

COSCO

Sustainability Report 2012

中远集团2012年可持续发展报告





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战略与概况

STRATEGIES AND GENERAL INFORMATION



A Strategies and General Information

Part I Statement of the Chairman and Strategies

I. Statement of the Chairman



In 2012, global shipping industry recovered slowly. Affected by shipping market, which was in great depression, COSCO Group, like other shipping companies, didn't gained satisfactory operating results. In particular, its main business -- shipping business suffered from continuous losses. The group faced the greatest difficulty and challenge since the financial crisis. In face of severe market situation, COSCO Group timely adjusted the operating strategies, transformed the development mode, adjusted the structural arrangement, deepened the internal reform, enhanced management innovation and ensured stable production and operation of the enterprise. With the cargo transportation volume of 423 million tons and the operating revenue of RMB181.004 billion, the group ranked the 401st place in Fortune Global 500 List in 2012.

In 2012, COSCO Group voluntarily integrated the sustainability concept with its strategic planning and production & operation processes, implemented its strategies, and achieved primary results in structural adjustment. It drafted the COSCO Group 2012-2014 Development Planning and COSCO Group 2012-2014 Working Planning for Supplementary Industries, which further emphasized the development direction of shipping business as its main business, improved and optimized its industrial arrangement, and specified that financial leasing industry, banking industry and oil & gas supplying industry are its key supplementary industries to be developed. Currently, the financial leasing platform has entered initial operation stage.

Year 2012 is the first year since COSCO Group's establishment of board of directors. In this year, great changes had taken place to the institution and system of the group. The group has made continuous explorations and practices in improving the legal person management structure, improving its scientific decision-making mechanism and promoting healthy development of the enterprise. With respect to system building, it has formulated the system of board of directors that complies with related laws and regulations of the nation and the practical situations of the group. It further specified the obligations and responsibilities of the board, the special committee of board, the board chairman and the general manager to provide guarantee for high-efficient and standard operation of the board. These not only realized the separation of decision-making right and executive right, but also improved the risk-oriented internal control system and elevated the standardized management level and comprehensive risk prevention ability of the group.

In 2012, COSCO Group exerted great efforts to broaden sources of income and reduce expenditure, and made ceaseless efforts to overcome the difficulties. To broaden sources of income, it further enhanced value marketing and focused on implementation of VIP customer strategies, expansion of new emerging markets and internal trade market and extended services. In 2012, the proportion of basic cargo sources of various fleets



reached 31.5%, up 5.6 percentage points compared with 2011. To reduce expenditure, the group took the management elevation activity as the opportunities, the comprehensive budget management as the measure, focused on every detail, organically combined the cost control with incentive mechanism, and tried to reduce losses and create benefits. In the meantime, the group exerted great efforts to promote the wide application of new energy-conservation and consumption reduction technologies in the fleets, and explored the new mode suitable for sustainable development of the enterprises.

In 2012, COSCO Group enhanced management elevation and laid a solid foundation for management continuously. In accordance with the requirements of SASAC on management elevation activity and in combination with the practical situations, COSCO Group had formulated detailed working plans. Special efforts were made to do a better job in six aspects, namely expansion of supplementary industries, comprehensive marketing, system coordination, receivable management, procurement outsourcing and supplier management, and comprehensive budget management. During the process to elevate the management level, COSCO Group has made innovations on carriers of the activity, deeply explored the advanced enterprises in lean management, established a batch of models such as NACKS and the New Century Decal (Shenzhen) Ltd, and further elevated the management level of the enterprise.

Looking into 2013, growth of carrying capacity of international shipping market is still fast than that of demands, the conflicts of imbalanced supplies and demands of shipping market still exist, and the market situation is not optimistic. However, the market is recovering continuously. COSCO Group will continue to insist on the sustainability concept of “creating wealth for shareholders, realizing harmonious development and benefiting the human being”, stick to the 10 principles of Global Compact, continuously optimized the social responsibility management system, and innovatively integrated the Global Compact and sustainability implementation plans with future development of the enterprises. The group will work hard to create benefits, try to overcome the difficulties in development process, grasp new development opportunities of enterprise when coping with the crisis, maximize the operating benefits in management innovation, elevate the value of enterprise during performance of Global Compact and realize sustainable development. The group will actively fulfill the Sustainability Leadership Blueprint, support the wider UN’s Millennium Development Goals, join hands with related parties to cope with important challenges of the world such as climate change and poverty, and explore sustainable development mode suitable for the enterprise.

In my keynote speech delivered at the cocktail party themed on “Coping with New Challenges – Sustainable Development Way of Enterprises under Environmental Crisis” organized by UN Global Compact at the Boao Forum for Asian 2013, I emphasized that an enterprise shall not only focus on money-making when performing social responsibilities, COSCO Group’s performance of social responsibility aims to contribute to all human being.

Chairman Wei Jiafu
June 30, 2013



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.

(I) COSCO Group's sustainability concept

COSCO Group has insisted on people-orientation and honest operation in the global operation, strived for mutual-benefits and joint development 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 the society, and will input greater forces to environmental protection and energy conservation.

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' 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.

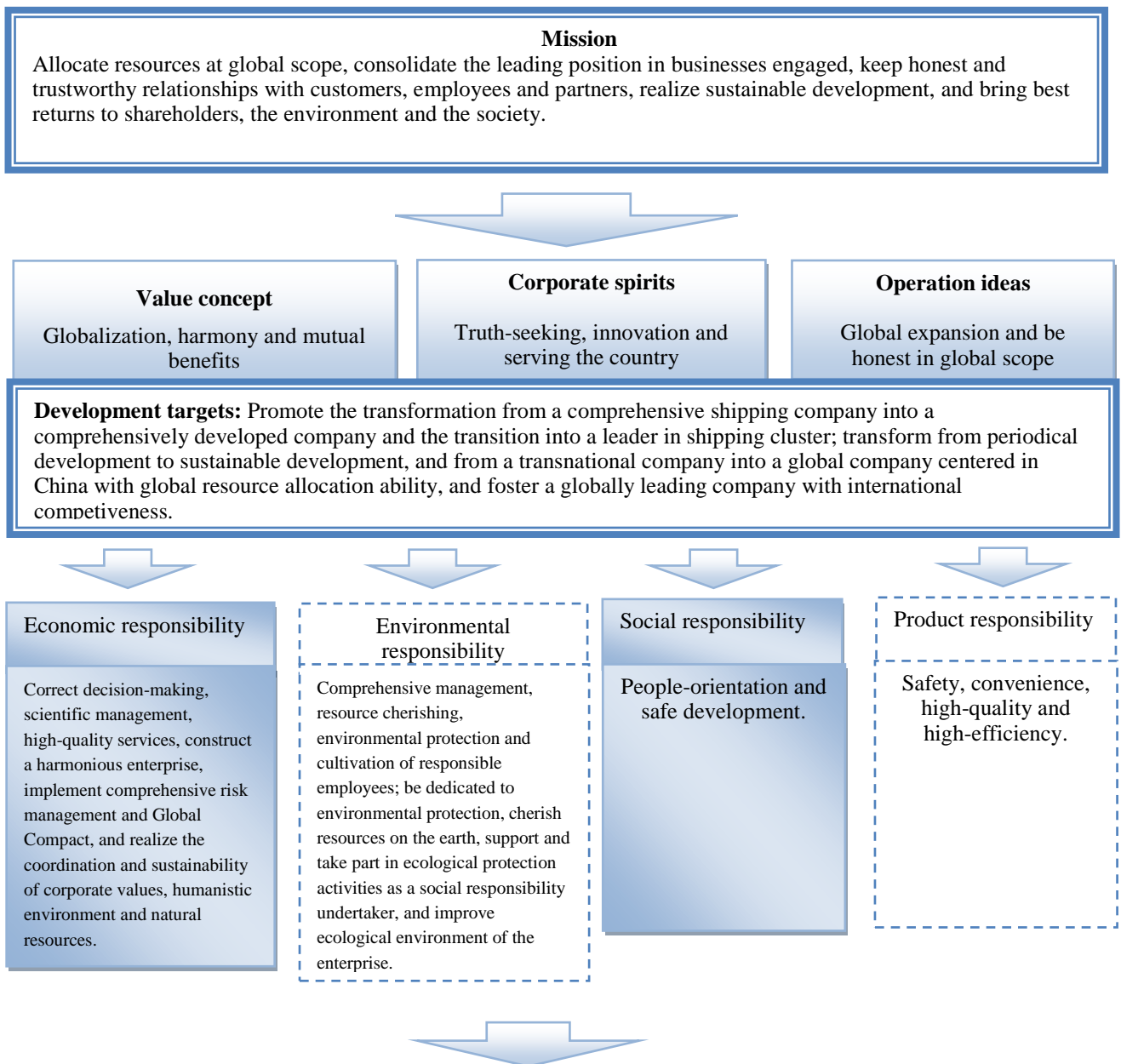
COSCO Group believes that corporate social responsibility has become a new concept and way for enterprises to create value in the new century, which is the nature of corporate social responsibility. The fundamental meaning of an enterprise is to increase social welfares, pay close attention to the society 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 2012, we successfully applied the “strategic map” analytical method of six-sigma to analyze and showcase the development strategies of COSCO Group.

(II) Sustainability strategy roadmap of COSCO Group





Development strategies: Transform from a comprehensive shipping company into a comprehensively developed 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 operations.



Globalization strategies

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



Development 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.

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.

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.

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.

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.

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.

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 brand, cultivate shipbuilding industrial management system, elevate management level, and enhance market competitiveness.

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.

(III) Balance Scorecard for Sustainability Work

COSCO Group Balance Scorecard for Sustainability Work			
Economic performance	Product/environmental/social performance	Corporate governance	Labor/human right performance
In respect of financial performance	In respect of external stakeholders	In respect of internal stakeholders and procedures	In respect of knowledge and growth
Direct economic value created and distributed	Customers' health and safety	Decision-making mechanism	Staff recruitment
Direct economic value created	Fair marketing, just information and fair contracts	Communications mechanism	Employment and labor relations
Operating cost	Customer satisfaction	Supervision mechanism	Occupational health and safety in work
Salaries and welfares of staff	Honest market promotion and marketing	Evaluation mechanism	Development and training at working



			venues
Payment to capital providers	Privacy of customers	Internal control and risk management mechanism	Working conditions and social protection
Social investment and input	Customer service, supports and disposal of complaints and disputes	Improvement mechanism	Responsible investment and procurement
Financial inputs for climate changes	R&D input	Responsibility strategies	Non-discrimination and care of vulnerable groups
Coverage of fixed welfare	Environmental management	Responsibility governance	Freedom of association and collective bargaining
Key financial supports provided by the government	Sustainable utilization of resources	Responsibility promotion	Prohibition of child labor
Index of minimum wage compared to the standard	Energy	Responsibility convergence	Prohibition of forced or compulsory labor
Local suppliers and procurement	Water resource	Responsibility performance	Security and safeguard work
Proportion of local employees and senior managers	Environmental protection and bio-diversity	Responsibility communications	Respect of local residents and rights of local employees
Public service	Anti-pollution	Responsibility research	Economical, social and cultural rights
Indirect economic influences	Alleviation and adaptation to climate changes	Internal control building	Human right risks
Responsible investment and creation of employment opportunities	Environmental protection products and services	Legal affairs management	
	Compliance with environmental protection laws and regulations	Sustainability information management platform	
	Traffic and transportation	Implementation of social responsibility requirements of SASAC	
	Community	Implementation of UN Global Compact	
	Anti-corruption and anti-commercial bribery	Voluntary initiatives and commitment to social responsibilities	
	Public policies	Identification and participation of stakeholders	



	Fair competition		
	Law compliance		
Management measures of COSCO Group: Apply modernized management tools, implement comprehensive quality management, six-sigma, lean management and comprehensive risk management, and try to build up “digital COSCO”.			

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 formulated related strategies correspondingly, so as to fulfill sustainability of COSCO Group.

(I) Analysis on Primary Influences of Sustainability

<p>SWOT analysis on sustainability strategies</p>	<p>Strengths (S):</p> <ul style="list-style-type: none"> ● 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. 	<p>Weaknesses (W):</p> <ul style="list-style-type: none"> ● 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 research on shipping-supplementary industries, and incomplete transformation from periodic development to sustainable development.
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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.
- The grand objectives of constructing a powerful country in terms of shipping industry and constructing a well-off society in a comprehensive manner in 2020 put forward at the 18th National Congress of CPC 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 transfer to China, and marine fuel supplying business has great development space.

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

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.
- Construct a first-tier transnational company in the world 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 optimize product structure.
- Enhance international market exploration ability and global operation ability.

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

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

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



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.

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.

emphasis shall be put on development of anti-cycle 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	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.	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	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,	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	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	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.



<p>such as energies and resources, and ensures the national economic safety.</p>	<p>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.</p>	<p>economy, enlarging international influences of Chinese enterprises.</p>	<p>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.</p>	<p>rivals and pursued maximizations of its benefits, values and returns to shareholders.</p>	<p>matching their contributions to the company.</p>	
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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.



(II) 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; transformation of economic structure of 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, its operating results will be more stable than its rivals under great market fluctuation, 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. In 2012, macro-economic situation declined and the imbalanced market development was not improved. 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>



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.

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.

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.

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.

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.



Opportunities	Short-term	<p>Take the opportunity of global economic structure change, seize the opportunity of periodic fluctuation of shipping market, enhance lean management, adjust business structure, develop supplementary industries, transform operation mode and improve COSCO Group's ability to create benefits continuously.</p>	<p>Further deepen the 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>
	Long-term	<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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(III) 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 pertinence 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</p>



		<p>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>Middle- and Long-term</p>	<p>Continue to promote “four transformations” with a focus on establishing a stable and sustainable operation mode.</p>	<p>Take scientific precautions and voluntarily adapt to new requirements on safety management. In particular, do a better job in anti-pirate effortlessly.</p> <p>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.</p> <p>Transformation from an emphasis on hardware to an emphasis on software while paying equal attentions to both hardware and software. For a certain period of time at present and in the future, COSCO Group, 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.</p> <p>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</p>



	<p>allocation.</p> <p>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.</p>
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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

I. General Information of Shipping Industry

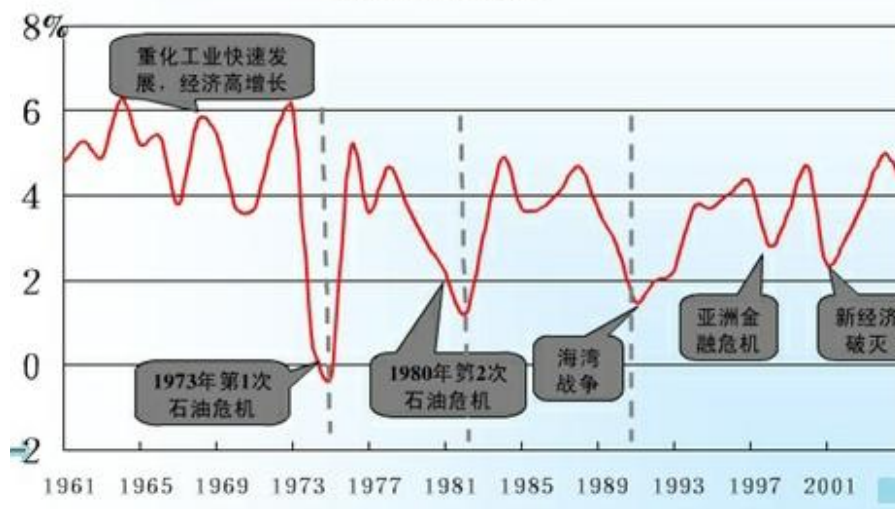
Shipping industry as the pillar industry of national economy has special features that are significantly different with other industries. Therefore, judgment and comment on sustainability and profitability of shipping industry have its unique characteristics.

Shipping industry is a kind of derivative demand, and is generated with the economic development of various countries to serve for international trade. Development of shipping industry is closely related to changes of global economy and trade, and is affected by periodic factors such as global economy and international financial system. Therefore, shipping industry is one of the industries with most obvious periodic fluctuation. The fluctuation of freight becomes a normal status.



Economic cycle is the fluctuation based on overall economy of the world or a country. A cycle includes four phases, namely recovery, expansion, fallback and recession. Recovery is the prelude of next round periodic expansion, and can be divided into two stages, namely expansion and recession. Periodic change of economy is the most basic reason for periodic change from peak to valley of dry and bulk shipping market. It is estimated that international shipping volume will increase by 1.6% for every one percentage point of increase of global economy. Economic prosperity and recession will have direct, fast and deep influences on shipping industry.

世界经济的发展状况总览 世界GDP增长率



(Sources: R&D Center)

图中文字:

世界经济的发展状况总览 Overview of Development Situations of World Economy

世界 GDP 增长率 World GDP Growth Rate

重化工业快速发展, 经济高增长 Heavy chemical industry develops rapidly and economy grows rapidly

1973 年第 1 次石油危机 First Oil Crisis in 1973

1980 年第 2 次石油危机 Second Oil Crisis in 1980

海湾战争 Gulf War

亚洲金融危机 Asian Financial Crisis

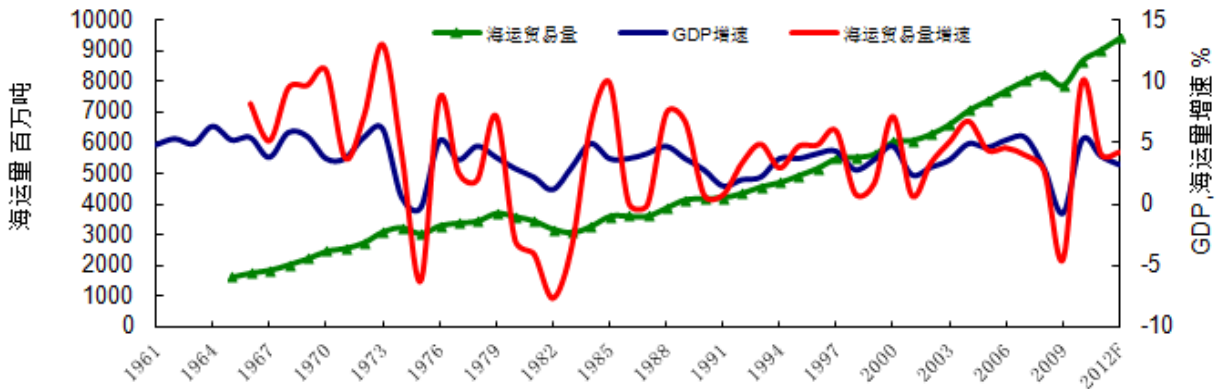
新经济破灭 Shattered new economy

As the world shipping trade volume needed by shipping industry is closely related to world economic situation and the supplies of carrying capacity always vary with the freight rate changes despite of its rigorous nature, the world economic development determines the cycle of shipping industry. It can be said that the world economic development determines the long cycle of shipping industry, while the comparison of supplies and demands determines the fluctuation of freight rate of shipping market, and therefore determines the short cycle of shipping industry. For shipping industry, BDI reflects the changes of bulk shipping market, SCFI reflects changes of container shipping market, Clarkson 17,000 Index reflects changes of general cargo shipping market,



while WS Freight Index reflects the changes of oil tanker market. Of which, BDI is used to reflect the prosperity of trade industry.

全球经济形势与全球海运量的关联度



(Sources: IMO, Clarkson and R&D Center)

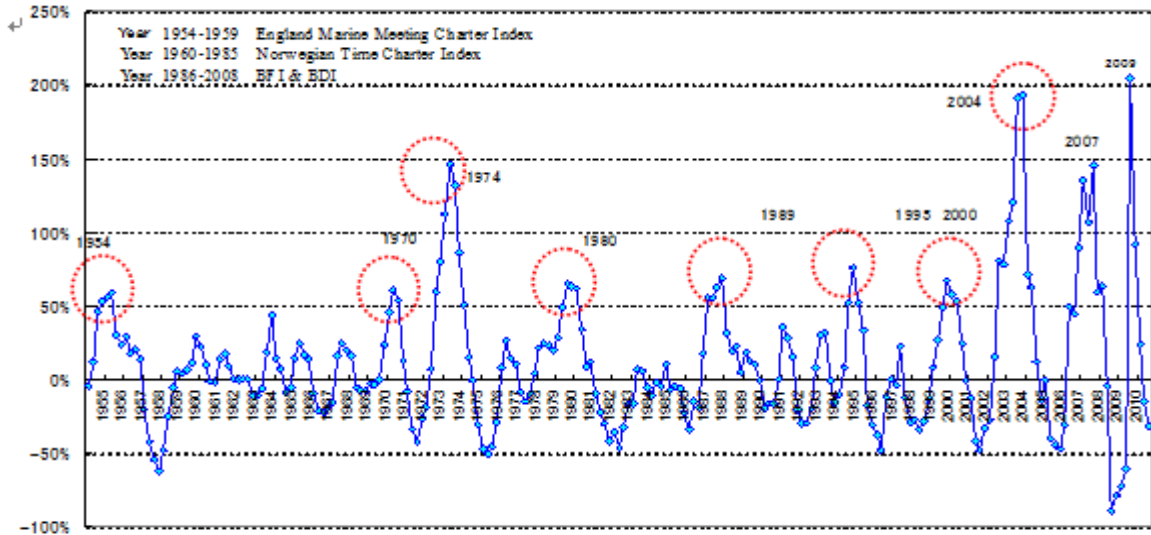
图中文字:

- 全球经济形势与全球海运量的关联度 Correlation degree of global economic situation and global shipping volume
- 海运量, 百万吨 Shipping volume: 1 million tons
- 海运量增速 growth rate of shipping volume
- 海运贸易量 shipping trade volume
- GDP 增速 GDP growth rate
- 海运贸易量增速 growth rate of shipping trade volume

Dry and bulk shipping market is perfectly competitive market, and shows strong periodicity, which is one of its important features. Naturally, it reflects the periodic development of global economy and trade in shipping market. BDI's periodic change can be used to elaborate the periodic changes of shipping market. From 1873 to 2012, dry and bulk shipping market experienced 17 short cycles, each of which lasts for different time. Averagely, one circle lasts for 7.1 years, and can be divided into four phases, namely depression period, recovery period, prosperity period and fallback period



1955年-2012年的BDI指数走势图

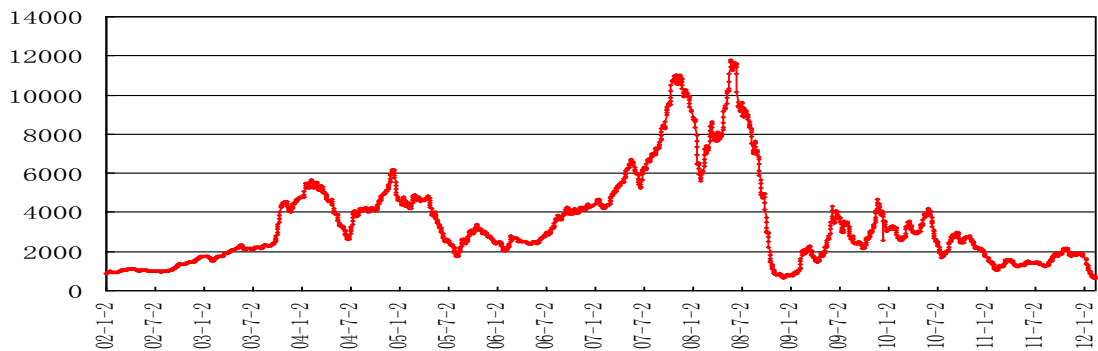


(Sources: Boltic Exchange, MOL, R&D Center)

图中文字:

1955年-2012年的BDI指数走势图
BDI Trend Chart from 1955 to 2012

2002年-2012年BDI指数走势图



(Sources: Baltic Exchange, R&D Center)

图中文字:

2002年-2012年BDI指数走势图
BDI Trend Chart from 2002 to 2012

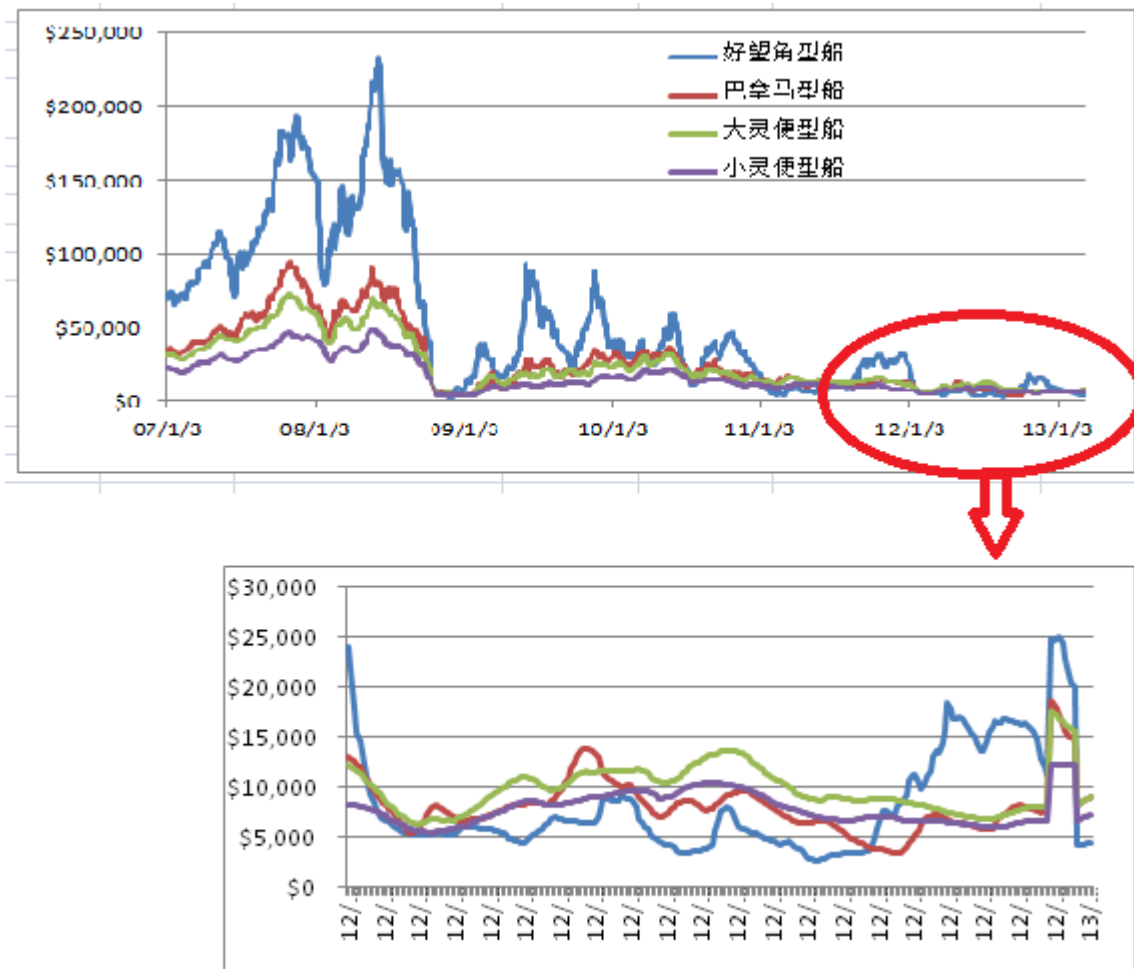
From 2003 to 2008, dry and bulk shipping market experienced six years of prosperity. In the fourth quarter of 2008 when the global financial crisis caused by subprime mortgage crisis broke out, demands of international dry and bulk shipping market had changed fundamental and panic sell stop appeared in the market. BDI



dropped sharply by 99.4% from the historical high of 11,793 points on May 20, 2008 to the 663 points on Dec. 5, 2008, the lowest level in the past 26 years. Since the second half of 2008, dry and bulk shipping market dropped from peak to valley in only seven months, which is an astonishing speed. This was the fourth disastrous impact endured by dry and bulk market since establishment of BDI. In 2011, European debt crisis brought great impacts to global economy, real economy of many member units of Europe was affected. In 2011, average BDI was 1,549 points, a decrease of 43.8% compared with 2010.

In 2012, average BDI was 920 points, down 40.6% compared with the average future of 1,549 points in 2011. It was the most depressing period since establishment of BDI. Year 2012 also witnessed the poorest revenue of dry and bulk carriers in the past 25 years. In 2012, average freight rate of Capesize ship was USD7,680 per day, lower than USD10,000 per day for the first time. The freight rate was only 6.6% of the average freight rate of USD116,049 per day in 2007. This is to say that sales revenue of shipping companies for the same carrying volume was reduced by 94% under the circumstances that any operation and management costs are not changed.

2002年-2012年干散货船各主力船型平均租金水平走势图



(Sources: Baltic Exchange, R&D Center)

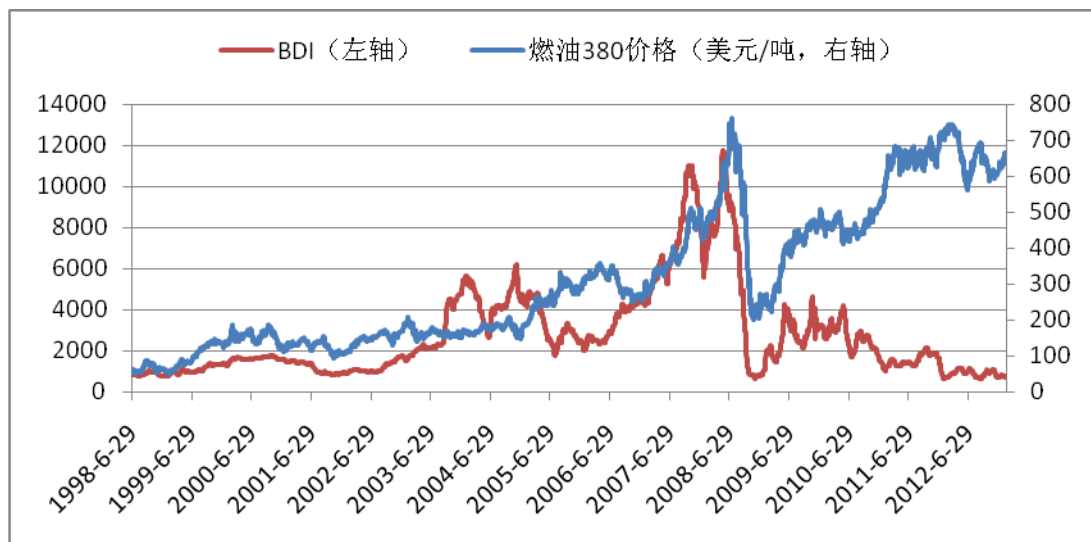


图中文字:

2002年-2012年干散货船各主力船型平均租金水平走势图

- 好望角型船 Capesize carrier
- 巴拿马型船 Panamax carrier
- 大灵便型船 Handymax carrier
- 小灵便型船 Handysize carrier

Periodic fluctuation will bring various operating and financial risks to shipping companies, Zhang Shouguo, Vice-chairman of the China Ship-owners' Association, believed that shipping industry will get profits when BDI reaches at least 2,500 points. Affected by low freight rate and surging oil prices in 2012, all 14 listed shipping companies in China had suffered from losses, according to the International Finance News. The total losses of shipping industry in 2012 exceeded RMB10 billion. Many international and domestic shipping companies got bankrupted, and the shipping industry was in severe winter as a whole.



(资料来源: 研发中心)

(Sources: R&D Center)

图中文字:

- 左轴 Left axis
- 右轴 Right axis
- 燃油 380 价格 (美元/吨) Price of fuel 380 (USD/ton)

It is obvious that shipping industry is a typical periodic industry. Each economic crisis will cause depression of the industry. This forms the unique operation mode of the industry, namely making profits in peak season to make up the losses in low valley. Therefore, appraisal of profitability of shipping industry can't be based on profits or losses in two to three years, but shall be based on accumulative profits for average profits in a certain period. Each economic crisis will result in shutdown or bankruptcy of many shipping companies, shipping companies who exist in the crisis will grow in the next cycle. Therefore, appraisal on sustainability of shipping



companies shall be based on the existence ability of companies in low valley and the fast profitability in recovery period.

In recently years, global economy was greatly impacted due to financial crisis, and international economy is undergoing new round of fluctuation. With the changes of global economic and trade situations and industrial environment, periodicity of dry and bulk shipping market will change correspondingly. The evolution rules have some new features, such as large fluctuation extend, faster exchange, shorter period and greater impacts. Shipping companies will enter long-term low-speed growth period, and the fluctuation curve changed from V-shape into U-shape.

Shipping companies and correlated parties shall fully understand and grasp the periodic fluctuation of economy, and formulated responding countermeasures to solve this issue. Otherwise, they will lose the opportunities in fluctuation. Therefore, COSCO Group is paying close attention to and carrying in-depth research on the new features and changes of the periodic fluctuation, so as to grasp the new rules of periodic fluctuation, seize the new opportunities of market fluctuation and further elevate the profitability and sustainability of its fleets.

II. General Information of the Group

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 52 years of development, the group has developed into a transnational enterprise group focusing on shipping, logistics & terminal, ship-building and ship-repairing businesses, and has stably ranked among Fortune Global 500 List.

COSCO owns and controls over 700 modern merchant vessels with a total tonnage of 51 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. The group is position the first in the world for sizes of container fleet, dry and bulk fleet, professional bulk carrier, multi-purpose 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, 770,000 square meters of storage ground and 1.05 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 owns matured ocean engineering construction technologies, and has become the first option of internationally renowned ocean oil service providers for its professional service and modernized management. The project of “key design and manufacturing technologies of highly-stable cylinder deep-sea drilling platform” developed by COSCO Shipyard has won the first-class National Scientific and Technological Progress Award in 2011. It is the highest award received by COSCO Group in scientific and technological sector in past 52 years since its establishment and the first time for a domestic ocean engineering equipment manufacturing enterprise to win such honor. COSCO BOS Ballast Water Disposal System, a topic of National Key Technology Support Program undertook by COSCO Group and developed by COSCO Shipyard was listed as key national scientific research achievement during the 11th Five-year Plan period in 2011. The project, which has reached or is close to internationally advanced level, has independent intellectual property right and received 12 national invention patents. In the same year, the project was listed as “key new national product” by four ministries and commissions including the Ministry of Science and Technology, the Ministry of Commerce, the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine.

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 135,000 employees including 400 employees working in overseas countries and 4600 overseas employees. Total asset value of the group has exceeded RMB330 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.

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

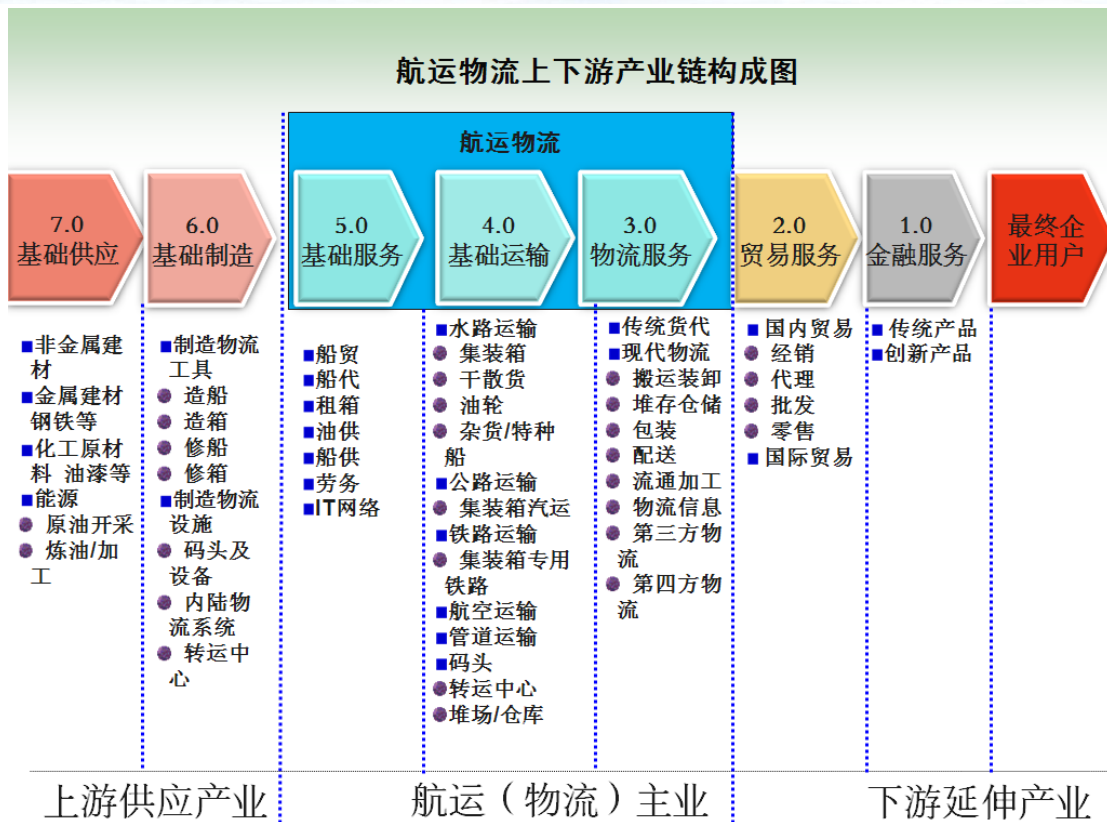


Global Compact for four consecutive years, making COSCO Group become the only Asian enterprise whose sustainability report was included in the list of notable COPs for four years in a row. COSCO Group is also a member of the Global Compact LEAD Steering Committee.

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”.

III. General Information of Supply Chain and Industrial Structure of COSCO Group

Shipping logistics business operated by COSCO Group is in the middle of the entire industrial chain, and is the part with lowest profits in entire value chain. In upstream, it depends on basic supplying and manufacturing industries, and in downstream, it subordinates to trade and financial services. Profits of the industry are squeezed by the two ends. In order to avoid the risk of strong periodicity of shipping logistics business, world’s first-tier shipping and logistics companies all developed upstream and downstream to form core competitiveness through advantage supplementation. In the meantime, they also invest into basic supplying industry in the upstream such as energy and mineral industries to realize internal collaboration. Shipping logistics business, as the main business, not only can get preferential energies and resources, reduce operating costs, and but also can provide cargo source guarantee for shipping logistics business, so as to create profits. Through investment or development of non-periodic industries or industries with reverse period with shipping logistics industry as the supplementary industries of shipping logistics business, they can “offset” the periodicity risk of shipping logistics business. In particular, upstream industries can provide decisive chips for existence and profitability of shipping logistics business when the industry is in low valley.



图中文字:

航运物流上下游产业链构成图 Composition of upstream and downstream industrial chain of shipping logistics industry

基础供应 Basic supplying

- 非金属建材 Non-metal materials
- 金属建材如钢铁等 Metal materials such as iron and steel
- 化工原材料如油漆等 Chemical draw materials such as paint
- 能源 Energy
- 原油开采 Crude oil exploitation
- 炼油/加工 Oil refining/processing

基础制造 Basic manufacturing

- 制造物流工具 Manufacturing of logistics tools
- 造船 Shipbuilding
- 造箱 Container manufacturing
- 修船 Ship-repairing
- 修箱 Container-repairing
- 制造物流设施 Manufacturing of logistics facilities
- 码头及设备 Terminal and equipment
- 内陆物流系统 Inland logistics system
- 转运中心 Transshipment center

基础服务 Basic service



船贸 Shipping trade

船代 Shipping agency

租箱 Container-leasing

油供 Oil supplying

船供 Ship-supplying

劳务 Labor

IT 网络 IT network

基础运输 Basic transportation

水路运输 Waterway transportation

集装箱 Container

干散货 dry and bulk cargo

油轮 Oil tanker

杂货/特种船 General cargo/special carrier

公路运输 Road transportation

集装箱汽运 Container auto transportation

铁路运输 Railway transportation

集装箱专用铁路 Special railway for containers

航空运输 Air transportation

管道运输 Pipeline transportation

码头 Terminal

转运中心 Transshipment center

堆场/仓库 Container yard/warehouse

物流服务 Logistics service

传统货代 Traditional cargo freighting

现代物流 Modern logistics

搬运装卸 Loading/unloading

堆存仓库 Warehouse

包装 Packaging

配送 Distribution

流通加工 Circulation and processing

物流信息 Logistics information

第三方物流 Third-party logistics

第四方物流 Fourth-party logistics

贸易服务 Trade service

国内贸易 Domestic trade

经销 Sell

代理 Agent

批发 Wholesale

零售 Retail

国际贸易 International trade

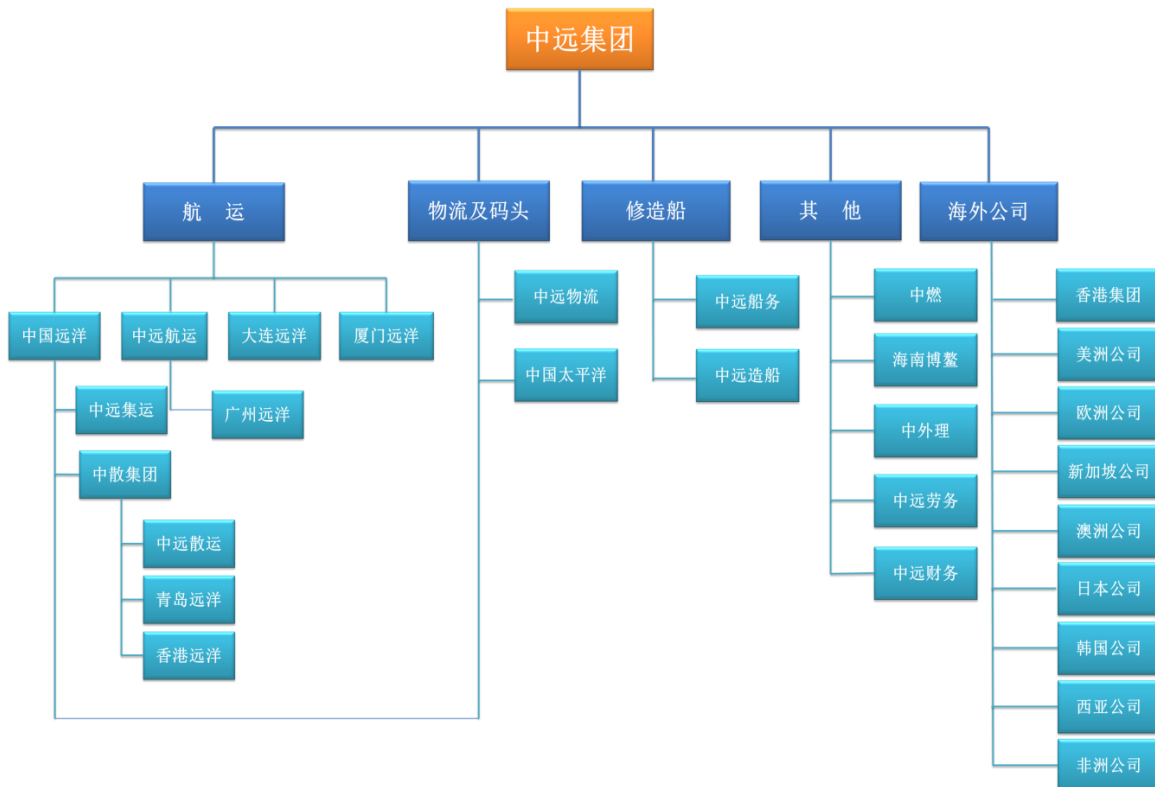
金融服务 Financial service

传统产品 Traditional products



创新产品 Innovative products
 最终企业用户 End corporate users
 航运物流 Shipping logistics
 上游供应产业 Upstream supplying industry
 航运（物流）主业 Shipping (logistics) industry
 下游延伸产业 Downstream extension industry

Currently, COSCO Group has become a transnational corporate group with shipping, logistics & terminal and shipbuilding/ship-repairing as the main businesses, and has ranked among Global Fortune 500 list stably. Composition of businesses of the group is as follows:



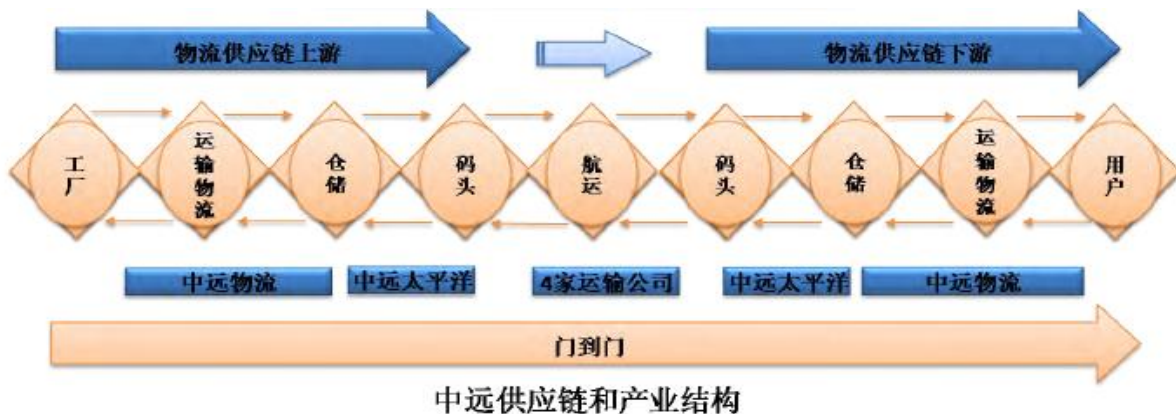
图中文字:

中远集团 COSCO Group
 航运 Shipping
 物流及码头 Logistics & terminal
 修造船 Shipbuilding/Ship-repairing
 其它 Others
 海外公司 Overseas companies
 中国远洋 China COSCO
 中远航运 COSCO Shipping
 大连远洋 COSCO Dalian
 厦门远洋 COSCO Xiamen
 中远集运 COSCON



- 广州远洋 COSCO Guangzhou
- 中散集团 China COSCO Bulk
- 中远散运 COSCO Bulk
- 青岛远洋 COSCO Qingdao
- 香港远洋 COSCO (Hong Kong) Shipping
- 中远物流 COSCO Logistics
- 中远船务 COSCO Shipyard
- 中远太平洋 COSCO Pacific
- 中远造船 COSCO Shipbuilding
- 中燃 CHIMBUSCO
- 海南博鳌 Hainan Boao COSCO
- 中外理 China Ocean Shipping Tally
- 中远劳务 COSCO Manning
- 中远财务 COSCO Finance
- 香港集团 Hong Kong Group
- 美洲公司 COSCO America
- 欧洲公司 COSCO Europe
- 新加坡公司 COSCO Singapore
- 澳洲公司 COSCO Australia
- 日本公司 COSCO Japan
- 韩国公司 COSCO Korea
- 西亚公司 COSCO West Asia
- 非洲公司 COSCO Africa

Supply chain of shipping companies is dominated by third party logistics provider, which refers to provider other than producer and seller who can provide logistics planning, logistics solution and detailed logistics operation service (including warehouse, transportation, cargo freighting, logistics processing, distribution, information and other value-added services) for customers by integrating social resources. The third party logistics provider can make use of advanced logistics technologies, market information and network to integrate various resources to optimize the supply chain.



图中文字:



中远供应链和产业结构 Supply chain and industrial structure of COSCO Group

物流供应链上游 Upper stream of the logistics supply chain

物流供应链下游 Lower stream of the logistics supply chain

工厂 Factory

运输物流 Transportation & logistics

仓储 Warehouse

码头 Terminal

航运 Shipping

码头 Terminal

仓储 Warehouse

运输物流 Transportation & logistics

用户 Users

中远物流 COSCO Logistics

中远太平洋 COSCO Pacific

4家运输公司 Four shipping companies

中远太平洋 COSCO Pacific

中远物流 COSCO Logistics

门到门 Door to door

Due to limitations of related policies of the country, COSCO Group has been dedicated to shipping logistics and related industries. The logistics supply chains formed therefore are belonging to same cycle and there are no supplementary industries to offset the losses of shipping logistics business in low valley. Therefore, COSCO Group is lack of effective measure for healthy and sustainable development to keep its stable operation upon the coming of low valley. In the meantime, COSCO Group shoulders the duties of promoting economic development and social stability. When it faces great difficulties in operation, the group insists on not making any staff to be unemployed and tries to ensure the employment right of staff and social stability. However, the group had paid the costs significantly higher than international counterparts.

Part III Basic Profiles of COSCO Group's Subsidiaries

In 2012, 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: 52.80%
Total assets: RMB165.23 billion	Employee number: 41,379
Business revenue: RMB72.06 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.	
<p>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 668,000 TEUs, calls at 159 ports in more than 48 countries and regions worldwide. With 76 international shipping lines, 10 international branch lines, 21 domestic coastal shipping lines and 67 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 332 dry and bulk cargo ships, with a total carrying capacity of 35 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 27 terminal projects worldwide with a total of 134 berths, ranking the fifth place 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.</p>	

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: RMB52.011 billion	Employee number: 14,031
Business revenue: RMB43.17 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 159 ports in more than 48 countries and regions, it runs 76 international shipping lines, 10 international branch lines, 21 domestic coastal shipping lines and 67 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) 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: RMB45.622 billion	Employee number: 14,356 人
Business revenue: RMB16.1 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 230 large-sized bulk ships of various types such as Capesize, Panamax and Handymax, with the total carrying capacity of over 18 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: RMB21.035 billion	Employee number: 5,849
Business revenue: RMB3.79 billion	
Main businesses: International dry and bulk cargo transport	
Subsidiaries : COSCO Bulk owns over 30 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. It 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 (H.K.) 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: RMB18.739 billion	Employee number: 1,897
Business revenue: RMB8.32 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: RMB5.252 billion	Employee number: 4,462
Business revenue: RMB2.035 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, including 10 self-owned Capesize vessels. 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. 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: RMB14.51 billion

Employee number: 3,718

Business revenue: RMB6.3 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 2012, COSCO Shipping owned and operated 69 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 1.5589 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/unloading requirements. It also provides irregular transport services to customers. COSCO Shipping mainly operates Far East-Bengal line, Far East-West African line, and lines from Southeast Asia and Far East eastward to Persian Gulf, the Red Sea, Mediterranean Sea, North and West Europe and North America, forming a worldwide ocean shipping network for special general cargos.

8. 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: RMB1.4644 billion	Employee number: 3143
Business revenue: 4.605 billion	
Main businesses: Liquid bulk cargo transport business, with a focus on oil tanker	
Subsidiaries: COSCO Dalian has 15 land-based subsidiaries, of which, 4 are fully-owned companies, 8 are holding companies and 3 are shareholding companies.	
COSCO Dalian currently owns and operates over 37 vessels, including oil tankers, liquefied gas tankers and chemical tankers, with the total carrying capacity of 7.76 million DWTs. Scale of vessel fleet of COSCO Dalian takes a leading position among enterprises of the same class. COSCO Dalian also owns 21 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.	

9. 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 to serve for cross-strait economic and trade cooperation and exchange.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB943 million	Employee number: 205
Business revenue: RMB525 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, and "small three links" passenger transport.	
COSCO Xiamen currently owns and operates 14 vessels of various types, including bulk carriers, multi-purpose ships, timber ships, high-speed passenger ships and ro-ro ships. After the operation of Wuyuan Liner for Xiamen/Jinmen passenger transport line 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, becoming the first normal passenger and cargo liner after 60 years of isolation on both sides of Taiwan Strait.	

II. Logistics and terminal

10. COSCO Logistics Co., Ltd

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



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB12.708 billion	Employee number: 9,867
Business revenue: RMB9.28 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.	

11. COSCO Pacific Co., Ltd

COSCO Pacific Co., Ltd (COSCO Pacific) was listed at Hong Kong Stock Exchange in 1994. It is a company affiliated to China COSCO engaged in terminal and container leasing business, and 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: 43.21% (held by China COSCO)
Total assets: USD7.365 billion	Employee number: 2,900
Business revenue: USD750 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

12. 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: 37.35%
Total assets: RMB35.87 billion	Employee number: 9,437
Business revenue: RMB28.96 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 and livestock ships. Ocean engineering projects constructed include cylinder drilling platform, self-lifting drilling platform, semi-submersible drilling platform, shuttle tanker and turbine installation vessel.

13. 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: RMB9.379 billion	Employee number: 5,131
Business revenue: RMB2.512 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 21 large ships, including 300,000-ton VLCC, VLOC, 5000PCC, 6200PCC and 10000TEU large ships. It has taken a lead in the world and reached advanced levels of Japanese and Korean enterprises in terms of main economic and technical indicators such as building work time, steel utilization rate, power consumption per USD10,000 output value and production efficiency. In 2009, its production capacity reached three million tons. After completion and production of Dalian ship-building base in 2010, the annual production capacity of the company will exceed six million DWTs.	

IV. Others

14. China Marine Bunker (PetroChina) Co. Ltd

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



Nature: Limited liability company	Investment proportion: 50%
Total assets: RMB11.117 billion	Employee number: 1,626
Business revenue: RMB58.398 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.

15. Hainan COSCO Boao Co., Ltd

Hainan COSCO Boao Co., Ltd (Hainan COSCO Boao), 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 COSCO Boao was established on March 20, 2006 as the second-tier subsidiary directly affiliated to COSCO Group.



Nature: Limited liability company	Investment proportion: 100%
Total assets: RMB1.591 billion	Employee number: 1,291
Business revenue: RMB150 million	
Main businesses: Conference reception, hotel, golf and scenic spot sightseeing	
Subsidiaries: Sofitel Boao Grand Hotel, Boao Golden Coast Hot Spring Hotel, Boao Forum Asia International Convention Center Golf Club, Boao Forum for Asia Site and Scenic Spot Management Company and Hainan Boao International Convention Co., Ltd.	
Hainan Boao COSCO mainly engaged in development, construction, operation and management of auxiliary facilities of Boao Forum for Asian has established Boao Golden Coast Hot Spring Hotel, Palm Island Hotel and Townhouses, Binlang Island Townhouses, BFA International Convention Center, Sofitel Boao Grand Hotel, 18-hole golf club and many infrastructures. Total construction area of Hainan Boao COSCO in Boao is near to 170,000 square meters, with the total investment of more than RMB3 billion. Besides holding the annual Boao Forum for Asia, these sites will receipt tourists for 750,000 person-times and over 200 middle and high-grade meetings for companies home and abroad.	



16. China Ocean Shipping Tally Company

China Ocean Shipping Tally Company established in 1961 is a core state-owned company specialized in shipping tally business approved by the Ministry of Communications and registered at the State Administration for Industry and Commerce (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: RMB525 million

Employee number: 223

Business revenue: RMB23.24 million

Main businesses: Vessel tally business for international and domestic shipping lines; container loading and unloading tally business; cargo measurement; ship water gauge measurement; loading/unloading supervision; cargo and container damage inspection and appraisal; issuance of cargo tally bills and reports; tally-related consultation services.

Subsidiaries: China Ocean Shipping Tally owns over 70 companies at ports China, covering main ports such as Shanghai, Ningbo, Tianjin, Qingdao, Dalian, Xiamen, Fuzhou, Shenzhen and Guangzhou.

Insisting the criteria of "holding fair attitude, seeking truth from facts and protecting legal rights and interests of consignors", China Ocean Shipping Tally has made explorations and innovations continuously and increased scientific inputs and talent cultivation efforts, making great contributions to the country's reform and opening up and development of shipping and foreign trade businesses.

17. COSCO Manning Cooperation Inc.

COSCO Manning Cooperation Inc. (COSCO Manning) 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: RMB62.28 million

Employee number: 815

Business revenue: RMB66.94 million

Main businesses: Dispatching crews and laborers to overseas markets

Subsidiaries: Shanghai COSCO Manning Cooperation Co., Ltd, Qingdao COSCO Manning Cooperation Co., Ltd, Shenzhen COSCO International Ship Management Co., Ltd and Beijing COSCO Business Consultation



Co., Ltd.

Since its establishment, COSCO Manning has been endeavored to provide qualified seamen and other laborers as well as high quality, high efficient and satisfactory services to customers home and abroad. It has established close cooperation relationships with customers home and abroad, forming a nationwide business network and has dispatched seamen and other laborers for more than 130,000 person-times. COSCO Manning has established a comprehensive management system covering quality, environment and occupational health in accordance with the ISO9000, ISO14000 and OHSAS18000 standards and has received the certificates issued by the China Classification Society. It has set up four joint ventures in Shanghai, Qingdao, Shenzhen and Beijing.

18. COSCO Finance Co., Ltd

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



Nature: Limited liability company	Investment proportion: 100%
Total assets: RMB20.865 billion	Employee number: 58
Business revenue: RMB966 million	
Main businesses: Loan, financing lease, bill acceptance and discounting for member units of COSCO Group, internal account transfer and settlement between member units, design of settlement and clearance plans, absorption of deposits of member units and negotiable securities investment	
Subsidiaries: None	
Since its establishment, COSCO Finance has insisted on complying with related laws and regulations in its business operation and meeting the supervision requirements of the People's Bank of China and the China Banking Regulatory Commission. Besides good asset quality, it also meets financial supervision requirements by all indicators and achieves significant economic and social benefits.	

19. China Ocean Shipping News

With the first issue published in 1994, China Ocean Shipping News originally named COSCO Group News is an official newspaper managed by COSCO Group and published by COSCO Group headquarters. In 1996, it was renamed China Ocean Shipping News upon the approval of Beijing Press and Publishing Bureau.



Approved by the General Administration of Press and Publication, China Ocean Shipping News started the official publication for the whole society in September 1998. With the publication number of CN11-0261, the cross-fold, eight-page newspaper is published on every Monday.

Nature: State-owned company	Investment proportion: 100%
Employee number: 9	
Main businesses: Based on COSCO Group, China Ocean Shipping News serves as a supplement that covers ocean shipping, ship-building/ship-repairing, ship supply, ship agency and cargo agent industry in China. It mainly reports on COSCO Group's comprehensive news, corporate culture as well as latest trends of international shipping industry as well as literature and art news.	
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.	

20. Maritime China

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: RMB2.122 million	Employee number: 8
Business revenue: RMB8.54 million	
Main businesses: publication and issuance of Maritime China magazine, ad services home and abroad, release of ads for foreign businessmen in China, photography, organizing of culture exchange activities, and economic information consultation	
The Maritime China magazine has enjoyed high reputation home and abroad. In recent years, it had organized many industry's widely watched and influential International Shipping (China) Annual Summits as one of the sponsors.	

V. Overseas companies

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

COSCO (Hong Kong) Group Co., Ltd was established on Aug. 28, 1994. 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.

22. 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.

23. COSCO Europe GmbH

COSCO Europe GmbH, established on Feb. 15, 1989, was registered in Hamburg, Germany. As a regional company of COSCO Group in overseas market, it uniformly manages COSCO’s institutions in Europe. Besides container business, COSCO Europe is mainly engaged in non-container business such as bulk cargo shipping, logistics & warehouse, terminal, ship financial leasing, general agent of bulk and general cargo vessels, and ship technical service and supplies.

24. COSCO Corporation (Singapore) Limited

COSCO Corporation (Singapore) Limited established in 1993 is a regional headquarters of COSCO Group in Southeast Asia and South Asia. The company is responsible for management of COSCO Group’s institutions in Singapore, Malaysia, Thailand, Indonesia, Pakistan, Burma, Vietnam, Cambodia, Sri Lanka, India and Bengal. Business scope of the company covers cargo freighting, fuel trade, oil storage, oil barge, oil supply and inspection, maritime consultation, ship supply, labor and ship leasing intermediary.

25. COSCO Oceania Pty Limited

COSCO Oceania Pty Limited was officially registered in Sydney on Aug. 23, 1995. As a regional headquarters of COSCO Group in Australia, the company uniformly manages COSCO Group’s institutions in Australia and New Zealand. Business scope of the company covers shipping agency, ship leasing, shipping technical service, docks, air transport, multi-modal transportation, container management and building operation and management.



26. 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.

27. COSCO Korea Co., Ltd.

COSCO Korea Co., Ltd was established in Seoul, Korea in June 1995, and is the comprehensive management center and external promotion window of COSCO Group in Korea. It is mainly responsible for managing COSCO Group's various businesses in Korea, expanding of shipping business of COSCO Group in Korea, providing necessary supports for operating activities of all shareholding companies of COSCO Group in the region, collaborating relations of different business units on behalf of COSCO Group headquarters and promoting cooperation of various units.

28. COSRACO LLC

COSRACO LLC was established in Dubai, United Arab Emirates in March 1997 and is responsible for management COSCO Group's agents and related businesses in 14 countries in West Asia and Northeast Africa (United Arab Emirates, Saudi Arabic, Qatar, Oman, Bahrain, Kuwait, Yemen, Jordan, Lebanon, Syria, Iraq, Iran and Sudan, Djibouti). Two major subsidiaries, namely COSRACO LLC and COSCO Saudibuhari is the joint venture between COSCO Group and RAISHASSANSAADI Group and Saudibuhari Group. Main business of the company covers ship agency, cargo freighting, customs declaration and clearance and branch line transportation.

29. COSCO Africa (PTY) Ltd

COSCO Africa (PTY) Ltd was established in Johannesburg, South Africa on March 28, 1995. It mainly manages COSCO Group's ship agent business, ships and shipping-related businesses in South Africa. COSCO Africa (PTY) Ltd is a fully-owned subsidiary of COSCO Group, and has three fully-invested companies under its affiliation, namely COSREN Shipping Agency, COSCO Logistics Africa and Yuanan Maritime Service Center. COSCO Africa (PTY) Ltd is mainly engaged in bulk and general cargo ship leasing and cargo canvassing business and administrative management of affiliated units invested.



Part IV Awards

I. Awards Related to the Global Compact and Sustainability

Award-winning Time	Awards
March 7, 2012	COSCO International honored 2011 Treasury China Big Award for Enterprises – Golden Award for Social Responsibilities and Investor Relations by internationally renowned magazine – Treasury China.
April 9, 2012	COSCO International honored China Best Enterprise for Social Responsibilities by the Corporate Governance Asia.
May 7, 2012	COSCO Group received the honorable title of Nationally Advanced Collective for Afforestation Work.
Sept. 14, 2012	COSCO Group honored “Excellent Achievement Award” by FMC.
Oct. 3, 2012	COSCO Investment honored “Most Transparent Foreign Company” Award, the fifth time for the company to receive the award since 2007.
Nov. 21, 2012	COSCO honored Excellent Enterprise in Chinese CSR Survey Report 2012 of Chinese Academy of Social Sciences for four successive years, and ranked the first place in Chinese CSR Development Index.

II. International and Domestic Awards Won by COSCO Group in 2011

Award-winning Time	Awards
Feb. 14, 2012	Achievements of the “project of key design and manufacturing technologies of highly-stable cylinder deep-sea drilling platform developed by COSCO Shipyard has won the first-class National Scientific and Technological Progress Award in 2011.
Feb. 27, 2012	The BOS Ballast Water Disposal System developed by COSCO Shipyard received the certificate of National Key New Product jointly issued by the Ministry of Science and Technology, Ministry of Environmental Protection, Ministry of Commerce and the General Administration of Quality Supervision, Inspection and Quarantine.
March 2, 2012	Chairman Wei Jiafu honored the “International Commercial Leader Award” and “Global Educational Leader Award”.
March 23, 2012	COSCO Chemical Logistics honored 2011 Best Logistics Supplier for Safety Manage by Huntsman.
May 9, 2012	Chairman Wei Jiafu honored International Shipping Industry “Leaders” Award.
June 20, 2012	COSCO International honored 8 th Best Corporate Governance Award in Asia.
June 24, 2012	COSCON honored “Top 10 Container Liner for Comprehensive Service” of China’s



	Cargo Transportation Industry and “Best Container Line for China-Australia/New Zealand Shipping Lines”.
June 27, 2012	COSCO Shipping “Leyi” Liner honored “National Youth Demonstrated Post of Safety Production”.
July 9, 2012	COSCO Group ranked the 384 th place in 2011 Fortune Global 500 List.
Aug. 21, 2012	Annual report of COSCO International received International ARC Annual Report Award for five successive years.
Sept. 2, 2012	COSCO Group ranked the 54 th place in 2012 China’s Top 500 Enterprises.
Sept. 12, 2012	Many companies and individuals of COSCO Group awarded for ideological and political work of central enterprises.
Sept. 13, 2012	COSCO Group ranked the first place in 2012 Top 50 New-emerging Transnational Companies in China’s Transportation Industry.
Nov. 20, 2012	Seven persons of COSCO Group honored Excellent Ideological and Political Worker of China’s Traffic and Transportation Industry.
Nov. 23, 2012	COSCO International honored Platinum Award for 2012 Best Corporate Governance Material Disclosure Award.
Dec. 10, 2012	COSCO Group ranked the first place in 2012 China Top 50 Logistics Enterprises.
Dec. 13, 2012	COSCO International honored International iNOVA Awards for four successive years.
Dec. 28, 2012	Many collectives and individuals of COSCO Group appraised as advanced collectives and individuals for spiritual civilization construction of China’s traffic and transportation industry in 2010-2011 by the Ministry of Transport.

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
June 30, 2013	COSCO Group Sustainability Report 2012	Online release

I. SCOPE OF REPORT

Contents of the COSCO Group Sustainability Report 2012 were improved based on the 2011 version. The report covers requirements of GRI Sustainability Reporting Guidelines 2006 (hereinafter referred to as GRI 2006) and the supplementary guidelines of the industry, comprehensively refers the detailed indicators 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).

COSCO Group Sustainability Risks Rating Matrix

中远集团可持续发展报告报告程度和形式决策矩阵图																						
序号	公司	战略与概述		治理和管理		经济业绩		环境业绩		劳工业绩		人权业绩		社会业绩		产品业绩		风险得分	风险等级	实施重要程序排序	审核重要程序排序	报告形式
		控制程度	规模影响	监管	供应链要求	财务	社会投资	节能环保	防污染	安全	人力资源	集体谈判	非歧视	社区	反腐败	服务产品质量	市场营销					
1	中远集装箱运输有限公司	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10988	高	实施试点	单独审核	行业报告
2	中国远洋控股股份有限公司	4	9	9	9	4	4	4	4	9	4	4	1	1	4	1	1	9594	高	第一批	单独审核	与年报同时发布
3	大连远洋运输公司	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	高	第一批	单独审核	行业报告
4	中远航运股份有限公司	4	9	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7943	高	第一批	单独审核	年报附件
5	中远太平洋有限公司	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	中	第一批	同集团审核	集团报告
6	中国远洋物流有限公司	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	中	第一批	同集团审核	集团报告
7	中远散运有限公司	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	中	第一批	同集团审核	集团报告
8	中远(香港)航运有限公司	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	中	第一批	同集团审核	集团报告
9	青岛远洋运输有限公司	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	中	第一批	同集团审核	集团报告
10	中远散货运输(集团)有限公司	9	4	4	4	4	4	4	4	9	4	1	1	1	4	4	4	4576	中	第一批	同集团审核	集团报告
11	中远船务工程集团有限公司	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	中	第一批	同集团审核	集团报告
12	中远造船工业公司	9	4	4	1	4	4	4	4	9	4	4	9	9	4	4	1	3900	中	第一批	同集团审核	集团报告
13	中国船舶燃料有限公司	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	低	第二批	抽样审核	集团报告
14	中远(英国)有限公司	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	低	第二批	抽样审核	集团报告
15	广州远洋运输公司	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	低	第二批	抽样审核	集团报告
16	厦门远洋运输公司	9	4	4	1	4	4	4	4	4	4	4	4	1	4	4	1	2730	低	第二批	抽样审核	集团报告
17	海南中远博鳌有限公司	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	1	2700	低	第二批	抽样审核	集团报告
18	中远对外劳务合作公司	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	低	第二批	抽样审核	集团报告
19	中远财务有限公司	9	1	4	1	4	1	1	1	1	1	1	1	1	4	4	1	1200	低	第二批	抽样审核	集团报告
20	中国外轮理货总公司	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	低	第二批	抽样审核	集团报告
21	《中国远洋报》社	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	低	第二批	抽样审核	集团报告
22	《中国远洋航务》杂志社	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	低	第二批	抽样审核	集团报告

Reporting Degree and Form Rating Matrix of COSCO Group Sustainability Report

Serial No.	Company	Strategies and General Information		Governance and Management		Economic Performance		Environmental Performance		Labor Performance		Human Rights Performance		Social Performance		Product Performance		Risk scores	Risk Level	Rankings of importance in implementation process	Rankings of importance in review process	Reporting form
		Content	Information	Structure	Process	Financial	Operational	Policy	Practices	Management	Practices	Management	Practices	Management	Practices	Management	Practices					
1	COSCON	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	High	Pilot project	Separate review	Industrial

																						report
																						Released
2	China COSCO	4	9	9	9	4	4	4	4	9	4	4	1	1	4	1	1	9594	High	First batch	Separate review	together with annual report
3	COSCO Dalian	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	High	First batch	Separate review	Industrial report
4	COSCO Shipping	4	9	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7943	High	First batch	Separate review	Appendix of annual report
5	COSCO Pacific	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium	First batch	Review by the group	Group report
6	COSCO Logistics	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium	First batch	Review by the group	Group report
7	COSCO Bulk	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	First batch	Review by the group	Group report
8	COSCO (H.K.) Shipping	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	First batch	Review by the group	Group report
9	COSCO Qingdao	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	First batch	Review by the group	Group report
10	China COSCO Bulk	9	4	4	4	4	4	4	4	9	4	1	1	1	4	4	4	4576	Medium	First batch	Review by the group	Group report
11	COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Medium	First batch	Review by the group	Group report
12	COSCO Shipbuilding	9	4	4	1	4	4	4	4	9	4	4	9	9	4	4	1	3900	Medium	First batch	Review by the group	Group report
13	CHIMBUSCO	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low	Second batch	Sampling review	Group report
14	COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low	Second batch	Sampling review	Group report
15	COSCO	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Low	Second batch	Sampling	Group report

	Guangzhou																			review		
16	COSCO Xiamen	9	4	4	1	4	4	4	4	4	4	4	1	4	4	1	2730	Low	Second batch	Sampling review	Group report	
17	Hainan COSCO Boao	9	1	1	4	1	9	4	4	4	4	1	9	4	9	1	2700	Low	Second batch	Sampling review	Group report	
18	COSCO Manning	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	Low	Second batch	Sampling review	Group report
19	COSCO Finance	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1200	Low	Second batch	Sampling review	Group report
20	COSCO Ocean	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	Low	Second batch	Sampling review	Group report
	Shipping Tally																					
	China Ocean																					
21	Shipping News	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	600	Low	Second batch	Sampling review	Group report	
22	Maritime China	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	600	Low	Second batch	Sampling review	Group report	



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 * 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 requirements 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.



Reporting Form Rating Matrix of COSCO Group Sustainability Report

中远集团可持续发展报告报告程度和形式决策矩阵图																						
序号	公司	战略与概述		治理和管理		经济业绩		环境业绩		劳工业绩		人权业绩		社会业绩		产品业绩		风险得分	风险等级	实施重要程序排序	审核重要程序排序	报告形式
		控制程度	规模影响	监管	供应链要求	财务	社会投资	节能	防污染	安全	人力资源	集体谈判	非歧视	社区	反腐败	服务产品质量	市场营销					
1	中远集装箱运输有限公司	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	高	实施试点	单独审核	行业报告
2	中国远洋控股股份有限公司	4	9	9	9	4	4	4	4	9	4	4	1	1	4	1	1	9594	高	第一批	单独审核	与年报同期发布
3	大连远洋运输公司	9	4	9	4	4	4	4	9	9	4	4	1	4	4	4	4	9295	高	第一批	单独审核	行业报告
4	中远航运股份有限公司	4	9	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7943	高	第一批	单独审核	年报附件
5	中远太平洋有限公司	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	中	第一批	同集团审核	集团报告
6	中国远洋物流有限公司	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	中	第一批	同集团审核	集团报告
7	中远散运有限公司	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	中	第一批	同集团审核	集团报告
8	中远(香港)航运有限公司	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	中	第一批	同集团审核	集团报告
9	青岛远洋运输有限公司	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	中	第一批	同集团审核	集团报告
10	中远散货运输(集团)有限公司	9	4	4	4	4	4	4	4	9	4	1	1	1	4	4	4	4576	中	第一批	同集团审核	集团报告
11	中远船务工程集团有限公司	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	中	第一批	同集团审核	集团报告
12	中远造船工业公司	9	4	4	1	4	4	4	4	9	4	4	9	9	4	4	1	3900	中	第一批	同集团审核	集团报告
13	中国船舶燃料有限公司	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	低	第二批	抽样审核	集团报告
14	中远(英国)有限公司	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	低	第二批	抽样审核	集团报告
15	广州远洋运输公司	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	低	第二批	抽样审核	集团报告
16	厦门远洋运输公司	9	4	4	1	4	4	4	4	4	4	4	4	1	4	4	1	2730	低	第二批	抽样审核	集团报告
17	海南中远博鳌有限公司	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	1	2700	低	第二批	抽样审核	集团报告
18	中远对外劳务合作公司	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	低	第二批	抽样审核	集团报告
19	中远财务有限公司	9	1	4	1	4	1	1	1	1	4	1	1	4	4	1	1	1200	低	第二批	抽样审核	集团报告
20	中国外轮理货总公司	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	低	第二批	抽样审核	集团报告
21	《中国远洋报》社	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	低	第二批	抽样审核	集团报告
22	《中国远洋航务》杂志社	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	低	第二批	抽样审核	集团报告

Reporting Degree and Form Rating Matrix of COSCO Group Sustainability Report

Serial No.	Company	Strategic Information		Governance and Management		Economic Performance		Environmental Performance		Labor Performance		Human Right Performance		Social Performance		Product Performance		Risk scores	Risk Level	Rankings of importance in implementation process	Rankings of importance in review process	Reporting form
		Content	Implementation	Structure	Policy	Disclosure	Transparency	Stakeholder	Compliance	Employee	Supplier	Customer	Community	Product	Service	Market						
1	COSCON	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	High	Pilot project	Separate review	Industrial report
2	China COSCO	4	9	9	9	4	4	4	4	9	4	4	1	1	4	1	1	9594	High	First batch	Separate review	Released together with

																					annual report	
3	COSCO Dalian	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	High	First batch	Separate review	Industrial report
4	COSCO Shipping	4	9	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7943	High	First batch	Separate review	Appendix of annual report
5	COSCO Pacific	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium	First batch	Review by the group	Group report
6	COSCO Logistics	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium	First batch	Review by the group	Group report
7	COSCO Bulk	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	First batch	Review by the group	Group report
8	COSCO (H.K.) Shipping	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	First batch	Review by the group	Group report
9	COSCO Qingdao	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	First batch	Review by the group	Group report
10	China COSCO Bulk	9	4	4	4	4	4	4	4	9	4	1	1	1	4	4	4	4576	Medium	First batch	Review by the group	Group report
11	COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Medium	First batch	Review by the group	Group report
12	COSCO Shipbuilding	9	4	4	1	4	4	4	4	9	4	4	9	9	4	4	1	3900	Medium	First batch	Review by the group	Group report
13	CHIMBUSCO	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low	Second batch	Sampling review	Group report
14	COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low	Second batch	Sampling review	Group report
15	COSCO Guangzhou	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Low	Second batch	Sampling review	Group report
16	COSCO Xiamen	9	4	4	1	4	4	4	4	4	4	4	4	1	4	4	1	2730	Low	Second batch	Sampling review	Group report

17	Hainan COSCO Boao	9	1	1	4	1	9	4	4	4	4	4	1	9	4	9	1	2700	Low	Second batch	Sampling review	Group report
18	COSCO Manning	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	Low	Second batch	Sampling review	Group report
19	COSCO Finance	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1200	Low	Second batch	Sampling review	Group report
20	COSCO Ocean Shipping Tally	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	Low	Second batch	Sampling review	Group report
21	China Ocean Shipping News	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Low	Second batch	Sampling review	Group report
22	Maritime China	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Low	Second batch	Sampling review	Group report



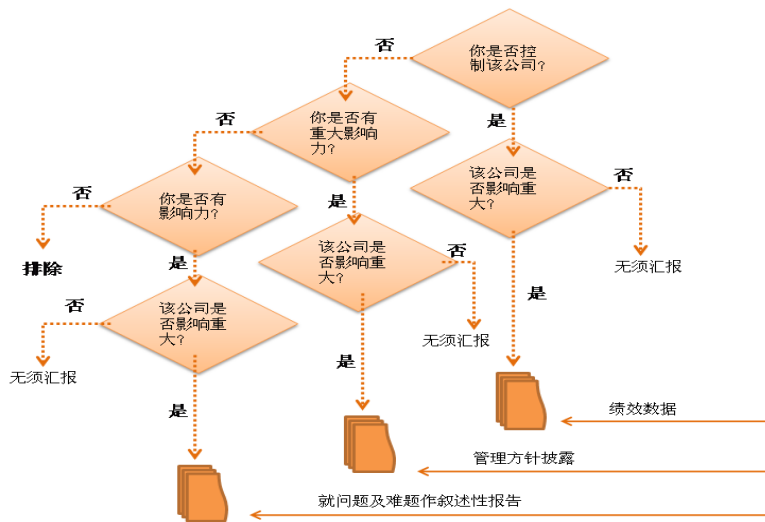
Notes:

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



图中文字:

是 Yes

否 No

排除 Eliminate

无须汇报 No need to report

你是否具有影响力? Do you have influences?

你是否具有重大影响? Do you have great influences?

你是否控制该公司? Do you control the company?

该公司是否影响重大? Does the company have great influences?

绩效数据 Performance data

管理方针披露 Management guidelines disclosure

就问题及难题做叙述性报告 Narrative report on the issues and difficulties

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 2012.

Contact person: Ma Xinying, System Management Office

Tel/Fax: 86-10-66492565/86-10-66492288

Email: maxy@cosco.com

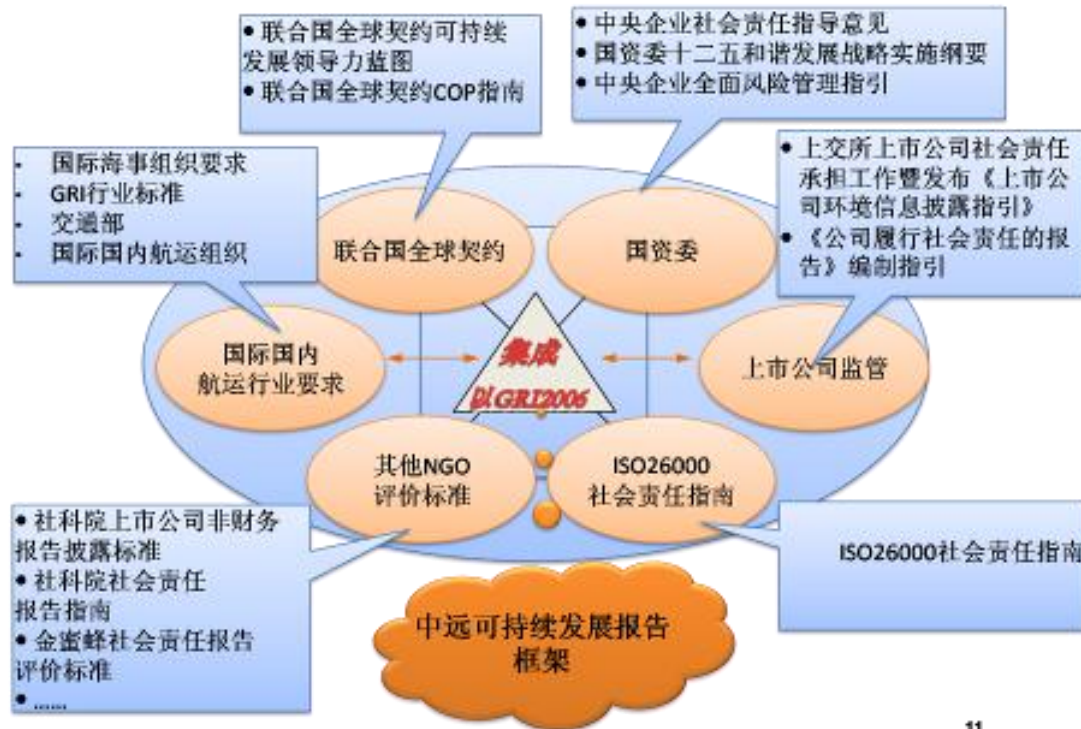
II. Report Compilation Principles

The COSCO Group Sustainability Report 2012 sets up the reporting framework based on the GRI Sustainability Reporting Guidelines 2006 3.1 version. The report systematically integrates key guidance, standard and requirement related to ISO 26000 social responsibility guidelines, and satisfies requirements of related parties.

The COSCO Group Sustainability Report 2012 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



11

图中文字:

- UN Global Compact Blueprint for Sustainability Leadership
- UN Global Compact COP Guidance

- Requirements of IMO
- GRI industrial standards
- Ministry of Transport
- International and domestic maritime organizations

- Disclosure Standards for Non-Financial Reports of Listed Companies released by the Chinese Academy of Social Sciences

- Social Responsibility Reporting Guidance released by the Chinese Academy of Social Sciences
- Golden Bee Social Responsibility Report Evaluation Standards

- Guiding Opinions on Performance of Social Responsibility by Central Enterprises
- SASAC's Implementation Outlines of Harmonious Development Strategies during 12th Five-year Plan Period
- Central Enterprise Comprehensive Risk Management Guidelines

- 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"



- Guidance on Compilation of Report for Performance of Social Responsibilities.
- ISO26000 Guidance on Social Responsibility

Integration

- Base on GRI2006
- UN Global Compact
- Requirements of domestic and international shipping industries
- Evaluation standards of other NGOs
- ISO26000 Guidance on Social Responsibility
- Supervision and control of listed companies
- SASAC

COSCO Group’s sustainability reporting framework

Based on the 2006 Global Reporting Initiative (GRI) Guidelines, the principles and requirements related to social responsibility communications of ISO26000 Social Responsibility Guidance, and the basic principles defining the report contents, such as materiality, participation of stakeholders, sustainability background and integrality, COSCO Group compiled the COSCO Group sustainability reporting framework and COSCO Group sustainability indicators definition table in December 2010. The table is updated and optimized on a yearly basis. Logics of the indicators are deepened and requirements of all correlated parties are brought into the indicator-based management system to form the 2012 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, COSCO Group determines the reporting contents based on the principles of materiality, participation of stakeholders, sustainability background and integrity and ensures the report quality based on the principles of balance, comparability, accuracy, timeliness, reliability and clearance in compilation of COSCO Group Sustainability Report.

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.
Integrity	COSCO Group Sustainability Report discloses information about operation and organization, performance and influences of social responsibilities in a comprehensive and systematic manner.
Balance	COSCO Group sustainability report faithfully reflects the overall performance of the institution with any exaggerations to avoid any influences on judgments of readers.

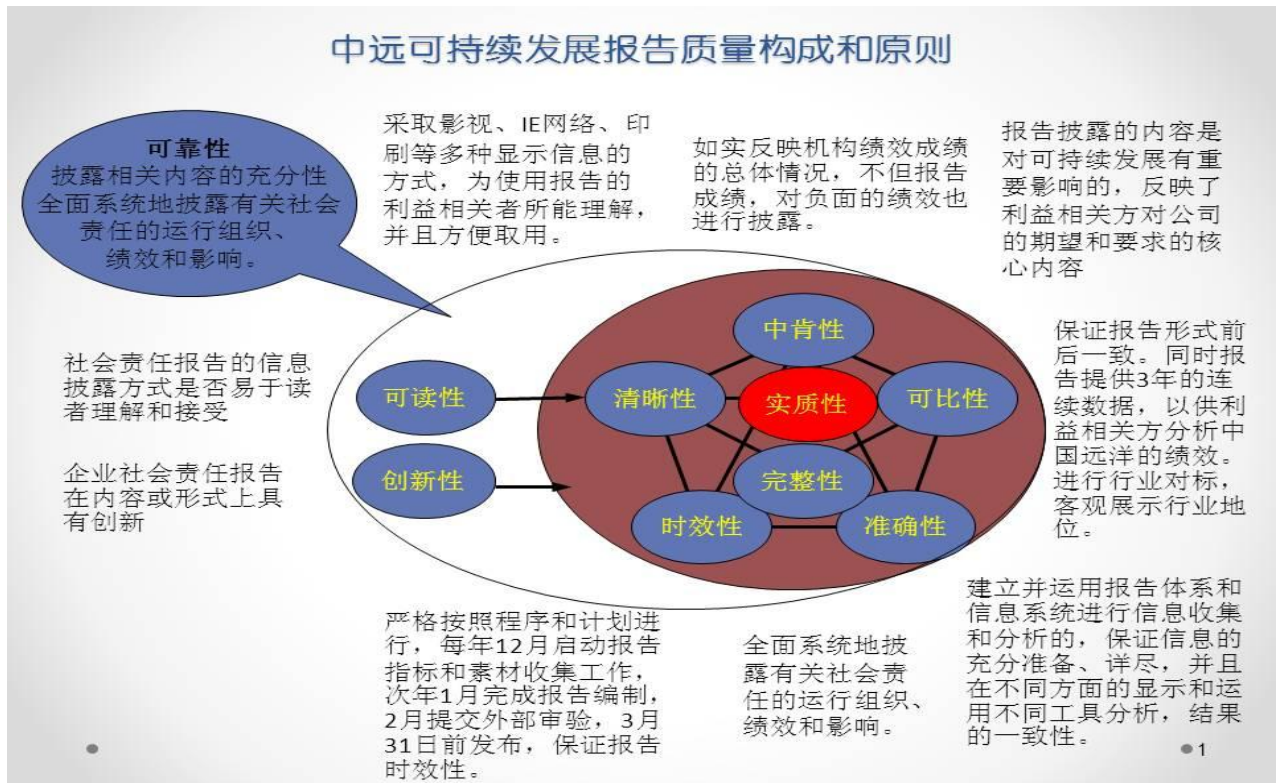


	<p>Six-sigma's failure mode analytical method is applied to evaluate influential degree and determine importance of the reporting items and ensure that influential degree of reporting items is proportional to its relative importance. Besides reporting performance, the report also discloses negative performance.</p>
Comparability	<p>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.</p>
Accuracy	<p>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.</p>
Timeliness	<p>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.</p>
Clearness	<p>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.</p>
Materiality	<p>The report discloses core contents that have substantial influences on sustainability and reflect expectation and requirements of stakeholders on the company.</p>

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.



中远可持续发展报告质量构成和原则



图中文字:

中远可持续发展报告质量构成和原则 Quality Composition and Principles of COSCO Group Sustainability Report

可靠性 ... Reliability, i.e. sufficiency for related contents disclosed. Disclosing operation, organization, performance and influences of social responsibility in a comprehensive and systematic manner

采取影视... Various information disclosure methods such as videos, network and printing are adopted for the convenience of stakeholders using the report

如实反映... Vividly reporting on the performance of the organization and discoursing both positive and negative performance

报告披露... The report discloses core contents that have substantial influences on sustainability and reflect expectation and requirements of stakeholders on the company.

保证报告形式... Ensuring consistency of reporting form and providing figures in three successive years for the convenience of stakeholders to analyze the performance of China COSCO; Industry-wide comparison is made to show the industrial position objectively.

建立并运用... Reporting system and information system are established and applied for information collection and analysis to ensure full preparation of the information and consistent analytical results with different tools.



全面系统地... Disclosing operating organization, performance and influences related to social responsibility in a comprehensive and systematic manner.

严格按照程序... Related procedures and plans are strictly followed. 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 March 31 to ensure its timeliness.

企业社会责任报告... Whether the social responsibility report is innovative in terms of contents or form

社会责任报告的信息... Whether the information disclosure method of the social responsibility report is easy to be understood and accepted by readers

可读性 Readability

创新性 Innovation

清晰性 Clearness

中肯行 Pertinent

可比性 Comparability

准确性 Accuracy

时效性 Timeliness

实质性 Materiality

完整性 Integrity

III. Report Guarantee Methods

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

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

All financial data in the report comply with the Accounting Criteria for Enterprises and the Enterprise Accounting System released by the government, and are audited in accordance with the China Internal Audit Standards.

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.



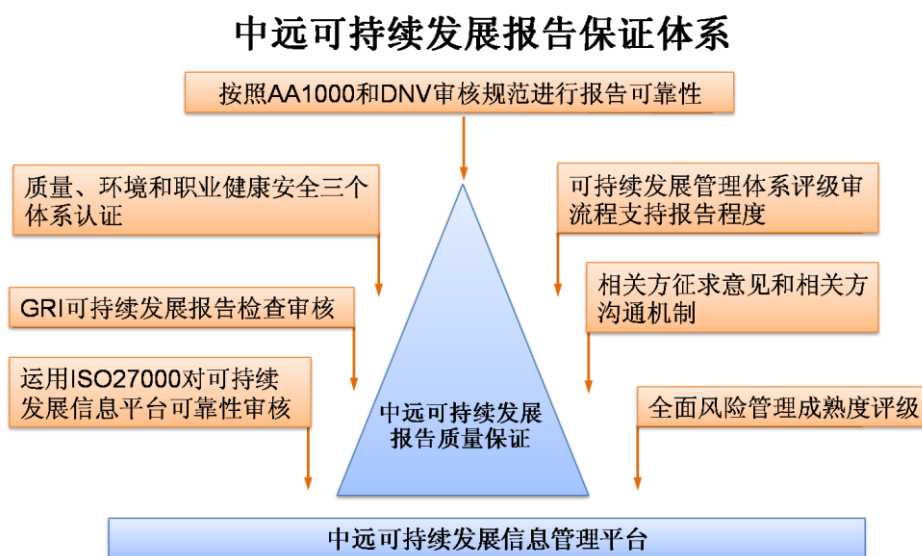
COSCO Group establishes the COSCO Group sustainability information management system and establishes information safety management system based on ISO27000 information safety management standards to ensure the authenticity, integration and accuracy of data in the report, and to improve the substantiality, 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, with an independent audit report 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.



图中文字:

Guarantee system of COSCO Sustainability Report

AA1000 and DNV's audit criteria are followed to ensure reliability of the report



Three system certifications of quality, environment and occupational safety
GRI's inspection and audit on sustainability report
Audit on reliability of sustainability information platform based ISO27000
Quality guarantee of COSCO Group Sustainability Report
COSCO Group Sustainability Information Management Platform
Rating process on sustainability management system to support degree of report
Soliciting opinions from and communication with stakeholders
Rating on maturity of comprehensive risk management

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+.

管理与相关方参与

MANAGEMENT AND PARTICIPATION OF STAKEHOLDERS





B. Management and Participation of Stakeholders

Part I Corporate Governance

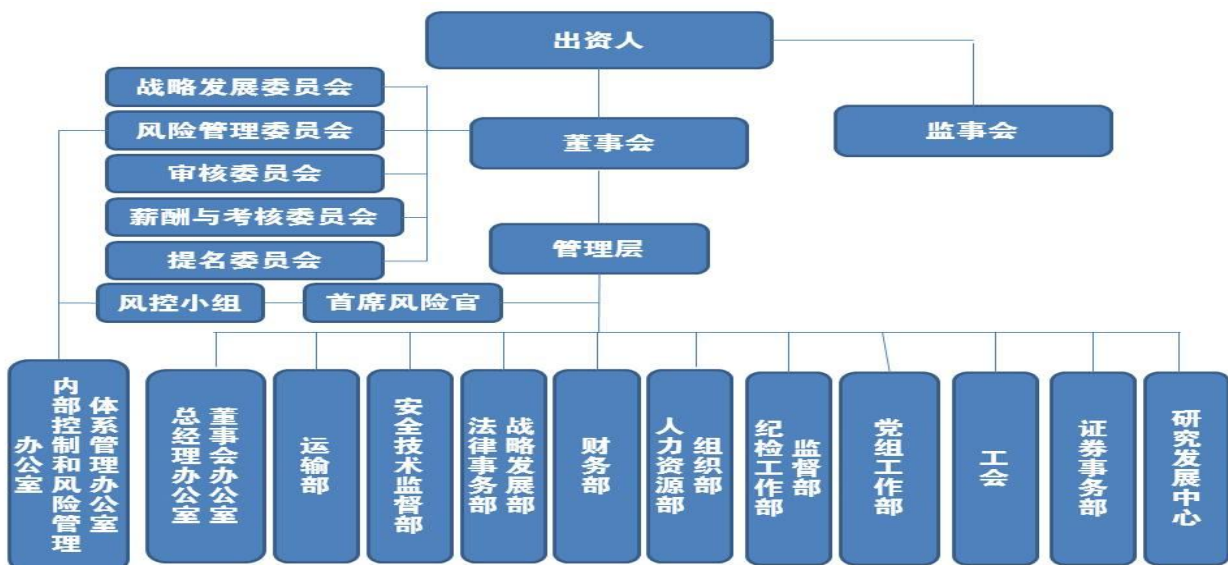
I. Governance Structure

COSCO Group is a state-owned enterprise registered in accordance with the Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People. SASAC, on behalf of the country, performs the obligations as the investor. State Council dispatches the Board of Supervisors of the Key State-owned Large-scaled Enterprises to the group, which supervises the value-keeping and value-increase of the state-owned assets in accordance with the Regulations of the Board of Supervisors of State-owned Enterprises.

COSCO Group headquarters sets up the Board of Directors and Board of Supervisors in accordance with the Company Law and the modern enterprise management system. The Board of Directors is the decision-making institute for operation and management of the company and determines important operation and management issues through research. Chairman of COSCO Group is its legal representative.

The company holds the workers' congress each year, at which, leaders of the company report on operating, management and decision-making and implementation situations of key items to the representatives of workers. Items such as reform, distribution and welfare that are related to interests of workers will be discussed and approved by the workers' congress.

中远集团治理结构图



图中文字:

中远集团治理结构图 Governance Structure of COSCO Group

出资人 Investor



董事会 Board of Directors
管理层 Management team
战略发展委员会 Strategic Development Committee
风险管理委员会 Risk Management Committee
审核委员会 Audit Committee
薪酬与考核委员会 Remuneration Committee
提名委员会 Nomination Committee
风控小组 Risk Control Team
首席风险官 Chief Risk Officer
监事会 Board of Supervisors
体系管理办公室/内部控制和风险管理办公室 System Management Office/Internal Control and Risk Management Office
董事会办公室/总经理办公室 Board Office/ General Manager's Office
运输部 Transportation Department
安全技术监督部 Safety & Technology Supervision Department
战略发展部/法律事务部 Strategy & Development Department/Legal Affairs Department
财务部 Finance Department
组织部/人力资源部 Organization Department / Human Resources Department
纪检工作部/监督部 Disciplinary Inspection Department/Supervision Department
党组工作部 Party Group Work Department
公会 Trade union
证券事务部 Securities Affairs Office
研究发展中心 Research & Development Center

II. 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, Zhong Ruiming 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.



	Company leaders	Committees	Remarks
	Wei Jiafu, Chairman	Strategic Development Committee, Nomination Committee	Convener of the Strategic Development Committee and the Nomination Committee
	Ma Zehua, Director and General Manager	Strategic Development Committee	
	Song Dawei, Director	Risk Management Committee	
	Ye Daji, External Director	Risk Management Committee, Nomination Committee	
	He Qingyuan, External Director	Strategic Development Committee, Risk Management Committee, Audit Committee, Remuneration Committee	Convener of the Risk Management Committee



	<p>Chen Geng, External Director</p>	<p>Strategic Development Committee, Remuneration Committee</p>	<p>Convener of the Remuneration Committee</p>
	<p>Zhong Ruiming, External Director</p>	<p>Audit Committee</p>	<p>Convener of the Audit Committee</p>
	<p>Xu Liejun, External Director</p>	<p>Audit Committee, Nomination Committee</p>	
	<p>Fu Xiangyang, Director and Chairman of Trade Union</p>	<p>Strategic Development Committee</p>	
<p>Remarks:</p>	<p>Yu Ning, External Director</p>	<p>Risk Management Committee</p>	<p>Resigned in 2013</p>

III. Special Committee of the Board

The Board of Directors has five special committees under its affiliation. Each committee has special obligations and limits of authority. Members of the committees are authorized to make decisions within the limits of authority of their respective committee. The Board of Directors pays special attention to the roles of special committees. The special committees, as the important institutions to support decision-making of the Board of Directors, play their role to prevent and control operation risks and law-compliance risks in the decision-making process of the board. The Risk Management Committee effectively promotes the establishment of the risk management system of the company, comments on the risk assessment work of major investment projects, and helps the company to avoid and resolve potential operating risks. The Audit Committee



pays attention to internal audit and control work of the company, effectively supervises and guides legal and compliant operation, and constantly elevates the management level of the company.

Special committees	Responsibilities
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.
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.
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.
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.
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.

IV. Board of Supervisors

The Board of Supervisors is the supervisory body of the company. The number and composition of the Board of Supervisors 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 Board of Supervisors 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.



V. 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	Work division with respect to 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	
	Managing Director Ma Zehua	Be fully responsible for sustainable development of the company's business	
	Deputy General Manager Li Yunpeng	Be in charge of Global Compact and sustainability work	
	Chief Accountant Sun Yueying	Be in charge of management of financial risks as well as public welfare and charity work	



	<p>Deputy General Manager Sun Jiakang</p>	<p>Be in charge of internal control and comprehensive risk management work</p>	<p>Chief Risk office and General Counsel</p>
	<p>Deputy General Manager Xu Minjie</p>	<p>Be in charge of safety, environmental protection, counter-terrorist and defense work</p>	
	<p>Deputy General Manager Ye Weilong</p>	<p>Be in charge of scientific research work</p>	
	<p>Director Song Dawei</p>	<p>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</p>	
	<p>Advisor Liu Guoyuan</p>	<p>Be in charge of legal affairs of the company</p>	



	<p>Chairman of Trade Union Fu Xiangyang</p>	<p>Be responsible for the Trade Union, and be in charge of supervision over implementation of human right and labor standards</p>	
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XI. Committees and Working Teams

COSCO Group and its subsidiaries establish various management committees and working teams 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 32 main trans-departmental committees and working teams related to sustainability management system.

Serial No.	Name	Responsibilities
1	COSCO Group Operation & Management Committee	Being responsible for in-depth research on important issues in production and operation process, review the group's annual budget and settlement, and discuss on the group's development planning.
2	COSCO Group Sustainability 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.
3	COSCO Group Safety Production Committee	Being responsible for safety management work.
4	COSCO Group Leading Group and Working Group for Internal Control and Risk Management	Being responsible for implementation of the Basic Standards for Enterprise Internal Control and auxiliary guidelines as well as the strategic decisions and requirements of COSCO Group Risk Management Committee.
5	COSCO Group Leading Group and Office for Energy-conservation and Emission Reduction Work	Being responsible for leading the energy conservation and emission reduction work of COSCO's entire system and supervising the work of the Energy Conservation Office.



6	COSCO Group Scientific and Technological Committee	Being responsible for scientific and technological work of COSCO Group.
7	COSCO Group Management Innovation Team	Being responsible for strategies and planning for management innovation; organizing argumentation, evaluation and acceptance for technologies of innovative projects; organizing the summary, application, release and promotion of innovative achievements.
8	Leading Group, Working Group and Office of the Working Group for Management Elevation Work of COSCO Group	Being responsible for management elevation work of COSCO Group.
9	COSCO Group Leadership Group for Control of 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.
10	COSCO Group Leading Group and Working Group for Punishment and Anti-bribery System Building Work	Acting in and implementing the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision.
11	Leading Group and Working Group for Security, Stability-keeping and Disposal of Emergent Events	Carrying out the emergence response work regarding to social stability, social security comprehensive management and employees' safety.
12	COSCO Group Leading Group for Tibet-assistance and Poverty-Alleviation Work	Being responsible for organization of Tibet-assistance and poverty-alleviation work.
13	COSCO Group Leading Group and Working Team for Foreign-related Emergency Response Work	Being responsible for emergency response of foreign-related accidents.
14	COSCO Group Leading Group and Working Group for Ship Anti-pirate Work	Being responsible for anti-pirate work of ships.
15	COSCO Group Leading Group and Working Group for Safety Education Training System	Being responsible for promotion of safety education training system.
16	COSCO Group Leading Group and Working Group for Concentrated Procurement of Spare Parts of Ships	Being responsible for promotion of concentrated procurement of spare parts of ships.
17	COSCO Group Leading Group for Ship-buying and Ship-building Work	Being responsible for control of risks related to ship-buying and ship-building decisions.
18	COSCO Group Leading Group and Working Group for Operating Performance Assessment	Being responsible for assessment of operating performance.



19	COSCO Group Informationization Decision-making Committee and Working Committee	Being responsible for planning and promotion of informationization work.
20	COSCO Group EVA Evaluation Working Team	Being responsible for EVA evaluation promotion work.
21	COSCO Group Leading Group for Legal Work	Being responsible for legal work of COSCO Group.
22	COSCO Group Leading Group for Supplier Management	Being responsible for organization of procurement, business outsourcing and supplier management elevation, and for risk control of suppliers.
23	COSCO Group Leading Group and Working Group of Comprehensive Budget Management Committee	Being responsible for promotion of comprehensive budget management and daily management of COSCO Group.
24	COSCO Group Coordination Group for Special Rectification on Significant Issues in Engineering Construction Sector	Being responsible for special rectification on significant issues in engineering construction sector.
25	COSCO Group Leading Group and Working Group for Acting in and Implementing “Three Importance and One Greatness” Decision-making System	Being responsible for promoting the implementation of the “Three Importance and One Greatness” Decision-making System.
26	COSCO Group Leading Group and Working Group for Supervision and Inspection of the Accelerated Transformation of Economic Development Mode	Being responsible for supervision and inspection of COSCO Group’s efforts to accelerate the transformation of economic development mode.
27	COSCO Group Leading Group and Working Group for PC Audit Pilot Project	Being responsible for PC audit pilot work of COSCO Group.
28	COSCO Group Leading Group for Tour Inspection	Being responsible for tour inspection of COSCO Group.
29	COSCO Group Leading Group and Working Group for External Propaganda and Management Committee for Internet Work	Being responsible for external propaganda work.
30	COSCO Group Leading Group for Corporate Culture Building	Being responsible for corporate culture building.
31	COSCO Group Leading Group to Promote Openness of Enterprise Affairs	Being responsible for promotion of openness of enterprise affairs.
32	COSCO Group Supervision and Inspection Team for Openness of Enterprise Affairs	Being responsible for supervision and inspection of openness of enterprise affairs.



VII. Decision-making Procedures and Structure

In order to ensure the fulfillment of strategic objectives, COSCO Group establishes cautious governance structure in accordance with the requirements of modern enterprise system. The Board of Directors is the supreme decision-making institution of COSCO Group.

The Board of Directors is responsible for management of strategic decisions. The Board pays close attention to the roles of special committees, which, as the important institutions to support decision-making of the board, play an active role in prevention and control of operating risks and law-compliance risks in decision-making process of the Board.

The company pays special attention to standard development and makes ceaseless efforts to standardize the company governance. The Board of Directors has cautious and standardized meeting system, timely, discloses information in a timely, accurately, fairly and justly manner, and establishes complete and effective internal control management system.

VIII. 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.

In the communications process, COSCO Group reflects the concept that employee is a part of the enterprise. All its subsidiaries have primarily established the workers' congress system. The workers' congress was held on a regularly basis to listen to and reflect the opinions, requirements and suggestions of the employees, take part in formation of related plans, review related issues and release the survey report on some issues.



COSCO Group establishes standard mechanism for external communications and interested party responding mechanism, and insists on dual-way communications from internal to external and from external to internal. While communicating with the external parties actively, it also solicits for opinions, suggestions and reports of stakeholders, and sends external analytical report to related leaders and departments on regular basis.

IX. 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 and information disclosure. 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.

X. Personnel Evaluation Mechanism

1. Staff evaluation

In 2012, a total of 316 employees of COSCO Group headquarters should attend the evaluation, with the actual number of employees attending the evaluation reached 316. The evaluation participation rate reached 100%. Employees attending the evaluation include leaders of related departments and centers, managers and deputy managers of the offices, and staff for business evaluation, realizing the all-directional coverage. All subsidiaries have formulated responding staff evaluation methods to implement the annual evaluation work of staff in an all-directional and multi-angle manner from four aspects, namely ethics, ability, diligence and performance.

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, the employee satisfaction investigation was conducted continuously in the evaluation work in 2012. 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. In 2012, a total of 316 persons at the COSCO Group headquarters should attend the investigation and all of them attended the investigation, with 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 Organization Department of CCCPC, the trainings in 2012 continued to focus 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 2012, the group organized the directly affiliated institutions and related departments (centers) under the headquarters to summarize the training work in 2011 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. Related companies improved the system and optimized the process centering on the practical demands of enterprise development and employee team building, carries 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 further elevated the training quality.

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

With an aim to fulfill the obligation of “gradually developing and enhancing its leading position in international shipping, logistics business, terminal operation and ship-building and ship-repairing industries, keeping honest and trustworthy relationships with customers, employees and partners, realizing sustainable development and bringing best returns to shareholders, the society and the environment”, COSCO Group has been dedicated to protecting the environment and cherishing the earth resources in its production and operation process. It has supported and participated in ecological protection activities and improved ecological environment of enterprises as a “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 2012.

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.



中远可持续发展文化建设

图中文字:

社会 Society

股东 Shareholders

人权 Human right

员工 Staff

客户 Customers

环境 Environment

伙伴 Partners

经济 Economy

实施精益管理持续创新

Implementing lean management and continuous innovation

专注沟通合作全球视野

Focusing on

communication and cooperation with global vision

趋于平衡创造综合价值 Creating comprehensive value in a balanced manner



Part II Main Policies and Management Systems

COSCO Group fully recognizes that internal control is a specific policy, system and method to ensure healthy development of its business operation and maximization of interests of owners and operators of the enterprise. A complete and effective internal control system shall ensure the reliability of information based on which decisions of the enterprise are made, ensure that business activities of all departments of the enterprise are included in the policies and plans formulated, ensure asset safety, improve the economic benefits and efficiency of operating activities and ensure fulfillment of pre-set operation targets of the enterprise.

I. Overview of COSCO Group's Internal Control and Management Systems

COSCO Group started to establish and enhance its internal control and management system since 2005. With the integration of ISO9000 Quality Management System, ISO14000 Environmental Management System and OHSAS18000 Occupational Health and Safety Management System as the basis and "comprehensive risk management" building and "sustainable development" as the main tasks, COSCO Group formulated a set of internal control management system based on risks and Global Compact in accordance with the requirements of internal control regulations of Shanghai Stock Exchange in 2007.

COSCO Group's objectives for establishment and implementation of internal control are as follows:



1. Enhance the management of uncertain factors that may affect the fulfillment of the strategic objectives, form all-staff risk culture, and provide reasonable guarantee for smooth fulfillment of the strategic objectives with a focus on intermediate and long-term strategic objectives of the company and in combination with the practical situation of the company and the characteristics of the industry.
2. Constantly optimize the working procedures, enhance the management of uncertain factors affecting fulfillment of the operation objectives and improve the operating performance and efficiency of the company with a focus on annual operation targets of the company and with risk management as the method.
3. Timely find and confirm the possibility of potential risk behaviors such as corruption and embezzlement through continuous risk management and internal control inspection to prevent against asset losses and ensure asset safety and integrity of the company.
4. Enhance the faithfulness, accuracy and integrity of information disclosure contents related to internal control by establishing and improving the internal control of financial and accounting system to ensure and keep good reputation of the company.
5. Effectively prevent against risks related to laws and regulations through internal control and comprehensive risk management to ensure the law-compliance of production and capital operation activities of the company, set up a model for Global Compact and realize sustainability.



图中文字:

中远内部控制管理体系建设历程 Building process of COSCO Group's internal control management system

内部控制建设依据的演变 Evolution of bases for internal control building

2010年... Implementation guidelines of the Basic Standards for Enterprise Internal Control jointly issued by the Ministry of Finance, CSRC, the National Audit Office, CBRC and CIRC on April 26, 2010.



根据...In accordance with the Basic Standards for Enterprise Internal Control jointly issued by five ministries and commissions including the Ministry of Finance in 2008.

ISO9000 ... ISO9000 Quality Management System Standards, ISO14000 Environmental Management System Standards and OHSAS18000 Occupational Safety Management System Standards

2006年... The *Guidelines for Internal Control of Listed Companies issued by Shanghai Stock Exchange on July 1, 2006*

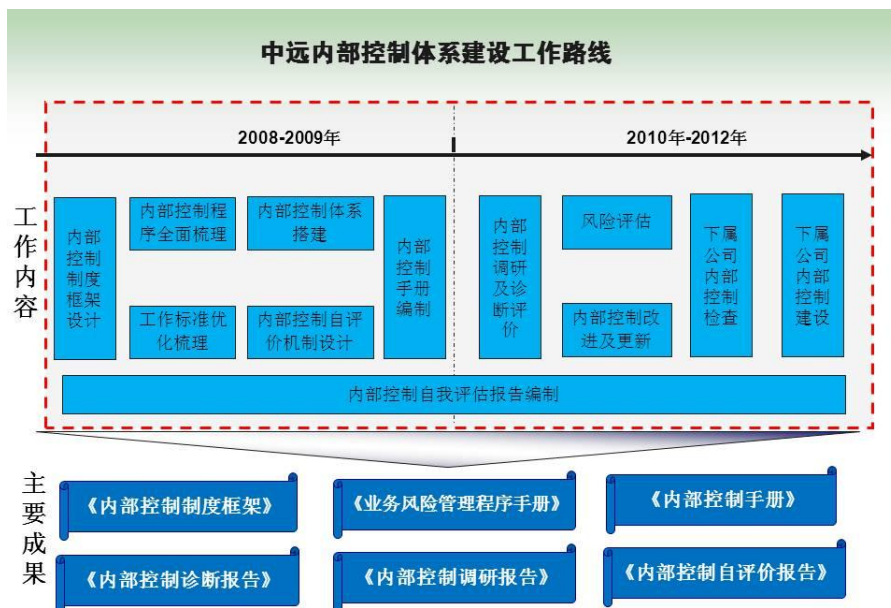
提升管理体系 Elevating management system

改进管理体系 Improving management system

完善管理体系 Perfecting management system

内部控制管理体系的发展 Development of internal control management system

COSCO Group and its subsidiaries carefully follow the quality management system to operate in a standard manner, establish ISO9001-based decision-making quality management system and bring decision-making management and target management into related management procedures of the system. They also 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 subsidiaries bring the decision-making, production and management into related procedures of the management system for control. In recent years, COSCO Group has cleared its management procedures and sectors in a comprehensive manner through systematic improvement of organization and management system. Shortly after release of Basic Standards for Enterprise Internal Control by five ministries and commissions including the Ministry of Finance in 2008, COSCO Group started the implementation work to improve its internal control and management system in accordance with requirements of the Basic Standards. On April 26, 2010, it released the Implementation Guidance on Enterprise Internal Control and in November 2010, it launched the internal control improvement work.





图中文字:

中远内部控制体系建设工作路线 Roadmap for Building of COSCO Group's Internal Control System

工作内容 Working contents

内部控制制度框架设计 Internal control system framework design

内部控制程序全面梳理 Comprehensive clearance of internal control procedures

工作标准优化梳理 Optimization and clearance of working standards

内部控制体系搭建 Building of internal control system

内部控制自评价机制设计 Design of internal control self-assessment mechanism

内部控制手册编制 Compilation of internal control manual

内部控制调研及诊断评价 Internal control investigation and diagnosis

风险评估 Risk assessment

内部控制改进及更新 Improvement and update of internal control

下属公司内部控制检查 Internal control inspection of subsidiaries

下属公司内部控制建设 Internal control building of subsidiaries

内部控制自我评估报告编制 Compilation of internal control self-assessment report

主要成果 Main achievements

内部控制制度框架 Internal Control System Framework

内部控制诊断报告 Internal Control Diagnosis Report

业务风险管理程序手册 Manual of Business Risk Management Procedures

内部控制调研报告 Internal Control Survey Report

内部控制手册 Internal Control Manual

内部控制自评价报告 Internal Control Self-assessment Report

In accordance with the requirements of SASAC on management elevation, COSCO Group deployed the two years of work (2012 and 2013) to systematically elevate the internal control quality and effectiveness in 2012, organized the diagnosis and evaluation on internal control building situations, found distance with other companies, and launched comprehensive rectification of internal control work. Under the entrustment of COSCO Group, professional consulting company conducted assessment on all second-tier companies and key third-tier companies to find issues and systematic rectification was organized from top to bottom. In the meantime, professional risk management was elevated to control decision-making and operation risks, and comprehensive risk management system was established to realize the management and control over decision-making and operation risks.

中远内部控制系统管理提升部署和行动图



图中文字:

中远内部控制系统管理提升部署和行动图 Arrangement and Action Chart for Management Elevation of Internal Control System of COSCO Group

工作内容 Working contents:

由左至右

Internal control system survey and diagnosis appraisal

Internal control system framework

Comprehensive clearance of procedures of internal control system

Optimization and clearance of working standards of the system

Risk assessment organization

Manual of Internal Control System

Design of internal control self-assessment mechanism

Internal control system

Internal control improvement and update

Internal control and inspection of subsidiaries

Summary of continuous improvement

安排 Arrangement

中国远洋系统 COSCO Group's system

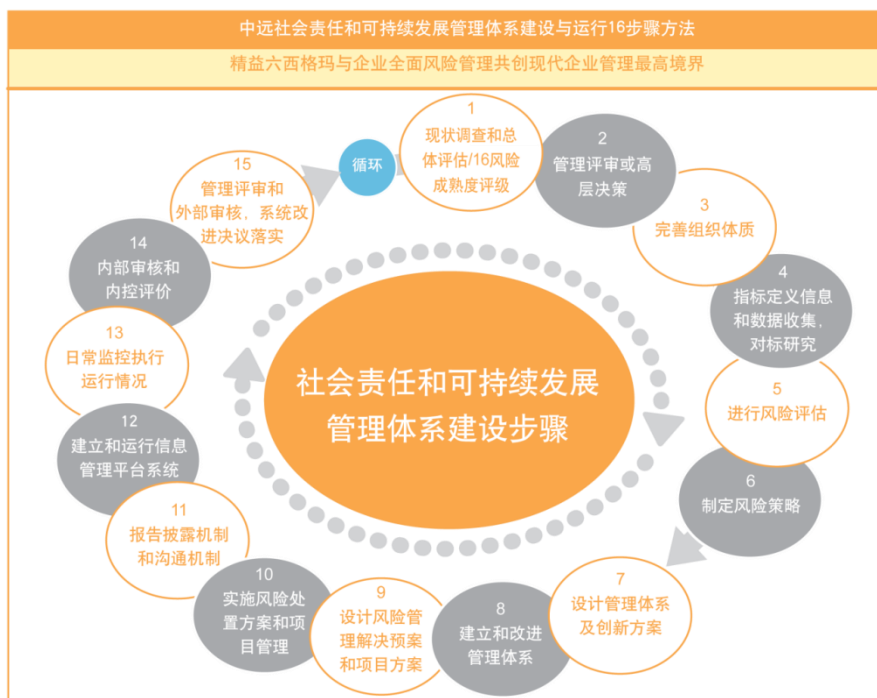
1. 诊断找差距 1. Diagnosis and finding the distance



- 2. 专项提升、协同推进 2. Special elevation and collaborative promotion
 根据内部控制规范要求全面改进提升 Comprehensive improvement and elevation based on requirements of internal control standards
- 3. 持续改进总结评价 3. Continuous improvement, summary and appraisal
 在专业风险信息化项目落地 Implementation in professional risk informationization project
 所属二级公司 Second-tier subsidiaries
 对标 Benchmarking
 根据内部规范要求建立内部控制体系 Establishment of internal control system based on requirements of internal criteria
 对下属公司推进 Promotion at subsidiaries
 内部控制穿行测试和连续评价及内部控制评价报告编制 Walk-through test and continuous evaluation of internal control and compilation of internal control assessment report

II. Management Systems and Internal Control System Building Method 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.



图中文字:

16 Steps for Construction and Operation of Social Responsibility and Sustainability management System of COSCO Group



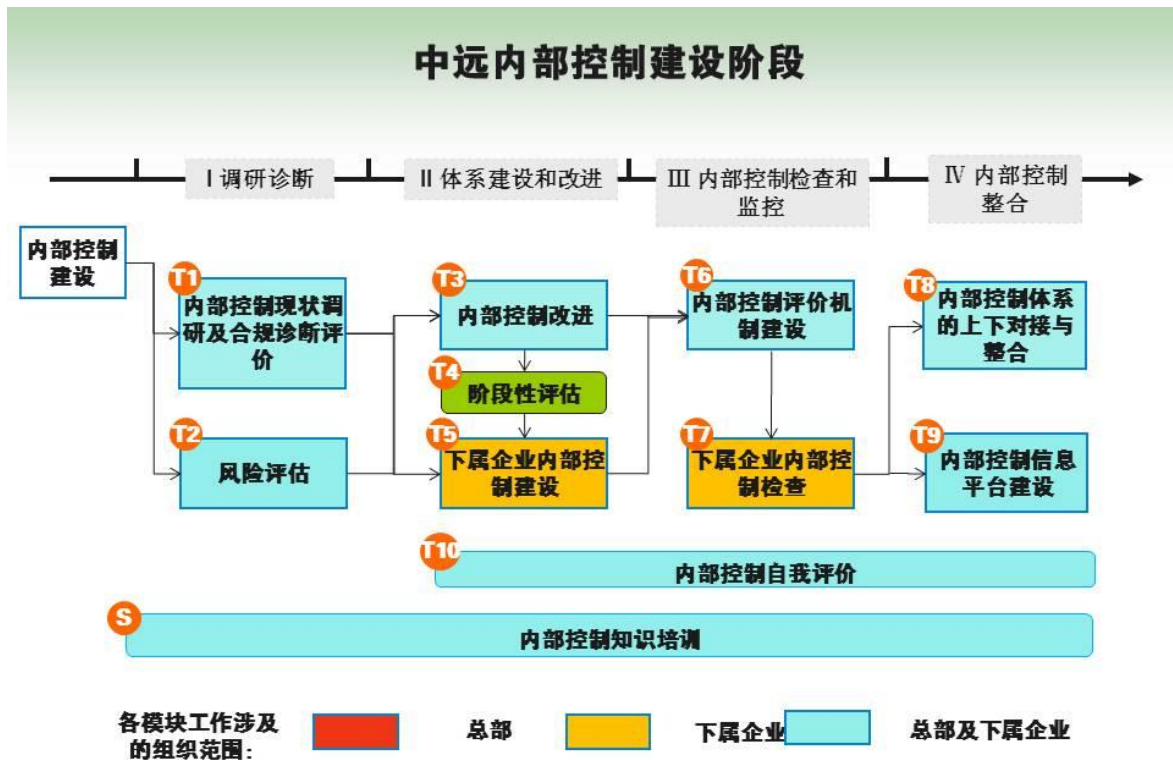
Creating highest level for modern enterprise management by applying six-sigma and enterprise comprehensive risk management concept

1. Current situation investigation and overall evaluation/16. Ratings on risk maturity degree
2. Management review or decision-making of top executives
3. Complete organizational system
4. Indicator definition information and data collection, benchmarking research
5. Risk evaluation
6. Formulation of risk strategies
7. Design of management system and innovation plans
8. Establishment and improvement of management system
9. Design of risk management solution and project plan
10. Implementation of risk disposal solution and project management
11. Report disclosure mechanism and communications mechanism
12. Establishment and operation of information management platform
13. Implementation and operation of daily monitoring
14. Internal audit and internal control evaluation
15. Management review, external audit, system improvement and implementation of resolution

Recycle

Steps for Construction of Social Responsibility and Sustainability Management System

In accordance with the Internal Accounting Control Criteria -- Basic Criteria (for Trial Implementation) and related implementation rules as well as the Guidelines for Internal Control of Listed Companies released by Shanghai Stock Exchange, and by referring to the Basic Standards for Enterprise Internal Control and related implementation guidelines jointly released by five ministries and commissions including the Ministry of Finance, necessary inspection and evaluation were conducted on internal control situation of COSCO Group headquarters and its subsidiaries, and related work was carried out in four stages, namely internal control diagnosis and evaluation, internal control system building, internal control evaluation and monitoring and internal control integration.



图中文字：

中远内部控制建设阶段 Internal control building stages

I 调研诊断 Investigation and diagnosis

II 体系建设和改进 System building and improvement

III 内部控制检查和监控 Internal control inspection and monitoring

IV 内部控制整合 Internal control integration

内部控制建设 Internal control building

内部控制现状调研及合规诊断评价 Investigation on current situation of internal control and law-compliance diagnosis & comment

风险评估 Risk assessment

内部控制改进 Internal control improvement

阶段性评估 Stage-by-stage evaluation

下属企业内部控制建设 Internal control building of subsidiaries

内部控制评价机制建设 Building of internal control assessment mechanism

下属企业内部控制检查 Internal control inspection of subsidiaries

内部控制体系的上下对接与整合 Connection and integration of internal control system

内部控制信息平台建设 Building of internal control information platform

内部控制自我评价 Internal control self-assessment

内部控制知识培训 Internal control training

各模块工作涉及的组织范围 Organizational scope of various modules



总部 Headquarters

下属企业 Subsidiaries

总部及下属企业 Headquarters and subsidiaries

COSCO Group continued to promote the Implementation Plans for COSCO Group Internal Control Criteria actively to complete the internal control building work in a comprehensive manner. On the basis of Diagnosis Report 2011 (which conducts internal control diagnosis and risk assessment from 18 aspects), COSCO Group made in-depth research on 889 diagnosis points put forward by the report, summarized the law-compliance distance and defects of COSCO Group's internal control system and made improvements in building of management system and internal control system.

COSCO Group headquarters and its subsidiaries carried out risk assessment work respectively. On the basis of 1300 risk events identified in all-staff risk identification activity organized in 2011, the headquarters increased 240 risk events and formulated the rankings of risk events by applying the risk assessment model. The Risk Assessment Report was also compiled to analyze the internal control defects and risk distribution situation of COSCO Group in a comprehensive manner.

In the meantime, the company established COSCO Group internal control system and procedure framework based on eight elements identified, formed uniform internal control management system of the company and completed the top-grade design of internal control system – COSCO Group Internal Control Regulations and Procedure System Framework (2013 version). The headquarters appraised effectiveness of existing 166 rules and regulations, and revised and formulated five systems. On the basis of scientific building of rules and regulations, COSCO Group organized its subsidiaries to carry out the building of scientific rules and regulations, established and implemented the internal control system and risk procedures. With a focus on management of business processes, it established up-to-down internal control and comprehensive risk management system. The headquarters and the subsidiaries had implemented the system in synchronization and improved the system step-by-step.



中远内部控制和风险管理规章制度框架

内控要素	内部控制框架要求		专业风险管理手册和风险矩阵程序框架			规章制度分类	规章制度框架					
	内部控制要素	内部控制程序要求	内控管理分类	专业风险管理手册	主程序		子程序	管理制度	管理办法	管理规定	管理细则	
1、内部环境	企业内部控制的基础，一般包括公司治理结构、组织机构设置和职责分配、人力资源政策、企业文化等企业内部控制管理的基本要素。	指引第1号--组织架构	公司股东章程管理程序		行使股东权力管理程序*		1.1、公司治理结构管理	股东大会管理制度				
		指引第1号--组织架构	选派高级管理人员工作程序		选派董事和监事管理程序	选派董事、监事管理工作子程序		董事（监事）管理制度	董事（监事）选派管理办法			
		指引第1号--组织架构	董事会议务管理程序		董事会议务管理程序				董事会管理办法	董事会议务管理规定	董事会授权管理细则（暂行）	
											董事会秘书签名章使用管理细则	
											董事会各委员会工作细则	
								派出董事业务管理子程序			董事会专门委员会工作管理规定	董事会各委员会工作细则
											派出董事业务管理暂行细则	
	指引第1号--组织架构	监事业务管理程序		监事业务管理程序	委派监事的日常联络工作子程序		监事会议事规则	监事会管理办法	监事会议事管理规定			
					委派监事的业务指导和培训子程序				派出监事管理规定	派出监事业务管理办法		
					委派监事的基础管理工作子程序							
					协助或受派出监事委托对公司进行监督检查工作子程序							
					对下属控股公司监事会的工作进行宏观指导工作子程序							
		总经理工作程序					总经理管理制度			总经理工作细则		
	指引第1号--组织架构	重大决策程序		三重一大决策程序	大额资金使用子程序		三重一大决策管理制度					
					重要干部任免子程序							
					重大事项决策管理子程序							
					重要合同管理子程序							

COSCO Group's internal control framework is established in accordance with five elements and 18 guidelines of the Basic Standards for Enterprise Internal Control as well as three key elements for risk management. Classifications of rules and regulations as well as procedures are confirmed based on domestic environment, determination of targets, event identification, risk assessment, risk dealing, control activities, information and communications, and supervision & control of internal control and comprehensive risk management and in response with basic requirements of 18 guidelines, and framework of the rules and regulations is formulated therefore. The rules and regulations are divided into four levels, namely system, method, regulation and detailed rules to further divide the risk layer and control the risk layer by layer from macro and micro, and from management to operation.

中远内部控制和风险管理规章制度框架

内部控制框架要求		专业风险管理手册和风险矩阵程序框架				规章制度框架				
内控要素	内部控制程序要求	内控管理分类	专业风险管理手册	主程序	子程序	规章制度分	管理制度	管理办法	管理规定	管理细则
2、目标设定	公司董事会和管理层，根据公司的风险偏好设定企业战略目标和经营目标。	指引第1号—组织架构图	战略科学决策程序	决策方案设计控制程序	决策方案设计控制通用程序	2.1、公司战略决策管理	经营管理委员会工作制度			
				总裁办公会决策程序	总裁办公会决策子程序					
				党委会决策程序	党委会决议事项任务下达、执行和检查程序					
				发展战略和规划管理程序	发展战略的制定及修改		2.2、公司战略规划管理	发展战略和规划管理办法		
				发展战略和规划管理程序	发展战略和规划管理程序					
指引第2号—发展战略	公司经营活动分析程序	经济活动分析程序	经济活动分析程序	2.3、公司经营计划管理		经济活动分析管理办法				
指引第2号—发展战略	目标管理程序	年度计划和任务下达控制程序	年度计划和任务下达控制程序							
3、事项识别	董事会、管理层、其他	风险辨识程序	内部控制和全面风险管理手册	风险辨识程序	风险信息收集程序	3.1、风险辨识管理	内部控制和全面风险管理制度			
				风险评估程序	风险评估程序			风险评估管理办法		
				全面风险辨识和评估子程序						企业改革重大事项社会稳定风险评估管理规定(试行)
4、风险评估	企业及时识别、系统分析企业经营过程中	风险评估程序	内部控制和全面风险管理手册	全面风险评估组织工作子程序		4.1、风险评估管理				安全现状评估规定
5、风险应对	风险应对可分为规避、减少、共担	指引第4号—社会责任	重大风险应急程序	风险应对程序	风险应对程序	5.1、风险应对管理	内部控制和全面风险管理制度	风险应对管理办法		
				应急准备响应和处置程序	应急处臵程序		5.2、风险应急管理		应急预案管理办法	综合应急预案管理规定
				机关潜在突发事件和紧急情况处置程序						船舶油污事件专项应急预案

In the meantime, requirements of internal control standards had been identified and risk rating matrix was established based on architecture of rules and regulations design procedures. The procedures include main procedure and many sub-procedures. In the control activity, professional risk management manuals were formulated in terms of law, finance, investment & financing, technology, transportation management, insurance compensation, terminal, freight rate, logistics, procurement, business outsourcing and supplier management, marketing, capital operation, comprehensive budget management, engineering management and asset management.

中远内部控制和风险管理规章制度框架

内部控制框架要求		专业风险管理手册和风险矩阵程序框架				规章制度框架				
内控要素	内部控制程序要求	内控管理分类	专业风险管理手册	主程序	子程序	规章制度分	管理制度	管理办法	管理规定	管理细则
6、控制活动	企业根据风险评估的结果，采取相应的控制措施，将风险控制在此可承受的范围之内。	指引第16号—合同管理	法律风险管理程序(外部合规管理程序)	法律风险管理程序	法律法收集辨识程序	6.1、公司法管理	法律事务管理制度			
				合同纠纷处理程序	法律风险防范与控制程序					
				项目运行法律参与程序	纠纷与案件处理程序					
				合同管理程序	合同管理子程序			合同管理制度		
				合同管理程序						
				合同管理程序						
				合同管理程序						
				合同管理程序						
				合同管理程序						
				合同管理程序						
指引第5号—会计核算管理	财务及会计核算管理程序	财务风险管理手册	财务风险管理程序	财务风险管理程序	财务收支预算编制工作程序	6.2、公司财务管理	财务管理制度	财务负责人定期汇报管理办法	账销案存资产管理暂行办法	关于重申加强财务管理、进一步完善内部控制的通知
				财务收支预算编制工作程序	境外企业财务工作交接制度		财务预算管理办法	差旅费管理规定		
				财务收支预算编制工作程序	财务预算管理办法		国有资本经营预算管理暂行办法	集团总公司大额资金调度和支付审批程序规定		
				财务收支预算编制工作程序	资金管理暂行办法		银行预留印鉴管理办法	企业补充医疗保险下拨资金管理暂行办法		
				资金管理子程序	资金管理暂行办法		科研经费财务管理暂行办法(试行)	统一规范结算中心大额资金支付审批要求		
				资金管理子程序	资金管理暂行办法		资金管理暂行办法	关于加强集团境外企业资金管理的通知		
				资金管理子程序	资金管理暂行办法		资金管理暂行办法	结算中心业务规范化手册		
				资金管理子程序	资金管理暂行办法		资金管理暂行办法	非集装箱船舶境外港口使费结算办法(试行)		
				资金管理子程序	资金管理暂行办法		资金管理暂行办法	因公临时出国费用管理办法		
				资金管理子程序	资金管理暂行办法		资金管理暂行办法	关于修订出国培训及出国短期工作人		



The Board of Supervisors of COSCO Group care the risk behaviors that may affect fulfillment of operating targets of the company, threaten asset security of the company, conceal real information of the company or violate laws and regulations, and warn the group to make correction and improvement. The Audit Committee under the Board of Directors assisted the Board of Directors to review the establishment and completeness of the comprehensive risk management and internal control system of the company, supervise the effective implementation and self-assessment of internal control, coordinate internal control inspection and audit work, and review the annual Internal Control Self-assessment Report of the company. The internal control system building work of related companies was carried out in an orderly manner in accordance with COSCO Group Guidelines for Internal Control.

Building of internal control is a long-term and complicated system management project that needs continuous improvement. Each year, COSCO Group will promote internal control building work continuously under the principle of “overall planning and step-by-step implementation”.

III. Internal Control Building Situations in 2012

In 2012, COSCO Group compiled the COSCO Group Internal Control Assessment Report 2011, which was released together with the annual report. In accordance with the internal control audit report and management proposal offered by the auditors in 2011 and the management suggestions offered by the internal audit department in the internal control audit report, the group organized defect rectification, formulate specific rectification measures and put forward a time limit for the rectification work. The group also organized the subsidiaries to conduct assessment on internal control self-assessment in 2011, and the COSCO Group Internal Control Declaration Statement and COSCO Group Internal-control Implementation and Self-assessment Table were submitted to the Audit Committee of COSCO Group after being signed by the top executives. Improvement was made on the basis of 2011 internal control defect certification standards and qualitative analysis on internal control defect of non-financial report was made. The COSCO Group Internal Control Defect Certification Standards (version 2012) was formulated and the COSCO Group Internal Control Manual (2012 version) was revised, which were implemented after being reviewed and approved by the Board of Directors of COSCO Group. The group also organized its subsidiaries to compile their respective internal control manuals as the effective supplementation to COSCO Group Internal Control Manual, and guided them to compile Risk Matrix Procedure Document and establish internal control procedures as well as rule and regulation framework.

In accordance with the implementation plans, China COSCO Bulk was selected to construct the effective internal control system in connection with COSCO Group headquarters in accordance with the COSCO Group Guidelines for Internal Control Building, and to complete the compilation of internal control system documents of China COSCO Bulk headquarters and its three subsidiaries. The risk assessment of COSCO Group headquarters in 2012 was organized and the risk assessment was completed. Besides, key risks were managed specially. The internal control assessment work of COSCO Group in 2012 was organized and consulting company was hired to conduct comprehensive and systematic internal control assessment on COSCO Group headquarters, four second-tier companies and three major third-tier companies on the basis of internal control



self-assessment completed by related companies. The internal control reports were compiled respectively, based on which, the COSCO Group Internal Control Assessment Report 2012 was completed. Special report was made on special reports such as procurement, bidding & tendering, capital, ship leasing, mortgage supervision, investment management and asbestos risk management, and the internal control assessment. On the basis of COSCO Group Internal Control Assessment Report 2012, the special report also supplements the key risks of various business sectors to bring key risk management and control into daily governance of the company, improve the internal control system of COSCO Group, and effectively establish the risk management and control mechanism. Development of COSCO Group internal control management information system was completed and put into operation, laying a foundation for elevating internal control building quality of COSCO Group.

IV. Internal Control Management Elevation and Improvement in 2012

In 2012, COSCO Group strengthened the internal control and comprehensive risk management elevation work in accordance with the overall requirements of SASAC on management elevation work. It organized related departments, centers and subsidiaries to formulate the plans for integration of risk management with daily business operation and special enterprise management to integrate risk management with 13 management elevation sectors put forward by SASAC and six key professional risk management of COSCO Group (namely supplementary industry, marketing management, receivable management, business collaboration, procurement, business outsourcing and supplier management, comprehensive budget management), and apply it in key areas such as expansion of new business and historical risk events, so as to elevate the comprehensive management and control ability of COSCO Group steadily.

Related subsidiaries were organized to apply risk management method to elevate its management level in daily business operation and special enterprise management. On the basis of Internal Control Manual and the risk control matrix procedures compiled in accordance with the Implementation Guidelines of the Basic Standards for Enterprise Internal Control released by five ministries and commissions, efforts should be made to guide the subsidiaries to establish special risk assessment system for important items such as “three importance and one greatness”, high-risk business, important reform and important overseas investment and M&A. It is required that special risk assessment report that thoroughly unveils the risks and coping measures will be attached to proposal of important items to be reviewed by the decision-making institutions. Normal risk assessment and internal control assessment mechanism shall be established, important risk warning and reporting system shall be improved and important risk management control, energy efficiency supervision and audit & supervision work shall be elevated.

In accordance with the implementation plans for management elevation work, China COSCO Bulk was selected to construct the effective internal control system in connection with COSCO Group headquarters in accordance with the COSCO Group Guidelines for Internal Control Building, and to complete the compilation of internal control system documents of China COSCO Bulk headquarters and its three subsidiaries. The second-tier companies carried out internal control and management elevation work actively in accordance with the overall arrangement of COSCO Group headquarters, established internal control and comprehensive risk



management system, and laid a solid foundation for the group to further prevent against risks and elevate the management efficiency.

V. Working Plans for Internal Control Building Work in 2013

1. Follow-up of internal control work in 2012. Defect rectification was organized in accordance with the internal control audit report and the management proposal offered by the auditors and the management suggestions offered by internal audit departments in internal control audit report, and related companies were organized to sign the Internal Control Declaration Statement.

2. Promotion of building of internal control organization, process and reporting system of the subsidiaries and the connection and integration with internal control system of the headquarters. Efforts should be made to complete internal control elements and risk process and procedures in the company's system, implement the internal control building work comprehensively in combination with the post duty to fix the key controlling points with specific business posts and processes, integrate the internal control building with various system and mechanism building as well as operation and management of the company, and bring into full play the role of all-staff control.

3. Special training and implementation of internal control and special business risk management. In accordance with the requirements of the authorities on further integrating risk management with daily business operation and special enterprise management, special training on internal control will be organized in 2013 continuously to effectively enhance the internal control and risk management consciousness of all staff. Compilation of risk matrix procedures for management of main businesses shall be completed before the first quarter of 2013. Project risk assessment should be made in business process, risk strategies for important risks should be formulated, risk preference and risk endurance degree should be formulated to form solutions of important risks. Responsibility main body and coping measures of important risks should be clearly specified and resources should be allocated reasonably to ensure the implementation of management measures of important risks. The subsidiaries will be organized to prepare for the special inspection of internal control and comprehensive risk management on integration of risk management with daily business operation and special enterprise management organized by the upper levels in Q2 and Q3 2013 respectively.

4. In 2013, COSCO Group will further improve the internal control assessment mechanism and will carry out assessment on effectiveness of internal control among the headquarters and its subsidiaries in the second half to identify the defects and compile the COSCO Group internal control self-assessment report complying with annual report release and requirements of the Guidelines on Internal Control Assessment.

VI. Management System Certifications Obtained by the Subsidiaries

In June 2012, COSCO Group passed the review on internal control building effects by the joint external audit team for quality, environment and safety management systems established by DNV, CCS and the China



Research Institute of Safety Production, and kept continuous effectiveness of its quality, environment and safety system certificates.

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. In 2009, the subsidiaries formulated the version upgrade plan in accordance with the requirements and promoted the ISO9001:2008 management system certification.

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.

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;



Company name	Certificates obtained
	Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:999 occupational health and safety
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 Qingdao	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environmental Management System Certificate issued by the Quality Certification Company of China Classification Society accordance to ISO14001:2004 environmental management system standards; Occupational Health and Safety Management System Certificate issued by the Quality Certification Company of China Classification Society accordance to OHSAS18001:1999 occupational health and safety management system standards; Compliance certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People’s Republic of China and Flag State Government;
COSCO (Hong Kong) Shipping	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards; Compliance certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People’s Republic of China and Flag State Government;
COSCO Logistics	Quality management system certificate issued by the International Standards Association according to ISO9001:2008 quality management system standard; Environment Management system certificate issued by British Standards Institute according to ISO14000:2004 environment management system standards;



Company name	Certificates obtained
	Occupational health and safety management system certificate issued by British Standards Institute according to OHSAS18001:2007 occupational health and safety management system standards
COSCO Shipyard	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 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;
Hainan COSCO 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



Company name	Certificates obtained
	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

VII. On-site Evaluation of Management System and Sustainability Report

Subsidiaries of COSCO Group organized the internal audit of internal control and sustainability management system as well as internal control self-assessment work to ensure effectiveness of the management system.

From August to November 2012, COSCO Group organized the tests on internal control management systems of COSCON, COSCO Qingdao, COSCO Guangzhou, COSCO Logistics, COSCO Pacific, CHIMBUSCO and COSCO (H.K.) Shipping, and made judgment on effectiveness of sustainability.



In November 2012, COSCO Group organized the joint audit team comprising of expert team of DNV and UN Global Compact as well as internal auditors of the company to conduct on-site audit on sustainability report 2011 of COSCO Pacific, CHIMBUSCO and COSCO (H.K.) Shipping.

The joint audit team audited the management system, sustainability report and sustainability information system in accordance with the audit plans, and submitted the issues found to respective companies for rectification.



In the next step, COSCO Group will continue to focus its efforts on building of sustainability management system, identify risks based on basic business processes, 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 Implementation of Comprehensive Risk Management and Special Risk Management

COSCO Group fully recognizes that environmental changes faced by enterprises get more and more intensified with the global integration in informationization era of 21st century, and the uncertainties such as risks are increasing. These affect the fulfillment of strategic targets of the enterprise. Risk is the combination of opportunities and threats. An enterprise shall have in-depth understanding on enterprise operating rules and marketing rules, apply informationization technologies to manage the risks namely the uncertainty effectively, so as to create core competitiveness. The establishment of complete internal control management system is not enough to ensure the fulfillment of profit-making targets of the enterprise. Therefore, the internal control framework released by COSO increased three strategies and three key elements in version update to form comprehensive risk management framework.

I. Implementation of Comprehensive Risk Management by COSCO Group

COSCO Group establishes complete internal control system to manage and control the financial derivatives, and formulates leased ship freight rate agreement FFA operation & management methods and FFA risk management procedures. It is determined that FFA operation is belonging to non-ship chartered leasing deal. The business aims to constrain the operating risks caused by market fluctuation through effective hedging with a focus on fleet operation. The group determines the FFA operation rules of not being engaged in speculative transaction.



中远内部控制和风险管理规章制度框架

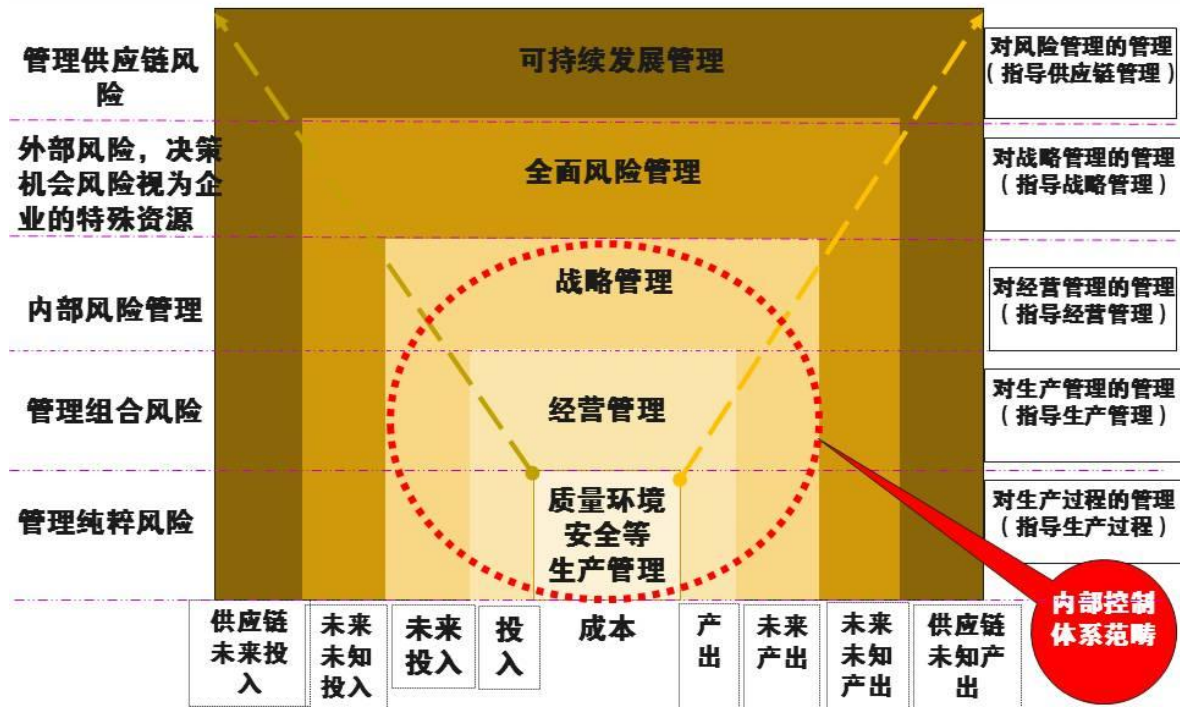
内部控制框架要求		专业风险管理手册和风险矩阵程序框架				规章制度框架					
内控要素	内部控制程序要求	内控管理分类	专业风险管理手册	主程序	子程序	规章制度分	管理制度	管理办法	管理规定	管理细则	
5、风险应对	风险应对可分为规避风险、减少风险、共担风险和接受风险四类。	质押监管管理程序	质押监管风险管理手册	质押监管程序文件		5.9 金融衍生品管理	质押监管业务管理制度				
		金融衍生品管理程序	金融衍生品(FFA、期货、掉期)风险管理手册	金融风险管理程序*	金融风险管理通用程序		金融风险管理业务管理制度	境外燃油期货保值业务会计核算管理办法(暂行)	关于对金融衍生品交易实行统一管理的通知	关于转发国资委《关于进一步加强中央企业金融衍生品业务监管的通知》的通知	
					远期运费协议(FFA)风险管理子程序			租船运费协议FFA操作管理办法			
					燃油期货风险管理子程序			境外燃油期货保值业务管理办法	燃油期货套期保值业务操作和外汇结算规定	境外燃油期货保值业务管理规定(试行)	
					利率风险管理子程序					利率汇率风险管理规定	
					汇率风险管理程序(非人民币货币间进行远期、期货、期权等衍生品交易)					关于禁止一切境外期货业务的通知	
					汇率风险管理程序(人民币远期结汇购汇交易)						
					汇率风险管理子程序(人民币即期购汇结汇交易和非人民币货币间即期买卖交易)						

Internal control refers to the management of internal risks of an enterprise. However, it is difficult to manage the unknown investment and outputs in the future as well as the risks involve foreign markets with internal control. Risk management is needed to cope with these. COSCO Group established financial derivative management projects to implement emergency response disposal on losses caused by sharp decrease of BDI in 2008 to 2009, adopted risk elimination strategies to clear FFA business and gradually withdraw from the business in 2011. The profits and losses of the business in entire life cycle are balanced. Although there were slightly losses, the business hasn't brought any significant unfavorable influences to post-stage production of enterprises. SASAC had approved COSCO Group to carry out outbound FFA hedging business in October 2011. However, COSCO Group had formulated the risk management manual firstly and made such operation after cautious research.

In the meantime, COSCO Group established complete internal control system to management and control the financial derivatives. It also formulated the COSCO Group Management Regulations of Outbound Fuel Hedging Business and COSCO Group Management Regulations of Interest Rate and Exchange Rate Risks. The hedging principles were implemented in practical operation, and related rules and systems were implemented strictly to prevent against risks.



中远可持续发展管理体系控制风险范围



图中文字:

中远可持续发展管理体系控制风险范围 Risk Control Scope of COSCO Group Sustainability Management System

管理供应链风险 Management of supply chain risks

外部风险, 决策机会风险视为企业的特殊资源 External risks, decision and opportunity risks are regarded as special resources of the enterprise

内部风险管理 Internal risk management

管理组合风险 Management of combined risks

管理纯粹风险 Management of pure risks

可持续发展管理 Sustainability management

全面风险管理 Comprehensive risk management

战略管理 Strategy management

经营管理 Operation management

质量环境安全等生产管理 Production management such as quality, environment and safety

对风险管理的管理 (指导供应链管理) Management of risk management (guiding supply chain management)

对战略管理的管理 (指导战略管理) Management of strategy management (guiding strategy management)

对经营管理的管理 (指导经营管理) Management of operation management (guiding production management)

对生产管理的管理 (指导生产管理) Management of production management (guiding production management)

对生产过程的管理 (指导生产过程) Management of production processes (guiding production processes)

供应链未来投入 Investment to supply chain in the future



未来未知投入 Unknown investment in the future
未来投入 Investment in the future
投入 Investment
成本 Cost
产出 Output
未来产出 Output in the future
未来未知产出 Unknown output in the future
供应链未知产出 Unknown output of supply chain
内部控制体系范畴 Scope of internal control system

COSCO Group has elevated from internal control management to comprehensive risk management. While satisfying the Basic Standards for Enterprise Internal Control issued by five ministries and commissions, it had implemented the basic requirements of SASAC's Comprehensive Risk Management Guidelines for Central Enterprises and the National Standards for Risk Management (GB/T24353-2009) to provide guarantee for prevention and control of risks and fulfillment of sustainable development of enterprises.

II. Implementation of Special Risk Management

COSCO Group fully recognizes that risk management is a work with high technical content and great difficulties. In today's society where information level is high and the economy is fluctuating greatly, the risk gap becomes bigger and bigger, and the hidden risks appeared continuously. It is necessary to bring risk management with daily business operation and special enterprise management.

In 2012, COSCO Group made special efforts to promote special risk management, and integrated the special risk management with 13 professional sectors, namely investment decision management, comprehensive budget management, comprehensive risk management, technological innovation management, human resources management, property management, legal management, procurement management, safety production management, management informationization, social responsibility management, party building management and anti-corruption management, to be elevated by SASAC through management elevation activity. In the first stage for management elevation work from March to August 2012, COSCO Group took risk assessment and risk evaluation as the measures to conduct comprehensive self-diagnosis focusing on aforesaid 13 professional management sectors to be elevated. The headquarters and its subsidiaries diagnosed 817 bottleneck issues and short points, and formed the COSCO Group Management Diagnosis Report.

On the basis of summary and analysis of key issues found in self-inspection and the solutions of the headquarters and the subsidiaries, it found 27 key issues of COSCO Group, such as functional orientation, optimization of organizational structure, unreasonable fleet structure and comprehensive risk management and control, and formulated the COSCO Group Key Issues Rectification Plan (including COSCO Group Elevation and Rectification Plans for Key Issues in Overall Level). In response to the 88 key issues of second-tier companies, the key issue elevation and rectification plans of second-tier subsidiaries were formulated to make arrangement for management elevation of second-tier subsidiaries in terms of structural adjustment and method



transformation, system collaboration, comprehensive marketing, comprehensive risk management, comprehensive budget management, receivable management, supplier management and procurement management, safety production, anti-corruption management, legal management, social responsibility management, invest decision-making, property management, cost management, management informationization, HR management, party building management, technological innovation management and energy conservation and environmental protection, so as to implement the management elevation work steadily and lay a foundation for transformation into Stage II of management elevation work.

In the management elevation work, COSCO Group conducted risk assessment and risk evaluation on issues found in management elevation activity, and made special improvement on key risks in accordance with the risk rankings, including qualitative management of investment risk, procurement and supplier management, anti-corruption management, leased ship risk management, mortgage supervision risk management, asbestos prohibition risk management, financial derivative management (FFA, fuel futures, interest rate swap). It also issued special risk management evaluation report and organized improvement activity for issues found.

In accordance with the Special Risk Management Evaluation Report, COSCO Group established a special team, and leaders of the group worked as responsible persons of the special elevation work and the rectification of key issues, so as to strengthen the track and guidance on various sectors and orderly promote the special risk management elevation work. In the management elevation work, COSCO Group integrated six key professional risk management, namely supplementary industry, marketing management, receivable management, business collaboration, procurement, business outsourcing and supplier management, and comprehensive budget management with the operation and management activities, and applied them in new business expansion and key areas where risk events occurred, so as to elevate the group's comprehensive risk management and control ability steadily. It had strengthened the risk prevention work of important businesses, such as leased ships, mortgage supervision, procurement and supplier management, investment project management, took part in business risk analytical work actively, and propelled the business authorities to formulate effective internal control system and risk prevention measures.

In business process, COSCO Group insisted on risk assessment, formulated risk strategies for key risks to specify risk preference and risk endurance degree. On this basis, it formulated key risk solutions to specify the responsibility main body and countermeasures of key risks. It also allocated the resources reasonably to ensure implementation of key risk management measures in practical. Special risk assessment system was established for important items such as "three importance and one greatness", high-risk business, important reform and important overseas investment and M&A. Proposals of all important items submitted to the decision-making institutions shall be attached with special risk assessment report to fully unveil the risks and countermeasures. Normal risk assessment and internal control evaluation mechanism were established, key risk warning and reporting system was improved, and management & control of key risks, energy efficiency supervision and audit & supervision were improved.

COSCO Group fully recognizes that risk management that risk management is continuous and complicated process and needs to be carried out continuously based on changes of environment and risk events. In 2013, it will continue to integrate risk management with special management. It will organize related departments,



centers and subsidiaries to formulate the plans to promote the integration of risk management with daily business operation and special enterprise management, and to integrate risk management with 13 management elevation sectors as specified by SASAC. In accordance with SASAC's Notice on Doing a Better Job in Work Related to Management Elevation Activity of Central Enterprises in 2013, COSCO Group launched the stage II of management elevation activity. With a focus on sectors for key elevation and key issues found in Stage I, and in combination with SASAC's requirements on doing a better job in special elevation, solving common issues of grassroots, effectively applying lean management methods and establishing long-term mechanism, it made overall planning and arrangement on elevation and rectification of key issues of COSCO Group and second-tier subsidiaries from the prospective of special risk management to specify the rectification timetable and evaluation mechanism. COSCO Group took management elevation activity as the opportunities and promoted special risk management in management elevation activity to ensure the completion of Stage II of the work at the end of August 2013 as scheduled.

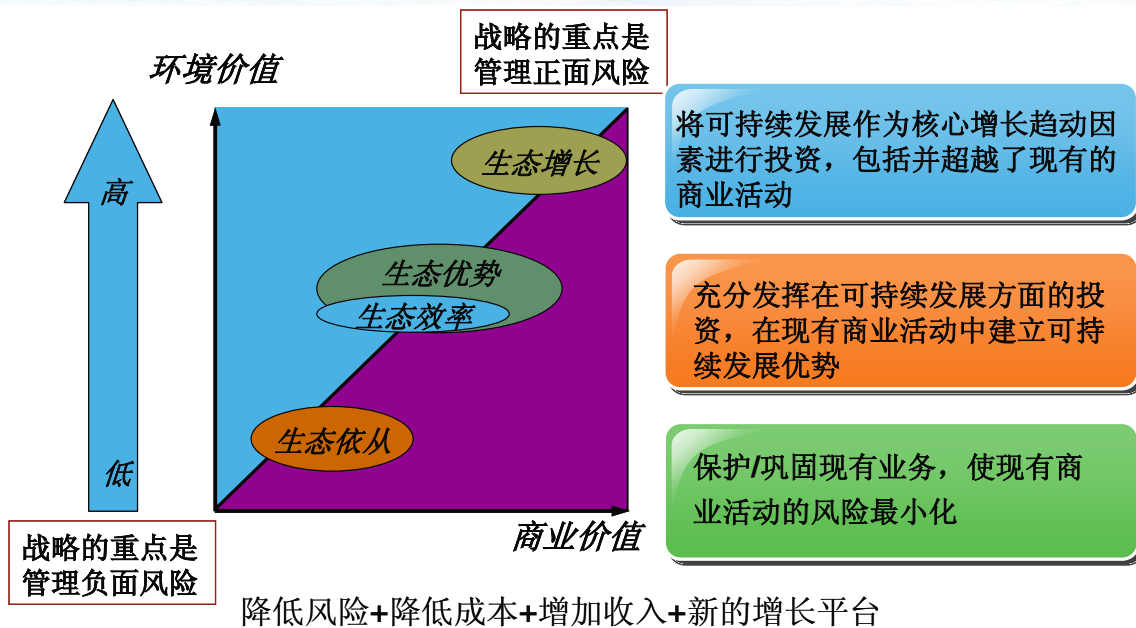
Part IV Integration of Social Responsibility into Organization and Management

COSCO Group implements responsibility management in accordance with social responsibility requirements of stakeholders, such as ISO26000 Social Responsibility Guidelines, UN Global Compact Implementation Guideline and SASAC's Guiding Opinions on Performance of Social Responsibilities by Central Enterprises and the Implementation Outlines for Harmonious Development Strategies of Central Enterprises in 12th Five-year Plan period, and the Guiding Opinions for Implementation of Social Responsibilities by Traffic Industry issued by the China Association of Communication Enterprise Management.

I. Responsibility Strategies

COSCO Group believes that target of social responsibility is sustainability, which is the common economic, social and environmental target of human being. The target of sustainability is to ensure sustainability of the society and the earth. Fulfillment of sustainability of the society lies in solving of social, economic and environmental issues with an overall method. Sustainable consumption, sustainable utilization of resources and sustainable lifestyle are related to all organizations as well as the sustainability of entire society.

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.



图中文字

环境价值 Environmental value

战略的重点是管理负面风险 The strategy emphasizes on managing positive risks

高 High

低 Low

生态增长 Ecological growth

生态优势 Ecological advantage

生态效率 Ecological efficiency

生态依从 Ecological dependence

商业价值 Commercial value

将可持续发展作为核心增长驱动因素进行投资，包括并超越了现有的商业活动 Making sustainability the core driving force for investment, including and surpassing existing commercial activities

充分发挥在可持续发展方面的投资，在现有商业活动中建立可持续发展优势

Making full use of investment in sustainability, establishing sustainability advantages in existing commercial activities

保护/巩固现有业务，使现有商业活动的风险最小化

Protecting and reinforcing existing businesses, minimizing the risks in existing commercial activities

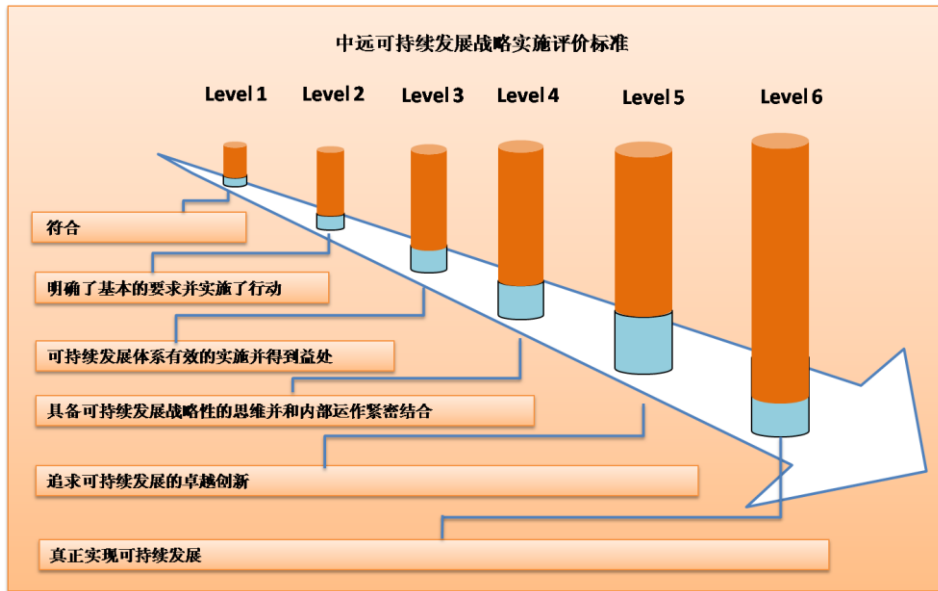
降低风险+降低成本+增加收入+新的增长平台

Reducing risks + reducing costs + increasing income + new growth platform

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, COSCO Group pursued for management innovation of sustainability by applying comprehensive risk management. In 2013, it will make improvements continuously.



图中文字:

中远可持续发展战略实施评价标准 COSCO Group's evaluation standards on implementation of sustainability strategies

符合 Compliance

明确了基本的要求并实施了行动 Specifying basic requirements and taking the actions

可持续发展体系有效的实施并得到益处

Effectively implementing the sustainability system and bringing benefits

具备可持续发展战略性的思维并和内部运作紧密结合

Having the strategic thinking of sustainability and integrating with international operation closely

追求可持续发展的卓越创新

Pursuing excellent innovation on sustainability

真正实现可持续发展

Fulfilling sustainability

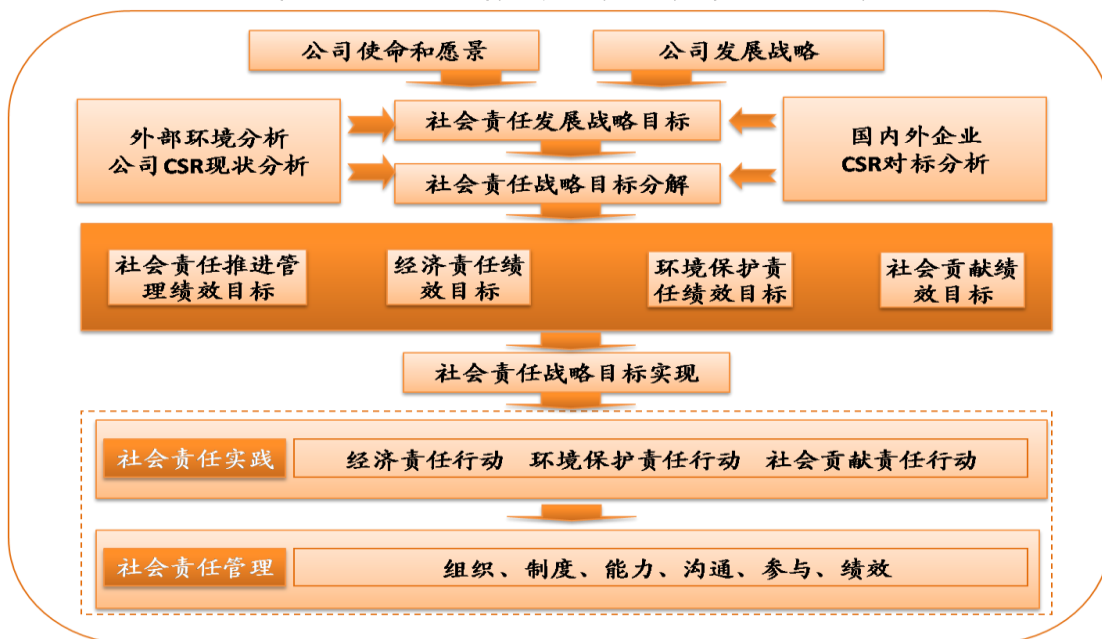
COSCO Group upholds the principle of people-orientation, fulfills its corporate citizen responsibility with market as the focus, technology as the measure and efficiency as the center, and insists on the double-wheel engine of production and capital operations. The group enhances the international shipping 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.

中远制定企业社会责任和可持续发展战略的框架程序



图中文字:

中远制定企业社会责任和可持续发展战略的框架程序 COSCO Group’s framework procedures for formulation of CSR and sustainability strategies

公司使命和愿景 Mission and vision of the company

公司发展战略 Development strategies of the company

外部环境分析 Analysis on external environment

公司 CSR 现状分析 Analysis on CSR situation of the company

社会责任发展战略目标 Objectives of social responsibility development strategies

社会责任战略目标分解 Division of social responsibility strategy objectives

国内外企业 CSR 对标分析 CSR benchmarking analysis of domestic and overseas enterprises

社会责任推进管理绩效目标 Social responsibility promotion and management performance objectives

经济责任绩效目标 Economic responsibility performance objectives

环境保护责任绩效目标 Environmental protection responsibility performance objectives

社会贡献绩效目标 Social contribution performance objectives

社会责任战略目标实现 Fulfillment of social responsibility strategic objectives

社会责任实践 Social responsibility practice



经济责任行动 Actions for economic responsibility

环境保护责任行动 Actions for environmental protection responsibility

社会贡献责任行动 Actions for social contribution responsibility

社会责任管理 Social responsibility management

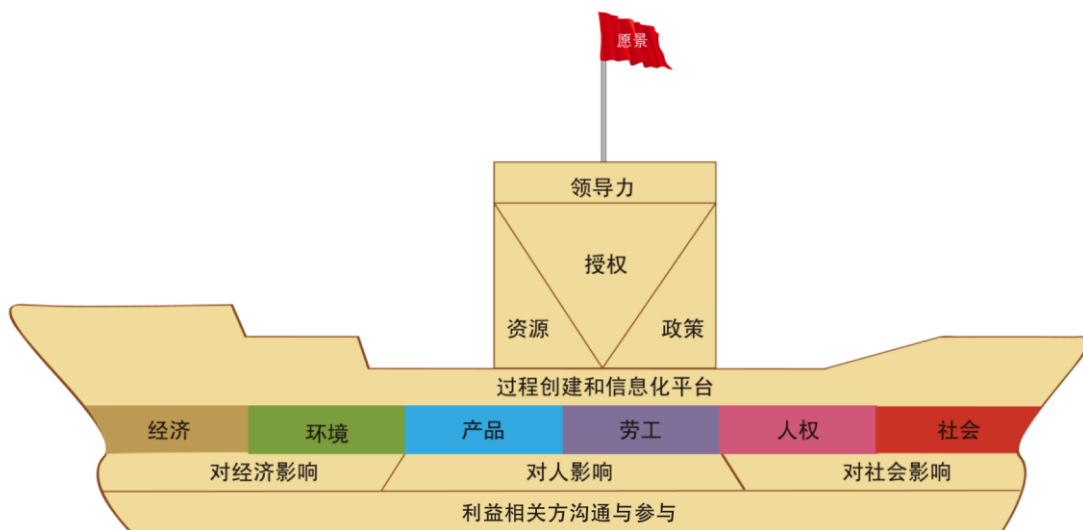
组织、制度、能力、沟通、参与、绩效 Organization, system, ability, communication, participation, performance

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. With balanced score card as the carrier, a strategy map draws the causality graph of enterprise strategies by analyzing the inter-relationships of four layers of targets (finance, customer, internal, study and growth), so as to change enterprise development strategies into practical actions. 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.

(I) Responsibility Model

COSCO Group establishes a social responsibility model, i.e. liner model (Please see the chart below).



图中文字:

领导力 Leadership

授权 Authorization

资源 Resources

政策 Policies



过程创建和信息化平台 Process creation and IT platform

经济 Economy

环境 Environment

产品 Product

劳工 Labor

人权 Human rights

经济 Economy

对经济影响 Influence on economy

对人影响 Influence on people

对社会影响 Influence on society

利益相关方沟通与参与 Communication and participation of stakeholders

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 establishes the communications and participation mechanism of stakeholders with report disclosure as the focus, deepens its communications and exchange with stakeholders, accepts supervision of the society, and receives wide truth.



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 insists on performing its social responsibilities with world thinking and global eyesight, and tries to shoulder its global social responsibilities as a world-class transnational company.

1. COSCO Group believes that it should be a leader and model in shouldering social responsibilities as a global corporate citizen. It should undertake the political responsibilities of constructing a harmonious society, the legal responsibilities of promoting legal operation, the economic responsibilities of keeping and increasing the value of state-owned assets, and the product responsibility of providing products and services for the society.

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. COSCO Group believes that shipping industry, as an important industry for global economic development, shall eye on serving for long-term and continuous growth of the society and economy. When dealing the relations between short-term interests and long-term development, it pays special attention on elevating its long-term development ability. In particular, when it faces the challenges of external elements such as great fluctuation of market prices, it focuses its efforts on elevating its self-development quality and enhancing its comprehensive ability to serve for sustainable economic development.

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

COSCO Group is committed to discuss and practice its social responsibilities, with the overall target to maximum its contribution to sustainability. Following seven principles are followed:

Principles	Contents of ISO26000 Principles	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 of ISO26000	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</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</p>



	<p>and issues. Environmental education and capacity building are crucial for promoting a sustainable society and developing a sustainable way of life.</p>	<p>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>
Consumer-related issues	<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>
Participation and development of communities	<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</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>



	common interests with communities.	
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(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. 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; 2. Implement daily and annual evaluation by establishing indicator systems such as annual operation targets, balanced score card and performance indicators.



	<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</p>



community construction, business transaction and foreign cooperation through supervision and improvement mechanism of management system and democratic management of the trade union.

II. Responsibility Management

(I) Responsibility Management Structure

COSCO Group headquarters and its subsidiaries established the Sustainability Committee or Global Compact Steering Team. 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 2012, the promotion of Global Compact was listed as formal duties of a total of 495 staff from COSCO Group headquarters and companies implementing Global Compact.

Year	2005	2006	2007	2008	2009	2010	2011	2012
Number of persons	116	173	173	325	427	473	473	495

(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 2012, 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	2012
Number of members of the compilation team	45	35	36	38	38
Number of members of the core team	22	24	28	27	27
Concentrated working days the compilation team	30	32	13	14	14
Working hours	1,350	2,560	3,744	4,256	4,256

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 Implementing Sustainability Management System Part IV: Awards Part V: General Information of the Report	Che Chujian and Hu Yayu
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, Zhu Yingjie, Dai Tao, Meng Xiangjun, Zhao Haotian and Wu Fan
C. Management	Economic Performance Indicator and Keynote Report	Zhuang Shaohui and Gui Yeling



Approaches and Performance Indicators	Environmental Performance Indicator and Keynote Report	Huang Yejian and Dong Jie
	Product Liability Performance Indicator and Keynoted Report	Yang Tao and Li Jun
	Labor Practice Performance Indicator and Keynote Report	Yan Ge and Sun Naipei
	Human Right Performance Indicator and Keynote Report	Zheng Yongjiang and Sun Xuemei
	Social Performance Indicator and Keynoted Report	Zhang Hongbin, Di Jin and Ding Dan
Final compilation and editing		Hou Yujia, Tao Runyuan and Ma Xinying
Translation		Pan Deng and Tao Runyuan
Audit		Feng Bo and Ma Xinying
Other participants		Cao Bin, Li Lianhua, Zhu Fengyuan, Zhang Yu, Wang Xintian, Tang Jingbo, Feng Xiao, Sun Han and Chen Moyin

(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. In 2012, full-time staff holding sustainability training certificates played a key role in implementation of Global Compact and sustainability management system, elevating the construction level of COSCO Group sustainability management system.

In 2012, COSCO Group organized 10 special trainings and three exchange activities including training on ISO26000 Guidance on Social Responsibility, training on new requirements of Global Compact annual progress reports, internal audit training.

(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 2012, total expenditure of COSCO Group for Global Compact and sustainability reached RMB1.26 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.

In an special interview when meeting with Ms. Liu Ming, chief representative of UN Global Compact Office, on May 8, 2012, Chairman Wei Jiafu said that COSCO Group, as a leader and model in Global Compact, voluntarily supports Global Compact-related activities, innovatively integrates Global Compact and sustainability implementation plan with its future development, supports wider UN targets and affairs with practical actions, actively takes part in the fulfillment of UN Millennium Development Goals and copes with



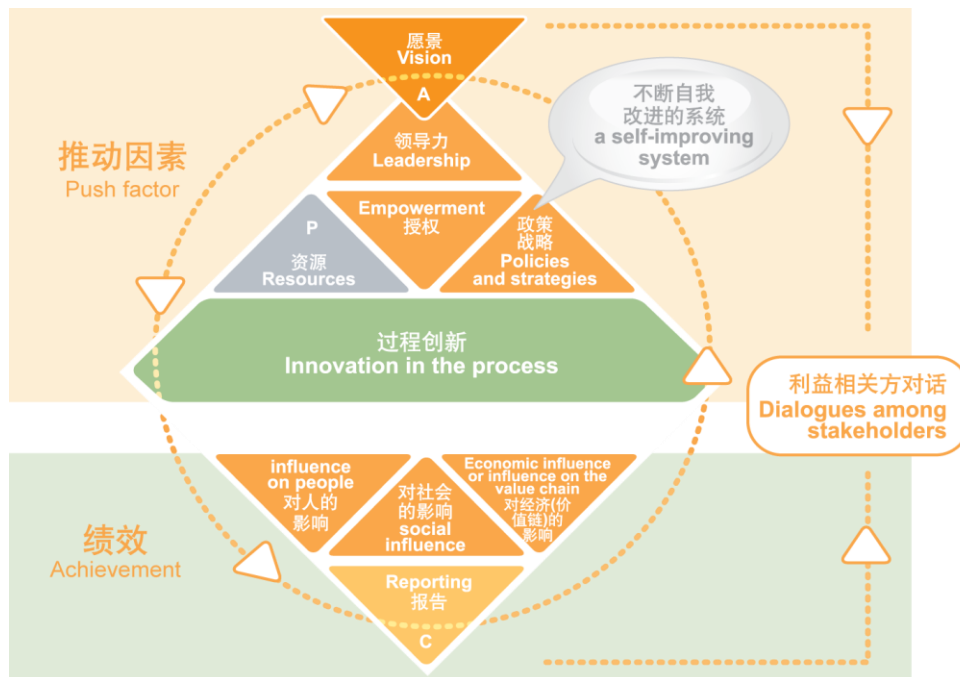
global challenges, explores the enterprise development mode suitable to characteristics of developing countries and contributes to sustainability of global economy and community.

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 2012, WBCSD held many conferences themed on climate change and water resources with the acceleration of sustainability as the core. 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 Responsibility

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 in 2012. 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 report outline compilation	Report compilation	Stage I deployment	Compilation of report
2	Training on indicators and materials collection	New requirements of indicators	Stage II deployment	Collection of indicators and materials
3	Training on material collection improvement	Material collection	Stage III deployment	Supplementation of materials
4	Training on information management platform	System operation	Stage IV deployment	Deployment of improvement system
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	System 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. In 2012, related trainings were organized with a focus on Global Compact and sustainability work such as indicator definition, revision and filling, material collection and compilation, and internal auditor of sustainability information platform database. Participants researched and elaborated the new requirements of Global Compact and sustainability work by referencing to ISO2600 and GRI standards, and discussed on practical situations of their respective companies.

In 2012, COSCO Group headquarters and its subsidiaries held a total of 14 training classes on social responsibility, with 1,204 persons (times) trained and the total training time of 9,632 hours.



Year	2006	2007	2008	2009	2010	2011	2012
Number of training classes	10	9	9	33	10	16	14
Number of persons trained	410	248	248	1,095	1,230	1,326	1,204
Total training hours	--	--	--	42,946	9,840	10,608	9,632

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 2012 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 2012. It also analyzed top 10 major risks and formulated countermeasures correspondingly.

(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:

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.

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.



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.

Respecting stakeholders: COSCO Group respects, considers and responds 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.

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.

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

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:

- Taking the scientific outlook of development as the guidance
- All-staff participation under the leadership of top executives
- Uniform planning and annual plans
- Serving for production activities based on practical situations
- Focusing on COSCO Group and eyeing international market
- 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.

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.

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.

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.

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.

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.

Grasp the key points and summarize the cases. Put major social responsibility tasks on top of the list. In 2012, COSCO Group integrated the 13 management elevation works deployed by SASAC and six major professional risk management works deployed by COSCO Group with social responsibility work such as energy-conservation and emission reduction, environmental protection and anti-corruption. It concentrated advantageous resources and achieved significant results. The group timely summarized the social responsible projects that had gained results to provide reference and experience for other projects in the future.



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 replaced the traditional press conference





with online release to advocate environmental protection and release “green report”, and achieved satisfactory results.

At the 2012 4th A-share Listed Company Social Responsibility Report Summit Forum jointly held by the Rankings CSR Ratings, SGS and China Social Responsibility Research Institute of Beijing Normal University on Oct. 25, 2012, the China COSCO Sustainability Report 2011 released by China COSCO together with reports released by other 10 companies received highest rating – AA-class report, ranking the 7th place among 582 listed companies. This reflects that COSCO Group not only brings social responsibility into its management process successfully, but also receives public recognition.

4. Planning and Implementation

Serial No.	Working plans	Completion time	Completion situation in 2012
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
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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 COSCO Group headquarters.



In June 2012, COSCO Group invited experts from UN Global Compact to lead the joint audit team comprising of internal auditors of the headquarters and internal auditors of units in Beijing to complete the audit work of COSCO Group Sustainability Report 2011, covering all activities and processes of related departments of COSCO Group. The audit team issued the Internal Audit Report of COSCO Group Sustainability Report 2011.

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 June 5 to June 7, 2012 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 2011-2012 regular management and evaluation conference for sustainability on June 26, 2012, 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 2011 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 2011-2012 as well as the compilation of COSCO Group Sustainability Report 2012, 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 1600 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.

(1) 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.

(2) 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.

(3) 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.

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

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

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



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

2. 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.

(1) It has attended the Global Compact's team to cope with climate changes and partnered with all member units in shipping industry to research on the countermeasures to cope with climate changes.

(2) It has established an exchanging mechanism for shipping companies implementing Global Compact, and elevated the sustainability level of entire industry through exchanges of best practices of all member units in shipping industry.

(3) At the 2009 World Shipping (China) Summit, COSCO Group issued the Qingdao Declaration and announced that COSCO Group will take a lead in energy conservation and emission reduction, be a pioneer in shipping industry and promote the sustainability of shipping industry. The emission reduction by lowering speed limits advocated in Qingdao Declaration can on one hand fulfill the targets of energy consumption and emission reductions, and on the other hand, alleviate the pressure on surplus carrying capacity.

(4) In order to better fulfill the target of reducing carbon emissions, COSCO Group has provided effective guidance for the energy conservation, emission reduction and sustainability work effectively, and provided effective carbon emission calculation methods for its customers. On the basis of successful application of carbon emission calculator at COSCON, the group promoted "ship energy-efficiency monitoring and analytical system on pilot ships in 2012, enabling the ships to run under most ideal energy-efficiency situation to elevate the energy consumption efficiency of ships. While ensuring the economic performance and safety of ship navigation, it tried to reduce the fuel consumption to the maximum extend and lower the operating costs of ships. It also tried to maximize the tail gas emission of ships to reduce the environmental pollution.

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.

(1) It continued to perform the mobilization made by COSCO Group at the 2010 World Shipping (China) Summit.

The top 10 largest port suppliers home and abroad including Hamburg Port, Long Beach Port and Shanghai Port had responded to the mobilization and released the Guangzhou Declaration. The declaration's concept of



promoting construction of intelligent ports and green ports, and developing low-carbon logistics made active contributions to promote the sustainable development of the port and shipping industries.

(2) In 2012, COSCO Group carried out social responsibility exchange activities with large customers such as Chalco 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.

2005	COSCO Group headquarters and COSCON carried out pilot projects.
2006	Based on the successful experiences, scope of implementation of UN Global Compact and sustainability report was expanded to all shipping companies and logistics companies of COSCO Group. In the meantime, COSCO U.K. was selected as the pilot unit for overseas companies.
2007	COSCO Group has implemented the sustainability management system, and all second-tier companies have implemented the Global Compact and sustainability report.
2008	All second-tier companies, shipping companies and logistics companies have promoted the work to third-tier companies.
2009	All second-tier companies have completed the construction of sustainability strategy risk management systems and promoted it to overseas companies.
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.
2012	All second-tier companies completed the building of internal control system and conducted internal control self-assessment.

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. In April 2012, COSCO Group attended the UN Global Compact LEAD and China Online Symposium at Ocean Plaza, and delivered



keynote speech on anti-corruption at UN Rio +20 Sustainability Conference and Rio +20 Enterprise Sustainability Forum.

5. Promoting Performance of Social Responsibility by the 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 2011, established strategic partnership relationships with local governments and large corporate groups actively, and promoted sustainability of both parties. COSCO Group organized many exchange activities to share social responsibility experiences with its customers such as china Mobile and Air China.

6. Social activities

COSCO Group attended the sustainability-related activities home and abroad actively, and communicated with related enterprises and institutions on UN Global Compact and sustainability implementation situations at important meetings and activities. COSCO Group attended many communication activities with the World Environmental Center, the World Economic Forum and KPMG on sustainability-related practices.

On March 2, 2013, Chairman Wei Jiafu met with William McNamara, International Vice President of ILA in Boston. Capt. Wei reviewed the commitment that there will be no strike on ships of COSCO made by ILA when COSCO Group took its inaugural navigation to Boston in 2002, and appraised the association’s efforts to keep its commitment in past 10 years. He also said that COSCO Group will enhance the business cooperation with Boston Port to bring more benefits to local workers. McManara extended thanks to COSCO Group for the employment opportunities brought by COSCO Group to workers in Boston and New England, and said that ILA will insist on its commitment to provide better services for ships of COSCO Group.

On Dec. 12, 2012, Capt. Wei Jiafu attended the 2012 CCTV Finance Forum’s dialogue program themed on “Undertaking and Breakthrough of SOEs”. Capt. Wei Jiafu, as the special guest, had in-depth discussion with other leaders of central SOEs and economists on many topics such as contribution made by central SOEs to economic development of China, participation of SOEs in market competition and reform of SOEs.

IV. Responsibility Crisis Management

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



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

(1) Strengthening social responsibility crisis management sense. COSCO Group emphasizes that establishment of crisis management system doesn't merely mean rapid response to crisis after its occurrence and strict control over crisis, the most important thing is the consciousness to solve social issues timely and effectively, and prevent against occurrence of crisis. The group has tried to cultivate the sense of crisis, integrated crisis management into its daily system building and optimized normal management of the company.

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

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

(V) Responsibility Performance Evaluation

1. Social Responsibility Indicator System

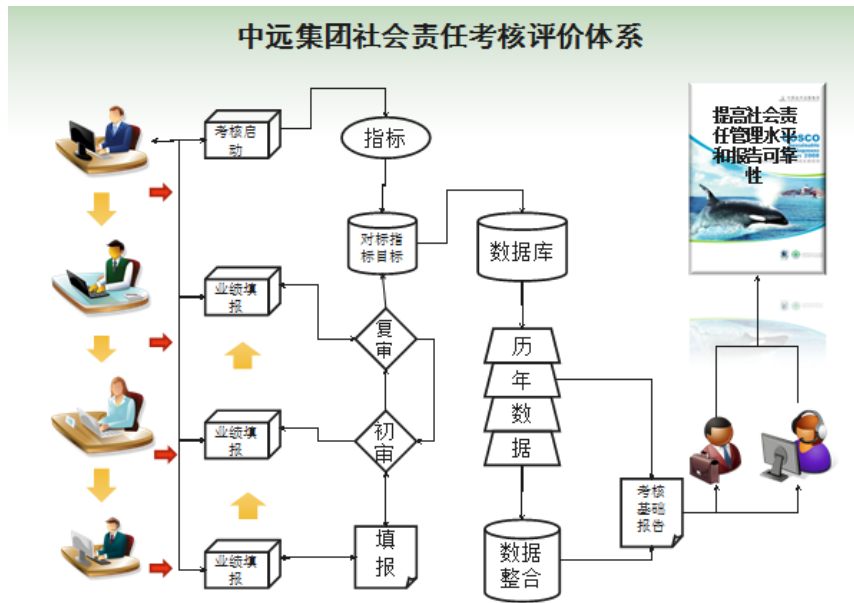
COSCO Group has established sustainability indicators system, which was improved after evaluation on yearly basis. After four years of improvement, it has segmented the original 250 indicators to existing 799 indicators. These indicators comprehensively reflect the key interests concerned by stakeholders 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	2012
Number of indicators	250 items	470 items	670 items	700 items	770 items	779 items	789 items	799 items
System building	System establishment	System expansion	System split	System improvement	System exploration	System integration	System optimization	Management elevation
Improvement focuses	Report quantization	Indicator integrity	Indicator accuracy	Indicator logics	Indicator relations	Indicator optimization	Indicator convergence	Indicator analysis



2. Social Responsibility Evaluation System

CSR examination and evaluation is the key to promote social responsibility work, propel subsidiaries, 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. With respect to social responsibility examination and evaluation system, COSCO Group conducts examination and evaluation through sustainability information management platform.



图中文字:

中远集团社会责任考核评价体系 COSCO Group social responsibility examination and evaluation system

考核启动 Launch of examination

业绩填报 Performance filling and reporting

指标 Indicator

对标指标目标 Benchmarking with indicator objectives

复审 Primary evaluation

初审 Re-evaluation

填报 Filling and reporting

数据库 Database

历年数据 Historical data

数据整合 Data integration

考核基础报告 Examination basic report

(VI) Charity Foundation

COSCO Group established 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 charitable brands with special industrial characteristics of COSCO Group such as the “Navigation • Dream-seeking”, “Navigation • Hometown”, “Navigation • Heart-warming”, “Navigation • Self-dependence”, “Navigation • Health”. In 2012, China Charity Foundation implemented 29 social public welfare projects, with RMB23.98 million capitals donated, covering education and poverty-aid, disaster and poverty alleviation and environmental protection sectors. In 2012, the foundation donated to foreigners of COSCO America who were affected by Hurricane Sandy. It also carried out aiding projects at poverty-aiding regions of Guangdong Province as well as the projects to improve infrastructure construction of rural areas, receiving high recognition of local government and the local people.

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 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. The group’s “Navigation and Dream-seeking” Program was appraised as China Charity Award – Most Influential Program Award in the appraisal of 2010. 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. In the Rankings of Chinese Foundations for Transparency Index released in 2012, COSCO Group Charity Foundation was included in the List of 2012 Top 10 Most Transparent Foundations, and ranked the 28th place with the total score of 122.92 points.

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, 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 establishes multi-formed and interactive stakeholder participation and communication mechanism in accordance with the requirements of ISO26000 Social Responsibility Guidelines and the following nine elements for participation of stakeholders.

Seven elements related to stakeholders in the ISO26000 Social Responsibility Guidelines are as follows:

Element 1	determining main stakeholders and promoting its participation
Element 2	establishing a trustful relationship between the enterprise and its stakeholders
Element 3	starting from the practice and establishing flexible mechanism in communication with stakeholders
Element 4	establishing stakeholder participation and platform operation guarantee mechanisms
Element 5	ensuring transparency of participating process
Element 6	sharing of resolution process
Element 7	common understanding mechanism of targets and processes
Element 8	dispatching excellent employees
Element 9	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/>.

(IV) Improving Social Responsibility-related Transparency

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 and ISO26000 Social Responsibility Guidelines, 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 Research

COSCO Group has attached great importance to research 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 research 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) Research on Social Responsibility Topics

COSCO Group has taken part in social responsibility research work of external institutes, and carried out research 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 Research on Social Responsibility of Central Enterprises and the Research on Corporate Social Responsibility Promotion Mechanism. In 2012, it attended the WBCSD's research on Guidance for Sustainability Indicators of Shipping Industry.

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

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 pertinence and usability of the researches. These will also promote the researches on corporate social responsibility.

In 2012, the group completed the research on “COSCO Group Social Responsibility Practice Case” in partnership with Harvard Business School and Peking University. The case was also brought into the case database of Harvard Business School.

(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. In 2012, the group attended the draft and formulation of GRI Sustainability Report Guidance 4.0.



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 Building

In order to do a better job in the beginning year for “3rd Three-year Target” for legal system work of central enterprises, COSCO Group issued the Implementation Plans of “3rd Three-year Target” for Legal System Work of COSCO Group in January 2012 to make an overall deployment for the legal work of the group in next three years and put forward overall and detailed objectives. In accordance with requirements of the plans, subsidiaries of COSCO Group formulated their respective implementation plans of “3rd Three-year Target” for legal system work, and reported them to the COSCO Group headquarters, so as to promote the fulfillment of the group’s target together.

In November 2012, COSCO Group issued the Notice on Acting in and Implementing the Spirits Conveyed at the Symposium for Legal System Work of Central Enterprises in 2012, requiring related units to enhance the prediction, prevention and control of legal risks in special period under existing circumstance where the market situation is severe. In the meantime, the meeting materials of SASAC and new examination standards for the three-year target were distributed. It required related companies to organize studying activities carefully, take detailed measures and strengthen the implementation of related items to prepare for the examination and evaluation of SASAC in advance.

II. Promoting Convergence of “Three Significances” of Legal Audit with Enterprise Operation and Management

Corporate rules and regulations, economic contract and important decisions are “three focuses” for legal audit. With respect to corporate rules and regulations, office system of the company realized the electronization for release of rules and regulations, so as to ensure that legal audit rate of laws and regulations of the enterprise reached 100%. In 2012, the Legal Affairs Department audited a total of 50 rules and regulations. With respect to review of economic contracts, the Legal Affairs Office strictly reviewed the contracts signed by the group with other companies in accordance with the contract management methods and procedures. In 2012, there were a total of 78 contracts were audited by the group and sealed with special seal for contractual uses, avoiding the legal risks effectively. With respect to legal participation and audit of important decisions made by the enterprise, efforts were made in terms of full-process track and participation of important projects by legal advisors, chief counsel’s participation of decision-making conference and clearance of related working rules to strengthen the risk prevention and control of important decisions. In 2012, the Legal Affairs Department attended the management work of formulation of development planning for ocean engineering industry of COSCO Group, equity transfer project of Taicang Terminal, Aug. 15 Project, potential supplementary industry project, survey on risks of financing and logistics business, CIIC’s project, fuel hedging project, outbound debt



issuance of COSCO Group, equity transfer project of terminals in Europe, Y project and supplier management project.

III. Disposal of Major Legal Dispute

COSCO Group had enhanced dispute management work, traced the disposal of important legal disputes and updated related information timely. In April 2012, it reported the Report on Important Legal Dispute Cases of COSCO Group in 2011 to SASAC. In November to December 2012, it organized all levels of subsidiaries to do a better job in report and filing of important dispute & lawsuits in 2012.

When involving the disposal of case for Xinfeng's collection of account payables from Great Xinhua, the Legal Affairs Office of the group researched the case carefully, and researched on key issues such as asset status of Great Xinhua, dispute settlement agreement and domestic implementation of intermediation made in overseas market, and guided COSCO International to deal with the dispute. Eventually, Greater Xinhua paid all oil-buying cost and lawyer's fee. Besides, it also paid the cost of spare parts to Yuantong. Thus, the case was settled successfully.

IV. Law Popularization and Training

In 2012, COSCO continued to take law popularization as an important basic work to enhance employees' legal awareness and improve legal governance level.

In 2012, COSCO Group organized "12.4" National Legal Propaganda Day activities, prepared legal knowledge questionnaire based on latest laws, and organized quiz contest activity.

In order to improve the proportion of legal advisors holding the certificate, COSCO Group issued the Notice on Actively Attending the Qualification Examination for Enterprise Legal Advisors, which required legal workers who hadn't obtained the qualification certificates to attend the examination. In August 2012, COSCO Group organized the concentrated training before examination, which was participated by 67 legal workers. Besides, it also provided auxiliary online teaching courses and reference books for students who were unable to attend the lecture, and encouraged them to pass the examination. The legal workers also attended the special legal training organized by related institutions and departments such as State Council SASAC, the Ministry of Transport, the Ministry of Commerce, the Association of Corporate Counsel, and the law firms, further elevating their own 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 2012, COSCO Group faced no severe penalties for breaching related laws and regulations regarding product and service liability.

VI. Legal Management Elevation

In 2012, COSCO Group integrated the "3rd Three-year Target" of legal system work with management elevation activity, formulated legal management elevation plans, integrated targets and requirements of the two work and promoted one of the work with the other. It also specified the working methods and period for completion of the rectification work, gradually solved the significant issues that constrain fulfillment of the targets, and established a more scientific and complete long-term management mechanism for legal work.



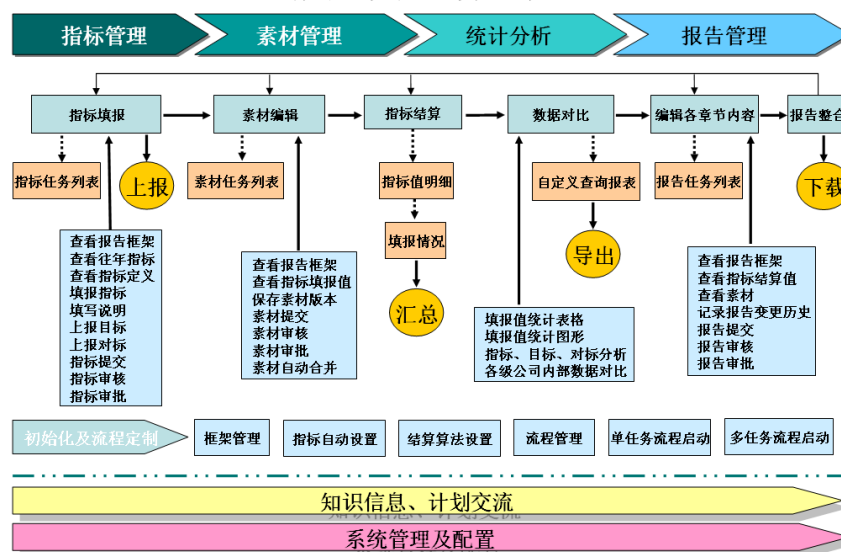
Part VI Construction of Sustainability Information Management Platform

I. Informationization of Corporate Social Responsibility

In the era of economic globalization, competition between transnational companies has upgraded from competition on technologies and products to competition CSR concept and ethics, namely has upgraded from hardware competition to software competition. 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.

报告系统业务流程





图中文字:

报告系统业务流程 Business process of reporting system
指标管理 Indicator management
素材管理 Material management
统计分析 Statistics and analysis
报告管理 Report management
指标填报 Indicator filling and reporting
素材编辑 Material edit
指标结算 Indicator settlement
数据对比 Data comparison
编辑各章节内容 Editor contents of different chapters
报告整合 Report integration
指标任务列表 List of indicator task
上报 Reporting
素材任务列表 List of material task
指标值明细 List of indicators
自定义查询报表 Self-service inquiry of report forms
报告任务列表 List of reporting tasks
填报情况 Reporting situation
汇总 Summarization
导出 Export
下载 Download
查看报告框架 Check reporting framework
查看往年指标 Check indicators in the previous year
查看指标定义 Check indicator definitions
填报指标 Reporting indicators
填写说明 Filling description
上报目标 Reporting targets
上报对标 Reporting benchmarking
指标提交 Indicator submittal
指标审核 Indicator audit
指标审批 Indicator approval
查看报告框架 Check reporting framework
查看指标填报值 Check value of indicators
保存素材版本 Saving version of materials
素材提交 Material submittal
素材审批 Material approval
素材自动合并 Material automatic integration
填报值统计表格 Statistical table of reporting figures
填报指统计图形 Statistical diagram of reporting figures
指标、目标、对标分析 Indicator, target and benchmarking analysis
各级公司内部数据对比 Comparison of internal data of all levels of companies



- 查看报告框架 Check reporting framework
- 查看指标结算值 Check indicator settlement value
- 查看素材 Check materials
- 记录报告变更历史 Report modification history
- 报告提交 Report submittal
- 报告审核 Report audit
- 报告审批 Report approval
- 初始化及流程定制 Initialization and process customization
- 框架管理 Framework management
- 指标自动设置 Automatic setup of indicators
- 结算算法设置 Settlement method setup
- 流程管理 Process management
- 单任务流程启动 Kickoff of single-task process
- 多任务流程启动 Kickoff of multi-task process
- 知识信息、计划交流 Exchanges of knowledge, information and plans
- 系统管理及配置 System management and configuration

COSCO Group Indicator Reporting Interface



In the meantime, COSCO Group deeply understood the UN Global Compact’s Blueprint for Sustainability Leadership for development in next 10 years, and cleared up and integrated the 2012 sustainability reporting framework and indicator system with the group’s own characteristics in reference to ISO26000 Social Responsibility Guidance Standard, laying a solid foundation for compilation of 2012 sustainability report.



UN Global Compact's Blueprint for Sustainability Leadership

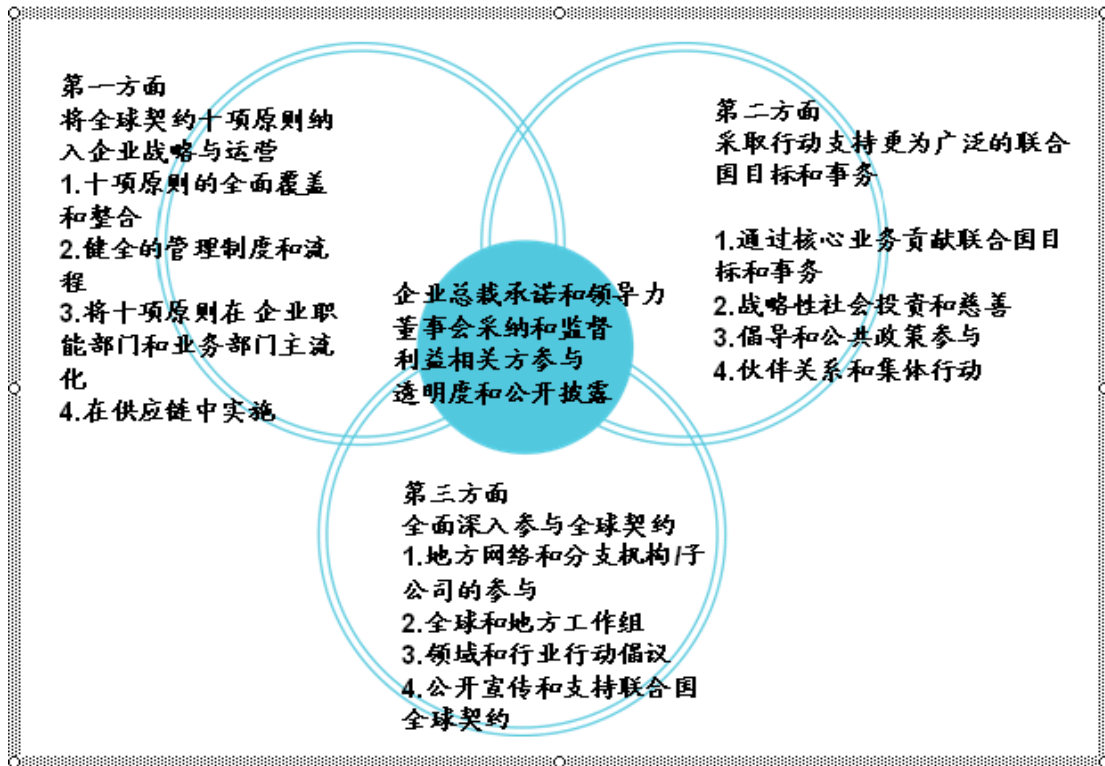


Diagram for ISO26000

图中文字:

First aspect (第一方面)

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 (第二方面)

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 (第三方面)

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



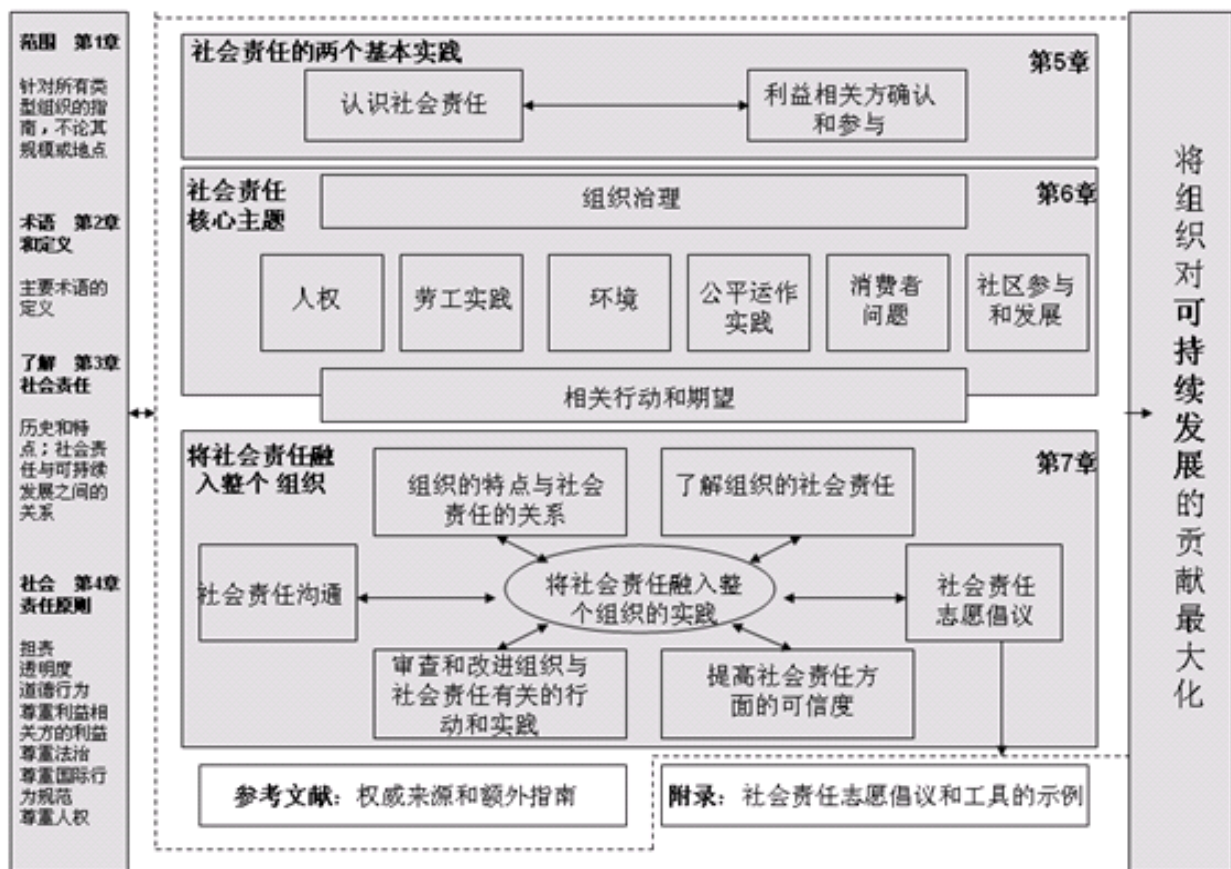
- 3. Sectors and initiative of industrial actions
- 4. Public promotion and supports to UN Global Compact

Commitment and leadership of corporate president

Adoption and supervision by the Board

Participation of stakeholders

Transparency and public disclosure



图中文字:

第一章 范围 Chapter I Scope

针对所有类型组织的指南，不论其规模或地点

Guidance for all types of organizations, whatever their scale or locations

第二章 术语和定义 Chapter II Glossary and Definition

主要术语的定义 Definition of major glossaries

第三章 了解社会责任 Chapter III Understanding Social Responsibilities

历史和特点；社会责任与可持续发展之间的关系

History and characteristics; Relationships between social responsibility and sustainable development

第四章 社会责任原则 Chapter IV Social Responsibility Principles

担责 Responsibility undertaking

透明度 Transparency



道德行为 Ethnical behaviors

尊重利益相关方的利益 Respecting interests of stakeholders

尊重法治 Respecting the laws

尊重国际行为规范 Respecting international codes

尊重人权 Respecting human rights

第五章 社会责任的两个基本实践

Chapter V Two Basic Practices of Social Responsibilities

认识社会责任 Knowing social responsibilities

利益相关方确认和参与 Confirmation and participation of stakeholders

第六章 社会责任核心主题 Chapter VI Core Themes of Social Responsibilities

组织治理 Organizational Governance

人权 Human Rights

劳工实践 Labor Practices

环境 Environment

公平运作实践 Fair Operation Practices

消费者问题 Consumers' Issues

社区参与和发展 Community Participation and Development

第七章 将社会责任融入整个组织

Chapter VII Integrating Social Responsibilities into Entire Organization

社会责任沟通 Social responsibility communications

组织的特点与社会责任的关系 Relationships between organizational characteristics and social responsibility

了解组织的社会责任 Knowing social responsibilities of the organization

社会责任志愿倡议 Social responsibility initiative

提高社会责任方面的可信度 Improving creditability of social responsibility

审查和改进组织与社会责任有关的行动和实践

Review and improve the actions and practices related to organization and social responsibility

将社会责任融入整个组织的实践 Practices to integrate social responsibility into entire organization

参考文献: 权威来源和额外指南 Reference: Authoritative sources and additional guidance

附录: 社会责任志愿倡议和工具的示例

Appendix: Diagrams of social responsibility initiative and tools

将组织对可持续发展的贡献最大化

Maximization of the organization's contribution to sustainability

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 5 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 2012, COSCO Group continued its cooperation with advisors and experts of Global Compact China to discuss and determine the CSR report compilation dimension and scope, and completed the framework and



indicator system of COSCO Group's 2012 sustainability development report by using the Sustainability Information Management System. Based on 789 indicators, it further detailed the indicators into 10,862 filling and reporting items in accordance with practical situations of related departments and 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 IT support for more organizations and enterprises that aim to fulfill the Global Compact and social responsibilities.

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 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.

III. Social Responsibility Management Elevation Work

SASAC set COSCO Group's social responsibility management experience as a model for central enterprises in management elevation work, and introduced the experience in its guidance for management elevation series of activities – A Guide Book on Enterprise Social Responsibility Management. Second-tier subsidiaries of COSCO Group further improved the social responsibility management system in accordance with SASAC's requirements on management elevation work to prevent against social responsibility risks and lay a solid foundation for social responsibility management.

COSCO Group formulated working plans in accordance with SASAC's overall requirements and deployment on social responsibility management elevation work, specified the focuses and direction for management elevation work of its subsidiaries and carried out special training on social responsibility management to elevate the management ability of professionals. In combination with the building of management system such as comprehensive risk management and internal control system, it further incorporated the sustainability objectives and requirements with the mechanism and process for management system and promoted the exchanges and studies of management experiences of the subsidiaries.

COSCO Group scientifically evaluated the performance of management elevation work with the informationization platform, and fed back the evaluation results to related departments and enterprises, so as to further promote progresses of the work.



Part VIII Full 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. UN 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. In 2012, it continued to attend related activities as a member of UN LEAD Steering Committee. 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. In 2012, COSCO Group actively integrated the principles of LEAD Project with operation of the company, improved the mechanism and system in terms of environmental protection, community and anti-corruption sectors, promoted its subsidiaries to improve the management and elevate the sustainability. These efforts had achieved satisfactory results.

At the end of March 2012, COSCO Group assisted LEAD Project in organizing international symposium on social responsibility and achieved good social influences.

III. 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 COSCO Japan, COSCO America and COSCO Europe, also participate in relevant local activities, and cooperate with Global Compact's local branch as members of local network.

IV. Key Topics and Industrial Initiatives

On Feb. 21, Capt. Wei Jiafu attended the 4th Session of the 2nd China Business Council for Sustainable Development. Capt. Wei, on behalf of COSCO Group, reviewed the report of the council on work in 2011 and the plans in 2012, and suggested that the council shall expand project sectors and research scope, set up projects separately based on industries of its members, such as increase sustainability research project for shipping logistics and related industries and use of risk management theory to enhance the scientific research on sustainability. Capt. Wei's suggestions received high recognition of the council.

V. Advocacy and Participation of Public Policies

On Nov. 8, 2012, the 18th National Congress of the CPC was held in Beijing. Capt. Wei Jiafu observed the meeting as member of the 17th Central Commission for Discipline Inspection of the CPC.

VI. Cooperation and Collective Action

In May 2012, the China Beijing International Fair for Trade in Services (CIFTIS) themed on "WTO and China: Beijing International Forum – Sharing Development Experiences of Service Trade" was held in Beijing. The



event aims to share the development opinions of service trade and discuss on opening and development strategies of Chinese service industry. Capt. Wei Jiafu, President of the China Association of Trade in Services and Chairman of COSCO Group attended the forum. In the discussion, Capt. Wei Jiafu said that service trade will be the new force to promote economic development with the acceleration of global economic integration. The 12th Five-year Planning puts forward that promoting great development of service industry shall be taken as the strategic focuses for industrial optimization and upgrade, and great efforts shall be made to develop service trade. After the financial crisis, the changes of global economy create development space for service trade of transportation industry. The new emerging countries in Asia and Pacific Region will become the important impetus for development of transportation service trade. Lastly, Capt. Wei pointed out that there are many uncertainties in world's economy. Service trade will undoubtedly become the new growth point for development of various countries. He hoped that related countries could further open the service trade market, carry out cooperation in various sectors of service trade comprehensively, and promote the development of global service trade industry together. As the president unit of the China Association of Trade in Services, COSCO Group is willing to make active efforts to development of service trade industry. The China Association of Trade in Services is willing to make greater contributions to the development of global service trade industry with more than 300 member units.

On July 2, 2012, Capt. Wei Jiafu attended the opening ceremony of 8th Beijing – Tokyo Forum in Tokyo and delivered a speech under the theme of “promoting Sino-Japan economic and trade cooperation and coping with global economic crisis together”.

On July 5, Capt. Wei Jiafu attended the Sino-Japan Entrepreneurs Exchange Fair held at the Boao Forum for Asia in Yokohama, Japan, and delivered a speech under the theme of “integration of Asia and role of Chinese and Japanese entrepreneurs” at the sub-forum. Over 60 leaders and entrepreneurs of business circle in China and Japan attended the discussions on topics such as “Sino-US trade investment relations and forecast”, “economic integration of Asia and role of Chinese and Japanese entrepreneurs”, “Sino-Japan resource, energy and innovative cooperation”, and “enterprise M&A – a win-win choice”.

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 Main Engine Slide Valve Type Oil Nozzle Technical Reform Project was appraised as fourth 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 2012.

(III) Golden Bee CSR China Roll

On June 15, 2009, 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. In 2012, the initiative was still promoting the continuous and in-depth development of CSR of China. It enables more enterprises to become “golden bee” enterprises and jointly build up a homeland for sustainability of human beings.

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.

Industrial 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	Promoting healthy development of



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



	at promoting bilateral trade and investment 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 sprits conveyed at	Continuously improve its profitability and key competitiveness so as to keep and increase value of	Requirements on comprehensive risk management, enterprise sustainability, corporate social reliability report, and construction of resource-saving	Profit, capital return ratio, rate for value keeping and increase of state-owned assets, total debts, asset-liability



	the conferences, periodical reports, daily communication with authorities, reports and visits	state-owned assets	enterprise as well as related evaluation indicators	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	Rational suggestions,	Continuously improve	Career development, opportunity, treatment,	Employees' satisfaction,



structure of the company	president's mailbox, conference, opinions collection and exchanges	company's profitability and sustainability ability, provide more welfare and promotion opportunities to employees	graceful and confident working environment	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	
Trade unions (Trade unions in China and in places where it operates)	Speaking rights on important company decisions, collective negotiation, trade union representatives in periodical communication with contacts, staff representative conference	Respect labor rights, comply with requirements of trade 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 trade union, number of trade unions in subsidiaries set by group trade union, signing collective contracts, employee participation ratio
Community (in China and business locations)	Signing contract on joint civilized construction, joint program	Civilized production, boost community prosperity and	Non-pollution and non-damages on community environment, no safety	Investment in community building, number of



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

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

II. 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. Stakeholders' Participation in 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 Sept. 19 to Sept. 20, 2012, the World Shipping (China) Summit 2012 was opened in Xiamen, Fujian under the theme of "jointly establishing the market order and sharing the future". The summit was participated by over 700 internationally renowned experts and industrial representatives in shipping-related industries such as international shipping, port, shipbuilding and ship-repairing, finance and trade. Contents of the summit cover all aspects of shipping, shipbuilding, port, logistics, trade and financial industries. At the event, Capt. Wei Jiafu put forward the concept 4C, namely confidence, commitment, communications and cooperation. It is said that every enterprise needs to be self-disciplinary, develop its business in compliant with laws and regulations, seize the opportunities, and firmly remember that profit is always more important than market share. In the process of cope with financial crisis, they shall find the rational and correction operation mode, and make concerted efforts to welcome the spring of the industry. Shipping industry will develop in a safer, healthier, more environment-friendly and sustainable manner.

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

In 2012, COSCO Group entered into strategic partnership agreement with governmental departments, VIP customers and suppliers such as Qinghai Municipal People's Government, Anshan Iron and Steel Group, and China National Nuclear Corporation (CNNC) to enhance the cooperation and seek for mutual development.

(III) Social Responsibility Management within the Supply Chain

COSCO Group makes actively efforts to spread the social responsibility concept, and shared sustainability ideas with enterprises in the supply chain. By putting forward requirements in procurement agreements and carrying out inspection on suppliers, it has promoted the enterprises in the supply chain to implement the requirements on sustainability in related guidelines.





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

In recent years, international community pays closer and closer attention to energy conservation, emission reduction and environmental protection. How to protect ecological environment of the ocean has become an important task of all countries. In the world, the ballast water transshipped by ships reaches over 10 billion tons each year. Each day, over 7,000 ocean lives are promoted worldwide with the ballast water, and the economic losses thereof reached over USD400 billion each year.

BOS ballast water management system is comprised of filter, medium-pressure ultraviolet reactor and controlling unit. It is a comprehensive application system that covers multiple disciplines including biological science, material science, fluid dynamics, optics, environmental science and ship design. It is an ultraviolet disposal technology, one of the mainstream ballast water disposal technologies in electrolysis and ultraviolet sectors, and features stable performance, good effects, no poisonous effect and wide application scope. The filter adopts pre-admission gas-assisted liquid full-automatic self-cleaning technology independently developed by the group. The filter features simple structure and high reproduction rate and reliability of filtering core. The medium-pressure ultraviolet reactor adopts internationally advanced “cross” design, which is capable of killing the planktons and microbes below 50 microns immediately. The controlling system can realize automatic power output through frequency conversion technology and ensure that the number of microbes per cubic meter is less than 10 after disposal, thus bring satisfactory environment acceptability.



In 2012, five sets of BOS ballast water management system had been successfully installed on ocean ships, winning high recognition and confirmation of ship-owners and industry insiders. The matured and high-end disposal technology has reached internationally advanced level. (The photo shows that the Greek ship-owners, shipyard and related persons of CCS are inspecting the BOS ballast water management system to be installed on the ship.

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

In 2012, 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 appraisals such as DNV, GRI and Global Compact.

COSCO Group attended the discussion and formulation of GRI G4 standards, which had been released in worldwide scope on May 2013.

(VI) Exchanges with Research Institutes, Colleagues and Universities

On March 2, 2013, Capt. Wei Jiafu attended the awarding ceremony of 10th Excellent Achievement Award of England Board of Higher Education, and won the “Global Educational Leaders Award”. Capt. Wei also had wide exchanges with other participants concerning on the cooperation of educational industry between China and America.

Under the invitation of Dr. Gene Block, president of UCLA, Capt. Wei Jiafu delivered a keynote speech titled “Golden Cooperation Opportunities between China and West Coast of America” on March 5, 2012. In his speech, Capt. Wei forecasted the economic cooperation prospect between China and America, in particular west America. He believed that West America and China have huge cooperation space and opportunities in expanding mutual-investment, opening of market, promoting technical exchange and cooperation, and developing energy-conservation and environmental-protection technologies. He also suggested America to lower the requirements on export of high-tech products to promote export, employment and high-tech manufacturing industry.

Under the invitation of Tsinghua University, Capt. Wei Jiafu attended the Tsinghua Global Management Forum themed on “World Economy and New Trend of Transnational Management” at the Economic Management Institute of Tsinghua University on Oct. 23, 2012. At the event, Capt. Wei made in-depth discussion and exchanges with others on topics such as management and culture of transnational enterprise, and received wide recognition of special guests and audiences.

(VII) Exchanges with Intermediary Agencies

On Oct. 19, 2012, Capt. Wei Jiafu met with Bjorn Rosengren, President and CEO of Finland-based Wärtsilä and his associates. Both sides reviewed the friendly cooperation between COSCO and Wärtsilä in the past years, and exchanged opinions on the shipping market at present and business development in the future.

On Nov. 5, 2012, Capt. Wei Jiafu met with Richard Sadler, CEO of Lloyd’s Register of Shipping, and his associates. Both sides exchanged opinions on situations of international economy and shipping market and the cooperation in the future.

On Nov. 28, 2012, Capt. Wei Jiafu met with the management team of APCO Worldwide. Mr. Don Bonker, former house representative of America and executive president of APCO Worldwide, Mr. Don Riegle, former



senator of American and President of Governmental Affairs Unit of APCO Worldwide, and Jonathan Winner, SVP of APCO Worldwide attended the event. During the meeting, the management team of APCO introduced the latest political and economic situations of America. Capt. Wei Jiafu extended thanks to APCO for the excellent consultation service provided by the latter in the past years, and exchanged opinions with the visiting guests on situations of international shipping market.

IV. 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 the ISO26000 Guidance on Social Responsibility (ISO26000) and insists on carrying out social responsibility-related activities when meeting economic and financial crisis. As the crisis will have great influences on more vulnerable groups, it has greater demands for enhancing social responsibility. On this basis, COSCO Group carefully considers the methods to integrate



economic, environmental and social factors with decision-making and activities of the enterprises more effectively, and formulates the implementation plans.

As the social responsibility is related to potential and actual influences of decision-making and activities of enterprises, carrying out daily activities continuously becomes a key sector for fulfillment of social responsibility. Social responsibility has become an indispensable part of COSCO Group's core strategies. The group has gradually implemented the related responsibilities and obligations to all levels of the enterprise.

COSCO Group deeply understands the dependence relations of between sustainability, and economy, society and environment. Therefore, COSCO Group's social responsibility target is to realize the sustainability.

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.

In 2013, efforts will be made to bring the detailed requirements of ISO26000 into the daily management and operation of the company. Daily management decision-making system of COSCO Group will include formal governance mechanism and informal governance mechanism. The former is based on existing structure and procedures, while the latter reflects the culture and value concept of the group. COSCO Group will bring social responsibility concept and principles into its decision-making process. These principles include responsibility-taking, transparency, ethical behaviors, respect to interests of stakeholders, respect the laws, respect internal code of conduct and respect human rights.

II. Implementation of ISO26000

In 2012, the group promoted implementation of ISO26000 from following aspects:

1. COSCO Group carries out studies and researches on ISO26000 social responsibility principles and seven core themes among its management team and subsidiaries responsible for social responsibility, and puts forward pertinent policies and suggestions.

2. In 2012, COSCO Group continued to carry out risk evaluations on its 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 ISO26000 social responsibility concept and requirements into its sustainability management system, COSCO Group organizes staff of its sustainability system to clear, research and evaluate the management system and sustainability information management of the group, and better integrate its social responsibility management tools, ISO26000 social responsibility principles, seven core themes and related important topics and indicators with sustainability report of the group. It also adjusts and improves the system document and management processes to realize the optimization of existing management system and ensure that the company could perform its social responsibility in a systematic, normal and standard manner.

4. Besides adjusting the framework in accordance with ISO26000 requirements in last year, the group organizes the members of the report compilation team to clear and research related issues based on requirements of seven core themes related to social responsibility of ISO26000 and social responsibility topics and practices concerned by stakeholders as confirmed by COSCO Group, and tries to elaborate the issues such as organization & governance, human right, labor practice, environment, fair operation and practice, consumer's issues, social participation and development as detailed as possible in related parts of the sustainability report.

III. ISO26000 Implementation Results

Following results were achieved through effective implementation of aforesaid measures:

1. By enhancing the training and guidance, the group has integrated the social responsibility concepts and requirements into its governance, optimized the governance structure and operating mechanism and tried to ensure the responsibility-performing behaviors in terms of governance.
2. By integrating ISO26000 social responsibility concepts and requirements into its strategies, the group has fully reflected the social responsibility performance in its strategic objectives, meaning, action and comments.
3. By integrating ISO26000 social responsibility concepts and requirements into its sustainability management system, the group has realized the optimization of existing management system and ensured the performance of social responsibility in a systematic, normal and standard manner.
4. By integrating ISO26000 social responsibility concepts and requirements into production and operation processor of the group and its subsidiaries, the group has optimized all sectors of the value chain and ensured the in-depth convergence of social responsibility with daily operation.



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.

COSCO Group established the comprehensive management systems regarding quality, environment and occupational health & safety and passed related certifications. 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.

On the basis of quality management system, all subsidiaries operate in accordance with the Basic Standards for Enterprise Internal Control and related implementation rules, UN Global Compact sustainability management system and information security management system. Related information is as follows:

Unit	Internal control		Quality management standards		Other management standards	
	Established	Audit	Established	Certified	Established	Certified
COSCO Group headquarters	★	★	★	★	■▲	■▲
China COSCO	★	★	★	★	▲	
COSCON	★		★	★	■▲	■▲
China COSCO Bulk			★			
COSCO Logistics	★		★	★		
COSCO Pacific	★	★	★			
COSCO Bulk	★		★	★		
COSCO (Hong Kong) Shipping	★		★	★		
COSCO Qingdao	★		★	★		
COSCO Shipping		★	★	★		
COSCO Dalian			★	★		
COSCO Xiamen			★	★		
COSCO Shipyard			★	★		
COSCO Shipbuilding			★	★		
CHIMBUSCO			★	★		
China Ocean Shipping Tally			★	★		
COSCO Finance			★			
COSCO Manning			★	★		
COSCO Hainan Boao			★	★		
COSCO H.K.						
COSCO America						
COSCO Europe						
COSCO U.K.			★	★		
COSCO Singapore			★	★		
COSCO Australia			★	★		
COSCO Japan			★	★		
COSCO Korea			★	★		
COSCO West Asia						
COSCO Africa						

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.

(VII) Management Elevation

In face of the severe situation in 2012, COSCO Group promoted management elevation in the entire system. With a focus on the 13 key sectors for management elevation work determined by SASAC and the key work of the group, it found the issues that affect operation and development of the enterprise through management diagnosis, carefully analyzed reasons of the issues and put forward solutions based on researches. For issues found, it had researched and formulated the feasible rectification measures and implemented the measures rapidly, achieving certain results in investment, financing, production operation and administrative management sectors. Under the principles of “existing based on current situation and eyeing on long-term development”, it specified the key issues of the group as a whole, and promoted special management elevation projects in terms of comprehensive budget, receivable account, technological innovation, investment decision-making and supplementary industry with lean management as the guidance, scientific benchmarking as the method and cost reduction and benefit increase as the target.

In the meantime, the group made innovations on carrier of the activity, held the promotional fair of management elevation activity, mobilized all staff to offer suggestions and make contributions, and formed a favorable situation for management elevation work. It had sought for advanced enterprises in terms of lean management within the group, established two models for lean management namely NACKS and New Century Decal (Shenzhen) to elevate the management level of the enterprise through wide promotion and benchmarking.



1. Elevation of comprehensive budget management

In 2012, COSCO Group made arrangement for deepening of comprehensive budget management of entire system, promoted comprehensive budget management at pilot units such as COSCON, and propelled other units to do a better job in budget management work. In 2013, the group will continue to promote comprehensive budget management under the principle of “fanning out from point to area and step-by-step implementation”. For units that meet the conditions, effort should be made to promote the comprehensive budget management stably. For units that don’t meet the conditions, efforts should be made to management and control of costs and expenditures, segment the cost-control measures and reduced the controllable costs strictly. By carrying out special management elevation of comprehensive budget management, it had tried to promote the comprehensive budget management of entire system. Besides, efforts were made to research on the issues such as integration of budget control and budget implementation results with evaluation mechanism and construction of budget management information system.

2. Elevation of Receivable Account Management

In order to reasonably control the accounts receivable, improve the capital utilization efficiency and prevent against capital safety risk, COSCO Group had promoted the special management of accounts receivable. With the management elevation activity, it will unify the accounts receivable management system of COSCO Group and determine evaluation methods and indicators for accounts receivable of second-tier subsidiaries. The group also required the second-tier subsidiaries to formulate or improve their credit policy and accounts receivable management rules, and elevated the management level of accounts receivable.

3. Elevation of technological innovation management

In order to strengthen the transformation and promotion of technological achievements, promote the systematic, scientific and standard management of technological innovation, establish advanced, high-efficient and sharing technology management platform, and promote the building of versatile technology management talents, COSCO Group carried out special elevation of technological innovation. With the management elevation activity, it had determined the principle to give prior consideration to scientific research achievements transformation, demonstration and promotion projects when selecting scientific research projects. In 2012, it had completed the revision of related rules and regulations such as computer information security management rules and management methods of scientific research projects, prepared for technology management system building project and put forward requirements on building of technological management talent team.

4. Elevation of Investment Decision-making Management

In order to shorten the investment decision-making chain, optimize approval procedures of regular projects and control investment costs of ships, COSCO Group organizes special activity to elevate investment decision-making management to revise the investment management methods, standardize the investment management approval procedures, emphasize on pre-investment management, simplify the approval procedures of some small and medium-sized investment projects and enhance the management of ship buying and



ship-building investment. The group also formulated the management systems and implementation rules of ship-buying and ship-building suppliers (shipyards), standardized supplier bidding management, and emphasized the track and control of formation process of ship investment costs. With these measures, it tried to improve the scientific, standard and informationization management level of investment decisions.

2. Elevation of Supplementary Industry Management

In response to the risk of periodic fluctuation of shipping business, domestic shipping enterprises all took non-operating measures to avoid losses. COSCO Group had promoted special elevation project for supplementary industry management and formulated the 2012-2014 working plans for supplementary industries, hoping to solve the issues such as unreasonable industrial structure, high proportion of shipping business, sharp increase and decrease of economic benefits and insufficient anti-risk ability through the diversification of related businesses. The working plans for supplementary industries clearly specify the focuses, entry methods, implementation ways, investment scale, financing scale, risk preference and returns for development of supplementary industry, and determine that financial leasing industry, banking industry and oil and gas supplying business are key supplementary industries. The group had started the research and argumentation of supplementary industry projects, and some projects had achieved staggered progresses. In 2012, COSCO (H.K.) Group invested USD30 million to purchase H-shares of Chalico, and COSCO Qingfu invested for public issuance of H-shares of CNMC.

II. Performance Indicators

(I) Direct Economic Value Created and Distributed

In 2012, the imbalance of supplies and demands of international shipping market in 2011 continued and even became fiercer. International dry and bulk shipping market was in depression continuously, and average BDI in the year was 920 points, down 40.6% compared with the average value of 1,549 points in 2011. The BDI was in the lowest level in the past 25 years since its establishment.



Although the group adopted a series of measures to increase the revenue and save the expenditure, such as reform on marketing system, enhance internal collaboration, promote concentrated procurement and strengthen



benchmarking management, efforts of these measures still need time to appear. Affected by weak market demands, low freight rate level, rigorous increase of costs, and imbalanced fleet structure, the group still suffered from losses in 2012.

Series loss made COSCO Group to face unprecedented pressure in capital market. In face of challenging market situation, on one hand, leaders of the group delivered speeches at many international and domestic forums to guide the media make objective report on the fact that ocean shipping industry is struggling in low valley of economic cycle, receiving recognition, understanding, sympathy and supports of central leaders and leaders of different levels. On the other hand, COSCO Group insisted on facing the investors faithfully, and carried out wide communication and exchanges with domestic and overseas investors. Firstly, they deepened investors' understanding on difficult situation of shipping market to gain understanding of investors. Secondly, they disclose the operating situations of enterprises in an objective and accurate manner, elaborated the group's strategies and development directions to cope with the difficulties and the market opportunities that may appear in the future. In the meantime, it strengthened the publicity of relatively weak periodicity industry and emphasized the highlights, such as logistics, terminal, special ship transportation, leasing business and ocean engineering business. In order to effectively guide the public opinions and keep image of the enterprise, the group established crisis PR team to monitor the changes of opinions of the media. Despite of unsatisfactory performance, the group gained understanding of regulatory institutions, investors and media, and kept the overall image of the group and China COSCO.

In 2013, the imbalance of supplies and demands of international shipping market still existed and the market situation was not optimistic. COSCO Group had coped with crisis of shipping industry for many times. The group will make good use of its past experiences to go out of the difficulties. We will spare no efforts to seize the market opportunities, struggle for benefits, and to make up deficits and increase benefits. Measures to be taken are as follows:

- (1) Try to increase the revenue. Efforts should be made to elevate marketing level, strengthen value marketing, deepen customer development, innovate on marketing mode and expand value-added services. Attention should be paid to both volume of basic source of cargos and per unit contribution value.
- (2) Strictly control the cost. Special efforts should be made to control fuel cost and operating costs, reduce administrative costs, and control financial cost and labor cost.
- (3) Focus on management. Efforts should be made to enhance comprehensive budget management, management of procurement and suppliers, and building of internal control system, so as to elevate the systematic and procedural operation level of the group in a comprehensive manner.
- (4) Strengthen structural adjustment. Continuous efforts should be made to optimize global network, make arrangement in new emerging markets, increase proportion of extension service and eliminate old ships. Effective measures will be taken in terms of fleet structure adjustment, market structure adjustment and customer structure adjustment.



(5) Improve service quality. Attention should be paid to customers' requirements and efforts should be made to elevate the professional and personalized service level. In particular, efforts should be made to strengthen schedule management of container shipping business, elevate quality of transshipment service and improve multi-modal service network.

(6) Improve the comprehensive risk management system. Efforts should be made to establish normalized risk assessment and internal control assessment mechanism, perfect important risk warning and reporting system, improve management and control of important risks, energy efficiency monitoring and audit & supervision to enhance the risk prevention and control of high-risk business.

On July 8, 2013, Fortune magazine released the list of Global 500 enterprises. COSCO Group ranked the 401st place in the list with the operating revenue of USD28.736 billion in 2012.

1. Direct Value Created

In 2012, total shipping volume of COSCO Group reached 426.79 million tons, with the freight turnover of 1988.436 billion ton sea miles. The market occupancy in container shipping market was 5.5%, and the market occupancy in oil tanker market was 11%. It ranks the fourth place in the world for container carrying capacity. COSCO Pacific is one of the renowned terminal operator and fourth container leasing company in the world. It ranked the first place in Rankings of Top 100 Chinese Logistics Companies for seven times in succession. Moreover, its ship-repairing business also took a lead in domestic market.

In 2012, COSCO Group realized the operating revenue of RMB181.30387 billion. The table below shows operating revenue of the group since 2003:

Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating revenue (RMB100 million)	758	935	1,123	1,229	1,585	1,906	1,188	1,642	1,862	1,813

Indicators Related to Transportation and Production

Fleet size

Self-owned fleet size										
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010	2011	2012
Container ships	Number of ships	17	87	86	85	93	92	101	100	105
	Capacity (10,000 TEU)	6.9	18.4	18.2	19.9	29.28	31.54	35.91	35.87	39.46
Dry and bulk carriers	Number of ships	156	208	228	217	224	238	245	249	237



	Capacity (10,000 DWT)	1,419	1,256	1,431	1,380	1,476	1745	1882.16	1997.28	1,970
Oil tankers	Number of ships	0	17	28	27	24	25	29	31	32
	Capacity (10,000 DWT)	0	205	340	338	347	382	463	522	552
Other liquid bulk carriers	Number of ships	0	8	16	19	22	18	19	15	15
	Capacity (10,000 DWT)	0	4	5.9	8.63	10.4	9.26	10	8.5	8.5
General cargo ships	Number of ships	0	94	97	94	93	74	73	68	75
	Capacity (10,000 DWT)	0	157	170	164.92	161	143	157.16	153.04	174.18
Other ships	Number of ships	0	11	19	18	18	15	14	18	22
	Capacity (10,000 DWT)	0	13	20	20.7	20.7	21.35	22.91	41.63	49.21
Total of self-owned ships	Number of ships	173	425	474	460	474	462	481	481	486
	Capacity (10,000 DWT)	1,518	1,910	2,237	2,198	2,411	2,720	3,007	3,194	3,263

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

Leased fleet size										
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010	2011	2012
Container ships	Number of ships	17	19	54	59	48	54	49	57	69
	Capacity (10,000 TEU)	6.9	7.4	21.7	23.6	20.35	24.56	25.5	30.93	36.24
Dry and bulk carriers	Number of ships	156	130	179	305	292	236	238	160	131
	Capacity (10,000 DWT)	1,419	1,296	1,641	2,530	2,489	2,094	2,166	1,598	1,266
Oil tankers	Number of ships	0	0	2	5	5	6	8	10	8
	Capacity (10,000 DWT)	0	0	58	141	141	171	239	298	236
Other liquid bulk carriers	Number of ships	0	0	1	0	1	2	1	4	4
	Capacity (10,000 DWT)	0	0	0.7	0	0.5	1.23	0.62	2.95	3.73
General cargo ships	Number of ships	0	1	3	3	9	6	16	23	28
	Capacity (10,000 DWT)	0	2	6	6	22	18	50	59	102



Other ships	Number of ships	0	0	2	9	6	4	6	8	13
	Capacity (10,000 DWT)	0	0	1.7	11	6.82	4.58	6.84	11.28	23.41
Total of self-owned ships	Number of ships	173	150	241	381	361	308	318	262	253
	Capacity (10,000 DWT)	1,518	1,396	1,982	2,987	2,910	2,313	2,771	2,338	2,063

Total fleet size controlled										
Ships	Indicators	2004	2005	2006	2007	2008	2009	2010	2011	2012
Container ships	Number of ships	103	106	140	144	141	146	150	157	174
	Capacity (10,000 TEU)	25.2	25.8	39.9	43.5	49.63	56.1	61.41	66.8	75.70
Dry and bulk carriers	Number of ships	363	338	407	522	516	474	483	409	368
	Capacity (10,000 DWT)	2,617	2,552	3,072	3,910	3,965	3,838	4,049	3,596	3,237
Oil tankers	Number of ships	14	17	30	32	29	31	37	41	40
	Capacity (10,000 DWT)	108	205	398	479	488.5	553	702	821	789
Other liquid bulk carriers	Number of ships	10	8	17	19	23	20	20	19	19
	Capacity (10,000 DWT)	4	4	6.6	8.6	10.9	10.5	10.62	11.45	12.23
General cargo ships	Number of ships	92	95	100	97	102	80	89	91	103
	Capacity (10,000 DWT)	152	159	176	171	183	161	207	212	276
Other ships	Number of ships	11	11	21	27	24	19	20	26	35
	Capacity (10,000 DWT)	13	13	22	31	27.56	4.58	29.75	52.91	72.62
Total of self-owned ships	Number of ships	593	575	715	841	835	770	799	743	739
	Capacity (10,000 DWT)	3,266	3,306	4,219	5,185	5,321	5,033	5,778	5,532	5,326

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

Registration of ships

Ship flag registered (region)	China	Panama	Hong Kong	Others
Number of ships	212	144	123	7

Transportation, production and related indicators

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
Freight volume	27,022.87	32,103.33	35,617.33	41,158.12	44,098.57	40,979.06	43,582.25	44,176.32	42,679.03



(10,000 tons)									
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	19,884.36
Average age of self-owned ships (years)	13.90	14.6	15.16	15.48	15.23	14	13.27	13.06	12.78
Revenue of logistics business (RMB10,000)	173,486	206,623	351,000	1,200,000	1,431,263	1,221,755	1,529,787	428,800	707,100
Output value of ship-repairing business (RMB10,000)	268,000	417,000	553,000	787,652	900,500	476,160	422,743	346,586	323,121
Output value of shipbuilding business (RMB10,000)	178,309	201,558	250,278	325,696	1,080,200	1,118,511	2,018,640	1,064,540	1,328,041

2. Operational Costs

Effective cost control is a key element for an enterprise to make profits and achieve success. In face of depressing shipping market and the increased costs in 2012, COSCO Group continued to promote the “Lean 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. Main measures taken are as follows:

- (1) Continue to enhance fuel cost control.
- (2) Continue to promote reduction of rents of dry and bulk carriers with high rents. Take rent cost for instance, it had saved the rent cost by USD91 million in the whole year through adoption of measures such as leasing agreement restructuring.
- (3) Continue to enhance control of port charges, container management fees and cargo handling fees.
- (4) Strictly control administrative fee, improve management efficiency and release compulsive cost-saving measures in terms of meeting, business trip, reception, office and business vehicles.
- (5) 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) Lower the leasing cost. As of the end of December, operating cost of dry and bulk cargo transportation and related businesses of China COSCO Bulk totaled RMB20.594 billion, a decrease of RMB5.509 billion and 21.1% year-on-year. Of which, the carrying capacity of leased ships was further reduced, and the ship leasing fee reached RMB8.31 billion, a decrease of RMB5.21 billion and down 38.53% year-on-year.

(b) 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.

(c) Save transportation costs. While ensuring the service quality, COSCON further deepened the energy-conservation and emission reduction measures to reduce the fuel consumption per container by 8.7%. In the whole year, it had saved the fuel consumption 257,500 tons and the fuel costs by over RMB1.05 billion.

(d) Reduce single-unit fuel, water and electricity costs of terminals. PCT Terminal of COSCO Pacific enhanced the energy conservation and emission reduction in loading/unloading process, and optimized equipment operation routes through reasonable allocation and overall coordination. Through the adoption of rail cranes, it had reduced the use of straddle carriers. It also promoted the replacement of oil with electricity to reduce the fuel costs. After the production of rail-mounted gantry crane at No.2 terminal, which leaves enough piling ground, the company timely changed the piling operation modes in the east side of No.2 terminal, and changed the mode of transportation from straddle carrier to Exchange Area for container switch with tractor into the transportation from tractor to piling ground that needs switch of container. The straddle carrier is only responsible for piling and drawing of containers. As the fuel consumption of tractor is greatly lower than that of straddle carrier, it had greatly reduced the fuel costs. In 2012, the fuel, water and electricity cost per natural container was reduced by 15.4% year-on-year, saving Euro1.23 million of fuel cost. The energy conservation and emission reduction work had achieved significant results.

(e) Save agency fee. On the basis of enhancing preferential freight rates of some ports, COSCO (H.K.) Shipping strengthened the negotiation with Brazilian agency LBH to reduce the agency fee per ship by thousands of yuan, thus saving USD705,700 of agency fee for the company.

(f) Reduce operating cost of containers. Through the activities of QC team, COSCON took measures to speed up dismantling and return of containers to the piling ground, control stocking volume of ships, and speed up the transfer of empty containers from regions which sufficient number of containers to regions which are lack of containers. These measures had effectively shortened the turnover time of containers at the shore and the staying time of empty ships, reduced the operating costs of ships, and save more than USD1 million of fixed costs of containers per month.



(g) Save administrative fee. Hainan COSCO Boao took various administrative fees as separate indicators for evaluation and assigned the indicators to related units and departments. It also strengthened the budget management and implementation, and further established and improved the budget implementation analysis system to strictly control the related administrative fees to the budget scope. In 2012, the five administrative fees of the company had reduced by RMB560,000 compared with actual figure in 2011, down 7.5%. The actual administrative fees were also RMB660,000 lower than the budget reported in 2012, down 9%.

(h) Reduce cost of ocean engineering projects. COSCO Shipyard (Nantong) brought the equipment procurement of ocean engineering projects into its management scope, enhanced the cost control of the projects, emphasized the cautiousness and professionalism in business development, and promoted procedural and lean management. These measures had save time and greatly reduced the procurement cost. Of which, the cost of outsourcing equipment of three new ocean engineering projects had reduced by over RMB50 million compared with the budget.

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.

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 2012, the proportion of basic endowment pension paid by the group was 20% and that paid by individuals was 8%.

4. Payment to Capital Providers

In 2012, net losses of COSCO Group reached 3.31 billion. Since 2013, COSCO Group generated RMB111.59 billion of profits, about RMB11.16 billion per year, about six times of 2003.

Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total profits (RMB10,000)	189,481	1,217,889	2,007,100	1,504,100	3,405,542	1,740,386	111,061	1,632,631	-371,703	-331,475

In face of depressing shipping market, domestic and overseas listed companies of COSCO Group further established and improved their internal control system in 2012, improved their governance structure and mechanism, promoted comprehensive risk management to effectively control the market risks, promoted lean management to effective control the costs and achieved satisfactory results.



▲ COSCO Investment (Singapore) was honored Most Transparent Company Award Foreign Listing in the appraisal of 13th Investors Selection Awards organized by the Singapore Association of Securities Investors. It was the fifth time for COSCO Investment to win this award since its establishment in 2007. The award is appraised by an appraisal committee comprising of representative of academic circle, media and investors' associations based on information disclosure situation of listed companies. COSCO Investment (Singapore) had distinguished itself from more than 300 foreign companies listed in Singapore.

▲ COSCO International received Asian Best Corporate Governance Award for a second successive year in the appraisal of 8th Asia Corporate Governance Awards organized by Corporate Governance Asia, the most influential corporate governance magazine in Asia. The award fully confirmed the continuously outstanding performance of COSCO International in terms of corporate governance. Till now, the Asia Corporate Governance Awards had been appraised for eight successive years, and is one of the most influential annual appraisals in the industry. The appraisal aims to award excellent companies who have continuously outstanding performance in terms of corporate governance.

Indicators of Listed Companies under COSCO Group (As of Dec. 31, 2012)

Company	Listing place	Total market value (RMB100 million)	Share proportion (%)	Market value calculated by share proportion (100 million)	ROE on net assets (%)	Dividend distributed	Dividend per share at end-period	Basic profits per share (RMB)
China COSCO	Hong Kong/Shanghai	416.2	52.80%	241.4	-32%	0	0	RMB-0.94
COSCO Pacific	Hong Kong	RMB24.944 billion (about HKD30.758 billion)	China COSCO holds 43.21% stake of COSCO Pacific	107.8	8.5%	In the middle of 2012: USD72.612 million At the end of 2012 (planned): USD65.862 million	US2.364 cent	US12.51 cent
COSCO International	Hong Kong	HDK5.16 billion (about RMB4.18 billion)	62.29%	26.0	5.0%	Total dividend in 2012 reached HK8 cent, and the dividend distribution rate was 33%	HK6 cent	HK23.98 Cent
COSCO Investment	Singapore	SGD2.004 billion	53.35%	54.5	8.2%	SGD0.02	SGD0.02	SGD0.047



COSCO Shipping	Shanghai	66.4	50.52%	33.6	0.29%	33,808,927.86 元 RMB0.05 per share is distributed (pre-tax), totaling RMB33,808,927.86	0	RMB0.011
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5. Payment to the Government

In 2012, COSCO Group paid RMB3.54 billion of taxes to the government. Since 2003, the group had paid RMB51.4 billion of tax revenue to the governance, about RMB5.14 billion per year, up 182.4% compared with 2003.

Indicator/Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total tax paid (RMB10,000)	181,792	327,812	578,271	523,653	865,959	1,079,733	344,384	465,430	420,351	353,781

6. Social Investment and Input

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.

Main projects of COSCO Charity Foundation cover education aid, medical aid, disaster relief, poverty-relief and environmental protection sectors. In 2012, COSCO Group implemented 29 public welfare and charity projects through COSCO Charity Foundation, and donated RMB23.98 million of capitals. Of which, it had made special efforts to promote the cooperation project with the Ministry of Civil Affairs and the civil affair aiding project. The charity found for public welfare projects managed by the Ministry of Civil Affairs totaled RMB20.75 million, accounting for 86.51% of the total.

Indicator (RMB10,000)/year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Investment funds provided for social projects (RMB10,000)	866.1	584.37	3,794.63	3,355.7	5,876	6,142.3	2,208	7,198	3,900	2,398

(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 2012, a total of 92 tropical cyclones (including TD) were generated worldwide, an increase of six compared with 2011. Number of ships affected reached 918, about two times of that in 2011. The number of ships affected had increased greatly, and the non-productive staying time and navigation time of ships at ports also increased correspondingly.

Year	2008	2009	2010	2011	2012
Number of ships (times) affected	99	105	87	86	92
Number of ships affected (number of ships)	490	342	433	459	918

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.



COSCO Group has tried 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 2012, COSCO Group adopted 187,900 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 RMB59.287 million. In the past six years since 2007, cost of the group had increased by RMB167.63 million due to the use of low-sulphur fuel.

Year	2007	2008	2009	2010	2011	2012
1.5% <i>m/m</i> fuel consumption volume (ton)	53,094	107,592	79,474	11,0475	10,6278	187,900
Cost increased for using 1.5% <i>m/m</i> fuel (RMB10,000)	2,043	1,182	2,848	1,818	2,944	5,927

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 of shipping companies under the group. 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.

(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 2012, total number of retired employees of the group reached 32,454. (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
2012	1,062	32,454

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 Supports Provided by the Government

In recent years, COSCON insisted on carrying out energy conservation and emission reduction work in terms of personnel, technology and management. It had spared no efforts to promote low-speed navigation of ships and energy efficiency management of ships, controlling the total fuel consumption and per unit fuel consumption of the company at a relatively low level. These efforts enabled the company to gain better economic benefits, and social benefits, and received good comments from the government and all circles of the society. In 2012, the COSCON Special Energy-conservation and Emission Reduction Project of the company



successfully passed the acceptance check of related ministries and commissions including the Ministry of Transportation, and received RMB10 million of special capital support from the Ministry of Finance. The company also became a large-sized shipping enterprise that received RMB10 million of special capital support for two successive years.

COSCO Star of Xiamen Mintai Ferry opened the cross-strait passenger and cargo shipping business to service economy and trade on both sides of Taiwan Strait, and received RMB19.88 million of fuel subsidies offered by Fujian Province and Xiamen City.

COSCO (Lianyungang) Liquid Loading & Unloading Equipment Co., Ltd received RMB1.091 million of subsidies for technological supporting projects offered by the Department of Finance and Department of Science and Technology of Jiangsu Province, and received RMB550,000 of industrial transformation and upgrade special subsidiary and new product development subsidy from Jiangsu Province and Lianyungang City.

(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. In the face of severe market situation, COSCO Group tried to keep salaries of seamen to ensure stability of seafarer's team of the company.

(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.

(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 2012, COSCO Group has employed 4,329 foreign employees, accounting for 5.8% of the total.

Number of Foreign Employees Recruited by COSCO Group since 2004

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of foreign employees (persons)	3,989	3,877	4,048	3,752	4,188	4,207	4,023	4,173	4,329

(VIII) Public Services

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

In order to offer better training for the seafarers, elevate the quality of them and promote healthy development of shipping business of the group, and to provide excellent seafarers for shipping industry, COSCO Group invested and established Qingdao Ocean Shipping Mariners College in 1976 to cultivate various talents for ocean shipping industry of China. With the tenet of “focusing on COSCO, depending on the industry and serving for the society”, the college had cultivated more than 50,000 talents since its establishment, feeding many ocean shipping talents for international ocean shipping industry.

So far, the college has developed into a high school of shipping industry that offers bachelor and diplomatic education for adults, special trainings and continued education. The school has a total floor area of 277,000 square meters and the total construction area of 164,300 square meters, and offers 18 majors including navigation technology, marine engineering, ship navigation and engine management. Currently, the college offers 130 training projects, and can train 15,000 persons (times) each year. It is the largest seafarer training base on the country, and the high school that offers highest number of training projects. It is also the first high school that passes DNV certification and certification of seafarer education and training quality guarantee system of the Maritime Safety Administration of China.

COSCO Group launched the construction of Jiaonan Campus of Qingdao Ocean Shipping Mariners College in 2009. The campus has the total planned area of over 1200 mu, and is divided into south and north regions. The south region covers a total floor area of 700 mu and the planned construction area of over 200,000 square meters. After completion, it will be mainly used for diplomatic education and basic skill training. The north region covers a total floor area of 500 mu and the planned construction area of over 100,000 square meters. It will construct COSCO Group International School of Commerce, Party School of COSCO Group, International Maritime Exchange Center and National Technological Center.



The ship and shore-based employees of COSCO Group had carried forward the international humanistic spirits. At the critical time when life and property safety of other ships and persons are seriously threatened, they held human-oriented spirits and tried to lend a helping hand, showing excellent occupational quality and the high ethics of COSCO Group's seafarers.

On Feb. 2, 2012, a ferry of Papua New Guinea that travels between Jinbei and Laicheng was sunk in the northwest sea area of the country. Zhonghe Ferry of COSCON received the aiding signal sent by Australia when navigating from Australia to Ningbo, China. It changed the direction and navigated to the accidental sea area and carry out rescue work actively. With the joint efforts of all seafarers of Zhonghe Liner, two life rafts were saved at 12:40 and 13:20 respectively, saving a total of 29 passengers, including four children, 15 females and 10 males. IMO sent a letter of thanks to praise the active efforts made by Zhonghe Liner to rescue others. In the letter, IMO Secretary-general Koji Sekimizu, on behalf of IMO, extended thanks to all seafarers for rescuing others regardless of difficulties. COSCO "Jinguangling" Liner overcame the severe situations and successfully rescued 10 seafarers of Korean ferry Bright Ruby when navigating from Port Kelang to Jingjiang Port in November 2011.



3 July 2012

The Crew of the Zhonghe Liner
Candidate for the 2012 IMO Award for Exceptional Bravery at Sea
c/o Mr. Li Guangleing
Consul (Maritime)
Embassy of the People's Republic of China
49-51 Portland Place
London W1B 1AL

Dear Members of the Crew,

I refer to your nomination by the Governments of the People's Republic of China and Papua New Guinea for the 2012 IMO Award for Exceptional Bravery at Sea. In this connection, I am pleased to inform you of the decision of the IMO Council that you should receive a Letter of Commendation, in recognition of your role in the coordinated rescue, on 2 February 2012, together with the crews of the containership MGL Summer, the containership MSC Carole, the bulk carrier Vales and the containership Cap Scott, of the passengers on board the sunken passenger ship MV Rabaul Queen, in difficult weather conditions, saving 245 lives in the process.

In conveying the appreciation of the IMO Council to you, I take this opportunity to add my own warm congratulations for your remarkable effort, of which you can rightly be proud.

With best regards,

Yours sincerely,


Koji Sekimizu
Secretary-General

cc: Mr. Chris K. Rubin, General Manager/CEO, National Maritime Safety Authority,
Port Moresby, Papua New Guinea



3 July 2012

The Crew of the MV Jin Beeng Ung
COSCO Group, China
Candidate for the 2012 IMO Award for Exceptional Bravery at Sea
c/o Mr. Li Guangleing
Consul (Maritime)
Embassy of the People's Republic of China
49-51 Portland Place
London W1B 1AL

Dear Members of the Crew,

I refer to your nomination by the Government of the People's Republic of China for the 2012 IMO Award for Exceptional Bravery at Sea. In this connection, I am pleased to inform you of the decision of the IMO Council that you should receive a Letter of Commendation for rescuing, in the weather conditions, on 21 November 2011, ten crew members of the sailing ship, Bright Ruby, who were overboard and in need of urgent rescue.

In recognizing the appreciation of the IMO Council to you, I take this opportunity to add my own warm congratulations for your remarkable effort, of which you can rightly be proud.

With best regards,

Yours sincerely,


Koji Sekimizu
Secretary-General

On Nov. 16, Liaoning Dazhongyu 15040 ferry was entwined by fishing net at Liaotieshan water course, the tail shaft was destroyed and the water entered the engine cabin. After receiving the rescuing order from Traffic Management Center of Dalian Maritime Bureau, Shouninghai Liner of COSCO Bulk changed the direction and navigated to the accidental area at full speed. It overcame the difficulties of strong wind and large waves and save a disastrous fisherman on Liaodazhongyu 15040 ferry.

On Aug. 30, 2012, Daqingxia Liner of COSCO Shipping participated in the rescue action of accidental passenger line organized by Australian Maritime Rescue Center at the entrance area of Sunda Strait of Indonesia. Seafarers of the liner overcame the difficulties and successfully rescued a drowning man after ceaseless efforts.



(IX) Key Indirect Economic Influences

1. Invest into Scientific R&D and Promote Economic Development

COSCO Group fully recognizes that technological innovation is an effective guarantee for sustainable development of enterprise, and is the origin of vital force of the enterprise. Efforts should be made to speed up transformation and upgrade of enterprise's production mode through innovation. In the implementation of technological innovation strategies, the group had carried out development and research on topics such as technological application, high-tech ships, ocean engineering and ship auxiliary equipment, information system and soft topics with a focus on three main businesses namely shipping, logistics, and shipbuilding and ship-repairing. Depending on the national scientific research projects and formation of national standards, it had brought into full play its role as an industry leader, and formatted a batch of technical achievements with independent intellectual property right, thus driving technological progress of entire industry. COSCO Group also constructed national technological center. In 2012, COSCO Group carried out 232 technological projects, invested RMB621.94 million of scientific R&D cost. Since 2004, expenditure of technological R&D activities of COSCO Group had reached RMB6301.89 million.



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

Indicator/Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses on scientific and technological activities (RMB10,000)	38,565	20,378	49,680	55,769	101,917	74,867	98,912	127,907	62,194
Expenses on R&D and experiments (RMB10,000)	33,507	17,242	27,634	28,261	37,701	29,207	57,861	84,172	61,807
Total number of scientific and technological projects	152	137	137	257	263	329	341	332	232
Number of foreign cooperation projects	17	25	37	30	45	33	61	86	81
Number of scientific and technological awards received	3	2	2	2	3	1	2	1	3

▲ Since 2004, total expenditure of COSCO Group reached as high as RMB6301.89 million. By the end of 2012, COSCO Group has 126 patents and 50 software copyrights. In 2012, it applied for 110 patents, including 26 invention patents and 66 authorization patents (including 14 invention patents).

▲ In 2012, COSCO Shenzhen affiliated to COSCO Group received patents for “a bulk cargo shipping equipment suitable for coastal and Yangtze River sea area” and a bulk cargo shipping equipment suitable for coastal and South China sea area”.

▲ In 2012, the “off-shore middle/high-frequency communication simulator” and “ship sea water desalting device simulation system” independently developed by the Qingdao Ocean Shipping Mariners Collage of CSOCO Group received the second-class and third-class award for Excellent Scientific Research Achievements (Natural Science) of High Schools in Shandong respectively.

▲ In 2012, COSCO Group undertook the research of projects for National 863 Program.

▲ COSCO Group organized the research on container shipping chain information integration and supply chain tower technological application, realizing the qualitative supervision of all sectors of supply chain management including service quality, and the lean management for operation of supply chain and lean service for customers.

▲ In 2012, COSCO Logistics completed the upgrade of large cargo highway transportation decision-making system independently. The system can formulate most reasonable transportation solution before the transportation of important and large cargos by making use of the accurate data, ensure the transportation safety of important and large cargos, formulate high-efficient and reasonable transportation solutions for customers, improve the scope and quality of large cargo transportation service, reduce the transportation cost and elevate the competitiveness of logistics business.

▲ Application of COSCO Group’s achievements of “energy efficiency dynamic management and control technology for large-sized shipping enterprises” realized the integrated and comprehensive supervision and control of energy efficiency, and formed the lean management system that can monitor the energy efficiency management and greenhouse gas emission in a comprehensive and dynamic manner. The energy efficiency operating index (dynamic value) took a leading position in the international community. This had effectively



reduced the ship fuel consumption of ocean shipping industry, saved massive energies for the country and the enterprise, and protected the environment. The method to calculate energy efficiency operating index in a dynamic manner won right of speech for China in international maritime industry in research on ship carbon emission, low-carbon economy and energy efficiency management.

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 and logistics companies of COSCO Group all 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 2012 was held in Boao on April 1 to April 3. Li Keqiang, member of standing committee of the Political Bureau of the CPC Central Committee and State Council Premier, was present at the opening ceremony and delivered a keynote speech. Over 2000 formal or informal representatives, including representatives of related continents and economic entities, industrial, academic and media circles as well as governmental officials were also present at the event. Under the theme of “Asia in the Changing World: Moving Toward Sound & Sustainable Development”, the annual event was held under the background that global economic recovery was in difficulties, influences of European and American debt crisis continued and international structure faced profound adjustment, and had significant meaning for economic integration of Asia and the development of various regions in Asia. Capt. Wei Jiafu, General Manager Ma Zehua and Deputy General Manager Li Yunpeng of COSCO Group attended the opening ceremony, and a series of activities organized at the forum. During the event, Li Keqiang met with councilors of the forum and members of the consulting committee at Boao Longtanlong Special Guest Hotel. Capt. Wei Jiafu attended the event as a member of the Consulting Committee of Boao Forum for Asia.

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 had promoted the political and economic exchanges and cooperation between countries in Asia and Pacific regions, and further expanded the influences of China in Asia and the world. In the meantime, it had played an important role in elevating the reputation and brand image of COSCO Group. COSCO Group had become a permanent sponsor of the forum, completed the reception and service work at high quality, and elevated the reputation and brand image of the group. It also reflected COSCO Group’s efforts to pay attention to interests of all stakeholders in periodic valley of the market, perform its corporate social responsibilities and to keep sustainable development of the enterprise.



4. Organize the World Shipping (China) Summit

On Sept. 19, 2012, the World Shipping (China) Summit 2012, which is the largest, highest-level and most-anticipated summit in international shipping industry and enjoys the reputation of Davos Forum in ocean shipping industry, was opened in Xiamen, China. The summit was held under the background that imbalance of supplies and demands of the market was intensified and the sustainable development of the industry was affected. Su Shulin, governor of Fujian Province, Xu Zuyuan, vice minister of the Ministry of Transport, Yu Weiguo, secretary of CPC Xiamen Municipal Committee and Wei Jiafu, chairman of COSCO Group, were present at the event and delivered speeches. Over 800 special guests from international shipping industry, port, railway, logistics, shipbuilding & ship-repairing, financial, steel, equipment manufacturing, as well as shipping-related legal and consulting industries were also present at the event. At the summit themed on “Sharing an Orderly Market”, participants had in-depth discussions on new thinking, new methods and new technologies, offered suggestions on existing difficulties, explored for new mechanism and mode for mutual benefits of related industries, offered farsighted ideas and directions for rational development of the industry, and promoted the balanced, harmonious, healthy and orderly development of shipping industry in adjustment and transformation process. In face of mutual influences of structural and periodic factors, and the interlace of long-term and short-term conflicts, four sub-forums themed on “market forecast”, “new emerging market”, “southeast shipping industry” and “win-win cooperation” were organized.

The World Shipping (China) Summit 2012 adopts the joint organizing mode of three countries and four parties, and is jointly organized by COSCO Group, China Maritime, Drewry and JOC. In the meantime, world’s largest non-governmental organization BIMCO, which has a history of more than 100 years and a total of 2720 member units, CSA, Intercargo, Intertanko, OCIMF, ICS, and global cargo transportation organizations are honorary organizers of the event. The event also received great attention of the Ministry of Transportation and local governments, and enjoyed greatest reputation and industrial influences in the world.

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.

Since its initiation in 2004, the World Shipping (China) Summit had been held for nine years. Basic information of these summits is as follows:

Time	Date	Location	Theme	Topics and main influences	Number of participants
1st	July 15 to July 16, 2004	Beijing	Chinese Factors	Themed on “Chinese Factors”, the summit coincided with the development trends of international shipping industry and won special attention of all circles of the shipping industry. The summit had achieved a complete success, further elevated the rallying force, attractiveness and leadership of COSCO Group, and reflected the group’s leading	Over 650



				position in international shipping industry.	
2nd	Nov. 1 to Nov. 2, 2005	Shanghai	Chinese Factors – Challenges and Opportunities	Themed on “Chinese Factors – Challenges and Opportunities”, the summit discussed on the influences of Chinese economic development on international shipping industry in an in-depth manner and how to cope with the challenges and size the development opportunities of China. This was a high-end meeting for related enterprises of different countries to discuss on development trend of the industry.	650
3rd	Nov. 2 to Nov. 3, 2006	Shenzhen	Seizing the Changes	Discussions were made on seven topics including new economic and trade development trends of the world, interaction and win-win cooperation of port and shipping industries. The event has become an important exchange platform for global shipping industry and related industries to seize market trends, observe market demands, create business opportunities and promote cooperation.	Over 600
4th	Oct. 31 to Nov. 2, 2007	Tianjin	Winning for Market	Themed on “Winning for Market”, participants had in-depth discussions and exchanges on eight topics including global shipping, investment of shipping industry, cooperation with ports, forecast of shipping market, liner logistics, bulk cargo market, focus on energy and new emerging markets as well as the opening and development of Tianjin Binhai New District and new opportunities of shipping logistics. Many common understandings had been reached.	Over 800
5th	Nov. 5 to Nov. 7, 2008	Dalian	Sizing up the Situation and Making Overall Arrangement	In a specific period where subprime mortgage crisis, liquidity issue, depreciation of USD, high fuel price and commodity price had brought many uncertainties to global economy, how to judge the development trend in the future and seek for new growing point has become main topics of the event. The annual summit described and emphasized the development trends of shipping market, and provided an exchange platform for	Over 1000



				representatives under the background that situations of international economy and trade market and international shipping market are complicated.	
6th	Nov. 12 to Nov. 13, 2009	Qingdao	Making Changes Based on Situations	The annual summit locked at eight topics namely longing, seeking for changes, persistence, review, opportunity, strategy discussion, innovation and joint efforts, which were formed on eight words namely “inspiration, wisdom, argumentation and cooperation” correspondingly. CKYH Alliance formed by COSCON, K-line, Mingyang Shipping and Hanjin Shipping also made the Qingdao Declaration, advocating people to hold rational opinions and treat with market recovery correctly. They also appealed others to cope with financial crisis actively, keep market stability and save shipping industry together. The Declaration pointed out that efforts should be made to control the costs and realize rational expansion, actively perform social responsibilities, reduce energy consumption and carbon dioxide emission, and protect our earth and the environment.	Over 800
7th	Nov. 9 to Nov. 10, 2010	Guangzhou	Grasping the Future	Agendas of the summit were centered on six topics, namely economic growth prospect, adjustment of shipping strategy, coping with surplus carrying capacity, value increase of supply chain, safety and environmental protection, and win-win cooperation. In-depth discussions were made on new situations and new conflicts in post-crisis era with a focus on topics such as “visual scope and structure”, “strategy and coping with changes”, “arrangement and adjustment”, “green and innovation”, “sharing and win-win cooperation”, and “integration and value increase”. World port giants including the Port of Rotterdam, Port of Hamburg, Port of Vancouver as well as Shanghai Port, Ningbo Port and Guangzhou Port jointly made the Guangzhou Declaration, advocating	Over 1000



				construction of intelligent ports and green ports, and development of low-carbon logistics, making active contributions to healthy development of port industry and world economy, and reduction of economic development on the nature and the environment.	
8th	Nov. 2 to Nov. 4, 2011	Boao, Hainan	Balance and Breakthrough	The summit has eight agendas, namely strategy and seeking for changes, mode breakthrough, rational development, structural upgrade, authoritative analysis on market trends, emission reduction measures, industrial innovation and balanced growth. The summit deepened the understanding of foreign countries on Chinese shipping industry and enhanced the influences and right of speed of Chinese shipping industry in international community.	Over 900
9th	Sept. 19 to Sept. 21, 2012	Xiamen	Sharing an Orderly Market	Themed on “Sharing an Orderly Market”, the summit analyzed the imbalance and disorder of market, and tried to build up new mechanism and mode for win-win cooperation of stakeholders, raising the curtain for building of orderly market and opening a new mileage for “joint development in the future”.	Over 700

As one of the most important summits in international shipping industry, the summit helped top executives of global shipping industry to seize the market trends and customers’ demands, created opportunities and built up a win-win and interaction platform. Contents of the summit cover all aspects of shipping, ship-building, port, logistics, trade and financial industries. Top executives from domestic and overseas enterprises, industrial associations, international organizations and governmental organs, industry elites, experts and scholars gathered together each year to have wide and in-depth exchanges and discussions on commonly concerned issues. The “Chinese elements” and “seizing the changes” put forward and discussed at the annual summit had often become the keywords of international shipping industry.



5. China COSCO ranked the first place in 2012 Top 100 Enterprises for Corporate Social Responsibility released by Fortune China

On March 21, 2012, Fortune China and the InnoCSR jointly released the 2012 Top 100 Enterprises for Corporate Social Responsibility. China COSCO ranked the first place in rankings of Top 50 enterprises.



(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. In 1990s, COSCO Group established solely-invested operational entities in some key countries and regions by acquiring stakes held by foreign parties in the joint ventures. 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”.

By the end of 2012, the total foreign investment amount of COSCO Group reached USD10.332 billion accumulatively, and the total assets of outbound companies reached USD38.7 billion. In 2012, operating revenue of outbound companies reached USD24.1 billion. COSCO Group owned four listed companies, namely China COSCO, COSCO Pacific and COSCO International, which are listed in Hong Kong, and COSCO Investment, which was listed in Singapore. In 2012, number of shore-based staff of COSCO Group in overseas market totaled 4,752 persons, of which, the staff dispatched from domestic market accounted for over 8.9%. Most of the staff are recruited locally.

(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 coordinative. 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.

(4) Winning 35 years of franchise right of Piraeus Container Terminal in Greece successfully.

In 2008, COSCO Pacific gained 35 years of franchise right of No. 2 and No. 3 container terminals of Piraeus Port, Greece through market competition. The terminal project extended the chain of shipping industry and enhanced the global competitiveness of COSCO Group.

On June 1, 2010, COSCO Group took over the Piraeus Terminal successfully. Three months later, COSCO Piraeus Container Terminal Co., Ltd started to realize profits. In 2011, PCT successfully made up the defects and got surplus. In 2012, PCT set a record high with the annual throughput firstly exceeded two million TEUs and reached 2.11 million TEUs, up 77.4% compared with 2011. The container throughput set a new historical record.

Construction of No. 3 terminal of PCT had started in Q4, 2011, and the entire construction project will be completed in 2015. Upon completion, the project will increase 1.1 million TEUs of annual processing ability for PCT. It is predicted that one of the berths will start production in the second half of 2013, and the throughput will be increased by 550,000 TEUs.



(5) Joining hands with China Shipping Terminal Development and China Merchants Holdings (International) to transfer of equities of Gaming Terminal of Ming yang Shipping.



In 2012, COSCO Pacific had joined hands with China Shipping Terminal Development and China Merchants Holdings (International) to transfer 30% stake in Gaming Terminal of Ming yang Shipping. Gaming Terminal is the Stage I of terminal of Taiwan Kaohsiung Port Intercontinental Container Center. A total of four 100,000 ton-class berths will be constructed. The terminal is the only terminal for calling of 14,000 TEU-class or larger ships at Kaohsiung Port. The terminal operates with full-automatic rail gantry crane, which offers high loading and unloading efficiency. Two berths of Stage I of the terminal had started production in 2011, and offered the annual throughput of 1.4 million TEUs. Construction of Stage II of the project had started in 2012, and is expected to be put into production in 2014. Thus, the annual throughput of the terminal will reach 2.8 million TEUs.

(6) Receiving wide recognition.

On Jan. 28, 2013, COSCO America honored the 2012 Best Working Place Award in New Jersey issued by the New Jersey State Government. It was the sixth time for COSCO America to win such award successively. The award is issued by the Department of Transportation of New Jersey Government and aims to encourage employers who make efforts for environmental protection and who create convenience for employees to share autos or take public buses.



Piraeus Container Terminal Co., Ltd, a fully-owned subsidiary of COSCO Pacific, honored the Piraeus International Centre Award in appraisal of Greek Shipping Awards 2012 organized by Lloyd’s List, an internationally renowned shipping magazine” for its outstanding performance in 2012 and the outstanding contributions made for Greece to become an international shipping and service center.

2. Responsible Investment and 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 2012, China COSCO created a total of 2,012 employment opportunities.

Year	2009	2010	2011	2012
Number of employment opportunities created	5,247	1,129	8,44	2,012



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. Compared with 2005, the power consumption per unit transportation turnover volume of ships had reduced by 16% and the carbon dioxide emission per unit transportation turnover volume had reduced by 17%.

(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 2012, 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 2012, 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 2012, 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	★	★	--	--
China COSCO				
COSCON	★	★	--	--
China COSCO Bulk				
COSCO Logistics	★	★	--	--
COSCO Pacific	--	--	--	--
COSCO Bulk	★	★	★	★
COSCO (Hong Kong) Shipping	★	★	★	★
COSCO Qingdao	★	★	★	★
COSCO Shipping	★	★	★	★



COSCO Dalian	★	★	★	★
COSCO Xiamen	★	★	★	★
COSCO Shipyard	★	★	--	--
COSCO Shipbuilding	★	★	--	--
CHIMBUSCO	★	★	--	--
China Ocean Shipping Tally	★	★	--	--
COSCO Manning	★	★	--	--
COSCO Hainan Boao	★	★	--	--
COSCO H.K.	--	--	--	--
COSCO America	--	--	--	--
COSCO Europe	--	--	--	--
COSCO U.K.	★	--	★	★
COSCO Singapore	--	--	--	--
COSCO Australia	--	--	--	--
COSCO Japan	--	--	--	--
COSCO Korea	--	--	--	--
COSCO West Asia	--	--	--	--
COSCO Africa	--	--	--	--

Symbol:

★Completed

-- N/A

(VI) 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 2012, 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 2012, COSCO 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	2012
Total expense for environmental protection (RMB10,000)	6,418.44	8,091	9,255	12,562.86	10,596	6,760.44
Total investment for environmental protection (RMB10,000)	4,310.28	16,356.82	16,649.40	3,936.42	5,105.76	4,968.80

Statistics of Main Expenses for Environmental Protection:

Indicator/Year	2007	2008	2009	2010	2011	2012
Expense for waste disposal (RMB10,000)	692.38	523.51	224.45	1,568.86	615.54	942.05
Expense for environmental liability insurance (RMB10,000)	2,299.16	2,091	7,035.87	10,203.91	8,350.10	9,321.67
Expense for external environmental management service (RMB10,000)	91.80	121.27	64.12	101	63.75	72.95
Expense for personnel engaged in comprehensive environmental management	184.05	593.65	862.73	300.1	225.14	210.2



activities (RMB10,000)						
Waste disposal, emission disposal and remedy costs (RMB10,000)	953.28	379.84	370.9	651.22	329.78	324.26

(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 2012.

(2) Total Amount of Raw Materials Used

Raw Material Consumption of COSCO Group in Recent Years

Indicator/Year	2007	2008	2009	2010	2011	2012
Steel structure engineering volume in ship repairing (ton)	192,698	303,238	212,264	161,858	93,283	74,673
Steel consumption in shipbuilding business (ton)	151,728	256,300	235,500	311,200	270,200	316,200
Steel utilization rate in shipbuilding business	92%	92%	92%	92.18%	90.06%	92%
Steel consumption of COSCO Shipyard in shipbuilding business (ton)	—	—	219,433	181,649	551,887	205,600
Total raw material consumption (ton)	344,426	599,538	667,197	654,707	915,370	551,887



* 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) 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.

In the ship-building and modeling work, the Ship Engineering Department of COSCO Shipyard (Dalian) promoted construction integrity and improved the operating mode to greatly save the construction period and cost. It abolished the building of scaffold in ship and platform integration stage, and organized construction with vehicles and nacelles to reduce labor for building of scaffold and the use of materials for building of scaffold. By promoting the measure at N254 (DN0061) ship, it is estimated that this can save 135 tons of materials for scaffold, reduce the working time by 1400 hours and reduce the engineering cost by over RMB110,000. The ship body area promoted the utilization and repeated use of large-cabin hoisting lug, and reduced the use of making materials of hoisting lug, installation and welding labors and detection sectors. The technology was applied in over 100 segments of DN0060, DN0061, DN0087 and DN0088 ships, saving RMB345,600 of costs.

COSCON affiliated to COSCO Group promoted reutilization of spare parts and materials actively. By conducting refurbishment and reparation of main engine cylinder heads and exhaust valves, it had saved RMB17.8034 of reparation fees of main engine cylinder heads and RMB20.2778 of exhaust valve reparation fees in 2012.

(4) 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 volume of COSCO Group headquarters to 365 boxes despite of increased business volume.

COSCO Logistics exerted great efforts to control the utilization of office supplier, brought into full play the advantages of office automation and transmitted and handled documents via MSN and other methods. The office paper was printed on both sides or used repeatedly. Ink power of the printer and duplicating machine was refilled after being used out.



(5) 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.

COSCO Logistics (Xiamen) put forward the slogan for construction of energy-conservative enterprise and organized the activities to reduce the costs and increase the benefits. By analyzing the costs of related projects, it was found that Xiamen ABB stock management project received many packaging boxes from the suppliers each month, while Tianjin ABB packaging business needs to buy a large volume of packaging and filling materials. The project team recycled and made full use of the packaging and filling materials of Xiamen ABB's suppliers. In the past seven months since integration of the project, a total of 179 pieces of packaging boxes were sent to Tianjin, of which, 115 pieces are recycled wooden boxes, accounting for 64.25 of the total. This, in addition with the filling materials, reduced the cost by more than 45% each month.

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 700 vessels, which consumed over 5.311 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	2007	2008	2009	2010	2011	2012
Total energy consumption (10,000 tons of standard coals)	628.58	660.01	672.80	688.62	753.75	779.3



(1) Direct Energy Consumption

Direct Energy Consumption of COSCO Group in Recent Years

Indicator/Year	2007	2008	2009	2010	2011	2012
Specific fuel consumption (kg/kt sea mile)	5.16	4.65	4.39	4.12	4.07	3.96
Total fuel consumption of ships (ton)	441.1	462.2	456	460	513.6	531.1
Total gasoline consumption of vehicles (ton)	2,461	66,412	78,905.10	2,505	2,567.34	3,163.25
Total diesel consumption of motor diesel (ton)	3,101	4,688	19,877.67	8,496.55	8,980.6	16,845.36

(2) Measures to Reduce Direct Energy Consumption and Results

COSCO Group 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 advanced technologies. In 2012, it took a series of effective measures for reduction of direct energy consumption and achieved certain results:

- COSCO Dalian continued to promote the re-design of slide valve-typed oil head of main engine, which offered technical supports for the main engine to further lower the navigation speed and promoted the energy conservation and emission reduction of ships. This work can reduce the fuel consumption by 2,441 tons each year and save the fuel cost by over RMB10 million. In the meantime, COSCO Dalian used the energy-conservation ship hull paint, and used intersleek900 energy-conservative paint on its ships. The paint can form smooth and low-power paint surface by making use of the patented technology to remove the dirt with fluorinated compound. Even the organic compound can't be absorbed to the body hull. This had increased the navigation speed and reduced the fuel consumption. With the adoption of energy-conservative ship hull paint, Daminghu Liner had saved the fuel consumption by 500 tons, reduced the cost by RMB2 million, and increased the navigation speed by 0.3-0.5 nodes.

- Efforts were made to promote low-speed navigation to realize the energy conservation and emission reduction of ships. All subsidiaries directly affiliated to China COSCO Bulk actively promoted the low-speed navigation of ships. Speeds and oil consumptions were determined based on ship schedules, type and navigation speed after careful research and comparable analysis. In 2012, over 109,000 tons (about 155,700 tons standard coal) was saved through low-speed navigation. If calculated by the average fuel price of USD650 per ton and the exchange rate of 6.3, this had reduced the cost by RMB446.4 million.



■ Continued to carry out technical reform on existing ships and actively promoted the matured and effective technological achievements, such as electric control and timed oil cylinder injector, fuel homogenizer, real-time fuel monitoring system, environment-friendly oil purifier of ships, and fuel-conservative additive. China COSCO Bulk made active efforts to improve fuel utilization rate and promoted the application of fuel homogenizer technology. So far, it had installed the equipment on 14 ships, saving 740 tons of standard coal accumulative in the whole year. COSCON carried out technological reform on slide valve-typed oil injector technology of main engine, which is favorable for improving the combustion situation of diesel engine, saving the fuel and reducing greenhouse gas emission. Under the status that the diesel engine is operating at lower speed, the effects are obvious. By the end of 2012, a total of 59 ships had installed the slide valve-typed oil injector on the main engines. The technical reform on slide valve-typed oil head of main engine is the structural reform on traditional oil injector. As one of the important energy-conservation and emission reduction measures taken by COSCON, it can provide reliable guarantee for low-speed navigation of fleet.

■ Replacement of oil with electricity for gantry crane. COSCO Pacific had deepened the replacement of oil with electricity of gantry crane. Terminals of COSCO Pacific adopted various technical reform solutions, such as “optimization and reconstruction of steel-structured tower”, “differentiated reconstruction of gantry crane” and “transformation of output method of high-rack power supplies” to re-design the gantry crane based on their respective situations, generating considerable energy-conservation benefits, cost benefits and environmental protection benefits. Take Ningbo Yuandong Terminal for instance, the reconstruction of 26 gantry cranes had completed in 2012. The utilization rate of electric gantry cranes had increased by 17%, and each crane can save 861,000 tons of standard coal each year, with the energy conservation rate reached 60%. This also reduced the emission of carbon monoxide and other exhausts by 374,000 tons and the emission of carbon dioxide by 324 tons. In the first ten months of 2012, Ningbo Yuandong had saved 1653 tons of standard coal through replacement of oil with electricity.

(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. All second-tier subsidiaries of COSCO Group established the leading team for energy conservation and emission reduction work, with main responsible person as the head of the leading team, deputy general manager in charge of safety production as the deputy head, and managers of related departments as the team member. These leading teams under the COSCO Group Leading Group for Energy Conservation and Emission Reduction Work were responsible for leading the energy conservation and emission reduction work of their respective companies.

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.

COSCO Boao improved the management, perfected the energy management methods based on practical situations and revised the Energy Management Methods of Hainan COSCO Boao to standardize the energy management processes. It also established remote energy monitoring platform at BFA Hotel to monitor the water and electricity consumption of the hotel as well as the energy utilization of large-sized equipment such as air-conditioner and boiler. In the meantime, it paid close attention to progress of energy conservation and emission reduction technologies, and promoted solar energy water-heating project at the hotel, which achieved significant results. From January to December, the total energy cost was RMB19.215 million, saving RMB970,000 of expenditure.

China COSCO Bulk promoted the application of “VLOC Bohai Sea deepwater sea route technical guarantee information system” and established a set of leaned prediction system of storm and chronometer upsurges that cover Bohai Sea and Huanghai Sea and carried out predictions on tides of fixed sea routes based on its experiences. It made predictions on tides of Bohai sea area passed by VLOC ships through actual inspection, enabling Yuzhonghai and Yuhuai Liners to pass the pre-set sea route safely by making use of 0.5-1.0 meter of tide and enter Caofeidian Port with full load, ensuring both economic benefits and safety. Based on predictions, the ships can endure additional sea gauge of 0.8 meters by making use of the tide materials to enable the ships to be in full load, thus carrying additional 13,600 tons of cargos. If one voyage can take additional 13,600 tons of cargos, eight voyages can take 108,800 tons of cargos in total, which can reduce 0.4 voyage, save 2,400 tons of fuel and reduce sulfide and carbon dioxide emissions by 7,473.6 tons (one ton of fuel will generate 3.114 tons of carbon dioxide emission). This had made active contributions to environmental protection and coping with climate changes.

(b) Fuel Consumption and Conservation

In 2012, total fuel consumption of COSCO Group reached 5.311 million tons and the per-unit fuel consumption of ships was 3.96kg/kt sea mile, down 2.7% 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 2012, 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	2007	2008	2009	2010	2011	2012
Container ship Kg/1000ton sea mile	8.58	8.15	8.44	7.3	7.29	6.70
Bulk ship Kg/1000ton sea mile	2.53	2.46	2.54	2.47	2.48	2.39
Oil carrier Kg/1000ton sea mile	2.12	2.06	2.11	2.07	2.15	1.96
General cargo ship Kg/1000ton sea mile	6.23	5.74	6.46	5.63	5.61	5.60

(c) Lubricant Oil Consumption and Conservation

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. In 2012, COSCO Group consumed a total of 42,400 tons of lubricant oils, a reduction of 2,943 tons compared with 2011.

Statistics showed that ships equipped with ALPHA electronic-control oil injector can reduce the oil consumption by 30%. In 2012, China COSCO Bulk had installed the device on 11 ships, achieving certain energy conservation and emission reduction effects. The use of CJC lubricant oil filter by auxiliary engine of ships can prolong the life span of filter, reduce engine cost and prolong the using time of lubricant oil, thus realizing energy conservation and emission reduction effects. In 2012, China COSCO Bulk installed CJC lubricant oil filter for 17 ships of COSCO Bulk.

Total Lubricant Oil Consumption of COSCO Group in Recent Years

Indicator/Year	2007	2008	2009	2010	2011	2012
Total consumption of lubricant oils (ton)	40,068.79	44,560.49	44,908.4	49,571.46	47,425.47	44,482.38



(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.

While exerting great efforts to promote low-speed navigation, COSCO Shipping implemented the “screw propeller polishing plan” to improve the water-propelling performance of ships. It also collaborated with No. 702 Research Institute of China Shipbuilding Industry Corporation to develop and design propeller boss cap fin (PBCF) by researching on hydrodynamic principles. After conducting tests on Xingfusong Liner, it was found that navigation speed of the ships can increase by 0.1kn-0.15kn while the original power and turning speed remained unchanged. That is to say that the output power of main engine can be reduced by 200kw while the navigation speed is not changed, saving over 2% to 3% of energy.

COSCON Bamboo Liner and COSCO America Liner successfully passed the certification of CCS, becoming the first batch of ships in Chinese shipping industry that successfully run the energy efficiency management system. After six months of trial operation, SEEMP promotion and implementation work of Bamboo Liner and COSCO America Liner were carried out steadily, and received confirmation of certification institution. The two ships had become the first batch of ships in Chinese shipping industry that successfully run the energy efficiency management system after on-site inspection, review and certification of expert team of CCS.

(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 to accelerate the elimination of equipment and automobiles with high energy conservation and lagged technologies. In 2012, it mainly eliminated a batch of automobiles that exceed using time limit, have great hidden safety troubles and with high energy consumption and high pollution issues. In the meantime, it formulated fuel standards for vehicles operation and enhanced examination and awarding system.

In 2012, COSCO Logistics strengthened the rectification to eliminate out-of-date vehicles and equipment. It insisted on paying equal attention to volume reduction and increase control, drove stock adjustment with input, strictly implemented the economic and industrial policies to constrain development of high power consumption and high-pollution industries, insisted on combining the source control with elimination of vehicles and equipment, sped up the reconstruction of vehicles and equipment focusing on energy conservation and emission reduction, made ceaseless efforts to eliminate lagged production capacity and high-power equipment, and eliminated the vehicles and equipment with high power consumption, high pollution, low technical content and



poor economic benefits step-by-step. A total of 17 production vehicles and six loading & unloading machines were eliminated in 2012.

(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. In recent years, subsidiaries of COSCO Group implemented requirements of the Declaration actively and took effective measures to low the speed and reduce emission.

All subsidiaries directly affiliated to China COSCO Bulk actively promoted the low-speed navigation of ships. Speeds and oil consumptions were determined based on ship schedules, type and navigation speed after careful research and comparable analysis. In 2012, over 109,000 tons (about 155,700 tons standard coal) was saved through low-speed navigation. If calculated by the average fuel price of USD650 per ton and the exchange rate of 6.3, this had reduced the cost by RMB446.4 million.

(b) The Ship Energy Efficiency R&D Project successfully passed the acceptance check

The project realizes the real-time monitoring and control of ship navigation situations and fuel consumption situations, and will help ship and shore-based managing personnel to formulate optimization measures to reduce the power consumption of ships and optimize the navigation of ships. It also realizes the lean management of ship fuel consumption quota and provides scientific basis for energy efficiency monitoring and warning on abnormal consumption of oils. The appraisal committee agreed the project to pass the acceptance check and hoped that the project team could improve the system continuously and do a better job in training, promotion and application of the system. On Dec. 18, the project acceptance team comprising of many experts from COSCO Group, CCS and Shanghai Maritime University listened to the work summary report, technical summary report, benefit analysis report, user report and introductions to application situations made by the project tea, and watched the demonstration of the system. After discussion, the acceptance committee believed that the project can verify the feasibility and scientificness of various energy conservation and emission reduction measures through real-time monitoring and control on technical parameters such as EEOI, strengthens the monitoring of ship management department on energy efficiency of ships to realize the scientific integration of energy conservation in management, operation and technology. It realizes the measurement, monitoring and verification of energy efficiency indicators of ships, and fulfills the scientific unification of energy conservation, emission reduction and production & operation.



(c) Researches on Application of Clean Energies

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

(4) Indirect Energy Consumption

Total Electricity Consumption

Indicator/Year	2007	2008	2009	2010	2011	2012
Total electricity consumption (kwh)	330,679,826	447,548,643	447,710,797	515,012,175	491,218,323	519,829,499
Electricity consumption at offices (kwh)	30,178,179	35,928,540	27,565,904	32,169,786	27,543,604	30,077,251

(5) Measures and Achievements to Reduce Indirect Energy Consumption

(a) Energy Conservation in Production and Operation Process

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

(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.

In 2012, headquarters of COSCO Logistics moved into new office building. The new office building used 1,000 new T5 energy-conservative lamps and 3,000 energy-conservative bulbs, which can improve the energy efficiency by 70% compared with common fluorescence lamps. Besides, over 100 voice-control LED energy-conservative lamps were installed at corridor and firefighting channels to maximize the energy conservation effects. In the meantime, the company changed all boiling-type water boilers into instant-heating water boilers, achieving obvious energy conservation effects. With respect to lightings, it shut down unnecessary lamps while not affecting the normal work, and required related departments to reduce the standby consumption of PC, printer, duplicating machine and electrograph. These office utilities should be shut down timely if they are not used for a long period of time or after work.



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	2007	2008	2009	2010	2011	2012
Total water consumption (m ³)	732,179,068	5,471,942	4,264,061	5,914,554	6,412,906	5,553,337
Sea water desalination volume (m ³)	760,269	883,940.1	596,674	612,569	627,642	680,384
Underground water consumption (m ³)	568,766	50,000	40,615	48,925	34,115	36,650
Consumption of water from water supply system (m ³)	3,953,004	4,452,944.58	4,364,604	2,537,016	4,975,407	5,039,529
Water consumption in shipbuilding (m ³)	6,069,398	491,301	2,997,301	1,303,170	2,891,592	2,898,908

(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.



(III) Pollution Prevention and Control

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 2012, COSCO Group further deepened the engine management system, strengthened management of old ships and pollution control work, exerted great efforts to promote management and technical evaluation of old ships, ensured the investment and enhanced the training to enhance the prevention control consciousness.

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 2012, 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 2012, 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	2007	2008	2009	2010	2011	2012
Carbon dioxide (CO ₂) (ton)	13,716,510	14,368,138	14,181,600	14,295,360	15,973,336	16,518,721
Nitric oxide (ton)	373,131	401,940	396,720	399,902	446,842	462,099
Sulfur oxide (ton)	263,039	274,564	273,600	275,794	308,167	270,885



Emissions per Unit Turnover Volume

	2007	2008	2009	2010	2011	2012
Carbon dioxide (CO ₂) (kilogram/thousand ton per sea mile)						
Nitric oxide (NO _x) (kilogram/thousand ton per sea mile)	16.05	14.44	13.64	12.82	12.64	12.33
Sulfur oxide (Sox) (kilogram/thousand ton per sea mile)	0.31	0.39	0.38	0.36	0.35	0.34
Carbon dioxide (CO ₂) (kilogram/thousand ton per sea mile)	0.44	0.28	0.26	0.25	0.24	0.20

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 2012, 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	2007	2008	2009	2010	2011	2012
Oil residues discharged to the sea (ton)	0	0	0	0	0	0
Ship pollution discharge and shore-returning volume (ton)	44,658	35,021	31,578	42,325	100,966	110,825



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 2012, 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	2007	2008	2009	2010	2011	2012
Solid waste (including tarpaulin, plastics) (ton)	9,814	6,830	7,692	10,775	11,178.9	10,368.4
Disposal volume of industrial waste of ships (including garbage, sump oil, oil residue) (ton)	253,212	287,863	200,397	280,052	280,055	280,382
Total volume of waste recycled (ton)	146,091	82,552	51,279	51,309	51,719	51,046.38
Total volume of waste incinerated (ton)	7,569	6,057	7,802	5,978	4,870	4,674.37

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

In order to alleviate and adapt to climate changes, intervention measures shall be adopted to reduce greenhouse gas emissions. Ships are main assets of COSCO Group. Main source of greenhouse gas emissions is fuel oil of ships. By adjusting fleet structure, increasing operation capacity of ships, optimizing design of shipping lines, reducing navigation speed, adopting matured technologies and developing new technologies, it has successfully reduced specific fuel consumption and greenhouse gas emissions.

1. Greenhouse Gas Emissions

In 2012, COSCO Group actively reduced the fuel consumption, optimized the sea route design and strengthened the technical reconstruction of high-power devices to reduce greenhouse gas emission, and effectively controlled the growth rate of greenhouse gas emission of ships.

2. Carbon Footprint Calculation

Emission reduction and green ecology are the major themes, enterprises are endeavoring to establish an economic mode that is energy-efficient and environmentally-friendly. COSCO Group promoted scientific and technological innovation in energy conservation and emission reduction by improving energy efficiency and eliminating energy-consuming, pollution-causing production. It is the company's social responsibility to develop low-carbon economy and reduce carbon emissions. Therefore, the calculation of carbon footprint serves as a new token of the group's commitment to social responsibility and a direction for development of the group.

COSCO Group started from its main business – shipping business, and adopted Life Cycle Assessment (LCA) to calculate and study the carbon emissions throughout the entire life cycle of vessel transportation. Carbon footprint (carbon consumption) was studied on three stages: ship manufacturing, vessel transportation and vessel disposal. After having obtained a clear picture of the carbon emission at every link and period, the Group was able to control and reduce its carbon emissions. On Nov. 2, 2012, China COSCO Bulk took over Penglong Liner, a green and environment-friendly ship. The ship is a 50,000-ton-class Yangtze River-typed special coastal ship manufactured by Guangzhou Shipyard International Company Limited. The ship features shallow draft, lightweight, large capacity, fast water discharge and high environmental-protection degree, and received the patent certificate for useful and new ships issued by the State Intellectual Property Office.

3. Carbon Emission Calculator

On the basis of successful application of “carbon emission calculator”, COSCON affiliated to COSCO Group promoted the “Ship Energy Efficiency Monitoring and Analytical System” on pilot ships in 2012. The system can collect, filtrate and record all data that may determine or influence energy efficiency of ships, monitor and analyze data about energy efficiency and emission of ships, analyze the actual energy efficiency of ships in a prompt, objective and comprehensive manner, find the reasons that may affect energy efficiency of ships (such as unreasonable navigation status, poor operation status or malfunction of propelling system), and help the



seamen to take effective measures to timely adjust and optimize the status of ships (such as adjustment of load, draft, etc.), or warn seafarers to conduct inspect, adjust or repair the propelling system, so as to enable the ships to operate at most ideal energy efficiency status. The efforts can reduce the fuel consumption to the maximum extent and lower operating costs of ships while ensuring the navigation economy and safety, and reduce the tail gas emission of ships to the maximum extent to lower the environmental pollution.

The Ship Energy Efficiency Monitoring and Analytical System realizes the real-time optimization of ship fuel consumption quota, and provides scientific basis for energy efficiency monitoring and warning on abnormal consumption of oil materials. The real-time monitoring of ship navigation situation and fuel consumption situation is an effective supplementation to COSCON's "carbon emission calculator". This not only satisfies the after-event analytical demands, but also ensures the real-time monitoring of EEO and other parameters, checks the feasibility and scientificness of various energy conservation measures, and enhances the supervision of ship management department on energy efficiency of ships.

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. COSCON received the Green Flag Award from the Port Authority of Long Beach again.

5. Participation in "At-Berth Clean fuel Program"

COSCO Group actively participated in the Green Gateway Partners Awards of Seattle Port in 2012. On the basis of "clean fuel certificate" issued by Seattle Port Authority to each ship and the receiving of "green flag" in 2011, it continued to participate in the "At-Berth Clean fuel Program". After arrival at the port, the ship uses "clean fuel" with the sulfur content of less than 0.5% to reduce the exhaust emission of ships. With the concerted efforts of ship and shore-based personnel, all ships called at Seattle Port of the company had met the emission standards put forward by the port to realize the "Northwest America air purification strategy". Seattle Port Authority will issue a cheque to the company on quarterly basis as an award to the ceaseless efforts made by the company and the contribution made by the fleet in the program. Till now, the accumulatively amount of awards had reached USD118,650.

(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, undertaken 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.

(VI) 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 2012, 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.

In 2012, China COSCO arranged for retirement of 14 old ships including Lepingling Liner, with the total tonnage of 604,300 DWTs, and took over 10 new ships including Taohuahai Liner, with the total tonnage of 804,600 DTWs. The average age of ships was reduced from 13.5 at the beginning of 2012 to 13.3 at the end of the year. These efforts had optimized the production layout and sped up the elimination of lagged production capacity.

Table of Retired Ships of COSCO Group in Recent Years

Indicator/year	2007	2008	2009	2010	2011	2012
Number of retired ships	5	14	38	24	20	24
Tonnage of retired vessels (ton)	84,632	192,943	690,456	280,934	294,235	884,285

(VII) 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.



(VIII) 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	2007	2008	2009	2010	2011	2012
Travelling expense saved by holding tele-video conferences (RMB10,000)	425.49	1,878	676.8	2,677.18	419.04	3,683.41

▲ 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



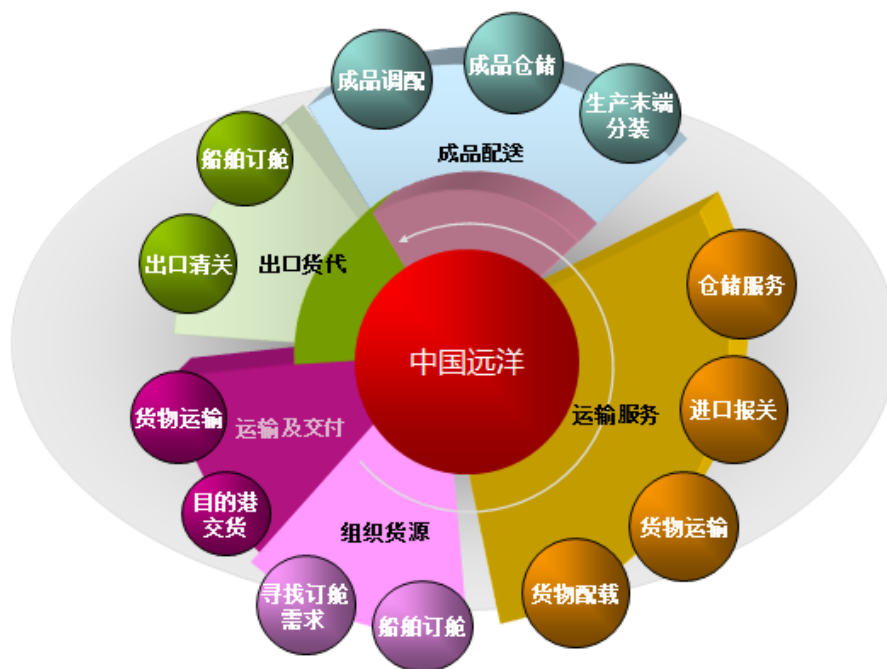
Part III Product Liability Performance Indicators and Keynote Report

COSCO Group is a supplier that provides comprehensive shipping and logistics services for international and domestic customers. Its business scope covers a wide range of services in the value chain of shipping industry, including container shipping, dry and bulk cargo shipping, logistics, terminal, container leasing and cargo forwarding, and ship agency.

Centering on customers' demands, COSCO Group integrates logistics services such as cargo agency, warehouse and terminal for sea, highway and air transport, and helps customers reduce the overall logistics costs while providing whole-processed logistics solution for customers and elevating the overall operating efficiency of logistics industry. COSCO Group can develop customized "distribution integration logistics solution" or "whole-processed logistics integration solution" for customers based on their demands.

"The distribution integration logistics solution" lays special emphasis on management of entire supply chain, provides whole-processed services from seeking for cabin booking demands, raw materials transportation to import and customs clearance, warehouse to terminal packaging, warehouse, distribution, export agency, transportation and deliver, so as to reduce customers' demands for external logistics service, improve internal efficiency and reduce the overall logistics costs.

“分销一体化物流”流程图



图中文字:

- 分销一体化流程图 Chart of distribution integration processes
- 成品调配 Distribution of finished products
- 成品仓储 Warehousing of finished products



- 生产末端分销 Terminal distribution
- 成品配送 Delivery of finished products
- 仓储服务 Warehouse service
- 进口报关 Customs reporting for cargo import
- 货物运输 Cargo transportation
- 货物配载 Cargo stowage
- 运输服务 Transportation service
- 船舶订舱 Cabin booking
- 寻找订舱需求 Seeking for cabin booking demands
- 组织货源 Organization of cargo source
- 货物运输 Cargo transport
- 目的港交货 Delivery at destination ports
- 运输及交付 Transportation and delivery
- 出口货代 Export cargo agency
- 船舶订舱 Cabin booking
- 出口清关 Customs clearance for cargo export

“Whole-processed logistics integration solution” is to provide overall transportation services from cargo receiving at port, ship leasing, customs reporting, loading, shipping of cargos to destination ports for unloading, sea-land transportation, distribution at logistics center, and on-site cargo delivery to save overall logistics costs for customers with professional operation and IT information system.

“全程物流一体化”流程图

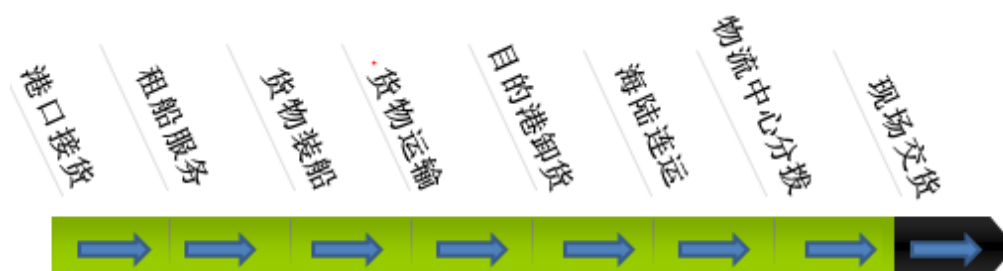


Chart for Container Transportation Processes

图中文字:

“全程物流一体化”流程图 Chart for “whole-processed logistics integration” processes

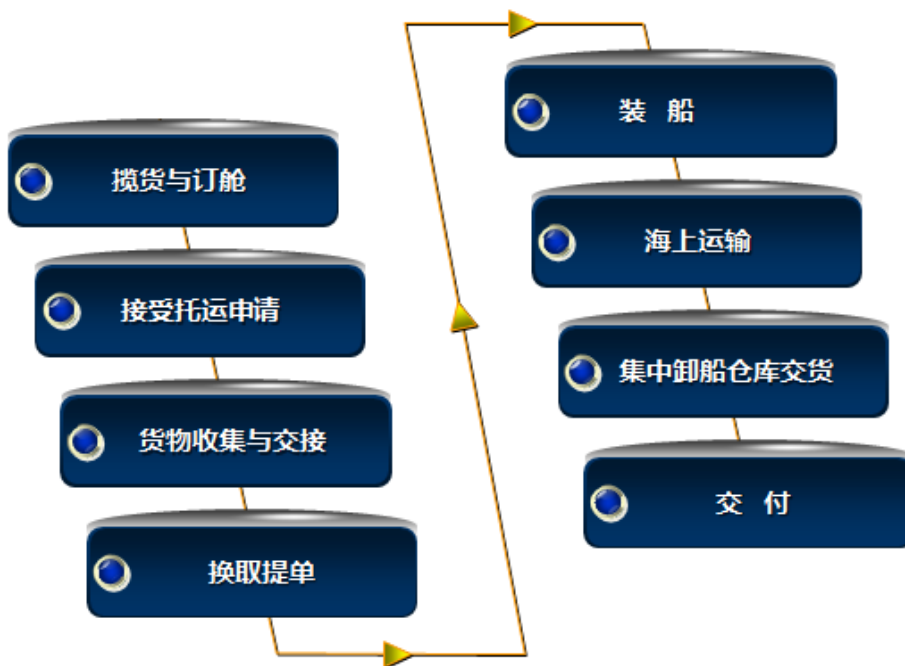
- 港口接货 Cargo receiving at port
- 租船服务 Ship leasing service
- 货物装船 Cargo loading
- 货物运输 Cargo shipping
- 目的港卸货 Unloading at destination port



海陆联运 Sea-land transportation
 物流中心分拨 Distribution at logistics center
 现场交货 On-site cargo delivery



Chart for Bulk and General Cargo Transportation Processes





图中文字:

揽货与订舱 Cargo canvassing and cabin booking
接受托运申请 Accepting transportation order
货物收集与交接 Cargo collection and takeover
提取提单 Forming bill of landing
装船 Loading
海上运输 Ocean shipping
集中卸船仓库交货 Concentrated unload and delivery to warehouse
交付 Delivery

I. Management Approaches

In accordance with the spirits conveyed in the documents such as 2011-2020 Outlines for Quality Development issued by State Council on Feb. 6, 2012, and the Guiding Opinions on Implementation of the 2011-2020 Outlines for Quality Development by Enterprises of Traffic Industry issued by the China Association of Communication Enterprise Management, COSCO Group enhances its CSR concept which aims to ensure quality and safety, and promotes sustainable development, establishes the mechanism for performance of social responsibilities comprehensively, integrates the performance of social responsibilities with the decision-making on operation and management of the enterprise, promotes the undertaking of social responsibilities to the employees, consumers, investors, partners, community and the environment, strengthens honest operation and self-discipline, fulfills its commitment to quality, creates comprehensive value in terms of economy, environment and the society, and sets up a good social image of a responsible enterprise.

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	★	★	--	--
China COSCO Bulk	★	★	--	--
COSCO Logistics	★	★	--	--
COSCO Pacific	★	★	--	--
COSCO Bulk	★	★	★	★
COSCO (Hong Kong) Shipping	★	★	★	★
COSCO Qingdao	★	★	★	★
COSCO Shipping	★	★	★	★
COSCO Dalian	★	★	★	★
COSCO Xiamen	★	★	★	★



COSCO Shipyard	★	★	--	--
COSCO Shipbuilding	★	★	--	--
CHIMBUSCO	★	★	--	--
China Ocean Shipping Tally	★	★	--	--
COSCO Finance				
COSCO Manning	★	★	--	--
COSCO Hainan Boao	★	★	--	--
COSCO H.K.			--	--
COSCO America			--	--
COSCO Europe			--	--
COSCO U.K.	★	★	--	--
COSCO Singapore	★	★	--	--
COSCO Australia	★	★	--	--
COSCO Japan	★	★	--	--
COSCO Korea	★	★	--	--
COSCO West Asia			--	--
COSCO Africa			--	--

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.

(VII) Elevation of Marketing Management

In face of severe market conditions, COSCO Group takes marketing as a main measure for differentiated competition. The group pays attention to and takes concrete actions to elevate the overall level of marketing work. It insists on the value marketing concept of comprehensive, interaction, value increase and collaboration, establishes the all-staff marketing culture, and advocates various forms of marketing innovations. By making full use of the brand image of COSCO Group and the advantages of domestic and overseas networks, it enhances the horizontal communication and cooperation of units in the system to generate collaborative marketing effects. In the meantime, it pays attention to the cultivation and foster of backup talents for key marketing posts to enhance its marketing strengths.

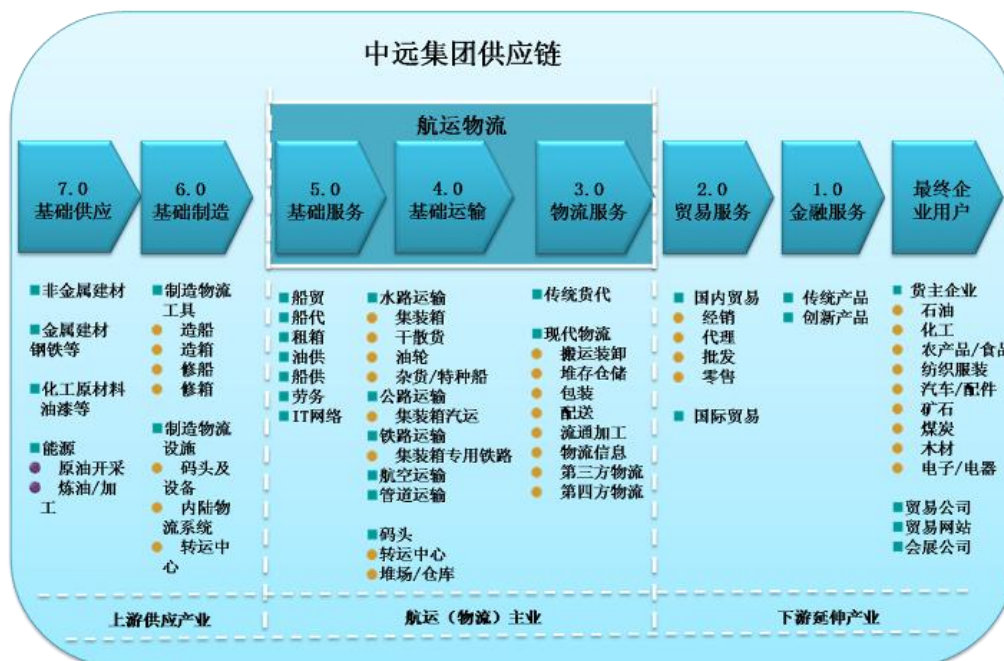


(VIII) Elevation of Credit Management

Upholding the credit value concept, COSCO Group elevates its core competitiveness by enhancing credit management. The group establishes honest corporate culture, insists on legal operation and promises to provide high-quality products and services for customers. It pays special attention to enhance customer credit management and account receivable management and takes the perfection and elevation of customer credit management as the important measure to control and lower account receivable risks. It makes ceaseless efforts to improve the corporate credit management system, actively develop related software such as customer credit management information system and realize systematic and scientific management measures.

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 ranked the first and fourth place in the world respectively.



图中文字:

中远集团供应链 COSCO Group's supply chain
航运物流 Shipping & logistics



基础供应 Basic supply
基础制造 Basic manufacturing
基础服务 Basic service
基础运输 Basic transportation
物流服务 Logistics service
贸易服务 Trade service
金融服务 Financial service
最终企业用户 Corporate users
非金属建材 Non-metal materials
金属建材钢铁等 Metal materials such as iron & steel
化工原材料油漆等 Chemical materials such as paint
能源 Energy
原油开采 Crude oil exploitation
炼油/加工 Refinery/processing
制造业物流工具 Logistics tool of manufacturing industry
造船 Shipbuilding
造箱 Container manufacturing
修船 Ship-repairing
修箱 Container-repairing
制造物流设施 Manufacturing and logistics facilities
码头及设备 Terminal and equipment
内陆物流系统 Inland logistics system
转运中心 Transshipment center
上游供应产业 Supplying industries in the upper steam
船贸 Ship trade
船代 Ship agent
租箱 Container leasing
油供 Oil supply
船供 Ship supply
劳务 Labor
IT 网络 IT network
水路运输 Water transport
集装箱 Container
干散货 Dry and bulk cargo
油轮 Oil tanker
杂货/特种船 General/special ships
公路运输 Highway transportation
集装箱汽运 Container truck transportation
铁路运输 Railway transportation
集装箱专用铁路 Special railway for containers
航空运输 Air transportation
管道运输 Pipeline transportation



码头 Terminal
转运中心 Transshipment center
堆场/仓库 Yard/warehouse
传统货代 Traditional cargo agent
现代物流 Modern logistics
搬运装卸 Transportation, loading/unloading
堆存仓储 Piling warehouse
包装 Packaging
配送 Delivery
流通加工 Circulation and processing
物流信息 Logistics information
第三方物流 Third party logistics
第四方物流 Fourth party logistics
航运（物流）主业 Shipping (logistics) business
国内贸易 Domestic trade
经销 Marketing
代理 Agent
批发 Wholesale
零售 Retail
国际贸易 International trade
传统产品 Traditional products
创新产品 Innovative products
货主企业 Cargo-owners
石油 Petroleum
化工 Chemical products
农产品/食品 Agricultural products/foods
纺织服装 Textiles and garments
汽车/配件 Autos/accessories
矿石 Ores
煤炭 Coal
木材 Timber
电子/电器 Electronics/Electric appliances
贸易公司 Trade companies
贸易网站 Trade websites
会展公司 Exhibition companies
下游延伸产业 Industries in lower reach

In 2012, 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:



集装箱航运及相关业务	<ul style="list-style-type: none"> ■ 船队总运力排名世界前列 ■ 共经营146艘船舶，总运力超过56万TEU ■ 拥有400多个境内外销售和服务网点
干散货航运及相关业务	<ul style="list-style-type: none"> ■ 全球规模最大的干散货船队 ■ 共经营439艘船舶，实际控制运力3567万载重吨 ■ 领先的经营管理能力和强大的客户资源
物流业务	<ul style="list-style-type: none"> ■ 中国最具竞争力的物流服务供应商
码头及相关业务	<ul style="list-style-type: none"> ■ 码头业务吞吐量排名世界第五 ■ 在全球投资经营28个码头
集装箱租赁业务	<ul style="list-style-type: none"> ■ 箱队规模排队世界第二 ■ 拥有及管理的箱队超过158万TEU，市场份额达14.3%
集装箱制造业务	<ul style="list-style-type: none"> ■ 世界最大的集装箱制造公司 ■ 全球市场份额超过50%

图中文字：

Container shipping and related businesses:

- 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:

- 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:

- China's most competitive logistics service provider.

Terminal and related business:

- Terminal throughput ranks the fifth place in the world;
- Investing in and operating 28 terminals throughout the world.

Container leasing business:

- 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:

- World's largest container manufacturing company;
- Global market occupancy exceeds 50%.

In accordance with the assessment results, 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) Protecting Health and Safety of Customers

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 tried to satisfy customers' requirements and expectations. 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.

In 2012, COSCO Group received no complaints or fines with regard to influences of its products and services on health and safety.

China COSCO Bulk organized its subsidiaries to hold the special meeting on safety control of nickel ore transportation to know the entire process for nickel ore transportation and safety situation, and required them to summary the experiences of safety control for nickel ore transportation and to formulate China COSCO Bulk's standard safety control procedures for nickel ore transportation as soon as possible. With respect to bulk carriers for transportation of nickel ores that are easily to meet marine accidents, COSCO Bulk, on one hand, offered boarding guidance to introduce the basic knowledge of laterite-nickel ore and special attention to be paid in nickel ore transportation. On the other hand, it led thinking of seafarers and enhanced their safety and responsibility consciousness. In the meantime, it made efforts to enhance the collaboration and cooperation of security management departments, compiled the Guiding Opinions on Safety Transportation of Nickel Ores by Ships in form of "guidance + training" to ensure safety of nickel ore transportation ships.

In 2012, COSCO Bulk received the honorable title of 2012 Advanced Unit for Safety Production in Tianjin's Traffic and Transportation Industry, becoming one of the ten units in Tianjin that received such honor. The company insists on the guidelines of "safety first, prevention crucial and comprehensive management" and the "safe development concept", implemented safety responsibilities, strengthened safety management, deepened



the special rectification for hidden risk investigation and safety production, keeping stability of safety production situations and achieving significant results.

In February 2012, COSCO Dalian rated A level for safety and anti-pollution management of shipping companies in Liaoning in 2011 by the Liaoning Maritime Safety Administration.

(II) Product and Service Quality

In 2012, COSCO Group faced unprecedented challenge. In this year, it tried to overcome the difficulties, exist in the market and seek for development. Although shipping market is in great depression, COSCO Group paid close attention to product and service quality, further enhanced value marketing in severe market situation, and enhanced the implementation of VIP customer strategies, expansion of new emerging and domestic trade market and service extension. In 2012, the proportion of basic cargo sources of various fleets of COSCO Group reached 31.5%, up 5.6 percentage points compared with 2011. In order to carefully implement the spirits conveyed at the Symposium of Central Shipping Enterprises and Central Cargo-owner Enterprises, COSCO Group visited its customers and achieved primary results. Leaders of the group also visited the central cargo-owner enterprises and their partners by making use of various opportunities. In order to fulfill the target of “transporting domestic oils with domestic vessels” and “building domestic ships by domestic enterprises”, COSCO Group exerted great efforts to promote the “COSCO-Sinopec National Oil Transportation Project” and signed VLCC shipbuilding agreement with CSSC and CSIC, implementing the spirits conveyed at the 18th National Congress of CPC and realizing the converged development of industrial chain of central enterprises with concrete actions. Besides, COSCO Group made active efforts to lead the market development, resume the freight rates and keep order of shipping market.

1. Product and equipment R&D investments and achievements

COSCO Group carried out R&D on ship technologies, logistics technologies, auxiliary equipment, information system and soft science with a focus on its main business. By the end of 2012, national patent grants obtained by the group include noncable, double-flap, remote control hydraulic grab, automatic measurement & control device for heating of oil tankers and passenger liners, remote control & testing system of navigation status of ships, low-temperature liquid loading arm emergency-response breakaway valve and low-temperature liquid loading arm. The PC software copyrights obtained by the group include dynamic online monitoring system of ocean ships and cargo transportation, ship data analytical and demonstration software, ship position access software based on maritime communications satellite, global ocean meteorology information automatic processing system, software data analytical and storage system, ship safety navigation status analytical system, shore-based ship monitoring and commanding system, ship risk warning and inspection system. Application of aforesaid technologies had significantly improved the quality, efficiency and safety of shipping service.

At the National Science and Technology Award Conference held on Feb. 14, 2012, the project of “key design and manufacturing technologies of highly-stable cylinder deep-sea drilling platform” developed by COSCO Shipyard Nantong received the first-class National Scientific and Technological Progress Award in 2011. Leaders of the party and the government were present at the event and issued the award. This is the supreme



award won by COSCO Group in scientific and technological sector in the past 50 years since its establishment, and also the first national science & technology award received by enterprises in domestic ocean engineering and equipment manufacturing industry. Thus, the company has many independent intellectual property rights such as “highly-stable cylinder deep-sea drilling platform”, formed unique product series and occupied international market.

COSCO Logistics set a record for horizontal ro-ro transportation of large cargos of the country. COSCO Logistics successfully rolled the super large ship module with the total eight of 1378 tons (41.5 meters long, 37.5 meters wide and 15.5 meters high) to the ship at Humen Terminal, Nansha, Guangzhou with the horizontal ro-ro loading technology of large cargos and self-owned transportation resources, setting a record for horizontal ro-ro transportation of large cargos of the country. It was the third time for COSCO Logistics to break the records of this sector, fully showing its leading strengths and advantages.

South China-typed and Yangtze River-typed coastal bulk carriers of COSCO Shenzhen received national invention patents. The technologies of 65,000-ton-class South China-typed coastal bulk carrier and 50,000-ton-class Yangtze River-typed coastal bulk carrier of COSCO Shenzhen received the national utility model patents. Lines of the ship bow, stern and cargo cabin can effectively reduce the resistance of ships during navigation, and the water draft of ship. Therefore, the ships are excellent in reducing fuel consumption and lowering the ship schedule losses caused by tides when the ships entering or leaving the ports, showing the technical advantages of high navigation speed, shallow draft, low fuel consumption, low cost and environment-protection and significant using value.

In order to adapt to oil supplies of modernized ports, CHIMBUSCO customized three 3600-ton-class bunkering ships as its main ships, and opened the ship-building mode of “uniform design, site selection, building, supervision and capital management” in the history of the company. So far, all the six bunkering ships had been put into operation, and had taken a lead in domestic bunkering ship market. CHIMBUSCO 31 of COSCO Qingdao set a record for the oil supplying speed of over 1000 tons per hour and expanded new container customers for oil supplying business of CHIMBUSCO.



In March 2012, CHIMBUSCO launched the technical reconstruction project of multi-point berthing terminal of Guishan Oil Reservoir to reconstruct the 50,000-ton-class terminal into 100,000-ton-class finished oil



unloading berth and auxiliary facilities. It is predicted that the project will be completed at the end of 2013. After that, Guishan Oil Reservoir will become the oil transshipment and warehouse center of CHIMBUSCO in South China, greatly improved the warehousing ability of the company in South China and can provide better and faster services for the customers.

In November 2012, the laboratory of CHIMBUSCO Dalian passed CNAS certification, becoming one of the first batch of oil supplying enterprises that passed CNAS certification. The company was also listed in the List of National Certified Labs, elevating its reputation and winning trust of governmental departments and all circles of the society.

COSCO Shipyard carried out the “Clear at Glance” project with digital management as the mean. Since launch of the project in May 2008, the project was implemented step-by-step by fifth stages, namely visual management, 6S management, human behavior standardization, team building and digital management. Currently, the project is in the fifth stage, and development of a series of safety production software such as warehouse management system, human-orientation system, and large crane safety monitoring system. Besides, the “Clear at Glance” Project Standards Management Manual received the third-class scientific and academic achievement award in natural science sector of Liaoning, and was published by the China Standard Publication House. The project realizes the “safety promotion by science & technology” and ensures the sustainable and scientific development of the enterprises by applying modern technological measures to safety management of enterprises.

In 2012, COSCO Shipyard (Dalian” received the honorable title of National High-tech Enterprise, marking that it had reached a new level for technical innovation and technological content of products.

2. Paying attention to low-carbon and environmental-protection in R&D and production management

Subsidiaries of COSCO Group paid close attention to low-carbon and environmental protection in R&D and production management to realize the mutual benefits of economic, social and environmental protection benefits.

In May 2012, the Special Meeting on Energy-conservation and Emission Reduction Technologies and Elevation of Ship Engine Safety Management was held in Qingdao. Participants of the meeting reviewed the energy-conservation and emission reduction, and ship engine safety management work in the first four months of 2012, discussed on key and hot issues in engine safety management and energy conservation & emission reduction work, and put forward working plans for the next step.

On April 10, China COSCO Bulk and CCS signed the Cooperation Agreement on Energy Efficiency Management Certification Service at the headquarters of CCS in Beijing to make joint efforts to promote energy conservation, emission reduction, low-carbon, environmental protection and green transportation. Both sides will cooperate with each other in comprehensive and in-depth manner in terms of information exchange, research and formation of resource-sharing, ship energy efficiency management standards/criteria, guidelines



and software, establishment and operation of ship energy efficiency management system, and energy efficiency management verification/certification.

3. Considering product safety factor in design product

COSCO Group continuously enhanced the safety management of service process to ensure controllability of its product safety. Since 2012, the group focused on grassroots and basic work, carried out three action plans, namely safety production publicity and education, supervision and inspection, management of hidden risks in an in-depth manner, strengthened the building of safety production system & mechanism, safety production capacity and safety management team, and effectively control the safety accidents, with national laws, regulations and directives of the superiors as the guidance, with effective protection of crucial and important accidents and control common accidents as the target, and with safety production, protection of pirate hijacking and group death and injury as the focus.

China COSCO Bulk promotes elevation of safety management ability through safety production month activity. In 2012, it organized the safety production month activity, conducted the survey on comprehensive safety management system and safety management information platform, and organized in-depth discussion on safety transportation work such as nickel ore transportation, icy area and anti-typhoon. COSCO Bulk carried out two ship- and shore-based comprehensive rehearsal and five special rehearsals in combination with the Emergency Response Rehearsal Week Program. Ships managed by the company carried a total of 297 rehearsals on ship firefighting, ship abandonment and oil leakage. COSCO (H.K.) Shipping and the Security Supervision Department of COSCO Group jointly organized the ship heeling emergency-response rehearsal and anti-pirate emergency-response rehearsal, and 36 times of ship- and shore-based anti-pirate rehearsals for ships. Liners of COSCO Qingdao organized safety emergency response rehearsals based on route, cargo carrying volume and navigation status of their respective liner. The 11 shore-based units organized a total of 18 emergency response rehearsals. Aforesaid activities further elevated the emergency response and rescue ability and collaborative disposal ability of China COSCO Bulk and the emergency response skills of its employees.

COSCO Logistics (Shanghai) Heavy Haulage Co., Ltd completed the research topic of safety operation of bridge-typed vehicles. In March 2012, COSCO Logistics (Shanghai) Heavy Haulage successfully completed the special research topic on safety operation of bridge-typed vehicles. Since June 2011, the company listed the bridge-typed vehicle as the key operation for safety control based on the situations that the connection and operation of bridge-styled vehicles is complicated, the cross-operation is complicated and the synchronous operation of related parties is frequent. After seven months of trouble-shooting, the research team formed related documents such as the operation criteria for safety operation of bridge-styled vehicle, guidebook for safety operation and management methods of high-altitude operation. Completion of the research topic marks that COSCO Logistics (Shanghai) Heavy Haulage had embarked on a new way of voluntary exploration in safety work.

COSCON organized the ship- and shore-based joint rehearsal on emergency response and rescue of dangerous chemical product accidents in 2012. COSCON carried out the National Safety Production Month activity in 2012 and organized a joint rehearsal on June 18. The rehearsal was carried out under the background that the



Central Scheduling Office received a report of COSCO Oceania Liner that the dangerous chemical product “crylic acid” placed at 530782 position of the liner was leaked and burned, threatening the life safety of seafarers and ship safety. Related departments and units of the company conducted emergency response rescue. The rehearsal checked the implementation of emergency response proposals by ship and shore-based units and the emergency-response linkage situations of related units.



4. Product quality management and high-quality service

COSCO Group paid close attention to product and service quality to ensure that its services and products can satisfy the requirements of customers and laws and regulations in terms of applicability, reliability and safety. In accordance with requirements of 2011-2020 Outlines for Quality Development, it made ceaseless efforts to improve the product quality guarantee system, ensure that product quality and safety indicators could meet requirements of related laws and regulations, elevate its quality innovation ability and competitiveness of self-owned brands, improve the energy conservation and environmental protection performance and satisfy customers’ quality requirements. All subsidiaries of COSCO Group had passed ISO9000 management certification.

In 2012, COSCON was appraised as the only enterprise in international liner and container industry with AA+ qualification and reputation. On Nov. 27, the 2012 Demonstration and Exchange Activity for Credit Assessment Work of Shipping and Auxiliary Industries organized by the Shanghai Shipping Exchange was held. Over 100 persons including representatives of governmental organs, 50 shipping enterprises, industrial associations including China Ship-owners Association, financial institutes and media were present at the event. After appraisal, COSCON ranked the first place for total scores in 2011, becoming the only enterprise in international liner and container industry with AA+ qualification and reputation in 2011.

COSCO (H.K.) Shipping received the Largest Tonnage Award for Total Tonnages of Ships Registered in Hong Kong and Green and Environmental Protection Award for Ship Management. On March 9, 2012, the Marine Department of Hong Kong and Hong Kong Ship-owners Association jointly held an awarding ceremony at the Island Shangri-La Hong Kong to award excellent shipping companies in terms of total tonnage registered, environmental protection and PSC management. COSCO (H.K.) Shipping received the Largest Tonnage Award for Total Tonnages of Ships Registered in Hong Kong and Green and Environmental Protection Award.



The supplying company of COSCO Bulk became the member unit of the International Ships Suppliers & Services Association (ISSA). The supplying company of COSCO Bulk became official member of ISSA by elevating its product and service quality actively, laying a good foundation for seizing the development directions of international ship supplying industry and further exploring foreign ship supplying market.

CHIMBUSCO Qingdao appraised the A-class safe and reputable shipping company by the Shandong Maritime Safety Administration. The company will enjoy priority and shorter period in handling administrative license, confirmation and other maritime affairs. It was the second time for the company to received A-class rating.

In 2012, China Ocean Shipping Agency (Tianjin) honored the “Traffic Quality Award”, the supreme honor for quality management of traffic industry issued by the Ministry of Transport.

(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 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 Logistics and COSCO Shipping made improvements on VIP customer service mode as well as its professional and personalized services, winning favor of customers. COSCON paid close attention to schedule management work and made ceaseless efforts to improve the quality of transshipment service. Its comprehensive on-time ratio in the year reached 86.32%, talking a lead in the industry. It improved its



multi-modal transportation service network, successfully explored the domestic trade daily schedules, and increased the value of container shipping brand. COSCO Star and Wuyuan liners of COSCO Xiamen won wide recognition of markets on both sides of Taiwan Strait for its characteristic and high-quality services. COSCO Boao completed the reception work of Boao Forum for Asia 2012 and further elevated the brand image of COSCO Group. COSCO West Asia overcame the difficulties to ensure the supports of escort fleet, receiving high praises from all parties. Qingdao Ocean Shipping Mariners College had served for shipping business of the group and elevated its education and training quality continuously. Besides, the shore-based, tally and materials supplying units of COSCO Group exerted great efforts to improve their service quality, creating favorable conditions for enterprises to increase the revenue and create profits.

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.

On July 21, 2012, COSCON and China Nuclear Engineering Group signed the Framework Agreement on Deepening the Cooperation. According to the agreement, both sides will make concerted efforts to promote nuclear projects in overseas markets, and further reinforced, expanded and deepened the logistics and transportation business cooperation established by both sides.

On Nov. 1, 2012, China COSCO Bulk and China Coal Energy Company Limited signed the agreement for establishment of strategic partnership relationships on coal transportation business. Signing of the agreement laid a solid foundation for both sides to share their advantages resources and realize win-win cooperation.



On July 5, COSCO Logistics and Baotou Municipal People’s Government signed a strategic partnership framework agreement in Baotou. According the agreement, both sides will establish strategic partnership relationships in terms of logistics, supply chain management and logistics consulting sectors under the principles of “farsightedness, market-dominated, wide cooperation, advantage supplementation and mutual-benefits”.

At the signing ceremony of cooperation project between central enterprises and Qingdao Municipal People’s Government held on July 19, CHIMBUSCO and Qingdao Port Group signed a strategic partnership agreement to carry out deeper and wider cooperation after the signing of Strategic Partnership Agreement on Aug. 23, 2008 and successful operation of CHIMBUSCO Pan-Baohai Sea Regional Center. Both sides will establish long-term and stable strategic partnership relationships, and cooperate on construction and operation of Oil Reservoir of HIMBUSCO Pan-Baohai Sea Regional Center (International Ship Fuel Transshipment Base) and auxiliary infrastructures such as terminals.



CHIMBUSCO and Beijing Petroleum Exchange signed a strategic partnership agreement in Beijing. According to the agreement, Beijing Petroleum Exchange will select CHIMBUSCO’s oil reservoirs as the designated reservoirs, and CHIMBUSCO will provide high-quality and high-efficient warehouse and logistics services for Beijing Petroleum Exchange and its member units. In the meantime, both will seek for cooperation in fuel resource input, fuel spot trade and shipping logistics actively to promote the standard and scaled development of petroleum and petro-chemical product trade.



Seeing the rapid development of ship and ocean engineering markets, COSCO Shipyard (Dalian) and Chongqing Iron & Steel (Group) Co., Ltd held a signing ceremony of strategic partnership agreement on ship-used steel boards in Dalian on May 8, laying a good basis for both sides to establish long-term and stable cooperation relationships, improve the ability to resist against market risks and jointly explore the market.

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 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.

- COSCON held a service promotion fair for central SOEs. On Dec. 20, 2012, COSCON held the 2013 Customer Service Promotion Fair in Beijing. Leaders and representatives of central SOEs such as China Grain Reserves Corporation and CNBM International, large customers, related ministries and commissions and related industrial associations attended the fair. At the event, COSCON mainly introduced the shipping line products of COSCON in 2013 to key customers. COSCO Shanghai International Freight Co., Ltd mainly introduced the company’s extended businesses and products such as sea-rail transportation service, site/warehouse service, project logistics service, auto transport service and special cargo transportation service.
- China COSCO Bulk held the Symposium of Key Customers in South China Coastal Areas. On Oct. 11 to Oct. 12, 2012, China COSCO Bulk Symposium of Key Customers in South China Coastal Areas was held in Guangzhou. At the symposium, Qiu Bo, deputy general manager of China COSCO Bulk, introduced the reform and development situations of China COSCO Bulk, extended thanks to participating customers for their long-term support, and expressed the willingness to further enhance the cooperation and seek for mutual benefits in long-term period of time. Participating guests actively responded to this, and said that they would promote the long-term cooperation as usual.
- COSCO (H.K.) Group carried out “Marketing Service Year” activity. Main contents of the activity include enhancing and optimizing existing customer group, cultivating core customer group and strategic customer group; exploring new markets and customers and improving its marketing channel system, elevating customer satisfaction, reputation of enterprises and increasing market occupancy; forming long-term mechanism for marketing service, creating marketing service culture with special characteristics of COSCO (H.K.) Group, enhancing the profitability continuously and elevating the core competitiveness. In order to ensure effects of the activity, COSCO (H.K.) Group and its subsidiaries formulated the specific plans for the activity based on their



practical situations and assigned quantitative indicators for marketing services to the production and operation units.

➤ In November 2012, the CHIMBUSCO Promotional Fair of Oil Supplying Business for Container Ship-owners was held in Qingdao. Representatives of customers such as COSCON, China Shipping Container, Sino-trans, SK, Haifeng, Minsheng, Gongtong Shipping and Datong Shipping were present at the fair. At the event, the customers had in-depth exchanges and discussions on cooperation experience with CHIMBUSCO and characteristic services to be provided by CHIMBUSCO. This further consolidates the customers' ideas to seek for long-term, mutual-beneficiary and joint development with CHIMBUSCO.

3. Supplier and supply chain management

COSCO Group fully recognized the meaning of supplier and supply chain management for sustainability of the enterprise, and insisted on establishing mutual-beneficiary supplying relationships with the suppliers to enhance the value creation ability of COSCO Group's subsidiaries. It promoted enterprises in the system to establish up to down supplier management system, improved the working mechanism continuously, and tried to lower procurement costs and reduce operating risks by generating active influences in terms of supplier comment, selection and management while ensuring the quality, controlling the price and optimizing the service.

➤ In 2012, COSCO Group took supplier management as one of the key parts for management elevation activity and steadily promoted the management elevation work in the system. In this year, COSCO Group and its second-tier units established organizational systems for procurement, business outsourcing and supplier management, completed the compilation of top-grade systematic documents, researched and formulated the first batch of first-tier concentrated procurement catalogue and the Procurement Management Regulations. All second-tier units completed the compilation of procurement, business outsourcing and supplier management systems, launched the construction of concentrated procurement and supplier management information platform, and completed the module development work. They also completed the supplier database bidding plan for related businesses and the bidding and warehouse-establishment work of engineering and audit suppliers, and established the first batch of first-tier concentrated procurement supplier database.

➤ On Aug. 20, 2012, COSCO Group held the work meeting for procurement, business outsourcing and supplier management elevation to point out directions for work in the next step in terms of organization & construction, management benchmarking, building of punishment and prevention system, management elevation integration, informationization construction, and training & examination.

➤ On July 26, 2012, COSCO Logistics and Laos Kaiyuan Minerals Co., Ltd of Sichuan Kaiyuan Group signed the Strategic Partnership Framework Agreement for Supplier Management in Chengdu. According to the agreement, both sides will carry out wider and deeper cooperation in ASEAN market.



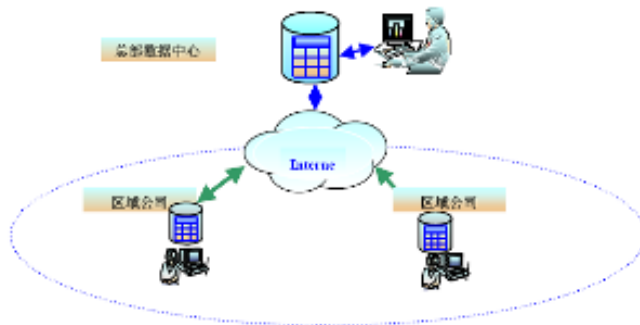
(IV) Consumer Services, Supports and Disposal of Complains and Disputes

Subsidiaries of COSCO Group establishes effective customer relations management system to enhance works as customer demands investigation, service improvement, perfection of communications channels, disposal of complains and suggestions, and visit of customers. These efforts aim to satisfy and surpass the customers' existing and potential demands, and ensure 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' Totally Customer Satisfaction Solution (TCSS). From the very beginning since its establishment, COSCO Logistics had teamed up with the Renmin University of China to develop TCSS and implemented it in COSCO Logistics in a systematic and comprehensive manner. TCSS can effectively integrate the customer data of its subsidiaries and realize real-time transmission and management. After the upgrade work in 2009-2011, COSCO Logistics TCSS2.0 had been put into operation. In 2012, COSCO Logistics conducted the second "three-year review and analysis on customer satisfaction data". By making full use of the customer satisfaction survey results, it had promoted the continuous improvement of customer service work.



When conducting a survey among customers, telephone survey is adopted as the main method, while fax, email and website survey as the auxiliary. The survey was conducted at the professional survey center and the survey processes were monitored and record. Assessment data were input into the system in a real-time manner for use in the follow-up analytical report. In 2012, survey on customer satisfaction, loyalty and service quality was conducted among large, small and medium-sized customers of various businesses such as ship agency, cargo agency, logistics, air transport and warehouse. The survey, which received active cooperation of customers, offered many valuable opinions and suggestions for the headquarters and all-levels of companies.

2. Customer Service Satisfaction

All subsidiaries of COSCO Group actively carry out customer satisfaction survey and analysis activities.

➤ Customer satisfaction survey of COSCO Logistics. In 2012, COSCO Logistics entrusted 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.

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
2012	87.16	87.26	86.10	85.82

➤ Customer satisfaction survey conducted by COSCON. COSCON hired third party evaluation institution for six 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.

Customer satisfaction index of COSCON

Evaluation items	Survey results in 2012					Comprehensive scores (2012)	Comprehensive scores (2011)	Comprehensive scores (2010)
	Very satisfied (%)	Satisfied (%)	Common (%)	Dissatisfied (%)	Very dissatisfied (%)			
Coverage of shipping line	19.20	66.82	12.61	0.80	0.23	80.59	79.97	78.60
Cargo delivery period	20.80	65.57	12.27	0.91	0.23	81.03	80.13	78.95
Ship schedule frequency	21.59	63.86	13.07	1.02	0.23	80.97	80.51	78.59
On-time ratio of ships	25.80	56.70	15.11	1.93	0.34	81.07	81.07	77.66
Cabin-booking smooth degree and feedback speed	21.48	61.02	8.52	0.34	0.11	75.57	79.80	84.22
On-site packing service	34.55	56.36	8.52	0.34	0.11	84.91	85.31	----
Customs declaration and inspection declaration services	32.73	54.66	11.02	1.14	0.11	83.55	84.28	74.74



Timeliness and accuracy of issuance of bill of lading	36.36	55.00	11.02	1.14	0.11	87.45	86.33	82.92
Cargo arrival notice and cargo placement operation	25.57	52.84	17.84	2.16	0.91	79.59	79.90	78.25
Statement of account and invoice delivery service	26.70	57.95	13.18	0.68	0.11	81.26	82.01	----
Timeliness and accuracy of transshipment information	24.77	53.75	14.43	1.48	0.23	77.07	82.68	73.57
Cabin guarantee rate of transshipment process	18.52	55.00	19.77	2.95	0.68	75.70	79.11	74.15
Timeliness of transshipment process	19.55	53.64	19.89	3.30	0.57	75.83	77.18	72.98
Container dynamic tracing service	19.43	55.34	18.75	2.73	0.68	76.18	76.90	79.31
Free staking and use of containers	19.09	50.11	23.18	3.52	0.80	74.65	78.51	75.55



Empty container supplying ability	19.43	54.20	20.23	0.80	0.45	75.34	79.33	80.47
Credit period and credit amount	21.25	55.91	16.82	0.91	0.23	76.48	78.32	79.54
Overall freight level	20.45	60.57	14.20	0.57	0.23	77.70	78.66	71.65
Timeliness of freight adjustment	25.23	63.86	10.00	0.68	0	82.59	79.65	----

COSCO Logistics was awarded by Mintou (Lianjiang) Wind Power Co., Ltd. The Zhongmin Lianjiang wind power project team of COSCO Group received a letter of congratulations from Fujian Mintou (Lianjiang) Wind Power Co., Ltd, in which, it extended thanks to the logistics services offered by COSCO Logistics in Zhongmin Lianjiang Beiling Wind Power Project and offered a cash reward. Lianjiang wind power project is operated by COSCO Logistics (Xiamen). The project is located at Beijiao Town, Lianjiang County, Fuzhou City, and has remote geographic position and complicated logistics conditions, bringing great challenges to project operation. The project team took specific measures to cope with the difficulties and did a great deal of work in terms of vehicle dispatch, technical reform, selection of transportation route and determination of navigation time, providing personalized logistics solutions for project owner, offering 60 times of safe navigation and ensuring the smooth operation of the project. The diligent efforts of the project team enabled COSCO Logistics to win respects and recognition of the customers, and set up the good brand image of COSCO Logistics.

COSCO Logistics received two awards for Chinese logistics industry in 2012. On Nov. 28, the appraisal results of 2012 Chinese Logistics Industry Awards were announced. COSCO Logistics received two awards, namely 2012 Top 10 Enterprises in Chinese Logistics Industry for Brand Value and 2012 China Top 10 Logistics Enterprises. Zhang Jiqing, General Manager of the company, received the honorable title of 2012 China Annual Character Award of Chinese Logistics Industry.





COSCO Logistics (Qingdao) received the honorable title of Top 10 Comprehensive Logistics Enterprise of Qingdao. In 2012, COSCO Logistics (Qingdao) received the honorable title of Top 10 Comprehensive Logistics Enterprise of Qingdao. The award is jointly issued by Qingdao’s Working Team for Development of Modern Logistics Industry and the Qingdao Municipal Transport Commission. Only 10 enterprises in Qingdao’s logistics industry received such honorable title. In face of economic downturn and depression of shipping market in 2012, COSCO Logistics (Qingdao) accelerated the transformation and upgrade of the enterprises and enhanced internal management elevation. Its profits had increased stably, and it is predicted that the year-on-year growth rate will be higher than 9%.



3. Product and service innovation system and measures

With respect to product and service innovation, subsidiaries of COSCO Group took various measures actively to promote product and service innovation. In 2012, it made special efforts to enhance the integration of bulk business and actively explored new products and service sector.

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, and will elevate COSCO Group’s international competitiveness and anti-risk ability.



Year 2012 is the first year since establishment of China COSCO Bulk and also the most depressing year of international dry and bulk shipping market. The supplies and demands of the market were imbalanced and BDI reached the lowest level since its establishment. In face of severe market environment, all ship and shore-based staff of China COSCO Bulk completed the reform of bulk cargo system focusing on the main tasks of “integrating the collative wisdom, deepening the reform, making exploration stably, operating wholehearted, realizing lean management, saving expenditure and creating benefits and promoting safety and harmony”, and made active contributions to the existence and development of China COSCO Bulk. The production and

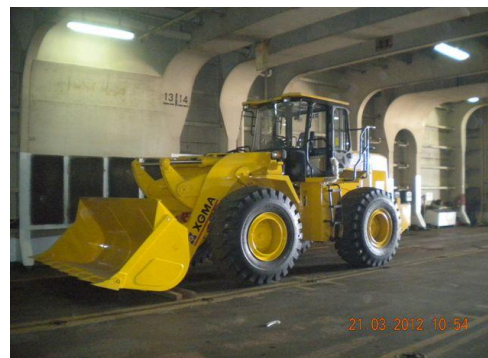


operation of the entire system was carried out in a stable and orderly manner, the development mode was optimized continuously, the safety situation was stable and the management level was elevated continuously.

In face of complicated and severe market situations, CHIMBUSCO Europe made innovations and explorations actively. It had made full use of the brand advantages of CHIMBUSCO, established favorable cooperation relationships with large shipping companies in Europe, and expanded its business scope from oil recharging at domestic port to fuel supplying service at European ports for ship-owners. While supporting the oil-recharging business of COSCO Group's fleets at ports in Europe, it also occupied certain market shares and transformed from an intermediate trader to oil supplying service provider in accordance with requirements of CHIMBUSCO headquarters.

COSCO Xiamen seized the opportunities and established cross-strait express cargo transport mode by making use of the speed advantages of air service and conveniences offered by Xiamen Customs for express ocean shipping business, and created door-to-door and 24H safe and convenient cargo and passenger shipping business between both sides of Taiwan Strait.

On the afternoon of March 29, COSCO Star navigated from Xiamen to Taiwan carrying 9,000 kilograms of cross-street express delivery cargos, marking the inaugural navigation of first batch of cross-strait express shipping cargos and the entry of cross-strait express shipping business into dual-way operation stage.



(V) Information Disclosure and Contract Performance

COSCO Group has been dedicated to provide high-quality shipping and logistics services for global customers. By carrying out lean management, conducting supervision and control strictly and controlling the cargo transport quality, it had ensured that its customers can access to information of selected products and services in a timely, accurately and effectively manner, so as to make decisions under information transparency and symmetry conditions. Subsidiaries of COSCO Group, through tax, e-commerce platform, newspaper and magazine as well as related management channels, released the information such as voyage, shipping line, dynamic status of ships, technologies of ship, freight rate and cabin booking, unveiled information of schedule, shipping line, arrival and departure time, freight rate and cabin to cargo owners or the public. Based on analysis on customers' demands, the logistics companies timely and effectively released the information such as



schedule, freight rate, logistics route, piling ground information and quality guarantee to the customers via website, magazine, telephone, email or fax.

Over the years, COSCO Group has insisted on performance of contracts in a fair manner, kept good faith and promoted fair and safe trading with concrete actions. The company can communicate with related parties sufficiently, effectively deal with the conflicts with regard to the contract, pay equal attentions to rights and interests of all parties, paid equal attentions to rights and interests of all parties, kept long-term and favorable cooperation relationships with customers and won the good social reputation. COSCO Shanghai International Freight Co., Ltd

In 2012, COSCO Group and its subsidiaries formulated and strictly performed the contracts in a fair manner, improved contract performance ratio, protect legal rights and interests of customers, and established a good image of law-compliant and contract-performing enterprises. In the 2010-2011 enterprise contract credit level certification activity organized by Shanghai Contract Credit Promotional Organization in 2012, received AAA-level contract credit level certificate for 10th successive years. The Shanghai Contract Credit Promotional Organization and appraisal companies believed unanimously that the company has completed management system, good contract management level and contract performance situation. COSCO Dalian has paid close attention to contract management work. In 2012, it was appraised as “Enterprise Adhering to Contract and Attaching Importance to Credit of Liaoning Province” by the Liaoning Provincial Bureau of Industry and Commerce in 2012, winning good social reputation.

(VI) 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 confidentiality 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. In cargo canvassing process, COSCO Group provided faithful and valid schedules and loading information to customers, and prohibited providing of false information by its cargo agencies and cooperation institutions.

In 2012, the group enhanced the confidentiality work and was involved in no confidential information disclosure events of its customers and stakeholders.



In the appraisal of “safe and honest ships” and “safe and honesty captains” for 2012 organized by the Maritime Safety Administration, 48 ships including Tianlihai Liner of COSCO Bulk appraised as “safe and honest ship”, while 20 capitals including Kan Fujun appraised as “safe and honest captains”, accounting for 25% and 21.7% of the total number of ships and captains that received the honor.

(VII) Sustainable Consumption

In order to realize sustainable development, COSCO Group has exerted great efforts to reduce and eliminate unsustainable production and consumption mode. With respect to sustainable internal consumption, it pays special attention to resource sustainability in procurement process, builds and re-constructs ships in accordance with energy-efficiency standards and copes with high fuel prices and low-carbon performance. With respect to sustainable consumption of external products, it pays attention 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

Besides national responsibility and guarantee, COSCO Group has been dedicated to satisfying customers’ basic demands and their rights to access to basic public service facilities. It provides 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.

COSCON establishes an information system with special characteristics of COSCON that covers main businesses comprehensive, and involves many layers such as operation, management and decision-making. By the end of 2012, the number of registered users of the system had exceeded 24,000 persons, and the annual visit volume had exceeded 6 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.

FOCUS System of COSCO Logistics unifies and standardizes the cargo transport business process of entire system, and greatly elevates concentrated management of cargos and customer service. Since its operation in 2006, it was promoted continuously. In 2010, COSCO Logistics and CIECC signed a strategic partnership agreement. It is the first comprehensive service platform co-developed by a Chinese cargo agency enterprises



with national governmental system. In 2012, the FOCUS System Application Skills Contest was held successfully, which enhanced the studies of system users, elevated their operation, application and management abilities, and promoted the close integration and interactive development of information system application and business development.



图中文字:

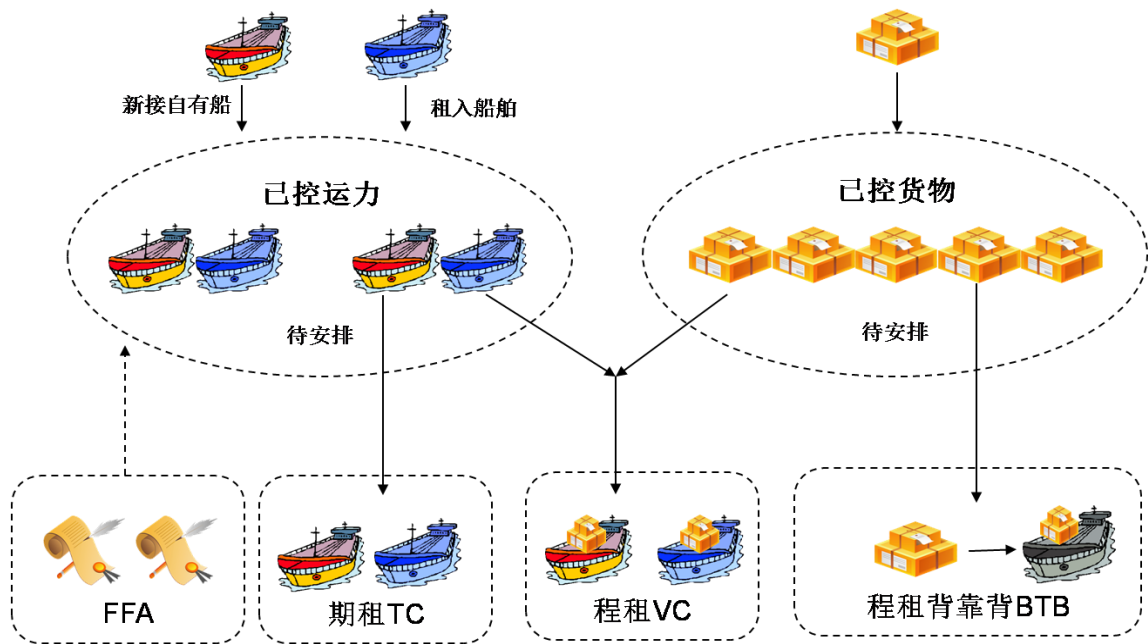
- 船舶资料 Ship materials
- 船期查询 Ship schedule inquiry
- 询价 Price enquiry
- 订舱助手 Cabin-booking assistant
- 电子提箱 E-drawing
- 网上托单 Online bill of lading
- 网上对单 Online bill check
- 远程提单打印 Remote bill printing
- Email 通知 Email notice
- 到货通知 Arrival notice
- 客户报表 Report forms for customers

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”.



<p>Second-class Prize for Scientific and Technological Progress Award of China Federation of Logistics & Purchasing</p>	<p>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.</p>
<p>China Excellent Case for Logistics and Procurement Informationization</p>	<p>The China Excellent Case Award for Logistics and Procurement Informationization aims to award outstanding enterprises and cases for use of innovative technologies to promote development of Chinese logistics industry.</p>

In order to satisfy the operation and management demands, China COSCO Bulk adopted advanced technical measures to develop BMS information system to establish high-efficient “production and operation” business operation platform. BMS system adopts various tools and methodologies to ensure the reasonable and accurate deliver of business data in ship leasing, dispatch, freight and financial-related business with a focus on four themes, namely ship, ship contract, schedule, port and cargo contract. As an international bulk cargo shipping operation and management software, it made comprehensive comments in terms of complicity, business coverage and applications cope of the business, and reached internationally advanced level. Implementation of the system had greatly elevated the operation and management efficiency of China COSCO Bulk.



(IX) Customer education and Consciousness Strengthening

Customer education not only aims to promote knowledge, but also to elevate customer’s ability and enable them to take actions based on the knowledge they obtained. COSCO Group paid close attention to popularization and promotion of shipping knowledge among customers, helped them to know their rights and obligations and made them to make more rational buying decision.



- COSCON held 2012 Ningbo Port & Air Carrier Exchange Fair. In order to enhance the communications of ports and air carriers, expand the cooperation scope and elevate the service quality, COSCON and Ningbo Port Group held the 2012 Port & Air Carrier Exchange Fair in Shaoxing to carry out in-depth exchanges on ship schedule guarantee, transshipment business and development of domestic trade, seek for cooperation focuses of both sides in the next time and elevate the cooperation between ports and air carriers to a new height.
- China COSCO Bulk held a symposium for large-sized cargo owners in Tianjin. In 2012, China COSCO Bulk attended a symposium with two largest materials import enterprises in Tianjin, namely on Tianjin Bohai Iron & Steel Group and Tianjin Property Group, on how to promote cooperation of three parties, realize advantage supplementation and increase business exchanges. At the event hosted by responsible person of SASAC Tianjin Branch, China COSCO Bulk briefly introduced its establishment and reform situations and the one-stop marketing and service mode for customers, and offered some constructive suggestions on third-party cooperation strategic framework agreement with common interests of three parties in the cooperation as the focuses. Participants reached common understandings in the discussion, which laid good foundation for substantial strategic cooperation of the three parties.
- COSCO Shipping enhanced the business exchanges with customers. In July 2012, general manager of COSCO Shipping led a delegation to visit CNOOC Shenzhen Branch. Both sides had in-depth exchanges and cooperation on enhancing the communications and establishing cooperation relationships. The company gave detailed introductions to structure of special vessel fleet and business situations of COSCO Shipping, the laddered structure of the company's fleet, functions of the ships and market segmentation of the fleet. In particular, it specially elaborated the cooperation potential with CNOOC Shenzhen Branch on semi-submersible ship, introduced the advantages and achievements of the semi-submersible ships in terms of positioning and installation, as well as its functions and excellent performance in related projects.
- In October 2012, the CHIMBUSCO 2012 Symposium for Domestic Trade Customers was held in Hangzhou successfully. At the event, CHIMBUSCO introduced its domestic trade business and made reports on current oil quality of ship fuels of domestic market, dangers for use of low-quality oil, monitoring measures and solutions. A total of 102 persons including leaders of high-end customers and CHIMBUSCO's system were present at the event. Participants said that they had benefited a lot from the reports and expressed great attention to development of domestic trade business of CHIMBUSCO.





(X) 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 2012, COSCO Group received no fines due to violation of related laws and regulations in terms of product and service liability.



劳工实践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 establish a number of functional departments such as the Human Resources Department, Trade union, the Safety Management Committee and Safety Supervision Department. The Human Resources Department is responsible for staff recruitment, daily evaluation, training & education, promotion and salaries and wages. The Trade union is responsible for coordination and signing of collective contracts and protection of rights and interests of staff, including supervision performance of the contract articles by the company, protecting proper rights and interests of female employees and other employees. The Safety Supervision Department is responsible for comprehensive safety management work, including safety and occupational health management of production sites, production processes and 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	★	★	▲	▲	▲	▲
China COSCO Bulk						
COSCO Logistics	★	★	--	--	--	--
COSCO Pacific						
COSCO Bulk	★	★	★	★	★	★
COSCO (Hong Kong) Shipping	★	★	★	★	★	★
COSCO Qingdao	★	★	★	★	★	★
COSCO Shipping	★	★	★	★	★	★
COSCO Dalian	★	★	★	★	★	★
COSCO Xiamen	★	★	★	★	★	★
COSCO Shipyard	★	★	--	--	--	--
COSCO Shipbuilding	★	★	--	--	--	--
CHIMBUSCO	★	★	▲	▲	▲	▲
China Ocean Shipping Tally	★	★	--	--	--	--
COSCO Finance			--	--	--	--
COSCO Manning	★	★	--	--	--	--
COSCO Hainan Boao	★	★	--	--	--	--
COSCO H.K.			--	--	--	--
COSCO America			--	--	--	--
COSCO Europe			--	--	--	--
COSCO U.K.	★		★	★	--	--
COSCO Singapore			--	--	--	--
COSCO Australia			--	--	--	--
COSCO Japan			--	--	--	--
COSCO Korea			--	--	--	--
COSCO West Asia			--	--	--	--
COSCO Africa			--	--	--	--

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	2007	2008	2009	2010	2011	2012
Total number of staff	69,285	67,643	71,584	71,105	72,897	74,909
Number of land-based staff in China	39,959	38,757	44,036	44,642	47,069	48,065
Number of staff working abroad	383	393	407	405	418	423



Number of foreign staff	3,752	4,188	4,207	4,023	4173	4,329
Proportion of foreign staff	5.42%	6.19%	5.88%	5.66%	5.72%	5.78%
Number of land-based foreign female staff	1,590	1,713	1,658	1,686	1,736	1,834
Proportion of land-based foreign female staff	42.4%	40.9%	39.41%	41.91%	41.60%	42.37%
All-staff labor productivity (RMB)	684,764	665,836	152,579	395,500	153,374	173,000

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 2012, one staff had resigned from the company and the employee turnover rate was 0.31%.

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 offers paid vacation, maternity leave and family leave in accordance with the rules and regulations of the country to 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)	Additional 7 days



Maternity leave	90 days
Maternity leave (late childbirth)	Additional 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

Trade 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.

In order to further deepen the mechanism to select leaders through competition, strengthen the competitive selection and promote the systematic, standard and normalized development of competitive selection work, efforts were made to further deepen the system reform of Human Resources Department of CHIMBUSCO, introduce competition mechanism to select talents in an opening, fair and just manner. In 2012, CHIMBUSCO organized the opening competition of various posts and positions such as dispatched cadres, deputy heads of middle management and deputy heads of second-tier companies, providing a fair competition platform for talents of CHIMBUSCO to show their ability, encouraging the enthusiasm of staff, and agglomerating their hearts. This was a good attempt of CHIMBUSCO to open wide talent selection channels and select talents in a



transparent, fair and just manner, and will have profound influences. Many staff had worked at their new posts through opening selection.



Employees are attending written exam; Employees are attending remote public defense



Public defense of an employee; Members of appraisal committee give scores

6. Seafarer Management

Statistics for Number of Seafarers of COSCO Group

Indicator/Year	2007	2008	2009	2010	2011	2012
Self-owned seafarers	25,191	24,305	22, 943	22,035	21,237	22,092
Cooperative seafarers	9,435	10,924	12, 408	12,288	12,183	12,893

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, COSCO Qingdao and COSCO (H.K.)



Shipping further enhanced the information-sharing in seafarers' management, effectively improved the technological content of seafarers' management and elevated the working efficiency and effects.



7. Management of Migrant Workers

Number of Contracted Migrant Workers Used by COSCO Group

Indicator/Year	2009	2010	2011	2012
Number of migrant workers	44,697	42,514	34,937	32,493

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. 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, trade 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 to solve 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 November 2012, the Symposium on Party-building Achievements of Migrant Workers jointly organized by the party committee of COSCO Shipyard and the Party-building Teaching & Research Department of the Party School of the Central Committee of CPC was held at the China National Convention Center. At the event, COSCO Shipyard's "subsidiary-wide" migrant worker party-building theory received high praises from leaders of the National Society for Party Building Studies, the Party School of the Central Committee of CPC, the Research Institute of Party Building Studies of the Organization Department of CPC and COSCO Group, as well as renowned party-building experts. The thesis titled "Migrant Worker Party-building and Governing Basis of the Party" written by Ma Zhihong from COSCO Shipyard was appraised as First-class Award for Excellent Survey and Research Topics in 2011 by the National Society for Party Building Studies.

(II) Employment and Labor Rations

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	2007	2008	2009	2010	2011	2012
Proportion of staff joining the trade unions (%)	98	99.58	99.72	99.84	99.73	99.86
Number of second-tier trade unions under the trade union of COSCO	16	16	15	15	16	14
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)	1,267	1,356	2,037	1,251	1,401	1,237
Number of information personnel of trade unions (persons)	635	465	826	333	689	264
Number of information released by information personnel of trade unions*	3,073 cases	782 times	1,480 times	2,693 times	1,453 times	195 times
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 trade 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.



4. Since 2012, the trade unions of COSCON, COSCO Bulk and COSCO Qingdao were integrated with the Trade union of China COSCO Bulk. Therefore, the number of second-tier trade unions affiliated to the Trade union of COSCO Group reduced to 14.

2. Signing of Labor Contract

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. The coverage of labor contracts reached 100%.

3. Communication Mechanism between Staff and the Management Team

In accordance with laws, COSCO Group trade 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.

In June 2012, COSCO Dalian held the first joint conference of 22nd Workers Congress. In order to do a better job in work for 2012, protect legal rights and interests of staff, and promote continuous and healthy development of COSCO Dalian, representatives of the staff from the headquarters, shore-based units and ships offered suggestions, plan for work in the new year and discuss on development strategies of COSCO Dalian.





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.

The Party Committee of COSCO Shipyard started from practical situations, coordinated the resources, sought for real effects, paid attention to comment of the public in the activity to pursue for excellent, brought into full play the roles of grassroots party organizations and party members, and ensure and enhance cohesion and competitiveness of the enterprise. It held many special meetings to study the spirits of the upper level and research on implementation plans. It emphasized on “five integrations”: Firstly, integrating with the overall target of “pushing scientific development, promoting social harmony, serving for people’s life and enhancing grassroots organizations”, and making the public comment activity to become a touchstone and focus of concrete activities; Secondly, integrating with the work to promote openness of party and enterprise affairs and further increasing the effects of “opening the door” public comment activity; Thirdly, integrating with “three meetings and one class”, namely workers congress, league congress and democratic life meeting and various exchange activities, and concentrating and enhancing the effects of public comment work; Fourthly, integrating with practices of grassroots party organizations and party members to fulfill their commitments, and elevating the pertinence and accuracy of public comment work through measurement of detailed standards; Fifthly, integrating the activity to “serve for the people and pursue for excellence in terms of customer service” and checking the performance of comment window service units.

5. Solicitation of Reasonable Suggestions

COSCO Group’s Trade union and the subsidiary trade 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.

In face of severe market situations and heavy production and operation tasks, the Trade union of China COSCO Bulk organized a series of activities themed on “Going all out to ensure safety, lean management and cost control” with a focus on safety production and benefit creation. It carried out three themed activities for different levels at organs, ships and grassroots units, and mobilized the staff to devote to safety production, cost reduction and benefit increase activities. It also carried out the safety product, cost reduction and benefit increase competition themed on “doing small things into excellent ones, and focusing on small things to reduce the costs and increase the benefits”, the special rationalization suggestion activity themed on “inspecting potential safety risks, waste loopholes, management defects and operation risks”, the labor protection



supervision and inspection activity themed on “ensuring safety from small things”, and the activity of “offering suggestions to cost reduction and benefit increase and ensuring safety” with Ankang Cup as the carrier among ships, governmental organs and shore-based grassroots. With a focus on “Safety Production Month” and the “Management Elevation” activities, it also organized the awarded activity to solicit for reasonable suggestions on “inspecting management defects, operating risks and potential safety risks”.

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
2012	9,883	1,993

Under the background that global shipping and vessel markets are in depression and COSCO Shipyard faces the severe challenges of adjustment of product strategies, cadres and employees of the company took part in the reasonable suggestion solicitation activity organized by the company. After two and a half months of opinion-solicitation, cadres and employees of the staff put forward 5800 pieces of reasonable suggestions, of which, 583 were adopted by related enterprises. These suggestions play an active role in elevating core competitiveness of the enterprise in a comprehensive manner. As the reasonable suggestions are based on operation and production situations of the company, they have obvious pertinence and usability in combination with KPS management, shipbuilding model and reform of the company. The proportion of suggestions been adopted and applied by the enterprises in production and operation situations was increased greatly. This played an active role in promoting product, reducing costs and increasing the benefits.



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%
2012	92.26%

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 2012, COSCO Group should make prior notification on appointment of 23 cadres. The actual number of cadres subject to prior notification was 23 and the prior-notification rate reached 100%.

(III) Safety and Occupational Health

COSCO Group pays close attention to health and safety during work. It attaches great importance to keep physical and psychological health and social welfares of the staff to prevent against any damages to health due to working conditions. The group pays attention to financial and economic burden brought by work-related diseases, injuries and death to the employees and the society, and focuses on injuries brought by accidents at work site and long-term pollution to the employees to avoid potential health risks of them. In the meantime, it pays attention to creation of excellent occupational environment to satisfy physiological and psychological demands of employees.



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, 2012, 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 2012 COSCO Group's Work Conference on Safety Production, 2012 COSCO Group Guidance on Safety Production Work was formulated and issued, and all subsidiaries were required to implement the Guidance.

3. Overview of Safety and Occupational Health Work

In 2012, COSCO Group actively implemented and acted in the scientific outlook of development, and focused on the overall target of safety production to seize the key tasks, solve the difficult tasks and create highlights. It carried out many safety culture activities to expand and deepen the 24-word safety concept of COSCO Group, ceaselessly organized safety inspection and "illiteracy elimination" activity to effective control the potential risks, innovated on safety management methods and established a number of systems such as safety education training system, ship safety status inspection system, concentrated reporting system of leaders in charge of safety and safety responsibility investigation system. With these efforts, it achieved outstanding results in safety production and occupational health and safety, and keep the stability and favorable trend of safety situation.



Statistics and report of all types of accidents:

In 2012, 77 work-related injury cases were taken place in COSCO Group, resulting in death of four persons, loss of one person, heavy injuries of two persons, slight injuries of 71 persons, Compared with 2011, the total number of accidents had decreased by one, the number of persons with heavy injuries had increased by two and the death toll had increased by two.

Statistical Table of Labor Safety Accidents of COSCO Group						
Items/Year	2007	2008	2009	2010	2011	2012
Number of human injuries	120	60	91	96	53	77
Work-related death toll	5	0	3	0	2	4
Death rate for safety accidents per 1,000 persons	0.038	0	0.04	0	0.029	0.051
Number of persons with work-related injuries	100	60	92	96	52	78
Loss of working time	4,470	3,049	22,433	21,683	18,269	12526
Lost Time Injury ‰	0.26	0.15	1.51	1.49	1.23	0.84
Loss of working time caused by	35,757	24,392	179,464	173,464	146,152	116,859

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 2012, altogether 12 marine accidents occurred, including one common accidents, 10 minor accidents and one fatal accident.

Statistics of maritime accidents of COSCO Group					
Year	Crucial	Serious	Common	Small	Total
2007	1	1	3	7	12



2008	0	0	1	5	6
2009	1	0	3	3	7
2010	0	0	0	7	7
2011	1	0	0	6	7
2012	0	1	1	10	12

Remarks:

- 1) Since 2012, levels of the accidents were determined in accordance with the national standards.
- 2) Since the beginning of 2012, COSCO Group has been dedicated to building of safety culture, advocated no-blaming report of dangerous situations/accidents. By referring to the advanced concept and behaviors of TMSA of large oil companies, it developed EVS-SMSA and gradually established COSCO Group Ship Inspection and Assessment System – Standards. In short term, the figures of accidents may increase compared with the past, but this will further elevate the safety level in real sense.

4. Implementation of Safety and Occupational Health Work

- (1) Pay attention to education, strengthen the training and further enhance the safety development consciousness of the enterprise.

In 2012, COSCO Group enhanced the safety education and training work and launched the construction of “safety education training system”. Related units exerted great efforts to promote the safety education and training work in accordance with the requirements of the COSCO Group Outlines on Safety Education & Training, and the number of participants, number of trainings and coverage of the training had increased by more than 30% year-on-year.

Scientific concept for safety production is the guidance for safety production. In 2012, the group further expanded and deepened the 24-word safety management concept by carrying out rich and colorful safety culture activity, edit and display promotional videos on safety product, and carry out discussions on safety culture among ships and teams. The group also rooted the concept that “safety comes from responsibility, design, quality, management and protection” to each safety management post, and penetrated it to each safety management sector. These efforts enabled the employees to fully recognized that safety is the first politics of central enterprises, the prior responsibility of the cadres, the first happiness of staff, further enriching the safety culture with special characteristics of COSCO Group.

- (2) Take strict regulations, track the effects and further fulfill the main safety responsibilities of the enterprise.

COSCO Group enhanced the main responsibilities of second-tier units in safety management, compiled the COSCO Group Safety Production Liability Investigation Methods in accordance with related laws and regulations such as the Safety Production Law of the People’s Republic of China. The Methods specify the safety-related duties of all levels of leaders including general manager of COSCO Group. In accordance with



regulations of the Methods, COSCO Group carried out talks on safety production with units such as COSCON, and made punishment on related units and persons.

The second-tier units assigned and implemented the safety production responsibilities to each sector and each post in accordance with the spirits of COSCO Group, and further the safety responsibility system of “reaching the border horizontally and the bottom line horizontally”. In accordance with SASAC’s requirements on “one post and two duties”, some units also established safety risk mortgage, safety production commitment and safety production contracting systems, enhancing the sense of obligation of each post to undertake related safety responsibilities, and forming the safety management framework that “party committee pays attention to safety work, administrative departments attach great importance to safety work, trade union and league committee assist the safety work, technical department ensures safety, production department implements safety and supervision department supervises the safety”.

(3) Formulate rules and regulations, make continuous improvements and further improve the safety management system of COSCO Group.

COSCO Group continuously improved its safety risk prevention and control system with system building as the focus. It formulated the Guiding Opinions on Enhancing the Ship Safety Supervision and Management Work of Shore-based Units, and further detailed, revised and improved the COSCO Group Comprehensive Emergency Response Plan and 14 special plans. With respect to high-risk in nickel ore transportation, the group held a special meeting and guided China COSCO Bulk to formulate the Lateritic Nickel Ore Transportation Safety Management Methods. It also teamed up with China COSCO Bulk to organize emergency response rehearsal for the dangerous situation of great obliquity of ships carrying bulk ores, laying a foundation to ensure safety of nickel ore transportation. Besides, the group also revised the Guiding Opinions on low-speed Navigation of Ships and the Guiding Opinions on Supervision and Inspection by Port Countries. By improving the safety management systems continuously, it laid a solid foundation for keep the stable safety situations.

(4) Eliminate potential risks, carry out special rectification and further consolidate the defense line of safety production.

Safety shall be realized by management. In 2012, COSCO Group took the grassroots and basic work as the important measure for safety management. By revising, improving and enhancing the safety supervision mechanism and ship supervisor system, it enhanced the safety inspection and safety assessment on grassroots units and ships through various forms and means. It paid close attention to implementation of various preventative measures, so as to keep the good safety production order of grassroots units and establish the defense line for prevention of various safety accidents.

In order to carefully implement and act in the spirits of the State Council’s Notice on Carrying out Special Action Plan to Attack Illegal and Non-compliant Behaviors in Safety Production Sector in Concentration, the group organized the special rectification on navigation safety, special supervision activity on two preventions and two focuses, safety production month activity, and the special action plan on elimination and control of



hidden risks to promote the safety management work of grassroots units and ships through ceaseless safety supervision.

Since Jan. 1, 2012, related shipping units launched the dynamic inspection on ship safety in a comprehensive manner. Except for ships which don't returned to domestic market for long period of time, all ships of the shipping units of COSCO Group had installed the "safety behavior video recorder" till now. Commissars of the ships, as the responsible person for dynamic inspection on ship safety, carefully performed their obligations, conducted continuous and ceaseless dynamic inspection in key posts and parts of the ships in key areas and time with a focus on the targets of "seaworthiness" and "competency of seafarers", and reduced the "unsafe behaviors of people" and "unsafe status of ships" by certain extent.

(5) Carry out discipline rectification, change the working style and further ensure the ship navigation safety.

Shipping safety is the top priority for safety management of COSCO Group. Related shipping units followed the uniform deployment of the group, draw lessons from the "March 6" and "Feb. 22" collision accidents, took the "rectification of driving style and correction of non-standard behaviors" as the breakthrough point, and did a better job in shipping safety work. In 2012, a total of 92 tropical cyclones were generated in the world, affecting 918 ships of COSCO Group more or less. During the work to prevent against typhoon, COSCO Group carefully implemented the "16-word guidelines" of "focusing on prevention, combining prevention and fighting work, avoiding the accidents timely and leaving enough space". It held two anti-typhoon meetings to enhance the deployment and guidance. Related units strengthened the leaderships and input on anti-typhoon work and ensured the 100% successful rate in anti-typhoon work in 2012 with strict measures and disciplines.

(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 2012, COSCO Group accepted 1,047 times of inspects by port countries, with five ships detained and the detention rate of 0.48%. The number of ships passing PSC inspection without deficiencies reached 784, and the pass ratio without deficiencies reached 74.88%.



Statistics of Retentions during Inspection of Port Countries

Year	Number of ships inspected	Number of ships in retention	Retention rate	Number of ships passing the inspection without defects	Non-defect passing rate
2009	798	3	0.37%	557	69.8%
2010	875	4	0.4%	638	72.91%
2011	757	4	0.52%	543	71.73%
2012	1,047	5	0.48%	784	74.88%

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%.

In August 2012, COSCO (H.K.) Shipping/COSCO Shenzhen organized 20 seafarers attending the training in Guangzhou to accept physical inspection at Guangzhou No.3 Affiliated Hospital of Zhongshan University. The results showed that seafarers attending the inspection have good physical health. COSCO (H.K.) Shipping/COSCO Shenzhen fed back the physical inspection results to the seafarers through various means, and set up health archives for each seafarer. It was the sixth time for the company to organize concentrated



physical inspection for its seafarers in 2012, and also a new measure taken by the company to ensure health of seafarers.

On Dec. 25, 2012, China COSCO Bulk held a lecture on psychological health in form of video conference. Prof. Li Hong, vice dean of the Psychology Department of Tsinghua University was invited to deliver a speech themed on “Pressure Management and Psychology Adjustment. In his speech, Prof. Li presented a wonderful class on psychological health by sharing information, lively cases, literary quotations and his own feeling in terms of influences of psychological on decision-making, psychology management, psychology and performance and influences of psychology on health.



On May 25, 2012, COSCO Qingdao organized a lecture on “reducing pressure at work and keep sunshine attitudes” for female employees. The lecture was given by Liu Zheng, secretary of the Party Committee of the Land-based Industries Co., Ltd. Over 30 female employees from the headquarters, seamen company, land-based company and related subsidiaries attended the lecture.

6. Ship Security and Contract Performance

(1) Carefully performing the International Ship and Port Facility Security Code

In 2012, 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 1,424 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.

Indicators/year	2006	2007	2008	2009	2010	2011	2012
Number of illegal boarding cases	14	10	9	1	1	0	4
Number of illegal boarding cases found	10	8	9	1	1	0	4
Capture Rate	71%	80%	100%	100%	100%	0	100%
Number of illegal boarding persons	32	24	30	5	1	0	6
Number of illegal boarding persons	26	22	30	5	1	0	6
Capture Rate	81%	92%	100%	100%	100%	0	100%
Number of ships accepting ISPS inspections	969	902	922	941	910	925	1,424
Number of ships passing ISPS inspections	969	902	922	941	910	925	1,424
Pass rate	100%	100%	100%	100%	100%	100%	100%

■ Preventing Hijack of Pirates and Ensuring Safety of Seafarers and Ships

In response to characteristics of Somalia pirates and the severe situations of rampant pirates in West Africa, COSCO Group further enhanced the supervision and leadership and shore-based supports for anti-pirate work. In 2012, it held special meetings for anti-pirate work for two. With respect to rampant pirate attacks in West Africa, the group clearly required ships passing sea area of West Africa to navigate at least 100 sea miles away to the coast. Ships drifting at Lagos Port to wait for berth shall drift at sea area at least 120 sea miles to the bank. COSCO Group officially released the Guidebook on Anti-pirate Work of Ships, further emphasizing the “five mechanisms” and “two musts” for anti-pirate work of ships and significantly elevating the anti-pirate ability of ships.

In order to ensure safety of seafarers and ships, COSCO Group increased the input for anti-pirate work and equipped the ships with anti-pirate equipment and security-defense facilities. In accordance with the uniform requirements of the group that each ship should be equipped with at least six bullet proof jackets, two bullet proof helmets and two bullet proof shields, all shipping companies affiliated to the group had met or exceeded this minimum requirements. In the meantime, they had constructed “safety cabin on ships”, installed Iridium phone, as well as electric, sword and wire webs. In 2012, 416 ships (times) of COSCO Group passed the highly



dangerous areas such as Somalia and Gulf of Aden where pirates are rampant, and met no attacks or harassment of pirates, effectively ensuring the safety of seafarers and ships.

Indicator/Year	2007	2008	2009	2010	2011	2012
Number of pirate attacks and harassment	0	65	13	10	10	0
Number of pirate attacks blocked successfully	0	65	12	10	10	0
Pirate attack blocking rate	0	100%	92%	100%	100%	0

■ Promoting the Performance of Maritime Labor Convention and Ensuring Interests of Seafarers

With the approach of the effectiveness of Maritime Labor Convention, COSCO Group has done a great deal of work to perform the convention in recent years. It actively promoted the Convention, enhanced the training on performance of the convention, updated related documents and increased the basic investment. On this basis, subsidiary shipping companies continued to promote the preparation work, compiled and submitted related documents to the regulatory department, and promoted implementation of the documents at ships. It also made efforts to increase salaries of seafarers, improve living facilities of ships, improve the living and working environment of seafarers and did a lot of work to ensure decent and dignified work of seafarers, so as to be well-prepared for obtaining of related certificate.

COSCO Shanghai actively researched and formulated the plans to promote contract performance, and formulated related management plans to fulfill the progresses and requirements on contract performance. It also cleared the documents, emphasized the connection between the Compliance Declaration and the Maritime Labor Management Manual with existing system document of the company and tried to solve the difficult issue. The company expanded the scope of pilot projects based in shipping line and type of ships and sought for more pertinent contract-performance methods. In the meantime, it strengthened the rectification of equipment, brought the requirements of 2006 version of the Maritime Labor Convention with respect to equipment, in particular living equipment of seafarers into the equipment assessment and rectification work of the company, sought for distances with the requirements of convention in terms of ship management and equipment in the comprehensive inspection and assessment of ships, and offered solutions.

7. Labor Competition

In 2012, 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 Trade 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.



On Dec. 25, 2012, the summary and awarding meeting of the 4th National Occupational Skills Competition was held in Beijing. Liu Hanxi, a programme designer of Information Center of China COSCO Bulk, received the National May 1st Labor Medal and the honorable title of “National Technical Master-hand”, and Shang Defei, a system administrator, received the honorable title of “National Technical Master-hand”.



On Nov. 26, 2012, COSCO Qingdao 2012 Seamen Skill Competition was held at Qingdao Ocean Shipping Mariners College. Over 80 seafarers from frontier ships attended the competition.

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.

In 2012, the Trade union and Seamen Company of COSCO Qingdao organized three times of recuperation activities for backbones of ships. Over 150 persons of 50 seafarer families visited related scenic spots, attended the gala activity, watched the safety-warning educational voice and attended a symposium to put forward opinions and suggestions on operation and management of the company, building of seafarer team, caring the seafarers and improving the services.



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 Trade 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.

In response to frequent occurrence of accidents of nickel ore transporting ships of other carriers and the high-risk of nickel ore transportation, COSCO Group held a special meeting and guided China COSCO Bulk to formulate the Laterite Nickel Ore Transportation Safety Management Methods and issue the Methods to subsidiaries of China COSCO Bulk for implementation. In the meantime, it teamed up with China COSCO Bulk to organize emergency response rehearsal for the dangerous situation of great obliquity of ships carrying nickel ores, laying a foundation to ensure safety of nickel ore transportation.

(IV) Staff Development and Training at Work

COSCO Group pays attention to expansion of staff's post selection scope by elevating the capabilities and skills of them, so as to enable all staff to have a graceful job and a healthy life.

Over the years, COSCO Group has adhered 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	2012
Total training hours of each category of employees	Top management	21,278	6,977	7,724.4	12,468	1,416	2,072
	Middle management	129,910	23,984	33,361	70,328	3,304	11,543
	Grassroots	255,371	235,887	111,331	281,313	11,480	21,560
	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	207.2
	Middle management	39.04	25.56	41.34	69.1	72.1	74.95
	Grassroots	33.99	18.14	29.84	43.9	72.1	70.69
	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	3,045,358
Training hours in public expense	1,108,230	980,028	1,108,231	804,354	739,670	5,008
Situations (persons/times)	12,375	39,973	12,375	17,918	7,560	301
Training on contract	18,805	20,388	18,805	10,307	11,783	2,326
“Three 300s” talent training program (persons/times)	400	0	460	510	521	397
Training before retirement	371	658	371	400	124	2
Vocation training and post returning rate after getting	100	100	100	100	100	100
Training rate for allocation of unemployed employees (%)	100	100	100	100	100	100
Proportion of security guards accepting formal trainings on human right policies or	100	100	100	100	100	100
Number of lean six sigma projects	270	44	67	21	89	78
Number of participants of lean six sigma projects	7,695	7,100	7,581	7,461	7,590	7,155
Number of achievements of quality management team	335	387	367	354	374	369
Number of participants of quality management team	2,958	2,890	2,852	2,832	2,968	2,879
Training on lean management, six sigma and quality management	8,087	2,741	1,589	1,666	1,922	1,899

1. Training of Top Executives

In 2012, COSCO Group tried to elevate quality of the management team and optimize its structure. It adjusted and supplemented the management team of 28 directly-affiliated units (or units under its management) and seven departments (centers) of the headquarters including the Safety Supervision Department and the Finance Department, involving 102 persons. After the adjustment, the age, ladder and knowledge structure of the management teams were more reasonable. These efforts further elevate its public trust in terms talent selection and use.



In 2012, the group organized its top executives to attend a series of training classes held by related departments and administrations and academies and universities, such as the special symposium on elevating influences of entrepreneurs organized by the Organization Department of CPC, the special training on “strategic thinking and leadership” organized by the Party School of the Central Committee of CPC, the special class on “improving supervision and management mechanism and enhancing risk management and control ability” organized by the China Business Executives Academy, Dalian, and the special class on “enterprise international finance and foreign investment”. In the meantime, the top executives also attended the training class on responsibilities of directors and supervisors and corporate governance as well as the Listing Rules.

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 2012, 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. 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.



On June 12, 2012, China COSCO Bulk held the training lecture on marketing management, and invited Prof. Wang Yonggui from the University of International Business and Economics to give a lesson. A total of 157 persons from China COSCO Bulk headquarters, COSCO Bulk, COSCO Qingdao, COSCO (H.K.) Shipping/COSCO Shenzhen attended the lecture at the main venue and sub-venue. The lecture enabled the employees, in particular the marketing personnel, to further know the marketing principles, methods and skills in terms of theory and practice. In order to make the marketing personnel to grasp the marketing knowledge in a comprehensive manner, enhance their marketing consciousness in practical work, the company also distributed two books, namely Marketing Management and Orientation. The marketing personnel all said that they will grasp this opportunity to enhance their marketing consciousness in practical work, innovate on management ideas and work hard to help the company to overcome the challenges.

In August 2012, CHIMBUSCO organized responsible persons of party-masses relations work of entire system to attend a special training in Shanghai. Over 30 persons including responsible persons and cadres of party-masses relations work of 22 branches of CHIMBUSCO's system attended the training. Ms. Hu Xiaoyu, secretary of the Party Committee of Yangshan Port Authority, was invited to introduce the characteristic party building work of Yangshan Port Authority represented by mountain and sea culture. Yangshan Port Authority had received the honorable titles of "Civilization Demo Window for National Traffic and Transportation Industry" and "Advanced Grassroots Party Organization in Excellence-pursuing Activity of Shanghai". Besides, the training class also introduced the corporate culture of COSCO Group and the writing skills, broadcasted the videos of training class offered by Bu Yulong, deputy head of the Party Building Bureau of SASAC on "how to enhance and improve party building work of SOEs under new situation". The training has rich contents, clear ideas and strong guidance and pertinence, bringing great benefits to the participants. During the training, participants were specially organized to visit the meeting venues of the 1st and 2nd National Congress of CPC to accept the revolutionary and historical education.





4. “Three 300s” talent cultivation program

The “three 300s” training, initiated in 2005, is the branded talent cultivation program of COSCO Group and an important measure taken by COSCO Group in talent cultivation. The “three 300s” talents include 300 leaders and backup forces for party group management, 300 operation and management talents, technical talents and political work talents (100 for each type), and 300 ship-related talents (100 captains, 100 chief engineers and 100 commissars of ships). The group took the employees included in the talent database of “three 300s” talents as the main training targets, and drove the elevation of overall quality of entire talent team by enhancing the building of core talent teams. So far, 57 “three 300s” trainings had been organized, with over 4,000 persons trained. In the meantime, the Human Resources Department of the group managed the “three 300s” training in a comprehensive manner in accordance with the requirements of COSCO Group’s party group to “constantly elevate the training quality and promote the elevation of talent quality in a comprehensive manner”. It carefully designed the training class, planned for activities of the training class cautiously, implemented strict disciplines and systems during the training, and timely conducted assessment on teaching quality, logistics service and spare-time activities after the training, enabling the “three 300s” training to become an excellent project for training of leaders.

In March 2012, the 2012 COSCO Group “three 300s” training class for ship commissars/safety supervisors was held at Qingdao Ocean Shipping Mariners College. Xu Minjie, deputy general manager of COSCO Group, gave the first class on safety for the trainees. A total of 44 commissars from nine units of the system including COSCON and China COSCO Bulk, accept one-week training. During the training, participants systematically study the courses such as maritime safety environment and changes, ship safety culture building, seafarers metal health, art of ship internal management, main safety management rules and regulations of ships, ships and personnel safety accidents and emergency response, ship security defense system and anti-pirate.

The first session of “three 300s” training class of COSCO Group was held on Aug. 27 to Aug. 31, 2012 at Qingdao Ocean Shipping Mariners College. A total of 40 seafarer management personnel of COSCO Group’s subsidiaries attended the training. At the event, leaders and experts from the Maritime Bureau of the Ministry of Transport, the National Committee of the Chinese Seamen & Construction Workers’ Union, Shanghai Maritime University, Qingdao Ocean Shipping Mariners College, Human Resources Department, Safety Supervision Department and Seamen Management Departments of some companies of CSOCO Group, gave lessons and exchanged opinions on topics such as situations of world economy and global shipping industry, related international conventions, laws and regulations, seafarer management and ship safety, application of philosophy in seamen management, seamen dispatch, ITF-related knowledge, seamen psychology, communications skill, person quality and orientation of seafarer management personnel. During the training class, the forum for seamen management personnel was also held. All participants exchanged their opinions on how to be a qualified seafarer management personnel, and signed the Litter of Commitment to Serve for Seafarers, Care Seafarers and Be Incorruptive and Self-disciplined.

In 2012, a total of nine “three 300s” training classes were organized, including training for political work cadres, operation and management personnel, ship commissars (two), captains and marine personnel, chief engineer and technicians, safety supervision management personnel and seafarer management personnel (two).



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. The 2012 Seafarer Working Conference of COSCO Group was organized to further specify the strategic position of seafarer resources. Great efforts were made to enhance the building of technicians. In 2012, over 40 persons obtained the qualifications above technician level, and 550 persons passed the appraisal of junior, middle and senior workers.

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.

In April 2012, the Seamen Center of COSCO Bulk passed the on-site examination of Tianjin Maritime Bureau and obtained the qualification to offer contract-performance training. The first session of training class was opened. The training classes include two categories, namely navigation courses and engine-related courses, including navigation console resource management, electronic map display and information system, navigation instruments and cabin resource management, ship engine technologies, conventions, laws and regulations. Obtaining of the qualification to offer contract-performance training by the Seamen Center has significant meaning for enriching the ship and shore-based training contents, creating convenience for contract-performance training of seafarers, and saving of educational costs.

6. Labor Protection Supervision and Inspection

COSCO Group grants the Trade union the obligations and power in the safety production and occupational risk prevention and control work in accordance with the Trade Union Law, the Labor Law, the Safety Production Law and the Occupational Disease Prevention and Treatment Law. It carried out the labor protection supervision and inspection work, enhanced the consciousness of participation and protection in accordance with laws, and performed the obligations of the Trade union in labor protection supervision and inspection work. By organizing systematic training on labor protection and supervision, and organizing the studying activities to learn the labor protection and safety protection laws and regulations, the labor protection supervision and inspection regulations of the trade union as well as knowledge about work-related injury report, investigation and disposal, safety technologies, and labor protection supervision and inspection of the trade union, it tried to elevate the labor protection knowledge level and the supervision ability of the public, adjust and improve the knowledge structure on labor protection of cadres of the trade union, continuously elevate the working level



and business ability, cultivate a high-quality team in charge of labor protection work for the trade union, and better protect the life safety and physical health of the staff. In 2012, the number of labor protection and supervision inspectors of the trade unions of COSCO system reached 1237. A total of 23 trainings for the inspectors were organized, with 3,163 persons attended the training. A total of 610 inspections on safety production and labor protection & supervision were organized.

In accordance with the responsibilities and authorities bestowed to the trade 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 trade 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, trade 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 trade union, so as to better protect the life safety and physical health of employees. In 2012, the number of inspectors and supervisors of labor protection in COSCO trade union reached 1,237; 23 training classes on the inspection of labor protection were organized, involving 3,163 participants; 610 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.

In September 2012, COSCO Qingdao held the first session of 2012 Liu Jinbo Chief-technician Workstation Training Class for Cooking Assistants was held at COSCO Qingdao. A total of 17 cooking assistants from frontier ships, staff dining room of the headquarters, and staff dining room of seamen company attended the training. All the 17 cooking assistants smoothly passed the examination and obtained the graduation certificate issued by the Liu Jinbo Chief-technician Workstation. The training class includes two-day training on occupational quality and theories and 10-day training on practical operation. Through the training, the cooking assistants had systematic understanding on related knowledge and skill. Liu Jinbo Chief-technician Workstation is the only high-skill talent training platform of Qingdao’s catering industry established by the CPC Laoshan District Committee and Laoshan District People’s Government. Holding of the training class marked official



operation of Liu Jinbo Chief-technician Workstation since its establishment and raised great attention of the media in Qingdao.

(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, minority nationality of management team

COSCO Group has paid special attentions to structural composition in terms of age, gender, and nationality when cultivating, selecting and appointing leaders at all levels. Currently, the group has 164 top executives (including leaders of the group, heads and deputy heads of related departments of the headquarters, and members of top management of knowledge units), of which, 16 are females, accounting for 9.8%, and 65 are aged below 50, accounting for 39.6%. The group has formed a cadres’ team with complete majors, reasonable structure and excellent quality.

Indicator/Year	2007	2008	2009	2010	2011	2012
Proportion of female top executives and managers	11.11%	10.53%	14.29%	15.15%	17.95%	14.29%
Proportion of top executives and managers below 40	10.53%	13.16%	17.14%	23.08%	12.82%	4.76%
Proportion of female top executives at second-tier companies	6.92%	6.15%	7.26%	7.75%	5.43%	8.19%
Proportion of top executives below 40 at second-tier companies	4.62%	3.08%	4.84%	1.55%	0.78%	0.82%

2. Basic Salary Policies and Practical Situations of Male and Female Employees

COSCO Group established post-based salary system within the group, distributed salaries according to work and fulfilled the equal employment opportunities and equal pay for equal work. It has no discrimination policies in terms of gender, age, health, race and religion. At meantime, it didn’t pursue equality blindly, and realistically allocated working posts based on the nature of the work and psychological and physiological differences of male and female employees, so as to bring active rules of employees in the work. Meanwhile,



COSCO Group insisted on providing special welfare pregnant and lactating female employees, better protecting rights and interests of female employees.

The proportion of basic income of male and female employees is 1:1.

(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. With these efforts, it had played an active role in establishing stable and coordinative labor relations, and protected legal rights and interests of the staff. It also promoted the harmonious labor relations between the enterprise and the staff and kept sustainable development of the enterprise through effective social dialogue system.

In January 2012, the Ding Xiaogang, Chairman of the National Committee of the Chinese Seamen & Construction Workers' Union, and his associates visited COSCO Bulk for guidance. Lu Zuohan, secretary of the Party Committee of COSCO Bulk, had a talk with Chairman Ding and his associates. Both sides exchanged opinions on enhancing the management role of trade unions in elevating quality and ability of staff and enhancing the communications and collaboration. During this period, Chairman Ding also paid a visit to labor models and representatives of staff who were in difficulties of COSCO Bulk.

On Sept. 21, 2012, Zhong Yanqun, deputy director of the Standing Committee of CPC Shanghai Municipal Committee and Chairman of Shanghai Municipal Federation of Trade Unions, and her associates conducted a survey and investigation at COSCON. Lu Junshan, Chairman of the Trade Union of COSCON, introduced the basic information of the company, and made detailed reports on work done by the trade union to care the employees, mobilize activeness of staff to take part in corporate management, serve for innovation and benefit-creation of the enterprise, promote democratic management of enterprise, bring into the role of trade union as a bridge or a hub, and protect legal rights and interest of the staff. He also made special reports on the themed activity of "all-staff gold mining action plan" carried out by it in this year.





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 implements and acts in the scientific outlook of development with a focus on the struggling targets of “constructing a harmonious and century-old COSCO, realizing better, faster and sustainable development”, and SASAC’s target to implement third performance evaluation tenure, and voluntarily abides by the laws, rules and regulations of China and UN as well as international conventions, constitutions and initiatives on respect and protection of human rights, respects the rules of international code of conducts as well as human right-related rules in ISO26000 Guidance on Social Responsibility in its operation and management process. The group also signs for the initiative to support the UN Global Compact’s Universal Declaration of Human Rights to reemphasize that it will support, respect and protect human rights within its own influential scope. All levels of trade unions of the group, on behalf of the staff, conducted collective negotiation with the administrative department of the group, with regard to matters related to rights and interests of the staff, so as to ensure the protection of rights and interests of staff and promote the implementation of human right policies and harmonious and stable labor relations between the group and the staff. In the meantime, the group pays attention to the human right education and review of suppliers and contractors to reduce social risks of the group as human right issues of important supplies and contractors may damage the reputation of COSCO Group and/or affect stability of supplying activities.

In 2012, 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 Trade union is responsible for the organization and implementation of the open business policies, and the secondary trade 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 Trade 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 offered nine 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 Trade union cadres, and organizes a variety of training activities for the cadres every year to improve their comprehensive quality. The Trade union organizes trainings for the officials responsible for the open business policies and labor protection supervision annually, so as to improve their abilities to protect the employees' legal rights. Meanwhile, the employees working in such section as the Department of Purchasing are given training in human rights knowledge. The human rights clauses in the purchase contracts are improved and assessments are carried out for the suppliers' human rights environment. The subsidiaries focus on the continuity of training policies in regard to safety management system, contract fulfillment, "Three 300s," and the arrangement for retired employees, employees on leave, and dismissed employees, etc. Guiding the practical work with solid knowledge and policies, COSCO Group establishes its sustainability information management platform, makes full use of the Internet to promote the human rights concepts in the Global Compact, and strives for the realization of sustainability of the company.



(V) Supervision and Inspection

COSCO Group's trade 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.

COSCO Group not only establishes internal supervision mechanism, but also hires DNV to conduct external inspection on its human right situations.

(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 makes investment in accordance with the requirements of ISO26000 social responsibility guidelines, brings human rights-related standards as the review scope of investment projects, lists human rights as one of the requirements for feasibility assessment to avoid occurrence of complicity, low investment risks, and avoid any harm to the group's reputation 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 of ISO26000 Social Responsibility Guidelines, COSCO Group inspects and supervises human rights performance in the supply chain during procurement process. 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.

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 2012, 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.



In order to promote the improvement of human right status of partners in the supply chain, COSCO Bulk offered training on legal knowledge for its employees actively and invited senior lawyers of Tianjin Jinnuo Law Firm to offer a lecture on legal knowledge. Over 50 persons from related departments, offices and centers of the company as well as units of land-based system attended the training, which one of the activities organized by the company to enhance legal system building and promote improvement of human right situations.

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.

6. Human Right Risk Assessment

Human right risk assessment aims to appraise the enterprise's involvement in operation risks or performance risks caused by human right infringement. Human right risk assessment is an important decision made by the enterprise to perform human right responsibilities, and also the important method of stakeholders to check performance of the enterprise. COSCO Group found suitable assessment method of human right influences in accordance with the Guidance on Tools for Assessment of Human Right Influences of the Enterprise and adopted most effective tools to complete the assessment of human right influences of the project smoothly.

Purpose of COSCO Group's human right risk assessment aims to confirm, understand and manage the influences of its activities on human right. To achieve this goal, the group scores on human right-related risk events in a systematic manner from three aspects namely influential degree, occurrence rate and coping difficulty to gain the quantity figures, generate the rankings of risks, determine the biggest risk. On this basis, it establishes the risk rating matrix and takes responding measures to management the risks.

The group also conducts human right risk assessment from project layer to forecast and find the potential human right influences and opportunities while conforming, preventing and managing the negative human right influences (potential).

(II) Non-discrimination and Cares for Vulnerable Groups

The non-discrimination policy is one of the major requirements of the International Human Right Law. COSCO Group formulates non-discrimination policies and systems in strict accordance with laws and regulations of China, International Labor Convention and various 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 discrimination against race, color, sex, religion, political opinions, nationality, social status, age, region, household registration, marriage or family status, HIV/AIDs carrier, and other forms of discrimination,



will be appealed to the company's senior officials, via the special general manager e-mail, complaint letter, or the company's Trade union. The discrimination events can also be investigated and solved through legal means.

By the end of 2012, 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.

At the first session of COSCO Group/China COSCO 5th Workers' Congress held in Beijing in January 2012, the Special Collective Contract for Protection of Special Rights of Female Workers of COSCO Group 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.



图中文字:

女工委员会工作机制 Working mechanism of women workers' committee

各级公司设立专兼职女工委委员 Companies at all levels set up full-time and part-time employees for women workers' work

女工座谈会 Symposium for women workers

定期召开 Held regularly

听取意见 Listen to opinions

听取要求 Listen to requirements

维护身心健康 Keep physical and mental health

贯彻法律法规 Implement laws and regulations

劳动法 Labor Law

女职工特殊保障法 Special Law for Protection of Female Workers

维护女职工权利 Protecting rights and interests of female workers

女职工特殊集体合同 Special collective contract for female workers

结婚 Marriage

怀孕、生育、哺乳 Pregnancy, childbirth and breeding

提职、晋升 Promotion

评定专业技术职称 Evaluation of professional title

享受其他福利 Other welfares enjoyed

男女平等 Gender equality

确保女工权益 Ensuring rights and interests of female workers

To further enhance structural construction and improve the quality of women workers, COSCO Group carried out activities with the themes of "learning, growing and making contributions" and "contributions made by



women' among women workers, mobilizing the their enthusiasm to make contributions to the Group. Women workers' organizations of trade unions at all levels combined the activity of 'contributions made by women' with the project of 'women workers making great achievements,' innovated the carriers of the activities, enriched the contents of the activities according to the characteristics of women workers, and provided a grand platform for women workers to display their intelligence and wisdom.

3. Prevention, Treatment and Cares of HIV/AIDS

In accordance with the Regulation on the Prevention and Treatment of HIV/AIDS took effects in 2006, COSCO Group takes prevention measures, made promotions actively and carried out prevention and treatment in a comprehensive manner. It holds no discrimination against AIDS sufferers and their family members. On Dec. 1, 2012 and before the World AIDS Day, COSCO Group enhanced the publicity of HIV/AIDS prevention knowledge through various channels.

4. Prevention and Control of Family Violence

Family violence is a worldwide issue and has its universality. Any populations, whatever in developed or developing countries, whatever their race, class, religious belief, cultural tradition, careers or knowledge level, have family violence issues. Existence of family violence seriously destroys the stability of family relationships and is an important factor that results in instability of the society. To avoid such issue, cares of enterprises are needed expect for prevention of laws and social environment. COSCO Group not only cares about work and healthy development of its employees, but also pays special attention to harmony of employees' families, cares family members of its employees through various ways and carries out various activities to enhance the human right protection consciousness of employees and harmony of their family.

5. Avoidance of Sexual Harassment

Sexual harassment is a form of sexual discrimination. It includes the misuse of powers to humiliate, threaten, control, oppress and erode others at working sites and other public venues. COSCO Group formulates Special Regulations on Protection of Female Employees to prevent and control the sexual harassment, and prohibit occurrence of sexual harassment.

(III) Freedom of Association and Collective Negotiation

1. Collective Contract and Collective Negotiation

COSCO Group implements the Collective Contract of COSCO Group. Trade 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 signing rate of collective laobr contract of its subsidiaries reached 100%.



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.

Before the signing of Collective Contract in 2012, COSCO Group held the Collective Bargaining Meeting of COSCO Group. At the meeting, representatives of the administrative party and employees negotiate on the Collective Contract (draft) carefully and justly under the atmosphere of mutual respect, mutual support and mutual understanding, and reached common consensus. In January 2012, COSCO Group held the 1st Session of the 5th Workers Congress to review and approve the Collective Contract, and held a signing ceremony. President and Chairman of the Trade Union signed the Collective Contract on behalf of the company and the employees respectively.

2. Workers Congress System

Main subsidiaries of 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.

In January 2012, the 1st Session of the 5th Workers Congress of COSCO Group was held in Beijing. At the event, the Collective Contract, the Special Collective Contract for Protection of Rights and Interests of Female Employees and the Collective Agreement of Seafarers were reviewed and signed, making COSCO Group the first group enterprise that signed collective agreement with seafarers. It also selected the employee director and established the mechanism that the employee director is selected by the workers congress and is responsible for the workers congress. It also reviewed and approved the system reform plan of China COSCO Bulk, effectively guarantee the rights and interests of the staff.

Units directly affiliated to COSCO Group convened the 2012 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 2012, all 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.

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 trade 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.

COSCO Group continuously deepened the openness of company affairs and democratic management work. In 2012, it had established and completed three-layered workers congress system, laying a foundation for openness of company affairs and democratic management of the enterprise. The workers congress is the main carrier of openness of company affairs and is the basic form for the openness of company affairs. In 2012, COSCO Group and related second-tier units held the workers congress respectively to listen and review the important working reports and important items of the company.

In the openness of company affairs and democratic management work, the group focused on the openness of company affairs in terms of reform sector, fulfilled the right to know and participation right of employees in formulation of reform plans of the company, submitted the reform plans to the workers congress for review and accepted supervision of the employees during implementation of the plans.

In 2012, 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	2009	2010	2011	2012
Coverage rate of collective contract	100%	100%	100%	100%
Notification rate of important events	100%	100%	100%	100%
Coverage rate of democratic supervision	100%	100%	100%	100%



(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 2012, 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 Trade 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 2012, 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

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.

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 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 2012, COSCO Group reported no incident of human right violation by the security guards.

Indicator	2006	2007	2008	2009	2010	2011	2012
Security guard of the company	72	72	145	18	23	24	20
Security guard of ships	3,320	1,618	1,383	2,117	2,198	2,201	2,429
Training rate with respect to human right of security guard	100	100	100	100	100	100	100
Formal training rate of security guards hired by shore-based companies	100	100	100	100	100	100	100
Number of security guards hired directly	346	2,844	2,853	2,640	2,586	2,368	2,457



Proportion of security guards accepting training on human right policies or procedures	100	100	100	100	100	100	100
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(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 2012, no complaint has been filed with regard to the infringement of the rights of the indigenous people.

(VIII) Economic, Social and Cultural Rights

COSCO Group actively supports and practices the International Covenant on Economic, Social and Cultural Rights, respects and protects the salaries and welfares, medical and health right and families of the employees in operation process, enabling them to have graceful working environment and live a dignified life.

2. Cares for Employees

COSCO Group pays attention to physical and psychological health of its employees and cares its employees from various ways.

(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 “caring 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 career development of staff

In order to standardize and enhance the management of appraisal and award of labor models and advanced collectives of COSCO Group, bring into full play the model and leading roles of labor models in construction of two civilizations of the enterprise, mobilize the activeness and creativeness of the employees and promote continuous and healthy development of the group, the group formulated and issued the COSCO Group Management Methods of Appraisal and Awarding of Labor Models and Advanced Collectives in 2012 in accordance with related rules and regulations of the country and based on practical situations of the group.

While providing equal occupational development opportunities, COSCO Group also encourages its employees to make progress actively, makes constant efforts to elevate the quality of employees and cultivates a large batch of excellent talents.

In order to enable the employees to have an in-depth understanding on operating concepts, corporate culture, rules and regulations, and be adapted to their job as soon as possible, COSCO Bulk organized three trainings and symposium for graduates of colleges and universities such as Shanghai Maritime University and Qingdao Ocean Shipping Mariners College in 2012. During the training, the functional departments and offices of the Seamen Center offered training for new employees in terms of company development, safety management, system document, rules & regulations, seafarer dispatch, training and certain-obtaining and arranged them to accept physical inspection, evaluation and examination and sign labor contract.

Before the May Day Holiday in 2012, the All-China Federation of Trade Unions granted the National May 1st Labor Certificate to COSCO Shipyard Nantong, the National Workers Pioneer to SEVAN650 project team of COSCO Shipyard Nantong, and National May 1st Labor Medal to Capt. Jie Jiming from COSCON. In the appraisal of 2012 National Golden Anchor Awards, 10 comrades including Wang Heping from COSCO Group honored the “Golden Anchor Awards” by the National Committee of the Chinese Seaman & Construction

Workers' Union. COSCO Bulk and COSCO Shipyard Nantong awarded the 2011 Advanced Unit on Staff Skill Competition of Central SOEs by SASAC. Chen Ningnong from Nantong COSCO KHI Ship Engineering (NACKS) and Bai Zhichu from COSCO Shanghai honored the 2011 Excellent Works in Staff Skill Competition of Central SOEs by SASAC. The Trade Union of COSCO Group received the Excellent Organization Award of 2nd All-China Female Calligraphic, Drawing and Photographic Competition, and six persons of COSCO Group's system received the awards for individuals.



COSCO Logistics held the training class on PC decision-making system for transportation of large cargos and CAD 3D software. A total of 32 engineering logistics persons and backbones attended the training. The training is a systematic one organized by the headquarters by making use of the resources of internal trainers, and has strong usability and operability. It reflects the talent advantages of the system, brings into full play the active role of internal trainers, and has significant meaning in improving the working efficiency and working quality in the future.

(3) Cares for Life of Employees

The Trade Union of COSCO Group, under the guidance of the All-China Federation of Trade Unions' Opinions on Carrying out the Activity of "Providing Face-to-Face, Heart-to-Heart and Considerable Services for Grassroots Employees", formulated and issues its own Opinions on Carrying out the Activity of "Providing Face-to-Face, Heart-to-Heart and Considerable Services for Grassroots Employees" in Feb. 2012. In the Opinions, it required all levels of trade unions to pay close attention to the activity, strengthen the promotion of this activity, and move the employees, be moved by the employees or make employees to be moved with each other through the activity. The Trade Union, under the leadership of Fu Xiangyang, held launching ceremonies for the activity in Tianjin, Shanghai, Dalian, Guangzhou and Qingdao, pushing the activity to the climax.



During the New Year Day and the Spring Festival of 2012, COSCO Group organized the warmth-sending activity. Before the Spring Festival, it formed seven condolence teams to visit employees in all places nationwide under the leadership of group leaders. The condolence teams went deep into grassroots, ships and employees' families for condolence, visited a total of 76 grassroots units, six ships at port, 102 employees who were in difficulties and employees who were working at the frontier, 108 labor models and retired cadres, and offered allowance to them. After the issuance of the Notice on Doing a Better Job in Warm-sending Work during the 2012 New Year Day and Spring Festival, related units paid close attention to the work, make arrangement carefully and organized various forms of warmth-sending activities. Statistics showed that 6720 employees were condoled and helped during the 2012 New Year Day and Spring Festival, with RMB13.9844 million of allowance or products offered. They also condoled 317 ships. A total of 1240 cadres of the organs attended the condolence activity. Besides, they also condoled 3997 persons of migrant workers or seafarers at collaboration center, with RMB1.1418 million of allowance paid, and bought 841 train tickets for migrant workers to go back home, paying RMB22,207 of ticket fees.

In June 2012, COSCO Group held a teleconference to “welcome the 18th National Congress of CPC, care the seafarers and promote safety”, which created the atmosphere of respecting, caring, kindly treating and serving for seafarers, enhanced the sense of honor of seafarers, further mobilized and encouraged the activeness of seafarers to safety production, promoted safety of ships and kept the stable development of safety situations.

The Trade Union of COSCO Guangzhou/COSCO Shipping determined to increase the expenditure for trade unions of ships since January 2012 to support the ships' trade unions to better carry out their work, enrich the amateur cultural life of seafarers and promote the safety production and comprehensive construction of ships.

In order to elevate the quality of seafarer pick-up service of COSCO International Freight and enable it to provide standard and normalized services, it further detailed the responsibilities and processes, formulated the Standards for Seafarers Duty-switch Pick-up Services. The Standards required branches of COSCO International Freight at all places to remind “COSCO International Freight's five commitment to care the seafarers”, deeply implemented the spirits that seafarer resource is an important strategic resource of the group, and enabled the seafarers to enjoy home-alike services. It also created conditions for family members of seafarers to have a rest, enhancing the service for seafarers from all aspects.

2. 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. 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 of 2012, 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.

On Aug. 25, 2012, units in COSCO Logistics' system carried out the "COSCO Logistics 1st Enterprise Family Day" activity nationwide under the theme of "building of harmonious families and harmonious COSCO Logistics" to share its development achievements, enjoy the achievements and glory of COSCO Logistics in past 10 years, and experience the harmony and warmth of COSCO Logistics. This was an important work organized by the Trade Union of COSCO Logistics to carry forward harmonious corporate culture.



Leaders of COSCO Dalian and the Trade Union of the company paid close attention to and care about the family members of its employees, in particular, family members of seafarers who lived in other places. Since its establishment, it established the family member liaison stations at 32 buildings for staff's family members in Dalian and set up 15 family member liaison stations in other places. It also selected responsive family members



who are willing to work for family members of seafarers as the heads of the buildings and the liaison stations. The heads of the buildings and the liaison stations will inform the situations of seafarers' family members, such as hospitalization, accidents of families or difficulties to the trade union. The trade union will pay visit to these families by itself or entrust the heads of the liaison stations to do so, and help them to solve the difficulties. For seafarers who meet accidents or face great difficulties, the trade union will

organize the family members of other seafarers to make donation or lend money to them, helping them to solve the urgent issues. Each year, the company organizes condolence teams to visit family members of seafarers in other places, know situations of these families and solve their difficulties. In recent years, it established two QQ groups for family members of seafarers for the convenience of contacts and communications. In recent three years, donation or subsidies offered by COSCO Dalian for family members of seafarers who are in difficulties totaled RMB200,000, and the stipend distributed by it for children of seafarers reached over RMB150,000.

3. Cultural & Sports Associations and Cultural Life of the Employees

COSCO Group complies with related international conventions to ensure rights and interests of its employees.

Harmonious development of the enterprise is closely related to corporate culture building. 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 trade 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.

The 6th COSCO Group Staff Culture Month activity sponsored by the Trade Union of COSCO Group and organized by COSCO Shipyard was concluded in September 2012. Theme of the culture month is "Heart for COSCO moves you and me" staff DV competition. A total of 91 DV works were collected in entire COSCO Group. After preliminary competition, tour competition, 2nd round preliminary, revival competition and final round, 10 most heart-touching works were appraised. Over 15000 staff directly participated in or involved in the competition, setting a new record. The event aims to find and promote the advanced stories that can move others and encourage grassroots staff to record stories, record their life from their own visual scope, and create the atmosphere of "work is a glorious thing and workers are great persons", further integrate forces of the seafarers by shooting the heart-touching stories of some seafarers and their family members, and carry forward the corporate culture of COSCO Group.



On May 5, 2012, COSCO Dalian organized the Spring Walking Activity. Leaders of the company and 170 employees attended the event. Under the leadership of the company leaders, participants started from the small plaza at Linhai Road and walked happily to enjoy the wonderfulness of the nature. When the participants passed a slope near Banghui Island, they lent a helping hand and pushed a sedan out of the water ditch, showing the cultural spirits of COSCO Group.



On Oct. 27, 2012, COSCON South China Branch held the 4th All-staff Sports Meeting, which adopted interesting methods to fully showcased struggling and progressive spirits of COSCO people, showed good cultural quality and occupational ethics and injected vital force and energies to corporate culture of COSCO Group.

On Sept. 8, 2012, COSCO Bulk carried out the expanded training on corporate culture. The training elevated the individual and team quality of young staff, helped participants to overcome the psychological obstacles, complete the psychological challenge, accept education, exchange emotions and showcase their own glamour.

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 Trade 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. It also enhances the human right training and promotion for key departments and subsidiaries to prevent and control human right 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, to promote prosperity of the community, and to reduce the influence and harm on the communities when entering and leaving, so as to make due contributions to prosperity and development of the community. 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. COSCO Group formulates the Implementation Opinions of COSCO Group of the Implementation Guidelines for Establishment of a Sound Educational, Administrative and Supervision System to Prevent Corruption. All the subsidiaries 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 implemented 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 trade 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.

(VI) Legal Management

COSCO Group has operated in accordance with related laws and regulations, strictly abided with international conventions, national laws and regulations and local laws and regulations, and ensured that everything is done in accordance with the laws and regulations.

On the basis of policies released by SASAC of State Council, COSCO Group researched and formulated the internal evaluation methods in 2012. The group organized the concentrated training for examination of legal advisor to increase the proportion of legal advisors holding related certificate. It also enhanced the management of hire of lawyers and promoted the establishment of legal service institution database.

(VII) Social responsibility Management

COSCO Group has been dedicated to promoting the undertaking of social responsibility, performing its due responsibility as a global citizen and actively promoting the development of social responsibility.

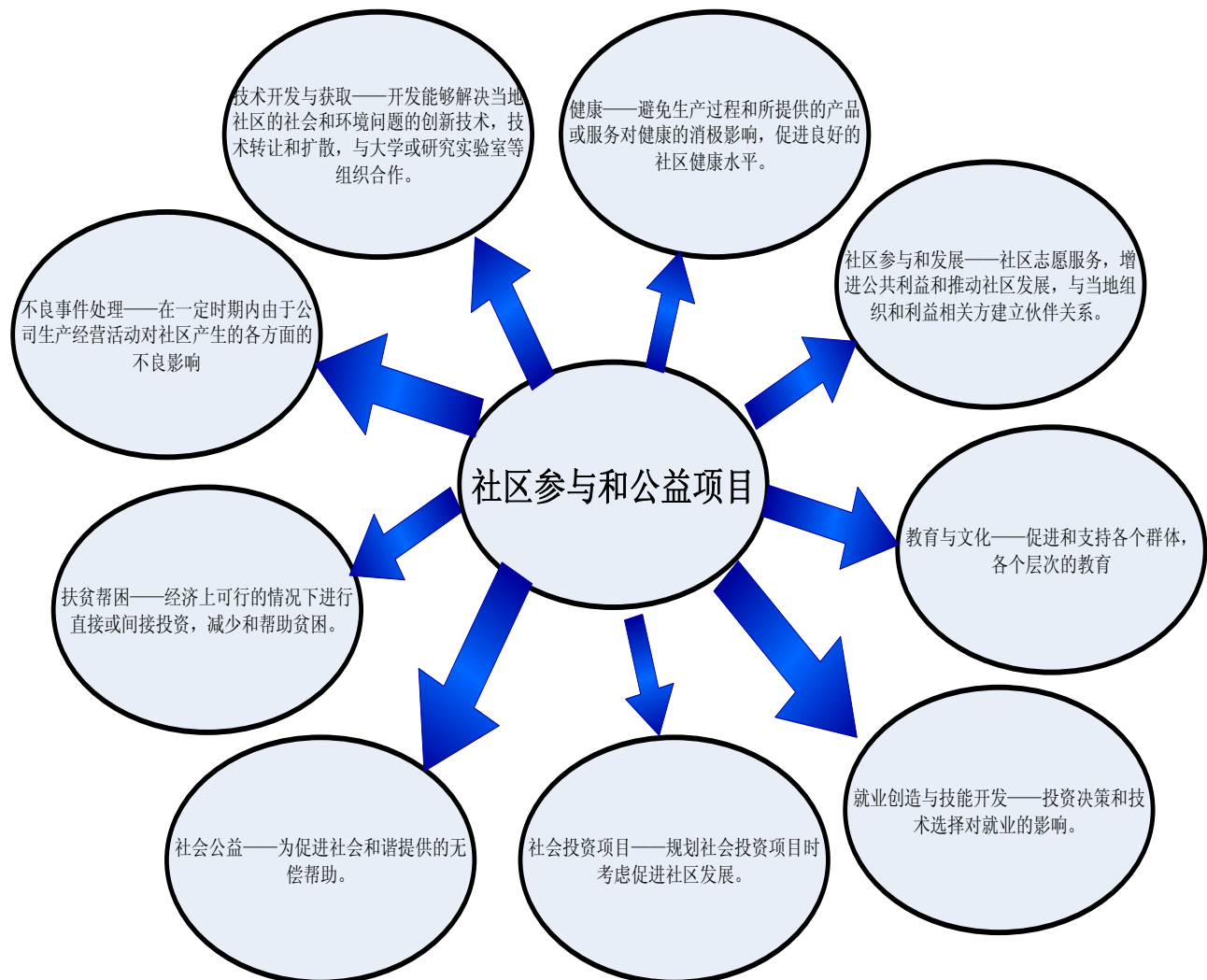
In 2012, the group offered model cases for social responsibility and the social responsibility management experiences and behaviors, and cooperated with SASAC to compile the Guidebook on Social Responsibility Management. It organized social responsibility-related training to enhance the social responsibility concept of its staff continuously. Although the group suffered from losses due to many reasons in recent two years, what we lost may not merely the profits, but trust of stakeholders, hearts of staff and entire society if we don't promote social responsibility and sustainability concept and don't integrate social responsibility management with sustainability management processes. Therefore, we shall insist on integrating social responsibility and sustainability concept with daily work of the group, make ceaseless efforts to improve the insufficient of the group in management process and try to be a responsible enterprise.



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



1. Community Involvement and Development

COSCO Group kept close cooperation relationships with stakeholders in the community, and recognized and reasonable considered the characteristics of the community, such as culture, religion, tradition and history. The stakeholders in the community include governmental departments, military units, non-profitable organizations

and non-governmental organizations. COSCO Group took itself as a part of the community, established good image in the community through cooperation with the stakeholders, created harmonious social atmosphere and contributed to overall development, harmony and progress of the society.

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.

All subsidiaries have tried to make active contribution to improvement of ecological environment and spiritual civilization publicity through a series of methods and activities such as tree-plantation, volunteer and free donation.

April 22 is the World Earth Day. On this day, 31 staff of COSCON South China Branch came to Dayun Park, Shenzhen to carry out the tree-plantation activity themed on “planting green hopes and cohering force of staff”. Since its establishment, COSCON South China Branch has insisted on low-carbon and environmental protection concept. On the World Earth Day, staff of the company took concrete action to act in the environmental protection concept advocated by the company.

In March 2012, COSCO Xiamen organized its staff to attend the tree-plantation activity at COSCO Forestry in Huwei Mountain, practicing the appeal of “energy-conservation, emission reduction, low carbon and environmental protection” with practical action.



In June 2012, staff of COSCON Xiamen Brand attended a volunteer activity to promote traffic civilization regardless of burning sunshine to promote smooth traffic, performing the social responsibility of COSCON Xiamen Brand with their concrete action, and showing the young volunteer spirits of “dedication, friendship, mutual-aid and progress” with their diligence.



In May 2012, over 70 seafarers of COSCO Shanghai came to Yangpu District Blood Donation Center to attend the blood donation activity of Shanghai. The blood donation vehicles of Xiamen Central Blood Station reserved by COSCON Xiamen Branch stopped at the designated area of the office building. Staff of the company attended the blood donation activity actively, feeding back the society with their passion and making contribution



2. Education and Culture

Education and culture are bases for economic and social development, and also important part of community features. Protecting and promoting culture and education, and collaboration of it with respect of human rights have active influences on social cohesion force and social development.

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.

March 5, 2012 is the 13th China Young Volunteers Service Day. On that day, COSCO Logistics (Guangzhou) established the Young Volunteers Service Team, and launched the “All-nation Volunteer Service Month to Learn from Leifeng” themed on “Volunteer Brings Happiness”. The company recruited more than 100 volunteers at the headquarters, and some departments attended the event with all its employees. In March, COSCO Logistics (Guangzhou) carried out the “loving care donation activity to donate clothes and school bags for old persons and children of August 1st Village, Shixing County, Shaoguan City, the paired poverty-alleviation target of the company. The donation activity organized by COSCO Logistics (Guangzhou) not only enabled villagers to feel the cares of the society, but also shortened the distance between the enterprise and local residents.

On May 22, 2012, COSCO Logistics (Qingdao) carried out the education-aid activity themed on “learning from Lei Feng and warming children’s hearts”. The members of the League Committee and representatives of league members donated RMB5,000 of cash, school bags, and stationeries to Jiang Hang, an excellent female children of Spring Bud Program. They encouraged her to face the life bravely and study hard. The education-aid program fully reflected the healthy and progressive corporate culture of COSCO Logistics, reflected the sense of responsibility and obligation of young employees of SOEs to the enterprises and the society, and showed the unselfish and dedication spirits of league members of COSCO Logistics (Qingdao).

Before the Dec. 5 International Volunteers Day, young volunteers of COSCON Shanghai Branch attended the charitable activity organized by “Sunshine 365 Reading Room” to raise materials for construction of libraries for elementary schools in mountainous areas through charitable sale, auction and book donation, helping the children in mountainous areas of widen their visual scope and enrich their knowledge.



The League Branch of COSCO Shipping organized members of the charitable team to conduct on-site visit to families and schools of children in Xiqing County, and exchanged opinions with them. Besides the capital support, they also brought the books, notebooks and living utilities of children.



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 2012, COSCO Group created 2012 employment opportunities in total.

4. Social Investment

During the social activity, COSCO Group and its subsidiaries made active contributions in terms of community training, culture, healthcare, revenue creation, infrastructure construction, information collection and economic development.

In March 2012, COSCO Shipyard carried out the charitable activity for social education themed on “learning from the example of Lei Feng and pursuing for excellence”. Over 13,000 persons launched the capital raising plan and collected RMB370,000 for educational industry.

On March 24, 2012, COSCO Charity Foundation organized volunteers to carry out the voluntary tree plantation activity at the Huairou Tree Plantation Base, devoting to improvement of community environment actively.

5. Public Welfares

COSCO Group actively enhances the cooperation with stakeholders of the community, establishes good image in the community through cooperation, creates safe, civilized and harmonious social atmosphere, showing its responsible and good corporate image of undertaking social responsibilities actively, feeding back the society and power construction of harmonious society.

In 2012, a total of 1,239 employees of COSCO Group participated in various social and community activities as volunteers, which had created good social effects.

Zhonghe Liner of COSCO Group successfully rescued 29 survivals from a ferry. In February 2012, No. 259N voyage of Zhonghe Liner was on the way to return from Port of Brisbane, Australia to Ningbo Port. When passing the VITIZ Strait, the ship driver received the danger information sent by Australia Search and Rescue Center, saying that a 47-meter-long passenger liner was sunk at the sea area 20 sea miles to the ship. The third officer reported the situation to the captain. The captain and commissar came to the driving console rapidly, and determined to join the international rescue. After two hours of navigation, the ship arrived at the disastrous area, and successfully save 29 survivals after two hours of search and rescue. After stepping on the ship, seafarers took the survivals to the designated room for a rest, prepared clean dresses and foods for them.



Shouninghai Liner successfully rescued fishermen who were in danger at Laotieshan Sea Area. In November 2012, No. 28 voyage of Shouninghai Liner transported iron ores from Malaysia to Tianjin New Port. When leaving the water course of Liaotieshan, the ship received the notice from Dalian Traffic Management Center that a fishing ship was in danger at Laotieshan watercourse. Shouninghai changed the direction and navigated to the sea area immediately. After more than half hours, it successfully saved the fishermen to the liner. The doctors on the ship warmed the frozen body of the fishermen with warm water and conducted physical inspection. The cooks took hot ginger soup, and the chief engineer gave took the clean dresses and shoes. After sending the fishermen to their home, the fishermen said with tears in the eye said: "Thank you. Without you, I will be died. I will never forget Shouninghai Liner".



On Dec. 4, CHIMBUSCO Europe received an order to offer 350 tons of irregular diesel for Qiansanqiang escort ship at Monaco Port. In response to the importance and specialty of the oil charging, and the situation that Monaco Port has less berths, frequent operation and high environmental protection requirements, CHIMBUSCO Europe organized a comprehensive inspection for cargo source at world's first-tier inspection institutions and adopted tanker truck for operation. In four days, it supplied oils for 14 times and completed the task successfully, receiving high praises from the Chinese Navy.

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 2012, Sichuan Subsidiary of Wuhan Branch of COSCON came to the campus to offer RMB2000 of condolence fee for Fan Min, who had graduated from the high school and had received four years of sponsorship of the company, and expressed warm greetings of the company.





In Nov. 2012, the Trade Union of COSCON, carried out poverty-aid activity at Beiqiao Village, Sanxing Town, Chongming County. It was the first visit in 2013, the third year for the second round of three-year aiding project (July 2010 to July 2013) in accordance with the uniform arrangement of the Shanghai Municipal Committee of Construction and Transportation, and also the 19th visit since 2007. This time, the Trade Union offered RMB30,000 of condolence fee to Beiqiao Village.



Since early 2010, COSCO Guangzhou carried out the work to aid Dongxing Village, Nibo Town, Xingneng City, and achieved significant results. By the end of 2012, it had invested RMB3.605 million to aid the village. The project further improved the irrigating conditions of fields and promoted the development of breeding and plantation projects. Besides, the common issues of rural areas were also solved. The project realized RMB92700 of group revenue, and increased the annual pure income per capita of poor families to RMB8,113. All poverty-stricken families with laboring ability had gotten rid of poverty. Besides, the cultural room, book room, leisure plaza and basketball ground were also constructed, enriching the leisure life of farmers, enhancing the infrastructure construction of the village and greatly improving the look of the village.

7. Dealing with Adverse Events

In 2012, 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

Health is a basic condition for social life, and also a commonly-recognized human right. COSCO Group takes health as people's basic right, pays great attention to physical and psychological health of residents in local communities and tries to eliminate the unfavorable influences on health of local residents in its production and operation process, and the process to provide products or services.



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.

10. COSCO Charity Foundation

In 2012, total donations made by employees of COSCO Group reached RMB1.4821 million.

Indicator/Year	2007	2008	2009	2010	2011	2012
Donations made by employees (RMB10,000)	269.39	2,410.55	277.6	374.28	288.58	148.21

(II) Fair Operation Practices — Anti-corruption and Anti-commercial Bribery

1. Overall Planning and Deployment

In 2012, the party group of COSCO Group and all levels of discipline inspection organizations carefully implemented and acted in the spirits conveyed at related meetings of CPC Central Committee and the State Council as well as the deployment of SASAC, put the building of punishment and prevention system in an in-depth manner with a focus on the concepts of “converging party and political work” put forward by the party group and the annual working target and key tasks, steadily carry out the anti-corruption education, carry out supervision, inspection, energy efficiency supervision and audit, and promote the elevation of anti-corruption management work. It exerted great efforts to promote the pilot project for PC audit work, deepened the vertical supervision, improved the working structure of “great supervision”, promote the progress of tour inspection work, strictly inspected the illegal and non-compliant cases, focus on rectification and promote the party building and anti-corruption work to achieve new results.

2. Building of Punishment and Prevention System

COSCO Group headquarters and all its subsidiaries brought the building of punishment and prevention system with their operation & management and comprehensive risk management in accordance with the requirements of 2008-2012 Implementation Plans of COSCO Group Corruption Punishment and Prevention System, and further improved the system and business operation in terms of system building. They research, formulated, revised and improved the three regulations on responsibility system for building a clean and honest Party and government, the implementation rules of “three importances and one greatness”, established and improved the implementation opinions of long-term mechanism for anti-corruption education, and the regulations on material procurement and supplier management, and propelled their subsidiaries to improve the anti-corruption systems



based on their own situations and elevate the implementation strength. In 2012, a total of 584 systems were revised, and 392 systems were newly established. About 2659 documents about “two charts and three books” were compiled. The group also propelled related units and functional departments to enhance the integration of punishment and prevention system with operation & management and comprehensive risk management, strengthen the supervision and risk prevention & control on power operation and business operation, propelled and guided related units to research and develop the PC information system for corruption risk warning and prevention of important businesses, such as shipping, cargo-forwarding, ship repairation, material procurement, and logistics to promote the systematic and scientific development of anti-corruption work. It carried out the self-inspection, summary and inspection on 2008-2012 Five-year Planning for Construction of Punishment and Prevention System, and promoted the completion of various tasks for punishment and prevention systems.

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. In 2012, COSCO Group has compiled and issued a total number of 81,200 copies of educational materials on anti-corruption, held 137 special anti-corruption lectures which were participated by 14,400 persons, organized 629 anti-corruption study sessions for 16,900 middle-level managers or above, engaged 38,600 employees in anti-corruption talks and 5,302 persons in anti-corruption commitments, and organized 980 anti-corruption discussions and symposiums for leaders. These activities further enhance the pertinence and effectiveness of anti-corruption education, and enhanced the incorruptible employment consciousness of leaders at all levels and persons at key posts.

4. Supervision and Inspection

All levels of discipline inspection, supervision and audit departments of COSCO Group carried out supervision inspection, energy efficiency supervision and audit & supervision with a focus on practical operation of the enterprise, with risk prevention and control and standard management as the focus, and in combination with the management elevation activity, promoting the standard operation of the company and value increase and value keeping of state-owned assets, protecting the rights and interests of COSCO Group’s shareholders, and elevating the management level of the enterprise. The Supervision Department organized the entire system to carry out the self-inspection, supervision & inspection on implementation of the “three importance and one greatness” decision-making mechanism, rectification of key issues in engineering construction sector and transformation of economic development mode. Supervision and inspection were conducted on implementation of anti-corruption regulations by all levels of management team and leaders as well as the implementation of decision-makings of the headquarters. With a focus on main business and key projects, the supervision and inspection and energy efficiency supervision were conducted in terms of material procurement, shipping

business, contract management, financial management, and prevention and control of commercial bribes. The overseas companies, joint ventures and listed companies conducted audit and supervision to promote the improvement and effective operation of the company's governance mechanism. In 2012, a total of 587 supervisions and inspections were carried out, with 978 units (times) inspected. A total of 435 issues were found, and 398 pieces of suggestions were put forward, promoting the improvement of 181 systems and avoiding RMB57.6812 million of losses.

In accordance with the requirements of the upper level and the requirements of the party group and the discipline inspection team, the group actively carried out research on tour inspection work. The Tour Inspection Office dispatched its staff to conduct survey and investigation at the Tour Inspection Office of SASAC and some central enterprises, formulated the Interim Methods for Tour Inspection Work of COSCO Group based on the practical situations. Currently, the establishment of tour inspection team had been completed and the tour inspection work will be carried out in accordance with the plans.



5. Internal Audit and Supervision

The Supervision Department and all levels of audit units of COSCO Group enhanced the audit & supervision in accordance with the concept of "controlling the cost, enhancing the management, focusing on benchmark, preventing risks and paying attention to standards", showing obvious propelling, service and value-increase effects. Firstly, serve for development strategies of the group, carry out the special audit on bulk carriers leased, and conduct evaluation on the implementation of Qidong Ocean Engineering Base Project, solving the issues that may influence and constrain development of the enterprises. Secondly, organized the audit on schedule management, supplying management and customer management in combination with the management elevation work, promoting the enhancement of core competitiveness of related units. Thirdly, conduct internal control audit and engine audit of ship leasing business with a focus on the work to reduce costs and increase benefits, unveil the cost control issues, offer rectification opinions and suggestions on cost reduction and benefit increase, and propel related units to achieve practical results in cost management and control. Fourthly, all levels of audit department cooperated closely with the discipline inspection, strategic development, safety supervision and financial departments on key cases, special investigation and decision-making work, bringing into full play the role of "supervision in participation process and service in supervision process", further elevating the comprehensive management effects of audit work. In 2012, the group completed 16706 internal



audit projects, put forward 2562 pieces of opinions and suggestions, promoted the revenue increase, and cost reduction and saved RMB205 million of economic losses.

6. Pilot Project for PC Audit

COSCO Group pays close attention to guide innovation of business management and supervision management via “system + technology”, and to elevate its ability to prevent and control operation risks and corruptive risks through technological manner. Since March 2012, it conducted sufficient survey and preparation work, optimized the system design, segmented the audit demands, improved the function of the software, conducted on-site tests and formed the COSCO Group PC audit pilot project plans, which was implemented after being approved at the General Manager’s Working Meeting.

The PC audit project team held many symposiums with the Enterprise Department of the Audit Commission and the PC Center, and established smooth communications and collaboration mechanism for project cooperation and development. The Supervision Department of the group established the PC Audit Office, dispatched special audit and PC personnel and held PC audit training, ensuring smooth progress of pilot work in terms of streamlining the coordination mechanism and improvement the institution and personnel arrangement. In accordance with the principles of “scientific, standard, economic, useful and operable”, the PC Audit Team optimized the data collection, model analysis, audit warning and auxiliary decision-making systems, and revised and improved the pilot project plans. It developed the enterprise comprehensive performance evaluation system with special characteristics of COSCO and the risk management indicator evaluation system. Core information system was selected from COSCO Group’s business and financial information systems, and in-depth investigation was conducted on its system framework, data contents, storage method, interface development and data collection. Work such as data collection, software function test and indicator modeling work were carried out, and special analytical models for “three importances and one greatness”, “comprehensive performance” and “procurement warehouse” were designed to accumulate experiences for improvement and function elevation of internet audit software.

7. Elevation of Anti-corruption Management

All levels of discipline inspection organizations of COSCO Group actively took part in the management elevation activity, formulated working plans and measures to specify the division of responsibility, conducted diagnosis on anti-corruption management work since 2008 through a number of methods such as interactive talk, questionnaire, material research and work investigation, found the management bottlenecks and shortcomings, determined the key issues of the group based on further analysis and categorization, and drafted the management diagnosis report and rectification measures. Currently, COSCO Group is exerting great efforts to promote the rectification of key issues and elevation of key sectors in accordance with the requirements of “special elevation and collaborative promotion”, so as to elevate the scientific level of corporate management and anti-corruption building of the enterprise in a comprehensive manner.



8. Letter and Visit, and Investigation of Cases

Party Group of COSCO Group, the Discipline Inspection Team of the Party Group and the party committees of all subsidiaries paid close attention to letter & visit, report and investigation of cases, and coordinated with related units and departments to solve the working style and corruption issues of leaders reported by the public. With release to the illegal or non-compliance clues reported in letter & visit, they further strengthened the investigation of cases to investigate on all cases and correct all illegal behaviors. In accordance with the clues of cases offered by the National Audit Administration, they had cooperated with the Discipline Inspection Committee of CPC Central Committee, the Discipline Inspection Committee of SASAC and the judicatory organs to carry out the work, insisted on the investigation and disposal cases, and protected the seriousness of the party principles and the national laws. They insisted on combining the disposal of cases with the efforts to promote operation and management, analyzed the reasons of the cases, found the loopholes in management, made continuous efforts to improve the system and regulations, strengthened the rectification of issues and brought into full play the basic function of case investigation. In 2012, the group accepted 115 letters and reports, of which, 112 had been settled, with the settlement rate of 97%. It handled preliminary investigation on 14 cases, of which, 12 had been completed, with the completion rate of 86%. It also set up 11 cases, of which, 10 cases had been settled, with the settlement rate of 91%. A total of 10 persons were given party penalty, while 5 persons were sentenced into prison. By further enhancing the letter & visit and report and the investigation of cases, it had promoted the stable development of the enterprise.

9. Enhancing Building of Discipline Inspection Institutions and Teams

The party group and all levels of party committees of the group had paid close attention to building of discipline inspection and audit teams. They carefully implemented the Opinions issued by four ministries and commissions on improving the building of discipline inspection and supervision organs of the central enterprises, improved all levels of discipline inspection, supervision and audit institutions, promoted the completion of working system and stabilized the personnel team. It carried out the work reporting of secretaries of discipline inspection committees of directly affiliates for seven years in succession, promoting the elevation of responsibility consciousness and duty-performing ability of the secretaries of discipline inspection committees effectively. It carefully implemented the requirements of the Discipline Inspection Committee of CPC Central Committee and State Council SASAC on carrying out discipline inspection and investigation work, carried out project establishment and implementation work among discipline inspection, supervision and audit personnel of entire system, found the cohesion point and focuses of the anti-corruption and supervision work, and enhanced the farsightedness, systematicness, pertinence and effectiveness of the anti-corruption work. It promoted the building of study-oriented discipline inspection, supervision and audit organs and teams in an in-depth manner and dispatched 114 persons to attend the training on related business. It also established the “COSCO Group Internet for Discipline Inspection and Supervision Work” and carried out studies and training online. It also organized various forms of studies, trainings and post practices such as symposium, lecture, case investigation, joint audit, and joint supervision and audit, effectively elevating the construction level of discipline inspection and supervision institutions and teams.



(III) Fair Operation Practices — Responsible Political Involvement

COSCO Group pays attention to formulation of public policies, takes part in formulation of industrial policies home and abroad, and tries to promote the sustainability of economy, society and environment.

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 2012, main activities attended by COSCO Group were as follows:

Time	Situations of the activity
March 5, 2012	Capt. Wei Jiafu, Chairman of COSCO Group, attended the 11th Trans-Pacific Maritime Conference (TPM) at the Long Beach, and issued a keynote speech titled “2012 Global Container Shipping Market to Rebound Continuously in Fluctuation”, in which, he appealed the liner industry to create a favorable market environment where the supplies and demands are balanced.
July 2, 2012	Capt. Wei Jiafu attended the opening ceremony of Beijing-Tokyo Forum in Tokyo and delivered a speech themed on “promoting Sino-Japan economic and trade cooperation and coping with global economic crisis” at the event.
July 17, 2012	Capt. Wei Jiafu attended the Sino-US Investment and Cooperation Forum in Beijing and delivered a speech. In his speech, Capt. Wei talked about his opinions towards investment environment of America from the perspective of entrepreneurs, introduced the investment cases and successful experiences of COSCO Group in America, and said that Chinese enterprises who invest to America shall better learn the local culture, form favorable interaction with local labors and realize mutual benefits. He also suggested American Government to promote the abolishment of limitations on export of high-tech products to China.



<p>July 18 to July 19, 2013</p>	<p>Capt. Wei Jiafu attended the 3rd Round of Dialogue between Sino-US Industrial and Commercial Leaders and Former Top Executives, and attended the discussion. Capt. Wei also worked as the introduction person of the special discussion on “increasing mutual-trust of Sino-US innovation policies”.</p>
<p>Oct. 14 to Oct. 15, 2012</p>	<p>Capt. Wei Jiafu and General Manager Ma Zehua attended the 40th IMC Conference. Capt. Wei Jiafu and Chairman of IMC delivered speeches at the event. In his speech, Capt. Wei Jiafu said that great changes have taken place to international shipping and maritime laws and regulations, and many new hot issues had generated. In particular, the depravations of shipping market situation had resulted in increase of cases such as bankruptcy, ship arrest, maritime insurance and intermediation. Capt. Wei Jiafu also appealed all circles of the society to give more cares and supports to the shipping industry, and to ensure the healthy development of shipping and related industries in terms of legal and systematic manner.</p>
<p>Nov. 8, 2012</p>	<p>The 18th National Congress of CPC was held in Beijing. At the event, new leaders of the CPC Central Committee were selected. Capt. Wei Jiafu, Chairman of COSCO Group and Secretary of Party Group, observed the meeting as the member of the Discipline Inspection Committee of 17th CPC Central Committee.</p>

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 2012, COSCO Group didn't involve in any lawsuits due to anti-competition, anti-trust or anti-monopoly actions.

On Sept. 14, 2012, Richard A. Lindinsky, Chairman of the Federal Maritime Commission, granted the Award of Merit to COSCO Group at New Jersey State, America to award the excellent services and outstanding contributions made by COSCO Group in America in the past 30 years. General Manager Ma Zehua accepted the award certificate on behalf of COSCO Group.

Sun Guoxiang, Consul-General of China in Hong Kong, Michael Van Wagner, Director of the Department of Commerce of New Jersey Government, Michael Connelly, mayor of Secaucus City as well as representatives of customers of COSCO America, supplies and domestic and overseas companies witnessed the award issuance. This marked that the high quality services and outstanding contributions provided by COSCO Group in America for local community in past 30 years had been fully recognized by America Government, and the external operation environment of COSCO Group in America had been improved continuously.

(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 2012, no penalty events caused by violation laws or regulations occurred in COSCO Group.

COSCO Group attended in research and discussion of various laws actively. In 2012, it attended the formulation and revision of related laws and regulations, such as the Interim Regulations of Ship Tonnage Tax (Draft), the Working Regulations of Foreign Experts in China (Draft), the Regulations of Maritime Life Search and Rescue (Draft), the Regulations of Domestic Sea Route Transportation (Draft), the National Defense and Traffic Law (Draft), the Shipping Law, revision to the Criminal Procedure Law and revision to the Civil Procedure Law, reflecting COSCO Group's opinions to related departments of the country and protecting rights and interests of shipping enterprises. In the meantime, it also obtained the latest trends of international conventions as well as national and local laws and regulations.

COSCO Group insisted on closely integrating the law popularization work with operation and management of the group, and formed the favorable atmosphere of learning, knowing, abiding by and using the laws voluntarily. Year 2012 is the second year for 6th Five-year Law Popularization Program. In accordance with the deployment of the Law Popularization Office of the State Council and requirements of SASAC, and the arrangement of COSCO Group's 6th Five-year Planning on Legal Promotion and Education, COSCO Group deepened the legal promotion and education activity in an in-depth manner and strengthened the enterprise



legal system building. The law popularization education further enhanced the legal consciousness of managing personnel and staff, and elevated the operation and management level of the company.

COSCO Group is very active in all kinds of legal researches and seminars. In 2012, the group continued to attend 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. In the meantime, it also knew the latest trends of international conventions as well as national and local laws and regulations.

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 2012 is the second 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.

(VI) Promotion of Social responsibility in Value Chain

In order to promote social responsibility in the value chain, COSCO Group brings the ethical, social, environmental and gender equality principles as well as health and safety requirements into policies and practices with related to its procurement, distribution and contracts to promote the fulfillment of social responsibility objectives. In the procurement process, it insists on implementation responsible procurement, establishes complete procurement management system, and brings the environmental protection and safety production into examination of suppliers. It also pays attention to suppliers' protection on rights and interests and occupational safety of employees, insists on environmental protection requirements in procurement process, advocate energy conservation and emission reduction, promotes the costs and earnings for implementation of social responsibility in a fair and feasible manner in the entire value chain, including elevating the ability of organizations in the value chain to realize the target of being responsible to the society when possible.

Besides encouraging other organizations to adopt similar policies, COSCO Group also makes active efforts to elevate the recognition of related organizations to the social responsibility principles and topics. It tries to bring into full value the role to promote social responsibility in the shipping value chain, for instance, promote COSCO Group's sustainability concept at Boao Forum for Asian, World Shipping Summit, Qingdao Declaration and Guangzhou Declaration.

(VII) Respect of Intellectual Property Right

COSCO Group pays attention to bring into full play the role of intellectual property right in protecting technical innovation of enterprises, promoting conversion of innovation achievements and enhancing core competitiveness of the enterprise, implements the policies and takes the behaviors that that promote the respect of intellectual property right and traditional know, and carried out proper survey and investigation to ensure that it enjoys the using right or disposal right of properties legally. It doesn't involve in any intellectual property infringement activities, including misuse of its dominating position, fake and unlicensed products, pays reasonable compensation to properties gained or used, and considers the expectations of the society and the basic requirements of human right and individuals when executing and protecting its own intellectual property right and properties.

COSCO Group also improves the mechanism for creation, application, management and protection of intellectual property rights based on characteristics of the industry and its own practical situation. It also encourages patent development and application work. By the end of 2012, the group has 126 patents and 50 software copyrights. In 2012, it applied 110 patents, including 26 invention patents, 66 authorization patents (including 14 invention 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 2012 ('the Report') against the AA1000 Assurance Standard (2008) ('AA1000AS 2008') and the DNV Protocol for Verification of Sustainability Reporting (VeriSustain®).

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 2012;
- On-site verification at COSCO headquarters and subsidiary companies - COSCO Container Lines Company Limited (COSCON);
- 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:
 - Safety performance on shipping operation
 - Energy saving 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 2013;
- For the financial data which indicated in the Report, we compared the data with the formal Financial Report only (which 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 (VeriSustain®). 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 COSCON, conducted interviews with about 100 of each relevant department's representatives, including senior management and key employees;
- 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 2012 provides a credible and objective presentation of COSCO's overall sustainability performance and application of the AA1000AS 2008 and DNV VeriSustain. 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 mechanism and expresses their expectation through multiple communication channels such as industry association, internet and questionnaire. 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 has been disclosed in this Report.

Materiality: Acceptable. COSCO's sustainability policy and objective are basically established based on the analysis of long term development of shipping industry and its sustainability strategy. Also through the stakeholder's communication and engagement mechanism, COSCO has established an effective process to identify and assess the materiality issues that related with its sustainability strategy. Indicators and performance disclosed in this report balance the concern of stakeholder and company's sustainability strategy.

Note: In case of discrepancy between the English and Chinese language text, the Chinese text shall prevail



ASSURANCE STATEMENT

Responsiveness: Acceptable. The indicators and sustainability performance as disclosed in this Report was based on the identification and analysis in materiality issues that related with COSCO' long term sustainability strategy. With the consecutive 3 years and more historical data and explicit context about COSCO's economic, social and environmental indicators and performance, the Report response the main stakeholders concerns.

Reliability: Acceptable. The methodology and process for gathering information developed by COSCO for its sustainability performance reporting is appropriate and the qualitative and quantitative data included in the Report, were found to be identifiable and traceable; performance data and information presented in the Report appears generally reliable in related with the accuracy and comparability. The underlying database, data measurement techniques and calculation basis have been adequately described to DNV. No systematic errors were detected during this verification.

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.

- A clearer disclosure of the company's sustainability policy and implementation action in related with the shipment's economic crisis
- A clearer disclosure of the process of identifying and assessing the reporting materiality issues in order to make the Report could response the stakeholders concerns clearly
- A clearer disclosure of the sustainability requirement to suppliers and the management approach

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



AA1000
Licensed Assurance Provider
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Note: In case of discrepancy between the English and Chinese language text, the Chinese text shall prevail



Statement GRI Application Level Check

GRI hereby states that **China Ocean Shipping (Group) Company** has presented its report “COSCO Sustainability Report 2012” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 30 August 2013

Nelmara Arbex
Deputy Chief Executive

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

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 21 August 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

