pacific	Hong Kong	199.4	42.71%	85.2	10.54%	0.14	0.92
COSCO International	Hong Kong	49.3	60.96%	30.1	5%	0.07(HKD)	0.21(HKD)
COSCO Investment	Singapore	95.8	53%	50.8	11.2%	0.15	0.30
COSCO Shipping	Shanghai	69.6	50.52%	35.2	2.36%	0.02	0.09

(a) COSCO Investment (Singapore) Co., Ltd distinguished itself from 300 foreign companies listed in Singapore and won the Second-class Prize of the Most Transparent Company Award, the fourth time for the company to win the award since 2007. The award was appraised by an appraisal team comprising of authorities from academic circle, media and professional associations of Singapore as well as representatives from investors' associations based on a survey on timeliness and authenticity of information disclosure and quality and feedback of



information disclosure channels of enterprises.

(b) COSCO Shipping received the CCTV Financial Channel's Top 50 Companies for Corporate Governance at the 2011 CCTV China Summit of Listed Companies and the Launching Ceremony of CCTV Financial Channel 50 Index sponsored by the CCTV Financial Channel and organized by the Bohai Commodity Exchange on Aug. 21, 2011.

(c) COSCO International received The Asset Magazine's 2011 Enterprise Award – Social Responsibility and Investor Relations Golden Award issued by a famous financial magazine – The Asset, which aimed at awarding the outstanding performance made by the company in promoting investor relations and performing its social responsibility. It was the second successive year for COSCO International to win such honorable title and was a proof to recognition and confirmation received by the company from experts of international investment circle for its efforts to pursue for excellence.

(d) COSCO International received the Corporate Governance Asia Recognition Awards 2011 issued by the Corporate Governance Asia Magazine. The award, which aims at awarding companies achieving excellent performance continuously in corporate governance, has been appraised for seven years successively and enjoys high reputation in the industry. In this year's appraisal, COSCO International distinguished itself from more than 1000 Asian enterprises and became one of the 11 Chinese enterprises that won the award.

(e) COSCO Pacific won favors of the media and institutional investors for excellent relations with investors and corporate governance level, and received many honors and awards in 2011, including the Best Investor Relation Award in Traffic and Transportation Industry and the Best Investor Relation Award for Enterprises in Hong Kong issued by IR Magazine and the Most Promising Enterprise Award jointly issued by the Capital magazine and the Capital Weekly magazine. The company also received the Hong Kong Outstanding Enterprise Award issued by the Economic Weekly for seven years successively.

5. Payment to the Government

In 2011, COSCO Group paid RMB4203.51 million taxes to the government.

Indicator/ Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total tax paid (RMB10,000)	106,064	181,792	327,812	578,271	523,653	865,959	1,079,733	344,384	465,430	420,351

6. Social Investment and Input

(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 subsidiaries of COSCO Group have been engaged in social investment, charity and public welfare activities actively while focusing on its own development.

In 2011, COSCO Charity Foundation implemented more than 30 social welfare projects, with RMB39 million of capitals donated, covering education and medical-aiding, disaster and poverty alleviation and environmental protection sectors.



Indicator (RMB10,000)/year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Investment funds 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	3,900

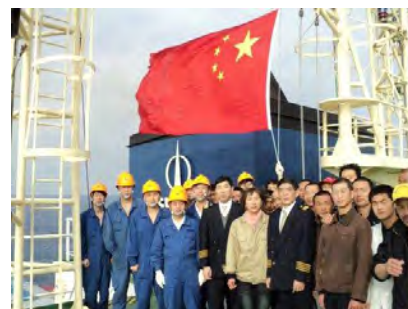
(b) Evacuation of Chinese Citizens Stranded in Overseas Countries

In 2011, situation of Libya was changed greatly, threatening life safety of more than 30,000 Chinese citizens in the country. COSCO Group responded to the deployment made by the Chinese Government actively and established the Leading Group for Evacuation of Chinese Citizens Stranded in Overseas Countries. With the Dispatching Office as the center, related units, ocean ships, departments and individuals entered emergency-response status one after another.

Over 10 ships navigating in the Mediterranean Sea were dispatched to attend the evacuation work. Four ships, including COSCO Shanghai Liner, COSCO Qingdao Liner and Tianfuhe Liner of COSCON and Kangcheng Liner of COSCO (Hong Kong) Shipping navigated to designated ports to wait for orders. COSCO Europe, COSCO Italy and COSCO Greece also coordinated with agencies in Libya actively to make preparation for the ships' entry into the port.



After receiving the command for evacuation of Chinese citizens stranded in Libya on Feb. 25, 2011, leaders of Tianfuhe Liner of COSCON paid close attention to the task and formulated working plans immediately with the joint efforts of all crewmembers. At 07:45 on Feb. 27, Tianfuhe Liner carrying 559 Chinese citizens departed from Misurata Port in Libya and arrived at IRAKLION Port in Crete, Greece safely after a voyage of 535 sea-miles in over 42 hours, completing the evacuation task successfully.



(c) Free Transportation of Super-long Pump Truck to Aid Japan

On March 11, 2011, a powerful 9.0 magnitude Pacific Ocean earthquake struck the northeast coast of Japan. The tsunami took place after the earthquake caused a nuclear leakage of Fukushima I Nuclear Power Plant. Sany Heavy Industry, under the request of the Tokyo Electric Power, determined to donate a 62-meter long-arm high-voltage concrete pump truck for nuclear reactor cooling down project of the power plant. Suzhou Liner of China COSCO undertook and completed the transportation task of the equipment on March 22, resulting a cabin loss of 20 TEUs and a freight loss of USD60,000. The transportation fee was taken as a donation of disaster-stricken area in Japan.

(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 2011, a total of 86 tropical cyclones (including TD) were generated worldwide, effecting 459 ships (times) of COSCO Group, an increase of 26 ships (times) from 433 ships (times) in 2010.

Year	2009	2010	2011
Number of ships (times) affected	342	433	459

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 over 500 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 2011, COSCO Group adopted 106,278 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 RMB29.44 million and decrease of sulfur dioxide emissions by 2316.6 tons.



Year	2009	2010	2011
1.5%/m fuel consumption volume (ton)	79,474	110,475	106,278
Cost increased for using 1.5%/m fuel (RMB10,000)	2,848	1,818	2,944

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 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. COSCO Group calculated the budget for endowment insurances by 20% of total salaries of employees and paid the endowment insurances monthly to the social insurance institutes of the country. By the end of 2011, total number of retired employees of the group reached 31,509. (Please see the table below).

Year	Number of newly 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
2011	1,752	31,392

COSCO Group has set up a special institute, dispatched special personnel and allocated special 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 and important holidays, the group will distribute holiday subsidies to retired employees, allowing them to enjoy the humanistic cares of COSCO Group.

(IV) KEY FINANCIAL S UPPORTS PROVIDED BY THE GOVERNMENT

Financial supports received by subsidiaries of COSCO Group in 2011 are as follows:



Companies receiving fiscal supports	Governmental departments offering the fiscal supports	Amount of fiscal supports	Functions of the fiscal supports
COSCON	Shanghai Municipal Finance Bureau	RMB10 million	Researches of energy conservation and emission reduction technologies and application of new technologies and equipment, so as to reduce ship fuel consumption and emission
COSCO (Hong Kong) Shipping	Ministry of Finance	RMB4.76 million	Researches of energy conservation and emission reduction technologies and application of new technologies and equipment, so as to reduce ship fuel consumption and emission
COSCO Xiamen Mintai Ferry Service Co., Ltd	Fujian Provincial People's Government	RMB50.4532 million	Support market expansion of COSCO Star passenger transport ship in cross-strait direct shipping line market
	Xiamen Municipal People's Government	RMB50.4532 million	

(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 2011, shipping companies of COSCO Group further increased the salaries and treatments of seafarers based on the adjustment made in 2007. In the meantime, the proportion of salaries for male and female employees was 1:1.

(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 institutions 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.

COSCO Group specifies that special priority shall be given to local suppliers under same conditions in regulations for procurement, business outsourcing and supplier management. All companies give prior consideration to local suppliers in operation process. In order to improve efficiency and lower costs, all companies and institutions also follow the traditions of selecting local suppliers. All companies bring procurement into their comprehensive budget management, and the proportion of the companies' expenses for local suppliers to procurement budget varies from each other. In the next step, the statistics method of right and responsibility system will be used.



COSCO Group establishes supplier management methods to manage the suppliers in a systematic manner. When selecting suppliers, the group adopts comprehensive evaluation methods. Besides geographic position, it also conducts due-diligence review on suppliers, and considers social responsibility performance, such as quality, safety, environmental protection, social responsibility, law-compliance, anti-corruption and commercial bribery and cost factor of suppliers.

(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 2011, COSCO Group has employed 4,173 foreign employees, accounting for 5.72% of the total.

Number of Foreign Employees Recruited by COSCO Group from 2007 to 2011

Year	2004	2005	2006	2007	2008	2009	2010	2011
Number of foreign employees (persons)	3,989	3,877	4,048	3,752	4,188	4,207	4,023	4,173

(VIII) PUBLIC SERVICES

In order to better train crews, improve occupational quality of crews, promote healthy development of COSCO Group's shipping business and provide excellent crews for shipping industry, COSCO Group created the Qingdao Ocean Shipping Mariners College in 1976. So far, the Qingdao Ocean Shipping Mariners College has developed into a senior shipping college for bachelor's degree education, diploma education and continued education. With a total floor area of 277,000 square meters and the total construction area of 164,300 square meters, the Qingdao Ocean Shipping Mariners College is China's largest training base for working crews and started about 100 national training projects.

In 2009, COSCO Group launched the construction on the Jiaonan campus of Qingdao Ocean Shipping Mariners College. The campus covers an area of 1,200 mu, and is divided into the northern and southern districts. The southern district covers an area of 700 mu plus, with a floor space of more than 200,000 square kilometers. It will be used mainly for college education and basic skills training after its completion. The northern district covers an area of 500 mu plus, with a floor space of over 100,000 square kilometers. It will be used mainly for the training of high-level maritime professionals.

In 2011, COSCO Group invested RMB48.8 million to the project for land use expenses of southern campus of the academy, detailed planning and design, water supply construction, construction of some projects and preliminary preparation work.



Shuodu Town Social Welfare Institution Project

In order to solve the allocation issue of the lonely old people and the old people enjoying five guarantees, the construction project of Shuodu Town Social Welfare Institution was kicked off on May 6, 2011, and was completed on Nov. 2. In order to make the old people to live comfortably and happily in the new environment, additional RMB60,000 of capital was also invested to buy furniture and stove for them.

The Communist Youth League Committee of COSCON appealed related departments to carry out the “Youth, Sunshine and Warmth” Action Plan. On Jan. 12, the league committee of organs in China came to the



Economic Management Institute of the China Agricultural University to see Chen Panji, a student from Sichuan sponsored by the committee. Chen Panji was a junior student at the university and had excellent scores. Each year, she receives scholarships of the school. Chen said that she would study hard and try to get the graduate admission qualifications with excellent scores. The league committee also gave RMB2000 of financial aid to Chen Panji, and bought some new year goods and stationeries for her, enabling her to have a happy new year at home with cares and blessings of others.

▲ Zhonghe Liner of COSCON attended the search and rescue of passengers of ferries sank in Papua New Guinea. At 8:30 on Feb. 2, 2012, a ferry travelling between Kimbe and Lae was sunk at the sea area in northwest of the country. Tianhe Liner of COSCON received the rescue signal from Australia when navigating from Australia to Ningbo Port in China. It immediately turned around to the sea area where the accident occurred and arrived at the area at 11:00. It carried out search and rescue work actively. With the joint efforts of all crewmembers, two life rafts were rescued at 12:40 and 13:20, saving 29 passengers including four children, 15 females and 10 males. All of the passengers rescued were properly arranged.



▲ Jinguangling Liner of COSCO Group successfully rescued 10 disaster-stricken seafarers. On Nov. 21, 2011, Jinguangling Liner of COSCO Yuanda Shipping Co., Ltd affiliated to COSCO Guangzhou assisted in the research and rescue of a disaster-stricken liner at the sea area 340 sea-miles to Hong Kong. Crewmembers of the liner overcame severe conditions and successfully rescued 10 disaster-stricken seafarers after 10 hours of research and rescue with excellent occupational quality and humanistic spirits.



▲ Taiancheng Liner of COSCO Xiamen rescued Lurongyu 2686 fishing ship.



On July 25, 2011, Lurongyu 2686 fishing ship registered in Shandong Province, China met a disaster in the ocean (2702N/15317E, the area 870 sea-miles to Tokyo). Taiancheng Liner changed the direction to disaster-stricken area under the request of the China Maritime Search and Rescue Centre, and kept in touch and safeguarded the disaster-stricken ship. At 00:30 on July 27, 2011 of Beijing time, Chinese fishery patrol boat arrived at the disaster-stricken sea area and pulled the disaster-stricken ship to return back. Taiancheng successfully completed the task to safeguard “Lurongyu 2682”.

(IX) KEY INDIRECT ECONOMIC INFLUENCES

1. Invest into Scientific R&D and 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 332 scientific research projects, with total expenditure of RMB841.72 million, up 45.8% year-on-year.

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

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011
Expenses on scientific and technological activities (RMB10,000)	38,565.70	20,378	49,680.03	55,769	101,917	74,867	98,912	127,907
Expenses on R&D and experiments (RMB10,000)	33,507	17,242	27,634.02	28,261	37,701	29,207	57,861	84,172
Total number of scientific and technological projects	152	137	137	257	263	329	341	332
Number of foreign cooperation projects	17	25	37	30	45	33	61	86
Number of scientific and technological awards received	3	2	2	2	3	1	2	1

2. Informationization Construction

Enterprise informationization refers to 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.

▲ 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 internationally advanced and professional design software such as Inteliship, Tribon and Napa. It is also implementing ERP project for enterprise resource application system and carrying out R&D on visualization system of ships.

3. Support Boao Forum for Asia

The Boao Forum for Asia launched in February 2001 is a forum organization similar with Davos World Economic Forum jointly initiated by Bob Hawke, former prime minister of Australia, Morihiro Hosokawa, former prime minister of Japan and Ramos, former president of Philippines. The forum aims at discussing on affairs in Asia, increasing exchanges and cooperation between Asian countries as well as Asian countries and other countries and regions, and promoting healthy and stable economic development of various countries from the interests and perspective of Asia. As a non-governmental and non-profitable international organization, Boao Forum for Asia provides a high-level dialogue platform for governments, enterprises, experts and scholars in Asian countries and regions to discuss on economic, social, environmental and other related issues, and serves for expansion of economic cooperation between members of the forum and between members and non-members of the forum. The forum will be held in Boao, Hainan in April of each year. Till 2011, the forum had been held successfully for 10 years.

The Boao Forum for Asia 2011 was held in Boao on April 14 to April 16. Seven governmental leaders including President Hu Jintao were present at the opening ceremony. Over 1400 governmental officials and enterprise representatives from more than 40 countries and regions attended the event, and more than 800 domestic and overseas journalists reported on the event. During the forum, COSCO Group made ceaseless efforts to complete the reception and service work excellently and high-efficiently, receiving mutual recognitions and praises from representatives and special guests of the event.

COSCO Group, as permanent sponsor of the forum, had invested and completed more than 20 auxiliary projects including Boao Forum International Convention Center, Boao Forum for Asia Hotel, Boao Golden Coast Hot Spring Hotel, villas and golf courses in cooperation with construction of the forum, providing supports and guarantees for persons from political, academic and business circles of its member states to gather in Boao to discuss on economic, social, environmental and other issues. In reception and service work during the past 10 forums, staff of COSCO Group uphold the concept of "high-quality services and guests first" and completed the work successfully.

Success of Boao Forum for Asia further increased the influences of China in Asia and the world. By acting as



permanent sponsor of the event and providing high-quality reception and services, COSCO Group has elevated its reputation and brand image successfully.

4. Organize the World Shipping (China) Summit

On Nov. 3, 2011, the 8th World Shipping (China) Summit themed on “Balance & Breakthrough” was held in Boao, Hainan Province of China. Li Shenglin, Minister of the Ministry of Transport, and Wei Jiafu, Chairman of COSCO Group attended the forum and delivered speeches at the opening ceremony. Featuring high-level, large scale as well as innovative forms and contents, the event attracted over 800 elites from shipping, port, ship-building/ship-repairing, financial, trade and other industries in upper and lower reaches of the industrial chain. Journalists from over 100 media made reports on the event. Focusing on the theme of “Balance & Breakthrough”, the summit was comprised of eight agendas, namely strategic change, mode breakthrough, rational development, structural upgrade, authorities’ market forecast, emission reduction countermeasures, industrial innovation and balanced growth. Discussions were made on issues related to shipping, shipbuilding, port, logistics, trade and financial industries as well as hot issues, focuses and difficulties in the industrial development. During the sector of top-level executive interview, Wei Jiafu, Chairman of COSCO Group, introduced theme of the event, and expressed the opinions that shipping companies shall realize rational, innovative and cooperative development, promote development of green shipping actively and shoulder their corporate social responsibilities. Over 50 special guests including leaders of influential international organizations such as the Baltic and International Maritime Council (BIMCO), the International Association of Dry Cargo Shipowners (INTERCARGO) and the Baltic Exchange, Hou Yunchun, Deputy Director of the Development and Research Center of the State Council, and renowned persons in shipping and shipping-related industries home and abroad attended the event and delivered speeches. Top executives and leaders from domestic and overseas enterprises, industrial associations, international organizations and governmental offices, as well as elites, experts and scholars of the industry had wide and in-depth exchanges and discussion on commonly concerned issues. As the largest, highest-level and most attractive event in the world, topics discussed and predictions on market trends made at the forum attracted great concerns. These will have significant meaning for the glooming shipping industry to shore up confidence, enhance the cooperation and explore new development directions.

The World Shipping (China) Summit was initiated by COSCO Group in partnership with internationally renowned shipping consultation company Drewry, internationally respect shipping media The Business Journal and China’s mainstream shipping media China Maritime magazine in 2004. The summit is held on a yearly basis to build up a platform for exchanges and cooperation between international shipping industry and related industries, promote international exchanges and cooperation of the industry, increase common understanding and collaboration, and promote harmonious, healthy and orderly growth of global and Chinese shipping industries. It is the largest, highest-level and most attractive summit in international shipping industry, and enjoys the fame of “Davos of Shipping Industry” in international community.

COSCO Group, as the largest shipping enterprise in China and a leader in global shipping industry, actively fulfills its corporate social responsibility and promotes development of international shipping industry. By organizing the World Shipping (China) Summit, it has set up an exchange and cooperation platform for international shipping industry. With COSCO Group, Drewry, the Business Journal and the China Maritime magazine as its sponsors, and BIMCO, ICS, INTERCARGO, INTERTANKO and CSA as its honorary sponsors, the summit will have better global thinking, and topics discussed at the event will have clearer characteristics of the time and the society.



(X) RESPONSIBLE INVESTMENT AND CREATION OF EMPLOYMENT OPPORTUNITIES

1. Implementation of “Out-going” Strategy

(1) Implement “out-going” strategy with a focus on enterprise’s strategies. COSCO Group is one of the earliest central enterprises that expanded its business presence in overseas market thanks to the globalization operation of ocean shipping business. In late 1980s, the group began setting up joint ventures in overseas markets to effectively control port charges, ensure cargo sources of the fleet and create conditions for transnational operation. With its business development, COSCO Group established solely-invested operational entities in some key countries and regions by acquiring stakes held by foreign parties in the joint ventures in 1990s. By integrating and optimizing its overseas resources, it gradually formed nine regional companies in Hong Kong, Europe, America, Singapore, Australia, Japan, Korea, South Africa and West Asia, and cultivated the independent overseas operation ability and business expansion ability. In 1999, COSCO Group put forward the strategy of “two transformations”, namely “transformation from a global shipping operator into a logistics operator focusing on shipping business” and “transformation from transnational operation into a transnational company”. Focusing on this strategy, it integrated and optimized overseas resources and implemented the operation and management mode of “professional operation and regional management”.

(2) Enhance strategic cooperation and elevate international competitiveness. With the progress of economic globalization and the intensification of international competition, an enterprise shall embark on the international cooperation way and realize mutual benefits through strategic cooperation with companies of the industry as well as other enterprises in the supply chain if it wants to realize global operation. In container shipping sector, COSCO Group formed strategic alliance with K-Line, Taiwan Mingyang Shipping, Han Jin Shipping and other liner companies to lease cabins from each other and dispatch ships coordinatively. These not only expanded the



coverage of shipping lines and improved cabin utilization rate, but also lowered the operational costs and improved the operational efficiency of the enterprise. With respect to development of terminals in overseas countries, listed platform of COSCO Pacific had partnered with regional companies in overseas countries to attend investment and operation of terminals in overseas countries such as America, Singapore, Italy, Belgium and Hong Kong through cooperation with overseas port enterprises and terminal operators.

(3) Global thinking and localized operation. In this international operation, COSCO has always insisted on “global thinking and localized operation”. Firstly, it tried to meet internationally advanced level, carried out benchmarking activities with first-tier enterprises in the world, made improvements continuously, conducted self-innovation and enhanced its competitiveness continuously. Secondly, it respected local culture and habits, strictly abided by local laws and regulations and operated in accordance with the laws. Thirdly, it selected talents from local place. It insisted on using local senior managers in its overseas companies, brought into full play the role of local talents in expansion of local markets, and advocated the concept of “being a member of COSCO Group after joining the group”, enhancing the sense of recognition and belonging of overseas employees.

2. Responsible Investment

(1) Responsible operation of 35-year concession of container terminals at Piraeus Port in Greece

COSCO Group insists on responsible overseas. In 2008, COSCO Pacific, through market competition, successfully won the 35-year concession of No. 2 and No. 3 terminals at Piraeus Port. By the end of 2011, operation and management results of the port reached the anticipation, promoting employment of local dockers and making active contribution in helping Greece to overcome the financial crisis.

COSCO Group insisted its social responsibility concept and implemented the sustainability strategies in project management. It implemented social responsibility management plans from six aspects, namely economy, environment, product, labor, human right and society, and became a successful example for “out-going” strategy of Chinese enterprises.

● Promoting prosperity of local economy

This is a project that will bring mutual benefits to China and Greece. In accordance with the agreement signed by both sides, COSCO Group’s 35 years of management of container terminals at Piraeus Port will bring considerable economic benefits to Greece, and may increase throughput of the container terminals by 2.5 times. On June 1, 2010, COSCO Group took over the container terminals and set up COSCO Greece Terminal Co., Ltd. Due to European debt crisis, Greece faced serious economic and social crisis. The strikes and violent activities took place one after another, and the country faced various political, economic, social and environmental difficulties and challenges. In face of the difficulties such as old equipment, frequent malfunction, customer loss and serious losses, management team of COSCO Piraeus Container Terminal Co., Ltd (PCT) led local employees to work hard and gradually went out of the difficulty.

Three months after COSCO Group’s takeover of the terminals, namely since September 2010, PCT started to make profits continuously, and the loading/unloading efficiency set new highs continuously. In 2011, PCT successfully made up deficits and get surplus. In the whole year, accumulative container throughput completed by the terminals reached 1.188 million TEUs, up 73.5% and setting a new high in the history.

● Employing staff and senior managers from local communities



In accordance with agreement signed by both sides, COSCO Group's 35 years of management of container terminals at Piraeus Port will create over 1,000 working posts for local place directly or indirectly.

COSCO Group adopts localized management mode for its overseas companies, and employs local staff in accordance with local laws and regulations. Except for a few number of senior managers dispatched by the headquarters, most members of middle and top-management teams and all staff of the company are employed locally.

At the end of 2010 when COSCO Group was going to take over No.2 terminal at Piraeus Port, some dockers held a strike due to concerns on their long-term job, high salaries and welfares. In order to improve mutual-trust, enhance communications and understanding and solve conflicts, COSCON, through the State Council Information Office, invited mainstream media in Greece to visit China. Journalists from the media visited COSCO Group headquarters as well as the advanced ports in Shanghai and Nansha, and interviewed Wei Jiafu. In the interview, Wei Jiafu promised that COSCO Group will bring no Chinese workers to Greece, and will create employment opportunities for Greece by employing local employees. Moreover, COSCO Group will only dispatch a few number of senior managers for management of the company and will bring advanced management concept to the company. Mainstream media in Greece published dozens of articles about China and COSCO Group, creating favorable social atmosphere. PCT employed over 200 local employees, while COSCO Group only dispatched seven managers.

Among top executives of COSCO Greece Terminal, only two members, namely general manager and financial manager were dispatched from domestic market. All other employees of the company are employed locally.

● **Labor responsibility management**

As the group faces differences and conflicts of two cultures and concepts, it shall firstly reflect "people-orientation" concept in daily management, respect Greek employees and love Greece and the cities like loving China. As Greek employees have deeper understanding on local market, they shall have more right of speech. In daily work and management, managers fully understood and respected customs and habits of local employees, made use of wisdom and deep understandings of local employees on the market, and listened to good advices and suggestions offered by them. In the meantime, the managers have tried to realize mutual benefits through cooperation. By making use of any effective incentive mechanism, the management team had mobilized voluntariness of local employees to create value for the company. The managers insisted on opening manager and took the employees as their family members and children, and care for and protect them as much as possible. Office doors of the managers were opened to all employees for the convenience of exchanges with them. Moreover, Chinese managers also invited foreign managers to visit their homes to deepen the communications and exchanges. At the conspicuous position of PCT's meeting room, there are five drawings, each of which reflects convergence of cultures of Chinese and Greece. With these efforts, management concepts of Chinese and Greek managers became closer and closer. The two cultures, ideologies and concepts gradually formed an undefeatable force. The old cultures of China and Greek will develop in a long-term manner.

Strike of the dockers had brought great impacts on production and operation of the terminals. The managers implemented people-oriented management and promoted incentive mechanism in daily work. When dockers were ill, they would send flowers to them. They will think for the employees, and enable them to feel that their future is closed related with COSCO Group. During the big strike of Greece, workers of other companies all attended the activity except for workers from PCT. Since COSCO Group took over container terminals at Piraeus Port,



operation and production of the terminals hadn't stopped due to strike.

- **Human right responsibility management**

COSCO Group, as a member of UN Global Compact who promised to support the Universal Declaration of Human Rights, has strictly abided by laws and regulations of Greece as well as other laws and regulations applicable to the company. It also abided by and implemented the international conventions and international labor standards as well as other applicable industrial standards as promised by Chinese Government. It has fulfilled its commitment to respect human rights, prohibit use of child labor, prevent against discrimination and protect rights and interests of local people. The group promised to support the Universal Declaration of Human Rights, and emphasized repeatedly that it would support and respect human right protection within their influential scope. The trade union will conduct collective bargaining with the company on behalf of the employees with regarded to matters related to rights and interests of the employees, so as to ensure free job selection and resignation and labor freedom of employees. These efforts promoted the harmonious and stable development of labor relations between the company and the employees.

The group fully respects customs of local employees. PCT tries to build up a team focusing on truth and transparency. It encourages "timely communications" through regular meeting and opening emails, and shortens distance between the employees and the leaders through opening management. It is believed that frankness and honesty can change the working atmosphere of entire team, and the trust between leaders and employees could promote healthy and harmonious development of the team. When setting up targets of the team, it also integrates the virtues of modest.

- **Honest communications and clarification of unfaithful report**

With respect to unfaithful negative report made by western media on COSCO Greece Terminal Company and the inquiry email sent by American human right organization to the group, COSCO Group kicked off crisis emergency-response disposal procedures. It communicated with Greece Terminal Company to know the situation, carried out investigation and noted that matters reported didn't occur. Journalists from local media were invited to have on-site interview at COSCO Greece Terminal Company and to release positive news and clarify unfaithful reports, eliminating social influences. In the meantime, Chairman Wei Jiafu send a letter to the American human right organization to explain the situation and said that COSCO Group, as a member of UN Global Compact, has actively performed the ten principles of Global Compact, released sustainability reports for many years successively and was included in notable COP list of United Nations, gaining understanding and respects from the organization. The clarification report provided by COSCO Group was also released at the official website of the human right organization to eliminate negative influences.

- **Survey of UN Global Compact Office and report**

In September 2011, UN Global Compact Office received the compliant regarding labor right on COSCO Group's operation in Greece from international stakeholders, and conducted a survey on the group. COSCO Group made a report to UN Global Compact Office and its chief representative in China with respect to truth of the unfaithful report and disposal situation of unfaithful report, and reported related situations to on-site inspector of "Excellent Cases for Commerce and Human Right" of UN Global Compact Office. Based on survey results on human right implementation situations of COSCO Group, the group was included in the "A Collection of Excellent Cases for Commerce and Human Right" published by UN Global Compact Office.



- **Successful implementing “out-going” strategies and related influences**

The Piraeus Container Terminal Project of COSCO Group is another successful case for implementation of “out-going” strategy by a large state-owned enterprise of China.

The project marks the transformation and breakthrough of overseas M&A mode. It replaced traditional modes of equity acquisition or asset replacement with a 35-year concession. The project fully proved that Chinese enterprises have the ability and strengths to control and management global public resources, and changed it into a new measure to enhance its global influences and competitiveness. It is also another important measure taken by the group to realize “two transformations”.

The project is also an exploration and innovation on marketing mode. The new marketing mode is an optimization of zero-distance service mode and elevation of customized service mode, emphasizes the customer-oriented tenet and the demand-creation concept, and is a typical case of successful overseas marketing of Chinese enterprises. On Nov. 15, 2011, the Piraeus Container Terminal Project of COSCO Group was appraised as the “first batch of typical cases for overseas investment of Chinese enterprises” at the 1st China Overseas Investment Annual Conference co-organized by CCTV Financial Channel and the Hong Kong China Chamber of Commerce.

The project marked convergence of corporate culture and elevation of corporate value. By bringing Chinese elements to overseas markets, COSCO Greece Terminal Co., Ltd had properly dealt with the relationships between transnational operation and management and cultural difference and conflicts. The project fully proved that the cultural inclusiveness of COSCO Group is an important pre-request for excellent trans-cultural management. The intimacy of COSCO Group’s culture is the impetus for trans-cultural management, and progressiveness of the group’s culture is the embodiment of value of trans-cultural management.

- **Winning 7th Character of the Year Award of Greek Shipping Industry**

COSCO Group performs social responsibilities and creates employment opportunities in worldwide scope. It employs staff and senior managers from local place to promote prosperity of local economy, promotes procurement localization to contribute to local economic development, and implements green value chain management to build up sustainable shipping industry. Capt. Wei Jiafu was awarded the honorable title of 7th Character of the Year Award of Greek Shipping Industry.

(2) Open the all-water weekly service between Boston and Asia and solve employment issue of more than 9,000 dockers.

After September 11 Incident in 2001, Boston Port was in crisis as major shipping companies abolished the shipping lines to the port, and more than 9,000 American dockers faced unemployment. The port asked for help from COSCO Group voluntarily. After scientific researchers, COSCO Group determined to open the direct shipping line to Boston. On March 21, 2002, Zhenhe Liner of COSCON firstly called at Boston Port, marking the opening of only all-water weekly service between Asia and Boston Port. This move not only kept employment opportunities of more than 9,000 people, but also established the image of a responsible enterprise and won favorable influences and recognition for the group.

In April 2011 when COSCO Group welcomed its 50th anniversary, the International Longshoremen's Association (ILA) awarded the honorable title of the “Guardian of American Workers” to Wei Jiafu, Chairman of COSCO Group, as a reward to COSCO Group’s efforts to create many employment opportunities for the country. The AAPA Security Committee also awarded the four-star badge, uniform and certificate of “Honorary Chief



Commander of the Massachusetts State” to Wei Jiafu for the good safety records kept by COSCO Group at various ports in America and the group’s excellent sense of corporate citizenship.



(3) Receive wide recognitions.

▲ On April 14, Toronto Branch of COSCO Canada received the 2011 Forwarder Choice Award for Best Far East Ocean Carrier from the Canadian International Freight Forwarders Association Central Division (CIFFA Central Division). Winning of the award further elevated COSCO Group’s brand and image in Canada.

▲ On June 16, CIFFA held an annual appraisal and awarding meeting in Montreal, and Montreal Branch of COSCO Canada received the Forwarder Choice Award for Best Far East Ocean Carrier for its excellent service, the 10th successive time for the company to win such award.

▲ On Dec. 8, COSCO America received the 2011 New Jersey Smart Workplaces Gold Award issued by the New Jersey Government, the fifth successive for the company to win such award. The award issued by the Department of Transportation of New Jersey aims at awarding employers who make efforts to promote environmental protection and provide convenience for the staff’s driving and sharing of cars and usage of public traffic. Winning of the award further increased the sense of pride of staff of COSCO America and elevated the international image of COSCO Group.

3. Creation of Employment Opportunities

China COSCO, as a large-sized state-owned holding enterprise, shoulders the responsibilities of enlarging the employment and keeping social stability. While ensuring harmony and stability of the enterprise, it tries to create employment opportunities for the society through responsible investment. In 2011, China COSCO created a total of 844 employment opportunities.

Year	2009	2010	2011
Number of employment opportunities created	5247	1129	844



环境绩效指标和主题报告

ENVIRONMENTAL PERFORMANCE
INDICATOR AND THEME REPORT





PART II ENVIRONMENTAL PERFORMANCE INDICATORS AND KEYNOTE 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. In response to the 12th Five-year Planning for Energy-conservation and Emission Reduction of Highway, Water and Traffic Transportation released by the Ministry of Transport, the group has taken innovative technologies to protect limited resources and taken effective measures to reduce the negative influences on the environment, so as to keep the wonderful living environment of human beings and achieve the goal of “reducing annual power consumption of ships by 15% and carbon dioxide emissions by 16% compared with 2015.”

(II) POLICIES AND REGULATIONS

Under the guidance of the guidelines and policies regarding energy conservation and emission reduction of the State Council and SASAC, COSCO Group has formulated and implemented the energy-conservation plans and implementation rules, and has established corresponding procedures, notices and operation rules. All the subsidiaries have introduced the ISO14001 Environmental Management Standards for establishment of the environmental management system and have passed third-party certification. In the meantime, 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.

In 2011, COSCO Group constantly deepened the energy conservation and emission reduction work. It has paid close attention to energy conservation, emission reduction and environmental protection work, transformed theoretical achievements into an important weapon to promote its comprehensive, coordinative and sustainable development, changed new technologies and measures for energy conservation and emission reduction into practical achievements, and promoted its green and sustainable development. It continued to increase its scientific and technological inputs to accelerate the promotion and application of energy-conservation and emission reduction technological achievements. Besides paying close attention on the requirements of international conventions on energy conservation and emission reduction, it carried out work related to energy-efficiency management system of ships, improved the overall effects and efficiency of energy conservation work by establishing a set of scientific, reasonable and feasible energy-efficiency management system, and ensure the completion of energy-conservation and emission reduction targets for 12th Five-year Plan period.



(III) ORGANIZATION AND RESPONSIBILITIES

The Safety & Technology Supervision Division is responsible for the environmental protection work of COSCO Group. All the subsidiaries have 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 deputy general manager 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 group uploaded its sustainability report as well as environment-related information via portal website and WLAN, allowing employees of the company and the public to know environmental policies, guidelines and performances of the company.

In 2011, COSCO Group improved the Stage II of safety management information platform, and kicked off Stage III of the work, creating an integrated information platform with the functionalities of safety education, training, management, supervision, monitoring and statistics, and establishment a good platform for training and communications. It also increased the inputs and trainings.

(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 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.



In 2011, COSCO Group further deepened the supervision over safety protection and environmental protection, and established the inspection working mechanism of inspection, supervision and self-inspection. All units organized safety and environmental protection supervision activities on a regular or irregular basis, and adopted the working mechanism of combining special supervision on significant issues and comprehensive supervision with specific plans. All the subsidiaries will organize at least one comprehensive supervision activity. Efforts were made to inspect illegal and non-compliant behaviors. On-site management and control of hidden worries are combined to diagnose and identify hidden worries ahead of time. The group also carried out rectification to find each hidden worry and realize systematic, standardized and scientific inspection and removal of hidden worries.

Statistical Table for Environmental Management System Certifications Obtained by Subsidiaries of 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) Shipping	★	★	★	★
COSCO Logistics	★	★	--	--
COSCO Shipyard	★	★	--	--
COSCO Shipbuilding	★	★	--	--
CHIMBUSCO	★	★	--	--
Hainan Boao COSCO	★	★	--	--
China Ocean Shipping Tally	★	★	--	--
COSCO Manning	★	★	--	--
COSCO UK	★	--	★	★
COSCO Pacific	--	--	--	--

Symbol:

★Completed -- N/A

(IV) STAKEHOLDERS AND RISK EVALUATION

The Safety & Technology Supervision Department of the group is responsible for external communications and exchanges on environmental protection, including information communications and negotiations with regulatory departments, industrial organizations or institutions and other groups to promote the group's environmental



protection guidelines and ideas, and accept and reply to consultation, suggestions and complaints of stakeholders. The department also identified, analyzed and evaluated risks related to energy-conservation and environmental protection, fully consider the interests and demands of stakeholders, enhanced the collaboration and cooperation, properly dealt the interest conflicts with stakeholders and realized the sharing of opportunities and risks with stakeholders.

In 2011, COSCO Group actively responded to the Special Action Plan for Energy Conservation and Emission Reduction of 1,000 Transportation Enterprises organized by the Ministry of Transport, and steadily promoted the work by focusing on key task and grasping the key sector. The group has exerted great efforts to promote energy-conservative driving experiences, enhanced inspection on oil consumption of vehicles, strictly implemented the limits on fuel consumption of vehicles, and eliminated vehicles with high energy consumption. It greatly promoted the energy conservation of ships, reduced the energy consumption by lowering the speed, and implemented evaluation mechanism on fuel consumption of ships.

II. PERFORMANCE INDICATORS

(I) OVERVIEW

With the continuous development of economy and society, people's environmental protection consciousness becomes stronger and stronger. While creating the atmosphere of safety production and environmental protection, establishing the concept of "safety first and harmonious development" and protecting life and property safety and environmental cleanness, the group also increased the inputs to environmental protection, actively promoted the R&D and introduction of environmental protection technologies, formulated emission reduction indicators, and assigned the indicators layer-by-layer for evaluation and appraisal at year-end. These efforts had achieved significant energy-conservation and environmental-protection effects. In 2011, COSCON, a subsidiary of COSCO Group, was awarded the honorable title of "Advanced Enterprise in Special Action Plan for Low-carbon Traffic Transportation of 1,000 Enterprises". In this year, the group didn't have any ship pollution accidents that may have influences on the environment and received no fines thereof.

Total Expense and Investment for Environmental Protection

Indicator/Year	2007	2008	2009	2010	2011
Total expense for environmental protection (RMB10,000)	6,418.44	8,091	9,255	12,562.86	86,729.14
Total investment for environmental protection (RMB10,000)	4,310.28	16,356.82	16,649.40	3,936.42	5,105.76

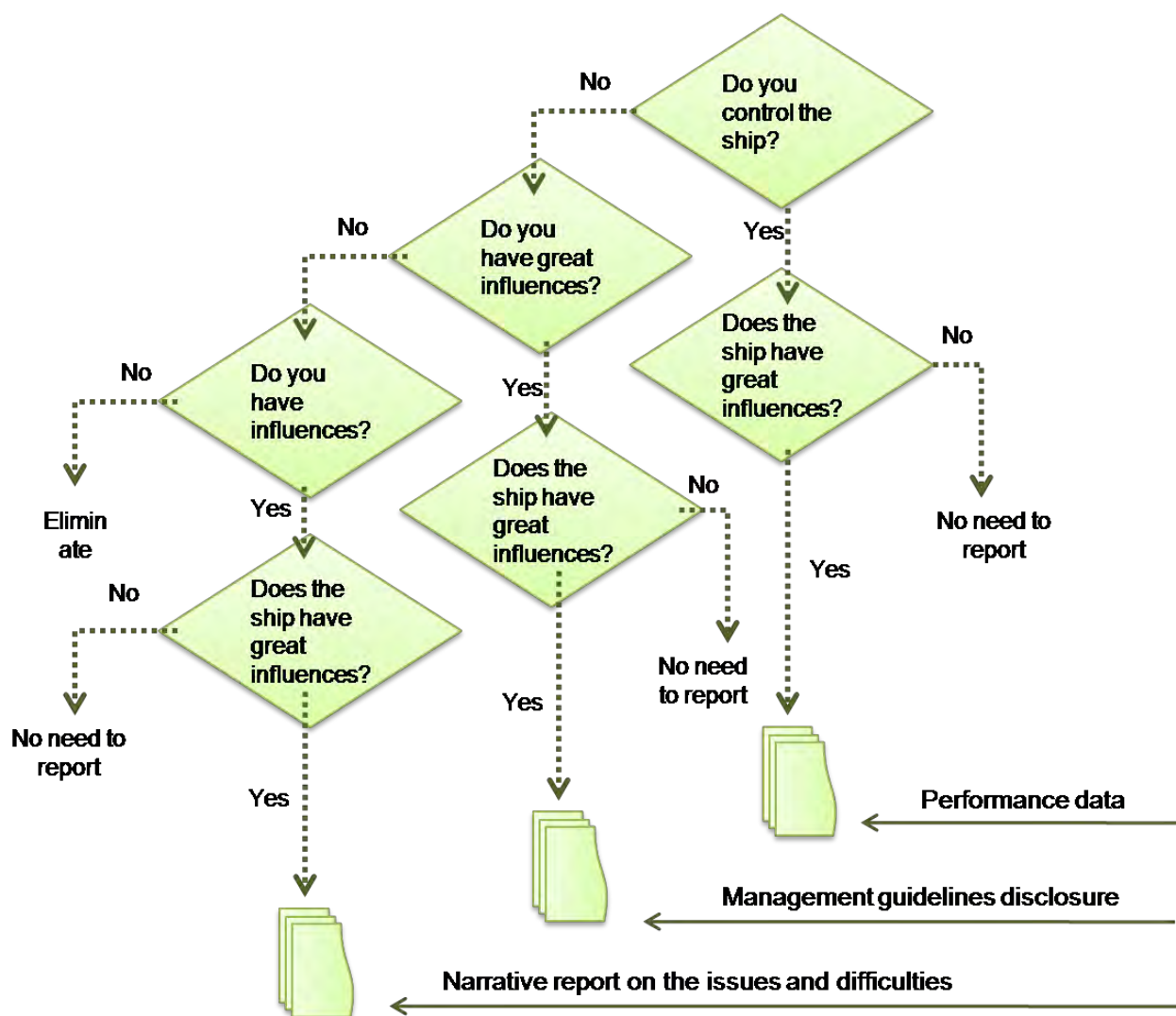
Statistics of Main Expenses for Environmental Protection

Indicator/Year	2007	2008	2009	2010	2011
Expense for waste disposal (RMB10,000)	692.38	523.51	224.45	1,568.86	68,008.80



Expense for environmental liability insurance (RMB10,000)	2,299.16	2,091	7,035.87	10,203.91	8,350.10
Expense for external environmental management service (RMB10,000)	91.80	121.27	64.12	101	63.75
Expense for personnel engaged in comprehensive environmental management activities (RMB10,000)	184.05	593.65	862.73	300.1	225.14
Waste disposal, emission disposal and remedy costs (RMB10,000)	953.28	379.84	370.9	651.22	329.78

Determining method of reporting scope



(II) SUSTAINABILITY UTILIZATION OF ENERGIES AND RESOURCES

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. Sustainability Utilization of 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 in 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 2011.

(2) Total Amount of Raw Materials Used

Raw Material Consumption of COSCO Group in Recent Years

Indicator/ Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Steel structure engineering volume in ship repairing (ton)	57,458	75,639	100,926	163,496	192,698	303,238	212,264	161,858	93,283
Steel consumption in shipbuilding business (ton)	85,771	86,331	101,395	179,800	151,728	256,300	235,500	311,200	270,200
Steel utilization rate in shipbuilding business	92%	92%	92%	92%	92%	92%	92%	92.18%	90.06%
Steel consumption of COSCO Shipyard in shipbuilding business (ton)	—	—	—	—	—	—	219,433	181,649	551,887
Total raw material consumption (ton)	412,299	161,970	202,321	313,296	344,426	599,538	667,197	654,707	915,370

* In recent years, COSCO Shipyard, a subsidiary of COSCO Group, carried out shipbuilding business. The total raw material consumption includes steels used by COSCO Shipyard in shipbuilding business. The steel utilization rate in 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 by IMO, 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 applied the green shipbuilding concept in design of the ships. All its main products such as 10,000 TEU container ships, 300,000 ton-class ore carrier and 5,000-seat car carriers have realized environmental-friendly design. The fresh water tank of all newly built ships adopt solventless paint to prevent against any harms to human due to pollution of living water by the solvent. Sewage collection cabin and oil-water separating cabinet are set up in new ships to improve separation efficiency and clearness degree of out-of-ship emission. The 300,000 ton-class ore carrier developed by the company independently adopts straight stem design, which, compared with traditional large ships and other ore carriers of the same size, reduces steel plate utilization volume while increasing the convenience of shipbuilding and increasing the carrying capacity of ships by 1,000 tons. High-efficient air-conditioning devices are equipped to solve unfavorable influences on cabin environment, cabin equipment and surrounding environment of ore carriers when calling at ports or loading/unloading cargos. Tail of 10,000-TEU container ship adopts wedge-shaped structure, which commutates whirlpools caused by screw propeller, improves navigation speed and reduces energy consumption. Rudders and wings are added to the rudder helm to improve propelling performance of ships, speed up navigation speed and reduce energy consumption. Dust collectors are added to car carriers to reduce emission of dark smoke of power generators.

(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.

COSCO Bulk Changyuan Co., Ltd affiliated promoted reutilization of spare parts and materials actively. By conducting refurbishment and reparation of main engine cylinder heads and exhaust valves, it had saved RMB110,000 of reparation fees of main engine cylinder heads and RMB96,000 of exhaust valve reparation fees in 2011.

(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 its subsidiaries to reduce the paper consumption as much as possible. These efforts had reduced the paper consumption of the group year-on-year and received active responses from the subsidiaries. In 2011, a total of 247 boxes of papers were used, a reduction of 4.5% compared with 2010.

(6) Utilization of Renewable Materials



COSCO Group has focused on resource recycling and comprehensive utilization, and appealed all its subsidiaries to enhance their efforts in energy conservation and waste recycling. All subsidiaries of COSCO Group carried out lean management project actively to reduce utilization of raw materials. By increasing the life span of supplementary materials and underlays, ships of the group had saved the timber consumption and improved the substitution rate. Management department of the company set up quota for consumption of spare parts and materials, carried out evaluation on a regular basis and connected the evaluation results with the performance, so as to save the raw materials.

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, and SASAC's Notice on Energy Conservation and Emission Reduction Targets of COSCO group during the 12th Five-year Plan Period, 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 consumed over 5.136 million tons of fuels and 47,400 tons of lubricant oils in 2011. 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.

Total Energy Consumption of COSCO Group in Recent Years

Indicator/ Year	2004	2005	2006	2007	2008	2009	2010	2011
Total energy consumption (10,000 tons of standard coals)	3,508,609	5,195,554	5,966,153	628.58	660.01	672.80	688.62	753.75

(1) Direct Energy Consumption

Direct Energy Consumption of COSCO Group in Recent Years

Indicator/ Year	2004	2005	2006	2007	2008	2009	2010	2011
Specific fuel consumption (kg/kt-sea mile)	7.39	5.17	5.16	5.16	4.65	4.39	4.12	4.07
Total fuel consumption of ships (ton)	2,389,649	3,560,000	4,080,000	441.1	462.2	456	460	513.6



Total gasoline consumption of vehicles (ton)	33,710.94	41,457.54	49,158.41	2,461	66,412	78,905.10	2,505	2,567.34
Total diesel consumption of motor diesel (ton)	17,176.58	18,696.44	23,624.97	3,101	4,688	19,877.67	8,496.55	8,980.6

(2) Measures to Reduce Direct Energy Consumption and Results

COSCO Group has carried out energy conservation and emission reduction work actively. Based on development trends of energy-conservation and environmental-protection technologies of international community and domestic market, it has timely digested and absorbed leading energy-conservation and emission-reduction technologies, and carried out energy conservation and emission reduction technologies. 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 has selected COSCON, whose energy consumption accounts for 65% of the group's total as the top priority. In 2011, it took a series of effective measures for reduction of direct energy consumption and achieved certain results:

In accordance with the overall deployment of the leaders, container ships of the group achieved breakthroughs in energy-conservation management work with the joint efforts of ship and shore-based staff. In 2010, they reduced the navigation speed by over 10% (compared with designed navigation speed, the navigation speed of ships was reduced by over 20% accumulatively in 2008, 2009 and 2010), saving 338,000 tons of fuels. On this basis, the navigation speed was reduced by over 5% in combination with the key technical reform projects such as refitting of main engine slide valve injector for 42 large ships at 3400 TEU or above. Compared with 2010, the average carrying capacity input by the company had increased by 22.75% in 2011, the daily oil consumption per TEU had dropped by 12.56%, and the oil consumption per turnover unit had dropped by 5.02%, saving 30,500 tons of oil, equaling to 46,700 tons of standard coal. These result in a reduction of the carbon dioxide emission by 94,900 tons and the sulfur dioxide emission by 1800 tons, the nitrogen oxide emission by 2700 tons. COSCO Bulk, COSCO (Hong Kong) Shipping and COSCO Qingdao all carried out similar technical reforms.

Technical reform on existing ships was promoted continuously. In 2011, over 20,000 tons of fuels were saved through promotion of matured and effective scientific and technological achievements, such as electric timing control cylinder injector, fuel homogenizer, fuel real-time monitoring system of ships, environment-friendly fuel saver of ships, fuel-conservative additives.

Researches on energy-conservative operation of ships were conducted and energy-conservative navigation and operation were promoted. Efforts were made to research on voyages to fully identify influences of important elements such as region, sea condition and weather and formulate scientific, reasonable, safety and economic voyages by making use of favorable elements such as wind and water flow.

Building of customized coastal ships was accelerated. Customize ships are two large-sized bulk cargo ships independently developed and design by our group for coastal areas of domestic market, and are most advanced, environment-friendly and energy-conservative ships in domestic market. With 12 internationally-advanced energy-conservation and environmental-protection technologies, the customized ships can satisfy the country's



requirements for standard ships and environmental-protection in future transformation and development, and reflect the development direction of standard coastal ships of China in the future.

(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.

In 2011, COSCON, a subsidiary of COSCO Group, enhanced the collaboration of energy conservation work. While sticking to the principle that shipping line dispatcher is the first responsible person for energy conservation, it had emphasized on collaboration of shipping lines, energy conservation offices and ships. It had made full use of “automatic calculator of oil consumption of ships and voyages” to strictly monitor the oil consumption of similar ships or voyages. Through organic integration of COSCON Fleet Management System, COSCO Network and COSCO Container Fuel Surveillance System, it had realized data-sharing to accurately verify the logic relationships of fuel consumption, oil feed and oil storage data, thus to timely and effectively trace and compare fuel consumption of large ships. By conducting comparable monitoring of fuel consumption of same shipping lines and ships with same capacity, it had significantly reduced the fuel consumption of key shipping lines. The COSCON Special Fund Project for Energy-conservation and Emission had passed the check and acceptance of related ministries and commissions such as Development and Reform Commission of Shanghai, the Economics and Information Commission of Shanghai, the Construction and Transportation Commission of Shanghai and the Finance Bureau of Shanghai, and received RMB10 million special fund from the Finance Bureau of Shanghai, becoming the first enterprise in Shanghai that received RMB10 million of special fund.

(b) Fuel Consumption and Conservation

In 2011, per-unit fuel consumption of ships of COSCO Group was 4.07kg/kt-sea mile, down 1.21% year-on-year. Ship fuel consumption is an important energy consumption of COSCO Group. Therefore, insisting on fuel conservation of ships has significant meaning. All subsidiaries of COSCO Group have 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 2011, all subsidiaries of 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 Per 1000 Ton·Sea Mile by Ship Types

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011
Container ship Kg/1000ton·sea mile	9.13	8.94	8.95	8.58	8.15	8.44	7.3	7.29
Bulk ship Kg/1000ton·sea mile	2.66	2.70	2.44	2.53	2.46	2.54	2.47	2.48
Oil carrier Kg/1000ton·sea mile	5.28	3.36	2.80	2.12	2.06	2.11	2.07	2.15
General cargo ship Kg/1000ton·sea mile	7.14	6.88	6.65	6.23	5.74	6.46	5.63	5.61

(c) Lubricant Oil Consumption and Conservation

In 2011, COSCO Group consumed a total of 47,400 tons of lubricant oils, down 4.3% year-on-year. 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.

Main engine of Tianlihai Liner of COSCO Bulk, a subsidiary of COSCO Group, used ALPHA cylinder oil injector. Since installation and utilization of the device in 2007, daily consumption volume of cylinder oil has been stayed at 420 liters. Tianlihai Liner established a trouble-shooting team with cylinder oil injector as the research topic, conducted inspection and analysis on scavenging air receiver at anchoring time and lowered the pre-set value of oil injection ratio at HMI panel. Seafarers also disassembled the joint behind oil-injecting check valve of the oil injector and replaced the spring. After repeated inspection, it was found that the oil consumption was increased due to incomplete closing of oil-supplying magnetic valve core and damage of airbag of pressure-stabilizing



nitrogen container at the exit of oil injector. After replacing related parts, the cylinder oil consumption was reduced to 380 liters per day, saving 100 liters of cylinder oil per day. If calculated by the average running time of 6000 hours of the main engine, the improvement can save 25000 liters of cylinder oils each year.

Total Lubricant Oil Consumption of COSCO Group in Recent Years

Indicator/Year	2004	2005	2006	2007	2008	2000	2010	2011
Total consumption of lubricant oils (ton)	45,632.20	46,739.50	46,755.75	40,068.79	44,560.49	44,908.4	49,571.46	47,425.47

(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.

In 2011, the joint working team comprised of COSCON, COSCO Shanghai and CCS Shanghai Branch promoted the implementation of Ship Energy-efficiency Management Plans. In accordance with the IMO-MEPC.1/Circ.683 –Guidance on Formulation of SEEMP”, IMO—MEPC.1/Circ.684 –Guidance on Voluntary Use of EEOI” and the provisions of the Ship Energy-efficiency Management and Certification Standards released by CCS, and by applying the best practices and experiences for energy-efficiency management of ships, the Ship Energy-efficiency Management Plans were formulated. The Plans fully absorb the matured experiences of COSCON, COSCO Shanghai and CCS in energy conservation and emission reduction of ships in recent years, manage the energy efficiency of ships in a systematic and effective manner by tracing and analyzing energy consumption of ships, and try to improve energy efficiency of ships and reduce carbon dioxide emissions. The Plans have passed the review of the experts’ team successfully.

(e) Auto 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 and imposed influences on leased production vehicles by advocating fuel conservation and reduction. It also formulated fuel consumption standards of vehicles and enhanced evaluation and awarding systems. In 2011, it eliminated a batch of automobiles that exceed using time limit, have great hidden safety troubles and with high energy consumption and high pollution issues.





(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. In 2011, CKYH Alliance further enhanced the cooperation between its members to promote green shipping and perform their responsibility as corporate citizen. 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. In 2011, the –Application of Main Engine Slide Valve-styled Oil Injector Technology recommended by COSCO Group was appraised as a Model Project for Energy Conservation and Emission Reduction of Water Transport Industry. Advanced experiences of the project were promoted in traffic industry greatly.

The implementation of oil tanker oil heating management system co-developed by COSCO Dalian and Dalian Maritime University not only saved fuel costs of the company, but also reduced air pollution. In 2011, over 5,000 tons of fuels were saved.

(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.

In 2011, Hainan Boao COSCO actively promoted the Jinhai Oil-to-Gas Project, Solar Energy Water Heating Project and Hotel Air-conditioner Refitting Project to promote utilization of clean energies.

(4) Indirect Energy Consumption

Total Electricity Consumption



Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011
Total electricity consumption (kwh)	54,442,489	58,917,533	82,889,859	330,679,826	447,548,643	447,710,797	515,012,175	491,218,323
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	27,543,604

(5) Measures and Achievements to Reduce Indirect Energy Consumption

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.

COSCO Shipyard actively organized the activity to solicit reasonable suggestions on energy conservation in production and operation process, with 1,061 employees attended the activity. A total of 137 warnings and 96 suggestions were collected, of which, 37 were adopted. The energy-conservation re-construction project of lightings at workshops saved 544,500 kwh of electricity, saving RMB262,300 per year.

(b) Power Conservation 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.

COSCO Qingdao, a subsidiary of COSCO Group, carried out propaganda and education on energy conservation and emission reduction actively, enhancing the energy-conservation consciousness of all staff. It encouraged the staff to reduce use of autos and electric elevators, shut down unnecessary lightings at night, reduce use of one-time consumables, and strictly control temperature of air-conditioner. It also enhanced energy conservation management at offices, and encouraged everyone to be a model for energy conservation. COSCO Dalian reduced the electricity consumption of office buildings by installing energy-conservative lightings, using low-power electric appliances and enhancing power control at non-working time.

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	2011
Total water consumption (m ³)	8,662,064	4,320,209	5,687,118	732,179,068	5,471,942	4,264,061	5,914,554	6,412,906
Sea water desalinization volume (m ³)	960,145	959,196	976,719	760,269	883,940.1	596,674	612,569	627,642
Underground water consumption (m ³)	65,700	72,100	77,800	568,766	50,000	40,615	48,925	34,115
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	4,975,407
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	2,891,592

(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.

COSCON's Yuanzhikai Liner serving for Guangzhou-Australia-India shipping lines overcame the difficulties such as long anchorage time and malfunctions of water makers and carried out the water consumption action plan. Besides enhancing the water conservation consciousness of seafarers through promotion, Yuanzhikai Liner also closed the cold and hot water valve from the daily supply tank to living area, and promoted recycled use of fresh water, thus to save the fresh water consumption effectively.

COSCON enhanced the statistics, analysis and optimized management of fresh water consumption of ships based on its own characteristics, and carried out the activity of "standardizing fresh water management and reducing fresh water consumption" to reduce daily fresh water consumption and increase the sea water desalination of ships.



By investigating and analyzing the fresh water loading and consumption volume of self-owned fleet, summarizing the pricing method of fresh water and labor costs in different regions worldwide, it compiled the Fresh Water Management Manual of Ships by considering the factors such as fresh water loading, daily consumption management and sea water desalination. Target of the activity was to reduce the daily fresh water consumption of ships by 10%. With this activity, fresh water consumption volume of ships in a period of six months was reduced from 203,600 in the previous period to 188,300 at present, saving over 15,300 tons of fresh water.

(III) Pollution Prevention

COSCO Group implemented emission and disposal in strict accordance with requirements on pollution control of exhaust, sewage and waste in related international and national laws and regulations, such as the Convention for the Prevention of Pollution From Ships, the Marine Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Solid waste and the Regulations of the People's Republic of China on the Prevention and Control of Marine Pollution from Ships, and reduced the generation of exhaust, sewage and waste to the maximum extent, thus to reduce the unfavorable influences on the environment. In 2011, COSCO Group enhanced energy-conservation and emission strengths, and greatly reduced the total volume of exhaust, sewage and waste. The emission per unit of cargo turnover was kept at a relatively low level. Moreover, all ships operated by COSCO Group have obtained the International Oil Pollution Prevention (IOPP) certificates.

In 2011, COSCO Group deepened the engine management system, paid close attention to management and pollution control of old ships, exerted great efforts to promote the revision to the Management Methods of Old Ships and technical consultation work for technical evaluation. It had completed the review and issuance of the COSCO Group's Evaluation Methods on Technical Situation of Old Ships and the COSCO Group's Management Methods of Old Ships. The group selected year 2011 as the anti-pollution year, in which, it increased the input and enhanced the training to enhance the marine anti-pollution consciousness and ability.

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 2011, 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 2011, it used a total of 106,278 tons of low-sulfur fuels, resulting in increase of fuel costs by RMB29.44 million and reduction of sulfur dioxide emissions by 2,316.6 tons.



Table for Total Emissions:

Indicator/year	2004	2005	2006	2007	2008	2009	2010	2011
Carbon dioxide (CO ₂) (ton)	7,408,051	11,071,600	12,688,800	13,716,510	14,368,138	14,181,600	14,295,360	15,973,336
Nitric oxide (ton)	207,903	301,176	345,168	373,131	401,940	396,720	399,902	446,842
Sulfur oxide (ton)	133,823	213,600	244,800	263,039	274,564	273,600	275,794	308,167

Emissions per Unit Turnover Volume

Indicator/year	2004	2005	2006	2007	2008	2009	2010	2011
Carbon dioxide (CO ₂) (kilogram/thousand ton per sea mile)	22.91	16.07	16.05	16.05	14.44	13.64	12.82	12.64
Nitric oxide (NO _x) (kilogram/thousand ton per sea mile)	0.64	0.44	0.44	0.31	0.39	0.38	0.36	0.35
Sulfur oxide (Sox) (kilogram/thousand ton per sea mile)	0.41	0.31	0.31	0.44	0.28	0.26	0.25	0.24

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 2011, 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 stable operation rate. Subsidiaries of 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.

Oil Residues Pollution Discharged to the Sea and Pollution Discharge and Shore-Returning Volume

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011
Oil residues discharged to the sea (ton)	0	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	100,966
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Remarks: Pollution discharge and shore-returning volume of ships refers to sewage and oil of ships is disposed at shore without being disposed on ships. Disposal of oil residues at shore is favorable for protection of ocean environment.

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 2011, 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	2011
Solid waste (including tarpaulin, plastics) (ton)	1,801	2,369	4,799	9,814	6,830	7,692	10,775	11178.9
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	280,055
Total volume of waste recycled (ton)	97,333	100,044	134,286	146,091	82,552	51,279	51,309	51,719
Total volume of waste incinerated (ton)	8,605	9,842	10,533	7,569	6,057	7,802	5,978	4,870

4. Noise Control Policies, Regulations and Measures

COSCO Group conducted check and acceptance on noise control of ships built in strict accordance with the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise and in reference to the Engine Room Noise Standard of Transport Ship and the Regulation on Noise Levels of Ocean Ships. It also formulated related measures for prevention and control of noise pollution for seafarers, which specify that seafarers, when entering a site where the noise level is higher than 90dB, should adopt ear protection measure. Any cabins where the noise level is higher than 90dB should place a visible warning plate at the entrance, indicating "Ear protectors are necessary when entering high noise area".

(IV) 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



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 nodes at the distance of 35 sea-miles to the terminal, so as to reduce exhaust emission generated in combustion. Since the implementation of the Green Flag program, all container ships of COSCO Group arriving at the Long Beach have implemented the requirements of the port carefully, strictly controlled the entry speed, and the compliance rate reached 100%, receiving high praises from the port. In 2011, COSCON received the Green Flag Award from the Port Authority of Long Beach again.



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(V) ENVIRONMENTAL-PROTECTION, BIO-DIVERSITY AND NATURAL HABITAT RESTORATION

After identifying the value of its ocean shipping and other businesses to bio-diversity in ocean and operational revenues, COSCO Group considered that traditional vessel paints, ballast water and ship pollution have great impacts 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.

▲ 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 ballast water, recorded the ballast process and implemented whole-process supervision of ballast water, so as to fully protect marine environment and maintain biological diversity. Based on the research and development of COSCO Group Ship Ballast Water 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 Project of “Ballast Water Physical Purification Technology of Ocean Ships”, initiated by the Ministry of Transport, undertook by COSCO Group and co-developed by the COSCO Shipbuilding Industry Company (COSIC) and Tsinghua University, is a National Science and Technology Support Project during the 11th Five-year Plan Period and the first national science and technology project undertaken by COSCO Group since its establishment. Implementation of the project will effectively elevate China’s technological and management level to prevent against transfer of exotic life-forms and pathogens, enhance the country’s contract performance ability, safeguard national image, elevate the country’s position and role in international maritime organizations, and



provide technical supports for maritime authorities of China to manage ballast water, protect bio-diversity of coastal area, and prevent and control invasion of marine creatures.

(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.

▲ Ship Retirement

As ship is the main service tool for ocean shipping, COSCO Group has always paid attention to disposal of retired ships.

In 2011, COSCO Group continued to implement related requirements of the Ministry of Communications to put the ships reaching the retirement age out of commission. In the meantime, ships not reaching the retirement age, but were in a poor state and were considered as not suitable to ocean shipping were also put out of commission. The retired 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.

Table of Retired Ships of COSCO Group in Recent Years

Indicator/year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Number of retired ships	8	2	4	2	5	14	38	24	20
Tonnage of retired vessels (ton)	111,747	17,067	159,185	35,732	84,632	192,943	690,456	280,934	294,235

(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 2011, no incident or punishment ever occurred relating to environmental protection.

(VII) TRAFFIC AND TRANSPORTATION

COSCO Group advocated “Green Trip” and strictly followed 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. It encouraged online communications between companies and departments, and held tele-video conferences as many as possible to reduce exhaust gas emissions and energy consumption of traffic tools and save travelling expenses.

Indicator/year	2004	2005	2006	2007	2008	2009	2010	2011
Travelling expense saved by holding tele-video conferences (RMB10,000)	244.26	363.41	792.24	425.49	1,878	676.8	2,677.18	419.04

▲ 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.



产品责任绩效指标和主题报告

PRODUCT LIABILITY PERFORMANCE
INDICATOR AND THEME REPORT





PART III PRODUCT LIABILITY PERFORMANCE INDICATORS AND KEYNOTE REPORT

I. MANAGEMENT APPROACHES

By establishing related mechanism and implementation measures, COSCO Group pays close attention to safety and health of consumers in product & service development, design, implementation and follow-up service sectors, and effectively delivers product and service information by making use of IT technologies actively. Sticking to the principle of “being honest to customers worldwide and establishing the credit”, the group operates in accordance with laws and tries to establish honest and lawful production and consumption environment with the customers.

(I) OBJECTIVES AND PERFORMANCE

Through establishment of related mechanism and implementation measures, all shipping, logistics, terminal and shipbuilding/ship-repairing companies affiliated to COSCO Group voluntarily shoulders 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 this year, China COSCO entered into strategic partnership relationships with many Global 500 enterprises and local governments.

(II) POLICIES AND REGULATIONS

All subsidiaries of COSCO Group establish and implement the sustainability management system and comprehensive risk management system, and apply system-wide and uniform procedures for document control, training management and internal control 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, share resources and know customers' demands. 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 enhance the product liability consciousness of employees and improve their skills. Contents with regarded to customer health and safety, information types and providing methods, requirements of laws and regulations, industrial regulations, customer privacy protection, and legal production and operation are taken as compulsory contents of the training.

(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) Shipping	★	★	★	★
COSCO Logistics	★	★	--	--
COSCO Shipyard	★	★	--	--
COSCO Shipbuilding	★	★	--	--
CHIMBUSCO	★	★	--	--
Hainan Boao COSCO	★	★	--	--
COSCO Ocean Shipping Tally	★	★	--	--
COSCO Manning	★	★	--	--
COSCO U.K.	★	★	--	--
COSCO Pacific			--	--

Symbol: ★ Completed; -- Not applicable

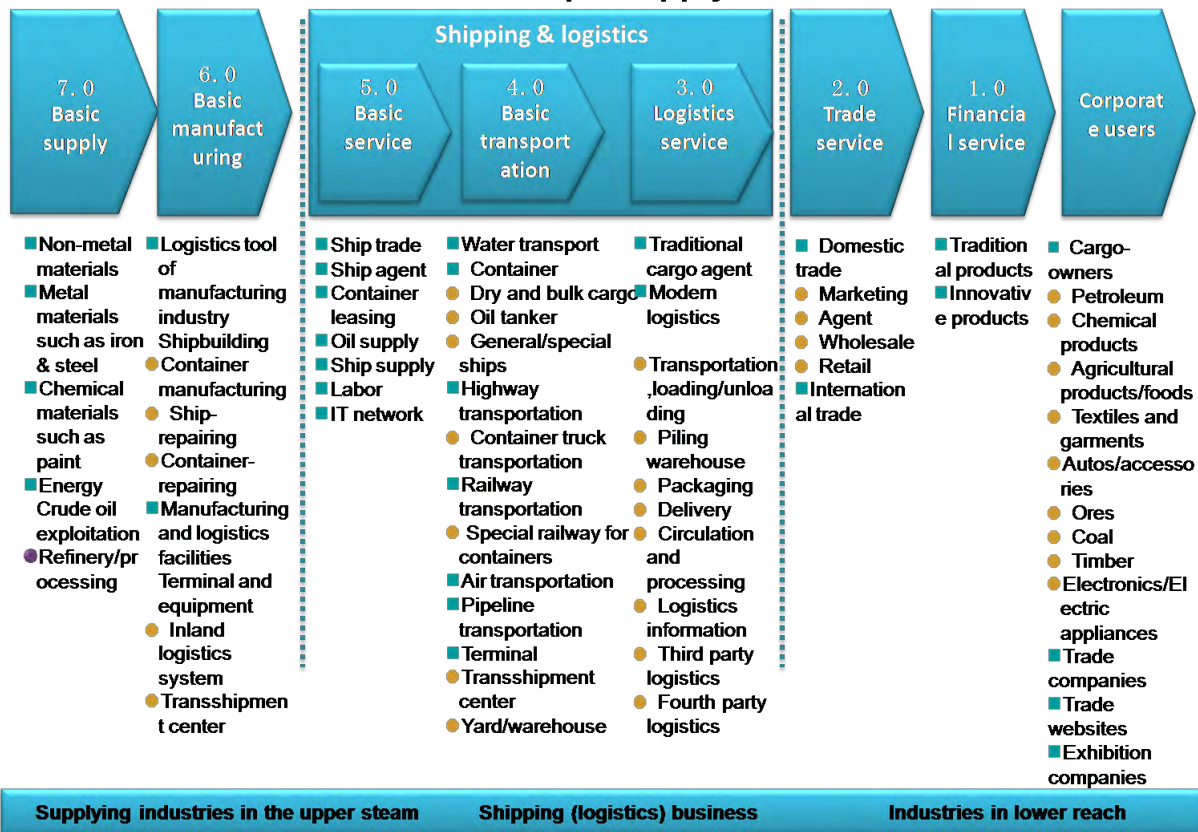
(VI) STAKEHOLDERS AND RISK EVALUATION

COSCO Group pays close attention to management of stakeholders, and systematically identifies expectations, detailed requirements and related indicators of the stakeholders including government, investors, strategic partnerships and suppliers. It also systematically identifies and evaluates various risks of the company including risks concerned by stakeholders with comprehensive risk management approach, and adopts control measures corresponding to risk level based on results of risk evaluation, so as to effectively avoid or reduce influences of risks.

II. PERFORMANCE INDICATORS

COSCO Group is the largest comprehensive shipping enterprise in China that offers comprehensive shipping, logistics & terminal, and ship-building/ship-repairing services for international and domestic customers. Business scope of the group covers container shipping, dry and bulk shipping, logistics, terminal, container leasing and freight-forwarding, and shipping agency. The group's bulk and dry fleet and container fleet ranked the first and sixth place in the world respectively.

COSCO Group's supply chain



In 2011, 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:

Container shipping and related businesses:	<ul style="list-style-type: none"> ■ Fleet carrying capacity takes a lead in the world; ■ Operating a total of 146 ships, with the total carrying capacity of more than 560,000 TEUs; ■ More than 400 sales and service outlets home and abroad.
Dry and bulk shipping and related businesses:	<ul style="list-style-type: none"> ■ World's largest dry and bulk fleet; ■ Operating a total of 439 ships, with the actual carrying capacity under its control reach 35.67 million DWTs; ■ Leading operation and management ability and strong customer source.
Logistics business:	<ul style="list-style-type: none"> ■ China's most competitive logistics service provider.
Terminal and related business:	<ul style="list-style-type: none"> ■ Terminal throughput ranks the fifth place in the world; ■ Investing in and operating 28 terminals throughout the world.
Container leasing business:	<ul style="list-style-type: none"> ■ Container fleet size ranks the second place in the world; ■ Owning and managing more than 1.58 million TEUs of carrying capacity, with the market occupancy reaches 14.3%.
Container manufacturing business:	<ul style="list-style-type: none"> ■ World's largest container manufacturing company; ■ Global market occupancy exceeds 50%.



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.

(I) CUSTOMER' HEALTH AND SAFETY

1. Caring Health and Safety of Consumers

COSCO Group has paid close attention to health and safety of consumers. In all sectors of shipping, logistics and related products' life cycle, it fully evaluates and considers the matters related to customers' health and safety, performs related rules and regulations, and continuously satisfies customers' requirements and expectations on products and services in different stages. When opening new shipping 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 based on practical situations of ships to ensure safe transportation of cargos. The logistics companies provide 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 very efficiently and safely. Ship-building and ship-repairing companies abide by the regulations of the management systems in terms of product design, manufacturing and delivery as well as after-sales service, and conduct full-process supervision and control over the project in accordance with regulations of the management system to ensure customers' health and the safety relating to ship-building and ship-repairing projects.

In 2011, COSCO Group received no complaints or fines with regard to influences of its products and services on health and safety.

(1) COSCO Group Supports Cooling of Nuclear Reactor at the Fukushima Nuclear Power Plant

On March 19, Sany Heavy Industry, under the request of Tokyo Electric Power, determined to donate a super-large pump truck for cooling of nuclear reactor at the Fukushima Nuclear Power Plant. After knowing this, COSCO Group has paid close attention to this task. In order to reduce the damages of nuclear radiation on



human beings and the environment, the group ordered COSCO Logistics and COSCON to do a better job in loading and transportation of the equipment, and ensure the safe and on-time arrival of Japan-aid equipment regardless of cabin losses. In the meantime, the great earthquake in Japan and the nuclear accident of Tokyo



Electric Power made many Chinese citizens in Japan to be eager to return China, resulting in sharp increase of air tickets. COSCO Group promised to keep the stability of passenger transport tickets for ferry between China and Japan and ensure stable calling and on-time arrival of ships.

(2) COSCO Bulk Appraised as the Excellent Unit in 2011 National Safety Production Month Activity

In 2011, COSCO Bulk received the honorable title of Excellent Unit in 2011 National Safety Production Month Activity jointly issued by seven ministries and commissions including the Propaganda Department of the CPC Central Committee, the State Administration of Work Safety and the Ministry of Public Security at the summary and exchange fair of the National Safety Production Month Activity. It was the only unit in COSCO's system, the ocean shipping industry and the national traffic industry that wins such honorable title.



2. Carrying out transportation business in accordance with the Conventions of International Maritime Transport of Goods and international traditions as well as the Maritime Law of China

In accordance with the provisions of the Conventions of International Maritime Transport of Goods and international traditions as well as the Maritime Law of China, the shipper shall be responsible for accuracy of cargo name, logo, packaging or number of pieces, weight or size in international shipping business. The carrier takes new duties to check the consistency of cargos and their names, and is only responsible for transporting the cargos from one port and another by sea.

COSCO Group ensures transportation quality and tries to transport cargos to the destination and consignees completely, safely and quickly.

With the report on the group's violation of the second principle of Global Compact by transporting ammunition to Zimbabwe in April 2011, COSCO Group believes that the group, as the second largest shipping enterprise in the world, has insisted on managing and operating in accordance with laws. In accordance with the provisions of the International Maritime Law, COSCO Group, as the carrier, is only responsible for completion of the cargo's packaging in international shipping business, namely to transport the cargos sealed by the customs to the destination safely and quickly in accordance with the contract, and is not responsible for the cargo transported. The shipper and the customs shall be responsible for the cargos transported. Therefore, the foreign media's report and criticism that COSCO Group's transportation of ammunition is not humanistic was incompliant with the truth and the regulations of the International Maritime Law.

(II) FAIR MARKETING, TRULY JUST INFORMATION AND EQUAL CONTRACT PRACTICES

COSCO Group has been dedicated to providing high-quality shipping and logistics services for global customers and has strictly controlled cargo transport quality through lean management. 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. It also releases information of schedules, shipping lines, departure and arrival times, freights and cabin to cargo-owners or the public through sales management way. The logistics companies, through customer needs analysis, timely and accurately provides shipping line information,



freights, logistical routes, station data, quality assurance and other relevant information to customers via website, magazine, phone call, fax, email and other methods.

1. Fair Information Disclosure

Listed companies affiliated to COSCO Group timely, faithfully and comprehensively disclose the information related to operation of the company in strict pursuant with information disclosure regulations of the China Securities Regulatory Commission (CSRC), the Shanghai Securities Exchange and the Stock Exchange of Hong Kong. Besides release of annual report and semi-annual report, China COSCO also release 10 performance notices, 24 reports on other A-share companies, 73 notices on H-shares and four batches of stock price promotional materials in 2011.

In 2011, COSCO Group received no complaints and fines with regard to information disclosure in securities market.

2. Fair Contract Practice

Settlement of ship leasing disputes timely. Arrest of ship is a marketized and commercial behavior to be adopted by stakeholders when there are disputes in shipping business. Since the commencement of shipping business, arrest of ships takes place frequently. The arrests of COSCO Group's ships in 2011 were all individual contract disputes. Some were caused by disputes on articles of the contract, while others were caused by situations of ships, such as un-seaworthiness, un-cargoworthiness or other conditions inconsistent with contract articles. COSCO Group has insisted on the cooperation principles of "mutual-benefits and win-win cooperation", and cooperated with cargo-owners and ship-owners in a wide, sincere and friendly manner. All issues appeared in operation of the business had been settled properly.

(III) 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. The company firstly believes that legal promotion and honesty marketing are core competitiveness of its development. Related companies established an information release responsibility mechanism to examine 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, it 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, it emphasized both competition and coordination.

COSCO Group and its subsidiaries take customers as their focus and pay close attention to the "voices of customers". By establishing customer information collection and analysis mechanical, carrying out customer satisfaction investigation, and holding meeting of customer representatives, customer exchange fair and opinion-collection activities, they collect opinions and suggestions of customers actively, know customers' satisfaction degree on products and services, analyze the fundamental reasons of the issues exist, and formulate corresponding measures to make improvement.



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.

Contracts	Contents	Photos
<p>COSCO Group and the China Communications Construction Group signed a strategic partnership agreement</p>	<p>On Jan. 4, the signing ceremony for strategic partnership agreement between COSCO Group and China Communications Construction Group was held in Beijing. According to the agreement, both sides will further enhance the cooperation in port machinery, terminal construction and ship-repairing facilities, and will extend the cooperation in comprehensive transportation and other sectors, so as to achieve mutual benefits.</p>	
<p>COSCO Group and Dalian Municipal People's Government signed a strategic partnership framework agreement</p>	<p>On May 12, COSCO Group and Dalian Municipal People's Government signed a strategic partnership agreement in Dalian. According to the agreement, both sides will work together to promote accelerated development of container business of port in Dalian under the principle of "mutual-benefit and advantage-supplementation", promote the construction of Northeast Asia international shipping center in Dalian and the implementation of development strategies for economic belt in coastal area of Liaoning.</p>	



<p>COSCO Group and CCS signed a strategic partnership agreement</p>	<p>On May 24, the signing ceremony for strategic partnership agreement between COSCO Group and CCS was held at Ocean Plaza, Beijing. According to the agreement, both sides will further enhance the cooperation in terms of technical standards, shipbuilding/ship-repairing, energy-conservation and environmental-protection, maritime conventions, informationization construction and industrial service, establish strategic partnership relationships, realize advantage supplementation and mutual benefits in a strategic manner through business demands in terms of technology, management, training, ability flow and knowledge-sharing, elevate their respective market competitiveness and influences in worldwide scope, and make greater contributions to development of China into a strong shipping country and the maritime safety and environmental-protection of the world.</p>	
<p>COSCO Group and Shandong Provincial People's Government signed a strategic partnership framework agreement</p>	<p>On Aug. 31, the signing ceremony for strategic partnership framework agreement between COSCO Group and Shandong Provincial People's Government was held in Jinan, Shandong Province. According to the agreement, both sides will cooperate with each other in sectors such as shipping, terminal & logistics, shipbuilding/ship-repairing, energy and mineral resources and traffic infrastructure construction, maritime education and oceanic culture.</p>	
<p>COSCO Group and Shantou Municipal People's Government signed a strategic partnership framework agreement</p>	<p>On Oct. 21, the signing ceremony for strategic partnership framework agreement between COSCO Group and Shantou Municipal People's Government was held in Shantou, Shandong. According to the agreement, both sides will cooperate with each other in shipping, terminal & logistics, traffic infrastructure construction and equipment manufacturing sectors.</p>	



<p>COSCO Group and Fujian Provincial People's Government signed a framework agreement for further deepening of strategic cooperation</p>	<p>On Nov. 5, the signing ceremony of framework agreement for further deepening of strategic cooperation between COSCO Group and Fujian Provincial People's Government was held in Fuzhou, Fujian. According to the agreement, both sides will cooperate with each other in shipping, terminal & logistics, shipbuilding industry, infrastructure and resources sectors as well as development of Pingtan Comprehensive Experimental Area.</p>	
<p>COSCO Group and Zhoushan Municipal People's Government signed a strategic partnership agreement</p>	<p>On Dec. 26, COSCO Group and Zhoushan Municipal People's Government signed a strategic partnership agreement. According to the agreement, both sides will bring their core advantages into fully play, and further enhance cooperation in terms of infrastructure construction, port development, comprehensive logistics and shipping business in Zhejiang Zhoushan Islands New District.</p>	

2. Sales and Publicity

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. The company firstly believes that legal promotion and honest marketing are core competitiveness of its development. Related companies established an information release responsibility mechanism to examine 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, it 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, it emphasized both competition and coordination.

COSCO Group Holds 50th Anniversary Celebrating Ceremony and Customer Reception

On the evening of April 27, 2011, the COSCO Group 50th Anniversary Celebrating Ceremony and Customer Reception were held at the Great Hall of the People. More than 1,000 persons including Dong Jianhua, Vice Chairman of CPPCC, Chen Jinhua, former Vice Chairman of CPPCC, Richard A. Lidinsky Jr., Chairman of the Federal Maritime Commission (FMC), leaders of related ministries, commissions, provinces and municipalities, some foreign ambassadors in China and special guests home and abroad attended the customer reception. At the event, Zhang Xiaogang, Party Committee Secretary and General Manager of Anshan Iron & Steel (COSCO), delivered a speech on behalf of COSCO Group's customers and partners. Richard A. Lidinsky Jr. awarded the Excellent Merit Certificate to Wei Jiafu on behalf of the Federal Maritime Commission as an appreciation to the outstanding and high-quality services provided by COSCO Group to American shipping and foreign trade



industries as well as importers, exporters and consumers.



3. Suppliers and Supply Chain Management

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 effective reduced procurement costs and operation risks.

(1) COSCO Logistics Wins —“Excellent Partner Award” from CSOT

In 2011, COSCO Logistics received a notice from the Project Executive Committee of the Shenzhen China Star Optoelectronics Technology Co., Ltd (CSOT) that the company became the winner of the Excellent Partner Award, the only award issued by the Executive Committee for logistics service of the project under the recommendation of the Supply Chain Management Center as well as the logistics and material control departments, and with the approval of the Executive Committee. Winning of the award is a praise received by COSCO Logistics from the customers for its efforts in optoelectronic logistics industry.

(2) COSCO Group Chairman Wei Jiafu Wins the Supply Chain Asia Famous Character Award

The awarding ceremony of 2011 Supply Chain Asia Logistics Awards was held in Shanghai. Wei Jiafu, Chairman of COSCO Group, received the Supply Chain Asia Famous Character Award. As the most important award among 17 awards for individuals and companies, the Supply Chain Asia Famous Character Award aims at awarding the leader character who had made outstanding contribution to global supply chain management industry. Year 2011 was the 10th anniversary for the Supply Chain Asia Logistics Awards. A total of 260 top executives from global supply chain and logistics enterprises attended the event.

IV. CONSUMERS’ SERVICES, SUPPORTS AND COMPLAINTS AS WELL AS DISPUTE DISPOSAL

Subsidiaries of COSCO Group establishes effective customer relations management system, strictly implements the requirements on customers’ demands survey, service quality, communications channel, compliant and suggestion disposal, and customers’ visit, satisfies and surpasses the customers’ existing and potential demands, and ensures the timely disposal of customers’ suggestions and complaints on quality, environment and



occupational health management.

1. Customer Relations Management System

Subsidiaries of COSCO Group pays close attention to construction of customer relations management system. All companies have established customer relations management system actively, formulated related systems and customer management process, enhanced the exchanges with customers to know customers' demands, and elevated customers' satisfaction by improving products and services.

COSCO Logistics' TCSS Customer Satisfaction System integrates the customer data of its subsidiaries and realizes timely transmission and management.



In customer investigation process, telephone investigation is adopted as the main method, and fax, email and online investigations are adopted as the auxiliary investigation methods. The investigation process is recorded and the evaluation data are input into the system timely for follow-up analysis. The company has contacted with most of the customers provided by the subsidiaries except for customers whose contact information is wrong or who can be contacted (such as customers in foreign countries), and conducted customer satisfaction survey. The customers are active in the investigation and provide many valuable opinions and suggestions.

2. Customer Service Satisfaction

All subsidiaries of COSCO Group actively carry out customer satisfaction survey and analysis by making use of various effective ways.

Upon its establishment in 2002, COSCO Logistics had partnered with the Renmin University of China to develop TCSS customer satisfaction evaluation system and implemented the system in the company comprehensively. Each year, COSCO Logistics entrusts a third party company to conduct on-site investigation and telephone interview among more than 4,000 customers, so as to objectively evaluate the service ability and quality of COSCO Logistics, vividly reflect and evaluate the service level of COSCO Logistics, and provide objective basis for COSCO Logistics to improve its service level continuously.

COSCON hired third party evaluation institution for five successive years to conduct satisfaction index survey among hundreds of customers nationwide with different carrying volume, so as to collect and analyze customer satisfaction situation in a comprehensive manner, formulate corrective measures with respect to effective opinions or suggestions offered by the customers, and made improvements timely.

(1) Survey results of different business areas of COSCO Logistics

Customer satisfaction index of different business areas of COSCO Logistics in 2009 to 2011 (%)				
Year	Ship agency	Cargo forwarding	Product logistics	Engineering logistics
2009	83.17	82.68	81.85	85.48
2010	85.38	84.08	82.49	84.23
2011	84.72	85.49	83.9	84.22

(2) Customer satisfaction index of COSCON

Evaluation items	Survey results in 2011					Comprehensive scores (2011)	Comprehensive scores (2010)
	Very satisfied %	Satisfied %	Common %	Dissatisfied %	Very dissatisfied %		
Coverage of shipping line	18.56	63.88	16.39	1.17	0	79.97	78.60
Cargo delivery period	20.23	61.37	17.22	1.17	0	80.13	78.95
Ship schedule frequency	23.91	55.18	19.06	1.17	0	80.51	78.59
On-time ratio of ships	27.93	52.34	17.06	2.51	0.17	81.07	77.66
Cabin-booking smooth degree and feedback speed	19.73	61.20	17.56	1.34	0.17	79.80	84.22
On-site packing service	37.96	50.84	10.03	0.51	0.17	85.31	----
Customs declaration and inspection declaration services	36.29	51.00	10.70	1.84	0.17	84.28	74.74
Timeliness and accuracy of issuance of bill of lading	40.64	50.51	8.53	0	0.17	86.33	82.92
Cargo arrival notice and cargo placement operation	26.25	50.33	19.73	3.01	0.33	79.90	78.25
Statement of account and invoice delivery service	26.42	58.19	13.88	1.00	0.17	82.01	----
Timeliness and accuracy of transshipment information	28.76	51.17	13.88	8.36	0.17	82.68	73.57



Cabin guarantee rate of transshipment process	20.74	54.18	20.57	1.51	0.50	79.11	74.15
Timeliness of transshipment process	20.07	48.66	24.08	3.85	0.67	77.18	72.98
Container dynamic tracing service	18.23	49.33	26.09	2.84	0.50	76.90	79.31
Free staking and use of containers	20.23	52.84	19.40	3.51	0.33	78.51	75.55
Empty container supplying ability	21.57	53.34	17.06	2.84	0.67	79.33	80.47
Credit period and credit amount	18.39	53.34	20.90	2.51	0.17	78.32	79.54
Overall freight level	19.06	52.51	21.24	1.84	0.17	78.66	71.65
Timeliness of freight adjustment	18.90	57.69	17.89	1.34	0	79.65	----

(3) COSCO Logistics Receives Confirmation of Air Bus Again in 2011

The Project Department of COSCO Logistics in Air Bus (Europe) received a letter of thanks from Air Bus, which said: “the arrival of large component of 50th A320 aircraft at Air Bus’ assembly plant in Tianjin is a milestone for our company. We hope to continue the cooperation with your company”. COSCO Logistics began providing trans-national comprehensive logistics services for Air Bus A320’s assembly plant in Tianjin in May 2008, and had completed the transportation tasks of 50 aircrafts safely and smoothly. The “trans-ocean transportation technology of large aircraft component” applied by COSCO Logistics in Air Bus A320 Project had received the second-class ministerial scientific and technological achievement award and had applied for national patent. COSCO Logistics will continue to provide better follow-up logistics services for the project. COSCO Logistics receives Excellent Partner Award from CSOT.



(4) COSCO Logistics Tops the List of China Top 100 Logistics Enterprises for a Sixth Successive Time

COSCO Logistics ranked the first place again in the appraisal of 6th China Top 100 Logistics Enterprises organized by nine professional industrial associations and organizations including the China Communications and Transportation Association (CCTA) for a sixth successive time. In the meantime, COSCO Logistics received the honorable titles of the 2010 National Advanced Logistics Enterprise and the 2010 Most Innovative Logistics Enterprise.

(5) COSCON Receives Many Gold Awards of 8th China Freight Industry Award



At the awarding ceremony of 8th China Freight Industry Award, COSCON received three gold awards for China-North America shipping line, China-Australia/New Zealand shipping line and China-Southeast Asia shipping line, as well as many silver and bronze awards. It was the eight successive year for COSCON to win so many gold awards in the appraisal of China's freight industry. Winning of the awards highlights the long-term and stable high-quality services of COSCON and its leading position in China's freight service market, and reflects customers' recognition on COSCO's brand. The appraisal of China Freight Industry Award was organized by the China Shipping Gazette. By distributing investigation forms to various consumers of transportation industry, the organizer wants to enable consumers to evaluate and recommend excellent freight service providers. Since its initiation in 1999, the appraisal has become a symbolic activity to evaluate service quality of freight and logistics enterprises in China, and the awards are quite authoritative.

(6) COSCON received the Best Carrier for Fast East Service Award of CIFFA in 2011.

During the appraisal organized by CIFFA in 2011, COSCON won the award of Best Carrier for Fast East Service for a tenth successive year. Established in 1948, CIFFA is comprised of many renowned freight forwarding companies in Canada. Each year, the association carries out comprehensive evaluation on various services provided by shipping and aviation companies that serve for Canada to select best carriers through secret vote and online vote.

(7) Lianhe Credit Rating kept AAA rating of China COSCO in 2011.

The China Lianhe Credit Rating Co., Ltd (Lianhe Credit Rating) kept AAA long-term credit rating of China COSCO and the rating outlook of "stable". It also kept the ratings of "A- COSCO MTN1" and "A COSCO MTN1" AAA. The report said that China COSCO's operational performance was improved significantly, and made up deficits and got surplus in 2010 thanks to recovery of shipping industry. In Q1, 2011, growth of overall performance of the company had slowed down due to decline of demands of European and American shipping lines and slowdown of growth of foreign trade exports. In the future, the company will have the ability to keep stable growth of overall operational performance and good operational and financial situations with its operational scale, market network, management level and shareholders' supports with the recovery of global economy and the gradual improvement of operational environment of shipping market.

3. System and Measures to Support Product and Service Innovation

With respect to product and service innovation, subsidiaries of COSCO Group took measures actively to promote product and service innovation. In 2011, it made breakthrough in terms of bulk cargo business integration and logistics business expansion.

(1) China COSCO Bulk Shipping (Group) Co., Ltd put up its plate in Beijing on Nov. 21, 2011.

China COSCO Bulk Shipping (Group) Co., Ltd (China COSCO Bulk) is established by integrating several professional bulk shipping companies including COSCO (Tianjin) Bulk, COSCO (Hong Kong) Shipping (including COSCO Shenzhen) and COSCO Qingdao for uniform leadership, operation and management. The newly-established China COSCO Bulk is the largest bulk cargo fleet in the world. As of December 2011, China COSCO Bulk has 230 large-sized bulk ships of various types, with the total carrying capacity of more than 18 million





DWTs. It controls over 400 ships annually, with the total carrying capacity of more than 35 million DWTs. The reform will elevate COSCO Group's international competitiveness and anti-risk ability.

(2) COSCO Logistics wins the bid for sea-land transportation project for over-limit cargos of Atyrau Oil Refinery of Sinopec in Kazakstan in 2011.

Logistics service scope of the project includes the door-to-door logistics services of 22 over-limit cargos from domestic manufacturing plant to the project venue in Atyrau, Kazakstan. The project involves multiple transportation modes including shipping, river barging, land transport and railway transport as well as logistics operation in many overseas countries. The logistics sectors are complicated and the operation difficulty is high. The project is the largest technical output project of Chinese enterprises in former Soviet Union area. Winning of the bid enhanced the partnership relationships between COSCO Logistics and Sinopec, and had important meaning for cultivation of COSCO Logistics' engineering logistics brand and development of engineering logistics business in central Asia. On Nov. 24, 2011, Chongqing Branch of COSCO Chemical Logistics Co., Ltd was established, marking the launch of COSCO Logistics' largest chemical and logistics construction project in southwest China. The Chongqing Branch, as an important part of COSCO Group's chemical logistics platform, shoulders the heavy duty of expanding chemical logistics business in Southwest China. Moreover, it will operate and manage the chemical logistics base in Changshou Economic Development Area of Chongqing. Cover a floor area of 200mu and a warehouse area of 33,000 square meters, the base warehouses for three grades of dangerous chemical products, dangerous product filling line, container yard and container cleaning station.

(3) COSCO (Hong Kong) Shipping enhances engineering management and realizes management benefits.

In face of severe situation of shipping market in 2011, COSCO (Hong Kong) Shipping tried to reduce its losses and increase its benefits and focused following tasks in engineering management work: Firstly, enhance management over fuel utilization of ships; Secondly, enhance monitoring over navigation speed of ships, speed up ship turnover and increase operating days; Thirdly, enhance the control over utilization of engineering fees and improve the effective utilization rate of fees; Fourthly, enhance the ship reparation and maintenance work, ensure safety, sea worthiness, cargo worthiness and lease worthiness of ships to provide maximum effective carrying capacity to the company; Fifthly, further enhance the management of spare parts and materials of ships.

(4) CKYH-Green Alliance of COSCON Upgrade Far East-East America Shipping Lines

CKYH-Green Alliance (COSCO, K-Line, Mingyang Shipping and Hanjin Shipping) upgraded a Far East-East America shipping line since the end of April 2011. Before the upgrade, Mingyang Shipping and Hanjin Shipping jointly input nine 4,250-4,300TEU ships to the shipping line. COSCON will dispatch ships to join operation of the shipping line. Moreover, all ships for the shipping line will be upgraded to 5500TEU.

(5) COSFRESH promotes innovation of financing logistics.

Financing logistics business refers to the mode in which banks activate entire supply chain by providing logistics financing to distributors or manufacturers, so as to realize benefits of four parties, namely banks, manufacturers, distributors and logistics companies. Besides taking financing logistics supervision business as one of the comprehensive businesses of the company to create benefits for the company, the Project Department of COSFRESH also considered on how to serve container business with financing logistics business and actively explored the innovative development path to combine financing logistics business and container business. In 2011, Kunshan Branch of COSFRESH (Suzhou), Bank of China and Ryerson China signed a supervision agreement,



marking the success of COSFRESH's sales mode of integrating financing logistics with container transport business.

(6) COSCO Shipping's 5000 Unit Capacity Car Carrier —“COSCO Shengshi”



On Feb. 16, 2011, the naming and delivery ceremony of COSCO Group's 5000 unit capacity car carrier —“COSCO Shengshi” was held at COSCO (Zhoushan) Shipyard. The “COSCO Shengshi”, designed by Shanghai Marine Diesel Engine Research Institute and built by COSCO (Zhoushan) Shipyard, is 182.8 meters long and 32.2 meters wide. With 12 floors of car decks, the carrier has the maximum loading capacity of 5,276 units. COSCO Shipping has paid close attention to development of car carrier

business, and listed the car carrier fleet as an important part in its fleet development planning during 12th Five-year Plan period. It is estimated that another 5000 unit capacity car carrier will be delivered in the middle of this year. “COSCO Shengshi” will further enhance COSCO Group's strengths in car carrier fleet and enhance its competitiveness in international car carrier transportation market.

4. R&D Investment and Achievements

With a focus on its main business, COSCO Group mainly conducted R&D on ship technology, logistics technology, auxiliary equipment, information system and soft science. By the end of 2011, national patents obtained by COSCO Group include single cable, bivalve, hydraulic remote control grab, automatic heating monitoring and control devices of oil tankers and cargo liners, ocean-going ship navigation status remote control and test system, low-temperature liquid loading arm emergent deviation valve, low-temperature liquid loading arm, etc. PC software copyrights obtained by the group include online dynamic monitoring system for ocean-going ship and cargo transport, ship data analysis and demonstration software, ship position active obtaining software based on maritime communications satellite, global marine meteorological information automatic dealing system, software data analysis and storage system, ship safety navigation status analytical system, shore-based ship monitoring and commanding system, and ship risk warning and inspection system.

(1) At the National Science and Technology Conference held by the Ministry of Science and Technology in 2011, COSCO Group received the honorable title of —Excellent Execution Team in the 11th Five-year National Science and Technology Plan”.



COSCO Group received the honorable title of “Excellent Execution Team in the 11th Five-year National Science and Technology Plan” issued by the Ministry of Science and Technology for its outstanding performance in undertaking the National Key Technology Research and Development Program, in particular, its efforts to develop advanced ocean-going ship ballast water disposal equipment with independent intellectual property right through careful organization in the R&D of ocean-ship ballast water physical purification technology,

(2) COSCO Shipyard’s “Blue Ocean Shield (BOS) Ballast Water Management System” received the “National Key New Product” Certificate.



The “Blue Ocean Shield (BOS) Ballast Water Management System” undertaken by COSCO Group and developed by COSCO Shipyard received the “National Key New Product” Certificate jointly issued by the Ministry of Science and Technology, the Ministry of Environmental Protection, the Ministry of Commerce, and the General Administration of Quality Supervision, Inspection and Quarantine. As a member unit of UN Global Compact, COSCO Group undertook the topics for the National Key Technology Research and Development Program – R&D of Ocean-going Ship Ballast Water Physical Purification and Disposal Technology. COSCO Shipyard, under the entrustment of COSCO Group, took the concrete R&D tasks with Tsinghua University. After three years of efforts, the tasks assigned by the Ministry of Science and Technology were completed successfully in 2010, and the BOS-600 sample machine with the disposal ability of 600 tons per hour was developed. The project made important breakthrough in R&D of many key technologies and received 12 national invention patents, forming a complete set of ballast water disposal technology with independent intellectual property right. As the International Convention for the Control and Management of Ships Ballast Water and Sediments will take effects soon, COSCO Group will take a lead to install ballast water management system on newly-built ships. This will set up an example for global shipping industry and will contribute to protection of maritime environment.

(3) COSCO (Hong Kong) Shipping independently designed and developed the South China-type COSCO Coastal Bulk Ship.

The 50,000 ton-class Yangtze River-typed and 65,000 ton-class South China-typed coastal bulk ships independently designed and developed by COSCO (Hong Kong) Shipping are specially designed for customers in electricity and coal industries in coastal areas. The ships feature shallow-draft, large cargo transport volume, high navigation speed and low energy-consumption, and can better satisfy electricity and coal transportation demands in coastal areas. On June 23, 2011, COSCO (Hong Kong) Shipping signed an agreement for building of eight 50,000 ton-class Yangtze River-typed and 65,000 ton-class South China-typed bulk ships with CSSC and COSCO Group, marking the first time for COSCO Group to independently design, develop and build coastal ships in the past 50 years since its establishment. The two ships adopt 12 internationally advanced energy-conservation and environmental-protection technologies, and are most advanced, environment-friendly and energy-conservative ships in domestic market. They represent the development direction of standard coastal ships of China.

(4) Dalian Explorer Liner Project becomes 2011 national key plan for new products.



The Ministry of Science and Technology issued a document to select the Dalian Explorer Liner Project undertaken by COSCO Shipyard Dalian as national key plan for new products. The “national key plan for new products” aims at promoting self-innovation of enterprises and accelerating transformation and industrialization of scientific and technological achievements, and is an important part of national scientific and technological plan system. The national key plan for new products was implemented by Ministry of Science and Technology, Minister of Commerce, Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine. In 2011, the “national key plan for new products” enhanced the supports for self-innovation products under the guidance of national policies to support new products with independent intellectual property right, strong innovation ability, high technical content, international advanced standards and bright industrialization prospect, which may become renowned brands home and abroad and can enhance competitiveness of enterprises.

(5) COSCO Group’s “key design and manufacturing technology for deep-sea, highly-stable cylinder drilling and oil storage platform” wins the National Scientific and Technological Progress Award.



On Feb. 14, 2012, the CPC Central Committee and the State Council held an awarding ceremony for the National Scientific and Technological Progress Award at the Great Hall of the People. Leaders of the party and the government including Hu Jintao, Wen Jiabao, Li Changchun and Li Keqiang attended the ceremony. The “key design and manufacturing technology for deep-sea, highly-stable cylinder drilling and oil storage platform” developed by COSCO Shipyard won the first-class prize of 2011 National Scientific and Technological Progress Award. This was the highest award received by COSCO Group in scientific and technological sector in the past 50 years since its establishment, and also the first time for a domestic ocean engineering equipment manufacturing enterprise to win such award. Design of award-winning project had broken through the traditional ideas. The main body of the ship adopted cylinder design that can resist against strong wind and huge waves, and realized the integration of drilling and oil storage. DP-3 double-redundancy design was adopted to realize self-floating accurate dynamic position and replacement without anchoring system, and the real-time positioning error is cm. The adoption of disc-styled structure and automatic debugging system is applicable for safety operation under various severe environments. In November 2009, COSCO Shipyard successfully applied the technology, and successfully delivered the world’s most advanced and first deep-water cylinder ocean drilling and oil storage platform “Hope No.1”. The company owned many independent intellectual property rights of the platform, and formed unique product line. Its market occupancy rate in international market reached 100%.



5. Product Quality Management

COSCO Group paid close attention to its product and service quality, and tried to ensure that quality of its services and products can meet the quality requirements, such as adaptability, reliability and safety of customers as well as related laws and regulations. In accordance with the requirements of Quality Development Outline (2011-2020) released by the State Council, it tried to improve the quality guarantee system continuously to ensure that its products could meet the quality safety indicators in related laws and regulations. It also improved its quality innovation ability and market competitiveness of self-owned brands, and elevated the energy-conservation and environmental protection performance to satisfy quality requirements of customers.



(1) COSCO Logistics Guangzhou takes “our 100%” as its target.

In order to realize “three satisfactions”, namely satisfaction of grassroots, the public and the customers, the company carried out the activity of “competing for excellence in serving for the people and the customers” with a focus on the target of “being most powerful logistics service provider and best ship agency”. It has tried to improve its working quality and efficiency in a comprehensive manner, effectively promoted the building of talent team, promoted scientific transformation and development of enterprises and set new highs in production and operation performances.

(2) Tanggu Zhongqi Vehicle Inspection Station of COSCO Group Tianjin Logistics Co., Ltd strictly controls quality.

Vehicles in Tanggu all like making inspection at the inspection station. The inspection station has only 17 employees including five female workers as cashier, accountant, toll collector and vehicle information registration personnel. In one month, the station can inspected over 5000 vehicles, In recent years, earnings of the station had increased at an annual average speed of 30%, and received AAA qualification certification and certificates for quality trustworthy units for many times. In the spot inspection and secret inspection of the Ministry of Public Security and Tianjin Bureau of Public Security, the station has no violation behaviors and received high praises from the polices and the customers.

(3) Shanghai China-Japan International Ferry Co., Ltd wins market shares in fierce competition with high-quality and high-efficient cargo and passenger transport services.

Firstly, it determined the operational concept of “carefulness and comprehensiveness”. It required the employees to improve service quality carefully, consider demands of cargo owners, integrated high-quality services into services of every customer, extended the transportation chain and further elevate the service level. Secondly, it started from acceleration of cargo delivery speed, released three “on-time” services, made commitment on “zero regrets” for passenger and cargo transport service. It also accelerated DHS speed, and attracted customers with on-time and high-quality services as well as high added value. It tried to create value for customers while creating high benefits for the company. Thirdly, it seized the market demands based on changes of structure of Sino-Japan trade, broke through the convention of international liner market of using 20-foot or 40-foot standard container, ordered and adopted 10-foot shipping container to satisfy the demands for transportation of cargos with high value



and small size, explored carrying capacity of each cabin and effectively used the cabin resources of ships.

(4) First ship meeting PSPC starts navigation.

On Sept. 17, 2011, Calypso Liner, the 57,000-ton bulk ship built by COSCO Shipyard Dalian for Greek CP Company started navigation. It was the first ship built by COSCO Shipyard in strict compliance with new PSPC standards and obtained PSPC certificate issued by LR, marking that shipbuilding level, in particular coating level of COSCO Shipyard had reached a new level. The release of PSPC Standards by the International Maritime Organization brought great pressure to shipbuilding industry. With the approach of the implementation date of the new standards, namely July 1, 2012, domestic and overseas shipbuilding enterprises all enhanced the researches and tests on new PSPC standards. As the first PSPC standard experimental ship of COSCO Shipyard, building of Calypso Liner is a milestone for COSCO Shipyard. The construction process of entire process satisfied new PSPC standards, and received recognition of ship-owners and ship inspectors. The ship had passed the certification of LR and obtained PSPC certificate.

(5) In 2011, COSCO Star had developed normally in passenger transport business.

After the initial operation stage in 2009 and the market cultivation stage in 2010, COSCO Star gradually entered the market development period in 2011. The ship had improved the living facilities and service level of passengers internally and explored the market shares externally. While improving Xiamen-Keelung and Xiamen-Taichung shipping lines, it continued to enhance Damaiyu-Keelung shipping line, and further elevated the position and role of COSCO Star in cross-strait passenger transport market. In 2011, COSCO Star navigated for 98 schedules, carrying 80,307 passengers. Of which, Damaiyu shipping line, Taichung-Xiamen shipping line and Keelung-Xiamen shipping line carried 32,632 persons, 19,562 persons and 28,113 persons respectively. Passengers of the liner were mainly tourism groups from mainland China and scattered tourists of Taiwan compatriots. Besides promoting the development of tourism route, the company also increased the exchanges with religious, cultural, sports and enterprise groups. It also explored the passenger source of fisher in mainland China, ensuring stable development of passenger sources.

6. Emphasis on Product Safety during Design Process

COSCO Group continues to strengthen its security management in service process to ensure that safety of the group's products is under control.

Since 2011, COSCO Group took three measures for safety management: Firstly, it kicked off the project to establish a safety education & training system; Secondly, it enhanced the construction of seamen team; Thirdly, it promoted the pilot project for safety inspection system of ships. These three measures aim at focusing on key sectors of safety management work, namely employee quality elevation and process management, through management innovation. The COSCO Group's working conference on ship safety inspection in Shanghai was a good example and verification for whole-process monitoring and control of safety work of ships. Promotion of the ship safety inspection system in the shipping units of entire system marks a new breakthrough made by COSCO Group in safety management innovation.

(1) COSCO Shipyard's —One-eye" Project.

The —One-eye" Project is based on characteristics of the enterprise and practical situations of the employees, and makes article's conditions and staff's behaviors to be clear at one glance through



advanced management methods and tools, such as “virtualization management”, “customized management”, “6S management”, “TnPM management”, “lean management” and “zero-defect”, so as to realize the virtualization of working site, scientific piling of articles, standardization of staff’s behaviors, beautification of environment and continuity of production management. In order to implement the standards of “One-eye” Project of COSCO Shipyard and fulfill the requirements put forward at the 5th meeting of the committee, the leading group and the working group, better promote the project with digitalized measures, and elevate the safety management level of the enterprise, it was specified that digitalization work was divided into eight sub-items of five categories. These five categories are safety management digitalization, human resources digitalization, material management digitalization, equipment management digitalization and production management digitalization. The eight sub-systems are human orientation, safety information platform, monitoring of gas in closed cabin, warehouse management, real-time monitoring of large lifting equipment, tray management, working time management and virtualization system for shipbuilding.

(2) COSCO (Hong Kong) Shipping carries out the safety production year activity, and enhances safety production work with COSCO Angang Liner as the typical example.

Efforts had been made to improve safety consciousness, enhance training and improve safety navigation skills of drivers. Full preparation had been made to ensure success of anti-typhoon work. Cautious prevention measures had been taken to ensure anti-pirate work. Operation had been conducted in accordance with regulations to enhance port-entry and exit work of ships and fuel filling work. Significant achievements had been made in enhancing reparation, maintenance, energy-conservation and emission reduction.

(3) COSCO Qingdao enhances risk consciousness of ship- and shore-based units, firmly builds up defense line for ship safety, and carries out ship safety risk identification and control work.

The company paid close attention to safety risk identification and control of ships, organized experts and ship- and shore-based employees to clear and summarize danger sources of ships and important environmental favors and formulated concrete controlling measures for every safety risk. These efforts improved the risk consciousness of ship- and shore-based employees, enabled the safety management pass to move ahead, and consolidated the safety defense line. The company had summarized 532 items of danger sources of ships and environmental favors in over 30 categories such as ship berthing, ship navigation, high-altitude operation, electric welding operation, boiler operation and life boat operation, covering entire process of ship safety management. The company also adopted a series of evaluation methods such as experience judgment, LED quantization and multi-factor evaluation to judge the risk value of every danger source and environmental factor, and selected 55 important sources of dangers and 28 important environmental factors, which are taken as focuses of seamen in the work.

(4) COSCO Pacific establishes safety supervision working team.

The safety supervision working team conducted annual safety inspection at four controlling terminals, namely Quanzhou Pacific, Jinjiang Pacific, Zhangjiagang Yongjia and Yangzhou Yuanyang. Besides summarizing the highlights and experiences of safety work of terminal enterprises, it also put forward effective rectification measures on issues exist, promoting the transformation of safety management work from static management to dynamic inspection. During the inspection, the controlling terminal enterprises all formulated annual plans for safety work. All levels of responsible persons signed the letter of responsibility for safety product, implemented



award and punishment system strictly to summarize and award advanced characters and typical cases, and formed favorable safety production atmosphere. Related units have formed long-term mechanism for three-layered safety education and training. The education and training rate of new employees and personnel waiting for posts or returning to posts and the on-certificate working ratio of special operators all reached 100%. So far, no safety accidents had occurred to controlling terminal companies.

7. Emphasis on Low-carbon and Environmental Protection in R&D and Production Management

All subsidiaries of COSCO Group put an emphasis on low carbon and environmental protection in its R&D and production management process, so as to realize economic, social and environmental protection benefits.

(1) COSCO Qingdao adopts “economical navigation speed” to reduce fuel consumption and achieves significant results in energy conservation and emission reduction.

Since 2011, COSCO Group implemented “cost leadership” strategies in face of depressing shipping market. Based on full researches on development trends of shipping market, it fully considered the time charter level and fuel costs of the market in a comprehensive manner, required ships to adopt economical navigation speed and save fuel costs. In the whole year, COSCO Qingdao implemented economical navigation speed for 52 ships, saving over USD4.63 million fuel costs after deducting losses of ship schedules and costs increased correspondingly.

(2) Shanghai Pan-Asia Shipping Co., Ltd organizes interactive activity among ship and shore-based employees to reduce fuel consumption.

Shanghai Pan-Asia Shipping Co., Ltd realized that energy-conservation work is an all-staff task and needs participation of all employees. Everyone from leaders to employees should pay attention to the work and take actions in practice, so as to achieve substantial results in energy conservation and emission reduction of ships. Therefore, the company started from promotion and education, made ceaseless efforts to enhance the sense of responsibilities as owner of the enterprise, integrated the concept of “saving energies and starting from myself” to consciousness of every employee, and enabled every employee and post to feel the pressure of fuel cost and take actions to cope with the issue. After unifying the ideologies, all employees of the company took concerted actions, formed a complete control chain, established linkage mechanism between different departments and ship- and shore-based units, so as to ensure that energy conservation work of the ships could make new breakthrough.

(3) COSCO Shipyard Nantong successfully designs and builds up world’s most advanced self-elevating offshore wind mill installation ship —MPI Adventure”.

On Jan. 19, 2011, the world’s most advanced self-elevating offshore wind mill installation ship developed and built by COSCO Shipyard Nantong for Netherlands-based VROON Company was officially named MPI Adventure. The ship ranked the first place in the world for many sectors such as water displacement, navigation speed, lifting ability, effective load, single-time navigation ability and deepwater operation, and is the most advanced and highly-automatic special ship for ocean engineering that integrates the functions of transportation, lifting and installation of parts and components of wind mills. COSCO Shipyard owns the intellectual property for production and design of the ships, and is the first company that owns intellectual property rights for an ocean engineering project from design to construction. The ship fills the blankness for design and construction of second generation advanced offshore wind mill installation ship in domestic market, actively promotes the development of world’s clean energy industry, consolidates COSCO Shipyard’s leading position in design and construction of ocean engineering equipment sector. In the meantime, the wind mill installation ship, as a product in low-carbon



sector, enabled COSCO Shipyard to enter a new stage for green development.

(V) CUSTOMER INFORMATION PROTECTION AND RESPECTING CUSTOMERS' PRIVACY

COSCO Group established necessary system and mechanism to prevent against infringement and disclosure of privacy of customers and its employees. It also implemented the ISO17799 information security management system standards, formulated information security management procedures and set up the Secrets Committee of COSCO Group 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. The company deems that it is necessary to respect privacy of the employees, and insists on not disclosing personal information of the employees such as wages and salaries, performance evaluation and physical examination. By signing confidential agreements with customers, subsidiaries of the group promise 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. For instance, the company uses information provided by the customers to exchange with them, solve their issues or provide related information services for them. 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.

At the 2011 National Working Conference on Safety of Large-sized Traffic and Transportation Enterprises, the China-Japan International Ferry Co., Ltd of COSCON was appraised as "Safe and Honest Company" by the Maritime Bureau of the Ministry of Transport. Yu Guohua, Captain of Xinjianzhen Liner, was appraised as "Safe and Honest Captain" in 2011. Before that, Xinjianzhaen Liner was also appraised as "Safe and Honest Ship". Such honors were unique in entire Sino-Japan passenger transport industry, and reflected the outcomes of the company's efforts to insist on "safe, on-time, high-quality and high-efficient" operation and service concepts.

In 2011, COSCO Group received no complaints for violating piracy of consumers

(VI) 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. The group established law information platform to track related laws and regulations in a dynamic manner and analyze the applicability, and helped customers to know requirements of related laws and regulations on implementation of related products and services. Subsidiaries of the group set up legal affair management department and system regulatory department to evaluate the law-compliance of products and services and specify related requirements in laws, regulations and industrial specifications to be followed by related products and services. They also implement compulsory rules and regulations strictly, inspected insufficiencies, and took improvement measures to ensure law-compliant of its production and operation, product and service realization process as well as marketing and promotional activities. All listed companies invite external legal firms to evaluate compliance and legality of their production and operation activities in accordance with arrangement of the board of directors, and invite renowned audit companies to conduct audits on the company. They clearly specify requirements of laws, regulations and industrial specifications on production, operation, products and services of the company, submit the compliance and legality situations of the company based on standard evaluation system for review by the Board of Directions, and make improvements on any insufficiencies.



In order to ensure law-compliance of its products and services, COSCO Group establishes legal information system and builds up personnel and resource-sharing platform and business exchange platform in addition to the general counsel office. It also makes use of information network to better integrate and utilize resources of legal system, save costs of legal work, and avoid legal risks in product and service cycle of the company.

In 2011, COSCO Group received no fines due to violation of related laws and regulations in terms of product and service liability.

(VII) SUSTAINABLE CONSUMPTION

Sustainable consumption of COSCO Group means that consumption speed of products and resources complies with sustainable development requirements. In order to realize sustainable development, COSCO Group has exerted great efforts to reduce unsustainable production and consumption mode.

Sustainable consumption of COSCO Group includes sustainable internal consumption and sustainable consumption of external products. The sustainable internal consumption refers to procurement of sustainable resources, build and re-construct ships in accordance with energy-efficiency standards and cope with high fuel prices and low-carbon performance. Sustainable consumption of external products refers to sustainability in providing products and investment, including development of innovative business mode, encouragement of long-term investment and consideration of social and environmental responsibilities. By establishing the concept of sustainable consumption within COSCO Group, the group can drive related production and supplying enterprises of parts and components to implement the sustainable development requirements, reduce environmental influences in production process, lower resource consumption and promote sustainable development of the economy and the society.

(VIII) ACCESS OF BASIC SERVICES

COSCO Group has been dedicated to satisfying basic demands of customers and providing services covering entire value chain of shipping industry, such as container shipping, dry and bulk shipping, logistics, terminal and container leasing services. The group has successfully passed the certification of quality, environment and occupational health and safety management system.

1. E-Commerce System of COSCON

e-Commerce system of COSCON is an information system with special characteristics of COSCON that covers main businesses comprehensive, and involves many layers such as operation, management and decision-making. So far, the number of registered users of the system had exceeded 15,000 persons, and the annual visit volume had exceeded 5.5 million times. Besides introducing the situation of the company and releasing important information, the system can provide all-directional online services covering all sectors of container shipping business for customers, such as ship code inquiry, ship schedule inquiry, freight inquiry, cargo tracing, online cabin-booking, electronic container stuffing, online entrustment, remote billing and printing, customs reply information inquiry, customized tables and email notice.

After ceaseless efforts, the e-commerce platform of COSCON had been accepted by more and more customers, and been recognized by companies of the same industry. In 2011, COSCON ranked among top 5 carriers for application of e-commerce at the 11th Trans-Pacific Maritime Conference. COSCON also surpassed Maersk, leader of the industry, and ranked the second place. Maersk ranked the third place.



2. FOCUS System of COSCO Logistics

The system unifies and standardizes the cargo transport business process of entire system, and greatly elevates concentrated management of cargos and customer service. FOCUS System was put into operation in Shanghai on November 2006. The cabin-booking business was promoted in Shanghai since 2008. On Oct. 11, 2011, COSCO Logistics and CIECC signed a strategic partnership agreement, marking the breakthrough of FOCUS system. It is the first comprehensive service platform co-developed by a Chinese cargo agency enterprises with national governmental system.

Awards for FOCUS system	Comments
Excellent Case for Logistics and Procurement Informationization Application Conference	The system ranked the first place among key cases promoted at the event. Participants believed that integrated services of FOCUS brings a series of integrated requirements in terms of organization, process design, management system and information system, and brought the enlightening that “the informationization concentrated degree should be higher than management concentrated degree”.
Second-class Prize for Scientific and Technological Progress Award of China Federation of Logistics & Purchasing	The Scientific and Technology Progress Award of the China Federation of Logistics & Purchasing includes Technological Progress Award and the Technological Invention Award, and is the highest technological award in Chinese logistics and procurement as well as production material circulation sectors.

(IX) Education and Awareness

COSCO Group’s initiative for customer education and awareness enables customers to gain sufficient information, realize their rights and responsibilities, bring into fully play their active role, make more rational decisions and conduct more responsible consumption activities. Customer education not only aims at promoting knowledge, but



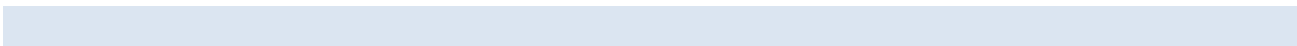
also can elevate customers' ability and enable them to carry out activities in accordance with the knowledge they gained, including elevating their skills to evaluate their products and services. In the meantime, customer education aims at enable customers to better understanding the influences of their own consumption choices on others and sustainability.

1. COSCO Group was awarded the honorable title of “Lighthouse Customer in SAP Industry” for its active efforts to communicate and exchange with customers.

On April 18, 2011, Sun Yueying, Chief Financial Official of COSCO Group, met with Xiao Jieyun, President of SAP China, and her associates at Ocean Plaza, Beijing. Both sides reviewed the cooperation in recent years. President Xiao Jieyun awarded the honorable title “Lighthouse Customer in SAP Industry” to COSCO Group on behalf of SAP. The SAP Lighthouse Customer is a win-win customer certification program promoted by SAP worldwide. All certified companies of the program are globally leading customers. Currently, SAP's lighthouse customers in China include Sinopec, Haier, Lenovo and FAW.

2. COSCO Group forecasted on market trends to promote active communications with customers

The 2011 Annual Conference of the Bulk Cargo Transportation Committee of China Shipowners Association and the Seminar on Dry and Bulk Cargo Operation were held at Astor Hotel Tianjin smoothly. Over 50 persons including Weng Yi, Assistant to the Head of Water Transportation Division of the Ministry of Transport, Zhang Shouguo, Standing Vice President of the China Shipowners Association, as well as representatives from 30 member units and non-member dry and bulk cargo shipping companies attended the event. At the event, development trends of domestic coastal shipping market and international dry and bulk shipping market were analyzed, and topics such as how to take effective measures to cope with severe situation at present and promote balance of supplies and demands, and how to transform operation mode and improve existence ability of enterprises were discussed and exchanged. The seminar provides a good platform for industry insiders to analyze and exchange opinions on the current situation and cope with market changes. It is hoped that efforts should be made to control carrying capacity input effectively based on wide cooperation and exchange. Moreover, efforts should be made to analyze the abnormal factors in the market, request for understanding, attention and supports of superior authorities and do a better job in standard management of the market.





劳动关系绩效指标和主题报告

LABOR RELATION PERFORMANCE
INDICATOR AND THEME REPORT





PART IV LABOR RELATION PERFORMANCE AND KEYNOTE REPORT

I. MANAGEMENT APPROACHES

(I) OBJECTIVES AND PERFORMANCE

With the target of ensuring occupational health and safety of employees, and creating harmonious labor relations, COSCO Group insists on the scientific outlook of development in an in-depth manner and people-orientation, 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. The group actively promotes the diversified management to actively absorb, integrate, encourage and use excellent talents worldwide. It actively promotes its globalized operation and management to propel the overall development of human resources, deepens employee quality project, establishes diversified talent competition mechanism and builds up a platform for employees to showcase their talents and abilities. It exerts great efforts to implement the strategy of “empowering enterprise with talents” to realized the harmonization and unification of employee growth and enterprise development.

▲ 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

COSCO Group has improved the systems such as the Human Resources Management Procedures, the Safety Risk Management Procedures, the Employees’ Manual, the Management Methods of Seafarers On-board and the Management Methods of Seafarers at Bases in accordance with requirements of relevant international and national laws, regulations, conventions and decrees. These systems stipulate the policies regarding staff recruitment, management and employment, occupational health, labor safety and welfares, and provide policy foundation and system guarantees for construction of “harmonious COSCO”. Trade union of the group has improved its Articles of Associations, performed its obligations for collective bargaining and democratic negotiation, and communicated and exchanged with management team of the company on behalf of the employees. Organizations such as the female workers’ committee were established to protect legal rights and interests of female workers and ensure their physical and psychological health. The 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, voluntariness and creativity. The COSCO Group Seafarer Information System (CSIS) was established to standardize the recruitment, employment, evaluation, training and management of seafarers, making sure that it has a seafarers’ team with sufficient members, reasonable structure and excellent quality. The group also established and implemented the occupational health & safety management system based



on OHSAS18000 occupational health & safety management standards and ISM regulations, formulated procedures, notices and operational regulations for occupational health & safety management, and enhanced the management of working safety and occupational health.

In a bid to protect legal rights and interests of the seafarers, create harmonious labor relations, and enable seafarers to work and life decently, shipping units of COSCO Group actively performed the responsibilities and obligations of labor conventions released by the International Labor Organization (ILO), and signed labor contracts with seafarers to confirm the labor relations under the principle of lawfulness, fairness, equality, free will, negotiation for agreement and good faith and in pursuant with requirements of the Collective Agreements of Chinese Crew. It also established and implemented guarantee system for payment of salaries, paid social insurance fees on-time and in full amount, and ensured that the seafarers could enjoy the salaries no lower than local minimum wage when leaving the ship and waiting for dispatch. By implementing the requirements regarding health protection, safety and accident prevention, the group ensured that seafarers could receive prompt and proper ship- and shore-based medical services when working on-board, and ensured that working environment of the ships is favorable for occupational safety and health of seafarers.

(III) ORGANIZATION AND RESPONSIBILITIES

COSCO Group and its subsidiaries set up functional departments such as human resources department, labor union, safety management committee and safety supervision department. The human resources department is responsible for personnel recruitment, daily evaluation, training and education, promotion as well as salaries and welfares. The safety management committee is responsible for coordination and signature of collective contracts and protection of rights and interests of employees, including supervising the company to perform articles of the contract, and protecting legal rights and interest of female workers and other employees. The safety supervision department is responsible for comprehensive safety management work, including the management of production locations, production processes as well as safety and occupational health of production personnel.

(IV) TRAINING AND COMMUNICATIONS

COSCO Group, based on its strategic development planning and annual targets, formulated annual training plans, and organized training and education 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. 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 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 personnel at all levels. COSCO Group and its subsidiaries 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. The group’s subsidiaries 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 (H.K.) Shipping	★	★	★	★	★	★
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.	★		★	★	--	--
COSCO Pacific						

Symbol: ★ Completed; -- Not applicable ▲ Consigned vessel management companies or affiliated companies

(VII) STAKEHOLDERS AND RISK EVALUATION

Sticking to the strategies of “people-orientation and strengthening the enterprise by talents”, COSCO Group attached great importance to influences of the staff on its development, emphasized that the staff is an important part of interest of the enterprise, and regarded all its staff as one of the important stakeholders. It undertook the legal liabilities to the staff actively, created working environment and conditions suitable for work, paid close attention to interest of the staff, and ensured rights and interests of the staff, such as rest, labor safety and healthy guarantee, social guarantee, and salaries and treatment. The group established a multi-layered and multi-formed dialogue mechanism with its staff, which avoids conflicts of labor relations through effective communications, bargaining and negotiations and realizes joint and harmonious development of the enterprise and the staff.

COSCO Group identified and determined risks and influential degree of the staff on sustainability and applied risk evaluation method to determine that health and safety risks of the staff is critical risk. With enhancement of safety production as its main responsibility, protection of important and critical accidents and control of common and small accidents as the target, and the navigation safety, anti-pirate and prevention of work-related injuries as the focuses, the group enhanced supervision and management of safety product, and formulated and adopted effective preventative and protective measures to ensure life and health safety of the staff.

II. PERFORMANCE INDICATORS

(I) STAFF EMPLOYMENT

COSCO Group promotes diversification of staff 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 arisen its staffs the sense of belonging, thus achieving common growth of the company and the staff.

1. Personnel Structure

Indicator/year	2006	2007	2008	2009	2010	2011
Total number of staff	69,549	69,285	67,643	71,584	71,105	72,897
Number of female employees	—	11,393	10,528	11,836	12,131	13,235
Number of land-based staff in China	38,435	39,959	38,757	44,036	44,642	47,069
Number of staff working abroad	384	383	393	407	405	418
Number of foreign staff	4,048	3,752	4,188	4,207	4,023	4,173
Proportion of foreign staff	5.82%	5.42%	6.19%	5.88%	5.66%	5.72%
Number of land-based foreign female staff	1,606	1,590	1,713	1,658	1,686	1,736
Proportion of land-based foreign female staff	39.67%	42.4%	40.9%	39.41%	41.91%	41.60%
All-staff labor productivity (RMB)	392,000	684,764	665,836	152,579	395,500	153,374

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 2011, no staff had resigned from the company and the employee turnover rate was 0%.

3. Insurance and Welfares for the Staff

COSCO Group establishes various social insurances including pension, medical care, work-related injury safety, maternity and unemployment insurances, as well as housing accumulation fund for all staff, with insurance participation rate reached 100%. 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. It formulated the Interim Management Methods of Enterprise Annuity in accordance with related national rules and regulations, and promoted the annuity work within the group.

4. Vacation System

COSCO Group establishes the systems of paid vacation, maternity leave, paternity leave and recuperation. All levels of trade union organize recuperation activities for the staff by batches to enhance physical quality of the staff, alleviate their working pressure and enhance cohesion of the enterprise.

Table of vacations offered by 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

Labor unions 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.

5. Selection and Appointment of Cadres

COSCO Group has established selection, appoint and management principles and procedures of cadres 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	2011
Self-owned seafarers	26,682	25,191	24,305	22,943	22,035	21,237
Cooperative seafarers	8,875	9,435	10,924	12,408	12,288	12,183

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. Shipping companies of the group actively promoted informationization construction in management of seafarers. The successful implementation of CSIS and its promotion at COSCO Bulk and COSCO Qingdao further enhanced the information-sharing in seafarers' management, improved the technological content of seafarers' management and improved the working efficiency and effects.

COSCO Bulk has insisted on the strategy of "strengthening the enterprise by talents" and the target of building up a seafarers' team with "sufficient members, reasonable structures, high quality and top-tier services", enhanced its source management ability and tried to create the "grand training" structure. The group practiced the people-oriented concept, satisfied seafarers' demands for safety, interests and development and injected perpetual impetus for sustainable development of the company by elevating overall quality of seafarers' team. It established five models, namely seafarer resource analysis, seafarer career design, seafarer post risk control, all-directional training and customer relation management, and integrated these models with information measures to improve the seafarer's management level. In accordance with the requirements in the Guiding Opinions on Deepening the Activity of "Competing for Excellence", the group carefully acted in and implemented the star-rating management of ships, the seafarer evaluation system and AAA evaluation rules, exerted great efforts to create the cultural atmosphere of "studying, competing and surpassing" and fully mobilized the activeness and enthusiasm of seafarers. After many years of practices and efforts, a large batch of advanced collectives and individuals such as Xinshenghai Liner had appeared. In the meantime, it has insisted on the principle of "sharing, co-development and mutual benefits" build up a platform favorable growth of talents and to satisfy seafarers' development demands. By enhancing safety management functionality, it satisfied seafarers' demands for safety. By constructing star-rated ships and evaluating grades of seafarers, it satisfied seafarers' demands for value-increase of individuals and the company. By bringing into full play the on-site management function of ship leaders, it brought cares and requirements of the company to ships, extended the services to ships, and promoted "decent and pleasant working" of seafarers.

7. Management of Migrant Workers

Number of Contracted Migrant Workers Used by COSCO Group

Indicator/Year	2006	2007	2008	2009	2010	2011
Number of migrant workers	—	—	—	44,697	42,514	34,937

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.

With respect to management of migrant works, COSCO Group has paid attention to human-orientation concept, and has taken active and effective measures to standardize management of migrant works and enhance construction of migrant workers' team, thus to improve its core competitiveness and promote the stability and harmony of migrant workers' team. COSCO Group has focused on system and mechanism building to ensure legal rights and interests of migrant workers, and established enterprise management participation migrant to ensure democratic rights of migrant works. It also established democratic supervision mechanism among migrant works to supervise and evaluate management of construction projects and enable the migrant works to enjoy the evaluation and supervision rights granted by the laws. The group carefully implemented the migrant workers' meeting system, extended the "openness system" to hot issues and difficulties related to rights and interest of migrant works and development of the enterprise, and enhanced the role of "opening system" in elevating corporate management, improving economic benefits and promoting democratic and political construction of the grassroots. The group established safety management mechanism, insisted on people-orientation and humanistic cares, enhanced the safety management of migrant workers from maintenance, education, management and system-building to protect life safety of migrant workers. It established the life-related service mechanism to ensure basic life of migrant workers. Upholding the spirits of "being COSCO members when joining COSCO Group" and "taking migrant workers as sisters and brothers", the group kicked off many projects regarding life of migrant workers, constructed 13 apartments for migrant workers, and solved the living, waiting, eating and traffic issues of over 40,000 migrant workers. It also constructed 11 libraries, three staff activity centers and over 100 cultural and sports venues to enrich cultural and entertainment life of migrant workers.

Nantong COSCO Kawasaki Ship Engineering Co., Ltd (NACKS) insisted on the principle of "serving for overall situation with a focus on central task", took the creation of harmonious labor relations as an important political task related to corporate development, took the scientific and harmonious development as main theme of its development, and took establishment and maintenance of harmonious labor relation as a cornerstone for its healthy development. The company fully mobilized the activeness of the enterprise and the staff, gave more cares to migrant workers in production line who account for a majority of migrant workers at the company, and cultivated a batch of models such as Top 10 Migrant Workers in Nantong, Top 100 Excellent Migrant Workers in Jiangsu and Jiangsu Provincial Labor Models. In 2011, six units including the Department of Human Resources and Social Security of Jiangsu Province and the Jiangsu Provincial Federation of Trade Unions jointly announced the decision to award the honorable title of "Model Enterprise for Establishing Harmonious Labor Relations" to NACKS.

(II) EMPLOYMENT AND LABOR RATIIONS

1. Working mechanism of the trade union

All levels of trade unions under COSCO Group performed their obligations of protecting legal rights and interests of the staff in accordance with laws by focusing on the strategic objectives and central tasks for reform and development of the enterprise, coordinated the labor relations, fully mobilized the activeness and creativity of the staff, and promoted development of a harmonious and healthy enterprise. With organizational building as the basis and the system building as the center, the trade unions have enhanced its own construction, elevated its cohesion

and influences, and tried to construct themselves into trustful staff's homes with comprehensive organizational structure, effective right protection mechanism, active working mechanism and significant functions.

Indicator/year	2006	2007	2008	2009	2010	2011
Proportion of staff joining the labor unions (%)	98	98	99.58	99.72	99.84	99.73
Number of second-tier labor unions under the labor union of COSCO	16	16	16	15	15	16
Coverage rate of collective contracts (%)	100	100	100	100	100	100
Coverage rate of labor contracts (%)	100	100	100	100	100	100
Number of labor protection supervisors and inspectors (persons)	1,515	1,267	1,356	2,037	1251	1401
Number of information personnel of labor unions (persons)	933	635	465	826	333	689
Number of information released by information personnel of labor unions*	3,787 pieces	3,073 pieces	782 sessions	1,480 sessions	2,693 sessions	1,453 sessions
Time limit for pre-announcement of key events*	14-30 days	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	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. In 2011, the trade union of China Ocean Shipping Tally Company was listed as second-tier trade union of the group for management. As a result, the number of second-tier trade unions of COSCO Group was increased to 16.

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.

On Feb. 14, 2011, the Collective Contract on Salary of COSCO Dalian was signed officially and became effective after being approved by and filed at the Department of Human Resources and Social Security of Dalian. The Dalian Sub-committee of Ocean Shipping Companies of the National Committee of the Chinese Seamen & Construction Workers’ Union, on behalf of staff of the company, signed the collective contract with COSCO Dalian. With a valid period of three years from Feb. 14, 2011 to Feb. 14, 2014, the contract aims at establishing and developing harmonious labor relations and protecting legal rights and interests of the staff and the company.

On Feb. 27, 2010, South China Division of COSCON signed new collective contract. General manager and chairman of trade union of the company signed the new contract on behalf of the enterprise and the staff respectively. In order to promote the signing of collective contract, the trade union of South China Division established a coordination team for negotiation on collective contact, and promoted the work in three stages, namely preparation, bargaining and negotiation and signing of contract. The trade union collected opinions from representatives of the staff for many times, selected representatives for equal negotiation of both sides, and organized the negotiation fair on renewable of collective contract which was participated by representatives of the enterprise. At the negotiation fair, both sides exchanged opinions on terms of the contract and suggestions of the staff’s representatives and reached common consensus. (Signing ceremony for new collective contract of COSCON South China Division.)



3. Communication Mechanism between Staff and the Management Team

In accordance with laws, COSCO Group labor unions at all levels organized employees to participate in the democratic decision-making, democratic management and democratic supervision through the Worker’s Congress and in other forms. They paid 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.



On Jan. 20 to Jan. 22, 2011, the 30th Meeting of Workers’ Congress and 7th Meeting of Representatives of Trade Union were held.

4. Deepening “Openness System” and Establishing Prior Notification System of Key Events



COSCO Group continuously innovated on forms of openness of factory affairs in accordance with requirements of the country, and developed a number of forms such as openness of company affairs, online columns for openness of factory affairs, dialogue mechanism between leaders and the staff, workers' meetings, and theme briefing conferences. The mechanism for openness of company affairs continued to improve, and the work was regularized and standardized. A prior-notification system for major events was established to report major events in advance, and the prior-notification rate of major events reached 100%. The system 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.

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, work meeting, e-mail and other communications channels. Feedbacks were given to individuals when their proposals were adopted, and individuals offering excellent suggestions were awarded.

Collection and adoption of reasonable suggestions		
Year	Number of suggestions collected	Number of suggestions adopted
2007	3,263	1,762
2008	2,334	876
2009	6,819	2,745
2010	2,895	1,423
2011	3,483	1,139

In May 2011, COSCO Group carried out a special activity to collect for reasonable suggestions on safety and benefit-creation among all ship- and shore-based employees. During the activity, opinions on key tasks such as how to seize the opportunities in market adjustment, create benefits, broaden the source of income and save expenditures, safety management, energy conservation and emission reduction, and lean management were collected among the employees, with a focus on the central task of benefit-creation and the practical situation of reform and development. Moreover, a special column for reasonable suggestions was created in the internet to solicit opinions and suggestions, creating the favorable atmosphere in which all staff take part in the activity actively and offer their advices and suggestions.

COSCO Qingdao carried out a company-wide activity to solicit reasonable suggestions on enhancement of operation and management, reduction of costs, safety production, elevation of comprehensive management ability and realization of economic benefits, and to discuss and solve outstanding issues that may affect and constrain development of the company, thus to fulfill the goal of "enhancing management, reduction costs and increasing benefits".

In September 2011, CHIMBUSCO Qingdao carried out an activity of "offering suggestions to the company", in which, staff of the company offer advices and suggestions on how to improve production and operation, enhance



safety product, deepen the cost reduction and benefit creation, and elevate post efficiency based on practical situations of their work. During the one-month activity, more than 100 pieces of reasonable suggestions were collected, receiving great supports of the staff.

6. Staff 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 a staff satisfaction survey among employees at COSCO Group headquarters. The employee satisfaction survey took the form of secret questionnaire, and was conducted on six aspects, namely basic working conditions, working post, work development, salaries and welfares, staff training and corporate concept.

Staff satisfaction survey conducted by COSCO Group headquarters	
Year	Staff satisfaction (%)
2009	93.08%
2010	92.55%
2011	93.43%

The employee satisfaction survey of COSCO Group's subsidiaries often adopts first party survey in following forms: firstly, the group organizes the evaluation on its top management at the democratic meeting of top executives; secondly, representatives of the employee are organized to conduct democratic evaluation on top management of the enterprise during the meeting of employee representatives; thirdly, functional departments organize surveys in form of questionnaire.

7. Prior Notification System before Cadre Appointment

COSCO Group put into practice the prior notification system before cadre appointment. Prior notification is made for appointment of staff 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 2011, COSCO Group should make prior notification on appointment of 26 cadres. The actual number of cadres subject to prior notification was 26 and the prior-notification rate reached 100%.

(III) SAFETY AND OCCUPATIONAL HEALTH

1. Safety Production and Occupational Health Management Mechanism



COSCO Group and its subsidiaries implemented responsibility system for safety production. All subsidiaries and ships have set up the safety production committee, and the Safety Production Office was set up under the Safety Production Committee of the company. Main tasks and responsibilities of the safety production committees are to implement the national laws and regulations on production safety, research on major measures for safety production work, coordinate and solve major issues in safety production, guide safety production work and offer instructive suggestions on the universal and tendentious issues that occurred in safety production.

Under the leadership of the safety production committee, the safety production office is 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 production 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 conventions, national legislation and industry requirements. Safety Production Office worked under the leadership of Safety Production Commission.

COSCO Group has set up its ship safety supervision mechanism at domestic 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.

Chairmen and vice chairmen of the trade unions of COSCO Group and its subsidiaries are main members of the safety production committees. Persons in charge of labor safety protection and supervision at all levels of trade unions are members of the safety production offices.

In order to protect life and property safety of the staff and others, COSCO Group formulated the Management Rules of Traffic and Vehicle Safety, improved the responsibility system for management of traffic and vehicle safety, ensured drivers with long-distance transportation tasks to have sufficient rest, required drivers who drove the vehicles for four hours successively to have at least 20 minutes of rest, arranged two drivers to implement the transportation task with the single travelling distance of more than 600 kilometers and ensured driving safety of drivers.

2. Planning and Deployment of Safety and Occupational Health Work

COSCO Group has attached great importance to safety and occupational health work. On Jan. 5, 2011, work



meeting on safety production of the entire 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 2011 COSCO Group's Work Conference on Safety Production, 2011 COSCO Group Guidance on Safety Production Work was formulated and issued, and all subsidiaries were required to implement the Guidance.

▲ 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.

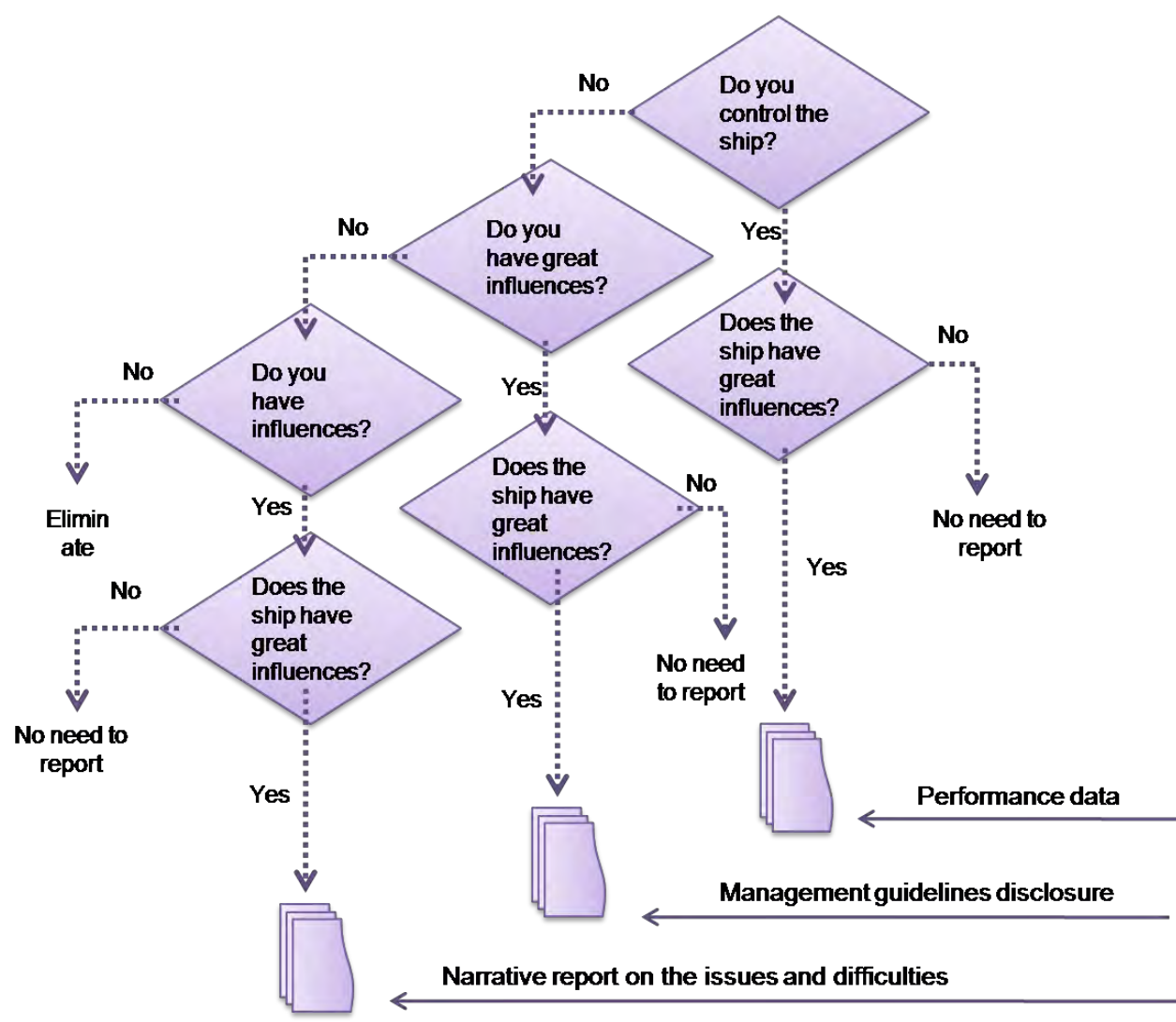
▲ Safety and Occupational Health Strategy

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 2011, COSCO Group actively implemented and acted in the scientific outlook of development, innovated on ideas of safety work and improved safety management methods focusing on the overall target of safety production. By sticking to the safety concepts of "human-orientation, life is top priority; safety first, scientific management; beforehand prevention and focus on implementation", it established and improved safety education and training system and carried pilot project on ship dynamic safety inspection system. With these efforts, it effectively promoted the building of safety culture and long-term mechanism, achieved satisfactory results in safety production and occupational health and safety work, and kept the stability of safety situations.

1) Determining methods of reporting scope



2) Statistics and report of all types of accidents:

In 2011, 53 work-related injury cases were taken place in COSCO Group, resulting in slight injuries of 52 persons and death of two persons. The overall situation was better than that in 2010.

Statistical Table of Labor Safety Accidents of COSCO Group						
Items/Year	2006	2007	2008	2009	2010	2011
Number of human injuries	73	120	60	91	96	53
Work-related death toll	1	5	0	3	0	2
Death rate for safety accidents per 1,000 persons	0.014	0.038	0	0.04	0	0.029
Number of persons with work-related injuries	66	100	60	92	96	52

Loss of working time	3,379	4,470	3,049	22,433	21,683	18,269
Lost Time Injury ‰	0.19	0.26	0.15	1.51	1.49	1.23
Loss of working time caused by accidents	12,064	35,757	24,392	179,464	173,464	146,152

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 2011, altogether 7 marine accidents occurred, including zero common accidents, six minor accidents and one fatal accident.

Year 2007

Serial No.	Ship name	Company	Year	Month	Day	Location	Nature	Grade
1	Huailaihe	COSCON	2007	9	25	Port	Collision	Serious
2	Yuanji	Dalian Longpeng	2007	1	3	Gas station terminal in east Guangdong	Collision	Minor
3	Feiyue	COSCO (H.K.) Shipping	2007	1	31	Huangpu River	Collision	Minor
4	Tiandufeng	COSCO Dalian	2007	6	9	Xiamen	Collision	Minor
5	Hengshanghai	COSCO Bulk	2007	7	19	La Plata River	Collision	Minor
6	Dongtinghu	COSCO Dalian	2007	8	12	Anchoring place	Stranding	Minor
7	Tonghai	COSCO Shenzhen	2007	9	20	Shanghai	Collision	Minor
8	Hutuohe	COSCON	2007	9	24	Port	Contact damage	Minor
9	Zhuzi	COSCON	2007	3	31	East Sea	Collision	Common
10	Jialihai	COSCO Bulk	2007	5	21	Taiwan	Stranding	Common
11	Qiyunhe	COSCON	2007	10	7	Anchoring place	Collision	Common
12	Pengyan	COSCO Shenzhen	2007	3	17	Zhoushan sea area	Collision	Fatal

Year 2008

Serial No.	Ship name	Company	Year	Month	Day	Location	Nature	Grade
1	Junhe	COSCON	2008	2	23	Shekou	Contact damage	Common
2	COSCO America	COSCON	2008	3	17	Ningbo	Collision	Minor
3	Hanhe	COSCON	2008	4	10	Shekou	Contact damage	Minor
4	Fuyuankou	COSCO Guangzhou	2008	4	9	Dongguan	Collision	Minor
5	Fengguanghai	COSCO Bulk	2008	7	11	Qiongzhou Strait	Stranding	Minor
6	Qiuhe	COSCON	2008	9	4	Shantou	Contact damage	Minor

Year 2009

Serial No.	Ship name	Company	Year	Month	Day	Location	Nature	Grade
1	Fuxinshan	COSCO Guangzhou	2009	2	22	Entrance of Yangtze River	Collision	Common
2	COSCO HK	COSCON	2009	3	20	Ocean	Stranding	Common
3	Fucheng	COSCO (H.K.) Shipping	2009	7	31	Norway	Stranding	Fatal
4	Zhonghe	COSCON	2009	10	20	Nansha	Collision	Common
5	Fukangkou	COSCO Guangzhou	2009	12	1	Guangzhou	Collision	Minor
6	Yajiang	COSCO Guangzhou	2009	12	16	Water course of Yangtze River	Contact damage	Minor
7	Anyuejiang	COSCO Guangzhou	2009	12	30	Harbor	Contact damage	Minor

Year 2010

Serial No.	Ship name	Company	Year	Month	Day	Location	Nature	Grade
1	Leying	COSCO Shipping	2010	2	28	Nigeria	Collision	Minor
2	Jingyinghai	COSCO Bulk	2010	3	17	Bengal	Contact damage	Minor
3	Changfakou	COSCO Shipping	2010	5	21	China	Collision	Minor
4	Jiaqiang	COSCO (H.K.) Shipping	2010	8	24	Mississippi River	Contact damage	Minor
5	Dazhong	COSCO Shipping	2010	9	28	Hainan	Collision	Minor
6	Lepingling	COSCO Qingdao	2010	10	10	China	Contact damage	Minor
7	Lianyunhu	COSCO Dalian	2010	11	7	America	Stranding	Minor

Year 2011

Serial No.	Ship name	Company	Year	Month	Day	Location	Nature	Grade
1	COSCO HK	UK	2011	3	6	Zhejiang	Collision	Fatal
2	Taishanhai	COSCO Bulk	2011	4	7	Zhejiang	Collision	Minor
3	Leyuan	COSCO (H.K.) Shipping	2011	4	8	Korea	Contact damage	Minor
4	Guanhekou	COSCO Guangzhou	2011	5	1	Ocean	Collision	Minor
5	Tongshanhai	COSCO Qingdao	2011	5	2	East Sea	Collision	Minor
6	Jinggangshan	COSCO Guangzhou	2011	5	25	Mediterranean Sea	Collision	Minor
7	Furongyuan	COSCO Dalian	2011	6	9	Fujian	Collision	Minor

COSCO Hong Kong (fatal accident)

COSCO Hong Kong Liner departed from Hong Kong on March 4, 2011. In wee hours of March 6, the ship met abnormal situation in navigation. After stopping for an inspection, no reasons were found, no human injuries on the ship were found and no pollution was caused. Therefore, the ship navigated continuously. Later, the Offshore Search and Rescue Center of Taizhou City received a warning from Wenling Municipal Bureau of Marine and Fishery, saying that the contact with Zheling Yuyun No. 135 Ship was lost. It was doubted that the ship met an accident and whereabouts of seafarers of the ships were unknown. According to the registration information, there



were nine fishers on the ship. Later, the maritime department found that COSCO Hong Kong was navigating in the sea area where the ship was lost.

On March 7, personnel from the maritime bureau stepped on the liner for an investigation. After investigation, it was deemed that the lost ship was related to COSCO Hong Kong Liner. It was confirmed that COSCO Hong Kong Liner of COSCON collided with the lost ship at 02:18 on March 6, 2011, resulting in sinking of the ship and loss of 11 persons.

COSCO Group formed an investigation team to conduct a survey and investigation on the accident, and considered that the collision was caused by the personnel on-duty who seriously violated the principles of driving console and adopted non-standard operation blindly. Under the circumstance that the situation was not clear, the captain continued the navigation in a hurry with fluke mind, aggravating the results of the accident.

1) Establishing accident report and investigation & disposal mechanism

In order to investigate on and deal with the maritime accidents of ships timely, systematically analyze the accidents, take active and voluntary prevention measures and prevent against occurrence of similar accidents, COSCO Group formulated the Regulations on Report and Investigation of Maritime Accidents of Ships, which specify that all companies shall report the accident timely after receiving the report on maritime accidents of ships, and the report shall be faithful. All companies shall organize investigation timely after occurrence of maritime accidents of ships. They shall summarize experiences and lessons of the maritime accidents carefully, and put forward measures to prevent against occurrence of similar accidents. Moreover, punishment will be given to the responsible person based on severity degree of the accidents.

2) Implementing corrective and preventative measures after conducting an investigation on fatal accidents to prevent against occurrence of similar accidents

Conducting an investigation on fuel leakage of COSCO Full City Liner at the sea area of Norway due to ship rocking caused by strong wind and huge waves, and implementing corrective and preventive measures.

On July 31, COSCO Full City Liner struck a rock at the sea area of Norway, which was reported by local media. COSCO Group responded to the accident in accordance with the emergency-response procedures immediately. It dispatched experts to the accidental site to communicate with related parties to reduce the pollution and losses to the minimum extent and ensure the life safety. In the meantime, the group reported to the traffic and transportation authority in China in accordance with the safety management system of the People's Republic of China, and started the approval procedures of the Ministry of Transport. Although the accident of Full City Liner was caused by objective reason, COSCO Group shouldered related responsibilities, investigated for responsibilities of the persons involved and reported the case in entire system to avoid occurrence of similar events.

3) COSCO Group is taking following measures with respect to its safety management situation:

i. Enhancing safety education and skill training: it has established internal training and education system to bring into full play the training advantages of its subsidiaries and Qingdao Ocean Shipping Mariners College, and offer training on safety management skills for managers of the company and senior seafarers of the ships. It also offered training in accordance with requirements of management system on ships.

ii. Implementing dynamic inspection: it has installed video record of seamen's behaviors as an innovative measure taken for management, bring into full play the supervision role of commissars of ships, and conduct dynamic

supervision and inspection on safety behaviors of ships.

iii. Establishing safety management self-assessment system: gradually establishing safety performance evaluation and self-evaluation mechanism in accordance with the management concept of Daqing Oil Company, elevating management level and promoting safety standardization construction.

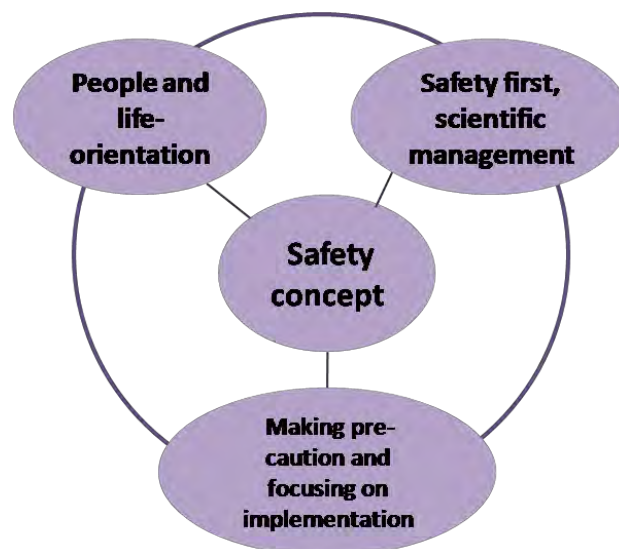
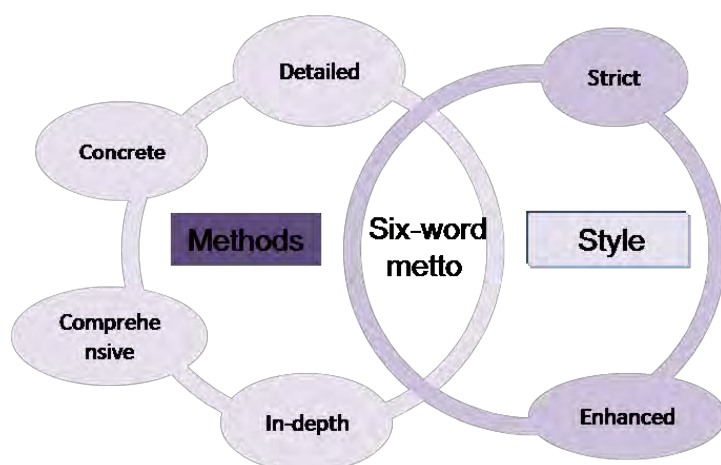
iv. Enhancing building of management team and seamen team: expanding the management team based on demands, and establishing the equal mechanism of responsibility, right and interests. With respect to seaman management, efforts were made to further enhance the training and education, and to take seaman as important strategic resource of the group's development.

v. Enhancing the comprehensive safety inspection on ports at the port: conducting special inspection on navigation safety, anti-pirate inspection and anti-pollution of ships arriving the ports, and making regular supervision and irregular inspection on shipping companies.

4. Implementation of Safety and Occupational Health Work

(1) Keep up with the times, and update safety management concepts continuously

It is impossible for an enterprise to form correct safety consciousness without advanced safety management concepts, and it is impossible for an enterprise to take correct safety actions without correct safety consciousness, let alone ensure safety of the enterprise. Based on the "Two, Three, Eight" safety theories, COSCO Group has developed the safety concept of "human-orientation, life is top priority; safety first, scientific management; beforehand prevention and focus on implementation". All units have applied the group's safety concept and safety management methods into every post, process and sector with regard to safety management, laying a solid foundation for safety of the group.



(2) Focus on education and establish a safety training system

COSCO Group has paid close attention to safety culture building as well as education and training work. It took safety education and training as a basic, strategic and long-term task, actively promoted the construction of training system, enabled the training to be closer to the grassroots and to be more effective and useful, and ensured long-term progress of education and training. In order to improve the comprehensive quality of ship and shore-based employees, it established the Leading Group for Safety Education & Training System in October



2011. Professional personnel from the Safety Technology Supervision Department and the Human Resources Department formed a working team to formulate the documents such as the Outline of COSCO Group on Safety Education and Training and carry out systematic training work, receiving high praises and great supports from all units in the system.

(3) Promote management innovation and carry out dynamic inspection on safety of ships

COSCO Group carries out the work to “rectify driving style and promote on-duty disciplines” for long period of time. It required all shipping units to enhance the dynamic inspection on ships, and require that commissars shall play their role as safety supervisor of the ships. By holding symposiums on dynamic safety inspections of ships in Beijing, Shanghai and Qingdao, it promoted the exchanges and discussions on experiences of dynamic safety inspections of ships and unified the recognition.

COSCON, as the pilot unit for dynamic safety inspections of ships, had accumulated rich experiences.

- I. **Installing “navigation console video recording system” on ships to provide technical supports for dynamic supervision and control by commissars of the ships;**
- II. **In accordance with the requirements on seaworthiness of ships and competency of seaman to eliminate unsafe equipment and unsafe behaviors of seamen in dynamic operation of ships;**
- III. **With respect to critical time, emergent situation or important time of ships, commissars of the ships or designated persons of the ships shall come to the site for dynamic inspection, so as to timely find, intervene and correct unsafe behaviors.**

From static management to dynamic inspection, to all-directional monitoring and control, this not only reflects an innovation on safety management of ships, but also an special measure taken by the group to fulfill its safety production responsibility under new situation. After summarizing the experiences, exchanged and studying from each other, shipping units of COSCO Group kicked off the dynamic safety inspections of ships in a comprehensive manner.

Glossary:

* Competency of seafarers: Seafarers accept sufficient training and hold related competency certificates and possess necessary skills.

* Seaworthiness of ships: ships and navigation devices are in good status, and are provided with sufficient, healthy and competent seafarers, places carrying the cargos shall be safe, clean and suitable for transportation of specific cargos.



(4) Insist on the work and deepen the inspection and removal of hidden worries

In order to carefully implement and act in the spirits conveyed in the State Council's Notice on Further Enhancing Safety Production of Enterprises, and to create a harmonious, stable and safe environment for production and operation, COSCO Group organized two system-wide safety supervision activities in 2011. Moreover, it also carried out special safety supervision activities on "disciplines of driving console of ships" and "prevention of group death and injuries". Through ceaseless safety supervision and inspection efforts, it had effectively promoted the safety management and removal of hidden worries of related units. All units of the group carried out the National Safety Production Year, National Safety Production Month and "Double-bases" activity of traffic and transportation system. In 2011, leaders of second-tier units organized over 150 inspections on 268 ships. They also made 1489 times of inspections on subsidiary units, workshops or teams. A total of eight critical hidden worries were found, and the rectification rate reached 100%. A total of 8782 common hidden worries were found, and the rectification rate reached 98%. The coverage rate of port-to-port ships in domestic market reached 100% and the self-inspection rate reached 100%.

(5) Promote navigation safety of ships by highlighting the focuses

Navigation safety is the top priority in safety management of COSCO Group. Over 300 ships of COSCO Group travel in different places of the world each day, facing the challenges of complicated shipping lines and fast-changing climates. All shipping units of the group have exerted great efforts to promote navigation safety of ships with "rectification of driving style and correction of non-standard behaviors" as the breakthrough point and in accordance with uniform deployment of the group. In 2011, a total of 86 tropical cyclones were formed worldwide, affecting 459 ships of COSCO Group more or less. In the work to prevent and fight against typhoon, COSCO Group carefully implemented the guidelines of "focusing on prevention work, integrating prevention and fighting efforts, avoid disasters earlier and leave some margin" and realized the successful rate of 100% in anti-typhoon work.

(6) Consolidate the foundation and continuously enhance technical management of ships

In 2011, shipping units of COSCO Group carried out repair and maintenance of ships carefully in accordance with the uniform deployment of the group, and enhanced the management in terms of ship safety technical evaluation, and structural safety evaluation of old and large ships. In the meantime, they grasped the opportunity of "anti-pollution management year" in 2011 as the opportunity to further enhance the anti-pollution consciousness and anti-pollution skills of seafarers by improving related systems, carrying out special training and conducting special inspections. In July, COSCO Group held a meeting to study advanced management experiences of Xinshenghai Liner at COSCO Bulk under the guidance of the activity to "compete for excellence", pushed the activity of "studying from Xinshenghai Liner" to the climax and promoted the concept of "doing small things into excellent ones" to heart of every people.

(7) Doing a better job in monitoring of system operation and improving operation quality.

In 2011, COSCO Group improved its system by making full use of system improvement mechanisms such as internal audit, management evaluation, corrective and preventative measures and customer satisfaction survey. The group further supplemented and improved related contents based on changes of laws and regulations as well as information collected in internal and external audit and system operation, and improved the compliance, usability and feasibility of the system. Since the implementation of the International Management Code for the Safe Operation of Ships and for Pollution Prevention, shipping units of COSCO Group formulated anti-pollution



targets and guidelines, established, implemented and maintained safety management system complying with the Code. They paid close attention to management of inspections by Port State and Flag State, conducted in-depth inspection on ships and systems, ensured normal working conditions of ships through scientific input, ensured safety operation of ships, enhanced the system maintenance, hidden worry inspection and removal work, continuously improved the human factors and inspection-acceptance skills, propelled ships to implement the responsibility system, tried to pass the inspection of Port State smoothly, and avoided detention in PSC inspections of ships to the maximum extent. In 2011, COSCO Group accepted 1190 times of inspections by port countries, with five ships detained and the detention rate of 0.42%. The number of ships passing PSC inspection without deficiencies reached 819, and the pass ratio without deficiencies reached 68.82%.

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. All shipping 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 to organize regular physical examinations for the staff and thus gradually established health records for them. It also organized special physical examinations for female workers based on their physiological features. The physical examination rates and health record establishment rates of staff of COSCO Group and its subsidiaries all reached 100%.

The out-patient department of Seamen Center of COSCO Bulk shoulders the duties of offering health and safety training for seafarers before dispatch, providing physical inspection for seafarers and providing medical guidance for ships. In order to promote seafarers to pay more attention to their physical health, the out-patient department organized lectures on health knowledge such as reasonable diet, balance of nutrition, good living style, common diseases and tips of drug therapy, prevention and control of infectious diseases such as malaria during the training before dispatch of seafarers, further ensuring the occupational health and safety of them. When offering physical examinations for seafarers before going to the ships, the department took the life and health of seafarers and conducted physical examination carefully and patiently to prevent against any safety and health-related hidden troubles to ships and seafarers. When the seafarers suffered from any diseases on ship, the out-patient department offered considerable guidance, traced the changes of the disease and adjusted the treatment plans continuously,



thus winning the fame of “health guardian of seafarers”. In 2011, the out-patient department of COSCO Bulk offered physical examinations to more than 6,000 persons (times), provided physical examinations for certificate exchange for 2000 persons, offered guidance for over 200 persons who suffered from diseases on ship, replied to more than 300 telegraphs, and guided the ships to save and treat seafarers suffering from diseases for many times.

Sticking to the principle of “people-orientation and humanistic care”, COSCO Xiamen tried to improve health situations and disease prevention of the staff, improved and optimized physical examination processes of the staff, opened green medical treatment service channels, deepened health consultation services, offered medical and healthcare knowledge and information to the staff and recommended healthcare and fitness knowledge and materials.

6. Ship Security and Contract Performance

(1) Carefully performing the International Ship and Port Facility Security Code

In 2011, 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 925 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. In 2011, no stowaway cases had taken place at ships of the group.

Indicators/year	2005	2006	2007	2008	2009	2010	2011
Number of stowaway case	27	14	10	9	1	1	0
Number of captured stowaway cases before departure (cases)	27	10	8	9	1	1	0
Capture Rate	100%	71%	80%	100%	100%	100%	0
Number of Stowaways (persons)	179	32	24	30	5	1	0
Number of captured stowaways before departure (persons)	179	26	22	30	5	1	0
Capture Rate	100%	81%	92%	100%	100%	100%	0
Number of ships accepting ISPS inspections		969	902	922	941	910	925
Number of ships passing ISPS inspections		969	902	922	941	910	925
Pass rate		100%	100%	100%	100%	100%	100%

(2) Preventing Hijack of Pirates and Ensuring Safety of Seafarers and Ships

In response to the severe situations of rampant Somalia pirates, COSCO Group further enhanced the leadership and inputs on anti-pirate work. In 2011, it held special meetings for anti-pirate work for four times, formulated a



series of anti-pirate measures, and awarded excellent ships and individuals in anti-pirate work in 2010.

In order to protect safety of seafarers, COSCO Group increased the input for prevention of pirates and actively improved the anti-pirate equipment. Shipping companies all increased the inputs for anti-pirate work in accordance with the uniform requirements of COSCO Group, and equipped each ship with at least six bullet proof jackets, two bullet proof helmets and two bullet proof shields. Ships of the shipping companies all had satisfied and greatly exceeded the minimum requirements. In accordance with the spirits of the Ministry of Transport and COSCO Group, all shipping companies completed the construction of “safety cabin on ships”, installed Iridium phone, as well as electric, sward and wire webs. In 2011, 499 ships (times) of COSCO Group passed Somalia, Gulf of Aden and the Strait of Malacca, where pirates are rampant, and successfully defended attacks of pirates by 10 times, ensuring ships of the group to pass the sea area safety and ensuring safety of ships and the seafarers.

Indicator/Year	2007	2008	2009	2010	2011
Number of pirate attacks and harassment	0	65	13	10	10
Number of pirate attacks blocked successfully	0	65	12	10	10
Pirate attack blocking rate	0	100%	92%	100%	100%

On April 28, Naxihe Liner of COSCO Group kicked off emergency-response plan at the Gulf of Aden, and blocked the attacks of armed pirates successfully. At 9:15 on the morning, Naxihe Liner was navigating in the sea area of the Gulf of Aden when the watcher at the driving console noticed in the telescope that a “black dot” was moving towards the liner rapidly. Captain of the ship considered that the “black dot” may be a pirate boat, and gave anti-pirate warning immediately and kicked off anti-pirate emergency response plan. Other persons wore the bullet proof jackets and steel helmets and arrived at the main deck in one minute with various anti-pirate equipments. The driving console turned on the firefighting water system on deck and adjusted the protective electric web to high pressure. At that time, the pirate boat was only 100 meters to Naxihe Liner. Five pirates with automatic rifles and rocket launchers fired at Naxihe Liner. As the liner had made full preparation and installed various defending armaments on the liner, and seafarers defended the attacks with various armaments calmly, the pirates eventually give up the chase and attack and navigated far way.

On May 10, 2011, Yibuhe Liner of COSCO Group implemented anti-pirate measures carefully when navigating at the Gulf of Aden. The liner rang the alarm and kicked off anti-pirate emergency response plan immediately when pirate boats were found, and asked for helps Qiandaohu Warship of Chinese Naval Escort Taskforce 7 sea-miles away to the ship via VHF77 immediately. As Buyihe Liner had made full preparation and took effective measures to prevent pirates from boarding the ship before the arrival of Qiandaohu Warship and helicopter. The pirate boasts slowed down the speed and gave up the attacks eventually, and Buyihe Liner passed the pirate area successfully.



(Wire web installed on the ship to prevent boarding of pirates)



(Production of fire bottle to attack pirates)



(Anti-pirate rehearsal of ships)



(Members of Naval Special Force escort the ship)

7. Labor Competition

In 2011, 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.

In order to elevate skills and innovation ability of young workers, Ningbo Zhongya Storage and Transport Co., Ltd of COSCO Logistics held the 3rd Young Workers' Skill Competition on June 13 to June 14, 2011. The skill competition was comprised of two parts, namely forklift skill contest and stacking machine skill contest. The skill competition promoted the elevation of skills of young workers, formed a favorable atmosphere for achieving merits at posts, enhanced the development forces of the enterprise and promoted its sustainable and stable development.



The photo shows 2nd Forklift Skill Competition of Port Companies in Qingdao of COSCO Logistics.



On June 25 to June 28, the 2011 Chinese Seamen Skill Competition co-organized by the Maritime Safety Administration and the National Committee of the Chinese Seamen & Construction Workers' Union was held in Zhoushan City, Zhejiang Province. COSCO Bulk dispatched a team to attend the competition on behalf of COSCO Group and won the second prize of group performance. A total of 40 teams from 17 shipping companies and 23 shipping colleges attended the competition on six items, namely quiz show, malfunction removal of main power equipment, power system malfunction reparation, shipping line design, on-board operation and sextant rangefinder and visual signal communication. The contesting team from COSCO Bulk distinguished itself in the quiz show and won the first place, and the second prize of group performance, showing good quality of seafarers of COSCO Group with excellent skills and performances. 10 members of the contesting team were awarded Golden Anchor Award, and one member was awarded the National May 1st Labor Medal.

In order to fulfill the requirements put forward at the “five meetings” held in early 2011, COSCO Dalian held the 2011 Skill Competition for Sailors and Mechanical Technicians at the seaman training base on Sept. 9 to Sept. 23. More than 70 sailors and mechanical technicians attended the preliminary contest, and 29 sailors and mechanical technicians attended the final round of the competition. Six contests for sailors and five contests for mechanical technicians were set up in the competition. After five days of fierce competition, all contesting items were completed successfully and safely.

On Oct. 11, five seafarers of COSCO Shipping won the first prize for group performance and individual performance respectively in the 1st Guangdong Province “Golden Anchor Cup” Skill Competition of Seafarers. Members of the contesting team from COSCO Shipping also won the fourth and fifth prize of individual performance, top three places in steel wire inserting contest, the first place in knotting contest and second place in overboard line throwing contest.



On Nov. 7, COSCO Qingdao organized a skill competition for sailors and mechanical technicians. A total of 60 contestants were selected among seafarers on vacation to attend contests of 11 items including sailor's business, English, overboard line throwing, line connecting, steel wire inserting, knotting and mechanical business and welding technique. The competition greatly elevated the comprehensive skills of seafarers, actively promoted the elevation of business quality of common seafarers, encouraged the voluntariness of seafarers to elevate their skills, and promoted the strategy of “strengthening enterprise by talents”.

In response to the appeal of the group to “being a backbone force and making contributions during the 12th Five-year Plan period”, the trade union of COSCO Xiamen organized a skill competition on passenger service at COSCO Star serving for Taiwan shipping lines. The competition was comprised of two parts, namely contest of cooks and contest of room services, with two excellent cooks and six excellent room services appraised. The competition greatly elevated the passenger service level of COSCO Xiamen, activated seafarers and service personnel's voluntariness, and laid a solid foundation for building up a top-grade brand in serving for passenger transport lines to Taiwan.

The photo shows the skill competition of sailors and mechanical technicians of COSCO Qingdao.



The photo shows skill competition for passenger transport service of COSCO Xiamen.

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.

Seafarers' family members, with their dedication spirits, have made active contributions to the group's shipping companies in stabilizing seafarers' team and promoting harmonious development of the enterprise. As seafarers were working on ships all year along and can't take care of their families, shipping units of COSCO Group have made ceaseless efforts to promote construction of liaison stations for seafarers' family members. With the liaison stations as the bridges, they carried out condolence activities during holidays, established and improved the management archives for seafarers' family members, carried out aiding activities, cared about difficulties and pains of seafarers' families and help their family members to solve the difficulties, thus removing the hidden worries of the seafarers. **The photo shows the Spring Festival Celebrating**





Activity organized by liaison station of seafarers' family members in Dandong.

In 2011, CHIMBUSCO Dalian invited psychological experts of the Chinese Association for Mental Health to offer a lecture themed on “psychological health lies in heart” for staff of the company. At the event, experts gave vivid introductions in terms of self emotion adjustment and management, communications skills and cultivation of good mentality to guide participants to live and work with gentle and upward attitudes, and improve their awareness of happiness and health in work and life. The lecture achieved satisfactory results.

With the development of COSCO Shipyard (Dalian), the company paid closer and closer attention to physical and psychological health of its staff. With the chance of nationwide psychological health training organized by the Dalian Municipal Federation of Trade Unions, COSCO Shipyard (Dalian) invited teachers from renowned colleges to offer a lecture on “Pressure and Emotion Management”, teachers introduced how to alleviate the pressure, how to keep psychological health, how to integrate with corporate culture of COSCO Shipyard and how to live and work happily. Over 400 persons from sub-contractors of the company attended the training, which brought psychological health knowledge to them and received high praises from staff of the sub-contractors. **Lecture on psychological health of CHIMBUSCO Dalian.**



9. Articles Regarding Healthcare 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.

10. Safety Management of Supply Chain and Focus on Safety Situation of the Industry

COSCO Group researches and implements safety management of the supply chain in accordance with ISO28000:2007 supply chain safety management system, pays close attention to safety situation of the industry, draws lessons from safety accidents, benchmarks with advanced enterprises in safety management such as DuPont, so as to improve its safety management situation continuously.

On April 3, 2010, Shenneng No.1, a China-registered bulk cargo affiliated to Shenzhen Energy Transport Co., Ltd and managed by Tianjin Keymax International Ship Management Co., Ltd mistakenly entered the prohibited area of Great Barrier Reef National Forestry Park, and caused fuel leakage and damage of some coral reefs due to stranding. The media mistakenly believed that owner of the ship is COSCO Group.

In April 2010, some foreign media reported that Shengneng No.1 of COSCO Group was stranded at the Great Barrier Reef, resulting in pollution of world's largest coral reef and was fined by Australian Government. With



respect to this, COSCO Group issued a statement immediately, specifying that the so-called COSCO Sheng Neng was not a ship of COSCO Group, but ship of a privately-run enterprise in Shenzhen, and that the pollution caused by rocking of the ship in Australia has no relations with COSCO Group. In the meantime, COSCO Group communicated with owner of the ship timely, requiring it to make a clarification and respond to the attention of the media and the society and eliminate possible negative influences of COSCO Group. The group also required them to deal with the accidents properly and timely to reduce the influences on the environment to the minimum extent.

Shipping companies draw following enlightenment from the analysis of the Ministry of Transport on the accident:

(1) Problems of ship management:

- i. Navigation safety problem caused by change of shipping route. The captain shall carefully analyze the issue and called for attention of drivers. The work shall be done in accordance with the regulations of the system document.
- ii. Management problem of driving console. Duty shift of seamen is an important task. During the duty shift, detailed work shall be recorded in safety management system document. Moreover, supervision and inspection mechanism shall be established and required all drivers to implement strictly.
- iii. Fatigue work of drivers. STCW Convention specifies that drivers shall have enough resting time. However, the captain didn't take any measures for substitute work although he knew that the chief mate was fatigue and didn't meet the rest time. The company shall have specific regulations on such measures for substitute work.

(2) Problems of ship management company:

- i. Overtime work of seamen. Through the audit and investigation on the company, it was found that overtime work of seamen of ships managed by the company was common. The problem hadn't raised enough attention to safety management personnel. The documents on safety management system of the company didn't cover this content. After occurrence of the accident, some ships still have similar issues.
- ii. Training and evaluation of the company on seamen were insufficient, and the internal management was not strict. By reviewing the management company, it was found that the company had insufficiency in re-training and education of seamen after ability evaluation, and were lack of related records; Secondly, the company didn't kept the stability report of Shenneng No.1 and ship "loading manual"; Thirdly, internal audit of the company had problems. The ship management department didn't kept the internal audit report and effective evaluation report in 2009. There was no strict internal management, which will affect strict supervision and management of ships managed by it.

(3) Problems of seamen's ability:

Survey finds that business ability and work proficiency degree of chief mate of Shengneng No.1 need to be further improved. During the internal audit, the management company found that other chief mates also have similar problems.

Safety training shall be enhanced to ensure that ship drivers could carefully check ship navigation speed, wind speed and direction as well as influences of wind on ship's navigation speed and direction in accordance with the safety-related code of conduct.

(IV) Personnel Development and Training



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. It formulates various talent cultivation plans and provides sufficient expenditures for these projects. It pays attention to close combination of training and practices and offers various trainings for enterprise managers and professional technicians, so as to improve the management and market competitiveness for the enterprise constantly.

Indicator/Year		2007	2008	2009	2010	2011
Total training hours of each category of employees	Top management	21,278	6,977	7,724.4	12,468	1,416
	Middle management	129,910	23,984	33,361	70,328	3,304
	Grassroots	255,371	235,887	111,331	281,313	11,480
	Technicians	---	---	203,365	210,985	307,769
Average training hours of each category of employees	Top management	64.17	71.96	65.26	83.9	141.6
	Middle management	39.04	25.56	41.34	69.1	72.1
	Grassroots	33.99	18.14	29.84	43.9	72.1
	Technicians	---	---	41.38	42.5	40.03
Total inputs for employee training (RMB)		67,458,638	41,220,844	37, 526, 430	41,796,606	3,390,000
Training hours in public expense		1,108,230	980,028	1,108,231	804,354	739,670
Training on safety management system (persons/times)		12,375	39,973	12,375	17,918	7,560
Training on contract performance (persons/times)		18,805	20,388	18,805	10,307	11,783
“Three 300s” talent training program (persons/times)		400	0	460	510	521
Training before retirement (persons/times)		371	658	371	400	124
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	270	44	67	21	89
Number of participants of lean six sigma projects	7,695	7,100	7,581	7,461	7,590
Number of achievements of quality management team	335	387	367	354	374
Number of participants of quality management team	2,958	2,890	2, 852	2,832	2,968
Training on lean management, six sigma and quality management teams(persons/times)	8,087	2,741	1,589	1,666	1,922

1. Training of Top Executives

In 2011, top executives of the group were organized to attend a series of special training classes, such as the Training Class for Provincial and Ministerial Cadres and the Special Training Class on Management of Company Juridical Person and Party Building of the Enterprise offered by the Central Party School, the Special Training Class on Elevating Opening Level for Provincial and Ministerial Cadres and the Special Training Class on Construction of Financial System in Post-Crisis Era offered by the National School of Administration, the Special Training Class on National Defense and Traffic War Preparedness jointly offered by the Organization Department of the CPC Central Committee and the General Political Department, the Special Training Class on Low-carbon Leaders offered by the Organization Department of the CPC Central Committee, the Special Training Class on Enhancing Party Spirit Training offered by Jinggangshan Cadres School, the Senior Training Class on Corporate Management jointly offered by the Cambridge University and the Copenhagen Business School, the Special Training Class on Adjusting and Optimizing Industrial Structure and Elevating Core Competency of the Enterprise offered by Peking University, and the Special Training Class on “Out-going” Strategy for Leaders of Central SOEs offered by SASAC.

2. All-staff Training

COSCO Group pays close attention to quality elevation and personnel development of the staff. Under the guidance of the Board of Directors, the headquarters and related business units have established high-efficient training system, which was improved continuously. They formulated annual training schedules and plans based on their business demands, and enhanced the staff’s management and responding ability through training and enabled them to meet the demands of listed companies for talents.

In 2011, COSCO Group and its business units insisted on the principle of “specifying the tasks and emphasizing the focuses”, and carried out various trainings by different layers, types and forms. In the year, four sessions and trainings were organized, with 1368 persons trained. Following training forms were adopted: Arrange young employees with outstanding performance to work and study at the headquarters or related business units, so as to store talents for long-term and sustained development of the company; enable the employees to enrich and accumulate their working experiences through post rotation, and promote balanced development of talents and enhance coordination consciousness; increase the exchanges and studies of employees through on-post training and off-the-job training; offer trainings on new knowledge and skills based on production demands to cultivate various types of professional talents. Besides attending the studying and training activities organized by the company, the employees also attended various academic and diplomatic education and qualification trainings and



examinations at their spare time. Implementation of aforesaid training measures fully reflected the company's respects on talents and its attention on personnel development of the employees, and provided effective system and guarantees for cultivation of multi-disciplinary senior managers, professional directors and supervisors who are not only familiar with production and operation but also good at capital operation, who are not only specialized in professional knowledge and but also familiar with law-compliant operation, who have both rich experiences and global thinking.

3. Training of Professional Talents

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.

4. "Three 300s" Talent Project

"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, three hundred senior ship, 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 "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.

5. Training of Seafarers

COSCO Group took the safety training as a key way to elevate safety quality of the staff, and regarded the "enhancement of safety training and elevation of comprehensive quality of seafarers" as the basic way to ensure safety production of the group. In accordance with the development plan for seafarer team, COSCO Group 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 cooperative 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 cooperative seafarers into self-owned seafarers.

COSCO Qingdao insisted on the target of "elevating ideological, technical and business quality of the staff in a comprehensive manner" and the principle of "practicality, usability and effectiveness", and organized trainings in a multi-layered, multi-channeled and all-directional way to meet regulations of international conventions and satisfying needs of domestic and overseas ship-owners. In 2011, it offered trainings on obtaining of competency certificates for 197 seafarers and helped them to obtain competency certificates for different job types. It also organized 157 seafarers to attend English





examinations and obtained different levels of qualification certificates. It organized 285 senior seafarers to attend the continued education program, and organized 57 persons to attend the comprehensive quality training class of captains, 60 persons to attend the comprehensive quality training class of chief engineers and 55 persons to attend the comprehensive quality training class for ship commissars. It also organized 40 seafarers to attend training class for third officer business, 40 seafarers to attend the training class for third engineers, 20 seafarers to attend the training class for chief sailors and 20 seafarers to attend the training class for chief engineer.

The photo shows 1st session of training class of COSCO Qingdao for chief sailors and chief mechanical technicians.

In order to further elevate the safety production management ability of ships, COSCON organized the 1st Training Class on Occupational Safety for Ship Leaders at the Maritime Training Center of COSCO Shanghai on April 12 to April 15, 2011. A total of 60 captains, commissars and chief engineers attended the training. Safety experts in Shanghai were invited to introduce national laws and regulations on safety production, such as the Safety Production Law and the Regulations on Work-related Injury Insurance. Moreover, the rules and regulations on safety released by the company were also introduced, and work-related injury accidents occurred in the past were analyzed. **The photo shows occupational safety training class for ship leaders of COSCON.**



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 2011, the number of inspectors and supervisors of labor protection in COSCO labor union reached 1,401; 39 training classes on the inspection of labor protection were organized, involving 3,072 participants; 1,846 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 its sustainable development. 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.

(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 Other Situations 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, and formed a cadres’ team with complete majors, reasonable structure and excellent quality.

Indicator/Year	2007	2008	2009	2010	2011
Proportion of female top executives and managers	11.11%	10.53%	14.29%	15.15%	17.95%
Proportion of top executives and managers below 40	10.53%	13.16%	17.14%	23.08%	12.82%
Proportion of female top executives at second-tier companies	6.92%	6.15%	7.26%	7.75%	5.43%
Proportion of top executives below 40 at second-tier companies	4.62%	3.08%	4.84%	1.55%	0.78%

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, after taking the child-birthing holiday, employees can return to their post, better protecting rights and interests of female employees.

The proportion of basic income of male and female employees is 1:1.

(VI) WORKING CONDITIONS AND SOCIAL PROTECTION

COSCO Group has been committed to providing decent working conditions for employees that can satisfy requirements of national laws. It has paid close attention to conditions and safety of work places, tried to improve labor and working conditions of employees, and ensured that the working conditions could comply with laws and regulations of the country and are consistent with applicable international labor standards. In accordance with



national laws and regulations as well as articles on working conditions in the collective contract, COSCO Group made continuous efforts to increase salaries and welfares of the staff, and paid salaries and other remunerations of the staff timely and in full amount. The group implemented working hours, rest time, paid leave and compensation system for extra working time in accordance with regulations. By increasing the input for labor protection, it tried to improve working environment of the staff. The group offered labor protection utilities to the staff, arranged regular physical examinations for them, made active efforts to protect the staff's life and health right and interests, and prevented against any behaviors that may infringe rights and interests of the staff with regard to safety and health.

COSCO Group observes all legal obligations with regard to providing social protection for employees in local places and performs multi-layered social security measures. The group pays endowment, medical, work-related injuries, maternal and unemployment insurances as well as housing fund in accordance with laws, and established supplementary medical insurance and work-related traffic accident insurance for all the staff. In order to ensure and increase the endowment pensions of the staff, the group formulated the Interim Methods for Enterprise Annuity of COSCO Group in accordance with related rules and regulations of the country, and exerted great efforts to promote enterprise annuity work. By performing the social security obligations stipulated by the laws, it reduced the decrease or loss of income caused by work-related injuries, disease, childbirth, unemployment, old age, disablement or economic difficulty. For low-income staff or staff suffering from serious diseases, if their burden are heavy and their basic life was affected after reimbursement of medical fees, the group also offered some medical subsidies in accordance with related regulations to alleviate medial burden of the staff.

(VII) SOCIAL DIALOGUE

By establishing effective social dialogue mechanism in form of communications and negotiation, China COSCO organized talks, negotiations and information exchange on topics involved related interest of the enterprise and the employees, so as to promote democratic progress in labor relations sector and realize the harmonious labor relationships between the enterprise and the employees. COSCO Group and its subsidiaries all establish trade unions complying with laws and regulations. The trade unions coordinate labor relations and protect labor rights and interests of the staff through systems such as equal negotiation and collective contract. The trade unions also sign collective contract with the enterprise on behalf of the staff on issues related to health and safety of the staff, such as working conditions, working hours, rest time, vacation system, labor protection and social security to prevent against any behaviors infringing labor rights and interests of the staff.

All levels of trade unions carried out democratic supervision in various forms, and attended democratic supervision and management through forms such as meeting of workers' representatives, openness system and reasonable suggestions. The trade unions took part in supervision of labor laws as well as intermediation, arbitration and lawsuit of labor disputes, promoted the fulfillment of democratic supervision rights of the staff, played an active role in establishing stable and coordinative labor relations, and protected legal rights and interests of the staff. The trade unions also promoted the harmonious labor relations between the enterprise and the staff and kept sustainable development of the enterprise through effective social dialogue system.



人权绩效指标和主题报告

HUMAN RIGHT PERFORMANCE INDICATOR AND THEME REPORT



PART V HUMAN RIGHT PERFORMANCE AND KEYNOTE 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 2011, 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

COSCO Group strictly abides by human right-related laws and regulations, such as the Labor Law. The trade union of the group partners with related departments such as the Human Resources Department to promote signing of collective agreements, protecting legal rights and interests of the company and its employees, and maintaining stable and harmonious labor relationships. By implementing the State Council’s Opinions on Solving Issues Related to Migrant Workers, COSCO Group has solved the problems related to migrant workers, boosted the development of the company, and maintained social harmony and stability. COSCO Group formulates the Open Business Procedures and Interim Regulations of COSCO Group on Open Business System. The subsidiaries also formulate implementation plans and rules correspondingly in support of the establishment of a harmonious enterprise. 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 group establishes and improves its personnel management system to protect legal rights and interests of local employees and properly deal with relationships with local employees. 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 and promotes the group's sustainable development.

(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 offers training on respecting the human right for related personnel. 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 fulfilment, "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.

(VI) IDENTIFICATION OF STAKEHOLDERS AND RISK EVALUATION

In accordance with requirements of the UN Global Compact's Initiative for Universal Declaration of Human Rights and ISO26000, COSCO Group fully considers expectations of stakeholders (including vulnerable group), carefully identifies types of human right risks related to stakeholders, evaluates the influential degree of human right risks related to the trade union, suppliers and partners, follows strict risk control procedures, adopts controlling measures applicable to risk grade, and effectively avoids and reduces the influences of various human right risks.

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) RESPONSIBLE INVESTMENT AND PROCUREMENT

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 considerable 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. Disposal of Complaints

COSCO Group pays close attention to any complaints regarding human rights in investment and procurement activities, and actively takes measures to dispose the complaints, reduce human right risks and improve human right situation.

In 2011, it received no complaints regarding human right.

4. Human Right-related Trainings

The company carries out human right-related trainings and educations in investment and procurement activities to improve the human right situation of its suppliers and growth together with them.

5. 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.

(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. China COSCO formulates non-discrimination policies and systems in strict accordance with international conventions, laws and regulations, and guidelines, 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.

By the end of 2011, 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

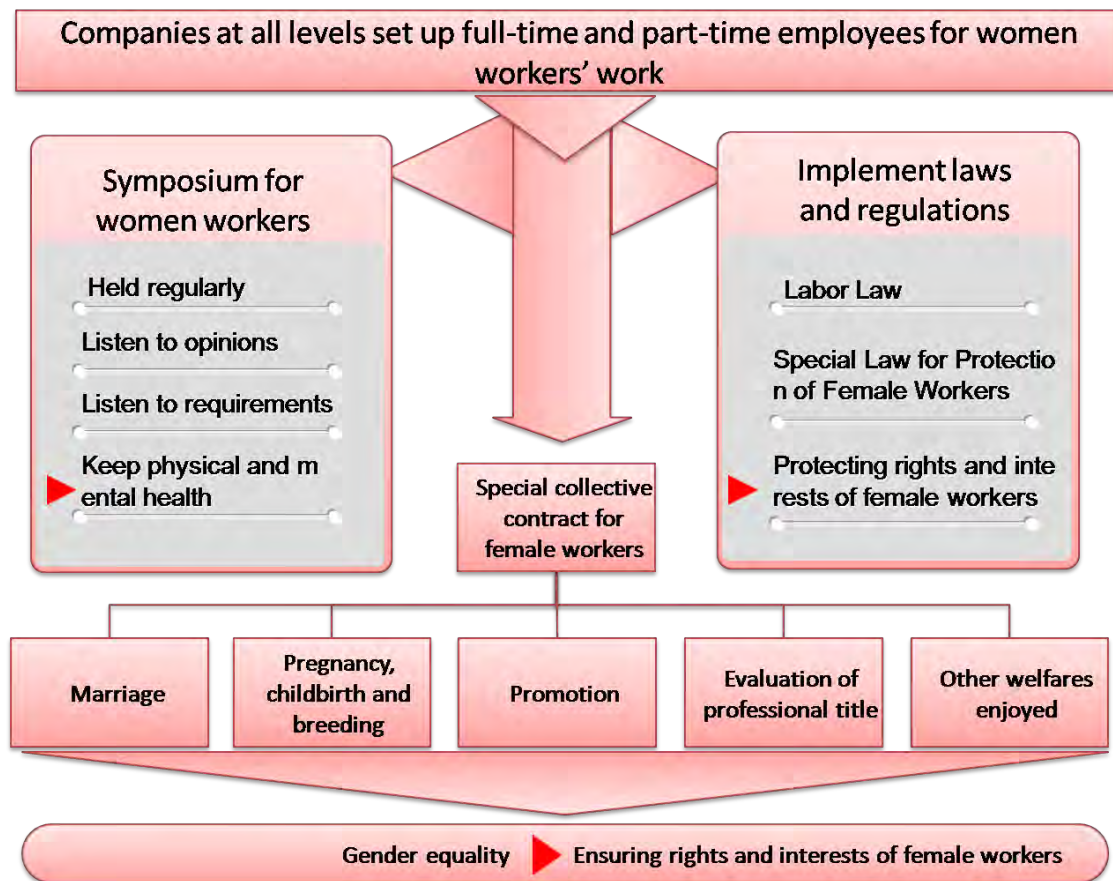


promote capable employees, optimize internal human resources and boost the employees' activeness.

2. Gender Equality and Women Workers' Committee

In regard to respecting and safeguarding the legal rights and special interests of women workers, COSCO Group conforms to related provisions in the Labor Law, establishes the women workers' committee to supervise protection of rights and interests of female workers, and tries to ensure equal development opportunities of them. The Women Workers' Committee under the group's trade union has its own cadres. It holds symposiums of female workers on a regular basis to hear requirements and opinions of women workers, and ensure physical and psychological health of them. The Women Workers' Committee protects legal rights and interests of women workers in accordance with the Law for Protection of Special Rights and Interests of Female Workers. The Special Collective Contract for Protection of Special Rights of Female Workers was signed to specify equal treatment for female workers with regard to marriage, pregnancy, child birth, breastfeeding, promotion, assessment of professional titles and other welfares, ensuring rights and interests of them.

Working mechanism of women workers' committee



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.

In order to enhance the awareness of “self-respect, confidence, dependence and self-improvement”, and elevate female workers’ ability to attend social competition and their pursuit for beauty, trade union of the Ocean Hotel specially organized a beautification lecture for female workers, and invited excellent teachers from Mary Kay to give a lecture. Teachers from Mary Kay introduced some skin-caring knowledge and tips, and answered the questions of female workers with respect to beautification and skin-care. A female worker was also invited as a model to demonstrate the making-up tips. The activity enabled female workers to gain making-up knowledge and to better show their glamour. After the lecture, the trade union also organized female workers to watch movies and distributed delicate gifts to them, enabling the female workers to feel the cares of leaders to him and to have a happy holiday.

(III) FREEDOM OF ASSOCIATION AND COLLECTIVE NEGOTIATION

1. Collective Contract and Collective Negotiation

COSCO Group implements the Collective Contract of COSCO Group signed with the Trade Union. Labor unions of its main subsidiaries 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, occupational 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 in accordance with 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.

2. Workers Congress System

COSCO Group delivered its annual production and operation targets and important events to the Workers Congress for review, and submitted the important proposals regarding practical rights and interests of the staff to the Workers Congress for voting. It also organized representatives of the employees to evaluate leaders and cadres of the group through the workers congress. Any plans for system reform and displacement of staff due to closure and bankruptcy must be discussed and approved by the workers congress.

Units directly affiliated to COSCO Group convened the 2011 meetings of workers representatives in strict accordance with related rules and regulations, implement the rights and authorities of the workers congress, constantly improved the quality and effects of the workers congress and protect democratic rights and interests of the staff. In 2011, three second-tier companies of COSCO Group held the meetings of workers representatives. The workers congresses of related units performed their rights and obligations comprehensive, approved various proposals and achieved anticipated results. The workers congress of related units also arranged workers representatives to conduct democratic evaluation on management team of the company. The evaluation results showed that the management team of these units enjoyed trust and supports of the staff.

The 2nd Meeting of 8th Workers Congress of COSCON was held on Jan. 14, 2011. A total of 205 representatives from COSCON attended the meeting. Leaders of the company such as Sun Jiakang, Wu Shuxiong, Zhou Hu, Han Chengmin, Chen Xiang, Zhu Dezhang, Han Chao, Deng Huangjun and Fang Dikun were present at the meeting hosted by Zhou Hu and Sun Jiakang. Leaders at higher level, such as Zhou Zhijun, Vice Chairman of the Shanghai



Federation of Trade Union, Xu Deming, Secretary of the Party Committee of Shanghai Urban-Rural Development and Transport Commission, and Xu Lirong, Chairman of the Trade Union of COSCO Group, also attended the meeting and delivered important speeches. At the meeting, the General Managers' Work Report made by Sun Jiakang was listened, and the Articles of Association of the Charity Foundation and other matters to be approved by the workers congress were reviewed and approved. Moreover, participants also listened Party Committee's Work Group made by Mr. Wu Shuxiong.

3. Openness of Company Affairs

The openness of company affairs 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 2011, the coverage rate of collective contracts, the notification rate of important events and the coverage rate of democratic supervision of the group were all 100%.

Year	2007	2008	2009	2010	2011
Coverage rate of collective contract	100%	100%	100%	100%	100%
Notification rate of important events	100%	100%	100%	100%	100%
Coverage rate of democratic supervision	100%	100%	100%	100%	100%

Wuhan Branch of COSCO Group Held Quarterly Conference for Openness of Company Affairs

On Nov. 24, 2011, Wuhan Branch of COSCO Group held the Quarterly Conference for Openness of Company Affairs, which was participated by all staff of the branch. At the conference, production indicators and performance of Wuhan Branch in first ten months of 2011 were announced, and the market situation in 2012 was analyzed. It is required that all staff should establish "three consciousness", namely the crisis consciousness, the management consciousness and the overall consciousness. Moreover, opinions and suggestions collected at the meeting of democratic life were answered. The staff was fully confirmed for their opinions put forward by the staff from the strategic height for enterprise development, and their suggestions, in particular, welfare issues concerned by them, were responded. The conference received high responses from the staff.

(IV) BASIC PRINCIPLES AND RIGHTS AT WORK—PROHIBITION OF CHILD LABOR

The employment of child labor and/or young workers in dangerous work 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.

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.

COSCO Group headquarters and all its subsidiaries recruit employees in accordance with the management rules, and comply with international laws as well as the Labor Law of China. 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.

In 2011, no child labors were used by COSCO Group.

(V) Basic Principles and Rights at Work—— Prohibition of Forced or Compulsory Labor

The abolishment of forced and compulsory labor is a basic human right. 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 interests. 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 2011, COSCO Group received no complaints or appeals with regard to forced or compulsory labor.

(VI) Basic Principles and Rights at Work——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 personnel of COSCO Group include 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.

In 2011, COSCO Group reported no incident of human right violation by the security guards.

Indicator	2006	2007	2008	2009	2010	2011
Security guard of the company	72	72	145	18	23	24
Security guard of ships	3320	1618	1383	2117	2198	2201
Training rate with respect to human right of security guard	100	100	100	100	100	100
Formal training rate of security guards hired by shore-based companies	100	100	100	100	100	100
Number of security guards hired directly	346	2844	2853	2640	2586	2368
Proportion of security guards accepting training on human right policies or procedures	100	100	100	100	100	100

(VII) BASIC PRINCIPLES AND RIGHTS AT WORK—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.

The group also supports development of local community by participating in local public welfare activities as well as cultural exchanges.

In 2011, no complaint has been filed with regard to the infringement of the rights of the indigenous people.

(VIII) ECONOMIC, SOCIAL AND CULTURAL RIGHTS



1. Legal and System Guarantee

In order to protect legal rights and interest of the staff and ensure their physical and psychological health, COSCO Group signs related agreements with the trade union, such as Collective Contract, Special Collective Contract on Protection of Special Rights and Interests of Female Workers and Special Collective Contract on Labor Safety and Health.

Chapter IV “Working Hours, Rest and Vacation” in the Collective Contract contains regulations on working hours, vacation system to be enjoyed, extension of working hours, and rights to refuse behaviors that may damage physical health of the staff; Chapter V “Labor Safety and Health” contains regulations on establishment and improvement of responsibility system for labor safety, compliance with related national regulations on safety in terms of workplace and facilities, labor protection, physical inspection and recuperation, prohibition of forced dangerous operation regardless of laws and regulations, special protection for female workers and disposal of work-related injuries. The Special Collective Contract on Labor Safety and Health includes detailed regulations on aspects such as safety liability safety involving labor safety and health of the staff, labor conditions and safety technical measures, storage, transport and management of dangerous chemicals, safety operation procedures, safety training, occupational health and labor protection, disposal of work-related injuries, safety emergency-response plan and use of special equipment.

COSCO Group offers sufficient annual paid leave for its staff in accordance with related national laws and regulations, such as the Labor Law, and arranges vacation time of each staff based on working situations and personal application, ensuring normal rest and recuperation leave of them. Trade unions at all levels organize recuperation activities under the principle of “earing physical and psychological healthy of the staff and serving for work of the enterprise”, which promotes COSCO Group headquarters’ implementation of annual leave system and makes better arrangement for rest and recuperation of cadres and staff, and provides a platform for implementation of annual paid leave system.

2. Cares for Employees

COSCO Group pays attention to physical and psychological health of its employees and cares its employees from various ways.

(1) Cares for Occupational Health Development of the Staff

While providing equal occupational development opportunities for the staff, COSCO Group also encourages the staff to make progress actively, carries out the activity of “competing for excellence” in an in-depth manner to elevate quality of employees, and cultivates a large batch of talents for various industries.

In the appraisal of “advanced grassroots trade unions and advanced individuals in the activity of competing for excellence in 2011” organized by the All-China Federation of Trade Unions, the Trade Union of COSCO Group was awarded the honorable title of the “National Model Home of the Workers”.

In 2011, Li Zhenyun from COSCO (Hong Kong) Shipping, Lu Guanrong from COSCON and Bu Yucui from COSCO Shipyard received the National May 1st Labor Medal.

In order to celebrate the 1st Day of the Seafarer, the Ministry of Transport awarded the honorable title of “National Top 10 Seafarers” to Leng Juji from COSCO Qingdao and Pan Shaoqiang from COSCO Bulk at the end of June.

In October, 10 candidate collectives for “Workers’ Pioneer” were appraised in accordance with the spirits and



requirements of the Notice on Appraising 2011 Workers' Pioneers in Traffic Construction System of the Nation issued by the National Committee of the Chinese Seamen & Construction Workers' Union.

(2) Cares for Love of the Workers

Before the Spring Festival of 2011, COSCO Group organized six teams headed by leaders of COSCO Group headquarters to visit related places for condolence work. Headed by the leaders and cadres, the team visited grassroots, ships and families in difficulty for condolence, sending cares of CPC and the enterprise to the workers. Moreover, arrangements were made to help migrant workers to return their hometown safely. The working team visited 56 grassroots units, seven ships at ports, 65 families in difficulties, 17 labor models, 146 retired cadres and some migrant workers. Based on condolence situations reported, related units of the group helped 12737 persons and condoled 382 ships (times) during the New Year's Day and the Spring Festival of 2011, with a total of RMB12.2915 million subsidies offered. Moreover, the group also visited 1,666 migrant workers and seafarers of the cooperative center, with RMB588,500 million subsidies paid.

(3) Cares for the Staff's Family Members

COSCO Group pays close attention to family members of the staff. In order to solve the hidden worries of seafarers, the group establishes 248 contact stations for the families of seafarers through which the companies could learn about the families' needs and provide timely assistance.

Trade Union of the group carefully summarized the work to help the staff who are in difficulty in accordance with requirements of the State Council and SASAC, and compiled and submitted the written materials to the Bureau of Mass Work under SASAC. In order to establish a long-term mechanism to help and support the poor, all second-tier trade unions established achieves for staff in extreme difficulty, and formed a high-efficient dynamic management system of poverty-stricken staff. On this basis, they also established the aiding and warning system for staff in difficulties to find and cope with common difficulties of the staff.

The group reimbursed part of the medical fees for children of the staff, offered subsidies for single child on the Children's Day, and gave half-day leave for the staff, showing its cares for children of the seafarers.

Before the Spring Festival, COSCO Group headquarters and its subsidiaries organized condolence teams to visit families of the staff, sending the holiday wishes and cares of the party and the enterprise.

COSCO Group headquarters insisted on sending letter of condolence and subsidies to parents of the staff, expressing the cares and appreciation to them on behalf of leaders and party committees of the group while sending holiday greetings to them.

3. Cultural & Sports Associations and Cultural Life of the Employees

COSCO Group pays close attention to cultural life of employees, and promotes construction of a harmonious enterprise by promoting corporate culture building and increase cohesion of the enterprise. All levels of labor unions organize various forms of cultural and sports associations and organize cultural and sports activities and cultural month activity for employees. These efforts play an active role in enriching cultural life of employees, enhancing affection of enterprises, improving humanistic relation environment and increasing cohesion of the enterprise.

Year 2011 marked the 50th anniversary of COSCO Group. In this year, the group successfully held the Cultural Month Activity with a focus on the staff's art performance and an exhibition of poems, calligraphic and painting



works of staff to celebrate its 50th anniversary.

Divisions of COSCON Organize the Staff’s Autumn Sports Meeting Actively

On Oct. 22, 2011, Qingdao Division of COSCON held the 2011 Staff’s Autumn Sports Meeting, which was participated by 16 teams totaling 470 athletes from more than 40 outlets in and outside the province as well as departments and offices of the division.



The Communist Youth League Committee of COSCO Qingdao organized an activity themed on “Competing for Excellence and Trying to Become Young Pioneers” in 2011. On April 24, 2011, the Communist Youth League Committee of the seafarers’ company organized over 40 “Red Hood” young volunteers to attend an educational activity at

Maogong Mountain, Xifu Town, Qingdao.

4. Disposal of Complaints

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.

(IX) HUMAN RIGHT RISKS

COSCO Group lays special emphasis on situations of human right risks of stakeholders, and understands and improves human right situations of the supply chain in accordance with UN Global Compact’s Universal Declaration of Human Rights and ISO26000’s requirements regarding human rights. It makes use of comprehensive risk management methods to systematically identify and evaluate various human right risks including various risks concerned by stakeholders, adopts controlling measures corresponding to risk level based on risk assessment results, and effectively avoids and reduces influences of various risks.



社会绩效指标和主题报告

SOCIAL PERFORMANCE INDICATOR AND THEME REPORT





PART VI SOCIAL PERFORMANCE INDICATORS AND KEYNOTE 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. The 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.” It tries to influence responsibility performance behaviors of customers and suppliers with the sustainable development concept, and respects and protects intellectual property right. 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



Subsidiaries of COSCO Group establishes the workers' congress system to implement democratic management. They have set up the sustainable development committees, the administrative management departments and the public relations departments to maintain good cooperation relations with local communities. They have set up functional departments and offices for supervision and discipline inspection, established discipline inspection committees, and promoted the pilot project for vertical supervision system to implement the anti-corruption work in practical. 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 marketing or sales departments of the subsidiaries are responsible for implementing relevant national and international policies and regulations with regard to anti-monopoly 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.

(IV) IDENTIFICATION OF STAKEHOLDERS AND RISK EVALUATION

Upholding the sustainability concept, COSCO Group fully considers the influences of its operation activities on the society, effectively evaluates the company's risks in community participation and development, fair operation and fair competition, takes preventative and alleviation measures for operational activities that have obvious, potential or real negative influences on local community, and tries to promote the common and sustainable development of the company and local community.

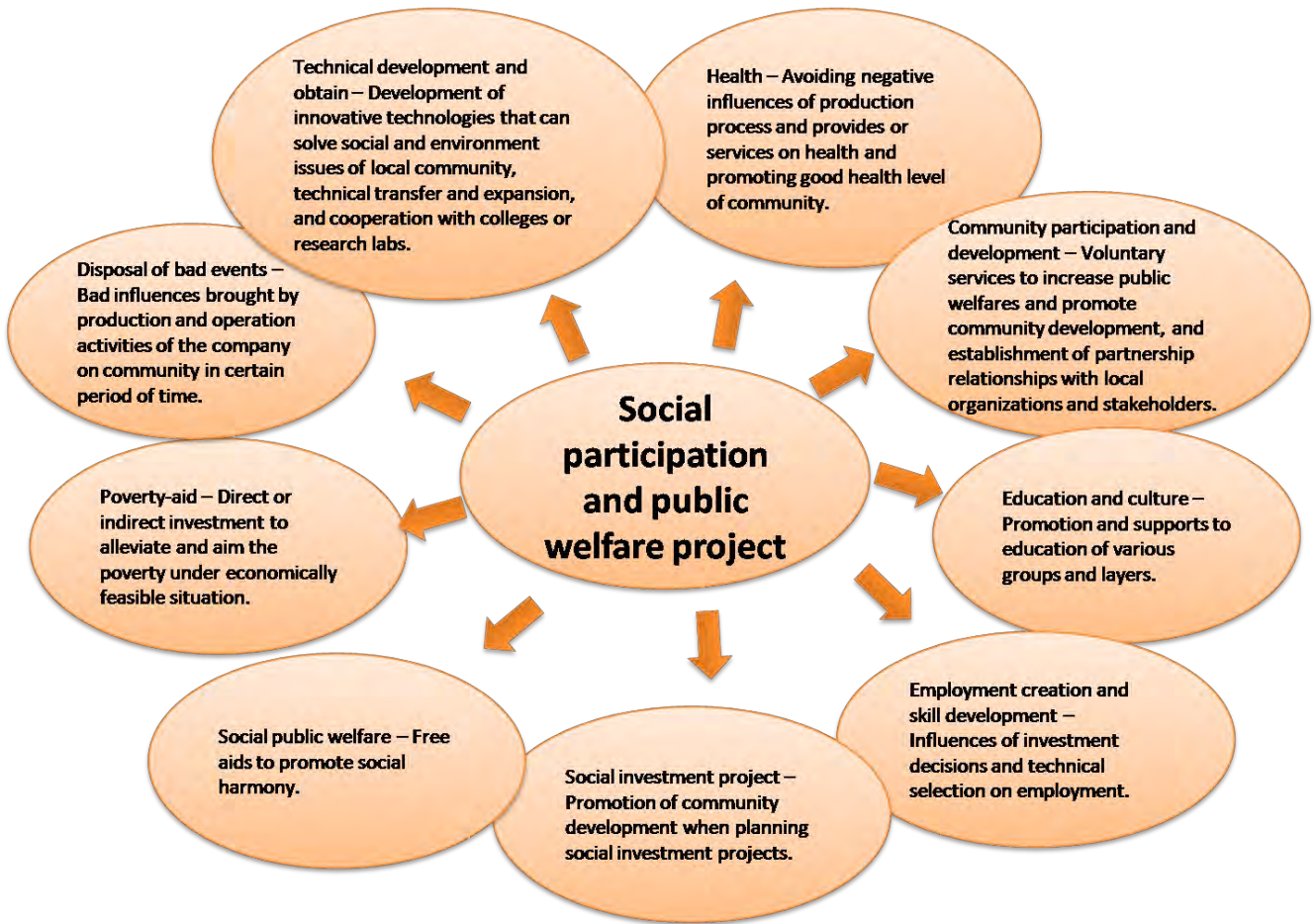
II. PERFORMANCE INDICATORS

COSCO Group insists on abiding by commercial ethics and opposing corruption and commercial bribery in cooperation with the government, partners, suppliers, contractors and customers. It attends public affairs responsibly, abides by fair competition principles and respects the intellectual property rights. It propels shipping enterprises to operate in a responsible way by making use of its own advantages and makes active contribution to promotion of sustainability of social environment.

(I) COMMUNITY INVOLVEMENT AND PUBLIC WELFARE PROJECTS

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 2011, 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.

COSCO Group regards itself as a basic citizen of the local communities and actively seeks for the cooperation opportunities with local communities. By promoting the cooperation with local communities, it has promoted healthy development of the community and reflected its social responsibilities. In 2011, the group continued to maintain good relationships with the local communities, and made its own contribution by promoting various forms of cooperation, receiving high praises and active feedbacks.



1. Community Involvement and Development

COSCO Group has been committed to the cooperation with the related parties in the communities, including the governmental departments, the military garrison units, non-profitable organizations and privately-run groups, etc. Through cooperation with relevant parties, COSCO Group has established a good image within the communities, created 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.

COSCO Guangzhou Attends Community Construction of Dongxing Village, Nibo Town, Xingning City

The inauguration ceremony of Guangyuan Road invested by COSCO Guangzhou in Dongxing Village, Nibo Town, Xingning City was held in Dongxing Village on Sept. 21, 2011. Ma Zongmei, President of COSCO Guangzhou, and Luo Lina, member of the Standing Committee of CPC Xingning Municipal Committee and Director General of the Propaganda Department jointly unveiled plate for the road. Leaders including Luo Shengwen, Director General of the Poverty Alleviation Bureau of Xingning, Fu Xiong, Vice Chairman of the Trade Union of COSCO Guangzhou, Zhong Shaohong, Secretary of CPC Nibo Town Community, and Chen Yun, head of Nibo Town, as well as more than 160 villagers attended the ceremony. Guangyuan Road, which is 2.5 kilometers long and 3.5 meters wide, is a cemented road constructed with RMB400,000 million of investment



from COSCO Guangzhou and RMB350,000 of social investment. Completion of Guangyuan Road drives the economic development of local place and fulfills dreams of several generations of villagers in Dongxing Village. Some villagers were too excited and came into tears and their sense of happiness was beyond words. The Government of Dongxing Village also gave high praises to the road and said that it would lead villagers to be self-dependent and get rid of poverty as early as possible.

Through donations, tree planting and volunteer service teams, subsidiaries of the group have made active contributions to improvement of ecological environment and promotion of spiritual civilization



Advocate green civilization and appeal people to cherish the nature and protect the environment.

On May 4th Youth Day, the Youth League Committee and Trade Union of South China Branch organized employees to attend a tree-plantation activity themed on “Carrying forward May 4th Spirits, Celebrating 50th Anniversary of COSCO Group and Welcoming the Green University Games”. Shao Ping, Secretary of the Party Committee of South China Branch, led young employees of the company to plant trees at the University Games Memorial Forest in Longcheng Park, Shenzhen. The young league members were in high spirits and planted trees actively. Some of them supported the seeding, some dug the earth, while others filled the pit, planting each tree carefully.



Try to be a model in construction of “civilized and green traffic” and strive for creation of “safe, civilized and harmonious” traffic environment.

On the morning of Oct. 17 to Oct. 21, 2011, COSCO Shanghai organized 16 young volunteers to be on duty at the crossroad of Pingliang and Ningguo roads, a model crossroad for traffic civilization in Yangpu District, in response to the Dandelion Series of “Civilized Traffic On-duty Activity” initiated by the Municipal Civilization Committee and the Civilization Office,

At 7:15 in the morning of each day, volunteers arrived at the crossroad on-time. Although it was in late autumn, volunteers still conducted promotion and education among law breakers passionately, kindly and patiently, assisted the traffic department to manage the traffic, shouldered their responsibility as “civilization emissary” and ensured traffic safety and order of the crossroad. This formed a beautiful landscape at the crossroad of Pingliang and Ningguo roads during the activity for “construction of a civilized city”.

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.

On Jan. 7, 2011, Wang Yongxin, Chairman of the Trade Union of COSCON Dalian Division, came to Zhuanghe and donated over 20 secondhand computers and stationeries to rural schools in Zhuanghe on behalf of cadres and employees of the company,



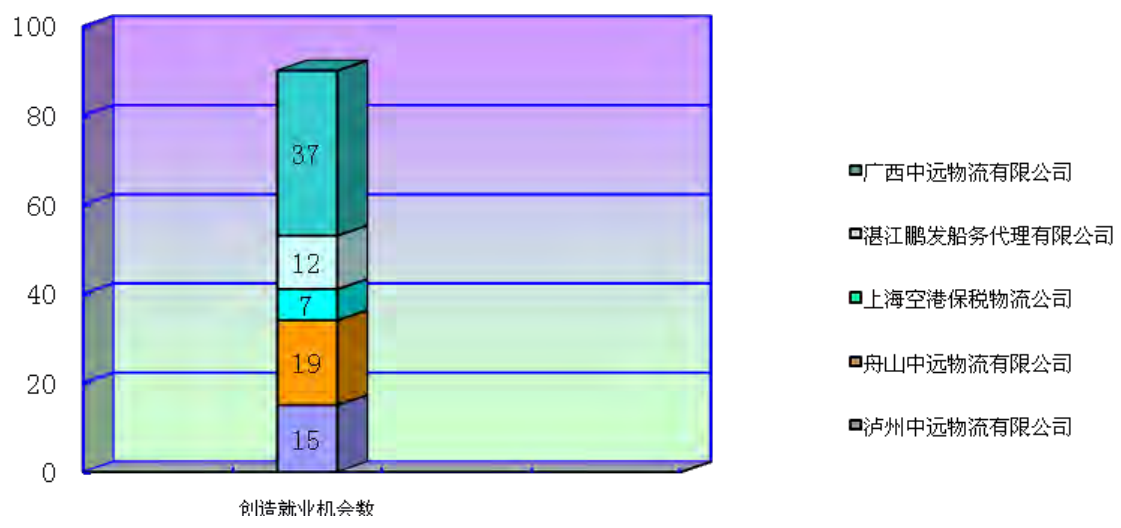
receiving warm welcome and high praises from teachers and students in the schools.

In order to help Luolong County to improve its educational facilities, COSCO Charity Foundation invested RMB2 million in 2010 and 2011 for reparation and maintenance of educational infrastructures at schools in the county. A total of 42 projects involving 17 schools were carried out, creating favorable and safe studying and living environment for children. The foundation also bought 100 copies of –Science and Education Films on New Technologies in Agricultural and Animal Husbandry Industries of Tibet for local farmers and herdsmen. The films were distributed to 11 towns and townships, 66 administrative villages and one residential committee in the county as well as related units such as the Agriculture and Animal Husbandry Bureau, the Agricultural Development Office and the Agriculture and Animal Husbandry Promotional Stations. By promoting innovative technologies of agricultural and animal husbandry industries, it has sent useful technologies to farmers and herdsmen in grassroots.

On Aug. 2, 2011, staff of COSCO Xiamen saw an article titled –An Abandoned Girl Becomes Pride of All Villagers” in the Strait Herald. The article tells the story of Chen Qiuping, a student in Xiamen, who received an offer from the Dalian Maritime University but can’t afford related fees due to poverty. Staff of the Finance Department of COSCO Xiamen donated RMB5,500 for Chen Qiuping voluntarily.

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. In 2011, logistics system of the group opened five new outlets, creating employment opportunities for local communities.



4. Social Investment Projects

When carrying out social activities, COSCO Group and its subsidiaries 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 December 2009, the Party Committee of COSCO Logistics (Wuhan) and the Party Branch of Qianhu Village, Zhuru Street, Caidian Village, Wuhan City, paired together to carry out the “pair work for construction of urban and rural areas”. By enriching contents of the work and carrying out the work steadily, party committee of the company gave substantial supports to the village, reflecting real effects of the work.

By the end of 2011, COSCO Logistics (Wuhan) had invested more than RMB100,000 to complete a series of projects such as hardening of irrigation canals, construction of aqueducts, greening project for offices of two village committees and improvement of remote educational system of party members. These efforts not only increased income of farmers, standardized the construction of management team of the village, and greatly improved educational and training conditions as well as cultural and entertainment environment of party members and villagers, but also received high praises from CPC Wuhan Municipal Committee and the Party Committee of Wuhan Municipal SASAC.



5. Public Welfares

Through collaboration with stakeholders in local communities, 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 2011, a total of 1,262 employees of COSCO Group participated in various social and community activities as volunteers, which had created good social effects.



Stranded Chinese people step on the ship



Creating a family atmosphere for Chinese compatriots



All Chinese people return the motherland safely



Tianfuhe Liner completed its task and evacuated 559 compatriots from Libya.

At 9:30 on the evening of Feb. 26, 2011 of local time, 559 frightened Chinese citizens (including seven females and one wounded person) at Misurata Port, Libya were excited when hearing the seafarers spoke Chinese. –Are you from China?” –Yes, you will be home when boarding on the ships,” replied the seafarers. After hearing this, they were relaxed. –We are in fear and trembling all day along. Now, we can go back to China. Thank you and our motherland!” During this time, they had boarded on the ship under the guidance of seafarers. Seafarers of the ship led them to the residential locations in accordance with the action plan, helped them to move the luggage, and warned them to be careful to the safety. After two hours, all people had boarded on the ships and started a returning way happily.

After 43 hours of navigation, Tianfuhe Liner arrived at Iraklion Port in Greece safety. More than 10 coaches had already been waiting there. Both seafarers and the compatriots felt that the evacuation work was in full preparation and considerable. The Chinese compatriots said that thank motherland, thank COSCO Group and thank all seafarers of Tianfuliner who had accompanied them for two days.

Suzhou Liner transported large engineering equipment for disaster-stricken area in Japan.



Transportation preparation



Loading



Fastness to ensure transportation safety



Safe and timely delivery



It was a rainy day on the morning of March 22. A special terminal operation was carried out orderly at the Shanghai Port International Cruise Terminal.

The large rescuing equipment transported by Suzhou Liner to Japan was an internationally advanced concrete pump truck. At the critical time that a great earthquake hit Japan on March 11 and tsunami caused nuclear accident of Fukushima Nuclear Power Plant, COSCO Group undertook the maritime transportation project of the large rescuing equipment voluntarily, and donated JPY23 million-worth cashes and materials to disaster-stricken areas in Japan. The group also donated the transportation fees of the pump truck as a loving care to Japan, receiving cares and supports of the Water Transport Division of the Ministry of Transport. Leaders of COSCO Group paid special attention to the transportation task, made arrangement by themselves, and organized its subsidiaries, i.e. COSCO Logistics (Shanghai) and Shanghai International Ferry Co., Ltd to carry out the task immediately.

After commencement of the navigation, the captain found that a stream of cold air in the north was moving southward, and there was the north wind 6-7 level and three-meter-high wave. Therefore, he selected the route to pass south of Jeju Island, avoid the wave, and enter Japan from coastal area of Japan. In order to avoid any movement of pump truck due to shake of ship, the captain determined to use stabilizing fin in the whole voyage to control the shaking range of ships to below five degree. After 46 hours of voyage, Suzhou Liner arrived at the Osaka International Passenger Terminal safely at 8:30 on the morning of March 24. At 9:00, the pump truck was unloaded from the ship smoothly, thus Suzhou Liner completed the transportation task of 62-meter pump truck.

Evacuation of Chinese Compatriots in the Mediterranean Sea

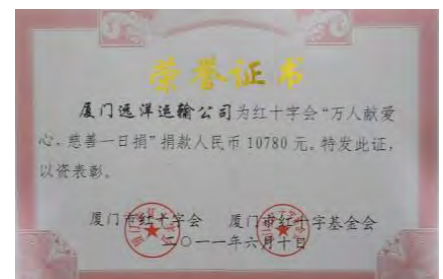
In February 2011, a great turbulence took place in Libya, putting Chinese compatriots in Libya in a dangerous situation. As the motherland is far away, it was difficult for Chinese compatriots to return.

After receiving an order from COSCO Group on Feb. 24, COSCO (Hong Kong) Shipping determined to dispatch Kangcheng Liner to undertake the task of evacuating Chinese compatriots in Libya in crisis. The ship and shore-based employees took actions promptly, and Kangcheng Liner set off to Libya immediately to complete the honorable mission.

In only six days from Feb. 24 to March 1, Kangcheng Liner completed the emergency-response preparation of work in a high-efficient and orderly manner in terms of navigation safety, safeguard, reception and allocation, catering and accommodation, firefighting and live-saving, drugs and first-aid equipment, and navigated to Misrath, Libya to wait for further order. Although Kangcheng Liner didn't received any evacuation task due to uniform arrangement of the higher authorities, it still received high praises from the higher authorities for the patriotic and dedication spirits, excellent occupational ethics and professional skills shown by ship- and shore-based staff. For seafarers of COSCO (Hong Kong) Shipping and Kangcheng Liner who attended the mission, the unforgettable experience will be the most valuable memory in their maritime career.

COSCO Xiamen Organizes “One-day Charitable Donation” Campaign

In response to the appeal of the Party Working Committee for Traffic System of Xiamen, COSCO Xiamen organized the “40,000 Persons Loving Care Offering and One-day Charitable Donation” Campaign. Employees of the company took the campaign actively and donated RMB10,780. The donation had been sent to the Xiamen Red Cross Society. The company had received an honorable certificate issued by Xiamen Red Cross Society and Xiamen





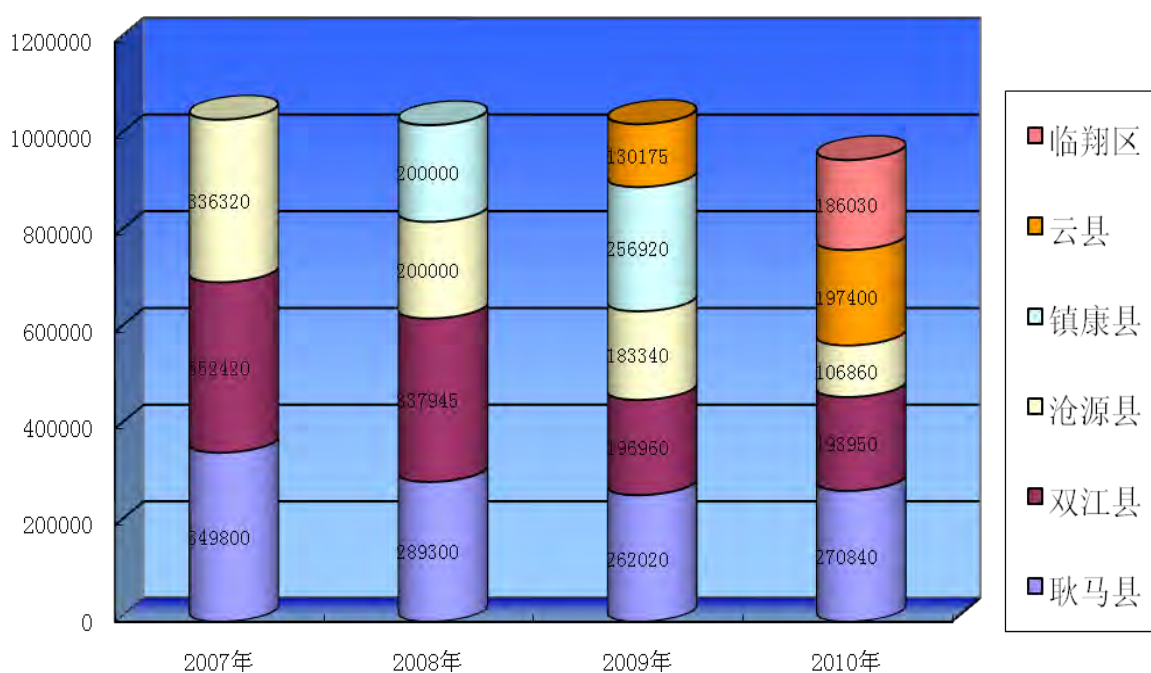
Red Cross Foundation.

6. Helping Those in Poverty and Difficulties

Helping the poor is a traditional virtue of Chinese nation, and also an excellent tradition of COSCO Group. All subsidiaries of the Group use various means to participate in social and community activities and to faithfully fulfill their corporate social responsibilities. In 2011, donations made by employees of the group amounted to RMB2.88582 million.

Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Donations of employees (RMB10,000)	41.43	54.95	110.78	111.45	269.39	2,410.55	277.6	374.28	288.58

From 2007 to 2010, COSCO Group Charity Foundation had invested a total of RMB4.71195 million to donate desks and chairs, dining tables, beds and experimental desks and cabinets to elementary schools in poverty-stricken areas of Canglin City.



COSCO Group Charity Foundation had invested RMB12 million to kick off 10 Tibet-aid Projects. COSCO Group has paid close attention to Tibet-aid work. Based on practical situations of Luolong County, the group has brought its advantages into full play, and supported Tibet-aid and poverty-alleviation work continuously to improve living conditions of farmers and herdsmen.



County water supply project – drinking water



water quality before project



water quality after project



Completion of Water Supply Project of the County

On Aug. 19, 2010, a launching ceremony was held at Fengshou Plaza, Luolong County. On May 27, 2011, water supply to the county began and on Aug. 30, the project passed check and acceptance. The project, which is operating smoothly at present and benefits 20,000 residents in the county and surrounding areas, thoroughly changed the history that Luolong County has no stable supply of clean drinking water and enabled the county to become the first county in the region that realized 24 hours of supply of clean drinking water.

COSCO –Gesang Meiduo Foundation

Since establishment of COSCO –Gesang Meiduo Education-aid Foundation at Luolong County in 2004, the foundation had invested over RMB1.8 million to solve capital difficulty of over 400 poverty-stricken students who are excellent in character and learning. In 2011, the foundation lowered the amount of scholarships in order to expand the aiding scope, and increased the living subsidies for teachers who had worked in the area for more than 10 years. So far, a total of 285 students and 39 teachers had benefited from the project, and the aiding strengths were enhanced effectively.

Construction of New COSCO Village in Duojiangong

In order to improve the hematopoietic function of local farmers and herdsmen, Luolong County kicked off a pilot project for construction of economic forest in Duojiangong Village, Mali Town. A total of RMB6.57 million capitals were invested to plant 72,000 economic trees. It is predicted that peach and apple trees will have fruits next year. After six years when the forest entered high-yield period, it will bring more than RMB1 million of revenue to local residents. As the profit-making period of economic forest is long and in consideration that houses of villages in Duojiangong Village were old and some were in dangerous situations, it was determined, based on negotiations with the county government, that the capitals for “construction of grassroots party groups in townships, towns and villages” in the 2011 Tibet-aid Plan was used to kick off beatification project of Duojiangong Village to improve production and living conditions of local farmers and herdsmen, stabilize ideologies of them and encourage them





to attend construction and maintenance of economic forests.

On March 3, COSCO Logistics (Wuhan) came to Chongqing University to see Ren Yong, a student majored in materials forming and control of the School of Materials Science and Engineering of the university. Ren Yong is target of education-aid and loving-care program carried out by the company in disaster-stricken areas in Sichuan. Since the end of 2008, the company has insisted on carrying out this program despite of busy production work, and kept in touch with the students and the universities. One week after Ren Yong returned to the university after the Spring Festival, the company dispatched special person to visit Ren Yong and gave RMB2000 of subsidies to him.



On March 29, a small-scaled donation activity was organized at the Maritime Center of COSCO Logistics (Dalian). Participants donated garments to people in poverty-stricken areas actively. Overcoats, outer wears, cotton suits and sports shoes were piled like a small mountain. The company sent the garments donated to Dalian Charity Foundation at Luxun Road. “The donations made by COSCO Logistics feature largest number, most complete types and highest quality among all donations we have received. I would like to express our appreciation to you,” said a staff of the foundation. The donations contain the due social responsibility undertook by a state-owned enterprise.

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



7. Dealing with Adverse Events

In 2011, all subsidiaries of COSCO Group have neither caused any adverse events in local communities nor received any complaints on pollution to the communities.

8. Technical Development and Possession

COSCO Group pays close attention to technical supports for community development, and has used its own advantages to provide technical supports and services for development of local communities.

9. Health

COSCO Group regards health as a basic human right and pays close attention to physical and psychological health of local residents.

When engaging in chemical logistics business, COSCO Logistics fully considers the possible negative influences of the business on surrounding areas. COSCO Shanghai’s chemical base is located in Fengxian Sub-area of Shanghai Chemical Industrial Park. Zhangjiagang Logistics Base of COSCO Logistics (Suzhou) is located in Zhangjiagang Bonded Area. The business engaged by the business is in designated chemical logistics business area of the bonded area. The chemical and logistics warehouse of COSCO Chongqing was in Chongqing



Changshou Chemical Industrial Park. Construction and operation of aforesaid chemical warehouse comply with national rules and regulations, and effectively protect health of the community.

(II) FAIR OPERATION PRACTICES — ANTI-CORRUPTION AND ANTI-COMMERCIAL BRIBERY

1. Overall Planning and Deployment

In 2011, COSCO Group studied and implemented the scientific outlook of development in an in-depth manner according to the requirements conveyed at the 4th and 6th 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. With a focus on the objectives of “adjusting structure, promoting transformation, enhancing strengths and elevating the level”, it tried to establish a punishment and prevention system in a steady manner, exerted great efforts to carry out supervision, inspection and internal audit work, dealt with illegal events, focused on rectification and solved key issues that affect its scientific development and raised great concerns of the employee. It promoted the vertical supervision system in an active and proper manner, brought into full play the “service, supervision, coordination and guarantee” functions of the discipline inspection, supervision and audit work on production, operation and management of the enterprise, and promoted the cost reduction, benefit increase and lean management of the enterprise.

2. Building of Punishment and Prevention System

COSCO Group carefully implemented the 2008-2012 COSCO Group Implementing Plans of Corruption Punishment and Prevention System. The headquarters and its subsidiaries have insisted on integrating the construction of punishment and prevention system into operation management and comprehensive risk management. They have started for system building and propelled related units to further improve system and business processes and elevate the execution ability. In 2011, a total of 1239 regulations were revised and 951 new regulations were formulated. They have propelled the functional departments to implement the punishment and prevention system carefully, and performed the daily supervision function. They also found risks from key areas and sectors, formulate prevention and control measures, and enhanced risk warning and prevention. The party group and the discipline inspection group drafted the Implementation Plans to Enhance Prevention and Control of Anti-Corruption Risks of COSCO Group based on practical situation of anti-corruption work, so as to prevent and control anti-corruption risks. The supervision and management information system developed by COSCO Bulk through information measures was promoted throughout the system to explore the way to promote anti-corruption work in a scientific manner, and efforts had been made to carry out corruption prevention work through “system and technology”.

3. Anti-corruption Education

All subsidiaries of COSCO Group carried out anti-corruption education activities using the method of “defining priority, enriching content, educating differently”. They organized study sessions on “Rules for Clean and Honest Governance” and regulations related to self-discipline for all levels of the company leaders 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. Over the past year, COSCO Group has compiled and issued a total number of 61,400 copies of educational materials on anti-corruption, held 485 special anti-corruption lectures which were participated by 11,500 persons,



organized 442 anti-corruption study sessions for 13,100 middle-level managers or above, and engaged 11,200 employees in anti-corruption talks. These activities further enhance the incorruptible employment consciousness of leaders at all levels, party members and the staff.

4. Supervision and Inspection

In order to prevent and control risk and standardize management, discipline inspection committees as well as supervising and auditing departments 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. The Supervision Department organized the supervision and inspection on implementation of the guidelines and policies of the party as well as decisions and resolutions of the headquarters. It also carried out inspection on implementation of related disciplines by all levels of management team, senior managers and posts at important posts. With respect to weak points and risks in operation and management of the enterprise, it carried out performance inspection to propel the implementation of “three importances and one critical” decision-making system, prohibit non-compliant behaviors and promote legal operation of the enterprise and incorruptible employment of leaders. In accordance with the arrangement of the CPC Central Committee, it organized related functional departments to carry out special rectifications in key issues of project construction sector and “little coffers”, and carry out inspection on transformation of economic development mode. Special inspection on independence of corporate management was carried out to promote standardized operation of board of directors and supervisory committee of related units. All levels of functional management departments carried out special supervision and inspection based on their respective obligations, bringing into full play their daily supervision role in prevention of corruption. In the meantime, all subsidiaries of the group innovated on methods of supervision work continuously, combined supervision work with information technology, and achieved significant results in improving supervision quality and efficiency through technological means. In 2011, the group carried out supervision and performance monitoring for 715 times, involving 1,518 units. A total of 860 problems were found, 968 pieces of recommendations were made, 552 problems were solved, 296 systems were improved, and an economic loss of RMB78.5138 million was avoided or saved.

5. Internal Audit

After the release of the Audit Report on COSCO Group by the National Audit Office in 2011, the Supervision Department of the group initiated researches on rectification plans immediately, organized special meetings on rectification actively, and promoted the rectification by coordinating functions of related departments. The regulatory functional department offered guidance and conducted on-site inspection and supervision timely and emphasized on rectification of related issues. Related units investigated on fundamental reasons of the issue in an in-depth manner and carried out rectification carefully in accordance with uniform arrangement of the group. Special researches were made on issues of other 16 central enterprises specified in the notice on audit results, and draw lessons. All levels of audit departments carried out audits focusing strategic planning, development orientation and high-risk business of the enterprise, and conducted audit and inspection in sectors such as investment management, engineering construction and material procurement to unveil management of key operational risks. Audit on internal control of supplies was carried in an in-depth manner, and “benchmarking” method was attempted to conduct audits on marine engine and shipbuilding management to elevate management level. Special investigations on governmental subsidies, expenditure management and third industry of the enterprise as well as tracking on the rectification were organized, and audits on key businesses



such as fuel futures, cargo transport logistics and terminal management were carried out. These efforts timely found and solved a batch of common issues and key issues. In 2011, the group completed a total of 18,821 audit projects, with 2,016 problems found and 2,310 pieces of audit opinions put forward. These efforts had promoted the revenue increase and expenditure reduction, and saved RMB149 million of economic losses. In August 2011, the Supervision Department of the group received the honorable title of 2008-2010 National Advanced Collective for Internal Audit from the National Audit Office.

6. Letter & Visit and Investigation 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. 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. With respect to key business and personnel at key positions which are prone to have corruptible cases, the case investigation was further strengthened. Moreover, the principle of “four does not let off” was insisted to educate a batch of cadres with a case investigation, thus to improve management system, promote standard management and bring the function of case investigation into full play. In 2011, the group received letters and visits on 139 cases, of which, 134 had been settled, with the settlement rate reached 96.4%. Moreover, it hadn’t preliminary investigation on 11 cases, with the settlement rate of 100%. It set up files for 11 cases, of which, nine had been settled, with the settlement rate of 81.8%. Among these cases, six persons were sentence to prison, and nine received disciplinary punishment or administrative demotion.

7. Deepening Vertical Supervision System

COSCO Group made in-depth researches on growth rules of century-old companies, summarized the experiences in pilot project of vertical supervision system, researched on issues exist and achievements made in an in-depth manner, unified the ideologies, consolidate the confidence and promoted the innovation of supervision system actively and steadily, safeguarding healthy and continuous development of COSCO Group. With the approval of the party group, COSCON implemented vertical supervision system in January 2011. Sticking to the principle of “vertical development and horizontal enhancing”, and carried out self-inspection and special supervision to “prohibit internal public relations and illegal connected transactions” and “strictly abide by operational principles” in the system, conducted rectification on issues found and enhance the supervision on investors. In the second half of 2011, the discipline inspection team of the party group, with the approval of the party group of COSCO Group, promoted the vertical supervision system in two directly affiliated units, i.e. COSCO Logistics and COSCO Shipyard, which are in large scale and are prone to have corruptive cases. In the meantime, it also promoted and implemented “vertical supervision system” in COSCO Bulk in combination with bulk cargo system reform of the group.

8. Enhancing Team Building

The party group of COSCO Group and all levels of party committees have paid close attention to the building of discipline inspection and supervision teams and carefully implemented the Opinions on Enhancing and Improving



Building of Discipline inspection and Supervision Organizations of Central Enterprises and Central Financial Institutions released by four ministries and commissions including the Central Discipline Inspection Commission. Based on results of in-depth investigations, they determined the institutional establishment and personnel allocation method based on different management levels, thus to realize the full coverage of disciplinary inspection and supervision organizations. So far, all 116 units in the group, which have party committees, but not discipline committees, have set up discipline committees, and appointed full-time discipline inspection and supervision personnel. The number of time discipline inspection and supervision personnel in the system was increased by 22. COSCO (Hong Kong) Group set up the Supervision Department and established supervision and management system. It also carried out business training and post practice to elevate quality and ability of the supervision personnel.

In order to further elevate the duty performance ability of secretaries of the discipline inspection committees, the discipline inspection team of the party group carried out the 6th meeting for duty report of secretaries of the discipline inspection committees, and invited experts to give professional training. These widened the visual scope of secretaries of the discipline inspection committees at all levels and responsible persons of the supervision departments of second-tier companies, enriched their knowledge, widened the idea, and promoted their work. In particular, the activity to compete for excellence was carried out in accordance with the party group of COSCO Group, and a series of activities with rich contents and various forms were carried out under the themes of “focusing on loyalty, unity, responsibility and efficiency”, “enhancing political judgment ability, implementation and case-handling ability, survey and investigation ability, work innovation ability and summary ability”, “being a model in studying hard, working diligently, implementing the disciplines fairly, maintaining the unity and in anti-corruption and self-discipline” and “being a loyal guardian of the party and a considerable person for the public”. Moreover, various studies and training activities, investigations, thesis-writing and work practices were organized to activate the voluntariness of the discipline inspection and supervision personnel in “studying and working voluntarily, enhancing supervision, performing their duty, and strive for progresses”. These efforts had achieved significant results.

(II) FAIR OPERATION PRACTICES — RESPONSIBLE POLITICAL INVOLVEMENT (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 2011, main activities attended by COSCO Group were as follows:

Time	Activities
Jan. 27, 2011	Wei Jiafu, Chairman of COSCO Group, attended related activities at 2011 Davos World Economic Forum in Switzerland. Wei Jiafu attended the Globalization 3.0 Sub-forum held on the morning as joint chairman of the forum, and attended the sub-forums on low-carbon operation and leadership of shipping industry, transportation safety, and logistics and transportation guidance committee.
March 5 to March 14, 2011	Zhang Fusheng, Vice Chairman of CSOCO Group, attended the 4th Session of the 11th National People's Congress, at which, he offered the 10 suggestions, including enhancing prevention and attacks to pirates in Somalia, protecting rights and interests of seafarers, and ensuring safety of maritime strategic channel of the country; reducing or exempting individual income tax of seafarers; standardizing development of state-owned shipping fleet uniformly from a national strategic level; huge influences of opening of North Pole route and countermeasures of Chinese Government and shipping industry; improving rules and regulations and promoting balanced development of Chinese securities market; exempting tariffs and import value-added tax for ships imported and ordered for ocean shipping; further enhancing standard management of seaman labor market; solving tax issue related to payment of ship leasing rents by domestic enterprises to foreign enterprises; continuing fiscal refund policies offered by the Ministry of Finance to CSOCO Group; implementing preferential prices to encourage development of natural gas vehicles. All of the ten advices given by him at the event raised great attention of the National People's Congress and the Government.
March 17 to March 18, 2011	As chairman of the China Maritime Law Association, Wei Jiafu, Chairman of COSCO Group, attended the 1st Session of 12th Standing Council of the association held in Boao, Hainan. At the event, Wei Jiafu required the association to respond to the appeal of the government, bring into full play its role as an intermediary organization, enhance its own construction ability, standardize its management and provide better services for China's ocean shipping industry and its member enterprises. He also encouraged the association to offer advices and suggestions for legislation and judicatory cases of the maritime industry, gradually enhance the right of speech of Chinese shipping enterprises in international shipping circle, further elevate the position of China as a large shipping country, and highlight the international image of China in ruling the country by law. Wei Jiafu also sent a letter of condolence on behalf of all members of the association to express our blessings to the Japan Maritime Law Association hit by earthquake and tsunami.
April 15 to April 16, 2011	As a member of the Advisory Committee, Wei Jiafu, Chairman of COSCO Group, attended the 2011 Boao Forum for Asia themed on "Inclusive Development — Common Agenda and New Challenges". The forum aims at further discussing the meaning of inclusive development and providing farsighted ideas and guidance on transformation of Asian economy at appropriate time through the wide dialogues among the government, enterprises, academic circle and the media.
July 28 to July 30, 2011	Wei Jiafu, Chairman of COSCO Group, and Zhang Fusheng, Secretary of the Party Group, attended the Seminar for Responsible Persons of Central Enterprises and Local SASACs held by State Council's SASAC in Daqing. At the event, Wei Jiafu delivered a speech themed on "performing social responsibility and constructing a harmonious enterprise" on behalf of transportation enterprises.
Oct. 25 to Oct. 26, 2011	Ma Zehua, Vice Chairman of COSCO Group attended the 2nd Asia-Euro Meeting for Ministers of Traffic in Chengdu, and delivered a speech themed on "people orientation, safe development, advance prevention and focus on implementation" at the special meeting themed on "traffic safety and safeguard".

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 has never donated any capitals or materials to parties, politicians or related institutions of any countries.

(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 2011, COSCO Group didn't involve in any lawsuits due to anti-competition, anti-trust or anti-monopoly actions.

On April 27, 2011, Lidinsky, Chairman of the US Federal Maritime Commission, Ronald Murphy, Managing Director of the commission, visited Beijing to attend the celebrating ceremony of COSCO Group's 50th anniversary and granted the "Outstanding Achievement Award" to COSCO Group. Chairman Lidinsky commended Chairman Wei Jiafu's responsible attitudes towards shipping industry and gave high praises to legal operational efforts of COSCO Group in America. Lidinsky also believed that COSCO Group had made active contributions in keeping industrial order, promoting Sino-US trade and serving for American consumers.

When visiting Washington D.C. with the delegation of the China Center for International Economic Exchanges (CCIEE), Chairman Wei Jiafu had a talk with Lidinsky and Ronald Murphy on Nov. 15. During the event, Wei Jiafu firstly extended thanks to Chairman Lidinsky for his visit to COSCO Group on April 27, 2011. In the meantime, he introduced the situations of the 8th World Shipping (China) Summit held in Boao, Hainan in early November and the APEC-CEO Summit held in Hawaii. At the two events, Capt. Wei Jiafu had expressed his opinions on issues such as development of world economy and shipping industry, which raised great echoes from economic and shipping circles. Capt. Wei Jiafu appealed companies in shipping industry to enhance self-discipline in severe market situation and make joint efforts to keep the market order.

(V) LAW-COMPLIANCE

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, for instance, the legal affairs department will make a legal review before signing of the contract, 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 2011, no penalty events caused by violation laws or regulations occurred in COSCO Group.

COSCO Group is very active in all kinds of legal researches and seminars. The group attended the formulation and revision of related laws and regulations, such as the Interim Regulations on Vessel Tonnage Tax (draft version



for approval), the Regulations on Foreign Experts Working in China (draft version for approval), the Regulations on Maritime Search and Rescue (draft version for approval), the Regulations on Domestic Water Transport (draft version), the National Defense and Traffic Law (draft), the Shipping Law, the Revision of the Criminal Procedure Law and the Revision of Civil Procedure Law to reflect opinions of COSCO Group to related governmental departments and protect rights and interests of shipping companies. The Group has always carried out legal literacy activities that suit its own operation and management. It has already formed a culture of studying, knowing, observing, and using laws. Year 2011 is the beginning year of the Sixth Five-year Plan for Legal Popularization. The group kicked off the legal popularization work in accordance with the requirements of the Office for Popularizing Legal Knowledge and SASAC, and in pursuant with the detailed arrangements made in the Sixth Five-year Plan on Legal Promotion and Education of COSCO Group. The group deepened the legal promotion and education in accordance with the overall requirements on legal popularization work and enhanced the legal building of the enterprise. These efforts had significantly enhanced the legal consciousness and elevated the legal operation and management level of managers and the employees.

6. Promoting Social Responsibility in Value Chain

COSCO Group insists on responsible procurement and establishes complete procurement management system to bring environmental protection and safety production of suppliers to evaluation of suppliers. It pays attention to suppliers' protection over employees' rights and interests and occupational safety, insists on environmental protection requirements in procurement process, and advocates energy conservation and emission reduction. It tries to influence its customers on performance of social responsibility, and brings into full play its role to promote social responsibility in shipping value chain through various activities. For instance, it promotes COSCO's sustainability concepts at Boao Forum for Asia and the World Shipping Summit.

7. Respecting Intellectual Properties

COSCO Group pays attention to the role of intellectual property rights in protecting technical innovation of enterprises, promoting transformation of technical achievements and elevating core competitiveness. It has no intellectual property right-infringing activities including misuse of dominating position, counterfeit and software piracy. While using and protecting its own intellectual property right and properties, it also considers social expectations, human rights and basic demands of people. It researches and formulates intellectual property strategies based on characteristics of the industry and practical situations of the enterprises. It also establishes and improves intellectual property creation, application, management and protection mechanism. It encourages patent development and application work. In 2011, COSCO Group received 29 pieces of intellectual properties, and applied for 121 new patents and received 25 pieces of authorized patents.

ASSURANCE STATEMENT



Introduction

DNV Business Assurance Group ('DNV') has been commissioned by the management of China Ocean Shipping (Group) Company ('COSCO') to carry out verification on COSCO's Sustainability Report 2011 ('the Report') against the AA1000 Assurance Standard (2008) ('AA1000AS 2008').

COSCO is responsible for the collection, analysis, aggregation and presentation of information within the Report, while our responsibility is to perform this work completely in accordance with agreed terms of reference. The stakeholders of COSCO are the intended users of this statement. The verification is carried out based on the assumption that the data and information provided to us is complete and true.

Scope of Assurance and Limitations

The scope of work agreed upon with COSCO includes the following:

- The specified sustainability performance information and The social, environmental and economic data presented in the Report, covering social responsibility performance from January to December 2011;
- On-site verification at COSCO headquarters and subsidiary companies;
- We did not interview with external stakeholders at this verification;
- 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;
- The specified sustainability performance information includes:
 - Environment performance of shipping operation processes;
 - Safety performance in shipping operation processes;
- The sustainability performance information which presented in the Report against GRI 3.0
- Verification was completed by DNV from May to June 2012;
- We did not verify the financial data presented in the Report (already verified by another third party);
- DNV has not observed significant factors to limit 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 has been evaluated against 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 headquarters of COSCO and conducted interviews with about 60 of COSCO's representatives, including senior management and key employees;
- Verification was extended to COSCO's sub companies:
 - COSCO Container Lines Company Limited
 - COSCO Logistics Company Limited
- 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 2011 provides a credible and objective presentation of COSCO's overall sustainability performance and application of the AA1000 Accountability Principles. Within the scope of assurance, DNV has not observed any untrue statements. We evaluated adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

AA1000AS Principles

Inclusivity: Acceptable. The Company has established a process for stakeholder engagement and expresses their expectation through multiple communication channels. The engagement has influenced the set-up of COSCO's sustainability policy and objective on certain level. The way how the stakeholders engage in it and their focus their focus has been disclosed in this report.

¹www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/index.asp

ASSURANCE STATEMENT



Materiality: Acceptable. The Company has established a process to assess the reporting performance indicators against main stakeholder's expectation, GRI 3.0 guidance, local legal requirement and industry peer-based. Topic and performance disclosed in this report balance the concern of stakeholder and company's sustainability strategy.

Responsiveness: Acceptable. The Company's sustainability policy, objective and targets have been established across the organization based on the analysis of the identified materiality issues and clearly presented in the report in the way of years historical data and detailed context that covers economic and environmental issues which are highly related to the shipping industry section.

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. It is suggested that the COSCO improves the internal audit mechanism to verify the data and information submitted by subsidiary companies.

Additional Principles

Completeness: Good. Within the reporting scope and boundary defined by COSCO, we believe 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 generally 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 COSCO. However, these do not affect our conclusions on the Report, and they are indeed generally consistent with the management objectives already in place.

- To establish a more transparent and efficient external communication and disclosure mechanism in order to improve the responsiveness to the external includes oversea stakeholders for the key sustainability topics.
- To improve the balance of disclosed information about sustainability performance information (which includes the information present both in The report and COSCO" website) .
- To be more clean disclose the social responsibility policy and management mechanism for supply chain, includes the risk assessment and the relevant standards

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 any people interviewed and the verification by numerous public means to understand positive and negative comments on COSCO. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For DNV Business Assurance Group

Cai, Kun Quan
Lead Verifier

C. K. Wong
Sustainability Service Manager,
Greater China

Shanghai, July 2012

GRI 3.0		ISO26000 Guidelines on Social Responsibility Standards	Global Compact Ten Principles and Blueprint for Sustainability Leadership	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Disclosure
Profile Disclosure	Description						
Standard Disclosures Part I: Profile Disclosures							
1. Preface of the Report (P)							
1.1	Statement from the most senior decision-maker of the organization.	6.2 Organizational governance	CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.		2. Speech of the top executives (P2) Speech of the top executives is the summary on CSR work made by most senior decision-makers of enterprises and includes following two contents: P2.1 The declaration on relationships between enterprises and social responsibilities, i.e. strategic consideration of enterprises for implementation of social responsibility work and the development opportunities brought by it;	A. Strategies and General Information/Part I Statement of the Chairman and Strategies/I. Statement of the Chairman	Complete Disclosures
					P2.2 A summary of achievements and insufficiencies of social responsibility work of enterprises in the year.	A. Strategies and General Information/Part I Statement of the Chairman and Strategies/I. Statement of the Chairman	Complete Disclosures
		†Implement all the ten UN Global Compact principles into strategies and operations.	IV. (XVII) Establishing and improving the system and mechanism to perform social responsibilities and	Governance of responsibilities (G1) This part of report mainly elaborates the enterprises' concept	A. Strategies and General Information/Part I Statement of the Chairman and Strategies/II. Strategies	Complete Disclosures	

				integrating into development strategies of enterprises	to be responsible to economy, society and environment from high and strategic prospective as well as its focuses on stakeholders		
			Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.	Corporate Social Responsibility Promotion Mechanism I. Responsibility Strategies 1. Specifying CSR concept 2. Focusing on key CSR issues of the industry 3.CSR development strategies and planning	in its value concept and vision; It also elaborates enterprises' influences on stakeholders in operation process as well as external risks and opportunities in its sustainable development; It also elaborates the enterprises' commitment to stakeholders. G1.1 Ideas, vision and value concept of enterprises Elaboration of indicator: the indicator describes enterprises' operational ideas, vision and value concept of being responsible to economy, society and environment.	B. Management and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/I. Responsibility Strategies	Complete Disclosures
			Align core business strategy with one or more relevant UN goals/issues.				
1.2	Description of key impacts, risks, and opportunities.		Develop strategies and policies specific to the company's operating context – as well as scenarios for the future - and establish measurable short, medium, and long term goals.		G1.2 Analysis on risks, opportunities and sustainable development Elaboration of indicator: the indicator mainly measures healthy degree of development of enterprises, which includes following three contents: (1)	A. Strategies and General Information/Part I Statement of the Chairman and Strategies/III. Analysis on Primary Influences, Risks, Opportunities and Measures of Sustainability	Complete Disclosures

			Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.		Active influences (such as improvement of living quality and increase of employment) and positive influences (damage the environment) brought by core businesses of enterprises to economy, society and environment; (2) Internal and external risks and opportunities of enterprises in fulfilling its sustainable development; (3) Countermeasures of enterprises to cope with aforesaid risks and opportunities, i.e. path and planning of enterprises to fulfill its sustainable development.		
2. Organizational Strategies and Profile							
2.1	Name of the organization.				(P3) Enterprise introduction P3.1 Name, nature of ownership and headquarters of the enterprise	A. Strategies and General Information/Part II General Information of COSCO Group	Complete Disclosures
2.2	Primary brands, products, and/or services.				P3.2 Main products and services of enterprises	A. Strategies and General Information/Part II General Information of COSCO Group	Complete Disclosures
2.3	Operational structure of the organization, including main divisions, operating	6.2 Organizational governance		III. (IX) Enhancing market competitiveness.	P3.3 Operational regions and structure of enterprises including main departments, operation enterprises, affiliated and joint venture institutes	A. Strategies and General Information/Part II General Information of COSCO Group; Part III Basic Profiles of Companies Implementing Sustainability Management System	Complete Disclosures

	companies, subsidiaries, and joint ventures.						
2.4	Location of organization's headquarters.				P3.1 Name, nature of ownership and headquarters of the enterprise	A. Strategies and General Information/Part II General Information of COSCO Group	Complete Disclosures
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.					A. Strategies and General Information/Part II General Information of COSCO Group	Complete Disclosures
2.6	Nature of ownership and legal form.					A. Strategies and General Information/Part II General Information of COSCO Group; Basic Profiles of COSCO Group's Subsidiaries	Complete Disclosures
2.7	Markets served (including geographic breakdown, sectors served,					A. Strategies and General Information/Part II General Information of COSCO Group; Basic Profiles of COSCO Group's Subsidiaries	Complete Disclosures

	and types of customers/beneficiaries).						
2.8	Scale of the reporting organization.					A. Strategies and General Information/Part II General Information of COSCO Group; Basic Profiles of COSCO Group's Subsidiaries	Complete Disclosures
2.9	Significant changes during the reporting period regarding size, structure, or ownership.					A. Strategies and General Information/Part II General Information of COSCO Group; Basic Profiles of COSCO Group's Subsidiaries	Complete Disclosures
2.10	Awards received in the reporting period.				P4.3: List of honors received by the company in reporting period Type of honors: Responsibility management category, social performance category, environmental management category Report: appraisal institutes; honorable titles	A. Strategies and General Information/Part IV Awards	Complete Disclosures
					Type of honor: market performance category; Report: appraisal institutes; honorable titles	A. Strategies and General Information/Part IV Awards	Complete Disclosures

3. Report Parameters

3.1	Reporting period (e.g., fiscal/calendar year) for information provided.			IV. (XVIII) Establishment of social responsibility reporting system.	1. Reporting rules (P1) P1.2 Organization scope of the report P1.3 Time scope of the report	A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures
3.2	Date of most recent previous report (if any).				P1.4 Which number is the social responsibility report	A. Strategies and General Information/Part V General Information of the Report	Complete Disclosures
3.3	Reporting cycle (annual, biennial, etc.)		Integrate Communication on Progress into annual financial report or publish them together.	IV. (XVIII) If possible, enterprises shall issue social responsibility report or sustainable development report on a regular basis.	P1.5 Report release period	A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures
3.4	Contact point for questions regarding the report or its contents.			IV. (XVIII) Dialogue mechanism to improve communication methods of social responsibilities, timely understand and respond to suggestions and opinions of stakeholders, and voluntarily accept supervision of stakeholders and the society.	P 1.8 Contact persons and contact methods who can ask questions related to report and its contents	A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures
3.5	Process for defining report content.					A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures

3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.			IV. (XVIII) Current situations, planning and measures for enterprises to perform social responsibilities.		A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).				P1.7 Report reference standards	A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can					A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures

	significantly affect comparability from period to period and/or between organizations.						
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.				P1.6 Explanation to data of the report	A. Strategies and General Information/Part V General Information of the Report/II. Report Compilation Principles	Complete Disclosures

3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).					A. Strategies and General Information/Part V General Information of the Report/II. Report Compilation Principles	Complete Disclosures
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.					A. Strategies and General Information/Part V General Information of the Report/II. Report Compilation Principles	Complete Disclosures
3.12	Table identifying the location of the Standard				P 1.9 Report obtaining method and extension reading	Appendix/Index	Complete Disclosures

	Disclosures in the report.						
3.13	Policy and current practice with regard to seeking external assurance for the report.	7.5.3 Audit	Secure external verification of Communication on Progress or seek other methods for legitimization by external stakeholders.		P1.1 Guarantee to reliability of the report, i.e. “The board of directors of the company and all directors guarantee that contents of the report have no unfaithful records, misleading statements or major omit, and shoulder personal and related responsibilities to faithfulness, accuracy and completeness of the contents”.	A. Strategies and General Information/Part V General Information of the Report/III. Report Guarantee Methods	Complete Disclosures
					III. Application level and excellent report appraisal of CASS-CSR1.0 Report Compilation Guideline (I) Rating of application level (II) Appraisal of excellent report	A. Strategies and General Information/Part V General Information of the Report/I. Scope of the Report	Complete Disclosures
			Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilize, where appropriate, the Global Reporting Initiative framework.			A. Strategies and General Information/Part V General Information of the Report/IV. Scope and Level of the Report B. Management and Participation of Stakeholders/Part VIII Comprehensive Implementation of Global Compact	Complete Disclosures

4. Governance, Commitments, and Engagement

4.1	Governance structure of the organization, including committees		Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts.	IV. (XVI) Establishing and deepening sense of social responsibilities. Deeply understanding the important meaning for performance of social responsibilities, firmly establishing the sense of social responsibilities and paying great attentions to social responsibility work.	P3.5 Description to regions and functions of enterprise governance institutes and professional committees, and their influences;		
	under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	6.2 Organizational governance	CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards.	Corporate Social Responsibility Promotion Mechanism II. Responsibility Management 4. Top executives attend internal and external communications and exchange activities on CSR 5. Establishment of CSR leading institute	G1.4 Description of indicators of social responsibility governance body: social responsibility governance body refers to highly decision-making, leadership and promotion institute managed by high-level leaders of enterprises (usually refers to president, general manager and other top executives of enterprises) directly and is at level of enterprise committee, such as social responsibility committee,	B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/I. Board of Directors; II. Supervisory Committee; III. Management Team; IV. Management Organization & Structure; V. Related Committees	Complete Disclosures
				III. (IX) Scientific and democratic decision-making			

			Board of Directors (or equivalent**) assumes responsibility and oversight for long term corporate sustainability strategy and performance. For companies without a formal Board, other governance or ownership body assumes these responsibilities		sustainable development committee, corporate citizenship committee, etc.		
			Board establishes, where permissible, a committee or assigns an individual Board member with responsibility for corporate sustainability.				
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.					B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/I. Board of Directors	Complete Disclosures
				IV. (XX) Enhancing the leadership of party group on CSR work. Bring into full play the political center role of party group of the enterprises.		B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/I. Board of Directors; III. Management Team	Complete Disclosures

4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.				P3.6 Describe board of directors of enterprises; “Please refer to XXXX report of the company for unmentioned contents” shall be indicated in the report.	B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/I. Board of Directors	Complete Disclosures
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body.		CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation.	IV. (XX) Widely mobilize and guide party members to perform social responsibilities, support labor union, communist party of China and women’s organization to play an active role in performing social responsibilities, and try to create a favorable atmosphere for enterprises’ performance of social responsibilities.	G3.3 Internal communications and exchange activities of social responsibility led by high levels of enterprises Indicator explanation: internal communications and exchange activities of social responsibility led by high levels of enterprises are as follows: Talk between high-level leaders and employees on social responsibility work; Establishment of social responsibility topic in employees’ congress; Special e-mail box for social	B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/VI. All-staff Participation and Communications Mechanism	Complete Disclosures

					responsibilities opened by high-level leaders.		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.	III. (IX) Improving governance of the company		B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/IV. Management Organization & Structure; VII. Corporate Evaluation Mechanism	Complete Disclosures
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.					B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/VI. All-staff Participation and Communications Mechanism; VII. Corporate Evaluation Mechanism	Complete Disclosures

4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.					B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/VII. Corporate Evaluation Mechanism; VIII. Personnel Evaluation Mechanism	Complete Disclosures
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.			IV. (XVI) Trying to form the value concept and corporate culture for performance of social responsibilities.		B. Management and Participation of Stakeholders/Part I Corporate Governance Structure/IX. Internal Statements, Behavioral Principles and Implementation Situations Relating to Economic, Environmental and Social Performance	Complete Disclosures

4.9	<p>Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.</p>		<p>Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary.</p>	<p>IV. (XVII) Establishing the system and mechanism for performance of social responsibilities. Clarifying designated management department and establishing sound working system.</p>	<p>2. Responsibility promotion (G2) Responsibility promotion block includes promotion of social responsibilities in and outside the enterprises. Internal promotion mainly describes construction of social responsibility management system within the enterprises, working mechanism and measures for performance of social responsibilities within the enterprises and achievements for promotion of social responsibility work within the enterprises; external promotion mainly includes enterprises' advocate and system regulations on performance of social responsibilities to their partners (mainly refer to suppliers)</p> <p>Expanded indicators G2.1 Description to indicators of social responsibility management</p>	<p>B. Management and Participation of Stakeholders/Part II Main Policies and Management Systems</p>	<p>Complete Disclosures</p>
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			Adopt and modify operating procedures to maximize contribution to UN goals / issues.	<p>Corporate Social Responsibility Promotion Mechanism</p> <p>II. Responsibility Management</p> <p>6. Specifying CSR regulatory department</p> <p>7. Establishment of special responsible department</p> <p>8. CSR working mechanism</p> <p>9. Capacity building of CSR specialty</p> <p>10. Special budget</p>	<p>system: The indicator mainly includes four contents as follows: (1) Social responsibility organization system, and responsible department to clarify and establish corporate social responsibility work; (2) allocation of personnel of CSR work department; (3) construction of CSR indicator system or special management system (such as social responsibility risk management); (4) System and measures for measurement of social responsibility work.</p>	<p>B. Management and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/II. Responsibility Management</p>	<p>Complete Disclosures</p>
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.			<p>IV. (XVII) Implementation in all production and operation sectors.</p>		<p>B. Strategies and Participation of Stakeholders/Part II Main Policies and Management Systems /IV. On-site Evaluation of Management Systems and Sustainability Report</p>	<p>Complete Disclosures</p>

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		Assess risks and opportunities on an ongoing basis at both enterprise and product level and undertake due diligence to ensure that the company identifies any negative impacts caused by its operations and activities.			B. Strategies and Management/Part IV Implementation and Reports of Comprehensive Risk Management	Complete Disclosures
				IV. (XVI) Putting the performance of social responsibilities into important agenda of enterprises, and researching and deploying social responsibility work regularly .	G2.2 Indicator for planning of social responsibility work mainly describes core topics of CSR work as well as overall objectives and guarantees measures to be achieved by social responsibility work.	B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/III. Responsibility Integration	Complete Disclosures
			Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc.) and ensure that no function is operating in conflict with sustainability commitments and objectives of company .	IV. (XVI) Continuously innovating management ideas and working methods.	4. Key performance table (P4) Key performance table includes comparison table of annual performance of corporate social responsibility work within the reporting period, table of key performance and list of honors received by enterprises within the reporting period. Comparison table of performance of social responsibility work mainly describes management of corporate responsibility work as	B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/I. Responsibility Strategies; II. Responsibility Management; III. Responsibility Integration; IV. Responsibility Communications; V. Responsibility Researches	Complete Disclosures

					well as organizational institute, improvement of rules and regulations and improvement of management behaviors for social responsibility practices; table of key performance describes quantitative working achievements of corporate social responsibility work; a list of honors received by the company within the reporting period shows honors received by the enterprise within reporting period in concentration. P4.1 A comparison table of performance of social responsibility work		
			Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy .	Corporate Social Responsibility Promotion Mechanism III. Responsibility	G2.4 Promotion of social responsibility work of affiliated enterprises: the indicator mainly describes social responsibility work of affiliated enterprises, including social responsibility work released, training on social responsibilities for affiliated enterprises, pilot work for social responsibility work among	B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/III. Responsibility Integration	Complete Disclosures
			Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.	Convergence 14. Promoting CSR among subsidiaries 16. Overseas CSR practices			

			Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.		affiliated enterprises, as well as evaluation and comparison of social responsibility work of affiliated enterprises.			
			Implement a system to track and measure performance based on standardized performance metrics.	IV. (XVII) Gradually establishing and improving statistical and evaluation system of corporate social responsibility indicators.		B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/III. Responsibility Integration	Complete Disclosures	
				Corporate Social Responsibility Promotion Mechanism IV. Performance management 17.CSR indicator system 18. CSR evaluation		B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/III. Responsibility Integration	Complete Disclosures	
			Engage and educate employees through training activities, the development and adjustment of business processes, and sound incentive schemes.	IV. (XVI) Enhancing all-staff training and popularization education of social responsibilities.	G2.3 Training on social responsibilities Indicator description: the indicator mainly describes social responsibility trainings (including promotion on social responsibility theory, introduction to advanced corporate social responsibility activities internationally and domestically and how to integrate		B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/III. Responsibility Integration	Complete Disclosures
				Corporate Social Responsibility Promotion Mechanism III. Responsibility Convergence 11.CSR concept delivering				

			and training 12.CSR risk management	social responsibility work with operational activities) organized by enterprises as well as achievements made.			
			Implement monitoring and assurance mechanisms within company's sphere of influence.	IV. (XVII) If possible, enterprises who have the conditions shall establish the evaluation mechanism for performance of social responsibilities.		B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/III. Responsibility Integration	Complete Disclosures
			Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns.	Corporate Social Responsibility Promotion Mechanism Responsibility Communications 20. On-site investigation on CSR in the system 21. Opening of CSR special column in internal magazines 22. Opening of CSR special column on homepage of the company 23. Release of CSR report	G3.2 Internal communications mechanism on social responsibilities within enterprises Description of indicator: the indicator mainly describes communications mechanism and media of social responsibility information within enterprises. Internal communications mechanism on social responsibilities of enterprises mainly includes internal magazines, such as Monthly Magazine on Social Responsibilities and Social Responsibility Communications; establishment of special column on social responsibility work on website of the enterprise;	B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/VI. Responsibility Communications	Complete Disclosures

					exchange conference on social responsibility knowledge; internal network for CSR.		
				IV. (XIX) Summarize the experiences, find the distance and improve the work.	G3.4 Social responsibility communications mechanism outside the enterprise The indicator mainly describes the mechanism and media for disclosure of corporate social responsibility information to external stakeholders, such as release of social responsibility report, the exchange fair of stakeholders held and participated and opening day of plants.	B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/VI. Responsibility Communications	Complete Disclosures
				III (IX) Improving management and control ability, and enhancing risk protection.	4. Compliance with laws and regulations (G4) This block mainly describes work done by enterprises to be compliant with laws and regulations from the angle of management system and system guarantee, including construction of organizational system for compliance with laws and regulations, system measures, behavioral standards, law-compliance manual, law-compliance training and working achievements made by	B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/Part V Legal Affairs Management	Complete Disclosures

				enterprises in complying with laws and regulations.		
				<p>G4.1 Law-compliance system of enterprise</p> <p>The indicator mainly describes the internal control system, law-compliance system and risk protection system of enterprise, including law-compliance ideas, construction of organization system and system establishment.</p>		
				<p>G4.2 Law-compliance measures</p> <p>The indicator mainly describes the law-compliance measures of enterprises, such as anti-corruption, anti commercial bribery and law-compliance manual.</p>		
				<p>G4.3 Training on law-compliance</p> <p>The indicator mainly describes the law-compliance training activities organized by the enterprise, including training on legal sense, training of behavior law-compliance, anti-corruption training and training on anti-commercial bribery .</p>		

					<p>G4.4 Key negative information on law-compliance</p> <p>If there are key negative information on law-compliance within the reporting period, they shall be explained and improvement suggestions shall be offered; if there are no such information, enterprise shall promise that there are no key negative information on law-compliance.</p>		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women’s Empowerment Principles, and Global Business Initiative on Human Rights.		<p>G1.3 Organization for enterprise to perform social responsibilities and its responsibility commitment</p> <p>Organization for enterprises to perform social responsibilities include domestic and overseas social responsibility organization, such as UN Global Compact, WBCSD, CBCSD and Social Responsibility Alliance;</p> <p>Responsibility commitment mainly refers to compliance with international social responsibility conventions or standards, such as 10 principles of Global Compact and Statement of UN on environmental and labor conventions.</p>	B. Strategies and Participation of Stakeholders/Part IX Voluntary Initiatives and Commitments Regarding Social Responsibility/I. Signing of External Compacts, Acts and Other Action Plans Regarding Economy, Environment and Society	Complete Disclosures
			Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider				

			United Nations.				
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.					B. Management and Participation of Stakeholders/Part IX Voluntary Initiatives and Commitments Regarding Social Responsibility/II. Participation in Associations	Complete Disclosures
4.14	List of stakeholder groups engaged by the			Corporate Social Responsibility Promotion Mechanism V.Responsibility		B. Management and Participation of Stakeholders/Part X Identification and Participation of Stakeholders	Complete Disclosures

	organization.			Communications 19.Survey on demands of stakeholders			
4.15	Basis for identification and selection of stakeholders with whom to engage.		†Communicate policies and expectations to suppliers and other relevant business partners.	IV. (XIX) Researching and studying the advanced ideas and successfully experiences of domestic and overseas enterprises in performing social responsibilities, carrying out the cooperation with advanced responsibilities in performing social responsibilities, enhancing the dialogues and exchanges with related international organizations, actively participating in formulation	G3.1 Expectations of stakeholders on enterprises as well as countermeasures of enterprises Explanation of indicator: the indicator includes three contents as follows: (1) Identify external stakeholders of enterprises such as shareholders, supervisors, government, customers, suppliers, employees, partners, community, environment, media, etc. (2) Investigation on demands and expectations of stakeholders; (3) Expectations of stakeholders on enterprises and enterprises'	B. Management and Participation of Stakeholders/Part X Identification and Participation of Stakeholders	Complete Disclosures

			<p>*Publicly recognize responsibility for the company's impacts on internal and external stakeholders.</p> <p>*Define sustainability strategies, goals and policies in consultation with key stakeholders.</p> <p>*Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.</p> <p>†*Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect „whistle-blowers“.</p>	<p>of international standards on social responsibilities and enhancing the exchanges and cooperation between enterprises.</p>	<p>countermeasures to expectations on stakeholders.</p>		
4.16	<p>Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder</p>		<p>Undertake awareness-raising, training and other types of capability building with suppliers and other business partners.</p>		<p>G2.5 Promoting partners to perform social responsibilities</p> <p>The indicator includes two levels: description of enterprises' advocate to partners, companies of the same industry and other organizations on performance of social responsibilities work;</p>	<p>B. Management and Participation of Stakeholders/Part X Identification and Participation of Stakeholders</p>	<p>Complete Disclosures</p>

	group.				enhancing sense of social responsibilities of other enterprises.		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting		Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.	Corporate Social Responsibility Promotion Mechanism III. Responsibility Convergence		B. Management and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management /III. Responsibility Integration/(III) 5. Promoting Social Responsibility Performance of Partners	Complete Disclosures
			Join industry peers, UN entities and/or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the company’s positive impact on its value chain.	15. Promoting CSR among partners			

			Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy.				
			Publicly advocate the importance of action in relation to one or more UN goals / issues.	Corporate Social Responsibility Promotion Mechanism Responsibility Communications 24. Attending exchanges and communications with domestic and overseas CSR organizations	G3.5 Social responsibility communications and exchange activities attended by high-level leaders of enterprise Description of indicator: the indicator mainly describes social responsibility conferences home and abroad attended by leaders of enterprise, speeches delivered at the conference and commitment to social responsibilities.	B. Strategies and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/IV. Responsibility Communications; Part X Identification and Participation of Stakeholders	Complete Disclosures
			Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals / issues.	25. Attending CSR forums/meetings home and abroad	3. Responsibility communications (G3) Responsibility communications block includes social responsibility communications in and outside the enterprise. Internal social responsibility		

			Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.		communications mainly include description of delivery of social responsibility information within the enterprise, and external social responsibility communications mainly include information disclosure of enterprise to external stakeholder and responsibility communications and exchange activities attended by enterprise leaders.		
			†Take active part in defining scope and objectives of new working groups when relevant.				
			† Advocate the UN Global Compact to business partners, peers and the general public.				
			† Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.				
			† Participate in activities to further develop and strengthen the UN Global Compact.				
			Pursue social investments and philanthropic contributions that tie in with the core	Corporate Social Responsibility Promotion Mechanism III. Responsibility		B. Management and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management /III.	Complete Disclosures

			competences or operating context of the company as an integrated part of its sustainability strategy .	Convergence 13. Public foundation		Responsibility Integration/(I)3. Charity Foundation	
				Corporate Social Responsibility Promotion Mechanism V. Responsibility Researches 26. Carrying out CSR researches 27. Attending CSR work of academic and research institutes 28. Attending formulation of international standards 29. Attending formulation of Chinese standards		B. Management and Participation of Stakeholders/Part III Integration of Social Responsibility into Organization and Management/V. Responsibility Researches	Complete Disclosures
			† Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.			B. Management and Participation of Stakeholders/Part VIII Comprehensive Implementation of Global Compact	Complete Disclosures

Standard Disclosures Part II: Disclosures on Management Approach (DMAs)

Standard Disclosures Part III: Performance Indicators

Economy

DMA EC	Disclosure on Management Approach EC	6.2 Organizational governance			1. Responsibilities of shareholders (M1) Responsibilities of shareholders mainly include two parts, i.e. management of investors' relationships and asset value maintenance and increase. The asset value maintenance and increase is presented by three indicators, i.e. growth, earnings and safety of assets. Core indicator	C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/I. Management Approaches	Complete Disclosures
	Economic performance	6.8 Community involvement and development		III. (VIII) Timely and fully-amount tax payment; (IX) Continuously improving sustainable profitability and developing main businesses.	P4.2 Table of key performance data Market performance indicators (three years of data); Main operating business revenue (10,000 yuan); Total profits (10,000 yuan); Earnings per share (yuan); Asset and debt ratio (%); R&D inputs (10,000 yuan); Taxes paid (10,000 yuan).	C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(I) Direct Economic Value Created and Distributed	Complete Disclosures

					<p>M1.1 Investors' relationships management system</p> <p>The indicator mainly describes the construction of investors' relationships management system of enterprises, including the concept of being responsible for investors, special institute for management of investors' relationships, investors' relationships management mechanism and communications mechanism with investors. The report shall indicate "please refer to annual report of year XXXX for unmentioned contents".</p>		
	Market presence					<p>C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(I) Direct Economic Value Created and Distributed</p>	Complete Disclosures
	Indirect economic impacts					<p>C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(IX) Key Indirect Economic Influences</p>	Complete Disclosures

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	6.8 Community involvement and development 6.8.3 Community involvement 6.8.7 Wealth and income creation 6.8.9 Social investment		III. (IX) Shortening of management chain.	M1.2 Growth, indicators related to growth of enterprises within the reporting period, such as operating revenue and growth rate.	C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(I) Direct Economic Value Created and Distributed	Complete Disclosures
				Reasonable allocation of resources. Enhancement of company management.	M1.3 Earnings, net profits growth rate, rate of earnings of net assets, earnings per share and other indicators related to operating revenue of enterprises within the reporting period.		
					M1.4 Safety, asset and debt ratio and other indicators related to financial safety of enterprises within the reporting period.		
				III. (IX) Reducing operational costs			
					1. Responsibilities to government (S1) Responsibilities to government include responding to policies, tax payment in accordance with laws and driving of employment. S1.1 Responding to national policies.		

					S1.2 Total sum of tax paid.		
					S1.3 Negative information related to tax evasion and tax fraud If there are tax evasion and tax fraud behaviors within the reporting period, related improvement measures shall be offered; If there are no such issues, statement that no such behaviors were occurred within the reporting period shall be made within the reporting period.		
					S1.4 Policies or measures to ensure and (or) drive employment. S1.5 Number of persons employed within the reporting period.		
				III. (XV) Actively providing financial, material and human resource supports and aims before occurrence of serious natural disasters and urgent accidents.	S4.6 Enterprise public benefits fund or foundation; S4.7 Public donation amount; S4.8 Public donation made in overseas market; S4.9 Policies and measures to support volunteers.		
					S4.9 Policies and measures to support volunteers. S4.10 Data of employee volunteer activities		

EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	6.5.5 Climate change mitigation and action				C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(II) Influences of Climate Changes/1. Risks Caused by Climate Changes; 2. Financial Influences of Climate Changes	Complete Disclosures
EC3	Coverage of the organization's defined benefit plan obligations.					C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(III) Fixed Welfare Plans	Complete Disclosures
EC4	Significant financial assistance received from government.					C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Key Financial Supports Provided by the Government	Complete Disclosures
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	6.4.4 Conditions of work and social protection 6.8 Community involvement and development				C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(VI) Minimum Wage and Comparison with Standards	Complete Disclosures

EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	6.6.6 Promoting social responsibility in the value chain 6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation			S4.4 Proportion of procurement localization	C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(VI) Local Suppliers and Procurement Policies	Partial disclosure, currently, information to be disclosed are unavailable. COSCO Group will disclose such information in 2011 report.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8 Community involvement and development 6.8.5 Employment creation and skills development 6.8.7 Wealth and income creation			S4.3 Proportion of local employees	C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(VII) Employing Staff and Senior Managers from Local Communities	Complete Disclosures

<p>EC8</p>	<p>Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.</p>	<p>6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.3 Community involvement 6.8.4 Education and culture 6.8.5 Employment creation and skills development 6.8.6 Technology development and access 6.8.7 Wealth and income creation 6.8.9 Social investment</p>			<p>S4.2 Driving regional economic development The indicator describes the driving forces of enterprise operation on economic development of local community as well as policies and measures to drive local economic development, such as procurement localization policies and policies to employ local employees.</p>	<p>C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(VIII) Public Services</p>	<p>Complete Disclosures</p>
<p>EC9</p>	<p>Understanding and describing significant indirect economic impacts, including the extent of impacts.</p>	<p>6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.6.7 Respect for property right 6.7.8 Access to</p>		<p>III. (XII) Promoting self innovation and technical progress. Establishing and improving technical innovation mechanism, increasing R&D inputs, speeding up development of high and new technologies and reform of traditional industry, making</p>	<p>M2.9 System to support product and service innovation Core indicator M2.10 R&D inputs Core indicator</p>	<p>C. Management Approaches and Performance Indicators/Part I Economic Performance Indicators and Keynote Report/II. Performance Indicators/(IX) Key Indirect Economic Influences</p>	<p>Complete Disclosures</p>

	essential services		breakthrough in industrial technologies, and increasing storage of technical innovation. Improving self-innovation ability. Bringing into play the driving force of industrial upgrade and structural optimization.			
	6.8 Community involvement and development					
	6.8.5 Employment creation and skills development					
	6.8.6 Technology development and access					
	6.8.7 Wealth and income creation		III. (XII) Enhancing sense of intellectual property rights, implementing intellectual property rights strategies and fulfilling favorable interaction between technical innovation and intellectual property rights.	M2.13 Sales of new products Core indicator		
	6.8.9 Social investment		III. (XII) Promoting self innovation and technical progress. Establishing and improve technical innovation mechanism.	M2.11 Number and proportion of R&D personnel Core indicator		
			III. (XII) Forming a batch of core technologies and renowned brands within independent intellectual property rights.	M2.12 Number of patents newly increased; expansion indicators		

				III. (XI) Development of energy-conservative products.	M2.14 Key innovation awards.		
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Environment

DMA EN	Disclosure on Management Approach EN	6.2 Organizational governance 6.5 The Environment	Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.			C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/I. Management Approaches	Complete Disclosures
	Materials				C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/1. Sustainability Utilization of Materials	Complete Disclosures	

	Energy				<p>1. Environmental management (E1)</p> <p>Environmental management includes 10 aspects such as organizational structure, management system, R&D and sales of environmental protection products, environmental protection training, green procurement and environmental public welfare of enterprises.</p> <p>E1.1 Environmental management system</p> <p>The indicator elaborates overall management system of enterprises in terms of environment, including environmental protection organizational institute, environmental management system, environmental management solution, ISO14001 certification, etc.</p> <p>Environmental performance (E)</p> <p>Environmental management (E1)</p> <p>Resource and energy conservation (E2)</p> <p>Pollution and emission reduction (E3)</p> <p>E2.10 Green office performance</p>	<p>C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/2. Energy</p>	<p>Complete Disclosures</p>
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	Water					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/3. Water Resources	Complete Disclosures
	Biodiversity					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(V) Environmental-protection, Bio-diversity and Natural Habitat Restoration	Complete Disclosures
	Emissions, effluents and waste				<p>P4.2 Key performance indicators</p> <p>Environmental performance indicator 2009 2008 2007</p> <p>Total investment for environmental protection (RMB10,000)</p> <p>Energy consumption per unit output value (ton standard coal/10,000 yuan)</p> <p>Water consumption per unit output value (ton water/10,000 yuan)</p> <p>Exhaust emission (ton)</p> <p>Sewage emission (ton)</p> <p>Waste emission (ton)</p> <p>Comprehensive utilization of three</p>	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(III) Pollution Prevention	Complete Disclosures

					wastes (%) Greenhouse gas emissions (ton)		
	Products and services					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(VI) Environmental Protection Products and Services	Complete Disclosures
	Compliance					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(VII) Compliance with Environmental Protection Laws and Regulations	Complete Disclosures
	Transport					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(VIII) Traffic and Transportation	Complete Disclosures
	Overall					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Overall Situations	Complete Disclosures

EN1	Materials used by weight or volume.			III. (XI) Enhancing resource conservation and environmental protection.		C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/1. Raw Materials	Complete Disclosures
EN2	Percentage of materials used that are recycled input materials.	6.5 The Environment 6.5.4 Sustainable resource use		III. (XI) Developing recycled economy and improving the resource comprehensive utilization rate.	E2.7 Policies, measures or technologies of recycled economy E2.8 Energy resource recycling or reutilization rate or utilization volume	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/1. Sustainability Utilization of Materials	Complete Disclosures
EN3	Direct energy consumption by primary energy source.				2. Conservation of resources and energies (E2) Responsibility for conservation of resources and energies mainly describes concepts, systems, measures and performance in five aspects, i.e. energy conservation, conservation of water resources, utilization of renewable energies, recycled economy and green office.	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/2. Energy	Complete Disclosures
					E2.5 Policies and measures to use renewable energies		

EN4	Indirect energy consumption by primary source.				<p>E2.9 Policies or measures of green office</p> <p>Policies or measures of green office, including but not limited to following contents:</p> <p>Temperature of air-conditioner in summer shall not be lower than 26 centigrade;</p> <p>Adopting energy-conservative lamps and lighting in office area and extinguishing the them after leave;</p> <p>Recycling and re-utilization of living water in office area;</p> <p>Promoting paperless office and use two sides of the paper when printing;</p> <p>Scientific classification of office garbage;</p> <p>Promoting video conference and reducing trips of personnel.</p>	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/2. Energy	Complete Disclosures
EN5	Energy saved due to conservation and efficiency improvements.					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/2. Energy	Complete Disclosures

EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.				E2.6 Utilization volume or utilization rate of renewable energies.	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/2. Energy	Complete Disclosures
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.				E2.1 Policies, measures or technologies to reduce energy emission; E2.2 Energy consumption and energy conservation volume per unit production value;	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/2. Energy	Complete Disclosures
EN8	Total water withdrawal by source.					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/3. Water Resources	Complete Disclosures
EN9	Water sources significantly affected by withdrawal of water.				E2.4 Water consumption and water resource conservation volume per unit output value	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource	Complete Disclosures

						Sustainable Utilization/3. Water Resources	
EN10	Percentage and total volume of water recycled and reused.				E2.3 Policies, measures or technologies for water conservation	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Resource Sustainable Utilization/3. Water Resources	Complete Disclosures
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	6.5 The Environment 6.5.6 Protection of the environment &		III. (XI) Increasing environmental inputs, improving technique and process, reducing pollution emission, implementing clean production, and embarking on the way of low inputs, low consumption, low emission and high-efficiency consistently.		C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(V) Environmental-protection, Bio-diversity and Natural Habitat Restoration	Complete Disclosures
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity	biodiversity, and restoration of natural habitat				C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(V) Environmental-protection, Bio-diversity and Natural Habitat Restoration	Complete Disclosures

	value outside protected areas.						
EN13	Habitats protected or restored.					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(V) Environmental-protection, Bio-diversity and Natural Habitat Restoration	Complete Disclosures
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.				E1.7 Protecting bio diversity.	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(V) Environmental-protection, Bio-diversity and Natural Habitat Restoration	Complete Disclosures
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(V) Environmental-protection, Bio-diversity and Natural Habitat Restoration	Complete Disclosures

EN16	Total direct and indirect greenhouse gas emissions by weight.	6.5 The Environment 6.5.5 Climate		III. (XI) Carefully implementing energy conservation and emission reduction responsibility and taking a lead to complete energy conservation and emission reduction task.	3. Pollution and emission reduction (E3) Pollution and emission reduction responsibility mainly describes enterprises' ideas, systems, measures and performances in terms of reduction of waste gas, sewage, wastes and greenhouse gas emission. E3.1 Policies, measures or technologies to reduce waste gas emission; E3.2 Waste gas emission and emission reduction volume	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/1. Exhaust	Complete Disclosures
EN17	Other relevant indirect greenhouse gas emissions by weight.	change mitigation and action				C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/1. Exhaust	Complete Disclosures
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.				E3.8 Measures or technologies to reduce greenhouse gas emission E3.9 Greenhouse gas emission and emission reduction volume	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/1. Exhaust	Complete Disclosures
EN19	Emissions of ozone-depleting substances by weight.	6.5 The Environment 6.5.3 Prevention of pollution				C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II)	Complete Disclosures

						Pollution Prevention/1. Exhaust	
EN20	NO _x , SO _x , and other significant air emissions by type and weight.				E3.10 CO ₂ emission generated in business trips	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/1. Exhaust	Complete Disclosures
EN21	Total water discharge by quality and destination.				E3.3 Policies, measures or technologies to reduce sewage emission E3.4 Sewage emission and emission reduction volume	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/2. Sewage	Complete Disclosures
EN22	Total weight of waste by type and disposal method.			III. (XII) Speeding up development of high and new technologies and reform of traditional industry, making special efforts to break through key technologies of the industry and increasing storage of technical innovation.	E3.5 Policies, measures or technologies to reduce waste residue emission E3.6 Waste residue emission and emission volume E3.7 Comprehensive utilization rate of waste residue	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/3. Waste	Complete Disclosures
EN23	Total number and volume of significant spills.					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/3. Waste	Complete Disclosures

EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.					C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention/3. Waste	Complete Disclosures
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	6.5 The Environment 6.5.4 Sustainable resource use 6.5.6 Protection of the environment & biodiversity, and restoration of natural habitat				C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention	Complete Disclosures

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the value chain 6.7.5 Sustainable consumption			E1.2 Environmental training system E1.3 Green procurement system E1.4 Evaluation on environmental influences of new investment projects	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(VI) Environmental Protection Products and Services	Complete Disclosures
EN27	Percentage of products sold and their packaging materials that are reclaimed by category .	6.5 The Environment 6.5.4 Sustainable resource use 6.7.6 Sustainable consumption				C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(II) Pollution Prevention	Complete Disclosures
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	6.5 The Environment			E1.10 Negative information on non-compliance with environmental protection law	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(VII) Compliance with Environmental Protection Laws and Regulations	Complete Disclosures

EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	6.5 The Environment 6.5.4 Sustainable resource use 6.6.6 Promoting social responsibility in the value chain				C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(VIII) Traffic and Transportation	Complete Disclosures
EN30	Total environmental protection expenditures and investments by type.	6.5 The Environment			E1.5 R&D and marketing system of environmental protection products E1.6 R&D and application of environmental protection technologies and equipment E1.8 Total inputs on environmental protection E1.9 Public welfare on environmental protection	C. Management Approaches and Performance Indicators/Part II Environmental Performance Indicators and Keynote Report/II. Performance Indicators/(I) Overall Situations	Complete Disclosures
Social: Labor Behaviors and Decent Work							
DMA LA	Disclosure on Management Approach LA	6.2 Organizational governance 6.4 Labor practices 6.3.10 Fundamental principles and rights				C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/I. Management Approaches	Complete Disclosures

	at work				<p>P4.2 Key performance indicators</p> <p>Total number of staff (person)</p> <p>Signing rate of labor contracts (%)</p> <p>Social insurance coverage rate (%)</p> <p>Coverage rate of trade union (%)</p> <p>Proportion of female managers (female/male)</p> <p>Employment rate of disabled persons (%)</p> <p>Coverage rate of medical inspection (%)</p> <p>Occurrence rate of occupational diseases (%)</p> <p>Total input for employee training (10,000 yuan)</p> <p>Coverage rate of training (%)</p> <p>Per capita training time (days)</p> <p>Employee satisfaction (%)</p> <p>Employee turnover (%)</p>	<p>C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(I) Staff Employment</p>	<p>Complete Disclosures</p>
	Labor/management relations					<p>C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(II) Employment and Labor Ratios</p>	<p>Complete Disclosures</p>

					<p>S3.1 Safety production management system</p> <p>The indicator mainly describes enterprises' efforts to establish safety production organizational system, formulation and implementation of safety production system, adoption of effective protection measures, so as to ensure the system and measures to ensure employees' safety.</p>	<p>C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(III) Safety and Occupational Health</p>	<p>Complete Disclosures</p>
				<p>S3.2 Safety emergency response management mechanism</p> <p>The indicator mainly describes enterprises' system and measures to establish emergency response management organization, standardize emergency response disposal process, formulation of emergency response plans and carry out emergency response rehearsal.</p>			
				<p>S3.3 Safety education and training</p> <p>The indicator mainly describes enterprises' efforts to establish safety production organizational system, formulation and implementation of safety production system, adoption of</p>			
	Occupational health and safety						

					effective protection measures, so as to ensure the system and measures to ensure employees' safety.		
	Training and education					C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(IV) Personnel Development and Training	Complete Disclosures
	Diversity and equal opportunity					C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(V) Equal Opportunities and Diversification	Complete Disclosures
LA1	Total workforce by employment type, employment contract, and region.	6.4 Labor practices 6.4.3 Employment and employment relationships			2. Responsibilities of employees (S2) Responsibilities of employees mainly include protection of basic rights and interests of employees, equal employment, occupational health, employee development and management of employee relationships.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(I) Staff Employment	Complete Disclosures
					S2.2 Signing rate of labor contracts/coverage rate of collective contracts		
LA2	Total number and rate of				S2.22 Staff turnover rate	C. Management Approaches and Performance Indicators/Part IV	Complete Disclosures

	employee turnover by age group, gender, and region.				S2.21 Employee satisfaction	Labor Relations Performance and Keynote Report/II. Performance Indicators/(I) Staff Employment	Complete Disclosures
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4 Labour practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection		III. (XIII) Protecting legal rights and interests of employees. Signing and performing labor contracts with employees in line with laws.		C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(I) Staff Employment	Complete Disclosures
				III. (XIV) Timely and full-amount payment of social insurance.	S2.3 Coverage rate of social insurance		
				III. (XIV) Enhancing construction of employees' representative conference system, deepening the opening degree of factory affairs and promoting democratic management. Caring life of employees and solve worries and difficulties of employees in practical.			
					S2.4 Number of employees who attend the labor union.		

LA4	Percentage of employees covered by collective bargaining agreements.	6.4 Labor practices			S2.20 Channels for suggestions and opinions of employees to be delivered to top executives Channels for suggestions and opinions of employees to be delivered to top executives include but not limited to following methods: Employee proposal system; Mail box of the general manager; General manager reception day; Survey on employee satisfaction; Regular dialogue system between top executives and employees.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(II) Employment and Labor Rations	Complete Disclosures
		6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue 6.3.10 Fundamental principles and rights at work			S2.23 Cares to employees Cares to employees include but not limited to following contents: Helping the employees who are in difficulties; Holding of rich and colorful cultural and sports activities; Improving working and living conditions of employees; Enriching spiritual and cultural life of employees.		

LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	6.4 Labor practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection 6.4.5 Social dialogue			S2.7 Negative information of labor disputes If labor disputes occurred within the reporting period, measures to improve labor relationship management shall be offered. If no such issues exist, it shall indicate that no labor disputes occurred within reporting period in the social responsibility report.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(II) Employment and Labor Rations	Complete Disclosures
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	6.4 Labor practices 6.4.6 Health and safety at work			S2.12 Occupational health management system 3. Safety production (S3)	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(II) Employment and Labor Rations	Complete Disclosures
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of			III. (XIII) Preventing the occurrence of important and special safety accidents strictly. Establishing sound emergency-response management system,	S2.16 Number of work-related injuries and deaths of employees	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(III) Safety and Occupational Health	Complete Disclosures

	work-related fatalities by region.			continuously improving emergency response management level and ability to cope with accidental events. Enhancing occupational education and training.			
					S2.15 Number of times for occurrence of occupational diseases.		
				III. (XIII) Inputs to safety production and providing safe, health and clean working conditions and living environment for employees.	S3.5 Inputs to safety production The indicator mainly includes inputs to labor protection, inputs to safety measures and inputs to safety training.		
					S3.6 Number of injuries and deaths of safety accidents The indicator mainly includes number of work-related injuries and number of deaths of employees.		
					S2.1 Complying with labor laws and regulations of the country.		
LA8	Education, training, counseling, prevention, and risk-control programs in	6.4 Labor practices 6.4.6 Health and safety at work 6.8 Community involvement and development			S2.13 Aids to psychological health of employees.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(III) Safety and Occupational Health	Complete Disclosures

	place to assist workforce members, their families, or community members regarding serious diseases.	6.8.3 Community involvement 6.8.4 Education and culture 6.8.8 Health					
LA9	Health and safety topics covered in formal agreements with trade unions.	6.4 Labor practices 6.4.6 Health and safety at work		III. (XIII) Guaranteeing production safety. Strictly implementing responsibility system of safety production, guaranteeing occupational health of employees, and preventing and reducing the harms of occupational diseases and other diseases on employees.		C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(III) Safety and Occupational Health	Complete Disclosures
					S2.14 Physical inspection and coverage rate of health records.		
LA10	Average hours of training per year per employee by employee category .	6.4 Labor practices 6.4.7 Human development and training in the workplace			S2.17 Employee training management system The indicator describes the training management system of enterprises, including organizational institution, training system, training category, course system and training evaluation of employee training.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(IV) Personnel Development and Training	Complete Disclosures

					S3.4 Safety training performance The indicator mainly includes data such as safety training coverage rate and number of trainings.		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6.4 Labor practices 6.4.7 Human development and training in the workplace 6.8.5 Employment creation and skills development		III. (XIV) Creating equal development opportunities	S2.18 Career development of employees The indicator describes the possible ways of employees to develop in the enterprise as well as the necessary processes and qualifications to fulfill the development objectives.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(IV) Personnel Development and Training	Complete Disclosures
					S2.6 Number of days for paid holidays per person.		
LA12	Percentage of employees receiving regular performance and career development reviews.	6.4 Labor practices 6.4.7 Human development and training in the workplace			S2.19 Employee training performance Employee training performance mainly includes: Proportion of number of employees trained to total number of employees; Capital inputs of enterprises on employee training; Training time per capita; Training fees per capita.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(IV) Personnel Development and Training	Complete Disclosures
					S2.10 Proportion of female managers		

LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4 Labor practices 6.4.3 Employment and employment relationships		III. (XIV) Enhancing construction of employee representative conference system, deepening opening degree of factory affairs and promoting democratic management. Caring employees' life and solve worries and difficulties of employees in practical.	S2.8 Equal employment system S2.11 Employment rate or number of disabled persons	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(V) Equal Opportunities and Diversification	Complete Disclosures
LA14	Ratio of basic salary of men to women by employee category .	6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4 Labor practices 6.4.3 Employment and employment relationships 6.4.4 Conditions of work and social protection		III. (XIV) Insisting on doctrine of distribution according to labor, equal work and equal pay and establishing normal growing mechanism of salaries.	S2.5 Providing competitive wages and salaries for employees.	C. Management Approaches and Performance Indicators/Part IV Labor Relations Performance and Keynote Report/II. Performance Indicators/(V) Equal Opportunities and Diversification	Complete Disclosures
					S2.9 Proportion of salaries of male and female employees.		
Social: Human Rights							

DMA HR	Disclosure on Management Approach HR	6.2 Organizational governance	Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.		3. Responsibilities to partners (M3) Partners of enterprises mainly include creditors, upper stream suppliers, downstream distributors, competitors of the same industry and other social communities. Responsibilities to partners include ideas, systems, measures, performances and typical cases of enterprises in terms of strategic cooperation, responsible procurement, honesty and creditability and fair competition.	C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/I. Management Approaches	Complete Disclosures
	Investment and procurement practices		6.3 Human rights	Be responsible for any conscious and unconscious influences caused by investment, and give prior consideration on local customs, tradition, religions and related individuals and groups.			C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(I) Responsible Investment and Procurement
	Non-discrimination		the elimination of all forms of forced and compulsory labor;			C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(II) Non-discrimination and Cares for Vulnerable Groups	Complete Disclosures

	Freedom of association and collective bargaining		Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;			C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(III) Freedom of Association and Collective Bargaining	Complete Disclosures
	Child labor		the effective abolition of child labor; and			C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(IV) Prohibition of Child Labor	Complete Disclosures
	Forced and compulsory labor		the elimination of discrimination in respect of employment and occupation.			C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(V) Prohibition of Forced or Compulsory Labor	Complete Disclosures
	Security practices					C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(VI) Caring Human Rights in Security and Safeguard Work	Complete Disclosures

	Indigenous rights					C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(VII) Respecting and Protecting Rights and Interests of Indigenous Residents and Local Employees	Complete Disclosures
HRI	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	6.3 Human rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.6.6 Promoting social responsibility in the value chain			M3.2 Responsible procurement system and (or) guidelines The indicator mainly describes responsibility requirements put forward by enterprises to its suppliers, including law-compliance, environmental protection, protection of rights and interests of labors, honest operation, etc. Moreover, it also includes inspection system on responsible operation situations of suppliers on a regular or irregular basis.	C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(I) Responsible Investment and Procurement	Complete Disclosures
					M3.3 Responsible procurement ratio The proportion of responsible procurement volume of enterprises to total responsible procurement volume to be conducted by enterprises within the reporting period, the formula is: responsible		

					procurement ratio=responsible procurement volume/total responsible procurement volume to be conducted*100%.		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	6.3 Human rights 6.3.3 Due diligence 6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships 6.6.6 Promoting social responsibility in the value chain				C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(I) Responsible Investment and Procurement	Complete Disclosures
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the	6.3 Human rights 6.3.5 Avoidance of complicity				C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(I) Responsible Investment and Procurement	Complete Disclosures

	percentage of employees trained.						
HR4	Total number of incidents of discrimination and actions taken.	6.3 Human rights 6.3.6 Resolving grievances 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships		III. (XIV) Respecting employees, treating employees equally, and avoid any forms of discriminations against gender, nationality, religion and age.		C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(II) Non-discrimination and Cares for Vulnerable Groups	Complete Disclosures
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	6.3 Human rights 6.3.3 Due diligence 6.3.4 Human rights risk situations 6.3.5 Avoidance of complicity 6.3.8 Civil and political rights 6.3.10 Fundamental principles and rights at work 6.4.3 Employment and employment relationships 6.4.5 Social dialogue				C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(III) Freedom of Association and Collective Bargaining	Complete Disclosures

HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	6.3 Human rights 6.3.3 Due diligence 6.3.4 Human rights risk situations				C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(IV) Prohibition of Child Labor	Complete Disclosures
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	6.3.5 Avoidance of complicity 6.3.7 Discrimination and vulnerable groups 6.3.10 Fundamental principles and rights at work				C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(V) Prohibition of Forced or Compulsory Labor	Complete Disclosures
HR8	Percentage of security personnel trained in the organization's policies or	6.3 Human rights 6.3.5 Avoidance of complicity 6.4.3 Employment and employment relationships				C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(VI) Caring Human Rights in Security and Safeguard	Complete Disclosures

	procedures concerning aspects of human rights that are relevant to operations.	6.6.6 Promoting social responsibility in the value chain				Work	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3 Human rights 6.3.6 Resolving grievances 6.3.7 Discrimination and vulnerable groups 6.3.8 Civil and political rights 6.6.7 Respect for property rights				C. Management Approaches and Performance Indicators/Part V Human Rights Performance and Keynote Report/II. Performance Indicators/(VII) Respecting and Protecting Rights and Interests of Indigenous Residents and Local Employees	Complete Disclosures
Social: Social Responsibilities							
DMA SO	Disclosure on Management Approach SO	6.2 Organizational governance 6.6 Fair Operating Practices				C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/I. Management Approaches	Complete Disclosures
	Community	6.8 Community involvement and development			P4.2 Key performance indicators CSR indicators, Three-year Data Public donation (10,000 yuan) Number of volunteers (persons)	C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(I) Community Involvement and Public Welfare Projects	Complete Disclosures

	Corruption		Enterprises shall try to oppose any forms of corruption, including extort and bribery .			C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(II) Anti-corruption and Anti-commercial Bribery	Complete Disclosures
	Public policy					C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(III) Responsible Political Involvement (Public Policies)	Complete Disclosures
	Anti-competitive behavior					C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Fair Competition	Complete Disclosures
	Compliance					C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(V) Law-compliance	Complete Disclosures
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on	6.3.9 Economic, social and cultural rights 6.8 Community involvement and development 6.8.5 Employment creation and skills		III. (XV) Attending social public welfare activities. Actively participating in community construction and encouraging employee volunteers to serve for the society .	4. Community participation (S4) Community participation responsibility mainly includes operation localization, charitable donation and employee volunteers. S4.1 Evaluation of influences of enterprise operation on local places.	C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(I) Community Involvement and Development	Complete Disclosures

	communities, including entering, operating and exiting	development 6.8.7 Wealth and income creation 6.6.7 Respect for property rights					
SO2	Percentage and total number of business units analyzed for risks related to corruption.	6.6 Fair Operating Practices 6.6.3 Anti-corruption				C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(II) Anti-corruption and Anti-commercial Bribery	Complete Disclosures
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.					C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(II) Anti-corruption and Anti-commercial Bribery	Complete Disclosures
SO4	Actions taken in response to incidents of corruption.		III. (VIII) Avoiding corruptive behaviors in commercial activities.			C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(II) Anti-corruption and Anti-commercial Bribery	Complete Disclosures
SO5	Public policy positions and participation in public policy development and lobbying.	6.6 Fair Operating Practices 6.6.4 Responsible political involvement 6.8.3 Community				C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(III) Responsible Political Involvement (Public Policies)	Complete Disclosures

SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	involvement		III. (XV) Participating in social public welfare understandings such as charitable activities and donation warm-heartedly, caring and supporting public welfare undertaking such as education, culture and healthcare.		C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(III) Responsible Political Involvement (Public Policies)	Complete Disclosures
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6 Fair Operating Practices 6.6.5 Fair competition 6.6.7 Respect for property rights		III. (VIII) Insisting on honest and credible operation. Abiding by laws, regulations, social ethnics, commercial ethnics and industrial regulations, protecting the rights and interests of investors and creditors, protecting intellectual property rights, performing contracts honestly, abiding by commercial credibility and opposing improper competition.	M3.7 Concept and system guarantee for fair competition	C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Fair Competition	Complete Disclosures
SO8	Monetary value of significant fines and total number of non-monetary sanctions for	6.6 Fair Operating Practices 6.6.7 Respect for property rights 6.8.7 Wealth and income creation				C. Management Approaches and Performance Indicators/Part VI Social Performance Indicators and Keynote Report/II. Performance Indicators/(V) Law-compliance	Complete Disclosures

	non-compliance with laws and regulations.						
Social: Product Responsibilities							
DMA PR	Disclosure on Management Approach PR	6.2 Organizational governance 6.6 Fair operating practices 6.7 Consumer issues			2. Responsibilities to customers (M2) Responsibilities to customers mainly describe enterprise and customer relationships management system, system and guidelines of enterprises in product innovation and product quality management as well as achievements made. Core indicator	C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/I. Management Approaches	Complete Disclosures
	Customer health and safety				M2.1 Customer relationship management system Core indicator M2.2 After-sales service system Core indicator M2.9 System to support product and service innovation	C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(I) Customers' Health and Safety	Complete Disclosures
	Product and service labeling		Development of related products, carrying out design activities of related service items and commercial mode, and contributing to joint target or affairs.		P4.2 Table of key performance data Product qualification rate (%) Customer satisfaction (%) Contract performance ratio (%)	C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Consumers' Services, Supports and Complaints as Well as Dispute	Complete Disclosures

						Disposal	
	Marketing communications				<p>M3.1 Strategic sharing mechanism and platform</p> <p>The indicator mainly describes strategic sharing mechanism and platform co-established by enterprises and their commercial partners, including but not limited to following contents:</p> <p>Long-term strategic partnership agreement;</p> <p>Sharing experimental base;</p> <p>Sharing database;</p> <p>Stable communications and exchange platform.</p>	<p>C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Honest Marketing and Promotional Activities</p>	Complete Disclosures
	Customer privacy					<p>C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(V) Customer Information Protection and Respecting Customers' Privacy</p>	Complete Disclosures
	Compliance					<p>C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(VI) Law-compliance</p>	Complete Disclosures

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.			III. (X) Practically improving product quality and service level. Guaranteeing safety of products and services, improving product performance and improving service system.	M2.6 Product quality management system: The indicator mainly describes policies and measures of enterprises in product quality guarantee and improvement, such as ISO9000 international quality management system certification. Core indicator	C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(I) Customers' Health and Safety	Partial disclosure, currently, information to be disclosed are unavailable. COSCO Group will disclose such information in 2011 report.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	6.3.9 Economic, social and cultural rights 6.6.6 Promoting social responsibility in the value chain 6.7 Consumer Issues 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption		III. (X) Trying to provide high-quality, safe and healthy products and services for the society, satisfying customers' demands to the maximum extents and protecting rights and interests of consumers.		C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(I) Customers' Health and Safety	Complete Disclosures
					M2.7 Product qualification rate: Core indicator		

PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7 Consumer Issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption				C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Consumers' Services, Supports and Complaints as Well as Dispute Disposal	Complete Disclosures
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	6.7.6 Consumer service, support and complaint and dispute resolution 6.7.9 Education and awareness				C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Consumers' Services, Supports and Complaints as Well as Dispute Disposal	Complete Disclosures

PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7 Consumer Issues 6.7.4 Protecting consumers' health & safety 6.7.5 Sustainable consumption 6.7.6 Consumer service, support and complaint and dispute resolution 6.7.8 Access to essential services 6.7.9 Education and awareness				C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Consumers' Services, Supports and Complaints as Well as Dispute Disposal	Complete Disclosures
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	6.7 Consumer Issues 6.7.3 Fair marketing, factual and unbiased information and fair contractual practices 6.7.6 Consumer service, support and complaint and dispute resolution 6.7.9 Education and			M3.4 Concept and system guarantee of honest operation	C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Honest Marketing and Promotional Activities	Complete Disclosures
		M3.5 Credit evaluation level					
		M3.6 Contract performance ratio					

<p>PR7</p>	<p>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.</p>	<p>awareness</p>				<p>C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Honest Marketing and Promotional Activities</p>	<p>Complete Disclosures</p>
<p>PR8</p>	<p>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</p>	<p>6.7 Consumer Issues 6.7.7 Consumer data protection and privacy</p>			<p>M2.4 Customer information protection The indicator mainly describes concepts, system, measures and performance of enterprises in customer information safety. If there are accidents where customer information is disclosed, explanations shall be given and improvement suggestions shall be offered; if there are no such accidents, it shall indicate that there are no accidents where customer information is disclosed within reporting period. Core</p>	<p>C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(V) Protecting Information Security and Respecting Customers' Privacies</p>	<p>Complete Disclosures</p>

					indicator		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7 Consumer Issues 6.7.6 Consumer service, support and complaint and dispute resolution			M2.8 Negative information on product quality If there are product quality accidents within the reporting period, explanations shall be given and improvement suggestions shall be offered; If there are no such accidents, it shall indicate in the report that there are no product quality accidents. Core indicator	C. Management Approaches and Performance Indicators/Part III Product Liability Performance Indicators and Keynote Report/II. Performance Indicators/(IV) Law Compliance	Complete Disclosures