

COSCO

Sustainable Development Report 2008

中远集团2008年可持续发展报告





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Part A Strategies and General Information

Part I Statement of the President and Strategies

I. Statement of the President

In 2008, global economic situation has changed abruptly. In this year, the influences of global financial crisis on economic entity became obvious, growth rate of international trade slowed down, and shipping market faced great fluctuation. In the face of severe situation, COSCO Group has implemented and carried out the scientific development outlook in an in-depth manner to cope with the crisis. It has grasped the market opportunities, deepened the internal reform, enhanced the management and made new achievements in reform and development. It continued to outperform other enterprises in terms of production ability. Its operational benefits maintained stable and its income and profits took a lead among global shipping enterprises. In 2008, COSCO Group ranked the 327th in Fortune 500 List, an elevation of 78 places from the 405th in 2007, fulfilling three leap-forward developments in three years and further elevating its position and image.



Seeking for sustainable development in financial crisis is an important content for COSCO Group's efforts to implement and act in the scientific outlook of development. In face of possible risks brought by market changes, COSCO Group has attached great importance to market researches, improved its market prediction level, changed operational ideas, changed the operation methods in market growth to operation method to cope with economic slowdown rapidly, and tried to adapt to market recession in terms of operational ideas and marketing methods. With an aim to cope with the impacts of financial crisis effectively, COSCO Group has taken many preventative measures timely. It has taken the strategy of "giving top priority to cash", controlled the investment scope, paid attention to risk control of investment and made investment decisions cautiously. It has adjusted the growth structure of carrying capacity of fleet, further reduced the investment scale of main businesses, avoided investing into non-main business and strictly controlled administrative expenditure. Large-sized conferences were held in form of video conference to save business trip expenditure greatly. Besides, it has promoted economic shipping speed of vessels to save energies and reduce emissions. It has negotiated with ports on articles of cooperation agreement to reduce port expenditure, and carried out vessel rent re-negotiation with foreign ship-owners actively to reduce costs of chartered-in ships. It has implemented safety production responsibility system to further enhance the safety supervision, eliminate potential safety risks and ensure safe navigation of ships and safety production in lands.

As a leading enterprise in Global Compact initiative, COSCO Group has actively supported and taken part in activities relating to Global Compact. It is the first Chinese enterprise who signed the Statement of Caring for Climate Changes and the Declaration on World Human Rights. It has insisted on performing its social responsibilities with world thinking and global perspective, showed its charms as a leading comprehensive shipping company in the world and shouldered the globalization social responsibilities of a world-class transnational company.

COSCO Group actively implemented the Guiding Opinions for Central Enterprises to Perform Social Responsibilities issued by SASAC under the State Council, the Notice of Shanghai Stock Exchange on Promoting Listed Companies to Shoulder Social Responsibilities and the Release of Shanghai Stock Exchange's Guidelines on Disclosure of Environmental Information of Listed Companies (No. 1277 Document of Shangzheng Shanghan [2008]), the Notice on Doing a Better Job in Disclosure of Report on Performance of Social Responsibilities of Listed Companies in 2008 and Internal Control Self-evaluation Report as well as other requirements of related parties. Development of COSCO Group has followed the scientific outlook of development advocated by the Chinese Government. It has insisted on reviewing the development of enterprises, leading management innovation, establishing resource-saving and harmonious enterprises and fulfilling sustainable development of the enterprise under the guidance of four major contents namely human-orientation, comprehensive, coordinative and sustainable development.

In 2008, COSCO Group actively performed the Global Compact and social responsibilities, and its key

social responsibilities include:

1. Actively responded to the recall of Central Committee of the CPC and the State Council, carefully attended and deployed the activities to fight against rain, snow, ice and frozen disasters, relieved earthquake disaster, ensured safe and smooth holding of the Beijing Olympics as well as aided people in poverty or in Tibet, so as to ensure the transportation of electricity, coal and disaster-relief materials. Besides, it also transported a large batch of materials to earthquake disaster-stricken areas according to the requirements and tried to be a leader in performing corporate social responsibilities with practical behaviors.
2. COSCO Charity Foundation donated 141.25 million yuan in the whole year.
3. Successfully held the 5th World Shipping (China) Summit and built up its image of a responsible enterprise.
4. COSCO Group actively promoted the direct shipping across the strait of Taiwan. As a first shipping enterprise, it opened Xingang-Kaohsiung, Yangshan-Kaohsiung shipping lines, making positive contribution to cross-strait peace and co-existence.

COSCO Group determined the risk levels based on sustainable development of various business units, and made overall planning and three-year implementation plans for comprehensive performance of Global Compact, performance of social responsibilities and fulfillment of sustainable development. From 2005 to 2007, it has completed the upgrade and expansion from the pilot company of COSCON to COSCO bulk, logistics and terminal companies. COSCO Group's first sustainable development report released in 2006 was appraised as notable COP of United Nations Global Compact, making COSCO Group the first enterprise that wins this honor in China and the first shipping enterprise in the world listed in notable COPs. Since then, COSCO Group's sustainable development report had been appraised as notable COP of United Nations Global Compact for three years in succession, making COSCO the only enterprise in Asia that wins such honorable titles for three years in succession. The COSCO Group Sustainable Development Report 2007 received A+ rating in review of COSCO GRI Sustainable Development Guidelines. COSCO Group has started the implementation of its second three-year implementation plan since 2008, and has completed the strategic improvement of sustainable development in three years.

COSCO Group has established sustainable development management system and business process restructuring in 7 years, making the system an important cornerstone for its growth. Under the sustainable development management system of COSCO Group, the sustainable development management and organization system, the sustainable development culture system, the management, measurement and supervision system as well as the information management platform had supported with each other, making the sustainable development strategy a part of the company's value concept.

In the future, COSCO Group will continue to perform the Global Compact, actively participate and support the important activities of Global Compact's network in China and try to be a leader in corporate social responsibility sector of the industry with practical behaviors.



June 25, 2009



II. Strategy

COSCO Group has established long- and medium-term sustainable development strategy. The COSCO Group Sustainable Development Report 2008 uses the analytical method of six-sigma “strategic mapping” to analyze and demonstrate the development strategy of COSCO Group.



Sustainable development strategy of COSCO Group			
<u>Mission statement</u>			
Gradually develop to become a world leader in international shipping, logistics services, and ship-building and ship-repairing by maintaining trustworthy relationships with our customers, employees and partners, yielding best returns for shareholders, society and environment.			
Value concept: Harmonious development, welfare of mankind			
<u>Development strategies</u>			
Perform the duties as a corporate citizen by taking technology as a tool and benefits as the core while adhering to the human-oriented and market-oriented principles; stick to the two-pronged drivers of production operation and capital operation; make international shipping business stronger, expand logistics business and terminal operation, develop the ship-building and ship-repairing businesses; With shipping business as the basis, propel COSCO Group's transformation from a global shipping carrier to a global logistics operator and international shipping logistics system integrator from a cross-border business player to a transnational company and global conglomerate; build COSCO a harmonious and everlasting group and fulfill its healthy, fast and sustainable development.			
Development strategies of four transformations			
The transformation from periodical development to sustainable development	The transformation from combination of software and hardware with hardware as the emphasis to the combination of software and hardware with software as the emphasis	The transformation from possessing and controlling the resources to allocating social resources.	The transformation from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation
<u>Development objectives</u>			
“Generating 10 billion yuan of revenue and building up century-old COSCO” (double-hundred strategy)			
<u>Development thoughts and objectives during the 11th Five-Year Plan period</u>			
As a leading enterprise in China’s shipping industry, COSCO Group has insisted on scientific development outlook, attached great importance to the harmony of corporate development and the environment and society, been dedicated to key issues highly concerned by international community such as climate and human right, and promoted the coordinated and sustainable development of the industry and the society. According to the general requirements on central enterprises’ implementation of stock system and entry into capital market of the SASAC under the State Council, COSCO Group has deepened the system reform and established the three-layered modern enterprise system with clear management and governance structure in a comprehensive manner.			

Make overall planning, implement related strategies in steps and accelerate the entry of major businesses into the capital market with China COSCO as the flagship for building up of capital-based COSCO and fulfill the capital structure of "5:4:1"; raise capitals through the capital market, propel the mechanism reform and system establishment, regulate the operation and management procedures and constantly enhance the enterprise's sustainable development ability; promote industry optimization and restructuring depending on the core businesses, improve overseas operation and management mechanisms, and expand overseas business presence;

Stably expand the scale of vessel fleet owned and controlled by the group, scientifically adjust the fleet structure, make great efforts to develop the container vessel fleet, oil tanker fleet and costal bulk carrier fleet, speed up the development of specialized vessel fleet, systematically control the scale of bulk cargo vessel fleet, establish new bulk cargo ship operation system and mechanism through reconstruction and integration, improve the continuous profitability of shipping companies;

Develop logistics, cargo transport and ship agency businesses with COSCO Logistics as the platform for development of modern logistics business, expand overseas logistics business based on domestic market and form COSCO Group's competitive advantages in global logistics industry as soon as possible; fulfill the transformation from a strategic investor to an operator and manager, from container terminal operator to diversified terminal operator with container terminal as the major business, and from regional investment to global development based in China, form a unified industry management system with COSCO Pacific as the pillar, and build up COSCO Group's terminal brand;

Grasp the opportunity to sensibly expand the scale of ship-building and ship-repairing business, and constantly improve the competitiveness and profitability of the company; optimally develop the financial and IT industries, making them important pillars for development of main businesses;

Boost construction of corporate cultures and employee teams, protect the fundamental and long-term rights and interests of employees, improve the harmonious mechanism for mutual development of both enterprises and employees, and build up a harmonious enterprise based on development, reform, stability, innovation, justice and culture;

Keep the vessel fleet scale in a leading position in the world, the internationalized operation indicator at United Nation's indicators for Top Global 100 Companies, and the sales income at Fortune Global 500; primarily realize the transformation from a global shipping carrier to a global logistics operator and an international shipping logistics system integrator depending on shipping businesses, from a multinational business operator to a multinational and global company, and lay solid foundations for building of harmonious and long-lived COSCO Group.

Fully recognize the important meaning for performance of Global Compact, cultivate and deepen social responsibility sense, release sustainable development report to the international community on an annual basis, voluntarily accept supervision of the society and be a responsible corporate citizen. Make coordinated planning and carefully implement and comprehensively perform the responsibilities of Global Compact. All units shall integrate the implementation of commitments as specified in the Global Compact, in particular various principles with respect to environmental protection, labor, human rights and anti-corruption, with various work of the unit, segment them into feasible and detailed measures, and change them into voluntary actions of each employee. The annual sustainable development report within planning period of COSCO Group shall be compiled to submit an internationally advanced report to the United Nations. Works for release and promotion of the report

should be done well to further improve the image of COSCO Group. With an aim to ensure that the sustainable development work of COSCO Group can be carried out in a continuously and orderly manner, the Sustainable Development Committee of COSCO Group shall be established, under which, committees of various companies shall be set up. Stable teams of promoting personnel, indicator information collectors, internal auditors and report compiling personnel shall be established. According to the commitment of COSCO Group in the Sustainable Development Report 2006, companies in the group shall be organized to implement Global Compact and social responsibilities as well as sustainable development management system. According to the requirements of the SASAC, the annual sustainable development reports released by central enterprises will become a regular work. Related companies shall establish and improve the COSCO Group sustainable development management system according to the requirements and realize process-based, systematic and standardized management.

Policies

Management policies	Environmental protection policies	Safety policies	Quality policies
Through correct decisions, scientific management and high-quality services, establish harmonious enterprise, implement comprehensive risk management and Global Compact, and realize the coordinative and sustainable development of corporate value, human environment and natural resources.	COSCO Group's environmental protection criteria include comprehensive management, resources cherishing and environmental protection. In the production and operation process, COSCO Group has been dedicated to environmental protection and has cherished resources of the earth. It has supported and attended the ecological protection activities as a "social responsibility undertaker" and voluntarily improved ecological environment of the enterprises.	Insist on the concept of "human-orientation, safety development and construction of harmonious COSCO" and reduce dangerous influences with prevention as the main measure.	Safe, convenient and high-quality products and services.

Management methods

Apply modernized management tools to build up "digitalized COSCO"

Balance score card for sustainable development work

Economic performance	Product performance/environmental performance/social performance	Company governance	Labor performance and human rights performance
Financial performance	Stakeholders	Internal control procedures	Study and growth
Direct economic value	Consumer health and	Decision-making	Staff employment

created	safety	mechanism	
Financial inputs for climate changes	Product and service logo	Communication mechanism	Relations between labors and management team
Retirement plan coverage rate	Customer satisfaction	Supervision mechanism	Occupational health & safety
Key financial supports provided by the government	Marketing and publicizing	Evaluation mechanism	Training and education
Minimum salary and comparison with the standards	Consumer privacy	Internal control and risk management mechanism	Diversifications
Procurement and suppliers	Law compliance	Improvement mechanism	Investment and procurement behaviors
Proportion of local senior executives employed in important operational places	Raw materials		Non-discrimination
Infrastructure investment and services for public welfares by providing materials or free professional services through commercial activities and the influences	Energy		Freedom of association and collective bargaining
Indirect economic influences	Water resources		Child labor
	Bio-diversity		Enforced and compelled labors
	Exhaust gas, sewage and waste		Safety and security work
	Products and services		Rights of indigenous people
	Regulations		
	Traffic transportation		
	Community		
	Anti-corruption		
	Public policies		
	Anti-competitive practices		
	Anti-trust and monopoly		
	Conformity with laws and regulations		

So far, the description of sustainable development strategy blueprint has been completed, and in the next step, the division and operation of three-layered indicators of balance scoring card will be completed.



III. Analysis on primary influences, risks, opportunities and countermeasures of sustainable development

COSCO Group has formulated the COSCO Group Development Planning in 11th Five-year Period according to the planning of 11th Five-year Period of the State. It has insisted on using the scientific development outlook in all kinds of work, systematically analyzed the primary influences, risks, opportunities and countermeasures of sustainable development of COSCO Group with SWOT analytical method of lean six-sigma, correctly identified advantages, disadvantages, opportunities and threats, and made countermeasures corresponding based on possible combination of these advantages, disadvantages, opportunities and threats, thus making correct decisions and planning for sustainable development of COSCO Group.

<p>Sustainable development strategy</p> <p>SWOT Analysis</p>	<p>Advantages</p> <ul style="list-style-type: none"> ●Expansion of fleet size and company scale; ●Improved brand recognition; ●Higher market shares; ●Better service quality; ●Complete transportation network; ●Powerful upper stream supply chain; ●Shouldering of social responsibilities with the identity of world citizenship; 	<p>Disadvantages</p> <ul style="list-style-type: none"> ●Authenticity and severity for market transformation: "large vessel is difficult to change the direction"; ●"High-cost" lease of vessels; ●FFA risks; ●Contracts signed before may be breached or terminated under the circumstance that the freight drops directly;
<p>Opportunities</p> <ul style="list-style-type: none"> ●World economy is expected to develop and market space is expected to expand continuously; ●China's objective to construct a well-off society in an all-round way in 2020 provides development forces for sustainable development of enterprises; ●The sustainable development outlook of international community and scientific development outlook of the Chinese Government have created environment and consistent development forces for construction of harmonious COSCO and century-old COSCO; 	<p>So strategies:</p> <ul style="list-style-type: none"> ●Transformation from profit-making through production and operation activities to profit-making through production and operation activities and capital operation; ●Enhancement and expansion of market shares; ●Increase brand value; ●Bring functions of headquarters for dry and bulk cargo operation into full play, form cohesive forces and make vigorous efforts to turn the situation; ●Establishment of vessel service chain with special characteristics; 	<p>Wo strategies</p> <ul style="list-style-type: none"> ●Transformation from owning and controlling of resources to allocation of social resources; ●Comprehensive inspection on leased vessels and FFA agreements to reduce agreement-breaching and operational risks to the maximum extents; ●Reorganization with domestic logistics enterprises through alliance and acquisition with capital market;
<p>Threats</p> <ul style="list-style-type: none"> ●Imbalance and uncertainty of world economy and trade development; ●In-depth drop of shipping market; ●Great fluctuation of international and domestic capital and financial market as well as prices of resources and energies; ●Increased safety and environmental protection costs; 	<p>St strategies:</p> <ul style="list-style-type: none"> ●Transformation from the strategies of paying equal attentions to software and hardware with hardware as the dominant, to the strategies of paying equal attentions to software and hardware with software as the dominant; ●Adjustment of investment and operation strategies, increase operational income to the maximum extents and speed up market responding speed; ●Enhancement of customer relationship management; ●Establishment of strategic partnership alliance with large customers; ●Increase scientific inputs and speed up informationization process; 	<p>Wt strategies</p> <ul style="list-style-type: none"> ●Transformation from periodic development to sustainable development; ●Improvement of operation efficiency; ●Enhancement of management and effective control of costs; ●Making reasonable arrangement and improving anti-risk ability ●Establishment of prediction mechanism; ●Paying great attention to safety and stability work in difficult time.



Analysis on primary influences of sustainable development

Influences on the company	Influences on the industry	Influences on the brand	Influences on the business	Influences on investment	Influences on the employees	Influences on the society
Development of COSCO Group greatly promotes the development of China's national economy and foreign trade, provides guarantees for transport of important materials such as energies and resources, and ensures the national economic safety.	COSCO Group greatly improves China's ability and position in participating international maritime affairs. China has been rated the A-category member of United Nations' International Maritime Organization for 9 times in a row, participating in the formulation of the world's maritime rules and the decisions of the international maritime affairs.	Ships and containers with COSCO log shuttle between over 1,500 ports in more than 160 countries and regions, bringing active influences in promoting prosperity of global trade and economy.	COSCO Group is focusing on sharpening the comprehensive competitiveness of several vessel fleets including container ships, dry bulk carriers, oil tankers and specialized cargo carriers in a horizontal perspective, while improving the competitiveness of the supply chain from shipping to door-to-door logistics, terminals and ship-building/ship-repairing sectors. COSCO Group's development has important impacts on promoting the stable development of the global logistics supply chain and industry chain.	By constantly improving the competitiveness of its shipping business, COSCO expands its business presence in modern logistics industry, build up the core capability to surpass its competitors and pursue the goals of three maximizations, namely the maximization of enterprise's benefits, value and return to shareholders.	COSCO has committed itself to creating a platform for operators and employees to show off their talents and realize their dreams, while giving all employees the returns matching their contributions to the company.	As an international shipping company, COSCO Group features high safety and environmental protection risks as well as heavy social responsibilities. As a result, COSCO Group is speeding up to build a resource-saving and environment-friendly enterprise.
As a spearhead of China's shipping industry and a global shipping group, whether COSCO Group can achieve the sustainable development is of great significance and has important impacts on the domestic and international economy and trade development, its shareholders, employees, customers and partners, the industry, the society, the environment, etc.						

Analysis on primary risks and opportunities of sustainable development

Challenges	External perspective	In-depth downturn of international shipping market since second half of 2008; drastic fluctuation of global and domestic capital and financial markets as well as energy prices, in particular oils; increased security and environmental protection costs.	COSCO Group should establish a stable and sustainable operation mode, carry out the scientific development outlook and fulfill the comprehensive, harmonious and sustainable development of the enterprise. It has been proved by the experience of the international shipping development that it is hard to fulfill such a development status under a market downturn. The unstable and fluctuating development status or development pattern may be transformed into a stable and coordinated development pattern only by grasping the development opportunities and carrying out comprehensive reform and adjustments.
	Internal perspective	Establishment of a stable and sustainable operation mode that will not substantially fluctuate with the drastic fluctuation of the market. COSCO Group should focus its efforts to build such an operation mode, with which, it can make higher profits than its rivals under favorable market situation, and can reduce the losses compared with its rivals or be free from the losses under unfavorable market situation. When the market fluctuates greatly, COSCO Group can maintain its operation more efficient and make its returns more stable.	
Opportunities	In recent few years	COSCO Group successfully grasps the important opportunities of speeding up the development and transforming development or operation models.	Accelerate the establishment of strategic partnerships with VIP customers to lay a solid foundation of cargo sources for successful establishment of a stable and sustainable operation model. Speed up 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". Accelerate the adjustment and the optimization in such aspects as industry structure, asset structure, fleet structure and staff structure.
	In longer period of time	The approach of the corporate citizen era will lay a long-term and solid foundation on market and environment for COSCO Group's successful establishment of a stable and sustainable operation pattern, and to fulfill the sustainable development.	The world's economy and trade is expected to maintain stable and continuous growth at least in the foreseeable early 21st century, namely in the first 30 years. This will provide stable and continuously growing market spaces for the global shipping, logistics and related industries. The objectives of building a well-off society in an all-round way by 2020 decide the growth speed and size of China's shipping, logistics and related businesses and will provide the driving forces for continuous development of China's shipping and logistics enterprises including COSCO Group for a long period of time in the future. The sustainability concept is being deepened. The corporate social responsibility campaign is in the ascendancy. Establish and implement the scientific development outlook, establish a harmonious socialist society and construct a harmonious enterprise.
Risks		Since the second half of 2008, the global financial and economic crisis caused by sub-prime mortgage crisis had resulted in downturn of international shipping market, bringing impacts to operation of shipping enterprises including COSCO Group. Profitability of enterprises was reduced and risks were increased.	Market risks. For a certain period of time at present and in the future, supplies and demands of international shipping market will change reversely. The situation that supply falls short of demand will change into the situation that the supply exceeds demands. The market entered into low-valley and adjustment period rapidly from peak period. Operation risks. Based on operational situation of fleets of COSCO Group, the operation risks mainly include ship-leasing risk, FFA risk, ethnic risk, benefit risk, etc. Management risks. Under the circumstance that the market is in downturn and economic benefits decrease, risks on security and stability will be exaggerated due to various factors such as tight capital and unstable hearts. Countermeasure risks. Under current market situation, countermeasure risks of two extremities may appear. One



		<p>is lucky and blindly optimistic attitudes. The changes of basic situation of supplies and demands of the market in short and medium-term are not seen clearly. It is imagined that the market is in recession temporarily and will reach the peak season soon. Even more, it is taken as a good opportunity to “buy-in” at the low season. Another is lack of confident, panic-stricken with nothing attempted or accomplished.</p> <p>Financial risks. If key mistakes made due to inability to cope with market risks, operation risks and management risks, the financial risks may appear. Besides, fluctuation of international financial market, adjustment of exchange rate, interest rate, stock price and oil price may increase financial risks.</p>
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Analysis on primary countermeasures for sustainable development

From short-term prospective	COSCO Group has taken effective measures to cope with the difficulties and risks caused by low valley of international shipping market, and tried to fulfill the targets of “seeking for development, controlling risks, grasping the opportunities and competing for benefits”	<p>Currently, the biggest challenge for COSCO Group is the sharp down of market and operation situation of dry and bulk fleet, which is major profit-making business, and container fleet, the focus of assets of COSCO Group. Therefore, COSCO Group puts forward “ten opinions” for risk control and profit-making of dry and bulk cargo vessel fleet and container fleet respectively, namely the “double-ten opinions”.</p>
		<p>Comprehensive inspection shall be conducted on vessel leasing and FFA agreements to reduce the law-breaching and operational risks to the minimum extents. For vessel chartering agreements signed, inspection shall be conducted again to see are there any incompliance behaviors and preventive measures shall be taken ahead of time. For the vessel renting agreement signed, rates shall be adjusted at appropriate time according to the traditions of shipping market, so as to share risks with ship-owners and try to reduce losses. For FFA agreements which may bring losses, hedging and other measures shall be taken.</p>
		<p>Investment and operation strategies shall be adjusted to increase operational benefits to the maximum extents. Evaluation and implementation of strategic partnership agreements signed in the primary stage should be accelerated to bring into full play the supporting functions of strategic partners in difficult time. Responses shall be made to appeals of SASAC under the State Council, cooperation between central enterprises in difficult time shall be enhanced, and try to cope with the difficulties together. Efforts shall be made to stabilize the customer sources and use joint forces of the entire fleet in negotiation of new agreements.</p>
		<p>Under the circumstance that the income may drop sharply, it is the urgent task to enhance the management, reduce expenditures and strictly control costs.</p>
		<p>Great attentions shall be paid to safety and stabilization work in difficult time. When the market was in downturn and the operation meets difficulties, the difficulties of safety and stabilization work will be increased. In this period, special attentions shall be paid to do a better job in production safety and team stabilization.</p>
From long-term prospective	COSCO Group continues to promote following “four transformations”.	<p>The transformation from periodical development to sustainable development.</p>
		<p>The transformation from combination of software and hardware with hardware as the emphasis to the combination of software and hardware with software as the emphasis.</p>
		<p>The transformation from possessing and controlling the resources to allocating social resources.</p>
		<p>The transformation from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation.</p>

Part II General Information of COSCO

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

Established on: April 27, 1961

Legal representative: Capt. Wei Jiafu

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

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



China Ocean Shipping (Group) Company (known as COSCO Group) is a large global enterprise group focusing on international shipping, logistics & ports, and ship-building and ship-repairing businesses. It is also a Fortune 500 enterprise. After half of century of development, COSCO Group has grown from none to existing size, from a small one to a large one, from a weak one to a strong one, with its fleet size ranks the 2nd in the world, its modern logistics business develops from No.1 to internationally renowned enterprise, and its ship-building and ship-repairing business from China's leading position to internationally advanced one. Since 21st century, COSCO Group has sped up its globalization process, with operation service, capital operation, cultural management, cooperation & competition, social responsibility and globalization of foreign diplomatic resources have become important features.

COSCO owns and controls over 800 modern merchant vessels with a total tonnage of 51 million DWTs and, by the end of 2008, an annual carrying capacity of 400 million tons. COSCO Group's shipping lines cover over 1,500 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the second in the world. COSCO Group is positioned first in China and sixth in the world by container fleet size, and is also the first in the world by dry bulk fleet. COSCO Group owns world's most advanced container ships with tonnage of more than 10000TEU, Asia's No.1 "semi-submersible ships", heavy lift ships for loading of super large and heavy cargos, 300,000-ton VLCC, and professional automobile ships.

COSCO Group owns rich logistics facilities and resources. It operates more than 4,000 logistics vehicles, including large cargo transport vehicle with 289 axes and the largest carrying capacity of 8,000 tons, 2.49 million square meters of storage ground and 2.97 million square meters of warehouse. Besides, it also enjoys advantages in terms of talents, technologies and global service network. COSCO Group tries to promote business model optimization and improves business profitability focusing on three core businesses, namely modern logistics, ship agents and cargo agents. It provides high value-added services for customers in household, chemical, power and financing sectors. Besides, it also provides logistics services for many key projects home and abroad, such as Qinghai-Tibet Railway, Tianjin Airbus and Indian power station, setting many world records.



COSCO Group has many ship-building and ship-repairing bases in Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang. These bases own a total of 16 docks including 300,000-ton-class dock and 500,000-ton-class dock, 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 takes a lead in the world in terms of indicators such as technical ability, production efficiency and production costs. These bases annual repair and refit over 500 large-sized vessels and build up 2.4 million tons of ships, generating over 20 billion yuan of operating revenue in 2008.



COSCO Group has formed a global structure with Beijing as the center, 9 regional companies in Hong Kong, America, Europe, Singapore, Japan, Australia, Korea, West Asia and Africa as the radiation points. It owns more than 1,000 companies and branches in over 50 countries and regions. It hires 400 personnel long-term stationed overseas and over 4,000 foreign employees. The overseas assets and income of COSCO Group have exceeded more than half of the total. Currently, a complete global business chain including shipping, logistics, terminal, and ship-building and ship-repairing businesses is forming. COSCO Group invests into and operates 32 terminals, with a total of 159 berths. According to data released by Drewry in September 2008, the port throughput of COSCO Group ranked the fifth in the world in 2007.



With the progress of the overall planning of “holistic listing and step-by-step implementation”, and the development of “capital COSCO” to certain scale with China COSCO as the flagship platform, listing of China COSCO at Hong Kong Stock Exchange becomes the ever-largest public offering in global shipping industry. In 2008, China COSCO ranked the 242th in Financial Times’ Global 500. COSCO Group was one of the earliest Chinese enterprises that enter international capital market. Early in 1993, COSCO Investment was listed in Singapore in form of back-door listing. Currently, it holds controlling shares or shares of 8 listed companies including China COSCO, COSCO Pacific, COSCO International, COSCO Corporation (Singapore), COSCO Shipping, CIMC, China Merchants Bank and Sino-Ocean Land.

Over the years, COSCO Group has been dedicated to informationization construction. It has invested billions of yuan to introduce, digest and absorb latest achievements of modern information sector and tries to build up “digital COSCO”. It has developed and deployed IRIS-2, SAP, office automation, ship/shore electronic information communication, ship engineering management, shipping management and customer service systems. In 2008, COSCO Group ranked the 2nd in Top 500 Chinese Enterprises for Informationization.



COSCO brand has become the important intangible asset of COSCO Group. Vessels and containers carrying COSCO logos shuffle worldwide, becoming the image representative of China. Among business sectors of COSCO Group, Penavico, sub-brands such as COSCO Shipyard and CHIMBUSCO show strong vital force, competitiveness and influence in production, operation and management process, adding new colors to world-renowned COSCO brand.



COSCO Group combines the performance of corporate social responsibilities and corporate development strategies, actively cultivated “green competitiveness” and successfully enters the list of Fortune Global 500. Main indicators for internationalization operation are closing to UN’s standards for Global 100 transnational companies. It is gradually enhancing its position as a system integrator in international shipping, logistics and ports and ship-building and ship-repairing sectors and is marching towards a leading enterprise in global shipping industry under the principle of “globalized development, harmony and mutual benefits” and the century vision of “building up a century-old COSCO”.

Part III Basic profile of companies implementing sustainable development management system

COSCO Group's 21 subsidiaries fully implemented the Global Compact in 2008. These subsidiaries cover more than 90% of COSCO Group's main businesses and generate over 90% of COSCO Group's total revenue.

I. Shipping

1. China COSCO Holdings Company Limited

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

Nature: Stock limited company (listed)	Investment proportion: 53.57%
Total assets: RMB 116.8 billion	Employee number: 34,304
Business revenue: RMB 114.968 billion	
Main businesses: Container shipping, dry & bulk cargo shipping, logistics, terminal and container leasing	
Subsidiaries: China COSCO owns COSCO Container Lines, COSCO Bulk Carrier, COSCO Qingdao, COSCO Hong Kong, COSCO Shenzhen, COSCO Pacific and COSCO Logistics. China COSCO's subsidiaries provide services covering entire shipping value chain such as container shipping, dry and bulk cargo shipping, logistics, terminal and container leasing for customers home and abroad.	
COSCO Container Lines, the fully-owned subsidiary of China COSCO, is engaged in container shipping and other businesses. COSCO Container Lines operates 141 vessels with a total carrying capacity of 496,317 TEUs, calls at more than 155 ports in over 53 countries and regions worldwide. With 67 international shipping lines, 11 international branch lines, 21 domestic coastal shipping lines and 59 branch lines in Yangtze River and Pearl River Delta Region, COSCO Container Lines owns and operates over 400 domestic and overseas sales outlets. The bulk cargo fleet of China COSCO (including COSCO Bulk Carrier, COSCO Qingdao, COSCO Hong Kong and COSCO Shenzhen) operates 443 dry and bulk cargo ships, of which, 210 are owned by the company and 233 are leased from other companies. These ships with the total carrying capacity of 34,361,005 DWTs 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 28 terminal projects worldwide with a total of 146 berths. According to data released by Drewry in September 2008, market occupancy of COSCO Terminal ranked the fifth in the world in 2007. The Florens Container Holdings Co., Ltd affiliated to COSCO Pacific offers container leasing services, and owns and manages 1,621,222 TEUs, with container leasing service occupies 13.6% of global market shares, ranking the No.2 in the world. China International Marine Containers operates container manufacturing business through COSCO Pacific's shareholding of joint-operation companies. China International Marine Containers is currently the world's largest container manufacturing company, taking over 50% of market shares.	

2. COSCO Container Lines Co., Ltd

COSCO Container Lines Co., Ltd (COSCO Container Lines) established on Nov. 11, 1997 is a core enterprise specially engaged in ocean container transport business.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB 30.910 billion	Employee number: 15,724
Business revenue: RMB 39.080 billion	
Main businesses: International and domestic maritime container transport	
Subsidiaries: COSCO Container Lines owns 19 fully-owned and joint venture subsidiaries (including 8 domestic ones and 11 overseas ones).	
The vessel fleet of COSCO Container Lines owns and operates 141 vessels with the total carrying capacity of 496,317 TEUs, ranking the sixth in the world for total carrying capacity. Calling at more than 155 ports in over 53 countries and regions, the vessel fleet of COSCO Container Lines runs 78 international shipping lines, 21 domestic coastal shipping lines and 59 branch lines in Yangtze River and Pearl River Delta Region. COSCO Container Lines owns and operates over 400 domestic and overseas sales and services outlets, forming wide sales and service network worldwide.	

3. COSCO Bulk Carrier Co., Ltd

COSCO Bulk Carrier Co., Ltd (COSCO Bulk Carrier) was established in 1995. Over the years, COSCO Bulk Carrier has insisted on the operation and development strategies of integrating the functionalities of ship-owner, charterer, broker shipper and FFA (five-in-one), established marketing network and promoted the integration of bulk cargo logistics, fulfilling the diversified, intensified and transnational operation of shipping business.



COSCO Bulk Carrier establishes COSCO European Bulk Carrier Co., Ltd, COSCO American Bulk Carrier Co., Ltd and COSCO Australian Bulk Carrier Co., Ltd at major overseas regions in form of shareholding and joint venture, and opens its service outlets in many countries.

Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB 15.256 billion	Employee number: 6,254
Business revenue: RMB 40.302 billion	
Main businesses: International dry and bulk cargo transport	
Subsidiaries : COSCO Bulk Carrier owns over 15 full-owned and joint venture companies	
The company owns and operates over 80 large bulk cargo vessels all types such as Handysize, Panamax and Capesize, with the total carrying capacity of 4.9 million DWTs, and charters in 160 vessels. With the total carrying capacity of over 17 million DWTs under control, COSCO Bulk Carrier mainly provides ocean shipping services for such goods as grains, ores, coals, fertilizers, steels, woods and farm products. Shipping lines of COSCO Bulk Carrier cover 1,000 ports in over 100 countries and regions.	

4. Guangzhou Ocean Shipping Company

Guangzhou Ocean Shipping Company (COSCO Guangzhou) is a core member affiliated to COSCO Group headquarters. Established on April 27, 1961 as the first state-owned ocean shipping enterprise of the newly established China, COSCO Guangzhou is regarded as the "cradleland for ocean shipping business of the new China" and "cradle of COSCO Group". It is also China's largest multi-purpose ship transport company mainly comprised of special professional vessel.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB 12.052 billion	Employee number: 6,640
Business revenue: RMB 8.974 billion	
Main businesses: Multi-purpose ship transport business mainly comprised of special transport	
Subsidiaries: COSCO Guangzhou owns 9 fully-owned or shareholding companies (COSCO Shipping	

controlled by it is a listed company), and 13 fully-owned or shareholding on-land companies.

COSCO Guangzhou currently owns and operates 138 special ships and multi-purpose ships, with the total carrying capacity of 2.399 million DWTs. With all kinds of special ships including semi-submersible ships, heavy lift ships, multi-purpose ships, ro-ro ships, timber ships, asphalt ships, bulk cargo ships and general cargo ships not only, COSCO Guangzhou takes leading positions in many professional transport sectors. After years of operation in international shipping market, COSCO Guangzhou has formed the global business network based in China and with Hong Kong, Japan, South Korea, Singapore, U.S., Europe, Australia, Africa and Western Asia as the radiating points. Shipping-tracks of the vessel fleet of COSCO Guangzhou cover 1,562 ports in 159 countries and regions. COSCO Guangzhou also forms stable, reliable and competitive liner transport ability in Far East to Mediterranean, North/West Europe, Persian Gulf, South/North America and Africa. Besides general bulk cargos, the company also transports special, uncontainerable and super-large equipment, super-heavy and long cargos such as drilling platform, naval ships, locomotives, dredgers, bridge cranes and complete set of equipment, as well as cargos having special loading/unloading requirements such as asphalts.

5. COSCO Shipping Co., Ltd

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



Nature: Limited liability company	Investment proportion: 50.13% (held by COSCO Guangzhou)
Total assets: RMB 7.125 billion	Employee number: 4,701
Business revenue: RMB 6.901 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; cargo import and export, technical import and export (except for items prohibited by laws and administrative regulations; licenses shall be obtain before operation of items limited by laws and administrative regulations); dispatch of laborers to overseas countries (including seafarers, valid period: ended on May 13, 2014); post introduction, labor information service, labor guarantee consultation (valid period: ended on April 30, 2009)	
Subsidiaries: NYKCOS Car Carrier Co., Ltd, COSCO Shipping (Hong Kong) Investment, Tianjin Ocean Shipping Company (COSCO Tianjin).	
With the total registered capitals of 1.3104 billion yuan in 2008, COSCO Shipping owns and operates 84 ships including heavy lift ships, semi-submersible ships, ro-ro ships, multi-purpose ships and general cargo ships. These ships have the average age of 21.1 years and the totally carrying capacity of 1.35 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 worldwide ocean shipping network for special general cargos.	

6. Qingdao Ocean Shipping Company

Qingdao Ocean Shipping Company (COSCO Qingdao) is a core subsidiary of COSCO Group headquarters, and a large, specialized international dry and bulk cargo transport company.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB 5.369 billion	Employee number: 5,078
Business revenue: RMB 9.413 billion	
Main businesses: Dry and bulk cargo transport	
Subsidiaries: COSCO Qingdao owns 16 fully-owned and shareholding on-land companies and a crew service company.	
COSCO Qingdao owns and operates 24 large dry and bulk cargo ships including Capesize, Panamax, Handysize and Handymax, with the total carrying capacity of two million DWTs. With eight self-owned Capesize vessels, COSCO Qingdao positions itself as the ocean shipping company with largest Capesize vessel fleet. The vessel fleet of COSCO Qingdao provides services in the international lines and domestic coastal markets, carrying various large batches of dry and bulk cargos. Meanwhile, it runs such business as ship-leasing/renting, COA shipment and demise charter in the shipping market. In respect to on-land industries, COSCO Qingdao has formed businesses such as crew labor service, shipping-related service, international vessel management and trade, and property-buying and logistics.	

7. Dalian Ocean Shipping Company

Dalian Ocean Shipping Company (COSCO Dalian) established on Jan. 1, 1978 is a large-scale shipping company affiliated to COSCO Group headquarters, and COSCO Group's only specialized shipping company for liquid bulk cargo transport.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB 7.716 billion	Employee number: 2,841
Business revenue: RMB 5.205 billion	
Main businesses: Liquid bulk cargo transport focusing on oil tanker	
Subsidiaries: COSCO Dalian has 20 on-land subsidiaries, of which, 5 are fully-owned enterprises, nine are shareholding companies, while six are joint stock companies.	
COSCO Dalian currently owns and operates over 38 vessels, including oil tankers, liquefied gas tankers and chemical tankers, with the totally carrying capacity of 4.9 million DWTs. Scale of vessel fleet of COSCO Dalian takes a leading position among enterprises of the same class. COSCO Dalian also owns 12 VLCCs, which are "flagship vessels" for profit-making and brand-building of the company. By increasing its strength on development of international customers continually, and enhancing the strategic cooperation with internationally renowned cargo owners, COSCO Dalian has managed to expand its business scope to 300 ports in over 100 countries and regions.	

8. Xiamen Ocean Shipping Company

Xiamen Ocean Shipping Company (COSCO Xiamen) established in October 1993 is a wholly-owned subsidiary of COSCO Group headquarters. Over the years, the company has operated irregular bulk cargo lines from Far East to US Gulf, and to Central/South America, which have been well received by cargo owners home and abroad for their high-quality, safe, high-efficient and convenient services, building up good brand image. In 2007, Wuyuan Liner for passenger transport service between Xiamen and Jinmen set up COSCO Group's brand in serving for passengers in Taiwan of "small three links" on both sides of Taiwan Strait and received high praises from passengers and the society.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB 1.069 million	Employee number: 89
Business revenue: RMB 837 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	
Subsidiaries: Besides developing ocean shipping business actively, COSCO Xiamen also operates and manages businesses in related industries such as ship-repairing, container station and transport, international crew training, tourism service, and "small three links" passenger transport.	
COSCO Xiamen currently owns and operates 11 vessels of various types, including bulk carriers, multi-purpose ships and high-speed passenger ships, with the total carrying capacity of 300,000 DWTs. In addition, two timber ships with the carrying capacity of 32,000 DWTs each are in construction. After the successful opening of Quanzhou-Jinmen direct passenger transport line, the company's Wuyuan high-speed, luxury passenger liner built in Norway was put into use for Xiamen-Jinyuan passenger transport line in October 2007.	

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

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



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB 20.930 billion	Employee number: 1,872
Business revenue: RMB 23.5 billion	
Main businesses: Dry and bulk cargo transport including coals, grains, steels and steel products, fertilizers, metal ores and nonmetal ores, ship leasing and consolidated cargo service	
COSCO Hong Kong owns and operates 147 vessels, with the total carrying capacity of over 12 million DWTs. Fleets include Handysize vessel fleet, Panama vessel fleet, Capesize vessel fleet and coastal transport fleet.	

II. Logistics

10. COSCO Logistics Co., Ltd

COSCO Logistics Co. Ltd (COSCO Logistics), co-established by COSCO Group headquarters and China COSCO in Beijing on Jan. 8, 2002, is China's largest Sino-foreign joint venture engaged in third party logistics services.



Nature: Limited liability company	Investment proportion: 51% held by China COSCO and 49% held by COSCO Pacific
Total assets: RMB 8.437 billion	Employee number: 9,967
Business revenue: RMB 2.9 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 branches 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 300 business outlets in 29 provinces, municipalities and autonomous regions in China, forming logistics network system with complete functionalities.

Committed to the development of modern logistics, COSCO Logistics mainly provides high value-added services for customers in auto logistics, household appliance logistics, chemical logistics, power logistics, exhibition logistics and financing logistics based on its international network advantages and segmented markets. COSCO Logistics has topped the China top 100 logistics enterprises for four years in a row, won No. 1 in appraisal of various logistics awards in China's cargo shipping industry, and was awarded the 2006 Lloyd's Freight Transport Buyer Asia's Best Third Party Logistics Company in China.

11. COSCO Pacific Co., Ltd

COSCO Pacific Limited Co., (COSCO Pacific) is a Hong Kong-listed company and a Hang Seng Index stock. COSCO Pacific is the world's fifth largest container terminal operator and the second largest container leasing company. It holds 49% equities of COSCO Logistics, the largest logistics company in China, and 21.8% equities of International Marine Containers (Group) Ltd, world's largest container manufacturer.



Nature: Limited liability company	Investment proportion: 51% held by China COSCO and 49% held by independent shareholders
Total assets: RMB8.2 billion	Employee number: 2,492
Business revenue: 340 million dollars	
Main businesses: container terminal, container lease, management and sale, logistics and container manufacturing	
Subsidiaries: Headquartered in Hong Kong, the company holds stocks of 28 terminal companies worldwide. With respect to container lease business, the company sets up companies and representative offices in Macao, Tianjin, Shanghai, Tokyo, Sidney, Singapore, San Francisco, New York, St. Paul, London, Hamburg and Genoa, forming a globalized service network.	
Till now, COSCO Pacific owns and operates 89 container terminal berths in 16 ports worldwide (13 ports are in China and three ports are in overseas countries), with the annual throughput of 48.15 million TEUs; It also operates eight bulk and general cargo terminal berths with annual throughput of 9.02 million tons and one automobile terminal berth, with the annual throughput of 600,000 units. In 2008, COSCO Pacific processed a total of 45.878875 million TEUs and its throughput has increased by 17.7%, accounting for 5.5% shares of global container terminal market. The container lease, management and sales businesses of COSCO Pacific had increased continuously. As of Dec. 31, 2008, the size of container fleet reached 1.62 million TEUs, accounting for over 13.6% of global market. 5.5% shares of global container terminal market. The container lease, management and sales businesses of COSCO Pacific had increased continuously. As of Dec. 31, 2008, the size of container fleet reached 1.62 million TEUs, accounting for over 13.6% of global market.	

III. Ship-building and ship-repairing

12. COSCO Shipyard Group Co., Ltd

COSCO Shipyard Group Co. Ltd (COSCO Shipyard) is a large enterprise group affiliated to COSCO Group, specializing in large vessels building, marine engineering's construction and conversion, and providing with services in ship repairing and building sets. With six large ship enterprises and eight ancillary service enterprises Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang under its affiliation,



COSCO Shipyard has become the preferred partner for top shipping companies and offshore oil service providers after seven years of leap-forward development.

Nature: Limited liability company	Investment proportion: 46.47%
Total assets: RMB 28.2 billion	Employee number: 8,790
Business revenue: RMB 16.5 billion	
Main businesses: Large vessels building, marine engineering's construction and conversion, providing of ship-repairing and building sets	
Subsidiaries: Six large ship enterprises and eight ancillary service enterprises Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang.	
Now, the total docking capacity of COSCO Shipyard Group has arrived 1.85 million tons, including two capacities of 300,000 tons floating docks, four capacities of 150,000~200,000 tons docks, six capacities of 40,000~80,000 tons docks, 31 berths, two shipbuilding berths, and six water slides as well as three supporting water splits. The total site areas is over 5.65 million square meters that forming a "North-Middle-South" scientific and rational geographical distribution. COSCO Shipyard builds ship models including: series 5000 barking space PCTC, 30,000 tons of series heavy lift multi-purpose ships, 57,000 tons of series bulk carriers, 80,000 tons of bulk carriers, and 92,500 tons carriers; marine project including: the world's first drilling production storage oil vessel (FDPSO), cylindrical rigs, self-drilling platform, semi-submersible offshore oil platforms.	

13. COSCO Shipbuilding Industry Company

COSCO Shipbuilding Industry Company (COSCO Shipbuilding) established in 1993 is a company directly affiliated to COSCO Group headquarters with the total registered capital of 751.91 million yuan. The company plans to develop into world's top large ship manufacturing enterprise within 5 to 10 years by following the guidelines of "one planning, step-by-step implementation, coordinated arrangement and rolling development" and adopting the development concept of "developing the main business of shipbuilding and integrating auxiliary resources".



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB 10.824 billion	Employee number: 3,622
Business revenue: RMB 5.173 billion	
Main businesses: Shipbuilding and ship ancillary service	
Subsidiaries: Fully-owned and joint venture enterprises affiliated to COSCO Shipbuilding include Nantong COSCO KHI Ship Engineering Co., Ltd, Dalian COSCO Shipbuilding Industry Co., Ltd, Nantong COSCO Ship Steel Structure Co., Ltd, Shanghai COSCO KHI Steel Structure Co., Ltd, Nantong Ocean Ship Equipment Co., Ltd and Nanjing COSCO Ship-repairing and Ship Equipment Plant.	
Over a decade, COSCO Shipping had cooperated with Japan Kawasaki Heavy Industries Co., Ltd to fulfill the "localization" and "recreation" of production management and technical management through technical introduction, absorption and innovation. It had cooperated with U.K.-based Hardland Wolff to design 150,000-ton Suezmax oil tanker and cooperated with Japan Kawasaki Heavy Industries to design 55,000-ton, 170,000-ton and 200,000-ton BCs and 300,000-ton VLOC. It is also engaged in detailed design and production technique design of various ships and vessels independently. So far, it had successfully delivered 52 large ships, including 300,000-ton VLCC, 5000PCC and 10000TEU, taking a lead in the world in terms of technical capacity, production efficiency and product costs. It is China's only ship-building company engaged in non-matching block merging, with the production capacity of the company reached 2.4 million tons in 2008. After completion of Dalian ship-building base in 2010, the annual production capacity of the company will reach five 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 under the approval of the State Council. CHIMBUSCO is China's largest specialized 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: RMB 7.154 billion	Employee number: 1,655
Business revenue: RMB 35.995 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, Jingjiang, Changzhou, Maoming, Shenzhen and Hong Kong, and professional companies and outlets in overseas markets.	
CHIMBUSCO has more than 103 ships, 18 oil depots with the total storage capacity of 1.24 million cubic meters, and oil terminals and locomotive loading lines with complete facilities, which allows it to provide comprehensive services of ship-owners, ship charterers, investors and equipment manufacturers worldwide. During its service expansion and development processes, CHIMBUSCO also established long-term, stable and extensive contact and cooperation relationships with major shipping companies, oil companies and other customers in the world, building good reputations in both shipping and oil industries.	

15. Hainan Boao COSCO Co., Ltd

Hainan Boao COSCO Co., Ltd (Hainan Boao COSCO), the former Hainan COSCO Boao Development Co., Ltd established in August 2001, has been engaged in large-scaled infrastructure construction for development of Boao and establishment of Boao Forum for Asia.



After two years of assets restructuring and integration started in 2004, Hainan Boao COSCO was established on March 20, 2006 as the second-tier subsidiary directly affiliated to COSCO Group headquarters.

Nature: Limited liability company	Investment proportion: 99.38%
Total assets: RMB 1.519 billion	Employee number: 1,660
Business revenue: RMB 147 million	
Main businesses: Conference affair 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 three billion yuan. Besides holding the annual Boao Forum for Asia, these sites will receipt tourists for 750,000 person-times and over 200 intermediate and high-grade classes home and abroad.	

16. China Ocean Shipping Tally Company

China Ocean Shipping Tally Company established in 1961 is a core state-owned company specialized in shipping tally business approved by the Ministry of Communications and registered at the State Administration for Industry and Commerce. It is formerly affiliated to the State-owned Assets Supervision and Management Commission under the State Council and was reformed into a fully-owned subsidiary of COSCO Group headquarters according to the spirits on reforms of state-owned companies of the State-owned Assets Supervision and Management Commission under the State Council.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB 300 million	Employee number: 222
Business revenue: RMB 105 million	
Main businesses: China Ocean Shipping Tally vessel tally business for international and domestic shipping lines, container tally business home and abroad, container loading and unloading tally business, cargo measurement, loading/unloading supervision, cargo damage and container damage inspection business	
Subsidiaries: China Ocean Shipping Tally owns over 80 branches and limited companies in 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 protection 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 policy and development of shipping and foreign trade businesses.	

17. COSCO Human Resources Co., Ltd / COSCO Manning Cooperation Inc.

COSCO Human Resources Co., Ltd and COSCO Manning Cooperation Inc (COSCO Manning) were merged into a professional company specialized in international labor cooperation and human resources development directly affiliated to COSCO Group headquarters in 2000.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB 46.57 million	Employee number: 1,029
Business revenue: RMB 65 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.	
COSCO Human Resources Co., Ltd / COSCO Manning Cooperation Inc. have 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 nationwide business network and has dispatched seamen and other laborers for more than 130,000 person-times. COSCO Human Resources Co., Ltd / COSCO Manning Cooperation Inc. were awarded the China Award of the Best HR Outsourcing Institution issued by the regulatory departments of the State for many times. In 2008, it was appraised as one of the first batch of International Labor Service Enterprise Credit Evaluation AAA Credit Enterprises.	

18. COSCO Finance Co., Ltd

COSCO Finance Co., Ltd (COSCO Finance), the former finance company of COSCO Group, was established in October 1993 with the total registered capitals of 800 million yuan (including 20 million dollars) as a non-banking financial institute directly affiliated to COSCO Group headquarters. Approved by the People's Bank of China, the company was transformed into a limited liability company from a fully-owned subsidiary of COSCO Group headquarters in September 1999.



With the approval of the China Banking Regulatory Commission, it increased its share capital again in December 2005. Currently, the company was jointly invested and held by COSCO Group headquarters and 12 member units.

Nature: Limited liability company	Investment proportion: 40.63% (other equities are held by member units)
Total assets: RMB 19.112 billion	Employee number: 53
Business revenue: RMB 732 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	
Since its establishment, COSCO Finance has operated in compliance with related laws and regulations, as well as the supervision requirements of the People's Bank of China and the China Banking Regulatory Commission. With excellent asset quality, all financial indicators are complying with financial supervision and control requirements, with favorable economic and social benefits achieved.	

19. China Ocean Shipping News Magazine

With the first issue published in 1994, China Ocean Shipping News originally named COSCO Group News is an official newspaper managed by COSCO Group headquarters' Party 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 while reporting the general news of COSCO Group, international shipping news, latest trends and ocean rhymes	
China Ocean Shipping News had won the Advanced Newspaper Prize of the National Public Issuing Enterprise Newspapers, the highest honor bestowed to the national enterprise newspapers, for three consecutive years. It was also awarded the No.1 Prize of China Enterprise Groups' Selected Newspaper in 2005 and the National Excellent Newspaper of Printing Quality in 2006. Since its public issuance, over 200 articles were awarded Good News Prizes and Excellent Essay Prizes of National Enterprise Newspapers.	

20. Maritime China Magazine

Maritime China magazine is a professional magazine for shipping, logistics, ports and ship-building/ship-repairing published by COSCO Group headquarters and managed by the Ministry of Communications. Since the first issuance in January 1995, Maritime China has been adhering to the tenet of "basing upon China's shipping industry, focusing on international logistics industry, making friends worldwide and serving global businessmen" and has been published on the first day of each month.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB 300,000	Employee number: 9
Business revenue: RMB 2 million	
Main businesses: publication and issuance of Maritime China magazine, ad services home and abroad, release of ads for foreign businessmen in China, photography, organizing of culture exchange activities, and economic information consultation	
The Maritime China magazine has enjoyed high reputation home and abroad. In recent years, it had organized many industry's widely watched and influential International Shipping (China) Annual Summits as one of the sponsors.	

V. Overseas companies

21. COSCO (UK) Ltd.

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







Nature: Limited liability company	Investment proportion: 100%
Total assets: GBP 1.4715 million	Employee number: 32
Business revenue: GBP 8.728 million	
Main businesses: cargo transport, logistics business, bulk cargo ship tax leasing, container ship leasing	
Subsidiaries: COSCO (U.K.) Logistics Ltd, COSCO Chartering & Brokerage (U.K.) Ltd and COSCO Maritime (U.K.) Ltd.	
Container-related departments and businesses of the former COSCO (U.K.) Ltd were hedged off to set up COSCO Container Lines (U.K.) Ltd. COSCO (U.K.) Ltd retained the subsidiaries and departments that are not engaged in container agency businesses. Currently, COSCO (U.K.) headquarters has 6 employees, including 1 employee dispatched from China. Subsidiaries of COSCO (U.K.) have a total of 26 employees, of which, 2 employees are dispatched from China.	

XI. Changes of scale, structure and property within reporting period

In 2008, COSCO Group headquarters increased 18,662,678 shares of stocks of China COSCO Holdings Co., Ltd in secondary market, increase the stock proportion from 53.57% to 53.75%.


Part IV Awards

I. Awards relating to Global Compact and social responsibilities

1		COSCO Group Sustainable Development Report was appraised as notable COP by the United Nations for three consecutive years, making COSCO Group the first Asian enterprise that has entered the list of notable COPs for three years.
2		COSCO Group was awarded the Job Creation Award of the U.S.
3		COSCO Group was awarded the China Charity Award by the 2008 China Charity Conference sponsored by the Ministry of Civil Affairs.
4		In 2008, COSCO Group was awarded the “most valuable example award for corporate social responsibilities” as it actively shoulders corporate social responsibilities and feeds back to the society warm-heartedly.
5		COSCO Group wins the honorable title of “Top 10 Chinese Green Responsibility Enterprise”.
6		COSCO Group was appraised as one of the 14 winners of 2008 Green Flag Award by the port of Long Beach for four years in succession.
7		COSCO Group headquarters won 2008 Exemplary Chinese Green Company.
8		Zhang Liang, Vice President of COSCO Group, won the honorable title of “Anti-disaster and Traffic Guarantee Hero of National Traffic Industry”. Shenzhen Ocean Shipping won the honorable title of “Advanced Collective for Anti-disaster and Traffic Guarantee of National Traffic Industry”.
9		COSCO Hong Kong won the honorable title of “2008 Advanced Collective for Fighting Rain, Snow, Ice and Frost Disasters” by the SASAC.
10		COSCO Bulk Carrier won the honorable title of “AAA Labor Relation Harmonious Enterprise of Tianjin”.
11		COSCO Logistics topped the 2007-2008 Outstanding Contribution Award of Chinese Logistics Enterprises and Most Responsible Enterprise Award.
12		COSCO Shipping won the honorable title of “safe and honest company” in traffic system.
13		COSCO International won the 2008/2009 Cares of Business Circle logo by the Hong Kong Council of Social Services to award the companies’ efforts to care about the society and actively shoulder corporate social responsibilities in the past year.

II. A summary of international and domestic awards won by COSCO Group in 2008

1		<p>Capt. Wei Jiafu, President of COSCO Group, was awarded the “Top 30 Persons Most Influential for China’s Economy in Past 30 Years Since the Reform and Opening up of China”, the “Top 10 Leading Personnel of Traffic and Logistics Industry in Past 30 Years Since the Reform and Opening up of China”, the “Medal for Reform of Chinese Enterprises,” and the “Lifelong Contribution Award of China’s Cargo Transport Industry”.</p> 
2		<p>Capt. Wei Jiafu won the “Special Contribution Award in 60 Years of Development of Chinese Shipping Industry” and was appraised as the “Characters of the Blue Chronicle in Chinese Shipping Industry”. Sun Jiakang, General Manager of COSCON, and Xu Huixing, General Manager of COSCO Guangzhou, were also appraised as the “Characters of the Blue Chronicle in Chinese Shipping Industry”.</p>
3		<p>Capt. Wei Jiafu won the Commodore Award issued by the Shipping Association of Connecticut State.</p>
4		<p>Capt. Wei Jiafu as Chairman of China COSCO won the “Best CEO Award for Investors’ Relationships of Chinese Enterprises Listed in Hong Kong”.</p>
5		<p>The Board of Directors of China COSCO and COSCO International were awarded the “2008 Outstanding Director Award -- Board of Directors Award of Listed Companies (Hong Kong Stock Exchange – Non-Hang Seng Index Constituent Stock)” respectively. Wei Jiafu, Chairman of China COSCO won the “2008 Outstanding Director Award – Managing Director Award of Listed Companies (Hong Kong Stock Exchange – Non-Hang Seng Index Constituent Stock)”. Liu Guoyuan, former Vice President and Managing Director of COSCO International won the “Outstanding Director Award” of the same group.</p>
6		<p>COSCO Group headquarters ranked the 2nd in the list of Top 500 Chinese enterprises for informationization. Vice President and CIO of Li Jianhong won the “Annual Leader Award for Informationization of Enterprises”. COSCON ranked the 19th, COSCO Bulk Carrier ranked the 41th, COSCO Guangzhou ranked the 105th and COSCO Shipyard ranked the 159th. COSCO Group headquarters and COSCON, COSCO Bulk Carrier and COSCO Shipyard also won many awards including the “Contribution Award for Group Informationization”, the “Best IT Governance Award”, the “Outstanding Team Award for Informationization Construction” and the “Best ERP Application Award”.</p>
7		<p>Ye Weilong, General Manager of COSCO Logistics won the 2007-2008 Outstanding Contribution Award of Chinese Logistics Industry and the honorable title of Outstanding Contributor of Chinese Logistics Industry.</p>
8		<p>China COSCO ranked among top 10 places in comprehensive ranking of companies listed in Hong Kong Stock Exchange and won the title of 2008 Most Competitive Chinese Company Listed in Hong Kong.</p>
9		<p>COSCON and COSCO Bulk Carrier won the honorable title of 2008 National Civilization Units.</p>

10		China COSCO ranked the 242nd in the 2008 Global 500 List released by Financial Times, a renowned magazine in U.K., and ranked the 13rd among 29 enterprises in China Mainland that enter the list (including red chip companies in Hong Kong).
11		In the appraisal of Top 10 Chinese Listed Companies for Market Value Management in 2008, China COSCO ranked the 19th and COSCO Shipping ranked the 27th.
12		China COSCO successfully entered top 20 places in the List of Top 100 Chinese Listed Companies in 2008.
13		China COSCO won the “Greatest Contribution Award” in the appraisal of national contribution award for “Out-going of Chinese Enterprises” for its advantageous internationalization strategies and outstanding achievements in internationalization operation.
14		COSCON won the Best Carrier Award for “Far East/Canada East Shipping Lines issued by CIFFA again. It was the 7th time in a row for COSCON to win this honorable title.
15		China COSCO and COSCO Shipping were included in the List of Top 100 A-stock Chinese Companies for Investors’ Relationships in 2008. In addition, China COSCO also won the Best IR Homepage Award.
16		A total of 18 vessels including Changqiang Liner of COSCO Hong Kong won the QUALSHIP 21 certificate.
17		COSCO Logistics ranked the 1st in Top 10 Chinese Logistics Companies in 2008 again. It was the fourth time in a row for COSCO Logistics to win the honorable title.
18		COSCO Logistics won 10 golden awards, 4 silver awards and 2 bronze awards in the appraisal of 6th China Cargo Transport Industry Award.
19		Yu Guohua, a captain from COSCON, Xiao Jianchi, commissar of COSCO Guangzhou, Jiang Ning from Nantong COSCO KHI Ship Engineering Co., Ltd of Dalian COSCO Shipbuilding Industry Co., Ltd and Wang Xingru, General Manager of COSCO Shipyard won the “National May Day Medal”.
20		China COSCO won the Best Board of Directors Award in appraisal of 5th Golden Roundtable Awards. COSCO Shipping won the honorable title of Golden Roundtable Excellent Board of Directors again, the third time in a row of COSCO Shipping to win the award since 2007.
21		COSCO Qingdao won the honorable title of the National Excellent Unit for Corporate Culture in Past 30 Years Since Reform and Opening of China.
22		Tianhui Liner of COSCO Qingdao won the honorable title of the National Youth Civilization.
23		Ye Longwen, captain of COSCO Guangzhou, won the Lifelong Contribution Award in Shipping Industry.
24		Taiankou Liner of COSCO Shipping was awarded the honorable title of the “National Worker Pioneer” by the All-China Federation of Trade Unions.

Part V General information of the report

This report is a vivid reflection of COSCO Group's efforts to implement the Global Compact, perform social responsibility in a scientific manner, fulfill the scientific development outlook, carry out the Guidelines for Social Responsibilities of Enterprises Directly under the Central Government and the Guidelines for Comprehensive Risk Management of Enterprises Directly under the Central Government issued by the State-Owned Assets Supervision and Administration of China (SASAC). It is a portrait to operation results of COSCO Group's sustainable development management system and of the operation of sustainable development information management platform and the sustainable development information management platform, the carrier for COSCO Group to accept supervision of the society and the bridge for COSCO Group to communicate with other stakeholders.

I. Scope of report

COSCO Group Sustainable Development Report 2008 covers largely the same scope as does the Report 2005, 2006 and 2007. It is compiled according to the 2006 edition of GRI standards, and covers all the indicators of the COSCO Group. The Report includes management methods and performance indicators of COSCO Group headquarters and all its second-tier companies, shipping, logistics & ports, and ship-building/repairing companies.

COSCO Group applies six-sigma C&E methods to scientific define the reporting scope in the supply chain and quantizes the setup boundary decision-making trees of GRI (see attached chart). It only narrates issues and difficulties of third-tier enterprises that have less controlling ability and little influences on sustainable development excluding shipping, logistics and ship-building/repairing companies. Besides reporting related information in COSCO Group Sustainable Development Report, COSCO Group also reports the situation of container transport industry which has great influences of sustainable development. Since 2006, the COSCON Sustainable Development Report was released independently to systematically report the situation for performance of social responsibilities strategies. As a listed company, China COSCO released the China COSCO Sustainable Development Report based on the 2008 annual report to systematically disclose the situation for performance of social responsibilities.

Matrix for decision-making on reporting degree and form of COSCO Group Sustainable Development Report											
Item	Strategies and general information	Governance and management	Economic performance	Environmental performance	Labor	Human rights	Society	Products	Reporting form	Marketing	
										Service product quality	Anti-corruption
		Requirements of supply chain Supervision	Finance	Social investment	Energy-conservation and low carbon	Anti-pollution	Human Resources	Collective bargaining	Non-discrimination	Community	
		Scale and influences			Safety						

Group report: uniform report of the group where key descriptions are emphasized in chapters; Industry report: professional report auxiliary with sub-report of the group report; Appendix of annual report: disclosed as attachment or independently disclosed in annual report of the listed companies;			
1-Low-risk industry; 4-Common-risk industry;9-High-risk industry	1	4	4
1-Low-risk industry; 4-Common-risk industry;9-High-risk industry	1	9	4
1-Low-risk industry; 4-Common-risk industry;9-High-risk industry	4	4	4
1-Industry with small influences on communities; 4-Industry with common influences on communities; 9-Industry with large influences on industries	1	1	1
1-Industry where unequal treatment is not easily to occur; 4-Common industry;9-Industry where unequal treatment is easily to occur	1	4	4
1-Low-reliance industry; 4-Common-reliance industry; 9-High-reliance industry	4	4	4
1-Low-reliance industry; 4-Common-reliance industry; 9-High-reliance industry	4	4	4
1-Low-risk industry; 4-Common-risk industry;9-High-risk industry	1	9	4
1-Anti-pollution of low-risk industry; 4-Anti-pollution of common-risk industry; 9-Anti-pollution of high-risk industry	1	4	4
1-Energy conservation of low power consumption industry; 4-Energy conservation of common power consumption industry; 9- Energy conservation of high power consumption industry	1	9	4
1-Non-continuous investment; 4-Continuous investment; 9-Special investment	4	4	4
1- Common; 4- Middle; 9-Large financial indicator	4	9	4
1-No requirements; 4-Encouraging requirements; 9-Compulsory requirements	1	1	1
1-No requirements; 4-Encouraging requirements; 9-Externally compulsory requirements	9	4	4
1- Common size; 4- Middle size; 9- Large size	9	9	4
Description	China COSCO Holdings	COSCO Container Lines	COSCO Bulk Carrier
Serial No.	1	2	3



4	COSCO Hong Kong	4	4	1	4	4	4	4	4	4	4	1	4	4	4	Group report
5	COSCO Qingdao	4	4	1	4	4	4	4	4	4	4	1	4	4	4	Group report
6	COSCO Logistics	4	4	1	4	4	4	4	4	4	4	1	4	4	4	Group report
7	COSCO Pacific	4	4	1	4	4	4	4	4	4	4	4	4	4	4	Group report
8	COSCO Guangzhou	4	4	1	4	4	4	4	4	4	4	1	4	4	4	Group report
9	COSCO Dalian	4	4	9	4	4	4	9	9	4	4	1	4	4	4	Group report
10	COSCO Xiamen	4	4	1	4	4	4	4	4	4	4	1	4	4	4	Group report



1 1	COSCO Shipping	4	9	1	4	4	4	4	4	4	4	1	1	4	4	4	Appendix of the annual report	
1 2	COSCO Shipbuilding Industry	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	Group report
1 3	COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	Group report
1 4	China Maritime Bunker	4	4	1	4	4	4	4	4	4	4	4	4	4	4	4	4	Group report
1 5	Hainan Boao COSCO	1	1	4	1	9	4	4	4	4	4	4	1	9	4	9	4	Group report
1 6	China Ocean Shipping Tally	1	1	1	4	4	1	1	4	4	4	4	1	1	4	4	4	Group report
1 7	COSCO Human Resources/COSCO Manning	1	1	4	1	1	1	1	4	9	4	4	4	1	4	4	4	Group report



18	COSCO Finance	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	Group report
19	COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	Group report
20	China Ocean Shipping News	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	Group report
21	Maritime China Magazine	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	Group report

The report is compiled in both Chinese and English and audit of the report will be based on the Chinese version.

The online version is available at <http://www.cosco.com>. The COSCO Group Sustainable Development Report is also available at <http://www.unglobalcompact.org>, the website appointed by the United Nations Global Compact Office.

The COSCO Group Sustainable Development Report 2008 is edited according to the normal fiscal year. Unless specified, all information contained in the Report is COSCO Group's sustainable development performance in 2008.

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II. Report compilation principles

The COSCO Group Sustainable Development Report 2008, compiled according to the 2006 Global Reporting Initiative (GRI) Guidelines for Sustainable Development Report, combines the ten principles of the United Nations Global Compact and the special requirements for maritime companies from the International Maritime Organization, and satisfies the requirements in the Comprehensive Risk Management for Enterprises Directly under the Central Government and the Guidelines for Social Responsibilities of Enterprises Directly under the Central Government issued by the State-Owned Assets Supervision and Administration of China and the Basic Specification for Internal Control of Listed Companies issued by five ministries and commissions including the Ministry of Finance.

Based on the 2006 Global Reporting Initiative (GRI) Guidelines and the basic principles that define contents of the reporting contents, such as key factors, participation of stakeholders, sustainable development background and integrality, COSCO Group compiled the COSCO Group sustainable development reporting framework and COSCO Group sustainable development indicators definition table. Based the 2007 edition of report, it optimized, divided and supplemented the indicators, and brought the requirements of related parties to index-based management system and compiled the 2008 Edition of COSCO Group Sustainable Development Indicator System and Definition and Material Framework Table with 647 key process indicators and key risk indicators. The report is compiled according to the requirements of sustainable development indicator system.

With an aim to ensure the quality of report, the COSCO Group Sustainable Development Report was compiled based on the principles of pertinent, comparability, accuracy, timeliness, clearness and reliability to ensure the transparency.

Pertinent	Comparability	Accuracy	Timeliness	Clearness	Reliability
COSCO Group Sustainable Development Report reflects the overall situation of performance of the institute in a comprehensive manner without exaggeration to avoid influencing the judgment of readers. It applies six-sigma failure mode analysis method to conduct influential degree evaluation to ensure the key factors of the report and ensure the	Since the implementation of the Global Compact, COSCO Group has ensured the consistency of the reporting form. COSCO Group has established sustainable development indicator system and sustainable development information management platform to ensure the comparability of reporting indicators. It also applies six-sigma methods to analyze and compare the data. In the meantime, the report provides five years of day	COSCO Group sustainable development indicator system and material architect are compiled, collected and analyzed based on the sustainable development reporting framework to ensure full preparation of the information, and applies different tools in different aspects to analyze the consistency of the results.	COSCO Group Sustainable Development Report was released according to the specified procedures and plans strictly. In December of each month, the report indicator and material collection work are carried out. In April of next month, compilation of the report is completed. In June, the report is submitted to the external institutes for review and acceptance.	COSCO Group Sustainable Development Report showcases its performance in many reporting platforms to stakeholders, including online version, Chinese and English printed version and video version. In consideration of paper conservation, the Sustainable Development Report mainly adopts online version. The printed version is only	With an aim to ensure the reliability of the report, COSCO Group innovatively puts forwards 16 steps for establishment and operation of sustainable development management system, and has established social responsibility report compilation process and communication mechanism. It has applied 18 evaluation and improvement processes to complete the report quality

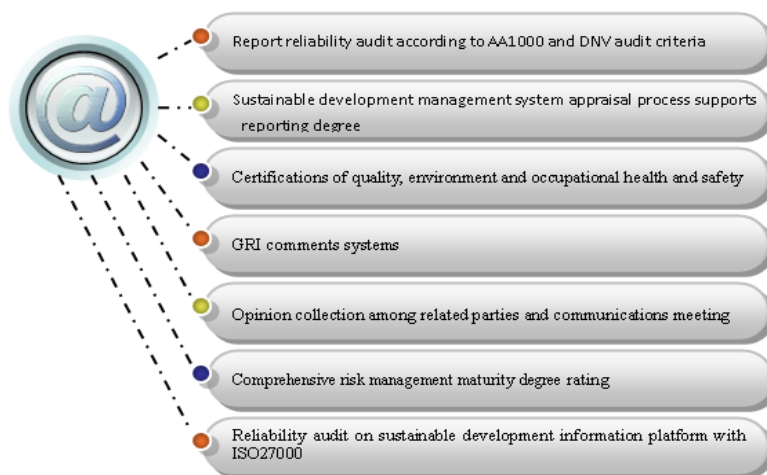


<p>direct ratio between degree of influences of reporting items and its relative key factors. Besides reporting achievements, the report also discloses negative performance of the group.</p>	<p>in succession for stakeholders to analyze the performance of COSCO Group.</p>		<p>The report will be released before July 31 to ensure its timeliness.</p>	<p>used for large-scaled conference, concentrated promotional activities and submittal to related parties. Discs are provided for common communications. The video version of the sustainable development report is accompanied with a video, allowing readers to know COSCO Group's sustainable development performance in 2008.</p>	<p>control process from all aspects such as indicator collection, material collection, report framework, report compilation, draft report, report revision, report review, internal audit, review by experts' committee, external review and communications with related parties. ◦</p>
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III. Report guarantee methods

COSCO Group cautiously issues the sustainable develop report with the attitude of being responsible to the society and takes the improvement of reliability of the sustainable development report as the main content to make continuous improvements.

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



All financial data in the report are complying with the Accounting Standards for Business Enterprises and the Enterprise Accounting System, and are audited according to the China Internal Auditing Standards

COSCO Group organizes internal audit and evaluation of its sustainable development report according to AA1000 Sustainable Development Report Audit Standards and applies lean six-sigma and risk evaluation methods to determine the auditing period and frequency (please see decision-making chart). The COSCO Group headquarters arranges the audit and evaluation uniformly to standardize the Global Compact implementing behaviors and sustainable development report compilation process.

Item	Governance and management	Economic influences	Risks					Importance of audit
			Energy-conservation and low carbon	Anti-pollution	Labor risks	Human right risks	Anti-corruption risks	
Supervision or supply chain requirement	Supervision or supply chain requirement	Financial scale influences	Energy-conservation and low carbon	Anti-pollution	Labor risks	Human right risks	Anti-corruption risks	
Description	1-9- No requirements - Externally compulsory requirements	1-9-Little financial influences to great financial influences	1-9 Energy conservation of low power consumption industry - Energy conservation of high power consumption industry	1-9 Pollution of low-risk industry – Pollution of high risk industry	1-9 Low-risk industry - High-risk industry	1-9 Industry where unequal treatment is not easily to occur - Industry where unequal treatment is easily to occur	1-9 Low-risk industry - High-risk industry	Review frequency: every two year for red region; every three year for yellow region; every four year for white region
Multiplication with governance and economic influences after getting additions								
COSCO Dalian	9	4	4	9	9	4	4	1080
COSCO Container Lines	4	9	9	4	9	4	4	1080
China COSCO Holdings	9	9	1	1	1	1	4	648
COSCO Shipping	9	4	4	4	4	1	4	612
COSCO Shipyard	4	4	4	4	9	9	4	480
COSCO Shipbuilding Industry	4	4	4	4	9	9	4	480
COSCO Bulk Carrier	4	4	4	4	4	4	4	320
COSCO Hong Kong	4	4	4	4	4	4	4	320
COSCO Qingdao	4	4	4	4	4	4	4	320
COSCO Logistics	4	4	4	4	4	4	4	320
COSCO Pacific	4	4	4	4	4	4	4	320



COSCO Guangzhou	4	4	4	4	4	4	4	320
COSCO Xiamen	4	4	4	4	4	4	4	320
China Maritime Bunker	4	4	4	4	4	4	4	320
COSCO U.K.	4	4	4	4	4	4	4	320
COSCO Finance	4	4	1	1	1	1	4	128
China Ocean Shipping Tally	1	4	1	1	4	1	4	44
China Ocean Shipping News	4	1	1	1	1	1	1	20
Maritime China Magazine	4	1	1	1	1	1	1	20
Hainan Boao COSCO	1	1	4	4	4	1	4	17
COSCO Human Resources/C OSCO Manning	1	1	1	1	4	4	4	15

COSCO Group makes management innovation with ISO9000 Quality Management System as basic building blocks, quality, environment and safety management systems as the base, and the sustainable development and risk management as the main contents, and forms an indicator-based sustainable development management system to implement all sustainable development 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 sustainable development 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 sustainable development report continuously.

COSCO Group invites senior responsible persons in charge of social responsibilities of major stakeholders home and abroad to form a COSCO Group sustainable development expert committee to supervise the entire process of sustainable development 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 authenticity and reliability, COSCO Group has submitted the report to the Det Norske Veritas (DNV) for review and evaluation according to the Reviewing Procedure of Sustainable Development Report, with an independent audit report to be provided.

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

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




IV. Scope and level of the report

COSCO fully adopts the core indicators of the 2006 GRI Guideline to systematically report all management and performance indicators of GRI. After strict evaluation, GRI believes that the COSCO Group Sustainable Development Report 2007 reports on key core indicators as specified in GRI standards and meets GRI standards of A+ rating. Therefore, it agrees COSCO Group to use GRI A+ logo. Thus, COSCO Group fulfilled the target of obtaining GRI's highest rating (A+) two years ahead of schedule after three years of efforts in 2005 to 2007. It is the first Chinese enterprise whose sustainable development report gets GRI A+ rating. This stabilizes COSCO Group's position in sustainable development report sector of China.

The statistical scope of the Sustainable Development Report 2008 is the same with the Sustainable Development Report 2007, and the application level of release level is A+.

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

		C	C+	B	B+	A	A+
Compulsory	Self-rating of enterprises						√
Voluntary	Third party audit						√
	GRI inspection comment						

Part B Management and Participation of Stakeholders

Part I Corporate Governance Structure

1. Top management team

The State Council authorizes the State-owned Assets Supervision and Administration Commission (SASAC) to manage the talents, affairs and assets of large-scaled state-owned enterprises. The SASAC has the right to appoint main responsible persons of enterprises. As COSCO Group is a large-scaled state-owned enterprise, its management team is evaluated and appointed by the State-owned Assets Supervision and Administration Commission. Shouldering the responsibilities of well developing the enterprise and realizing the prosperity of state-owned economy, COSCO Group's management team, with strong responsibilities and good spirit, organizes its crews and employees, to create good performances.

中远集团领导 COSCO Group leaders	业务分工 Work division	全球契约分工 Work division for global compact
 <p>法定代表人、首席执行官、总裁魏家福 Corporate Representative, president and CEO of COSCO Group</p>	<p>负责集团总公司全面行政工作，主管财务、金融工作 Responsible for all administrative works of COSCO Group headquarters, focusing on accounting and financial affairs</p>	<p>全面负责实施全球契约和可持续发展工作 Being responsible for the work related to the Global Compact and sustainable development</p>
 <p>副总裁张富生 executive vice president of COSCO Group</p>	<p>协助总裁分管全面行政工作，与总裁共管干部工作，主管人力资源部/组织部、劳动保险统筹中心 Assisting the president to be responsible for all administrative works, managing cadres together with the president and focusing on human resource department and labor and insurance coordination center</p>	<p>主管人力资源和劳动保险以及中远慈善基金会工作，负责劳工、人权和可持续发展文化建设 Being responsible for the work regarding human resources, labor and insurance and the COSCO Group Charity Foundation and for corporation culture, human rights and sustainable development</p>
 <p>副总裁陈洪生 executive vice president of COSCO Group</p>	<p>协助总裁负责中国远洋控股股份有限公司 Assisting the president to be responsible for China COSCO, a listed company</p>	<p>主管中国远洋上市公司工作 Being responsible for China COSCO</p>
 <p>副总裁、首席风险官、管理者代表 李建红 executive vice president, chief risk officer and managers' representative of COSCO Group</p>	<p>协助总裁负责资本运作、企划管理、规划改革、陆产管理、科技和信息工作，主管战略发展部 Assisting the president to be responsible for capital operation, enterprise planning and strategy management, reform planning, on-land assets management, scientific and IT work, and mainly managing the Strategy Department</p>	<p>主管全球契约和可持续发展实施工作 Being responsible for implementation of the Global Compact and sustainable development</p>
 <p>副总裁兼工会主席 许立荣 executive vice president and chairman of the trade Union of COSCO Group</p>	<p>协助总裁负责集团的运输生产、对外航线合作工作。负责集装箱船队、油轮船队、杂货和特种船队、物流、码头、对台事务工作，主管运输部、集团工会 Assisting the president to be responsible for transportation service and external line cooperation of the group, for the fleets of containers, oil tankers, general cargo ships and special ships, and mainly managing the Transportation Department and the Workers' Union</p>	<p>负责工会工作，主管人权和劳工标准执行情况的监督 Being responsible for works of the workers' union and for supervision of human rights and labor standards</p>
 <p>副总裁 张良 Zhang Liang executive vice president of COSCO Group</p>	<p>协助总裁负责集团的安全生产、集团安委会、散货船队、反恐保卫、法律工作。主管总裁办公室、安全技术监督部、研发中心 Assisting the president to be responsible for safety management, safety committee, dry bulk fleet, anti-terrorism security and legal work, and mainly managing the President's Office, the Safety Technology and Supervision Department and the R&D Center</p>	<p>主管安全和环境保护以及科研工作、反恐保卫工作 Being responsible for safety, environment protection, scientific research work, anti-terrorism and legal work</p>
 <p>副总裁 李云鹏 Li Yunpeng executive vice president of COSCO Group</p>	<p>协助总裁负责监察、审计和综合治理工作，主管党组工作部、直属党委、监督部 Assisting the president in supervision, audit and comprehensive management work, and mainly managing the Party Group Working Department, party committees directly affiliated to the group and the Supervision Department</p>	<p>主管反腐败和治理商业贿赂以及社会工作，负责纪检、监察、审计、综合治理和可持续发展宣传工作 Being responsible for anti-corruption, management of commercial bribery and social work, with a focus on discipline inspection, supervision, audit, comprehensive management and sustainable development promotion work</p>
 <p>总会计师 孙月英 Sun Yueyin chief financial officer of COSCO Group</p>	<p>协助总裁负责财务、金融和资产管理工，主管财务部、财务公司 Assisting the president in accounting, financial and asset management work and mainly managing the Accounting Department and the finance company</p>	<p>主管财务风险管理工作 Being responsible for financial risk management work</p>

2. Related committees

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

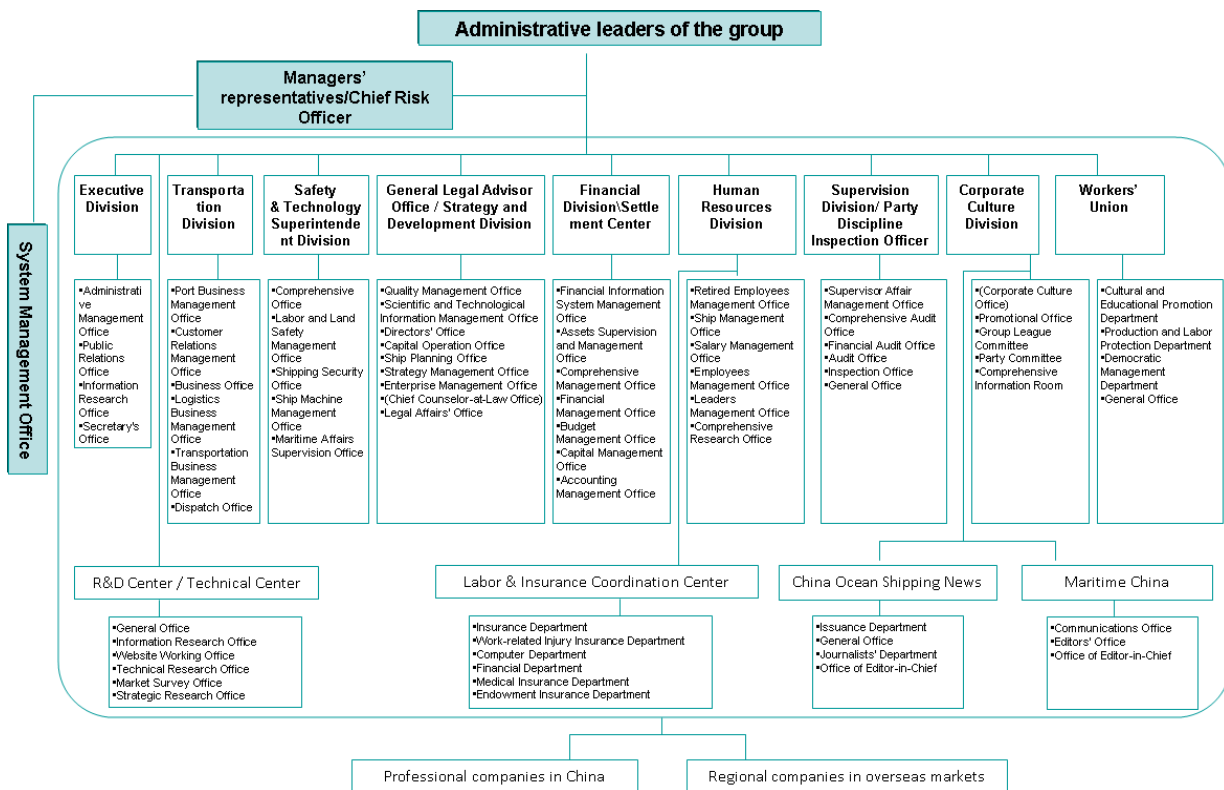
Serial No.	Name	Responsibilities
1	COSCO Operation & Management Committee	Being responsible for comprehensive research and advice on important issues emerging in business activities; being responsible for review of the group's working report, supervision and approval of group's annual financial budget and settlement, and discussion on group's development planning; shouldering the functionalities of COSCO Group's Risk Management Committee.
2	Sustainable Development Committee on Comprehensive Risk Management Committee	Guiding, promoting and arranging the work regarding construction of resource-saving enterprise and implementation of the Global Compact; evaluating and approving the implementation plans for construction of resource-saving enterprise and implementation of the Global Compact; Supervising, guiding and coordinating the key projects for construction of resource-saving enterprise and implementation of the Global Compact; approving technical service provider, budget plan and training plans; approving the issuance and application of the sustainable development reports.
3	Management & Innovation Team	Being responsible for strategies and planning for management innovation; being responsible for establishment and perfection of management innovation processes and construction of management system; supervising the execution of management innovation policies and improvement of management systems; organizing argumentation, evaluation and acceptance for technologies of innovative projects; approving the conclusion, application, issuance and promotion of innovation achievements.
4	Leadership Group and Office for Execution of the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision	Acting in the requirements of the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision of the CPC Central Committee and the Detailed Suggestions on Carrying out the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision of the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council and making overall deployment and arrangement; organizing, leading and promoting the work to promote the COSCO Group's Opinions on Carrying out the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision, researching and putting forward the opinions and requirements for promoting the work in line with the progresses of aforesaid work and ensuring the implementation of the work.
5	Leadership Group for Control of Commercial Bribery	Implementing and carrying out the guidelines and policies of the CPC Central Committee and the State-owned Assets Supervision and Administration Commission of the State Council with regard to promotion of the special work to control commercial bribery; researching, deploying, guiding and coordinating the special work to control commercial bribery; researching and dealing with other

		important issues related to the work to control commercial bribery.
6	Safety Management Committee	Being responsible for safety management work.
7	Being responsible for safety management work.	Actively engaging in the emergence response work regarding to social stability, security and employees' safety according to the arrangements of the central government; researching and solving the letters and calls as well as the massive events of COSCO Group; organizing and guiding the implementation of social safety and security controlling measures; uniformly commanding and coordinating the emergence response work regarding to social stability, security and employees' safety of COSCO Group's member units home and abroad; perfecting the alarming mechanism and responding mechanism for substantial emergencies to ensure the smoothness of direction and information channels; keeping in touch with the superior authorities to timely report key and important issues.

3. Decision-making mechanism

To fulfill of its strategic objectives, COSCO Group established meticulous and tight governance structure according to the requirements of modern enterprise system. COSCO Group headquarters takes the Presidents' Meeting as the highest decision-making unit and sets up its administrative governance structure making up of nine divisions and two centers which fulfill their respective functionalities.

Modern Enterprise Management System Operation and Governance Structure of COSCO Group Headquarters



4. Communication mechanism

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

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

5. Internal statement, behavioral principles and implementation situations relating to economic, environmental and social performance

With an aim to fulfill the obligation of "gradually developing and enhancing its leading position in international shipping, logistics business, terminal operation and ship-building and ship-repairing industries, keeping honest and trustworthy relationships with customers, employees and partners, and bringing best returns to shareholders, the society and the environment", COSCO Group has determined the core concept of COSCO Group's cultures, namely "maximizing the corporate value, economic benefits and returns to shareholders", compiled the COSCO Group 11th Five-year Plan for Construction of Corporate Cultures" based on the "COSCO Group 11th Five-year Development Planning", and determined the guiding ideologies, basic principles, objectives and targets, and methods for corporate culture construction of COSCO Group in the next five years such as COSCO Group environmental-protection specification, i.e. comprehensive management, cherishing the resources, environmental protection and responsible employees. In the production and operation process, COSCO Group has been dedicated to protecting the environment and cherishing the earth resources. It has supported and participated in ecological protection activities and improved ecological environment of enterprises as a "social responsibility undertaker". The COSCO Group Corporate Culture Construction Outline regulates the behavioral standards and criteria of COSCO Group, such as public relation criteria and principles to respond to public opinions.

The corporate culture construction has integrated with production, operation and management work of the company. COSCO Group has formulated the economic, environmental, safety and anti-corruption guidelines and policies. It has also improved its operation and management quality level and brand images. The corporate culture construction has become a voluntary behavior of all units and employees, formed the atmosphere of wide participation and inputs, and formed the COSCO Group corporate culture with special characteristics. COSCO Group has obtained continuous forces for continuous, rapid and healthy development.

6. Supervision over the management team

The State-owned Assets Supervision and Administration Commission has enhanced the financial supervision and supervision of the Supervisory Board over the central enterprises. Chairman of the Supervisory Board carefully performs its supervision functionalities and objectively reports the status of the enterprise.

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

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

Top Executives of COSCO Group headquarters.

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

COSCO Group has also compiled the Regulations on Economic Responsibility Audit Work for Top Executives of COSCO Group's Wholly-owned and Holding Companies during Their Tenures, to audit the economic responsibilities of major top executives in their tenures, so as to improve the operational performance based on the auditing opinions and fulfill the internal supervision.

7. Performance evaluation mechanism

The Approach on the Performance Evaluation of the Persons Responsible for Central Enterprises, as an important regulation for supervision and control of state-owned assets in China puts forward evaluation indicators, i.e. annual indicator and tenure indicator, for persons responsible for central enterprises. The annual indicator includes total annual profits and rate of returns on net assets. The tenure indicator includes the rate of maintenance and appreciation of state-owned assets and average growth rate of main business revenues in three years. If the responsible person fulfills the operational objectives, he or she will receive an annual bonus and long-term incentives during the tenure. If fails to fulfill the operational objectives, he or she will face reduced or deferred salaries or may not continue his or her post or renew the contract. The persons evaluated by the State-owned Assets Supervision and Administration Commission include the chairman, vice chairman, general manager, deputy general manager, chief accountant and secretary of the discipline inspection commission of the central enterprises.

COSCO Group strictly implements the Approach on the Performance Evaluation of the Persons Responsible for Central Enterprises. By establishing and perfecting the top management performance evaluation system, and requesting the responsible persons of the COSCO Group headquarters and its second-tier companies to sign the letter of liabilities for operational performance, and removing the evaluation objectives layer by layer, it formed the mechanism of liability settlement and pressure conduction as well as the incentive mechanism of relating operational performance with income allocation. Based on the Document to Ask for Instructions Regarding the Payment of 2008 Annual Bonus of Persons Responsible to Directly Affiliated Companies of COSCO Group reviewed and approved at the first president's working conference of COSCO Group headquarters in 2009, the Notice on Payment of 2008 Annual Bonus of Responsible Persons of Directly Affiliated Companies of COSCO Group within the territory of China, COSCO Hong Kong and COSCO Qingdao Seaman College and completed related work. The move enhanced the consciousness of profit and capital returns of companies affiliated to the Group, stimulated the enthusiasm of responsible persons and employees, provided mechanism guarantees for the group to deepen reform, strengthen management and fulfill comprehensive and coordinated sustainable development, and therefore realized safe and healthy operation as well as maintenance and appreciation of state-owned assets.

8. Personnel evaluation mechanism

In 2008, COSCO Group completed the adjustment of leading bodies in directly affiliated units, appointing and removing a total of 29 people in 15 companies, including COSCO Europe, China COSCO, COSCO Boao, COSCO Hong Kong Shipping, COSCO Hong Kong Group, COSCO Bulk, COSCO Guangzhou, COSCO Xiamen, COSCO Shipbuilding, COSCO Finance, COSCO Tally, COSCO Americas, COSCO Singapore and COSCO Container Lines (14 people were appointed to administrative positions, and 10 removed from office; 15 people were appointed by Party committees, and 10 removed from office), and recommending a total of 5 people for positions in 2 companies, COSCO Bulk Operation Headquarters and COSCO Shipping.

9. Participation in associations

COSCO Group actively participates in industrial associations and organizations to promote the sustainable development of shipping industry.

As China's largest shipping carrier and one of the leading carriers in world's shipping industry, COSCO Group has performed its social responsibilities actively, joined many influential shipping organizations

home and abroad and participated in various activities organized by these organizations, making itself a driver of global shipping industry and contributing to the maintenance and promotion of health and sustainable development of international shipping industry.

Non-profitable and non-governmental organizations participated		
Organization	Position	Function
UN Global Compact	Member	Promote sustainable development
World Business Council for Sustainable Development	Member	Promote sustainable development
China Business Council for Sustainable Development	Vice President company	Promote sustainable development
Council of China Quality Association	Committee member	Improve quality
Quality Management Association under the Ministry of Communications	Vice President	Improve quality
China Maritime Law Association	Vice President	Promote development of maritime law
Chinese Trademark Association	Member	Promote intellectual property right protection
China Association of National Advertisers	Member	Promote intellectual property right protection and maintain advertising honesty
Environmental Protection Web of the Ministry of Communications	Member	Promote environmental protection in transportation industry
China Internal Audit Association	Member	Promote anti-corruption work
China Supervision Association	Member	Promote anti-corruption work
China Research Institute of Communications Education	Member	Promote education and training of transportation industry
China Navigation Education Research Institute	Vice President	Play a key role in promoting development of navigation education standardization
China Ocean Ship Standardization Committee	Member	Standardization
Association of Traffic and Environmental Protection Information	Member	Protect environment and improve traffic and environmental protection level
Traffic and Environmental Protection Association	Member	Promote traffic and environmental protection
Traffic and Energy Management Association	Member	Promote saving of traffic resources and environmental protection
Business for Social Responsibility	Member (COSCO Container Lines)	Work with other enterprises to build a more equal, sustainable global economic environment
Business Environment Council of Hong Kong	Committee Member (COSCO Pacific)	Signed the Clean Air Charter organized by Business Environment Alliance of the Pearl River Delta region

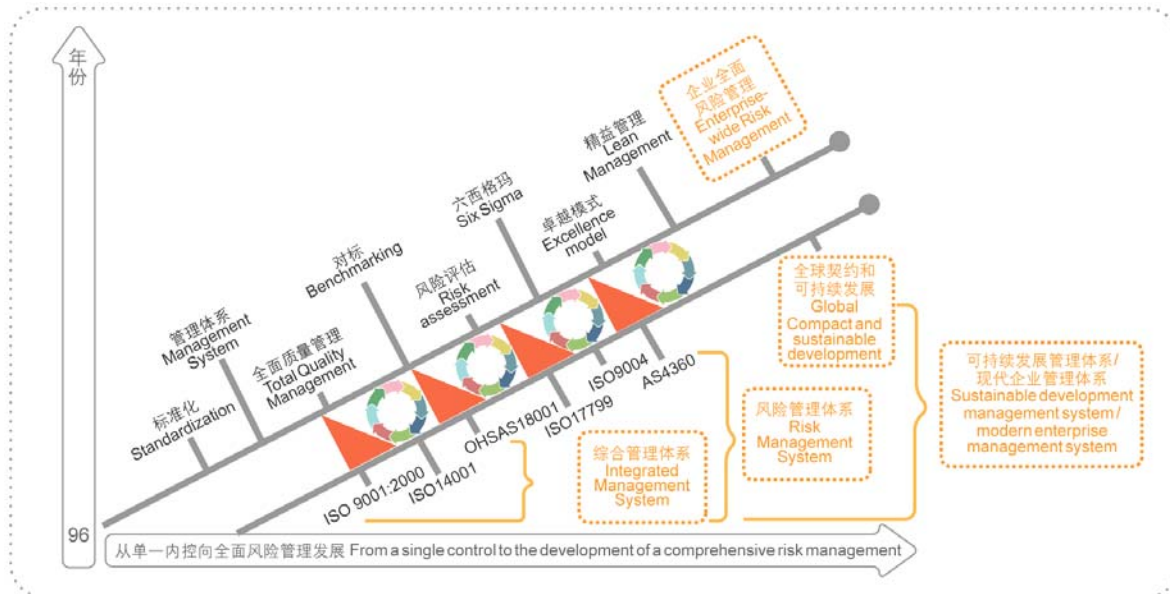
COSCO Group joins legitimate non-governmental groups and non-profitable organizations to actively participate in activities related to social responsibility and sustainable development.

In 2008, COSCO Group mainly participated in 66 organizations and groups, of which, the most important ones are listed as follows:

Name of industrial association	Position and function	Valuable activities
BOX CLUB	Association of world's container shipping industry	Promote healthy development of world's container shipping industry
World Shipping Council	Association of ocean shipping companies in the US	Take part in ocean shipping business in the US actively
BIMCO		
Asian Ship-owners Forum	Organization of Asian ship-owners	Promote cooperation of ship-owners in Asia
European Liner Affairs Association	Association of European container shipping industry	Promote healthy development of container shipping industry in Europe
China Federation of Logistics and Purchasing	Association of Chinese logistics industry	Promote cooperation between logistics industry and industrial and commercial industry
China Ship-owners' Association	Association of Chinese ship-owners (COSCO Group is the chairman company)	Promote mutual cooperation and development of Chinese ship-owners
China International Freight Forwarders Association	Association of Chinese freight forwarding industry	Promote healthy development of Chinese freight forwarding industry
Cross Straits Shipping Exchange Association	Association for shipping industry on both sides of the Taiwan Strait	Promote 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	Promote sustainable development of dangerous goods in transportation industry
China Logistics Association	Research institute of Chinese logistics industry	Promote healthy development of Chinese logistics industry
China Communications and Transportation Association	Association of transportation industry organized by the Ministry of Communications	Promote 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)	Promote academic discussion and key research of navigation industry
China Association of the National Shipbuilding Industry	National organization for the shipping industry	Promote growth and development of Chinese shipping industry
China Ports Association	Standing director company	

Part II Major policies and ,anagement systems

COSCO Group upholds the principles of continuous tracking of the world's most advanced management approaches and standards and continuous pursuit of excellence, formulates long-term strategies for innovative management methodology of corporate management, creatively integrates standardization, management system, TQM, benchmarking, risk assessment, six sigma, excellent performance mode, and lean management, and improves the management systems of quality, environment, occupational safety, information safety and risk management to the systems of overall risk management and sustainable development management, hence establishes a long-term mechanism for the Group's sustainable development. (See the chart below)



COSCO Group's development strategies are decomposed by strategy map to ensure the realization of COSCO Group's medium and long-term development strategies.

Strategy map is the most effective tool for transforming corporate development strategy into actual practice, and an innovation of corporate management system in the new era. The strategy map centers on four perspectives of the balanced scorecard, namely, financial perspective, customer perspective, internal perspective, learning and growth perspective. It is a corporate strategy causal relationship map drawn by analyzing the interaction of the four perspectives. Core contents of the strategy map include: by the allocation of intangible assets, including human, information and organizational capital (learning and growth), enterprises innovate and establish strategic advantages and efficiency (internal flow), then bring specific values of the companies to the markets (customer) in order to realize the values of shareholders (financial).

1. Overview of management system

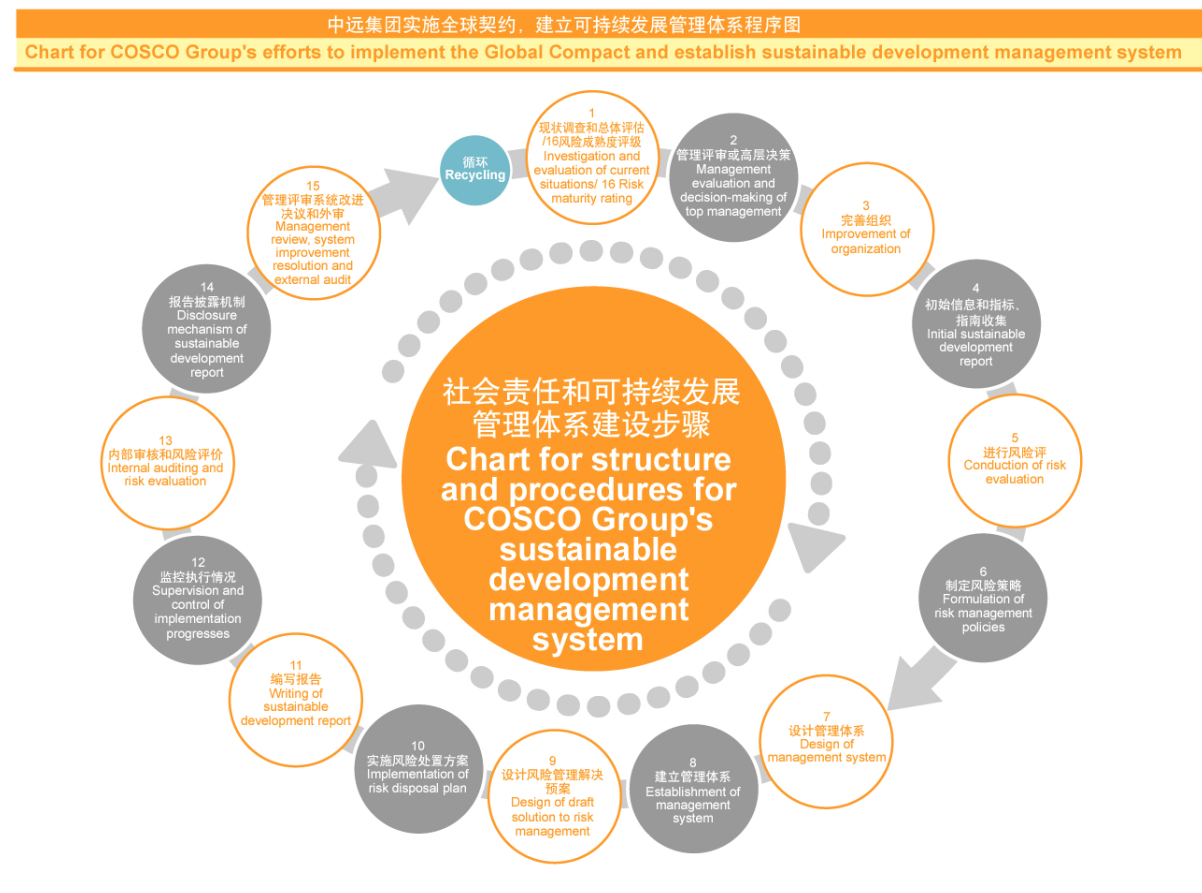
COSCO Group has long been committed to the innovation of management system. Led by the Group Headquarters' implementation of the Global Compact and the 16 steps of sustainable development management system, the companies made quality management innovation the base point, and introduced ISO14000 Environmental Management System and OHSAS18000 Occupational Safety and Health Management System on the basis of quality management system and in accordance with COSCO Group's strategies and corporate development needs. The latest management concepts, management practices and management tools were introduced to build the main frame of the management system and COSCO Group's sustainable development management system platform.

COSCO Group, the creative design of the succession management system model for sustainable development management system, the establishment of the Global Compact and the implementation of the long-term mechanism of social responsibility to the quality of environmental and occupational safety

system based on integration to sustainable development and risk management of the main line, the use of Lean Six Sigma approach, indicators of sustainable development of COSCO Group system one of the indicators related to production and management into the decision-making process and actions, the formation of indicators of sustainable development management system, strengthen management processes and procedures to standardize the acts of corporate social responsibility, system management model shows the system in the management of the COSCO Group's leading position Methods.

COSCO Group creatively carried on the management system mode, designed the sustainable development management system, and built a long-term mechanism for the implementation of Global Compact and social responsibility. Based on the integrated system of quality environment and occupational safety, focusing on sustainable development and risk management, COSCO Group adopted the method of Lean Six Sigma and incorporated the index in COSCO Group Sustainable Development Index System into relevant production, operation, management and decision-making processes, formed a index-based sustainable development management system, and enhanced control over flow and processes to regularize corporate social responsibility practices. The system's management mode fully demonstrated COSCO Group's leading position in the application of management system methods.

Chart for COSCO Group's effort to implement the Global Compact and establish sustainable development management system



2. Overview of COSCO Group management system

Since 1998, COSCO (Group) Headquarters began to adopt the quality management system in decision-making and management. After a decade of development, COSCO (Group) Headquarters has

established a sustainable development management system featuring risk management as the mainline (See the Structure of COSCO Group Sustainable Development Management System and Procedures).

Activities and procedures		Main procedures of decision-making system	Supporting procedures	Key operational documents	
Main control system	Core decision-making activities	decision-making plan design and control procedures; legal risks management procedures	Decision-making procedures of the President's working meeting; decision-making procedures of party group meeting; post-evaluation procedures, contract management procedures.	Rules for resolution of President's working meeting; rules for resolution of party group meeting; contract management methods	
	Decision making activities in functional orientation	Strategic management	Human resource development and management procedures	Operational performance evaluation and management procedures	Operational performance inspection management methods (pre-leave)
		Key human resource management	Human resource development and management procedures	Wage and salary management procedures; labor insurance management procedures; training management procedures; institution organization and committee management procedures; procedures of selection of board of directors and supervisors	Management methods for dispatch and selection of directors and supervisors (temporary)
		Financial and capital management	Financial management procedures	Economic activities analytical procedures; comprehensive statistics and management procedures; statistical procedures of technology innovation and scientific activities	Financial management methods
		Investment and financing management	Investment management procedures	Vessel buying and selling management procedures; retirement management procedures; financial risk management procedures (pre-leave)	Investment management methods
		Assets and capital management	Assets management procedures; capital operation procedures	Director's business management procedures; procedures for enforcement of shareholders' rights (temporary, pre-leave)	Directors' management methods; temporary management methods for enforcement of shareholders' rights (pre-leave)

Decision support system	Basic activities	Supervision and overall coordination	Transportation management procedures; company management procedures; safety & risk management procedures; procedures to enhance and improve party construction work; democratize and transparent company affairs management procedures	External affairs management procedures; administrative management procedures; relationship management procedures; emergency preparation, response and disposal procedures; science and technology management procedures; informatization management procedures; corporate culture construction and promotion procedures; internal audit procedures; working procedures for party groups; working procedures for directly affiliated party committees; working procedures for league committee of the group; working procedures for the workers' union	Safety & risk emergency response plan; stable risk (public security risk) emergency response plan	
		Document	Document processing and control procedures		Document processing management methods	
		Meeting	Meeting organization procedures			
		Public affairs	Public affairs management procedures			
		Exchange and disclosure	Information exchange and disclosure procedures	Sustainable development reporting procedures	Guidelines on sustainable development report	
		Resources	Human resources	Human resource development and management procedures		
			Equipment	Administrative management procedures	Computer hardware and network management procedures; organ's communications management procedures	

Decision support system	Resources	Capital	Financial management procedures		
		Information	Information safety & risk management procedures	Information, research achievements and information integrating and sharing procedures	Guidelines on sustainable development report
		Relations	Related party relationship management procedures	Social responsibility and harmonious society construction procedures	
Internal control system	supervision and control	Internal operation and control	Annual plan and task distribution and control procedures; headquarters' working style construction procedures		Guidelines on development and application of sustainable development information management platform
		System operation and control	Management system & process control procedures; internal control system and regulation revision procedures	Risk evaluation procedures and related party risk management procedures	Guidelines on establishment of sustainable development management system; guidelines on report of sustainable development indicator system

3. Management system construction of companies

The affiliated companies of COSCO Group actively establish management system in accordance with the deployment of Group headquarters, and apply the approaches of the management system for continuous improvement and pursuit of excellence. In 2008, the companies completed the establishment and certification of quality, environment and occupational health and safety system according to the requirements of the management appraisal institutes, and integrated risk management and the requirements of the Global Compact into their operation systems.



4. Certifications obtained

NO.	Company name	Certificates obtained
1	COSCO Group headquarters	Quality management system certificate issued by DNV and CSS Quality Assurance Company according to ISO9000:2000 quality management system standards; Environment Management system certificate issued by DNV and CSS Quality Assurance Company according to ISO14000:2004 environment management system standards; Occupational health and safety management system certificate issued by DNV and CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards
2	COSCO Container Lines	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9000:2000 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:1999 occupational health and safety management system standards
3	COSCO Bulk Carrier	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system; Qualification certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government
4	COSCO Shipping	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 quality management system standards; and environment management system certificate issued according to ISO14001:2004 environment management standards; and occupational health and safety management system certificate issued according to OHSAS18001:1999 occupational health and safety management system standards. Quality certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Panama, Malta, and China Hong Kong Flag State Government
5	COSCO Qingdao	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 quality management system standards; Qualification certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government
6	COSCO Dalian	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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

NO.	Company name	Certificates obtained
		CSS Quality Assurance Company according to OHSAS 18001:1999 occupational health and safety management system standards; Qualification certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government.
7	COSCO Xiamen	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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 18001:1999 occupational health and safety management system standards; Qualification certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government.
8	COSCO Hong Kong Shipping	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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 18001:1999 occupational health and safety management system standards; Qualification certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government.
9	COSCO Logistics	Quality management system certificate issued by British Standards Institute according to ISO9001:2000 quality management system standards; Environment management system certificate issued by British Standards Institute according to ISO14000:2004 environment management system standards; Occupational health and safety management system certificate issued by British Standards Institute according to OHSAS18001:1999 occupational health and safety management system standards
10	COSCO Shipyard	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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 18001:1999 occupational health and safety management system standards;
11	COSCO Shipbuilding	Quality management system certificate issued by DNV according to ISO9001:2000 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



NO.	Company name	Certificates obtained
12	China Marine Bunker (Petro China) Co. Ltd	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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 18001:1999 occupational health and safety management system standards
13	COSCO Hainan Boao	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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;
14	COSCO Ocean Shipping Tally Company	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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;
15	COSCO Human Resources CO. Ltd/COSCO Manning Cooperation Inc.	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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;
16	COSCO UK	Quality management system certificate issued by British Standards Institute according to ISO9001:2000 quality management system standards; Qualification certificate issued by DNV according to ISM rules under the authorization of Flag State Government



Part III Global Compact, overall risk management and sustainable development

I. Global Compact and social responsibility

(I) Understanding of Global Compact and social responsibility

COSCO Group fulfills social responsibilities with cosmopolitan thinking and global vision, and shoulders the global social responsibilities of a world-class transnational corporation.

In an era of economic globalization, the competition focuses of transnational companies have changed from hardware to software, from competition on technologies and products to competition on the companies' understanding of social responsibility and social ethnics. Advanced concepts and practices of social responsibility form an indispensable part of an enterprise's core competitiveness to win in the competition.

The evaluation standards for an enterprise's sustainable development ability have changed, as the ten principles of the Global Compact have prompted new standards for the evaluation of modern enterprises' sustainable development ability. An enterprise's ability to shoulder social responsibility and to gain intangible assets has become the key to its development.

The Global Compact and social responsibility have not only changed the global ideologies and value systems, but also brought new corporate management concepts. By fulfilling social responsibilities, initiating best business practice in corporate management innovation, reforming business modes, preventing and controlling risks, enterprises can improve their efficiency and profitability. COSCO Group has stuck to the scientific outlook on development advocated by the Government, adhered to the four major principles for development, namely, people-oriented, comprehensive, coordinated and sustainable, reviewed the development of the enterprise, and guided management innovation with the scientific outlook, constructed a resource-saving and harmonious company, and realized the sustainable development of COSCO Group.

As the first and most important state-owned enterprise of China, COSCO Group practices the Guidelines for Central Enterprises to Fulfill Social Responsibility from the State-owned Assets Supervision and Administration Commission of the State Council, conforms to related parties' requirements regarding social responsibilities, and endeavors to set an example for other companies.

It shoulders the political responsibility to construct a harmonious society;
 the legal responsibility to comply with all the laws, rules and regulations;
 the economic responsibility to secure and increase the value of state-owned assets;
 the productive responsibility to provide the society with products and services;
 and the due social responsibilities of a global corporate citizen.

Guided by the spirits of Upholding the Concept of Scientific Outlook on Development and Sticking to Comprehensive, Balanced and Sustainable Development conveyed at the 17th CPC National Congress, COSCO Group implements the Global Compact and social responsibilities in a comprehensive manner and promotes them throughout the entire system.

Performing Global Compact and social responsibilities are in total accordance with the requirements of the Chinese Government and Chinese society;
 Performing social responsibilities conforms to the Central Government's requirements for carrying out the scientific outlook on development and transforming economic growth methods;
 Performing the principles of the Global Compact on human rights and labor also complies with the Central Government's human-oriented guideline and the requirements of building up the socialist and harmonious society put forward at the 17th CPC National Congress;
 Performing the anti-corruption principles of the Global Compact is in accordance with the Central Government's requirements for comprehensive reinforcement of leadership in the new circumstances.

(II) COSCO Group’s promotion of Global Compact and implementation of sustainable development

COSCO Group has made a five-year overall arrangement to fully implement the Global Compact, fulfill social responsibilities and realize sustainable development. Based on the sustainable development risk levels of its institutes, COSCO Group compiled a three-year plan for the implementation schedule. From 2005 to 2007, it completed the expansion from the pilot units of COSCO Group headquarters and COSCO Container Lines to the pilot units of COSCO Shipping, COSCO Logistics, COSCO Shipbuilding and COSCO UK, enlarging the coverage of 30 percent of main businesses to all second-tier companies, shipping companies, logistics companies and shipbuilding and repairing companies. From 2008, COSCO Group will implement the sustainable development strategies in all its second-tier, shipping, logistics, port and shipbuilding and repairing companies within three years.

Pilot projects at COSCO Group headquarters and COSCO Container Lines in 2005
Based its successful experience, COSCO Group expanded the scope for implementation of the Global Compact and sustainable development report to 15 companies, including logistics, shipping and ship-repairing. Meanwhile, COSCO UK was selected as a pilot unit among COSCO Group’s overseas companies.
In 2007, COSCO Group had implemented the sustainable development management system and expanded the scope of implementation of the Global Compact and sustainable development report to 20 second-tier, shipping, logistics and ship-repairing companies.
In 2008, the scope of implementation of the Global Compact and sustainable development report was expanded from second-tier, shipping, logistics and shipbuilding and repairing companies to third-tier companies.
In 2009, the scope of implementation will be expanded to overseas companies.
In 2010, all second-tier, shipping, logistics, port and shipbuilding and repairing companies will implement the sustainable development strategies.

COSCO Group established the sustainable development and social responsibility management system, and the long-term mechanism to promote social responsibility. COSCO Group gradually completed the construction of social responsibility and sustainable development management systems, including sustainable development organization and management system, internal control system and sustainable development file system, sustainable development objective assessment and monitoring system, and sustainable development information management IT platform system, realized the regularization of continuous acts of corporate social responsibility, balanced the expectations of stakeholders and scientific resource allocation, increased stakeholders’ confidence in the future of the enterprise and improved the reliability of the sustainable development report.

(III) Implementation of Global Compact and sustainable development of COSCO Group in 2008

Social responsibilities shall not be a commercial stance only, but a means to construct and promote honorable cultures of enterprises. An excellent corporate citizen shall integrate the high attentions on the society and the environment into its daily operation. To fulfill the aforesaid goals, COSCO Group has established the sustainable development and social responsibility management system and a long-term mechanism.
The establishment of a long-term mechanism for performance of the Global Compact and social responsibilities and the standardization of enterprises’ social responsibilities call for the supports of strong decision-making impetus, scientific management and quality services, along with in-depth understanding of social responsibilities, correct application of tools and evaluation technologies and methods, rational resource allocation and effective risk controls. These allow enterprises to combine the requirements of corporate social responsibility with their strategies and operation, promote strategic transformation, operation mode conversion and business flow restructuring with sustainable development concepts, trigger “stage” changes of enterprises and fulfill development and harmony of corporate values, environment and natural resources.

According to the No. 1 Decree of SASAC of the State Council [2008], Guiding Opinions on Further Promotion of Social Responsibility Among Central Enterprises, COSCO Group 2008 Annual Routine Management Assessment Report, and the spirits of COSCO Group Work Conference in 2008, combining the principles and requirements for COSCO Group to practice the Global Compact as a member of the

Global Compact, COSCO Group formulated the Global Compact and Sustainable Development 2008 Annual Implementation Plan. COSCO Group and all second-tier companies realized the integration of the implementation of ten principles and strategies of the Global Compact with daily operations, and built the sustainable development management system in accordance with the 16 steps creatively put forward by COSCO Group to organize, promote and implement the Global Compact and sustainable development management. The management of management system is the management of business flow. Every process and regulation is set for the control of a particular risk, and any improvement related to the management system is reworking on the existing flow. Principles for improvement should be determined beforehand, risk assessment carried out, and the impact on overall situation, the permit of resources considered in a systematic manner.

1. Construction of sustainable development management system

To ensure the implementation of the Global Compact and sustainable development in a systematic and uniform manner, COSCO Group restructured its business flow in accordance with the Guiding Opinions on Further Promotion of Social Responsibility Among Central Enterprises, the No. 1 Decree of the SASAC of the State Council in 2008, the Guidelines for Implementation of UN Global Compact, the Guidelines for Global Compact Corporate Social Responsibility Management System, the GRI Guidelines for Sustainable Development and the Guidelines for Central Enterprises Comprehensive Risk Management. COSCO Group incorporated the articles regarding comprehensive risk management and Global Compact into its management decision-making and business processes, established the Social Responsibility and Harmonious Enterprise Management Procedures, the Sustainable Development Reporting Procedures and the risk management procedures of key processes, and carried out the requirements of Global Compact social responsibility and risk management obligations, indicator management and risk authorization in practices of all COSCO people through working standards. COSCO Group also established the Global Compact social responsibility management system and Sustainable Development report management system by applying the ISO9000 quality system framework, developed and established the sustainable development information management platform. Subsidiaries of COSCO Group also established the sustainable development management systems and customized the sustainable development information management platform systems.

To this end, COSCO Group designed the management system, information management platform and reporting framework in accordance with the requirements of GRI, that is, the Global Reporting Initiative, compiled and issued guidelines regarding the establishment of Global Compact and sustainable development to standardize the performance of the entire Group and ensure the uniformity in the performance of social responsibilities.

Guidelines for COSCO Group Sustainable Development Management System and Its Construction
Guidelines for COSCO Group Sustainable Development Indicator System and Its Reporting
Guidelines for COSCO Group Sustainable Development Report and Its Compiling
Guidelines for COSCO Group Sustainable Development Confidence Management Platform and Its Application
Guidelines for COSCO Group Sustainable Development Internal Auditing and Assessment

2. Construction of sustainable development indicator system

COSCO Group established the sustainable development indicator system and improved the system after annual reviews. After three years' improvement, the original 250 indicators were refined and improved to 670 indicators which reflect the key interests of stakeholders in a more comprehensive manner.



3. Serial trainings on sustainable development

Since there were more than 20 COSCO companies implementing the Global Compact in 2008, COSCO Group adopted the method of batch construction to save time and cost. The trainings were organized by COSCO Group headquarters, divided into stages (one round a year), carried out separately, directed with emphasis, assessed uniformly and compiled and reported concentratedly.

No.	Stage of training	Content	Objectives	Task
1	Training on indicator collection and improvement	Indicator system	Implementation of first stage	Collect indicators
2	Training on material collection and improvement	Material Compilation	Implementation of second stage	Collect materials
3	Training on information management platform	Report system	Implementation of third stage	Installation and improvement of system
4	Training on report framework and compilation	Report framework	Implementation of fourth stage	Report compilation
5	Training on first draft of report and improvement	First draft of report	Implementation of fifth stage	Amendment by compiling team
6	Training on report improvement	Discussion of each section	Implementation of sixth stage	Opinion collection and improvement
7	Training of internal auditors	System assessment	Implementation of seventh stage	Internal audit
8	Training on management assessment	Management assessment	Implementation of eighth stage	Management assessment
9	Training on management system improvement	Management system	Implementation of ninth stage	System improvement
10	Training of all employees	Increase awareness	Requirements for implementation	Plan for the next year

In 2008, COSCO Group organized nine training courses on Global Compact and sustainable development work in stages, including indicator compilation, material preparation, internal audit, etc. Staff members participating in the trainings discussed and interpreted the requirements of the Global Compact and sustainable development work according to the uniform requirements of GRI standards and the Group, combining with the actual situation of their companies. After the trainings, some participants volunteered to disseminate the knowledge about the significance and basic requirements of the Global Compact and sustainable development through the companies' intranet and electronic publications, etc. The competent authorities for Global Compact and sustainable development in COSCO Group joint hands with DNV

experts to carry out auditing and training of second-tier companies. In 2008, a total of nine training courses on Global Compact were organized, training 248 staff members at all levels.

4. Assessment of sustainable development report

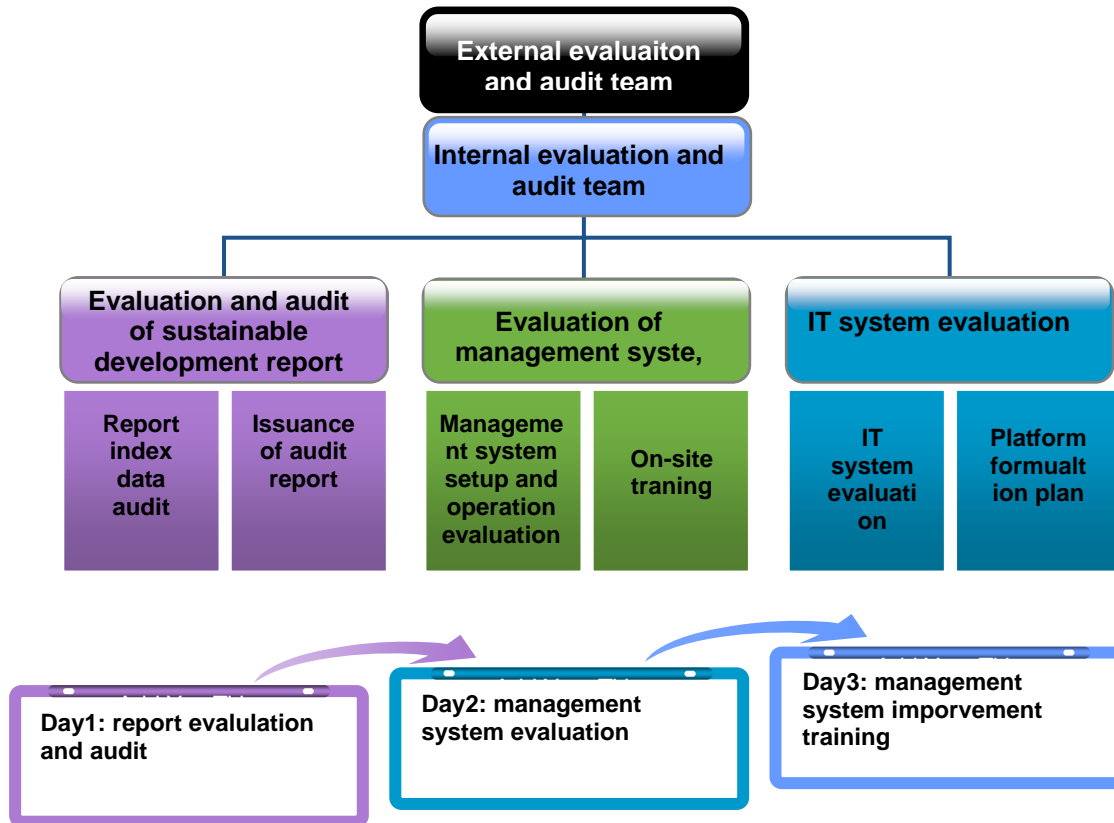
COSCO Group makes its sustainable development report a bridge for the communication between COSCO Group and various stakeholders. It is an answer sheet COSCO Group turns in to the stakeholders in the society. Press release for the report, communication conference for stakeholders and news conference are held every year to release to the world COSCO Group’s social responsibility performance report and submit it to social supervision. It is hoped that various stakeholders will learn more about COSCO Group through the press release for report and the communication conference, so that they will offer suggestions for COSCO Group’s further development.

COSCO Group believes that the sustainable development report is a true reflection of the enterprise’s performance of the Global Compact and social responsibility during the process of production, operation, management and decision-making, and is the result of the operation of sustainable development management system and the reflection of actual performance. Enterprises, therefore, should prudently release the report with a sense of responsibility for the society. The quality of the report determines the reliability of the report, and is the key to the success of the report. Therefore the improvement of report reliability is the eternal theme of improvement and innovation. To this end COSCO Group creatively proposed 16 steps in the establishment and operation of sustainable development management system, and established strict social responsibility report compilation flow and communication mechanism. Altogether 18 assessment and improvement steps are adopted to complete the process of report quality control.

No.	Assessment period	Content	Working time in 2008
1	Sustainable development indicator assessment	Indicator system	From March 3 to 4, 2008
2	Material collection and improvement assessment	Material compilation	From April 8 to 9, 2008
3	Information management platform assessment	Report system	From April 8 to 9, 2008
4	Report framework and compilation assessment	Report framework	From April 8 to 9, 2008
5	First draft of report and improvement assessment	First draft of report	From May 28 to 30, 2008
6	Report improvement assessment	Discussion of each section	From June 17 to 18, 2008
7	Internal auditors assessment	System assessment	From June 17 to 20, 2008
8	Assessment of management assessment	Management assessment	July 28, 2008
9	Management system improvement assessment	Management system	From February 28 to 21, 2008
10	Experts’ appraisal meeting	Confirmation of the report	July 24, 2008

5. On-site evaluation and internal auditing

On-site evaluation and guidance shall be conducted based on progresses and needs of all companies.



In 2008, COSCO Group headquarters deployed and organized uniform assessment and evaluation of eight second-tier companies. Also, eight second-tier companies received third-party assessment of DNV, which ensured the consistency of system operation specifications.

Name of assessed company	Assessment time	Assessment description
COSCO Hong Kong	2008.01.16-18	The company features good basis for management, and has established ISO9001, ISO14001 and ISM management systems. In 2001, the company won Hong Kong Quality Management Award, carried out risk assessment, compiled risk management procedures, amended the management system, optimized working flow and incorporated some of the requirements of sustainable development management system.
COSCO Xiamen	2008.03.12-14	Senior leadership of the company has deep understanding of corporate social responsibility and sustainable development, and plays a leading role. The company has very good practice in terms of human rights, labors, environment, community and anti-corruption. In risk management, the company has gone one step further to form a primary risk library, and to conduct risk assessment scientifically with the six sigma technology. The establishment of comprehensive management system has laid a good foundation for the establishment of sustainable development management system.
COSCO Dalian	2008.03.25-27	The company features systematic basic management, strong inter-departmental cooperation. The collection of data is practical, careful and rational. It also has very good practice in terms of human rights, labors, environment, community and anti-corruption. The company has adopted the concept and method of risk management to satisfy customers' needs regarding social responsibility, which laid a solid foundation for the establishment of sustainable management



		system.
COSCO Bulk	2008.05.21-23	The company has very strong implementation capacity. It has completed the integration of IT system, and developed the standard management system, laying a solid foundation for the establishment of sustainable management system. The collection of data regarding finance and fuel was practical, careful and rational, and the practice regarding human rights, labors, anti-corruption, risk management and risk operation was excellent. All these have laid a solid foundation for the implementation of overall risk management.
COSCO Container Lines	2008.05.26-28	Since 2005, the company began to compile and release sustainable development report independently, and to receive third-party assessment from DNV. The report in 2008 gained the approval of DNV in terms of timeliness, accuracy, neutrality, responsiveness, comparability and completeness, etc. DNV believed that the performance information and data in COSCO Bulk's sustainable development report are accurate and objective.
COSCO Vessel Fuel	2008.06.24-26	The company has laid a good management foundation and data supporting platform for the sustainable development report in terms of system construction, management innovation and indicator management, etc. It implemented risk management with the methods of HSE harm identification and risk management, formed a central fuel system harm identification and risk assessment table, which laid foundation for the implementation of overall risk management. The company also has very good practice in terms of human right, labors, environment, community and anti-corruption.
COSCO Qingdao	2008.11.11-13	The company has a strong receptivity for new concepts, along with excellent corporate culture, harmonious, relaxed working environment and corporate atmosphere. The systematic, mature working mechanism of the two party political systems lay good foundation for the performance of Global Compact and overall risk management. The company also has very good practice in terms of risk of policy making, chartered vessel risk management, human resource risk, human rights, labors, environment and anti-corruption, etc.
COSCO Logistics	2008.11.19-21	The company has excellent corporate culture, and has made contribution in environmental protection, resource saving, climate change, labor protection, human rights and community through technological innovation and managerial innovation. Also, the company has added the KRI indicator to its performance assessment, demonstrated ample concerns and given enough incentives for the growth of employees.

6. Audit of management system and sustainable development report

The reliability and quality guarantee mechanism for COSCO Group's report adopts the world's most advanced controlling standards and methods. COSCO Group checks the reliability of the report according to AA1000 and DNV's sustainable development report auditing criteria, rates the sustainable development management system and determines the supporting degrees of the process to the reliability of the report. It applies COSO for comprehensive risk management maturity degree rating to determine the risk controlling efficiency of the sustainable development strategy management. The quality, environment, and occupational safety system certifications were taken as basic guarantees and the ISO27000 was adopted to audit the sustainable development information platform. COSCO Group headquarters uniformly developed and organized the evaluations and trainings to complete the compilation of each year's sustainable development report in standardized processes. It established standardized risk evaluation and audit mechanism to satisfy the requirements for sustainable development and comprehensive risk management. The evaluation and audit team had ensured the reliability of the report with strict working methods. The

AA1000 and other evaluation and audit tools were adopted to compile the Guidelines for Internal Audit and Evaluation. The sustainability of different companies were compared and evaluated horizontally and the sustainability of the enterprise in different stages was compared vertically to ensure the reliability of the report.

COSCO Group recognized that reliability of social responsibility and sustainable development report determines the trust degree of related parties, thus affecting the enterprise's international position and reputation. With an aim to improve the credibility of the report, COSCO Group submits each year's sustainable development report to DNV and the Global Compact Promotion Office of China Enterprises Confederation for a joint third-party evaluation and audit.

7. Establishing strict compilation process and communication mechanism for sustainable development and social responsibility report, and cautiously issuing the sustainable development report

Sustainable development report is an important assessment standard for the improvement of corporate core competitiveness. Its data provides a basis for the investment of stakeholders and the management decisions of the company's management authorities. Therefore, the accuracy and collection channel of data are very important. The level of data disclosure and the integration level of the report should be determined by the decision-making level that conducts management. The companies strictly carried out the data reporting, review and approval processes. Starting from 2008, all the data should be approved and signed by the legal representative of the company before submittal.



8. COSCO Group's institutes and staff for sustainable development

All companies of COSCO Group have established Global Compact promotion teams or Sustainable Development Committees, along with daily management organs to incorporate the performance of Global Compact and sustainable development work into daily management functions. The promotion teams consist of employees from different departments, organize and participate in the work of the Global Compact, and promote sustainable development. The number of employees engaged in the work of the Global Compact and sustainable development within the entire Group has increased year on year. In 2008, a total of 325 employees from COSCO Group headquarters and companies that implement the Global Compact have incorporated the promotion of Global Compact into their official responsibilities. To ensure the quality of the performance of Global Compact and sustainable development, COSCO Group headquarters allocated and approved special funds.

Year	2002	2003	2004	2005	2006	2007	2008
Number of people	24	26	33	116	173	173	325

To ensure the construction of sustainable development system, COSCO Group established a top-down system of promoter team, indicator data collection team, report compilation team, IT information platform construction and support team and internal auditor team.

The sustainable development management system promoter team consists of full-time employees from companies at all levels. Each department or office designates one staff member to be in charge of the

sustainable development management system construction and operation work of the department. There are thousands of promoters in the entire Group.

COSCO Group also established a 45-member team for the compilation of sustainable development report, among whom 22 were the core members who took part in the whole process of data collation, material selection, report compilation, improvement, submission and assessment. Each member participated in the work for 30 days, and the total concentrated working period was 1350 man days.

Report sections	Content	People in charge
Strategies and general situation	Section I: President Statement, Strategies and Analysis Section II: Introduction to COSCO Group Section III: Companies Implementing Sustainable Development Section IV: Report Overview Section V: Awards	Ma Hongjin, Yan Ge
Management and stakeholder participation	Section I: company management Section II: Major Policies and Management System Section III: Global Compact, Overall Risk Management and Sustainable Development Section IV: Stakeholder Participation	Liu Xiaoping, Zhao Haotian, Yu Bo
Economic performance report		Zhuang Shaohuang, Xu Ming
Environmental performance report		Huang Yejian, He Jiansheng
Products performance report		Guo Shisheng, Li Tongchun, Wu Fei, Chang Wenguang
Labor performance report		Jiang Yongbo, Zhang Bingcheng
Human rights performance report		Zheng Yongjiang, Sun Xuemei
Social performance report		Wang Xiao, Ding Dan
Draft compilation		Zhao Meng, Zheng Xiaofeng
Translation		Pan Deng, Tao Runyuan
Assessment		Ma Xinying, Jia Lianjun
Other participants		Zhu Fengyuan, Cao Bin, Zhang Yu, Hu Yayu, Li Lianhua, Gu Zhiyong, Dong Jie, Wang Shumin, Ying Haifeng, Liu Weini, Zhou Zhenyang, Wang Xintian, Hu Xi

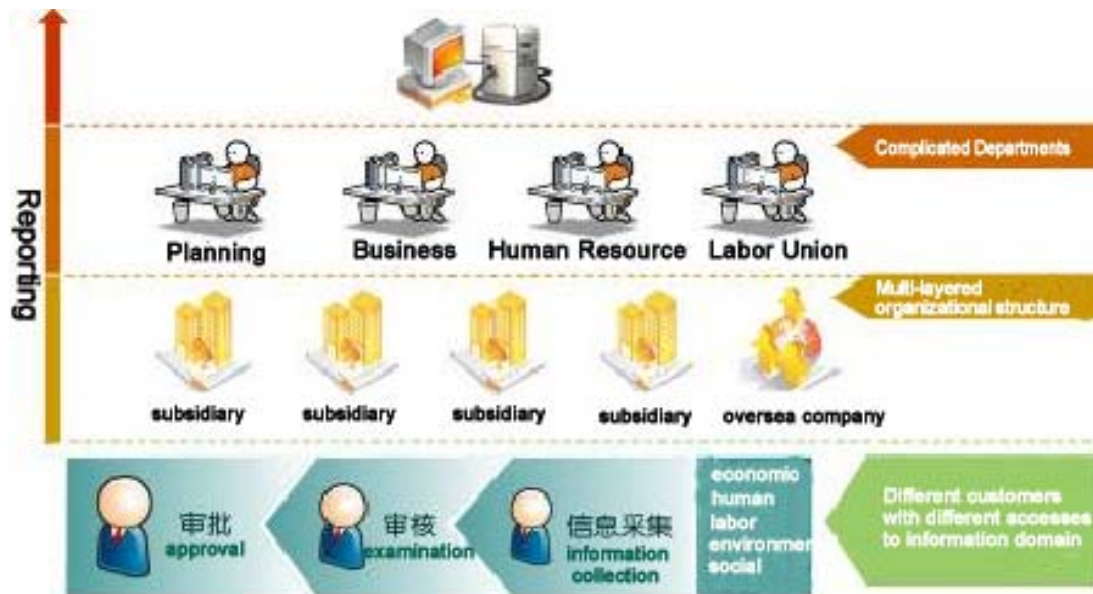
9. COSCO Group will raise the level of IT application to pursue sustainable development and establish a highly efficient reporting mechanism.

The COSCO Group integrated IT application with the sustainable development management on the basis of its advantages in IT application and interpretation of corporate social responsibility. It not only met the requirements of making annual reports on sustainable development and more efficiently shouldered the corporate social responsibility, but also increased the competitiveness of the Group and gave impetus for future development.

The COSCO Group studied the Guideline on Fulfilling Social Responsibility by Central Enterprise released by the State-owned Assets Supervision and Administration Commission (SASAC), developed the consciousness of corporate social responsibility, established and improved the sustainable management system and set up a long-term mechanism of social responsibility and sustainable development. The Group

created a sustainable information platform by applying IT. Therefore the system has become more effective, the staff has become more aware of the social responsibility and concrete actions have been taken to achieve sustainable development. In addition, the Group analyzed the problems of the previous system. To seek optimized solution and facilitate the management of the system and reporting, the Group set objectives to improve the platform:

- (1) establish an inclusive information system and develop clear workflow to achieve sustainable development;
- (2) establish an advanced information system of sustainable development, manage the workflow to improve the management system, and monitor the system to strengthen the internal control;
- (3) set phased objectives to follow up and examine the efforts of pursuing sustainable development;
- (4) and compare with statistics of other enterprises in the same industry to guide the Group to make strategies and guidelines for sustainable development.



On the basis of the extended and improved previous system, the new system has four new major functions: separate management of objectives, engine of the workflow, sublicense of the system and multilingual conversion. At the same time, some basic functions were added, such as information portal, customized information service, inquiry management and indicator settlement. Safety test and stress test were made to test the information platform.

The improved information platform has added new sources of indicator material, rationalized the reporting process and introduced the objective-oriented management mechanism. As a result, the system of sustainable development could be managed step by step according to plans and the indicator system responsible for check-up of performance could be more rational.

The information platform will help to improve the management of core indicators of sustainable development. The Group will have access to and manage the subsidiaries' indicators related to sustainable development through internet. Therefore, it can inquire, assess and analyze the overall operation of the corporation from different aspects and levels. It can manage the process of making the sustainable development report in a highly efficient and sound way. Practical technologies will be available for presenting the whole society the corporate contributions to the UN Global Compact and social responsibility in a timely and precise manner.



(IV) Achievement of COSCO Group Sustainable Development Report

COSCO Group’s first report issued in 2006, COSCO Group Sustainable Development Report 2005, was chosen as a notable COP by the UN Global Compact, making COSCO Group the first Chinese enterprise and first shipping company to win this honor. Afterwards, the 2006 and 2007 Sustainable Development Report were also chosen as notable COPs, which means COSCO Group has become the first Chinese, or even Asian enterprise to have won this title for three consecutive years from 2005 to 2007.

Meanwhile, COSCO Group’s Sustainable Development Report 2007 was awarded Global Compact Network China Notable Report Award.

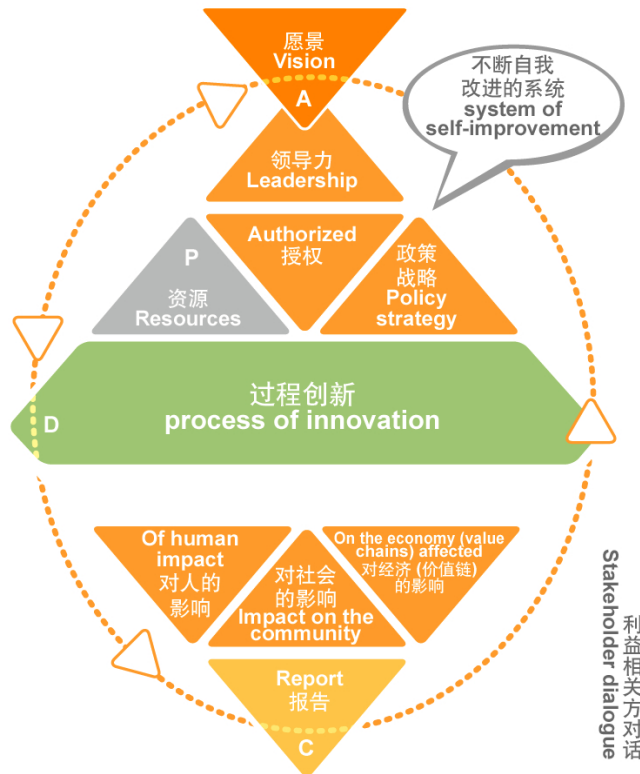


December 20, 2006, press conference held in Beijing	COSCO Group 2005 Sustainable Development Report	Chosen as a notable COP by the UN Global Compact
December 20, 2007	COSCO Group 2006 Sustainable Development Report	Chosen as a notable COP by the UN Global Compact
July 31, 2008	COSCO Group 2007 Sustainable Development Report	Chosen as a notable COP by the UN Global Compact



(V) COSCO Group’s plans for implementing the UN Global Compact and pursuing sustainable development in the next year

According to requirements of the Guide for Participants of the UN Global Compact, it is a long and complicated project to improve the process: Global Compact/social responsibility/strategies of sustainable development=overall risk management. It is also a lasting process to improve the report of performance and achievement and implement the Global Compact in the COSCO Group in a more extensive and profound way.



1. Integrate strategies, operation and risk management into the management system of sustainable development to accelerate the sustainable development, implement the Global Compact and shoulder corporate social responsibility in the Group. In the Regulations on Implementing the Global Compact, systematic documents and procedures will add KPI and KRI. The Group will establish a quantized management system and apply IT to meet the personalized demands of various users.
2. Integrate the comprehensive management system of quality, environment and safety with overall risk management and the sustainable development system to improve the management system in the Group and subsidiaries. All companies should establish three basic management systems of quality, environment and occupational safety and get relevant certificates to meet basic demands of the sustainable management system and integrate with it.
3. Adopt general mechanisms and procedures in the sustainable development system for the Group and subsidiaries. Keep in line with demands of the sustainable development system, conduct customers satisfaction survey and employees satisfaction survey, collect exchange information, evaluate of the investments' social and environmental risks to ensure the data can be used and processed.
4. Improve the information platform of the Group, transplant it into subsidiaries and collect first hand data of subsidiaries to ensure the quality and processing efficiency of the data.
5. Apply Six Sigma to reduce fluctuations, and use lean management to improve the efficiency, and establish a management system that closely links the Group and its subsidiaries.

II. The state and report of overall risk management

The Group has always attached great importance to improving the management. Based on the reality of the Group, it has introduced, studied and applied advanced management concepts and methods to improve the management and control the risks.

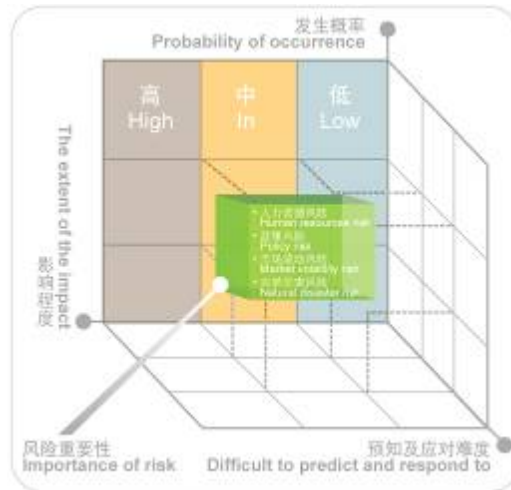
1996	The Group implemented ISO9000 Quality Management System Standards to regularize decision-making and management;
2000	The Group implemented ISO14000:1996 Environmental Management System Standards, OHSAS18000 Occupational Health and Safety Management System Standards, ISO17799 Information Safety Management System Standards to build a comprehensive management system;
2002	The Group digitized corporate management with Six-Sigma management strategy;
2003	The Group was the first company in China to implement AS4360 and COSO ERM Risk Management Standards; it combined the theoretical concept of overall risk management system proposed by the SASAC with COSCO Group's existing management system to build a complete management system;
2004	The Group coordinated with the SASAC to conduct researches on corporate risk management and set a good example as the first pilot enterprise to participate into the researches in this regard;
2005	On the basis of the Group's researches on risk management, it carried risk assessment to coordinate with the application of building of the system. The Group assessed its risks by identifying 946 risks and classifying them into 61 categories. Among the risks, 14 were identified as major risks. Accordingly, the working group provided references for the Group to make decisions, choose strategies and identify the priority on risk management by creating a risk database and drawing a risk map.
2006	COSCO Group head office redesigned its business flows according to the Guidelines on Corporate Social Responsibilities Management System of Global Compact, Comprehensive risk management Guidance for Central Enterprises and GRI Sustainable Development Guidance, and integrated the articles and terms of comprehensive risk management and Global Compact into its decision-making processes and business procedures. It asked all the staff to work according to requirements of Global Compact, social responsibility and risk management and empowerment. The head office set up the framework of the comprehensive risk management and the preliminary IT system of comprehensive risk management, making the COSCO Group the first central enterprise to set up the preliminary IT system of comprehensive risk management.
2007	The Group established the Risk Management Commission. The head office improved the comprehensive risk management system and established a quantized risk management system. COSCO Container Lines co., LTD, COSCO Hong Kong Shipping Co., LTD and Xiamen Ocean Shipping company established the systematic framework of comprehensive risk management. Based on the information platform of sustainable development, the Group integrated the requirements of comprehensive risk management with sustainable development and established a professional information system of comprehensive risk management to accomplish building the basic platform.

2008 was a year for the COSCO Group to intensify its reform. The Group took comprehensive risk management as its priority to pursue sustainable development.

1. The Group appointed the first Chief Risk Officer (CRO) of central enterprises. He was responsible for sustainable development, comprehensive risk management, development of the head office as well as organizations and functions of risk management to lay a foundation for sustainable development and the operation of the system of comprehensive risk management.

2. To institutionalize and standardize strategies of sustainable development and comprehensive risk management, the Group redesigned its business flows in accordance with the Guidelines on Corporate Social Responsibilities Management System of Global Compact, Comprehensive risk management Guidance for Central Enterprises and GRI Sustainable Development Guidance. It integrated the articles and terms of comprehensive risk management and Global Compact into its decision-making processes and business procedures and set up risk management procedures for the key flows. It asked all the staff to work according to requirements of Global Compact, social responsibility and risk management and empowerment.

3. The Group developed its own risk assessment models by referring to the Risk Management Standard AS4360 and US COSO Comprehensive risk management Framework and applying Six Sigma. It carried out scientific risk assessment by assessing risk frequency and risk impacts, predicting risks, responding to difficult 3D independent variables and collecting 1-10 contiguous data. The Group revised the results of risk assessment, producing a comprehensive and precise judgment of risks of the head office and identified major risks and management priority.



4. Management of departments and subsidiaries of the Group concentrated on risks and was based on characteristics of their risk management. On the basis of operational risk management, risk management will be reached out to strategic risks, market risks, financial risks, legal risks and social responsibility risks.

5. The Group used ISO9000 quality control system, centered on risk management, built social responsibility management system and ERM management system, established an effective mechanism for implementing Global Compact and social responsibility, regulated enterprise social responsibility behaviors so as to realize corporate value and harmonious development of environment and natural resources.

6. Based on Guide on Guideline on Fulfilling Social Responsibility by Central Enterprise, the annual comprehensive risk management report of COSCO was issued to systematically summarize and report the implementation, operation and achievements of comprehensive risk management in the Group.

III. IT facilitates the Group to realize ERM and sustainable management

Given that ERM is a hi-tech, comprehensive and demanding task to which information system can lend a hand in the information process, the Group identifies the target of completing ERM system and information platform building in three years.

To ensure the comprehensive risk management data is reliable, COSCO developed a system with sustainable information management platform. The system enables data collection, statistics analysis, report issuing, information disclosure and data management. Through master plan and step-by-step implementation, the Group is able to form a multi-level data base with basic indicators, which is not only helpful in issuing the annual comprehensive risk management report, but also in real time monitoring.



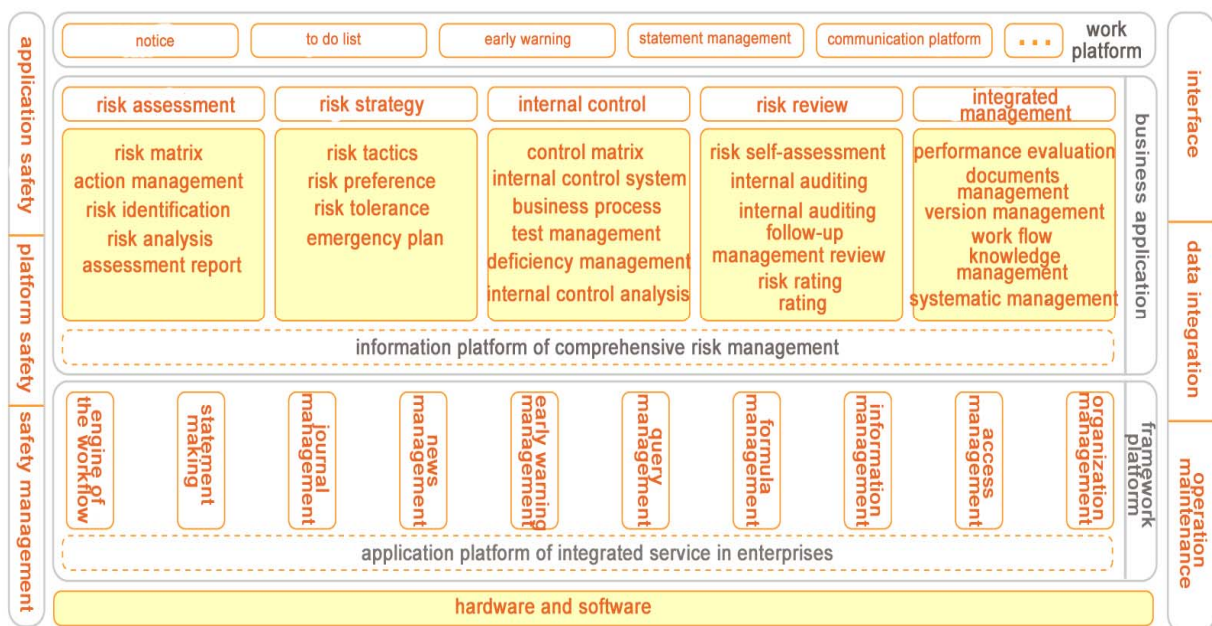
2004-2005: In June 2004, the Group took the initiative to participate in researches of the SASAC. In April 2005, consulting firms conducted researches on risk management.

2006: In June 2006, the SASAC released the Guidelines for Comprehensive risk management. In October 2006, the Group began with the preliminary work of the information system of comprehensive risk management.

2007: In February 2007, the Group developed modules such as risk identification, risk assessment, risk analysis, risk control, risk warning and risk report.

2008: In September 2008, the Group ensured the risk management and control with the help of information platform. It concentrated on risk management to pursue the all-round sustainable development.

According to the Comprehensive Risk Management system building program, the Group, following the Guide on Comprehensive Risk Management of Central Enterprises issued by SASAC and based on realities in COSCO, is developing a comprehensive risk management information system on sustainable information management platform, studying the demand and developing a comprehensive risk management information system, including enacting strategies against risks, collecting, assessing, analysing, responding and monitoring risks, managing the risk response system, integrating business, alarming system, risk reporting, system monitoring, managing risk base and information transparency. The Group is seeking to improve its information disclosure mechanism and form a complete comprehensive risk management information system.



Through the system, hopefully the following goals can be reached:

- Building a comprehensive risk management-centered information system. risk map and analysis report provide group management team with information for decision making; risk assessment and risk control promote risk consciousness inside the Group. Meanwhile comprehensive risk management information system is closely connected with enterprise business, and thus reflects business performance of the Group and the mutual influence.
- Building an advanced comprehensive risk management system. Improve management system through risk control practices. Enhance inner management through system monitoring and other functions.
- Building a set of practical comprehensive risk management system. By collecting key business indicators and realizing real time monitoring of big risks, the goal of avoiding risks through preemptive actions can be achieved.
- By this system, the Group is able to identify and prevent risk, design and adopt responsive measures, reduce loss, creating economic value, and improve the Group's image and risk management.

V. UN Global Compact supervision team highly praised the implementation

To promote Global Compact member unit to honor their commitments, UN Global Compact Office sent a supervision team on a global tour to check the implementation in 2008.

On May 15, 2008, Wei Jiafu, president of COSCO, and Li Jianhong, vice president and Chief Executive Officer of risk management, met Liu Meng, senior official of UN Global Compact Office and head of China division, and Sun Yuping, office of UN Global Compact Promotion (China) respectively. The supervision team checked the work of Global Compact member units according to the assignment of UN Global Compact Office. COSCO, as the modal unit and the only enterprise that had speaker sharing experience in the 2007 Global Compact Leaders Summit, was one of the first to receive the honor for supervision. It accepted the examination for the title of Global Contract Pioneer and Head of enterprises with Social Responsibility.



COSCO Group's donation to Wenchuan Earthquake in Sichuan had won high praises from the Global Compact. The disaster-relief action of COSCO Group undoubtedly plays a leading role for Global Compact member units in China and even in the world to perform social responsibilities.

Liu Meng, on behalf of Georg Kell, chief director of Global Compact, congratulated COSCO Group's achievements in performing social responsibilities. Liu Hoped that COSCO Group could continue its efforts and try to be a leader in social responsibility of world's shipping industry.

Part IV. Participation of stakeholders

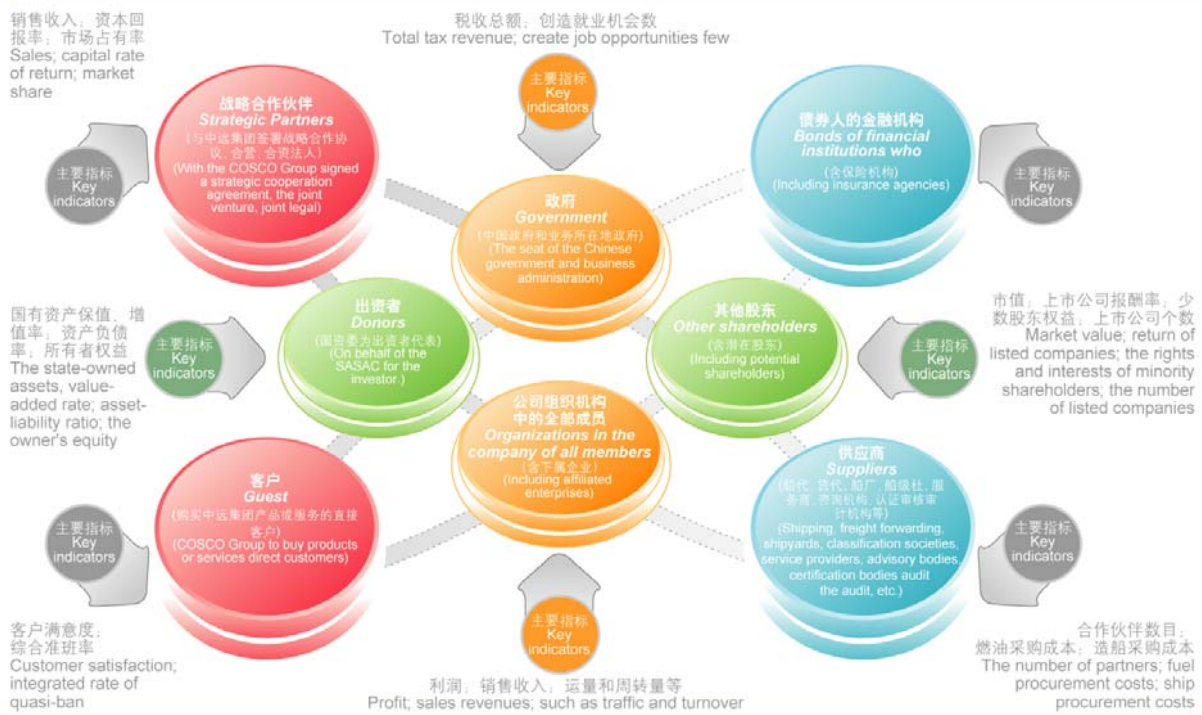
The group will identify and choose shareholders according to their influence on risks of sustainable development and on COSCO.

Stakeholders' identification, communication and use of information of COSCO Group:

Name of stakeholders	Way of communication	Expectation on COSCO Group	Examples of detailed requirements	Main indicators
Government (Chinese Government and local government where the business located)	Law and regulation, policy and direction issuance, national and ministry conference, special report, forms, visit	Continuous and stable growth, taxation income, employment opportunities, driving global prosperity	Building harmonious society, economical society, and low-compliance requirements	Total tax, employment opportunities created
Investors (with State-owned Assets Supervision and Administration Commission as representative of investors)	Issuance and implementation of documents, participation in conferences and fulfillment of spirits conveyed at the conferences, periodical report, business administrative sectors' daily communications, reports and visit	Continuously improve company's profitability and key competitiveness, ensure value maintenance and appreciation of state-owned assets	Requirements of comprehensive risk management, enterprise sustainable development, enterprise social reliability report, construction of resource-saving enterprise, and requirements of related evaluation indicators	Profit, capital return ratio, rate for value maintenance and appreciation of state-owned assets, total debts, asset-liability ratio, owners equity
Other shareholders (shareholders of all listed companies of COSCO Group and potential shareholders)	Annual report, shareholders' conference, written report for shareholders	Continuously improve company's value and market value, decrease enterprise risk, ensure enterprise' sustainable development	Publicly disclose important company information, opportunities for equal participation, protection over shareholders' interest	Market value, listed companies' reward ratio, minority shareholders' rights and interests, number of listed companies
Strategic cooperation partners (juridical persons signing agreements with COSCO on strategic cooperation, joint operation and joint venture)	Contract enforcement, periodical meeting, top management meeting, file and mail transfer, daily communication	Constantly improve profitability in strategic cooperation, ensure common interest of strategic partners	Information and resource sharing, management innovation, win-win cooperation	Sales revenues, return on capital, market occupancy
Clients (direct clients purchasing any product or services of COSCO Group)	Client conference, suggestion collection, daily communications with sales	Provide high-quality products and services at reasonable price,	Responding speed, individualized services for clients, service quality	Customer satisfaction ratio, comprehensive on-time ratio

	representatives	make continuous improvement		
Subsidiaries (COSCO Group's wholly owned, joint venture, joint operation, and cooperative companies)	Business meeting, suggestion collection, top management meeting, daily business mail communications	Provide accurate decision and scientific management, continuously improve management quality 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 on capital, debt ratio
All members in corporation organization structure	Rational suggestions, president's mailbox, conference, suggestion collection, communications	Continuously improve company's profitability and sustainable development ability, provide more welfare and promotion opportunities to employees	Career development, opportunity, treatment, graceful and confident working environment	Employees' satisfaction, employee loyalty, job-hopping ratio, investment in employee training
Suppliers (suppliers and contractors including ship agency, freight forwarding, classification society, service provider, consulting companies, certification and auditing units, etc)	Contract and agreement negotiation, periodical visit, bidding meeting, suggestion collection	Have the opportunity to serve for COSCO Group in long period of time and get reasonable benefits	Reasonable price, stable policy, 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, periodical visit, business operators' daily communication	Operate stably to ensure timely payment and prevent risks	Timely payment, reduction of risky events	
Workers' unions (workers' unions in China and in places where it operate businesses)	Speaking rights on important company decisions, collective negotiation, labor union representatives in periodical communication, staff representative conference	Respect labor rights, comply with requirements of workers' unions, protect 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 workers' union, number of workers' labor unions in subsidiaries set by group labor union, signing collective contracts, employee participation ratio

Community (in China and business locations)	Signing contract on joint civilized construction, joint program development, periodical meeting for communication, parties for celebrating days	Civilized production, boost community prosperity and harmony, provide safe and healthy living environment	Non-pollution and non-damages on community environment, no safety accidents, input of resources to build harmonious society	Investment in community building, number of pollution-related complaints
Non-governmental institutions and organizations (international environmental protection organizations, international labor organizations, international maritime organizations, industry associations, local communities, etc.)	Joining associations and holding 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 sustainable development, industry development, and local development	Practices and resources to meet standards and requirements advocated by non-profit organizations of sustainable economic development, healthy industry development, local prosperity and non-profit organizations	Quantity 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 way to fulfill the sustainable development.	Faithful, healthy, professional, internationalized	



1. Actively responding to the call of SASAC, and setting an example of fulfilling social responsibility

After the release of 2008 No. 1 Decree, Guiding Opinions on Further Promotion of Social Responsibility among Central Enterprises, of the SASAC of the State Council, the first Central Enterprises Social Responsibility Theme Meeting was held on July 11, 2008. Representatives from COSCO Group headquarters delivered speeches at the meeting, summarizing and sharing experience and thoughts for the fulfillment of social responsibility. Present at the meeting were 150 people, including chief leading cadres from 55 state-owned key enterprises, leaders and departmental heads in charge of social responsibility work from central enterprises that had released social responsibility reports, and comrades from competent authorities of the SASAC.



COSCO Group shared its experience at the social responsibility forum organized by SASAC. Deputy Director Huang Shuhe spoke highly of COSCO Group’s report and encouraged COSCO Group to strive for better and actively participating in the formulation of international standards.

2. Actively supporting and participating in UN Global Compact

Since COSCO Group was approved to join the UN Global Compact in January 2005, it has formed long-term strategic relations with UN Global Compact and its Chinese Network Center, and actively supported and participated in the projects and activities of UN Global Compact.

- Supported the translation and publication of the Chinese version of UN Global Compact annual communication guide
- Supported the work conference of UN Global Compact in 2008
- Supported the meeting of establishment of UN Global Compact Chinese Network Center

With the development of the UN Global Compact and the growth of its members, there are five Global Compact Networks have been established in China alone, and more than 200 Chinese enterprises and organizations have become members of the UN Global Compact. To better facilitate the healthy development of UN Global Compact organizations, UN Global Compact Office has changed the past practice and decided to sign license agreement with only one local network organization in each country.



That network shall take the responsibility for the coordination of relevant work on Global Compact and social responsibility of other network members. In February 2009, the UN Global Compact Office signed a license agreement with Beijing Rongzhi Corporate Social Responsibility Research Institute whose subordinate body, the UN Global Compact Chinese Network Center Office, would be responsible for the organization and coordination of all events and activities carried out in China by the UN Global Compact Office. On April 20, 2009, Global Compact Chinese Network Center held its establishment meeting at Beijing COSCO Plaza. Ms Chen Ying, director of Beijing Rongzhi Corporate Social Responsibility Research Institute, and the first UN Global Compact councilor, was reelected in 2009. COSCO Group provided conference room for the establishment meeting, and showed supports for the Global Compact Chinese Network Centre.

3. Taking active part in the project of WBCSD World Shipping Sustainable Development Indicator Guidelines

COSCO Group participated in the project to formulate World Shipping Sustainable Development Indicator Guidelines, initiated by the World Business Council for Sustainable Development (WBCSD) and DNV, and served as a framer of the standards.

4. Establishing Golden Bee Corporate Social Responsibility China Roll, and promoting the healthy development of the cause of sustainable development

The Golden Bee Corporate Social Responsibility China Roll, founded by COSCO Group, world famous transnational corporation BASF and China WTO Tribune, was unveiled in Beijing on April 25, 2008. Twelve enterprises, including State Grid, were awarded 2007 Golden Bee Award for Leading Enterprises. Six, including Liby Group, received the Golden Bee Award for Growing Enterprises, and eleven, including Haier Group, were honored with six Individual Awards. Another 31 enterprises, including Shanghai Jielong Printing Group, were shortlisted on the Golden Bee Roll.



President Wei Jiafu said in a video speech at the release ceremony of Golden Bee Enterprise Social Responsibility China Roll that over the years COSCO Group continued to improve its management system in the course of globalized development, and made use of the chance of participation in the UN Global Compact to improve the construction and quality level of its management system. The Group's competitiveness was greatly enhanced. It was hoped that the Golden Bee Award would promote the construction of long-term mechanism among more enterprises to perform their social responsibilities and embrace their corporate competitiveness.

5. Signing Acting on Climate Change and Universal Declaration of Human Rights

United Nations Secretary-General Ban Ki-moon visited China on July 2, 2008 and met with companies participating in the Global Compact. President Wei Jiafu delivered a speech on behalf of Chinese enterprises, introduced COSCO Group's practice of corporate social responsibility and implementation of Global Compact. President Wei Jiafu delivered a speech on behalf of Chinese enterprises, introducing COSCO Group's practice of corporate social



responsibility and implementation of the Global Compact, and announcing the participation of COSCO Group in the UN Acting on Climate Change. COSCO Group would actively comply with the series of basic principles and measures for acting on climate change proposed by the declaration. As the first Chinese enterprise to sign both the Acting on Climate Change declaration and the Universal Declaration of Human Rights, COSCO Group won great prestige for Chinese enterprises.

6. Strategic cooperation agreement with the Government, major clients, and suppliers

In 2008, COSCO Group continued to implement its major clients' strategy, and actively established strategic cooperation partnerships with local governments and large corporate groups to facilitate the sustainable development of both parties. In this year, COSCO Group signed strategic cooperation agreements with local governments including Guangdong, Hunan, Hubei, Jiangxi, Shanxi, Anhui, Henan, and Hebei Provinces, and with the Chinese Ministry of Railways, the People's Bank of China, and Wuhan Iron and Steel (Group).

7. Organizing World Shipping Summit 2008

The World Shipping (China) Summit 2008, also known as Maritime Davos, unveiled at Dalian Shangri-la Hotel. The annual meeting attracted senior governmental officials, industrial experts, CEOs and senior executives from related industries from home and abroad to deliver speeches. More than 1,000 world famous experts, scholars and representatives from global shipping and related industries were present at the Summit. The opening ceremony was hosted by Zhang Fusheng, Secretary of the Party of COSCO Group.



The World Shipping (China) Summit was jointly initiated by COSCO Group, UK Drewry Shipping Consultants Limited, China Maritime magazine and the US Journal of Commerce in July 2004. The themes of the Summit were Focus on China's Development, Spotlight on Global Hotspots, Promotion of Industrial

Interaction, and Pursuit for Cooperation and Mutual Benefit. The situation of economy and trade was analyzed, the future of maritime industry predicted, new industrial tasks discussed, and the cooperation and mutual benefits of the shipping industry were perused from the perspective of port-ship interaction. Also discussed were whether the capital market still had an eye for the shipping industry, issues on green innovation, and new reforms in maritime industry, etc. The Summit was the largest in scale, highest in level, and most remarkable maritime peak forum in the global maritime industry.

The Summit in 2008 lasted for two days, and focused on the theme of Weighing the Situation and Drawing up Plans. The topics included Wind, Tide, Rush, Move, Weighing, Trend, Use, and Plan, which outlined and highlighted the current trends in shipping market. Against the current background of complicated and ever changing international economy and trade situation, and global shipping market, the Summit provided an information exchange platform for the representatives.

Wei jiafu, President of COSCO Group, was present at the meeting and delivered a speech entitled Market Needs Confidence. He pointed out in the speech that along with cost and risk control, shipping industries should establish confidence, watch calmly, enhance cooperation, actively respond to changes, and strive for a better tomorrow of the maritime industry. He also emphasized that crisis was the coexistence of both challenge and opportunity.

8. International exchange activities

On February 22, at the invitation of the Ministry of Commerce, Wei Jiafu, President of COSCO Group, delivered a speech entitled From Transnational Operation to Global COSCO at the 6th Transnational Corporations China Forum 2008 hosted by CAITEC, introducing COSCO Group's experience in global development to more than 300 distinguished guests from home and aboard.



On March 22, 2008, COSCO Group President Wei Jiafu attended the China Development High Level Forum and Annual Meeting 2008 held at Diaoyutai State Guesthouse in Beijing, and delivered a theme speech at the session on Corporate Social Responsibility in Coping with Global Warming.

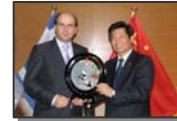


On June 13, Chinese and Foreign Transnational Corporations Internaitonal Annual Meeting 2008, jointly sponsored by the Ministry of Commerce, Investment Promotion Bureau of Hong Kong SAR Government and China Group Companies Promotion Association, was held in Beijing. The Ministry of Commerce, Ministry of Finance, and State Assets Administration Committee and a number of famous enterprises from home and aboard, including COSCO Group and EDF, etc, were present at the meeting. President Wei Jiafu delivered a speech entitled Prioritizing Responsibility, Global Development, introducing COSCO Group's achievements in terms of listed operation, international competition globalization, and social responsibility globalization, etc. The speech was highly evaluated by representatives at the meeting.



On June 13, the 6th council of China Group Companies Promotion Association held its first member meeting. The meeting was presided over by Wei Jiafu, chairman of the 5th council of China Group Companies Promotion Association and President of COSCO Group. The Work Report of the Fifth Standing Committee was voted and approved at the meeting. Ten people, including President Wei Jiafu, were elected as the honorary chairperson of the CGCPA, and 19 people, including COSCO Group vice-President Li Jianhong, were elected vice-chairperson. Xu Lejiang, chairman of the 6th council of CGCPA, read a Letter of Thanks to President Wei Jiafu on behalf of the council, extending gratitude to President Wei for his outstanding contributions to the CGCPA and its members during his two consecutive terms as chairman. All representatives at the meeting gave a warm applause to Chairman Wei Jiafu.

On October 28, the International Maritime University of Panama awarded a Medal of Honor and Certificate to President Wei Jiafu for COSCO Group's contribution to the University's school building reconstruction.



On November 24, Greek Prime Minister Karamanlis kindly received COSCO Group President Wei Jiafu in Athens, and extended warm congratulations for the investment cooperation agreement to be signed between COSCO Group and Greece's Piraeus Port.



On the evening of December 9, 2008, at the invitation of Sheng Huaren, Vice-Chairman of the 10th NPC Standing Committee and Ji Peiding, chairman of the Association of Former Diplomats of China, President Wei attended the preparatory meeting of Chinese and foreign think tank for energy cooperation at Diaoyutai State Guesthouse. Six energy-related enterprises, COSCO Group, PetroChina, Sinopec, CNOOC, China National Nuclear Corporation and Shenhua Group attended the meeting. The tasks, objectives, organization establishment and working principles of the Chinese and foreign think tank for energy cooperation were discussed at the meeting. Sheng Huaren was recommended as Senior Consultant, and COSCO Group President Wei Jiafu and Presidents of the other 5 enterprises were recommended as consultants.

9. Popularization and cooperation of COSCO Group sustainable development information platform

In International economic and trade cooperation, enterprise cooperation, as an extensive, regular and effective way of economic cooperation, has drawn the interest of all countries. And the obtaining of report rating of GRI initiated by the United Nations would facilitate cooperation with enterprises and organizations from home and abroad in terms of economy, environment and society.

COSCO Group's Sustainable Development Information Management System is an information management platform designed and developed on the basis of the Global Compact and related concepts of corporate social responsibility and combined with relevant guidelines, initiatives and standards of different international organizations (Global Compact, OECD, GRI, AA). After 5 or 6 years' successful internal practice, the design of the system was expanded by taking into consideration the enterprise's own management system requirements, studying and comparing relevant characteristics of corporate social responsibility management home and abroad, and referring to the third-party assessment and certification of DNV, GRI and Global Compact. It can be said to have great commonality and market values.

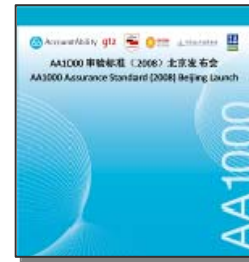
The system can serve relevant enterprises and organizations performing the Global Compact and corporate social responsibility. It is open and flexible enough to be applied by different enterprises in different industries, therefore meets the urgent needs of relevant organizations of promoting corporate social responsibility and enhancing the management of sustainable development. It can not only serve large conglomerates well, but also provide helpful guidance for the construction of social responsibility management system in small and medium-sized enterprises. It plays a prominent role of guidance and support particularly in the steel, energy, logistics, and other labor-intensive industries. Therefore COSCO Group's sustainable development information platform was recommended by the international organization for standardization ISO as an accessory for ISO26000 (standards for social responsibility).

COSCO Network (Beijing) Company, as a R&D institute for COSCO Group's sustainable development information management platform, signed a strategic cooperation agreement with Global Compact Chinese Network Center Office. The Chinese Network Center, as a sustainable development research organization authorized by the United Nations Global Compact Office, actively promoted sustainable development activities focusing on corporate social responsibility, environmental protection and clean production. COSCO Network (Beijing) Company, as a subordinate body of COSCO Group, made use of its powerful technological advantages to promote sustainable development activities and to meet market needs. The company independently developed the sustainable development information management system in order to comprehensively promote and coordinate sustainable development, establish win-win cooperation relations, join hands with other companies to fulfill social responsibilities, establish a resource-conserving society, and make active contribution to the realization of corporate sustainable development.

10. Actively participating in and supporting the popularization of GRI Sustainable Development Guideline and AA1000 Sustainable Development Assurance Standards

COSCO Group took active part in the Social Responsibility Executors' Roundtable Talk organized by GRI, introducing and promoting the application of GRI Sustainable Development Guideline in corporate management.

COSCO Group actively supported AA1000 Sustainable Development Assurance Standards, taking part in the preparation and supporting the press conference for AA1000 Sustainable Development Assurance Standards Chinese version.

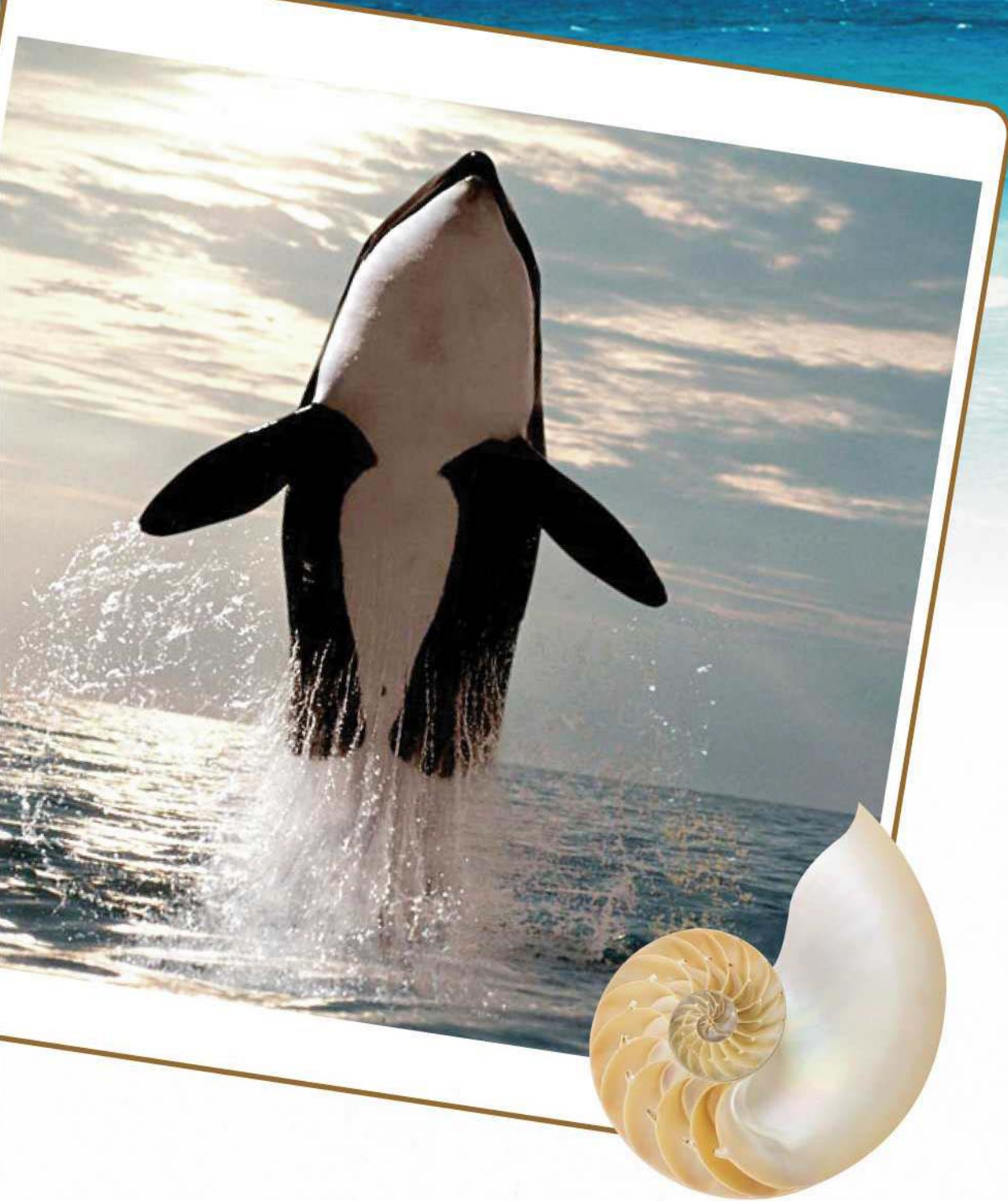


11. Actively implementing the influence of supply chain social responsibility influence, promoting experience of social responsibility for corporate output, and facilitating the progress of social responsibility in business circles

In 2008, COSCO Group provided lectures for Anshan Iron and Steel Group on social responsibility implementation, discussed with CNOOC about the construction of sustainable development information platform, and shared experience with China Guangdong Nuclear Power Group, Baoshan Iron & Steel Group and Yantian Port.

12. Promoting the implementation of sustainable development strategy with a number of intermediaries, including Det Norske Veritas, China Classification Society, First Huida Risk Management, BSR, GTZ, and SBTY Six Sigma Consulting, etc.

Certification companies, including DNV and CCS, discovered risks and opportunities through system evaluation and report check, and facilitated the improvement of COSCO Group. First Huida Risk Management and COSCO Group practiced together overall risk management and built quantized overall risk management system. SBTY and COSCO Group developed the application of six-sigma technology in risk management and Sustainable Development Report. From 2008, data mining and analysis will be conducted in COSCO Group's Sustainable Development Report.



**ECONOMIC
PERFORMANCE
INDICATOR AND KEY
REPORT**



Part C Management approaches and performance indicators

Part I Economic performance indicator and key report

I. Management approaches

1. Objectives and performances

COSCO Group accepts the obligation of "comprehensive development and establishing its leading positions in international shipping, logistics business, terminal operation and ship-building/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, and fulfills its responsibilities as corporate citizenship by taking technology as a tool and benefits as the core while adhering to the human-oriented and market-oriented principles. It sticks to the twin drivers of production operation and capital operation 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, COSCO Group propels its transformation from a global shipping carrier to a global logistics operator and international shipping logistics system integrator and from a cross-border business player to a transnational company and global conglomerate, so as to build harmonious and evergreen COSCO and fulfill its healthy, fast and sustainable development.

Since 2004, profits of COSCO Group had exceeded RMB 10 billion for five years in a row. COSCO has been rated the A-class in annual inspection of the State-owned Assets Supervision and Administration Commission for successive three years from 2004 to 2006 and was rated as A-class again in three-year tenure again in 2007. In 2008, it was also rated A-class in annual evaluation again.

While keeping its economic performance, COSCO Group also paid back to society by establishing and running the charity foundation.

2. Policies and regulations

COSCO Group headquarters establishes the decision-making quality management system with ISO9000 as the framework, bringing decision-making management and objective management into the system. 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 reduce operational costs. All shipping, logistics and ship-building/ship-repairing subsidiaries also gradually establish and implement the quality, environment and occupational health & safety management systems to bring the decision-making, production and management processes into system. They also commenced the establishment of comprehensive risk management system to control decision-making and operational risks.

3. Organization and responsibilities

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

Office in 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 its subsidiaries and for supervision and evaluation on annual production and operation objectives of its subsidiaries. The Supervision Department is responsible for audit of operational performance of its subsidiaries. The Transportation Department, Safety Supervision Department, Accounting Department and other departments of the group are responsible for guidance, supervision and inspection and for establishing strategic partnership with related parties.

Subsidiaries of COSCO Group shall sub-divide the objectives assigned by the headquarters layer-by-layer, and analyze and report the fulfillment progress to the headquarters on a monthly basis. The offices in second-tier companies shall be responsible for system operation and maintenance, while 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 service, procurement control, and working procedure control.



4. Training and communications

COSCO Group has established the Employee Training Procedures and identified employees' training needs from corporate development strategy, business demands, basic information of employees and career development. Each year, it formulates training plans, establishes mechanism and put special money to carry out multiple-formed trainings, and facilitates communications of all layers by ways such as meetings, internal information network, newspapers and news briefs. Subsidiaries of COSCO Group formulated annual training plans of the companies based on annual training plan of the headquarters and in combination with their practical situation. Trainings were organized to improve occupational quality and working skills of employees and ensure the effective fulfillment of the group's strategies and objectives.

5. Supervision and inspection

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

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

All subsidiaries of COSCO Group has started to establish quality, environment and occupational health & safety management systems and organized related certifications (Please refer to following table for management system certification status of the companies.) The table below shows establishment and operation status of quality management system (according to ISO9000 standards), Global Compact sustainable development management system, and information safety management system of all companies.

Unit	Quality management standards		Other management standards	
	Established	Certified	Established	Certified
COSCO Group headquarters	★	★	■▲	■
China COSCO	★			
COSCO Container Lines	★	★	■▲	■▲
COSCO Bulk Carrier	★	★		
COSCO Guangzhou	★			
COSCO Shipping	★	★		
COSCO Qingdao	★	★		
COSCO Dalian	★	★		
COSCO Xiamen	★	★		
COSCO Hong Kong	★	★		
COSCO Logistics	★	★		
COSCO Shipyard	★	★		
COSCO Shipbuilding	★	★		
CHIMBUSCO	★	★		
Hainan Boao COSCO	★	★		
China Ocean Shipping Tally	★	★		
COSCO Human Resources/COSCO Manning	★	★		
COSCO Finance	★			



China Ocean Shipping News	★			
Maritime China Magazine	★			
COSCO U.K.	★	★		

Symbol: ★ Completed ■ Global Compact and sustainable development management system ▲ Information safety management system

II. Performance indicators

In 2008, COSCO Group ranked the 327th in Fortune Global 500, with the revenue of 27.4303 billion dollars, a great elevation of 78 places from that of 2007. The group ranked the 37th among top 50 fastest-rising companies.

➤ A comparison of indicators of COSCO Group from 2006 to 2008

Year	Sales revenue (\$ mil.)	Rankings by sales revenue	Net profits (\$ mil.)	Rankings by net profits	(\$ mil.) Total assets (\$ mil.)	Rankings by total assets	Owners' equities (\$ mil.)	Rankings by owners' equities
2006	15,413.5	488	1,092.9	328	18,720.1	388	6,170.7	361
2007	20,840.4	405	3,678	145	29,195.6	Formal data are not available	17,422.5	Formal data are not available
2008	27,430.3	327	1,893	189	36,314.2		19,546.4	

➤ A comparison of indicators of COSCO Group with other shipping companies listed in Global 500 in 2008

Similar with 2007, a total of four shipping companies were listed in Fortune Global 500 in 2008. This year, COSCO Group ranked the 2nd place, a significant elevation in global shipping industry. Besides, sales income growth rate and profit rate of COSCO Group still ranked the first in the industry.

Company name	Ranking in 2008	Ranking in 2007	Change of ranking	Sales income (\$ mil.)	Change rate of sales income compared with 2007 (%)	Growth rate of sales income (%)	Profits (\$ mil.)	ROA (%)	Profit ratio
Maersk	106	131	+25	62,637	19.6	5.3	3,330	5.2	5.3
COSCO Group	327	372	+78	27,430	31.6	6.9	2893	5.2	10.5
NYK	371	405	+1	24,188	6.9	2.3	559	2.7	2.3
MOL	500	494	-6	18,572	19.0	6.8	1264	6.9	6.8



(I) Direct economic value created and distributed by COSCO Group

1. Direct economic value created

In 2008, COSCO Group completed the shipping volume of 440.9857 million tons, with the freight turnover of 2207.174 billion ton-sea miles and operating revenue of 190.64 billion yuan. Of the revenues, logistics business got RMB 14.3 billion, ship-building/ship-repairing business got RMB 20.598 billion. In shipping market, COSCO occupies 5.1% of shares. COSCO Group takes a leading role in domestic market in terms of logistics and ship-repairing businesses. Since 2003, COSCO Group's business revenue has increased stably, creating a miracle for rapid improvement of comprehensive competitiveness of shipping industry and establishing the COSCO brand in the world. Revenues of COSCO Group in recent years are as follows.

Indicator/year	2003	2004	2005	2006	2007	2008
Business revenue(RMB 10,000)	7,584,285	9,347,026	11,228,824	12,288,250	15,851,351	19,063,965

Fleet size

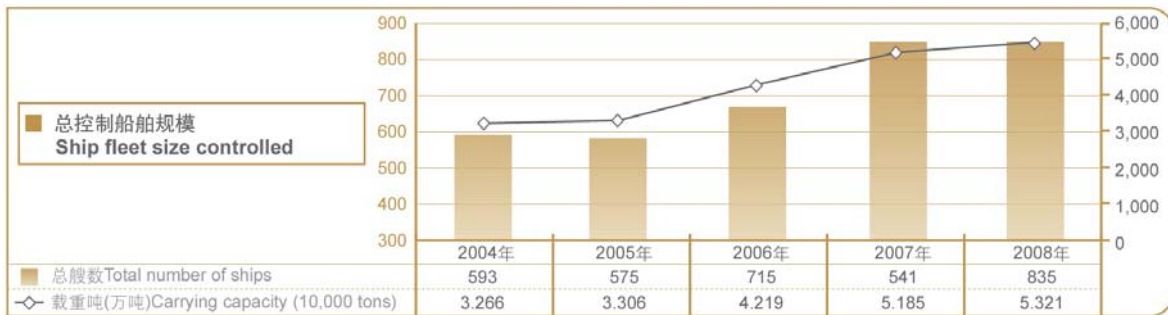
Self-owned ship fleet size						
ship	Indicator	2004	2005	2006	2007	2008
Container ship	Number of ships	86	87	86	85	93
	Capacity (10,000 TEU)	18.3	18.4	18.2	19.9	29.28
Dry and bulk carriers	Number of ships	207	208	228	217	224
	Capacity (10,000 tons)	1,198	1,256	1,431	1,380	1476
Oil tanker	Number of ships	14	17	28	27	24
	Capacity (10,000 tons)	108	205	340	338	347
Other liquid bulk carriers	Number of ships	10	8	16	19	22
	Capacity (10,000 tons)	4	4	5.9	8.63	10.4
General cargo ships	Number of ships	92	94	97	94	93
	Capacity (10,000 tons)	152	157	170	164.92	161
Other ships	Number of ships	11	11	19	18	18



	Capacity (10,000 tons)	13	13	20	20.7	20.7
Total of self-owned ships	Number of ships	420	425	474	460	474
	Capacity (10,000 tons)	1,748	1,910	2,237	2,198	2411

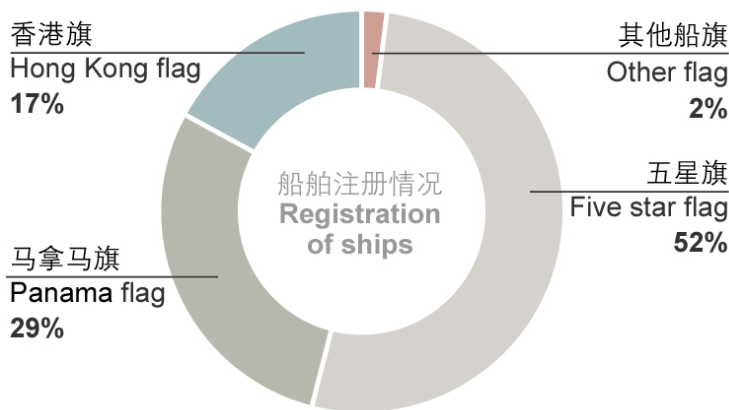
Notes: Statistics excluding figures of joint venture companies

Chartered ship fleet size						
ship	Indicator	2004	2005	2006	2007	2008
Container ship	Number of ships	17	19	54	59	48
	Capacity (10,000 TEU)	6.9	7.4	21.7	23.6	20.35
Dry and bulk carriers	Number of ships	156	130	179	305	292
	Capacity (10,000 tons)	1,419	1,296	1,641	2,530	2489
Oil tanker	Number of ships	0	0	2	5	5
	Capacity (10,000 tons)	0	0	58	141	141
Other liquid bulk carriers	Number of ships	0	0	1	0	1
	Capacity (10,000 tons)	0	0	0.7	0	0.5
General cargo ships	Number of ships	0	1	3	3	9
	Capacity (10,000 tons)	0	2	6	6	22
Other ships	Number of ships	0	0	2	9	6
	Capacity (10,000 tons)	0	0	1.7	11	6.82
Total of Chartered ships	Number of ships	173	150	241	381	361
	Capacity (10,000 tons)	1,518	1,396	1,982	2,987	2910
Ship fleet size controlled						
ship	Indicator	2004	2005	2006	2007	2008
Container ship	Number of ships	103	106	140	144	141
	Capacity (10,000 TEU)	25.2	25.8	39.9	43.5	49.63
Dry and bulk carriers	Number of ships	363	338	407	522	516
	Capacity (10,000 tons)	2,617	2,552	3,072	3,910	3965
Oil tanker	Number of ships	14	17	30	32	29
	Capacity (10,000 tons)	108	205	398	479	488.5
Other liquid bulk carriers	Number of ships	10	8	17	19	23
	Capacity (10,000 tons)	4	4	6.6	8.6	10.9
General cargo ships	Number of ships	92	95	100	97	102
	Capacity (10,000 tons)	152	159	176	171	183
Other ships	Number of ships	11	11	21	27	24
	Capacity (10,000 tons)	13	13	22	31	27.56
Total ships controlled	Number of ships	593	575	715	841	835
	Capacity (10,000 tons)	3,266	3,306	4,219	5,185	5321



Registration of ships

Ship flag	Five star flat	Panama flag	Hong Kong flag	Other flag
Number of ships	246	138	80	10



Transportation and related indicators

Indicator/Year	2004	2005	2006	2007	2008
Freight volume (ton)	27022.87	32103.33	35617.33	41158.12	44098.57
Freight turnover (1,000 ton-sea mile)	13757.8	15835.6	17078.8	20602.8	22071.74
Average age of self-owned ships (years)	13.9	14.6	15.16	15.48	15.23
Area of logistics yards (10,000 square meters)	230.34	230.34	230.34	249	249
Area of logistics warehouses (10,000 square meters)	580	580	129	287	297
Number of holding and shareholding terminals (unit)	17	21	23	30	32
Number of transport vehicles (unit)	4,222	4,302	4,895	4,821	4664
Number of ships for agency (unit-time)	30,447	38,667	44,335	50,968	201026
Business revenue of logistics business (RMB 10,000)	173,486	206,623	351,000	1,200,000	1431263
Production volume of ship-repairing business (RMB 10,000)	268,000	417,000	553,000	787,652	900,500
Production volume of ship-building business (RMB 10,000)	178,309	201,558	250,278	325,696	1,080,200



2. Operational costs

Effective cost control is the basic element for success. Shipping industry has obvious market periodicity and the market is in depression at present, the meaning of cost reduction is far more important, closely related to existence and sustainable development of enterprises.

COSCO Group has attached great importance to cost control. In 2008, it continued to promote the “Lean Management” campaign focusing on cost reduction within the whole group, and enhanced the controlling strengths on key cost points and administrative expenditure in business. Measures taken by shipping, logistics, shipbuilding and ship-repairing enterprises are as follows: Firstly, establish cost control mechanism, decompose cost indicators, detail control measures, improve cost evaluation system and control operation costs; Secondly, enhance education on sense of cost and elevate the cost-saving consciousness of employees; Thirdly, carry out many forms of activities and mobilize the cost control initiative of employees; Fourthly, explore the potentials and manage the key costs; Fifthly, solve the cost-saving difficulties by using tools such as lean management and QC team, and try to reduce costs.

(1) Lean management and lubrication saving. “The Moon Bay” from COSCO Guangzhou, through lean management, has implemented three-step lubrication saving process in the energy-saving and emission-reduction activity. Firstly, it was to strengthen its equipment maintenance so as to avoid the running, dripping and draining phenomenon of fuel; secondly, it was to take collection measure on the temporary dripping, leaking phenomenon which could not be resolved currently due to the lack of equipment, or to recycle and reuse the equipment; thirdly, it was to change the former regular oil replacing method, guiding ship lubrication use in accordance with lubrication experience report. In adoption of new lubrication saving process, “The Moon Bay” has reduced 4.5 tons lubrication per year, saved lubrication cost 70,800 yuan.

(2) Speed reduction navigation, fuel consumption reduction. Under the circumstances of ensuring operation security and precise arrival of passengers and cargo, Shanghai International Ferry Co., Ltd’s “The Suzhou” is adopted economic speed route navigation on its round back from Osaka Japan to Shanghai so as to reduce the fuel consumption. With the implementation of speed reduction navigation, “The Suzhou” reduced 2-3 tons fuel each voyage, which was approximately 100, 000 yuan in fuel consumption at the current fuel price.

(3) Lightweight, fuel cost reduction. “The Lianyou 7” from China Marine Bunker (PetroChina) Co., Ltd Dalian Branch is a second-hand purchased from Japan in the late 1980s, light fuel was in adoption. In 2008, through site visit and technical analysis, the company’s fuel technicians and “The Lianyou 7” management staffs made corresponding modification on fuel pipelines and heating equipment and achieved the lightweight of fuel through crews’ scientific operation. Annual fuel cost reduced 190, 000 yuan.

(4) Recommended route, fuel cost in control. VLCC fleet was the main fleet served COSCO Dalian Branch. While at the meantime, it was with the largest fuel consumption. Through the recommended route ruled by VLCC, navigation mileage reduction, fuel consumption control, energy-saving, emission reduction, cost reduction and efficiency enhancement have been achieved. During 2008, the company’s 12 VLCC saved ship schedule for 19 days, reduced fuel savings for 1600 tons, achieved fuel reduction for 1600 tons, cost savings and efficiency enhancement reached a total of 15.38 million yuan.

(5) Weld increase, steel utilization rate improvement. Steel utilization was one of the major costs of shipbuilding enterprises thus the increase of steel utilization rate and the reduction of steel utilization became the most direct and effective measures. The Biotechnology Nesting Hull QC Group of COSCO Shipbuilding Technology Division Department, through comprehensive consideration and analysis, adopted weld increase and original shape changing method thus largely increased the steel utilization rate for 17.5% while reduced steel utilization for 117 tons. Shipbuilding cost has been effectively reduced.

(6) The launch of QC activity, ship communication cost reduction. For the development of ship-shore communication technology and communication technology, COSCO Xiamen Branch achieved a monthly reduction of 4361 yuan for each vessel through the launch of QC group activity.

(7) Management strengthening, fuel losses reduction. COSCO Hong Kong especially emphasized on fuel and lubrication reduction. It has adopted following measures: made rational route design on the premise of safety; kept the host running at economic speed; while under the promise of safety, reduced the use of



sub-machine in accordance with loading situation; properly used and managed lubrication, kept the tightness of lubrication system so as to avoid pollution and deterioration; put an end to the fuel consumption that caused by the running, dripping and leaking of fuel. COSCO Hong Kong was to effectively reduce fuel consumption and operation cost by implementation of appropriate measures.

(8) The importance of accumulation. Paying special attention to the details, COSCO Xiamen Branch put an end to waste and made effort to improve the utilization of blank document. Through the collection of blank document and remaining documents of high-speed printer, in adoption of stylus printer, those blank documents would be used for printing single-vote ticket, the less regional ship ticket and temporary document that submitted to the Customs. This method not only improved the utilization rate of each document, but also shortened the queue line on high-speed printers and the operation time during peak time.

(9) Attention to detail, photocopying cost reduction. From 2008, COSCO Hong Kong began to use Konica Minolta Copier (multifunctional printer). It would be charged by the photocopying or printing number that showed on the meter. According to the service contract between the company and supplier, the price of the colorful was 15 times of that of the black and white. Under normal circumstances, as long as there was one character of colorful in email or text file, the whole would be charged at the colorful price. Through controlling the number of photocopies, while setting the computer's photocopy mode as gray-scale printing and controlling color printing, the company has made 50% decrease in color photocopying charge and 17% in black and white photocopying.

(10) Fine management, cost reduction. COSCO Shipbuilding has continuously constructed 10000 TEU container ships since 2008. Through improving installation process and residential wiring method, each vessel has been reduced by 2000 working hours, annual cost reduced by 540, 000 yuan; through the production of adsorption magnet, the position problem of small-bore tube has been resolved, and thus the annual cost has been reduced by 90, 000 yuan.

3. Salaries and welfares of employees

All companies of COSCO Group have established different forms of salary and welfare systems in accordance with the national laws, regulations and related polices and in combination with practices of the industry and enterprises, protecting basic rights and interests of employees.

While gaining economic growth, all units of COSCO Group have increased the salaries and welfares of employees stably, improving employees' recognition on the enterprise and enhancing the cohesion.

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

In 2008, basic endowment insurance fees paid for COSCO Group's employees reached RMB 94.3254 million, up 16% year-on-year. Among the basic endowment insurance fees paid in 2008, 20% were paid by COSCO Group, while 8% were paid by employees.

So far, all companies affiliated to COSCO Group had attended the basic endowment insurance plan according to the regulations.

Besides aforesaid social insurances, COSCO Group also established supplementary medical insurance and work injury insurance for all its employees, and continued to promote enterprise annuity work. So far, the detailed implementation plans for annuity had been approved by the State-owned Assets Supervision and Administration Commission and was reported to the Department of Human Resources and Social Security to keep a record. Currently, the plan was in implementation stage.

4. Payment to capital providers

① In 2008, profits generated by China COSCO ranked top among the central enterprises which under the jurisdiction of the Sate Assets Supervision and Administration Commission. After being awarded the A-class evaluation by the SASAC in its three-year term in 2007, in 2008, China COSCO once again became the A-class enterprise awarded by SASAC, which is the five consecutive A-class rating of China COSCO.

Since 2004, COSCO Group's profits had exceeded 10 billion yuan for five years in a row. In 2008, the



shipping industry encountered global financial crisis and shipping market was in sharp downturn in second half of 2008. Despite of this, profits of COSCO Group has achieved outstanding operational performance, with profits exceeded 10 billion yuan again. This is a full manifestation to COSCO Group's operational concept of "giving best returns to shareholders and offering optimized services to customers".

Table for total profits of COSCO Group in past six years

Indicator/Year	2003	2004	2005	2006	2007	2008
Profits realized (RMB 10,000)	189,481	1,217,889	2,007,100	1,504,100	3,405,542	1,740,386

② In order to meet the requirements of capital market, eight listed companies of COSCO Group home and abroad further improved related systems and perfected the governance structure and mechanism of the companies. In 2007, listed companies of COSCO Group achieved good results, performing well in places where they listed.

China COSCO has achieved the good performance of social contribution 2 yuan per share in 2008. Social contribution per share was in accordance with the requirement of "Strengthening Listed Company Social Responsibility and Commitment <Shanghai Stock Exchange Listed Companies Information Release Guide> Notice", based on the basic earnings per share the company created for its shareholders, added the annual tax the company created for the state, the wages paid for its staffs, the interests paid for banks and other creditors, the donation of the company and the value amount the company created for other relevant stakeholders, deducted other social costs caused by environmental pollution hence formed the social contribution per share the company created for the society. It helped public get a more comprehensive understanding of the real value the company created for its shareholders, employees, customers, creditors, communities and the whole society.

China COSCO ranked the fourth in 2007 Annual Assessment of Global Shipping Companies that hosted and reported in July 2008 by Marine Money Magazine. China COSCO got the first place among large shipping companies and its return to shareholders ranked the very first.

In "2008 China's Listed Companies Competitive Evaluation" and "2008 China's Overseas Listed Companies Competitiveness Evaluation" that jointly published by China Academy of Social Sciences Industrial Economy Institute and China Business Media Corporation, China COSCO ranked among the top 10 among the companies listed in Hong Kong, while also being awarded the "The Most Competitive Companies in Hong Kong".

In "The First China's Capital Model Forum-2007 100 China Listed Companies Value Selection" that jointly held by the national well-known assess company, China United Assets Appraisal Co., Ltd and "Financial Times" in July 2007, China COSCO ranked the third position.



Both China COSCO and COSCO Shipping were selection among the "The 100 Annual China A-share Companies with the best investor relation management" that jointly selected by Shanghai Stock Exchange, Shenzhen Stock Exchange and China's Listed Companies Investor Relations and Management Research Center. China COSCO was also awarded "The Best IR Home" prize.



China COSCO ranked the third among “2008 100 A-share Listed Companies with Best Management”.

China COSCO and COSCO Shipping was awarded “The Best Board of Directors” Prize in the fifth “Golden Round Table Award” that held by “The Board” Magazine.

The Board of Director of China COSCO has been awarded “2008 Annual Outstanding Board of Director-Listed Companies (Hong Kong Stock Exchange-Non-Hang Seng Index Constituent Stocks) Board of Directors Award”; Chairman Wei Jiafu has been awarded the “2008 Annual Outstanding Board of Director-Listed Companies (Hong Kong Stock Exchange-Non-Hang Seng Index Constituent Stocks) Executive Director Award”.

China COSCO International ranked the top 5 in 2009 “Investor”.

The Board of Director of China COSCO has been awarded “Outstanding Board of Director” of 2008 Listed Companies (Hong Kong Stock Exchange-Non-Hang Seng Index Constituent Stocks) Group Board of Directors Award held by Hong Kong Institute of Board of Directors; at the mean time, China COSCO International former Vice-Chairman and Executive Director Mr. Liu Guoyuan was awarded “Outstanding Director” prize.



③China COSCO listed company indicator (by Dec.31, 2009) (data to be modified)

Company	Listing place	Total market value	Share proportion	Market value calculated by share proportion(RMB 100 million)	ROE on net assets (%)	Dividend distributed	Dividend per share at end-period	EPS
China cosco (H-share)	Hong Kong	HKD 13.6 billion	53.57	64	20.79	RMB 2962.72 million	RMB 0.29	RMB 1.06
China cosco (A-share)	Shang Hai	RMB 58.4 billion	53.57	313				
COSCO Pacific	Hong Kong	HKD 17.5 billion	50.96	80	10.57	USD 31.03 million	USD 0.01382	USD 0.12244
COSCO International	Hong Kong	HKD 11.3 billion	59.6	12	9.47	HKD 109.38 million	HKD 0.074	HKD 0.3318
COSCO Investment	Singapore	SGD 2.3 billion	53.35	60	26.08	SGD 156.75 million	SGD 0.07	SGD 0.135
COSCO Shipping	Shang Hai	RMB 8.387 billion	53.06	44.50	33.17 (2008)	RMB 262.08 million	RMB 0.20	RMB 1.11



COSCO Shipping	shenzhen	RMB 16.5 billion	16.23	27	10.48	RMB 399.36 million	RMB 0.15	RMB 0.53
China Merchants Banks (A-share)	shanghai	RMB 146.4 billion	6.44	94	24.51	RMB 1470.72 million	RMB 0.10	RMB 1.43
China Merchants Banks (H-share)	Hong Kong	HKD 32.3 billion	6.44	18				
Sino-Ocean	Hong Kong	HKD 10.4 billion	20.77	18	8.12	RMB 446.86 million	HKD 0.10	RMB 0.31
Total market value				709				

5. Payment to the Government

While China COSCO Group maintained its good operation efficiency, in 2008, tax paid by China COSCO amounted to 10,797.33 million yuan. China COSCO ranked the first in tax payment in the industry.

Indicator/Year	2002	2003	2004	2005	2006	2007	2008
Total tax payment (RMB 10,000)	106,064	181,792	327,812	578,271	523,653	865,959	1,079,733

6. Social investments and inputs

(1) The establishment of charity foundations; commitment to social responsibility

COSCO Charity Foundation, founded by China COSCO in 2005, is the first non-public offering, non-profit earning charity foundation that founded by state-owned enterprise. The found of COSCO Charity Foundation marked that China COSCO is to initiatively and actively shoulder and fulfill their social responsibilities and take this target into enterprise development strategy hence build up the enterprise responsibility system with fulfilling economic, environmental and social responsibilities as its main contents.

COSCO Charity Foundation aimed at changing COSCO's social responsibility action into rule-based, standardized, specialized and day-to-day enterprise behavior. It provided a good operation platform for the enterprise to fulfill its social responsibilities.

COSCO Charity Foundation has been hard working towards institutionalized and standardized construction. It has committed to the development and refinement of fund management and fund use standard, scientific management of social investment projects, rational use of social investment funds. It has also given full play to the positive role of social investment so as to achieve centralized management of the social investment funds and investment projects of all members and units.

COSCO Charity Foundation adhered to "Carrying forward the national spirit, dedicating COSCO LOVE, supporting public welfare and promoting social harmony and development". It has carried out a series of social relief activities in support of the people suffering from poverty, disaster, disability and homelessness. It also has given assistance to medical and education affairs. In accordance with "COSCO Charity Foundation 2008 Work Guideline", through rigorous research and feasibility analysis, COSCO Charity Foundation has carried out 40 projects in 2008, the projects funds amounted to 141.25 million yuan.



COSCO Charity Foundation obtained 3A-class rating of the Ministry of Civil Affairs, which is so far the best result achieved by enterprise foundation. China COSCO has consecutively received “China Charity Award-the most caring domestic enterprise Award” and “China Charity Award-Special Contribution Award” by the Ministry of Civil Affairs in 2007 and 2008. “China Charity Award” is the highest government charity awards in recognition of the agencies, institutions and individuals which have made outstanding contributions in education, medical care, disaster rescue, poverty relief, environmental protection and supports in areas such as culture and arts. COSCO’ s award-winning showed that COSCO’ s efforts in charity affairs has been fully endorsed and approved by the government and community.

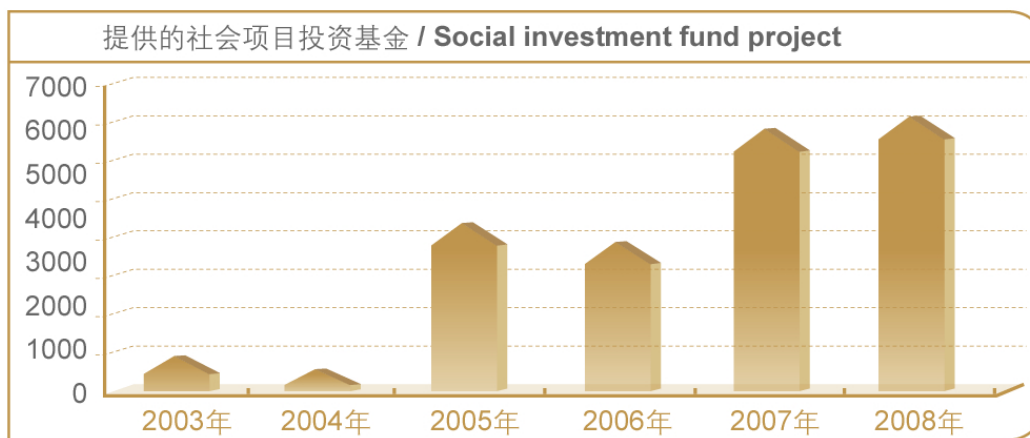


(2) Care about people's life and pay back to the society

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

In 2008, COSCO Group, through COSCO Charity Foundation, has donated a total of 61.4235 million yuan to social projects, including 60.2968 million yuan of cashes and 1.1267 million yuan of materials (see table below).

Indicator/Year	2003	2004	2005	2006	2007	2008
Investment capitals provided for social projects (RMB 10,000)	866.1	584.37	3,794.63	3,355.68	5,875.96	6142. 35



January 2008, the rare snowstorm hit China’s southern area, COSCO Charity Foundation donated 10 million yuan to the disaster area in order to support disaster relief work and improve the basic living condition of those suffered from disaster.

March 2008, Panama Maritime University was burned. COSCO Panama Branch donated 29, 000 US dollars for the construction of school building damaged by fire.



On March 13, COSCO Charity Foundation allocated its first donation 10 million yuan for Sichuan government in support of disaster assistance and rescue work. This donation was sent in 18 hours after the earthquake.

In addition, COSCO Charity Foundation has donated 10 million yuan for China Red Cross “5.12 Post-disaster Reconstruction Assistance Central Enterprise Fund” through SASAC mainly for the



post-disaster reconstruction work of central enterprises; donated 1 million yuan for Oriental Electric Company; donated 41.75 million yuan for the reconstruction of Sichuan Chengdu Fengzhou Cifeng School for teaching equipment purchase; donated 6.9 million yuan purchased tents as transitional housing for the schools in serious disaster areas in southern Gansu; donated 1.35 million yuan for the Ministry of Civil Affairs for the configuration prosthetics and other rehabilitation services for 50 “Disaster Relief Juvenile” and “Disaster Relief Outstanding Juvenile”; donated 8.2 million yuan for southern Gansu Chengxain government for teaching building reconstruction of Xiguan Primary School. At the meantime, COSCO Charity Foundation and Sina.com jointly launched the “Green Ribbon” activity, which opened a green channel between Beijing and Shifang for disaster relief supplies. Disaster relief materials have been sent twice to the disaster area and made nearly kilometer trip. At the same time, to meet the actual needs of the disaster areas, COSCO Charity Foundation purchased 100,000 yuan shortage disaster goods and sent to the disaster area. COSCO logistics transport supply fleet has been awarded the “2008 Disaster Relief Outstanding Group” by SASAC and has been granted “The Outstanding Disaster Relief Group in National Transport Sector” by the Department of Transportation.

After the big earthquake in Wenchuan, COSCO’s overseas business partners all expressed their concern and sympathy for people in disaster areas by donation through COSCO Charity Foundation. For instance, Germany Northern Assets Company donated 250,000 million dollars; business partner from the United Arab Emirates Dubai donated 100,000 million dollars; partner from Taiwan contributed 100,000 million dollars; Japan Lingjiang Co., Ltd donated 1 million Yen, Japan Zhenghe Co., Ltd donated 300,000 Yen. In the anti-earthquake and disaster-relief process, COSCO Charity Foundation had donated a total of 83.12 million yuan, all of which were used for anti-earthquake and disaster-relief work and had been distributed to specific donation projects.

On May 12, 2009, China Charity Federation and Beichuan Government jointly held “Boundless Love-5.12 Earthquake Relief Anniversary Activity” in the Great Hall of People in Beijing. In view of the great contribution China COSCO made in 5.12 disaster relief, China Charity Federation granted COSCO “National Charity Unit”. COSCO Chairman Wei Jiafu has been granted the title of “Charity Ambassador”. Vice-Chairman of the CPPCC National Committee Luo Fuhe granted awards for China COSCO.



Before award granting activity, COSCO leaders and government officials from Beichuan held a discussion. COSCO Charity Foundation again donated 500,000 yuan through China Charity Federation for reconstruction assistance for Sichuan disaster areas.

(3) All staff participation

The social responsibility senses and obligations of employees are important bases for an enterprise to effectively shoulder its social responsibilities. Employees of COSCO Group actively took part in social public welfare activities and performed corporate social responsibilities. Individual donations made by employees had increased year by year. In 2008, total donations made by employees of COSCO Group to disaster-stricken areas, poverty-stricken areas and rural areas totaled RMB 24.1055 million.

Indicator/Year	2003	2004	2005	2006	2007	2008
Personal contributions (RMB 10,000)	41.43	54.95	110.78	111.45	269.39	2410.55

Care and love exists regardless the rigorous and cruel snow. Early in 2008, a rare snowstorm swept through southern China, staffs from COSCO Shipping Company donated 42,000 yuan for passengers stranded in Guangzhou Railway Station due to snowstorm. Food and cloth has been timely delivered to the hands of stranded passengers through the Red Cross Society of Yuexiu District.

Support those in difficulties. May 12, 2008, right after the happen of Sichuan Wenchuan earthquake, all employees of COSCO Group fulfilled their social responsibilities, took immediate action, actively participated in donation activity and showed sympathy and concern to the people in disaster areas. 15,000



employees from COSCO Logistics System donated a total number of 2.89 million yuan for Sichuan earthquake disaster area. 29 Crews from COSCO Xiamen “The Temple Sea” donated 9,150 yuan. Three interns who have only worked for one month also contributed their parts.

Donating one-day salary, offering a loving heart. “One-day Donation” activity is an important method and good tradition that formed by COSCO, aiming at expressing the concerns and sympathies to the social weak group. In 2008, a total number of 450 workers from COSCO Logistics participated in “One-day Donation” and donation reached a total of 49,050 yuan.

Establishing “Women Civilization Group” for assistance and support. COSCO Dalian Finance Department Accounting Branch recently worked in pairs with Wandian City Nachun Village. In 2008, it has donated 578 agricultural science, technology and literature books and more than 100 pieces of clothing.

(4) Saving festival fess to support poor students

During the 15th establishment anniversary of COSCO Xiamen, COSCO Xiamen has taken 500,000 yuan from its original planned expenditure for anniversary celebration and made its donation through COSCO Charity Foundation. All the donated funds have been used to pay tuition fees and living expenses for 100 high school graduates who have been admitted by universities but seriously suffered from poverty.

(5) Hold high the banner of international humanitarian

Employees of COSCO Group have carried forward the international humanitarian spirit. At a critical time when life and property safety of other ships were seriously threatened, they put people first and spared no efforts to rescue others' life and properties, showing excellent occupational quality and representing the noble sentiment of crews of COSCO Group.

On July 29, 2008, COSCO Hong Kong “The Pacific” carried steel taking its 29th voyage from Australia Port Kembla to Kalama in the United States. “The Pacific” has received emergent telex from Australian Assistance Center in Australia Coral Sea. An Australian small yacht in trouble issued distress signal for help. “The Pacific” immediately studied aid program proposal, inspected and prepared machinery equipment, rescue boats, charge cable, charge cable guns, stretchers, medicine and so on. Overcoming large waves, “The Pacific” successfully rescued two people in distress.

On Nov. 23, COSCO Hong Kong “The Wealthy” rescued a capsized boat in strong storms in Cristobal. Six fishermen survived.

(6) In support of Olympics, volunteer service

Between July 20 to August 26, 2008, 13 employees from COSCO Beijing participated driving volunteer services of Beijing Olympics; in addition to this, 5 staffs from COSCO attended volunteer service work of Shanghai sub-division; employees from COSCO Bulk Carrier, COSCO Qingdao, COSCO Guangzhou also participated in Olympics volunteer services works in various forms. China COSCO has been awarded “Outstanding Volunteer Service Organization” by Olympic Games Organizing Committee and Communist Youth League Central Committee. 19 volunteers from China COSCO have been awarded “Outstanding Volunteers”.



During the first period of Olympic Games Regatta Competition, Qingdao water area suffered from severe moss disaster. COSCO Qingdao purchased daily necessities, food, drink in a total sum of 23,000 yuan and paid visit to the officers and soldiers responsible for cleaning up moss.

(7) Aid to Tibet and Poverty Relief

COSCO Group attached great importance to aid to Tibet and poverty relief work. In perspective of the present reality of designated areas, including Lhorong County of Tibet, Yanshan County and Haixing County of Hebei Province, COSCO Group gave full play to its corporate advantages, and adhered to the principles of improving the production and living conditions of poor farmers and herdsmen and enhancing and “hematopoietic function” of poverty-stricken areas. The Group continued to increase its efforts to provide aid to Tibet and to alleviate poverty. In 2008, COSCO Group invested a total of RMB 17.95 million in aid to Tibet and poverty relief, among which RMB 12 million was allocated to Lhorong County,



RMB 3 million to Yanshan County and RMB 2.95 million to Haixing County.

In Lhorong County, COSCO Group aided the construction of a number of projects, including the tsamba processing plant, the Shakang and Jiariza housing project for farmers and herdsmen, the Shakang COSCO Avenue, the water purification project, the Lhorong model home for the elderly, and 9 village committees at grass-roots level. The group also assisted in the training of 74 cadres at grass-roots level and village teachers, and collected RMB 200,000 for poverty fund. The Lhorong tsamba processing plant, built with the help of COSCO Group, boasts an annual production capacity of up to 400,000 Jin, amounting to RMB 1.2 million. The income of employees has increased by an average of RMB 9,800. About 300 households in 4 villages and towns have benefited directly from the processing plant, and the average household income is expected to increase RMB 1,450. The barley industry in 7 villages and towns in the county is also promoted.



COSCO Group assists in the building of Shakang Town, Lhorong Old People's Home, Jiarizha COSCO New Village, and Lhorong Science and Education Center

In Yanshan County and Haixing County, COSCO Group's poverty relief and development projects were focused on the construction of rural infrastructure, agriculture industrialization, education, health care, labor export and technology training. The company assisted in the building of the teaching building of Yanshan Middle School, the library, students' dining hall and dormitory of Haixing Middle School, 7 model villages for the "whole village promotion" initiative, tarred roads for 14 villages, clean water facilities for 6 villages, and farmland capital construction for 3 villages. Besides,



COSCO Group purchased a number of advanced medical equipments, including Kodak CR850 system, built 32 jujube drying rooms, and 3 model breeding gardens of agriculture industrialization. A total of 10 training courses about livestock cultivation and aquiculture were held, providing trainings for 1,800 people. The company also recruited 72 new contract shipmen from the county.

COSCO Group's aid to Tibet and poverty alleviation work have greatly improved the living conditions of people in poverty-stricken areas, and achieved remarkable economic and social benefits. Tibet's governor Qiangba Puncog and other leaders highly appreciated the work of COSCO Group during their in-depth visit to Lhorong County. COSCO Group's work in Tibet has been reported or reprinted by dozens of media, including Xinhuanet, People's Daily Online, Tibet Communication and Tibet Daily published by the Party Committee Office of the Tibetan Autonomous Region, China Project Management Online, Journal to Aid Tibet, and ZGYZ.net, etc. COSCO Group's cadres accredited to Yanshan and Xinghai Counties were awarded Advanced Individuals in Poverty Alleviation by the provincial party committee and government of Hebei Province and municipal party committee and government of Cangzhou City, and the titles of Outstanding Party Members by the party committees of Yanshan County and Haixing County.

(II) Financial inputs for climate changes

The global environment issue caused by climate changes has gradually raised concerns of all circles of the world and directly affected the risk and financial inputs of COSCO Group. Its main influences are as follows:

(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 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, which bring new risks to COSCO Group.

(2) Financial influences of climate changes on COSCO Group

In order to prevent and fight against the possible damage 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. 99 tropical cyclones (including TD) have been generated in the worldwide scale in 2008. 490 ships of China COSCO have been affected, increased by 24% from 395 in 2007, loss of shipping schedule amounted to 1310.4 hours; 61 ships of COSCO Dalian have been affected, loss of shipping schedule amounted to 981.12 hours.

Restricted by poor visibility, many ports have taken entry and departure prohibition measures in order to protect ship security during port time therefore the non-productive time of COSCO fleet in Hong Kong port got increased.

To relieve common global environmental pressure, reduce emission and save energy, in advocacy of Chinese government's call for energy-saving emission reduction, China COSCO increased material and financial resources into energy-saving and emission reduction research and relevant equipment improvement, so as to save energy and reduce emission; China COSCO also invested funds in operating quality, environment and occupational health safety management network, laid security environment network and occupational health security network; established effective training mechanism and launched relevant knowledge popularization and operation skills training; enhanced employees' environmental awareness and management capabilities, thus additional cost has been increased.

From 2005 to the end of 2008, China COSCO has invested 56.28 million yuan using for improvement of ship master cylinder oil supply system, installation of "electronic control device cylinder petrol supply system"; invested 9.55 million yuan for installation of homogeneous fuel equipment; in addition, in order to enhance fuel combustion efficiency and reduce emissions, China COSCO invested funds to purchase fuel additives and grinding machine, oil heaters, navigation controller and improve hull drag reduction technology, additional capital investment has been increased.

In order to deal with climate changes, the international community had revised the international conventions, resulting in increase of management costs and equipment expenses of COSCO Group. In 2008, COSCO Group adopted 107,592 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, resulting in increase of costs by RMB 11.82 million.

COSCO Group had responded to preventative measures taken by port countries and coastal countries to deal with climate changes. For instance, COSCO Group had 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 that of heavy oil, COSCO Group needed to pay more when buying light oil-based fuels for ships.

To meet the air emission standards of shipyard area and community, reduce emissions so as to reduce the impact on local community, China COSCO Shipbuilding Industry invested funds in technology and equipment update. "Welding Machine Technology Improvement" and "Fan Technology Improvement" of COSCO Shanghai Shipyard, electricity system improvement project are the two examples among them.

(III) Fixed welfare plan

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.

(1) COSCO Group has attached great importance to fixed welfare plan 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 State.

(2) According to related policies of the State and local governments, employees can enjoy endowment insurances and medical insurance treatments when they reach legal retirement age. COSCO Group calculated and paid pensions for retired employees according to policies of the State and local governments, and paid the pensions to retired employees in full amount on time, ensuring the legal rights and interests of retired employees.

At the end of 2008, total number of retired employees of COSCO Group reached 26,356 (please refer to table below).

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.

COSCO Group offered related treatment to retired employees according to the State's policies on retirement.

On important holidays, holiday subsidy to retired employees will be issued, allowing them to enjoy the humanistic cares of COSCO Group.

Year	Number of new retired employees in the year	Number of new retired employees as of the year end
2004	2851	16944
2005	2818	19559
2006	2864	22235
2007	2604	24665
2008	1858	26356

(IV) Financial supports provided by the Government

China COSCO's "COSCO Ship and Goods Transport Online Monitoring System" and "COSCO Ship Physical Purification Water Treatment Technology" were included in the national science support projects by the National Ministry of Science and Technology. The two projects were given financial support of 8 million yuan and 7.7 million yuan respectively.

(V) Minimum salary and comparison with the standards

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

In March 2007, COSCO Group adjusted the salaries of crews based on the principles of internationalization, marketization, transparency and simplification, greatly improving the salaries and treatments of crews. Under the circumstances that shipping market has seriously affected by the financial crisis in the second half of 2008, China COSCO maintained and even increased the crews' wages regardless the deterioration of shipping market.



(VI) Procurement and supplier

1. COSCO Group has been insisting on establishing mutual-beneficiary relationships with suppliers. By establishing the mutual-beneficiary relationships with suppliers, it has enhanced the value creation ability of all companies and reduced operational risk. COSCO Group evaluated key suppliers each year to select qualified suppliers based on comprehensive evaluation in terms of quality guarantee, service, price and reputation. Shipping, logistics, ship-building/ship-repairing companies had established supplier control procedures in the management system documents, evaluated and selected suppliers from qualified suppliers of COSCO Group headquarters and keep the group well informed of performances of suppliers. The evaluation, selection and management of suppliers bring positive influences in ensuring the quality, controlling the prices and optimizing the services. These also allowed COSCO Group to establish mutual-beneficiary supplying relationships with suppliers, so as to effectively reduce the costs and operational risks.

2. COSCO Group adopted centralized procurement system on ship fuels. In 2008, the centralized procurement volume of fuels reached 3.89 million tons, the total fuel costs reached 2.01 billion dollars, and the average unit price reached USD 518.19 dollars per ton. Through scale operation of merchandise on hands and futures and by deducing value-keeping expense of 57,296,700 dollars of trans-year value-keeping products of 50,000 tons, a total of 42,006,800 dollars of costs were saved, and fuel cost was reduced by 10.8 dollars per ton.

(VII) COSCO Group's procedures of employing local employees in important operation regions and the proportion of local senior executives

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

COSCO Group implements 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, most members of intermediate and top management teams are employed locally. In 2008, China COSCO has employed 4188 foreign employees, accounting for 6.19% of the total.

Number of recruited foreign workers from 2004-2008

Year	2004	2005	2006	2007	2008
Total number of foreign employees(people)	3989	3877	4048	3752	4188

(VIII) Infrastructure investment and services for public welfares by providing materials or free professional services through commercial activities, and the influences

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

1. In order to better train crews, improve occupational quality of crews, promote healthy development of COSCO Group's shipping business and provide excellent crews for shipping industry, COSCO Group created the Qingdao Ocean Shipping Mariners College in 1976. So far, the Qingdao Ocean Shipping Mariners College has developed into a senior shipping college for bachelor's degree education, diploma education and continued education. With a total floor area of 277,000 square meters and the total construction area of 164,300 square meters, the Qingdao Ocean Shipping Mariners College is China's largest training base for working crews and implemented about 80 national training projects.

In order to improve campus security management facilities, Qingdao Ocean Shipping Mariners College invested 700, 000 yuan in 2008 for the completion of campus security monitoring system construction; it also has invested 30,000 to construct 6 hydrants on corresponding location of student apartments and teaching building. Fire hose was also equipped in order to eliminate potential dangers.

2. To support the construction and development of Shanghai Maritime University and further strengthen the industrial, academic and researching communication and cooperation among higher education institutions,



China COSCO donated 50 million yuan for Shanghai Maritime University for the construction of university's graphic information center. To express their appreciation to China COSCO, Shanghai Maritime University named its graphic information center in Lingang campus as COSCO library.



3. To sponsor Zhoushan basic education, China COSCO donated 8 million yuan to Zhoushan Putuo District Charity Federation for the teaching building construction of Liuhengdao Center Primary School.

4. Right after the happening of Sichuan Wenchuan earthquake, China COSCO devoted great human resources, free equipment and vehicles to support the transportation and storage of disaster relief goods, China COSCO also set up a disaster relief goods distribution center with free warehouses and management staff. China COSCO also opened green channel providing free shipping and land transportation for the disaster relief goods provided by Tai royal family and the Japanese non-governmental organizations. During the period of rescuing Tangjiashan landslide lake, China COSCO emergently sent d 6 containers with emergency supplies by air to Tangjiashan. In addition, China COSCO also freely provided 59 containers to Sichuan and Gansu disaster areas. The containers have been converted into post business and school temporary accommodations.



Photo caption: May 28, China COSCO containers emergently rushed to Sichuan earthquake disaster area Tangjiashan Landslide Lake rescue site.

5. In early January 2008, southern China, especially the disaster affected areas frequently ran out of electricity supply, nearly one hundred power plants' coal storage reached alarm level, power plant coal storage was only half of the normal level. Facing the grim disaster situation in southern China, China COSCO's shipping subsidiaries performed social responsibility allocating ships to participate in electricity and coal transport. COSCO Bulk Carrier emergently allocated ships from international route serving for domestic coal transportation. About 10 vessels have been devoted to electricity and coal transportation and transportation capacity reached 480, 000 DWT. The self-owned ship "The Yuqihai" and the chartered ship "The Hebei Solidarity " from COSCO Guangzhou conducted three routes of coal transportation work and delivered a total of 170,000 tons of coal.

6. In order to assure a successful Olympics sailing competition, provincial government allocated more than 1,200 various ships devoting to the moss clean-up of Qingdao's water area. To ensure the timely and effectively diesel supply for the week in Qingdao water areas, "The Qingyou 6" and "The Qingyou 7" have been sent out on standby to ensure 24-hour diesel supply so as to support the moss clean-up work, which has been highly praised by the emergency command.

(IX) Important indirect economical influences

1. COSCO Group's input on technology R&D and achievements

(1) Enterprise information is to establish modern information network system with modern management science and information technology, so that all aspects of enterprise management activities, through fast flow of information and effective services, can achieve the integration of funds, logistics, work flow and information flow hence the optimal distribution of resources, the management efficiency and level thereby the improvement of economic efficiency and core competitiveness of the enterprise. Enterprise information plays an important role in improving enterprise's management level.

Under the rapid global development of economy and information technology, information is the key factor to the enterprise's success, as well as an important premise for cross-regions, cross-industries and cross-borders operation.

In order to better integrate into business transformation and upgrading, China COSCO positively embraced



the new challenges of economic globalization and information globalization, continuously strengthening the supporting of information to enterprise competitiveness.

- Gradually increased the input in enterprise information construction China COSCO invested 1.8338 billion yuan in enterprise information technology construction. Automation office system has been introduced into major shipping, logistics and ship repair companies, and in accordance with the nature of the company, either self-development or the instruction of information system has been brought in, which greatly improved working efficiency and achieved information sharing.
- Shipping companies put investment into the construction of ship-shore electronic information and communication platform, including machine information system, shipping management system and Chinese ship-to-shore Email communication system. COSCO Logistics and COSCO Shipping has established customer service information system; based on the introduction and application of the established computer-aided design production management platform, and Intelishop, Tribon, Napa and other international advanced professionally designed software, COSCO Shipyard launched the enterprise resource application system ERP project.

Based on “Production and Operation Management Software, COSCO Bulk established company’s core business operation platform, constantly improved and optimized the functions of “Crew Management System (CSIS)”, continuously optimized and promoted SMIS system, gradually established enterprise data warehousing, which has laid a solid foundation for business intelligence (BI), initially set up COSCO Bulk information security management system, established and gradually optimized unified information security standards.

COSCO Dalian strengthened its input in IT area. It has invested 10.27 million yuan, completed the unification of phase I projector of ship-shore information system, AMOS2 system and shipping information system, the three key IT construction tasks. Meanwhile, COSCO Dalian also developed the phase II project of the maintenance cost auditing system, introduced new electronic map system, started crew wage system improvement project and global navigation monitoring system project.

COSCO Guangzhou successfully completed the general upgrading work of company’s network switch machine hence the company’s network has been increased to gigabit Ethernet network which has built a high scalability, high performance, high security, good manageability while integrated data, voice and video applications network system. COSCO Guangzhou launched a number of new information services to enhance work efficiency, such as computer operator (telephone automatic switching, message leaving), desktop fax services (computer receiving, sending and fax managing), cell phone email business (receiving company email via cell phone) and so on.

In the 2007 Central enterprises information level evaluation that reported by SASAC of the State Council on Oct. 16, 2008, China COSCO and other 10 enterprises have been rated as A class.

In the appraisal of top 500 Chinese enterprises for informationization organized by the National Informationization Evaluation Center, COSCO Group continued to rank the 1st among enterprises in the industry. COSCO Group headquarters ranked the 2nd in top 500 Chinese enterprises for informationization, and Li Jianhong, Vice President and CIO of COSCO Group, won the “annual leadership award for corporate informationization”. Besides, COSCON ranked the 19th, COSCO Bulk ranked the 41st, COSCO Guangzhou ranked the 105th and COSCO Shipyard ranked the 159th. COSCO Group headquarters and COSCON, COSCO Bulk and COSCO Shipyard were also awarded the “Group Informationization Achievement Award”, “Best IT Management”, “Excellent Informationization Construction Team Award” and “Best ERP Application Award”.





(2) COSCO Group has attached great importance to scientific R&D and has established technical and R&D centers, which are responsible for organization, implementation and management of scientific R&D work of the group. Since 2003, the number of scientific research projects had increased year-on-year. In 2008, COSCO Group kicked off a total of 263 scientific research projects, with total expenditure of RMB 1.01917 billion, up 83% year-on-year. COSCO Group's scientific research inputs and achievements are as follows:

Indicator/Year	2004	2005	2006	2007	2008
Expenses on scientific and technological activities (RMB 10,000)	38,565.70	20,378	49,680.03	55,769.2	101,917
Expenses on researches and experiments development (RMB 10,000)	33,507	17,242	27,634.02	28,261.1	37,701.39
Total number of scientific and technological projects	152	137	137	257	263
Number of foreign cooperation projects	17	25	37	30	45
Number of scientific and technological awards received	3	2	2	2	3

- China COSCO has invested 16 million yuan in its “COSCO Ship and Goods Transportation Online Monitoring System” project (shortened as SCOM System hereafter), in addition, this project has won financial support of 8 million yuan from the national science and technology project support plan from the Ministry of Science and Technology. This project was mainly for heterogeneous polymorphic data collection and standardization transformation, navigation situation modeling, marine emergency swift response and warning, task-oriented ship scheduling, user-oriented personalized service and other key technologies. This project was to carry out system researches in ship-borne data acquisition and processing, shore information monitoring support and ship-shore surveillance systems. The study has achieved two national patents, seven software project copyrights. Its phase work had come to an end by the end of 2008.
- China COSCO has invested 16 million yuan in its “COSCO Ship Waster physical Purification Treatment System”, which has also won 7.7 million yuan from the national science and technology project support plan from the Ministry of Science and Technology. The laboratories research and development of this project has come to its end.
- The “Automobile Ship Loading Solution” researched and developed by COSCO Guangzhou meets the advanced international level in shipping industry.
- “Single Cable Double Hydraulic Remote Control Valve Grab” from COSCO Shipyard’s subsidiary COSCO Shipyard Tianjin and “Self-adjusted Optimum Projection Member” from COSCO Shipyard Guangzhou have been granted utility model patents by the State Intellectual property Office, which has made a breakthrough in COSCO patent achievement and forwarded a step in enterprise science and technology innovation.

2. Creation of employment opportunities

China COSCO has created 2730 employment opportunities in 2008.

COSCO Dalian’s subsidiary Dalian COSCO Plaza Hotel was founded on Nov. 5, 2008. After put into operation, Dalian COSCO Plaza Hotel created good job opportunities employing 602 people. While the financial crisis swept around the world and employment situation under unprecedented severe abnormalities, COSCO shouldered its social responsibility and provided invaluable employment opportunities for the local labor.



**ENVIRONMENTAL
PERFORMANCE
INDICATOR AND
KEY REPORT**



PartII Environmental performance indicator and ket report

I. Management measures

1. Objectives and performance

Besides pursuing economic benefits, COSCO Group also shoulders corporate social responsibilities and performs the environmental protection requirements in Global Compact. COSCO Group has set the guidelines of environmental protection as “comprehensive management, preservation of resources, environmental 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 environmental protection home and abroad. It has made its commitments to the United Nations to protect the environment, save global resources and establish a resource-conservative enterprise. It has adopted technological innovation to protect limited resources and took effective measures to avoid negative influences on the environment, so as to protect the beautiful environments that human beings are relying on. In 2008, COSCO Group was free from any environment pollution accidents and the associated penalties. In the second set of energy-conservation demonstration projects for traffic industry initiated by the Ministry of Communications in 2008, two projects of COSCO Group were selected as energy-conservation demonstration projects for traffic industry. COSCO Group was awarded the environmental protection flags for four successive times in the Green Flag program organized by the Long Beach Authority of the U.S.

2. Policies and regulations

COSCO Group has formulated the Guiding Opinions for COSCO Group to Build up a Resource-saving Enterprise and Implement the Global Compact. It requires related department to construct COSCO Group into a resource-saving enterprise, implement the requirements of Global Compact and fulfill sustainable development. All companies of COSCO Group have formulated implementation plans and details, and established corresponding procedures, notices and operating criteria. COSCO Group headquarters has introduced the ISO14000 Environmental Management Systems Standard for the establishment of the environmental management system and has passed third-party certification. Major subsidiaries companies of the group also introduced the ISO14000 Environmental Management Systems Standard, established and implemented the environment management system. Some companies have passed the third-party certifications, while others were organizing the third-party certifications in succession. Meanwhile, all shipping companies have introduced the International Safety Management Code (ISM) to establish 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.

3. Originations and responsibilities

The Safety Technology Supervision Division is responsible for the environmental protection work of COSCO Group headquarters. Each subsidiary has set up the administrative unit or specific posts for environmental protection, which are mainly responsible for tracing and analyzing the environmental protection trends at home and abroad, researching and stipulating policies and measures related to environmental protection, supervising and guiding positions at all levels to effectively implement the solutions related to environmental protection, and dealing with and correcting the deficiencies in environmental protection work. The group’s executive vice president in charge of environmental protection is responsible for supervision and coordination, and the top executives of subsidiaries are responsible for supervision and implementation. In respect to environmental protection of ships, the captain is the first responsible person, and chief engineer officer is the main responsible person. They are tasked with 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 and establishing and improving the



incentive mechanisms which are favorable for energy conservation, energy reduction and enhancement of environmental protection work.

4. Trainings and communications

COSCO Group headquarters 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 delegated training, the company's organization of trainings and self-study, etc. 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 awareness and environmental protection management level of employees. The company uploaded the environment reports and sustainable development reports as well as environment-related information of COSCO Group headquarters via portal website and WLAN, allowing employees of the company and the public to know environment-related policies, guidelines and performances of the company.

5. Supervision and certification

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 efficiencies through corrective and preventative procedures, thus constantly improved the company's environment performances and built a secure and environment-friendly PDCA recycling management system. COSCO Group headquarters has established its safety supervisor system to supervise shipping companies' environmental management and ISMC operation. All shipping companies have conducted internal audits for all ships they controlled on schedule, calculated and analyzed the unqualified items found in the internal audit, found the reasons and made corrections. In addition, onsite checking is conducted for the ships arriving at overseas ports through COSCO Group's overseas ship engineering outlets, including the checking on the environmental protection efforts taken by the ships. COSCO Group headquarters' environment management system has passed the joint certification of DNV and CSS, and certifications for environment management systems of the subsidiaries are being organized.

Statistical table for certifications of environmental management systems of companies affiliated to COSCO Group

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

Symbol: ★Completed -- Not available



II. Performance indicators

1. Raw materials

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

(1) Indirect material usage mainly

due to nature of the business we have engaged, the raw material consumption of COSCO Group is centralized on ship-building and ship-repairing industries. In 2008, total consumption volume of raw materials of COSCO Group reached 559,538 tons.

China COSCO has taken measures to promote raw materials conservation: firstly, shipbuilding enterprises strictly followed design specifications, production order, construction techniques and other technical standards as well as material consumption calculation system in order to reduce losses and waste, improve raw material utilization. Shipbuilding steel utilization rate remained 92% in 2008; secondly, extended the liner material and banding material service period, reduced the use of wood and raised substitution rate; thirdly, set standard for ship spare parts consumption, made regular assessment and linked the assessment results with performance so as to achieve the purpose of raw materials saving.

In order to enhance hull steel utilization, when in construction of its 20,000 tons lifting force floating dock, in comparison of the hull steel utilization of the previous constructed 120,000 tons lifting force floating dock, in order to reduce losses and waste, COSCO Shipyard Dalian adhered to the goal of “optimize design qualify, rationally using materials; using raw materials to the maximum scale, reducing waste” so as to improve steel utilization of its 20,000 tons lifting force floating dock. Through finding the reasons for the impact on steel utilization, COSCO Shipyard Dalian has focused on the too many detailed design versions and the unreasonable design. Under the promise of reasonable design, COSCO Shipyard Dalian made precise layout for panel, reasonably adopted panel, ordered panels in accordance with the location of panel gap, panel sickness and structural characteristics. Under the circumstances of insufficient panel utilization, human labor and machine operation was combined. Finally the steel utilization of the 20,000 tons lifting force floating dock has been increased by 1% from the previous one, met the requirements.

The table below shows COSCO Group’s raw material consumption in the past six years:

Indicator/Year	2003	2004	2005	2006	2007	2008
Used steel in ship-repairing steel structure engineering (ton)	57,458	75,639.06	100,926	163,496	192,698	303,238
Applied steel in ship-building (ton)	85,771	86,331.3	101,395.5	179,800	151,728	256,300
Utilization of steel in ship-building	92%	92%	92%	92%	92%	92%

(2) Green passport. The world shipbuilding industry is accelerating its ship product structure adjustment and optimization so as to promote the entire life-cycle green environmental protection from the construction, operation to dismantling. China COSCO is actively in pursuit of the latest movement and development of the world shipbuilding industry, devoting to the standards and requirements of “green passport”, linear optimization of ship construction, selection of propulsion, power management, conversion from heavy oil to light oil, host burning efficiency improvement, energy substitution, energy-saving concern in gas recycling and reusing and the promotion of new energy-saving emission reduction measure.

(3) Spare parts and materials renovation and reusing. Under the premise of ship operation security and spare parts quality, it was required to renovate the used spare parts and damaged parts as far as possible. Employees of COSCO Shipyard Lianyungang have all been devoting to the renovation work in accordance with specific business characteristics. Because of the exceeding number of steel scrap production, COSCO Shipyard Lianyungang has strengthened its internal management, particularly made comprehensive inspection and registration to steel scrap. It also inspired and encouraged its employees to make span, tool cabinet, hanging ears, guard-rails with steel scrap, which greatly developed the utilization of scrap materials. This work has saved over 600 tons of steel in 2008. In order to enhance supercharger bearing and oil pump refurbished item utilization, according to the statistics, COSCO Shanghai has ordered 78 sets of



host supercharger bearings (including 22 sets of refurbished items) and 53 sets of oil pump (including 22 sets of refurbished items), utilization rate of refurbished items respectively reached 28.2% and 29.3%. In order to conserve resources and improve the utilization of spare parts, in accordance with the ship's actual situation, the seniors of the company have improved spare parts utilization through management tools, as well as set the goal of achieving the utilization rate to at least 60% of refurbished supercharger bearing and oil pump items. The company has analyzed the reasons for low utilization of spare parts from the aspects of staff, management, materials and environment while formulated improvement measures for the main reason. After the implementation of corresponding improvement measures, utilization rate of bearing and oil pump respectively reached 77.27% and 80.95% in 2008, which has respectively increased by 49.07% and 51.65% over 2007, far exceeded the previous goal of 60.0%.

(4) Reducing burden of office environment. COSCO Group has been adhering to the office modernization process and used digital management platform for files and information delivery to fulfill paper-free office work and reduce paper consumption to the maximum extent. In 2008, the paper saving rate of COSCO Group reached 20%, an increase of 3.2% year-on-year.

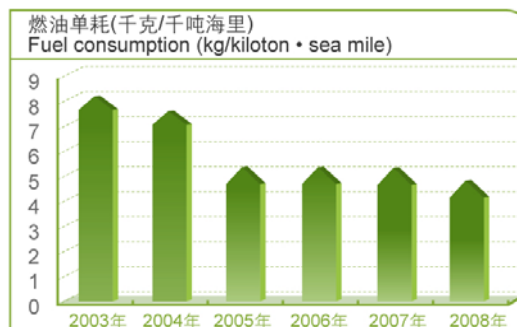
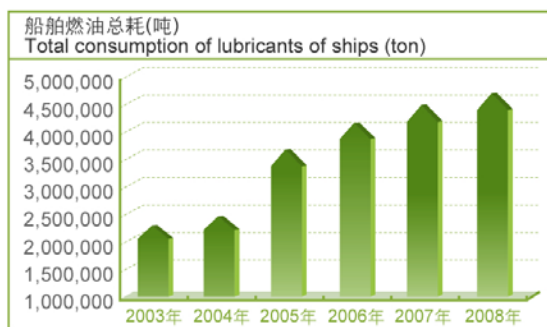
2. Energy

COSCO Group actively carried out and implemented the Energy Conservation Laws of the People's Republic of China, the Decision on Enhancing Energy Conservation Work of the State Council, the Detailed Rules for Traffic Industry to Implement Energy conservation Laws, the Notice on Implementation Plans and Methods on Statistics, Supervision and Evaluation on Energy Conservation and Emission Reduction approved and circulated by the State Council, the Notice on Environmental Protection of the State during 11th Five-year Period issued and printed by the State Council, the Working Opinions on Enhancing Energy Conservation and Emission Reduction of Central Enterprises and the Notice on Energy Conservation and Emission Reduction Management Objectives of Central Enterprises during the Tenure issued by the State-owned Assets Supervision and Management Commission, and fulfilled the concretion and feasibility of energy conservation and emission reduction work. In the second half of 2008, COSCO Group continued the investigation projects on energy conservation and emission reduction to carry out comprehensive investigation on energy consumption, equipment and environmental pollution risks of enterprises. Guided by the lean management ideology, COSCO Group determined the key industries (shipping, ship-building/ship-repairing and logistics), key ships (container ship, asphalt carrier, bulk chemical carrier and LPG ship), key equipment (ship main engine, ship auxiliary engine and boiler) and key enterprises (shipping companies whose energy consumption accounts for more than 98% of the total energy consumption of the group) for its energy conservation and emission reduction work. The container ship of COSCO Container Lines whose energy consumption accounts for 65% of the total energy consumption of COSCO Group was selected as the most important part for its energy conservation and emission reduction work.

Total energy consumption:

Indicator/Year	2003	2004	2005	2006	2007	2008
Total energy consumption (ton of SCE)	3,191,337.75	3,508,609.53	5,195,554.66	5,966,153.84	6,349,471.01	8,570,109

Remarks: including fuel and electricity consumption, and excluding gas and other energy consumption.





(1) In advocacy of energy-saving and emission reduction. In order to practice COSCO's social commitment in "Global Compact", and enhance social responsibility and implement enterprise sustainable development, China COSCO has devoted itself in becoming an environmental-friendly enterprises focusing on environmental protection, ocean-protection and resource-saving. In 2008, China COSCO initiated its energy-saving advocacy to all units and members to start full participation in fuel consumption reduction, emission reduction and responsibility implementation.



(2) Energy Saving. COSCO Group closely focused on international ship energy-saving and environmental-protection technology development trend with human resource, materials and financial support, COSCO Group digested and absorbed international leading management methods and energy-saving and environmental-protection technology; promoted advanced and mature energy-saving and environmental-protection technology; meanwhile, the Group continuously developed energy-saving and environmental-protection application technology for its system with energy-saving techniques and energy-saving management as the methods, the group implemented various energy conservations. In 2008, COSCO Group owned and controlled over 800 vessels, fuel and oil annual consumption respectively reached 4.62 million tons and 44,600 tons. Total energy savings reached 6.6365 million tons of standard coals in 2008.

Energy consumptions of COSCO Group in recent few years:

中远集团近几年能源消耗 Energy consumption of COSCO Group in recent years						
指标名称 / 年份 Indicators/Year	2003年	2004年	2005年	2006年	2007年	2008年
燃油单耗(千克/千吨海里) Fuel consumption (kg/kiloton • sea mile)	8.01	7.39	5.17	5.16	5.16	4.65
船舶燃油总耗(吨) Total fuel consumption of ships (ton)	2,210,551	2,389,694	3,560,000	4,080,000	4,410,531	4,622,342
车用汽油总耗(吨) Total consumption of vehicle-used gasoline (ton)	4,020.29	33,710.94	41,457.54	49,158.41	2,461	66,412
车用柴油总耗(吨) Total consumption of vehicle-used diesel oil (ton)	12,673.68	17,176.58	18,696.44	23,624.97	3,101	4,688
船舶滑油总耗(吨) Total consumption of lubricants of ships (ton)	37,647.40	45,632.20	46,739.50	46,755.75	40,068.79	44560.49

Fuel consumption indicators of main fleets of COSCO Group in recent few years (unit: kg/kiloton•sea mile)

中远集团近几年主要船种燃油单耗指标(单位: 千克/千吨海里) Fuel consumption indicators of main fleets of COSCO Group in recent few years (unit: kg/kiloton • sea mile)					
指标名称 / 年份 Indicator/Year	2004年	2005年	2006年	2007年	2008年
集装箱船 Container ship	9.13	8.94	8.95	8.58	8.15
散货船 Bulk carrier	2.68	2.70	2.44	2.53	2.46
油船 Oil tanker	5.28	3.36	2.89	2.12	2.06
杂货船 General cargo ship	7.14	6.88	6.65	6.23	5.74

Energy-saving required full participation and consensus

Through various forms of promotion of the importance and significance of energy-saving, China COSOC has greatly strengthened the energy-saving awareness of all its employees thus the whole industry ranked into the line of energy-saving.

Jinsha Water Gas Station of China Marine Bunker Supply (Guangzhou) Co. was founded in May 2008. The station was run by power generator and waster transport. In advocacy of COSCO's energy-saving proposal, staffs suggested to solve and water power and transport problem of the water gas station so as to reduce fuel consumption. Staffs of the water gas station proposed corresponding measures regarding high installation costs and high technical difficulty and completed shore and offshore water and power connection by November. Thereby annual operation cost was reduced by 380,000 yuan hence high reduction of fuel consumption.

Energy-conservation by technologies

In accordance with international and national energy-saving and emission-reduction technology development, COSCO Group absorbed leading energy-saving and environmental-protection technology and actively put it into implementation.



Ship host cylinder supply system reconstruction. From 2005 to the end of 2008, COSCO Group invested 56.28 million yuan installing 24 ships new “Electronic Control oil cylinder petrol supply system” and gained good energy-saving results in return. Take “Tianfuhai” of COSCO Bulk for example, it saved 130 liters of oil each day, annual savings reached about 40,000 liters.

Ship installed homogenous fuel device. From 2005 to the end of 2008, COSCO Group invested 9.5 million yuan installing fuel devices on 21 ships. As a result, diesel oil separation amount has been significantly reduced, particle size has been reduced, combustion performance and thermal efficiency has been improved thus the status of the host machine was greatly improved.

Installation of diversion hood and propeller cutting edge. COSCO Group has installed 32 ships of the “Le”s and the “Shan”s diversion hoods so as to reduce flow resistance while sailing. In addition, COSCO Group has made propeller cutting edge processing to “Development Road” and other 8 ships, resulting in the change of fuel combustion status of host machine hence the improvement of thermal efficiency.

Installation of Propeller Boss Cap Fins (OBCF). Through inspection and research, and taking the opportunities of ship repairing, the installation work of propeller boss cap fins of “The Tianronghai” and “The Tianshunhai” has been finished and put into operation. Judging from the voyage completion of the ship, under the circumstances that average speed has been increased, fuel consumption has been significantly decreased.

New technology application: electronic timing control and swirl spray cylinder oil. Chin COSCO set “electronic timing control and swirl spray cylinder oil” as its projects in 2003. By 2005, COSCO Group launched the promotion of the projects. The use of electronic timing control and swirl spray cylinder oil has met the fuel saving requirement, improved the working conditions of diesel engine cylinder, enhanced the reliability of marine diesel host machine and reduced waste oil emission by at least 30%. Statistics showed that fuel-saving rate reached between 20% and 40%. Single ship annual fuel savings reached 40 to 180 tons, annual cost saving between 50,000 to over 200,000 dollar. By 2008, 45 ships of COSCO Group had been installed electronic timing control and swirl spray cylinder oil, the use of cylinder oil had been reduced.

COSCO Shipyard Shanghai, a subsidiary of COSCO Shipyard, launched its “electric welding technology improvement” and “fan technology improvement” projects, which saved 1300 tons of standard coal energy annually.

COSCO Shipyard Dalian actively promoted electric power system reform project. The implementation of the project was expected to replace the oil use of 80% of mobile power generator sets and 40% mobile air compressor with 25 million degree of electricity utility. The replacement was expected to save various fees of 28.74 million yuan. For example, in 2008, 4012 tons of standard coal had been reduced as annual energy consumption, thus COSCO Shipyard Dalian overall energy consumption reduced by 9.35% per 10,000 yuan output value, COSCO Shipyard energy consumption reduced by 2.64% per 10,000 yuan output value. Annual emission exhaust gas has been reduced by 58.34 million cubic meters; carbon dioxide has been reduced by 155.10 tons, sulfur dioxide has been reduced by 194 tons, dust and smoke has been reduced by 5.8 tons.

Optimized transformation of ship host machine supercharger at low speed. Based on business needs, COSCO has adjusted its 3800 TEU ships originally sailed in China-US route to domestic trading route. Taking into account the fuel saving factors, most of the time, domestic trading route is running at lower speed. But in the long run at a relatively low speed, diesel engine is with high heat load and thus cylinder spare parts are easily to get damaged. In order to keep reliability and economics of diesel engine at relatively low speed, COSCO conducted to do pilot study.



In adoption of ship-to-shore gap to adjust the nozzle ring specification so as to increase turbine efficiency; adjust diffuser specifications so as to increase compressor efficiency. After the modification, ship fuel consumption reached 55 tons per days, reduced by nearly 20 tons. Thus in 2008, fuel savings for one ship reached 2300 tons. COSCO would further carry out the promotion of such projects in the future.

(supercharger parts replacement scenery)



Energy-conservation management

COSCO Group has always been adhered to reducing cost and increasing efficiency, making every effort to reduce energy consumption. COSCO Group has established its Energy-saving and Emission-reduction Leading Group. Staffs including Wei Jiafu as the director, vice-president Zhang Liang as the vice-director, COSCO Group general managers and other general managers from subsidiary companies. COSCO Energy-saving and Emission-reduction Leading Group has overall responsibility for the leadership work of energy-saving and emission-reduction. COSCO Group has set up its Energy-saving and Emission-reduction Officer, in charge of supervising the launch and target setting of energy-saving and emission-reduction work of all COSCO member units. COSCO subsidiary units have also established their own Energy-saving and Emission-reduction Work Group. Main charge person of subsidiary companies have been appointed as directors, vice presidents in charge of production safety have been appointed as vice director. In accordance with shipping management and land industry characteristics, COSCO Group has established its Environmental-protection and Energy-saving Department, Energy-saving Office and other relevant agencies in charge of relevant works to implement responsibility system and set cross-department communication system.

Ship fuel consumption is the main energy consumption of COSCO Group hence the continuous insistence in process management of ship fuel consumption, timely statistics of fuel consumption and ship fuel consumption reduction guidance. Clarified charge person for oil saving and lined fuel consumption into performance indicator. Set more comprehensive management measures and developed ship fuel consumption information management platform. Through analysis of fuel consumption during ship operation process via information system, tracked and compared the fuel and lubricating oil consumption among various ships, scientifically and reasonably set ship fuel and lubrication consumption standard, which effectively made ship fuel consumption under control. Through various management ways and methods such as source control, refining indicator, strengthening maintenance, dynamic tracking, process supervision and focus concentration, took all aspects of fuel use in control and played an significant effect on energy management.

COSCO Guangzhou has set scientific management scheduling as another focal point of fuel saving. Operation staffs are required to have a good understanding of ship performance and fuel consumption situation. According to practical needs of operation, in scheduling aspect, it was to strengthen communication between ocean services, machine maintenance and ship captain while took advantage of wind and flow favorable weather conditions, optimized routes and paid attention to the use of ship's maximum speed, service speed and economic speed, offered instruction and guidance on the use of economic speed. Gave guidance on ship's reasonable load, ensured appropriate draft of ships thus the longitudinal leans coefficient is in favor of the speed of ships so as to achieve fuel and oil reduction which has obtained good results in return.

Energy-saving through management methods. Started from ship speed slowing down in 2008, through strengthening lean management and setting energy-saving goals, COSCO proposed its requirements of "Ship speed reduces by 10%, annual energy-savings reached 350, 000 tons". COSCO has researched and drawn up "COSCO Container Company Energy-saving and Emission-reduction Implementation Proposal", covered target responsibility, supervision statistics, assessment indicators and responsibilities division. The proposal made energy-saving and emission-reduction work more feasible. Included energy-saving and emission-reduction work into responsibility and target management, in order to meet the annual requirement of 350, 000 tons fuel reduction, COSCO has set fuel consumption for every single week and set specific fuel saving amount for particular department. Also, corresponding staffs were appointed to supervise fuel consumption and guide ship speed slowing down measures. As to ship operation management, COSCO has specially planned speed slowing down product and implemented it step by step, which has further reduced the original planned 3.216 million tons fuel consumption to the current 2.688 tons, with a total amount of 468, 000 tons in fuel savings, overfulfilled the 350,000 tons of fuel saving target set before this year.

Multiple methods for fuel and lubrication saving. COSCO Hong Kong focused on fuel and lubrication savings. Under the premise of security, reasonable route design helped reduce fuel consumption and maintain host machine to run at economic speed hence saving fuel and lubrication and reducing operation cost. It was required by the company that all types of pipelines and pipeline joints should be checked frequently, repairing action should be taken immediately once oil spill phenomenon existed. In accordance



with load condition, under the circumstance that security has been affected, the use of vice machine should be reduced so as to avoid unnecessary energy waste. To reduce lubrication consumption under the premise of safe operation of host and vice machines, it was recommended to use and manage lubrication properly, keep the tightness of lubrication system, avoid pollution and deterioration. It was required to operate oil-division machine properly, frequently clean the filter, solve abnormalities once oil consumption is not normal as usual. Oil running, dropping, dripping and leaking phenomenon would be solved immediately so as to avoid oil waste.

Energy conservation in office

COSCO Group headquarters enhanced other energy conservation work while implementing the office building air-conditioner temperature control measures continuously. It required its employees to turn off computers, monitors, air conditions, printers, copiers and other equipment, cultivating good consciousness of energy conservation.

In cooperation of the “National Energy Saving Publicity Week” from June 15 to June 21, COSFRE, subsidiary of COSCON, launched a series of energy-saving and emission-reduction works, advocated its staff to respond to the activity and contributed to green environmental-protection with their full participations. The company initiated implementation of working in casual clothes from May to October and adjusted the air-conditioning temperature to 25.5 degree so as to reduce air-conditioning power consumption. Energy-saving reminder was posted at the switch of air-conditioner. At the mean time, the company also encouraged its employees to explore their every-saving and emission-reduction potentials in every work and welcomed them to propose corresponding ideas. For those employees who actively participated in the activity, the company would give a timely praise. In addition to this, the company issued articles to remind its employees’ saving awareness in power consumption, working equipment and vehicles use. This was aiming at reminding its employees to reduce waste in work and foster saving awareness, while formed a good atmosphere of resource saving, pollution avoidance and environmental protection.

Total electricity consumption of COSCO Group in 2003-2008:

中远集团2003年至2007年用电总量表 Total electricity consumption of COSCO Group in 2003-2007						
指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
用电总量(千瓦·小时) Total electricity consumption (kwh)	23,503,927	54,442,489	58,917,533	82,889,859	330,679,826	447,548,643
办公室用电量(千瓦·小时) Electricity consumption of offices (kwh)	8,710,683	12,223,274	18,937,974	23,021,411	30,178,179	35,928,540

Competing to become national model for energy-saving in transportation industry. In 2008, COSCO Group continuously participated in the competition for national transportation industry energy-saving sample. “Oil Tanker Heating Automatic Monitoring Technology Application” and “Application of Yapu Gas in Ship Building and Repairing Industry” that researched and developed by COSCO Group was continuously awarded the second batch of national water transportation industry energy-saving typical sample.

In 2008, in the National Transportation System’s “My Contribution to Energy-saving and Emission-reduction” launched by China Seafarer Construction Union, and the follow-up activity “Pioneer Workers”, “COSCO Asia” from COSCON and “New Shenghai” from COSCO Bulk were awarded “Pioneer Worker” of “National Transportation Construction System” by China’s Seamen’s Union.

3. Water resources

Water conservation of COSCO Group was comprised of ship water conservation and land 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 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.

Waste heating energy was adopted by ships in water re-production. “Dapeng Bay” from COSCO Guangzhou is an asphalt ship weighing 5900 tonnage. Taking the advantage of route characteristics and the 50 days of waiting for discharge time in Luanda, Lobito Port, “Dapeng Bay” continuously increased fuel consumption, using the heat of asphalt heating oil, host and sub machine fuel burning and division heat, it has successfully produced 307 tons of fresh watch, saving land fresh water supplies. “Lily Sea” from COSCO Bulk, through technology innovation and making full use of existing pile, in adoption certain pine



connection, collected and used condensed water from air-conditioner. Daily water production increased from the previous 10.4 tons to the current 14.7 tons. Water production monthly increased 129 tons. Water production capacity has been increased by nearly 50%.

Water consumption of COSCO Group from 2004 to 2008

2004年至2008年中远集团用水统计表 Water consumption of COSCO Group in 2004 to 2008

指标名称/年份 Indicator/Year	2004年	2005年	2006年	2007年	2008年
总用水量(立方米) Total water consumption (m ³)	8,662,064	4,320,209	5,687,118	732,179,068	5,471,942
海水淡化量(立方米) Seawater desalting volume (m ³)	960,145	959,196	976,719	760,269	883,940.1
地下水使用量(立方米) Underground water consumption (m ³)	65,700	72,100	77,800	568,766	50,000
供水系统水利用量(立方米) Consumption of water from water supply system (m ³)	3,197,193	870,763	1,774,445	3,953,004	4,452,944.58
造船等生产用水量(立方米) Water consumption in ship-building (m ³)	1,523,196	1,743,688	1,690,551	6,069,398	7,191,311

Remarks: recycling seawater consumption used in cooling of ship power devices is not included in above table.

Reduction of water consumption compared with that of the previous year

Indicator/Year	2004	2005	2006	2007	2008
Reduction of water consumption (ton)	50,737	45,415	52,669	58,134	120, 924

4. Bio-diversity

Paying attention to worldwide natural resources and ecological environment is the responsibility that all multinational companies including COSCO Group should undertake.

(1) The use of non-toxic paint, marine life protection. COSCO Group started its silicone paint pilot experience in 2005, tracking and researching the protection circumstances of different silicone paints to marine life. COSCO Qingdao has conducted research on Intersleek 900 Energy-saving and Environmental-protection paint which was awarded 2008 Yacht and Ship Environmental Technology Award. Silicone paint was tested on “Tianshun Sea” during ship repairing period. Energy-saving and Environmental-protection silicone paint Intersleek 900 was able to extend ship repairing cycle from 30 months to 60 months and therefore reduced the amount of silicone paint use and protected marine life.

(2) Ship ballast water management. COSCO Group strictly enforced conventions and relevant port requirement worldwide. COSCO Group has developed “Ship Ballast Water Management Plan” which clearly defined responsibilities. Ballast water replacement requirement was established while records and monitor for the whole ballast process were recorded, so as to fully protect marine environment and keep biological diversity development. Based on the research and development of “COSCO Group Ship Ballast Waster Physical Purification Treatment Technology”, COSCO Group actively minimized the negative impact of ship ballast water to marine biological diversity and promoted marine environment and marine biological diversity protection.

COSCO Bulk “Fast Sea” was a steel structure Handymax bulk carrier built in 1984. Due to its old age, ship structure was aging and pipeline leakage phenomena were frequently seen, ship ballast water residues became more and more serious which brought big troubles to ballast water management. Corresponding staff members were appointed to study ship ballast water residues reasons. Through targeted improvements and maintenances, ballast water drainage time was significantly reduced and there was a significant drop in water volume. Residual ballast water issue has been resolved and thus the ship’s ballast water management requirements were met.

(3) COSCO Group Boao eco-garden construction. With the concept of harmonious unity of nature, society and human, COSCO Group adhered to regional ecological environmental protection, recycling economy development, water pollution concentrated solution, air pollution, forest coverage, waste pollution and other protection measures to eco-areas. Environmental protection and biodiversity conservation was taken into account of the architectural design, environmental design, water use, original forestry conservation and animal species protection of Boao eco-garden.(Boao eco-garden)





5. Exhaust gas, sewage and waste

With the expansion of production scale and increase of ship number, the total volume of exhaust gas, sewage and waste of COSCO Group was increasing. However, the discharging volume of freight turnover per unit was kept at a low level in 2008.

(1) Exhaust gas emission (direct emissions)

Indicator/Year	2003	2004	2005	2006	2007	2008
Carbon dioxide(ton)	6,852,708	7,408,051	11,071,600	12,688,800	13,716,510	16,094,701
Nitrogen oxides (ton)	192,318	207,903	301,176	345,168	373,131	325,483
Sulfur oxides (ton)	123,791	133,823	213,600	244,800	263,039	274,564

Total emissions

Statistics scope has been enlarged in 2008 which leads to great change of 2008 data compared with 2007 data:

A. CO₂: According to IMO MEPC/29/18/DEC.1989 of IMO Marine Environment Union, one kilogram fuel produces 3110 grams CO₂.

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

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

Emissions for unit turnover volume

指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
二氧化碳(CO ₂) (千克/千吨海里) Carbon dioxide (Kg/kiloton·sea mile)	24.83	22.91	16.07	16.05	16.05	17.46
氮氧化物(NO _x) (千克/千吨海里) Nitrogen oxides (Kg/kiloton·sea mile)	0.70	0.64	0.44	0.44	0.44	0.70
硫氧化物(SO _x) (千克/千吨海里) Sulfur oxides (Kg/kiloton·sea mile)	0.45	0.41	0.31	0.31	0.31	0.57

(2) Use of low-sulfur fuel to reduce emissions of sulfur oxides. Ships of COSCO Group further enhanced the convention compliance strengths. They increase use of low-sulfur fuels in specific sea area according to the requirements of MARPOL Convention Appendix VI, to reduce the emissions. In 2008, they used 107,592 tons of low-sulfur fuels and increased 11.82 million yuan of fuel costs.

(3) Use of desulfurization and dedusting equipment. Starting from emission reduction, COSCO Qingdao has invested 290,000 yuan for the installation of desulfurization and dedusting equipment. This equipment was to achieve full cleaning of gas through atomized alkali solution thus SO₂ from the gas would be absorbed by the alkali solution hence achieved the purpose of desulfurization. Desulfurization efficiency would reach about 60%-70%.

(4) Replace acetylene gas with high efficiency and clean natural gas, reduce emission. COSCO Shipyard Zhoushan actively promoted energy-saving and emission-reduction technology innovation, eliminated outdated materials and processes, replaced the traditional acetylene products with high energy-consuming, high pollution and big security risk with clean gas. According to statistics, the application of this scientific and technological achievement has annually reduced 5.2 tons of hydrogen sulfide gas and 80.7 tons of phosphine for COSCO Zhoushan, which contributed to the enterprise's energy-saving and emission-reduction in addition to profit earning.

(5) Pollution accidents prevention, drainage system function recovery. The original design of CHIMBUSCO Lianyungang Kangyun Oil Tanker Area was with drainage system, rainwater will be discharged directly into sea. In August 2008, the company carefully checked sewage and drainage facilities, made on-site assessment of drainage system situation. The original valve had been remained closed for many years so it might not be close tightly once opened. Once oil spill incident occurs, spill oil might be discharged directly into the sea with rainwater which caused pollution incident. In accordance with actual



situation, the company drew the map of drainage system in the reservoir area, organized demolition and maintenance work for all valves and cleaned up drainage lines and sewage pipelines so that the rainwater could be discharged into the sea. This efficiently improved the pollution incident prevention level of the depot.

(6) All ships of COSCO Group own the International Oil Pollution Prevention (IOPP) Certificates. As required by the international convention, all newly built ships of the group hold the Environmental Protection Emission Certificate.

(7) The “Green Flag” program. The “Green Flag” program is an environmental protection program initiated by the Port of Long Beach of the U.S., requiring all ships in and out the Long Beach Port to keep the shipping speed under 12 knots within 35 sea miles to the pilot station to reduce the exhaust gas emissions caused by fuel combustion. Since the implementation of the plan, all ships of COSCO Group had followed the requirements of the port carefully when arriving at the Port of Long Beach Port and their shipping speeds were strictly controlled with an achievement rate of 100%. The Long Beach Port gave high praise to COSCO Group. On April 9, COSCO was appraised as one of 14 winners of environmental protection flags in 2008 of the Port of Long Beach. It was the fourth time for COSCO Group to win such honor.



Indirect carbon dioxide emissions:

Indicator/Year	2003	2004	2005	2006	2007	2008
Carbon dioxide (ton)	7,718	19,690	20,910	29,544	71,739.51	279, 812

Remarks: The table only lists the indirect carbon dioxide emissions caused by electricity consumption. Calculation coefficient of indirect carbon dioxide emissions caused by electricity consumption: 1kwh of electricity consumption generates 0.994 kg of carbon dioxide emissions (Sources: average figure released by the National Development and Reform Commission)

In 2008, the statistical scope was expanded, resulting in great changes between data in 2007 and 2008.

(8) Reduction of emissions of ozone depleting substances. In order to reduce the emission of ozone depleting substances, COSCO Group strictly conformed to the international conventions when using medium and refrigeration agents in fire control equipment, refrigeration equipment and others. In the air-conditioning and ice-making machines of newly built ships, COSCO Group continued to use 404A condensation agent with zero damage to ozone layer and high cooling and heating efficiency. In 2008, all ships for which ship-building contacts were signed met all the related requirements.

(9) Oil residues, sewage and wastes. COSCO Group continued following 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. Aiming at the implementation of all tasks, COSCO Group established strict and complete management system and formulated operational regulations for management activities such as oil residue disposal, shore-returning of garbage and sewage discharge. In the past five years, no oil residue pollution accidents were occurred, nor the Group received any economical or non-economical penalties.



(10) All ships were equipped with 15PPM monitoring devices of oil-water separator. The environmental protection facilities had kept 100% of perfection rate and 100% of stable operation rate.

Oil residues pollution discharged to the sea and pollution discharge and shore-returning volume

Indicator/Year	2003	2004	2005	2006	2007	2008
Oil residues discharged to the sea (ton)	0	0	0	0	0	0
Ship pollution discharge and shore-returning volume(ton)	37,784	35,706	44,866	48,753	44,658	35,021

Solid wastes: COSCO Group collected and disposed solid wastes according to regulations as specified in the appendixes of MARPOL Convention.

■ 固体废物 / Solid wastes 按照MARPOL公约附则要求，对固体废物进行收集并按规定处理 COSCO Group collected and disposed solid wastes according to regulations as specified in of the appendixes of MARPOL Convention.						
指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
固体(含油布、塑料)废弃物(吨) Solid wastes (including oiled cloth and plastics) (ton)	1,517	1,801	2,369	4,799	9,814	6,830

Processing and disposal rate of industrial wastes of ships (including garbage, oil dirt and residues) reached 100%.

■ 船舶工业废物(包括垃圾、油污、油渣等)处理、处置率达100% Processing and disposal rate of industrial wastes of ships (including garbage, oil dirt and residues) reached 100%.						
指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
船舶工业废物(包括垃圾、油污、油渣等)处理、处置量(吨) Processing and disposal volume of industrial wastes of ships (including garbage, oil dirt and residues) (ton)	116,719	123,611	132,292	176,028	253,212	287,863

Waste disposal volume: COSCO Group collected and incinerated wastes according to the requirements of international conventions.

■ 对废弃物的处理量：按照国际公约要求对废弃物进行回收和焚化处理 Waste disposal volume: COSCO Group collected and incinerated wastes according to the requirements of international conventions						
指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
回收废弃物总量(吨) Total volume of wastes collected (ton)	96,846	97,333	100,044	134,286	146,091	382,552
焚化废弃物总量(吨) Total volume of wastes incinerated (ton)	8,213	8,605	9,842	10,533	7,569	6,057

Remarks: In 2008, the statistical scope was expanded, resulting in great changes between data in 2007 and 2008.

(11) In 2008, COSCO continued to enhance the environmental protection work in offices, collected waste oils, waste daylight lights and batteries within the group, and established the working record for collection and disposal of hazardous wastes to effective reduce and prevent the environmental pollution.

(12) Serious spillage accidents. In 2008, no serious spillage accidents or maritime pollution accidents (including oil, waste, chemicals and other spillage events) happened to ships and land-based enterprises of COSCO Group.

Inputs for reduction of exhaust gas emissions

■ 减少废气排放所作的投入 / Inputs for reduction of exhaust gas emissions						
指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
减少废气排放的投入(万元) Inputs for reduction of exhaust gas emissions (RMB10,000)	56	273	311	2,293	546	6,127

(13) Ship decommissioning policies and ship decommission information of COSCO Group. In 2008, COSCO Group continued to carry out the No. 8 Decree of the Ministry of Communications issued on July 5, 2006 to put the ships reaching the decommissioning age out of commission. In the meantime, ships not reaching the decommissioning age, but were in a poor state and were considered as not suitable to ocean shipping were also put out of commission. The decommissioned ships of COSCO Group were sold in two ways, i.e. operational ships and waste steel ships, which were sold to shipping companies with operational qualifications and to qualified ship scrapping companies respectively, so as to avoid the environmental influences. For ships sold to qualified ship scrapping companies, COSCO Group required the scrapping companies to made commitment on the contract in terms of qualifications, establishment and operation of



environment management systems and main purposes after scrapping, ensuring the scrapping of ships the premise of environmental protection and thus reducing the impacts to the environment to minimum extents.

Statistics of decommissioned ships of COSCO Group in recent five years

■ 近5年中远退役船舶统计表 / Statistics of decommissioned ships of COSCO Group in recent five years						
指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
退役船艘数(艘) Number of decommissioned ships	8	2	4	2	5	14
退役船载重吨位(吨) DWT of decommissioned ships (Ton)	111,747	17,067	159,185	35,732	84,632	192,943

(14) Enhance resource recycling and comprehensive utilization. COSCO Group has attached great importance to resource recycling and comprehensive utilization. It encourages all production units to enhance resource-saving and waste reutilization work. The ship-building and ship-repairing enterprises of COSCO Group enhanced the comprehensive use of wastes based on features of enterprises, reduced the wastes, and did a good work in recycling and utilization of renewable energies. It takes renewable metals, waste tyres and waste electronic products as the focuses for recycling and reutilization work and promoted the recycling and reutilization work of renewable energies.

COSCO Xiamen implemented reorganization of fuel recycling and reutilization process based on mechanism features of different ships. Two vessels can use mixed oil in standby engine after refitting. Heavy oil and light oil are mixed at the proportion of 1:1. After the refitting, the ship greatly increases the recycling of fuel leakage and improves the fuel recycling and reutilization rate.

6. 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. As ship is a major service tool for ocean shipping, COSCO Group has attached great importance to the disposal procedures of ship after decommission. In the past, decommissioned ships were disposed in form of sale and buyers often used the ships for transport of near-ocean shipping lines. Logistics companies did better jobs in survey, investigation, design and preparation 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 harmonious community environment.

7. Regulations

COSCO Group Strictly enforced 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 and relevant international conventions and decrees on international environmental protection. It 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.

8. Traffic transportation

COSCO Group advocated “Green Driving” and strictly abided by the regulations that displacement volume of newly purchased official vehicles should be under 2.4L engine (including 2.4L).

COSCO Group strictly implemented the business trip approval system, encouraged online communications between companies and departments, and held video and telephone conferences as many as possible to reduce exhaust gas emissions and energy consumption of traffic tools.



In 2008, COSCO Group saved RMB 18.78 million of traveling expenses through video and telephone conferences.

指标名称 / 年份 Indicator/Year	2003年	2004年	2005年	2006年	2007年	2008年
电视电话会节约差旅费(万元人民币) Traveling expenses saved by holding video and telephone conferences (RMB10,000)	220,57	244,26	363,41	792,24	425,49	1,878

9. General situation

With the continuous development of the social economy, people's awareness for protecting the natural environment is becoming increasingly stronger. COSCO Group increased the inputs for environmental protection while creating the atmosphere of safety and environmental protection, establishing the philosophy of safety being the priority and harmonious development and ensuring life and property safety and environmental cleanliness. Meanwhile, it actively promoted R&D and introduction of environmental protection technologies, developed indicators for emission reduction and divided the indicators for emission reduction into different levels for evaluation at the end of the year. In this way, COSCO Group has made remarkable achievements in energy conservation and environmental protection.

Total expenses and investment on environmental protection:

■ 环境保护总开支及总投资表 Total expenses and investment on environmental protection

指标名称 / 年份(Indicator/Year)	2003年	2004年	2005年	2006年	2007年	2008年
环境保护总开支(万元) Total expenses on environmental protection (RMB10,000)	2,930.73	4,847.90	5,528.85	6,658.51	6,418.44	8,091
环境保护总投资(万元) Total investments on environment protection (RMB10,000)	503.03	701.78	1,830.82	2,926.48	4,310.28	16,356.82

Statistics on main inputs for environmental protection:

■ 环境保护主要投入统计表 Statistics on main inputs for environmental protection

指标名 / 年份 (Indicator/Year)	2003年	2004年	2005年	2006年	2007年	2008年
废弃物处理开支(万元) Expenses on waste disposal (RMB10,000)	209.89	234.65	299.9	384.37	692.38	523,51
环境责任保险(万元) Environment liability insurance (RMB10,000)	1,460.88	2,219.61	2,367.90	2,764.56	2,229.16	2,091
为进行环境管理而使用的外部服务开支(万元) Expenses on external services for environment management (RMB10,000)	46.10	109.90	81.37	188.73	91.80	121,27
从事全面环境管理活动的人员开支(万元) Expenses on employees engaged in all environment management activities (RMB10,000)	112.58	135.36	203.88	283.15	184.05	593,65
废弃物处置、排放物处理和补救成本(万元) Costs for waste disposal, emission disposal and remedy (RMB10,000)	28.22	38.49	44.51	85.53	953.28	379,84



PRODUCT LIABILITY PERFORMANCE INDICATOR AND KEY REPORT



Part III Product liability performance indicator and key report

I. Management approaches

1. Objectives and performances

All shipping companies, logistics companies and ship-building and ship-repairing companies of COSCO Group voluntarily performed their due responsibilities in product life span and service providing process. In the product development, design, performance, implementation and follow-up service sectors, they had attached great importance to safety and health of consumers and actively delivered product and service information by making use of IT technologies. They had insisted on the marketing strategies based on self-discipline principles 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 2008, COSCO Group entered into strategic partnership relationships with many world top 500 enterprises and local governments and was awarded the Green Flag Award by the U.S. for its environmental protection efforts again.

2. Policies and regulations

All companies affiliated to COSCO Group established and implemented the sustainable development management system and comprehensive risk management system to fulfill the requirements regarding to related products and services. By establishing procedures such as product design and development, contract control, production implementation and management of upstream and downstream industrial chains, they eliminated all possibilities that may affect safety and health of customers or controlled them to the minimum extents. They established law-compliance evaluation procedures to change related regulations on customer health and safety and product liability of international companies and the national laws into daily operational principles. They formulated marketing service manual and rules for freight canvassers and information disclosure regulations to standardize marketing and product promotion processes. They developed and used cargo operational system, logistics information platform, ship management dynamic tracing system and other software systems to ensure timely and effective information transmission in product and service providing processes.

3. Organizations and responsibilities

COSCO Group headquarters and all its subsidiaries set up the offices for sustainable development committees or regulatory departments 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 the 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.

4. Trainings and communications

COSCO Group has enhanced the trainings 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 commitments made to the society. It enhanced the communications with customers and consumers through online information released and commercial platform established, so as to share related resources and understand customers' demands. COSCO Group headquarters and its subsidiaries set up a special budget for training, formulated annual training plans and organized daily trainings in the forms of self-study, class and accreditation to improve product liability awareness and related skills of the employees. In the training, the group took the contents such as customer



health and safety regarding product and services, product and service information type and providing method, product and service-related laws and regulations, industrial regulations, respect to customers' privacy, law-complying product and legal operation as the necessary contents for training.

5. Supervision and certification

COSCO Group headquarters and its subsidiaries supervised and check 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 customers' point of view 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 from 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 system		International/domestic safety and anti-pollution management systems	
	Established	Certified	Established	Certified
COSCO Group headquarters	★	★	--	--
COSCO Group	★		--	--
COSCO Container Lines	★	★	--	--
COSCO Bulk Carrier	★	★	★	★
COSCO Shipping	★	★	★	★
COSCO Qingdao	★	★	★	★
COSCO Dalian	★	★	★	★
COSCO Xiamen	★	★	★	★
COSCO Hong Kong	★	★	★	★
COSCO Logistics	★	★	--	--
COSCO Shipyard	★	★	--	--
COSCO Shipbuilding	★	★	--	--
CHIMBUSCO	★	★	--	--
Hainan Boao COSCO	★	★	--	--
COSCO Ocean Shipping Tally	★	★	--	--
COSCO Human Resources/COSCO	★	★	--	--
COSCO U.K.	★	★	--	--

Symbol: ★ Completed -- Not applicable



II. Performance indicators

In 2008, COSCO Group and its subsidiary enterprises again made systematic classification and identification of all products and services that included in its sustainable development report. COSCO Group and its subsidiary enterprises made a comprehensive assessment of the impact on health and safety of its services and products in their life cycles. COSCO's detailed services and products classification are as follows:

Product classification and its impact assessment

Serial No.	Product Classification		Product Description	Completion of life cycle assessment
1	International Maritime Transportation	Container Transportation	About 141 ships in control. Owns today's most advanced container ships (transportation capacity over 10000 TEU), total transportation capacity reaches 500, 000 TEU, fleet size ranks first domestically and the sixth internationally. Connects over 150 ports of 53 countries, operates 67 international routes, 11 international branch lines, 80 domestic coastal routes or branch lines.	Yes
		Dry Bulk Cargo Transportation	516 ships in control, including 224 self-owned ships and 292 chartered ships. Total transportation capacity reaches 39.65 million dwt. Fleet size ranked first in the world.	Yes
		Liquid Bulk Cargo Transportation	Owns and operates 29 oil tankers, 23 other liquid bulk carriers. Total transportation capacity reaches 4.99 million dwt. The oil tanker fleet is among the world's top ones.	Yes
		Grocery Item Transportation	Owns, operates and manages 102 ships. Transportation capacity reaches 1.83 million dwt. Ship types include semi-submersible vessels, heavy lift ships, multi-functional ships, ro-ro ships, timber ships, bitumen ships and general grocery item ships. Comprehensive strength of professional Grocery, multi-functional and special transportation fleet ranks the world forefront.	Yes
2	Logistics	Integrated Logistics	COSCO Logistics provides integrated logistic services including modern logistics, international ship agent, international multimodal transportation, public transportation agent, air cargo agent, container station management, warehousing and LCL service, railway, highway and barge transportation as well as charter broker. COSCO Logistics has been continuously awarded "The Best 100 China Logistics Enterprises" for four years.	Yes
		Port Business	COSCO Logistics globally invested and operated 32 docks and has got 157 berths, of which taking in and sending put capability ranks the fifth in the worldwide scale.	Yes
		Container Leasing	Floren Container Holdings Co., Ltd owns and hosts 1,621,222 TEU. Its container leasing business accounted for 13.6% in the global market.	Yes
		Container Manufacturing	China International Marine Container Co., Ltd, joint venture through COSCO Pacific, is the world's largest container manufacturing company, its market share accounted for more	Yes



			than 50%.	
3	Shipbuilding and ship-repairing	Ship Repairing	Ship repairing bases in Dalian, Zhoushan, Nantong, Guangzhou, Shanghai and Lianyungang own 16 different types of shipyards of 30 dwt and 50 dwt. Business including ships and ocean engineering construction, modification and repairing, production equipment assembly level, domestic leading production management level, technological capability, production efficiency and production cost rank the top in worldwide scale. The company has annually repaired more than 500 vessels and annual ship building capacity reaches 200 dwt.	Yes
		Shipbuilding	COSCO Shipbuilding Industry is the current domestic largest shipbuilding heavy enterprise. Its production capacity reached 240 dwt in 200. Shipbuilding technology is at leading level domestically.	Yes
4	Others	Fuel Stock and Sales; Lubrication Agency Service	China Marine Bunker own a wide range of 103 vessels, 18 oil storage facilities, with a total storage capacity of 1,240,000 cubic meters. It owns docks with mature equipments and truck loading and unloading lines providing fuel, lubrication and fresh water supplies for international and domestic coastal transportation ships. China Marine Bunker is engaged in import trade of oil products and various types of oil products transportation and warehousing, meanwhile, it launches storage, supplies, sales and transportation agency services for various types of oil. Raw material processing of lubrication was also included in its business scope.	Yes
		Ship Tally	China Ocean Shipping Tally is a crucial enterprise dedicating to ship tally business. It has set more 80 branches in the national wide range including Shanghai, Ningbo, Tianjin, Qingdao, Dalian, Xiamen, Fuzhou, Shenzhen, Guangzhou and other major ports.	Yes
		Finance	Approved by China Banking Regulatory Commission, COSCO Finance is a non-bank financial institution aiming at the centralized management of group's funds and improving the use efficiency of funds. It provides the group members with financial management services.	Yes
		Business Meeting, Hotel and Vacation	Boao COSCO Co., Ltd is committed to the development, construction, operation and management of equipped facilities of Boao Asia Forum. Five operation units consist of Boao COSCO Co., Ltd: Sofitel Hotel (five stars), Boao Golden Coast Hot Spring Hotel (five stars), Boao Asia Forum Scenic Spot Management Company, Boao Asia Forum International Convention Center Golf Club and Dongyu Island Hot Springs Hotel. In addition to the annual Forum reception work, Boao COSCO Co., Ltd receives over 750,000 tourists and hosts nearly 200 domestic and international middle- and high-level meetings.	Yes
		International Labor Service	COSCO Manning is a state-owned enterprise with Labor Assignment Operation	Yes



			Qualification that approved by the Ministry of Commerce. COSCO Manning sends qualified seafarers and other labors to work overseas. So far COSCO Manning has cumulatively sent more than 130, 000 seafarers and other labors. COSCO Manning has been awarded “Outstanding Foreign Cooperation Labor Service Enterprise” for many times by the national authority. It has been awarded one of the first “AAA-grade Credit Enterprise of China’s Foreign Cooperation Labor Service Enterprise” for the first time in 2008.
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According to the assessment results of safety and health impact of self-owned products and services throughout the whole life cycle, COSCO Group and its subsidiary companies, further optimized corresponding management programs. Taking positive actions, under premise of health safety and environment-protection, COSCO Group and its subsidiary companies successfully completed production and management targets. Completion of specific targets are as follows:

Table for Transportation Production and Relevant Targets

Name of Target/Year	2004	2005	2006	2007	2008
Arrival Out of Work Times	451	495	542	382	725
Departure Out of Work Times	942	539	598	438	742
Punctual Arrival Rate (%)	95.27	95.50	95.96	96.97	94.05
Punctual Departure Rate (%)	94.84	95.10	95.24	96.55	93.91
Integrated Punctuality Rate (%)	95.06	95.3	95.46	96.76	93.98

In 2008, COSCO Group had received none complaints or punishment regarding the impact of its products and services on health and safety.

1. Customer health and safety

In all sectors of related product life cycle of shipping, logistics and ship-building and ship-repairing industries, COSCO Group fully evaluated and considered the matters related to customer health and safety. When the shipping companies opened new lines, the regulatory departments would 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 would check the category, nature, quantity and weight of the cargos as well as the seaworthiness and fitness of ships to ensure safe transportation of cargos. The logistics companies provided three stages of evaluation and control, i.e. cargo attribute verification, proposal design and services, ensuring customers’ health and safety and fulfilling customers’ logistics and transportation demands of customers very efficiently and safely. Ship-building and ship-repairing companies abided by the regulations of the management systems in terms of product design, manufacturing and delivery as well as after-sales service, and conducted full-process supervision and control over the project based on the work division to ensure customers’ health and the safety relating to ship-building and ship-repairing projects.

In 2008, COSCO Bulk Carrier increased its safety input and security protection. With ship repairing as the input point, under the circumstance of the severe decline of operating results in shipping market, COSCO Bulk Carrier has cumulatively replaced over 5000 tons of place for “The Fengguang Sea”, total repairing period reached 201 days. Such a large-scale restructuring greatly improves the situation of vessels, completely eliminates the hidden troubles of vessel structure and effectively increases the operation life span of vessels.





China Marine Bunker launched production security knowledge and skills competition aiming at raise staffs' awareness and skills of production security. In order to ensure the reliability and safety of ships, China Marine Bunker has employed experts to make safety assessment of oil warehouses and docks. The company has inputted 5, 949, 904. 97 yuan for ship repairing funds and 913, 700 yuan for oil warehouse maintenance and equipments impaction funds, which eliminated security risks in time.

2. Products and service logos

Through text, e-commerce platform, newspapers, magazines and other channels, shipping enterprises timely and accurately released the public voyage/route information, ship dynamic information, ship technical information, transportation expenses information, booking information and other relevant sales information; through customer needs analysis, in adoption of website, magazine, phone call, fax, email and other methods, logistics enterprises timely and accurately published its customers information regarding routes, tariffs, logistics lines, station data, quality assurance and other relevant information; ship repairing enterprises, after classified and organized various types of data and supervision information regarding ship repairing and conversion works, regularly announced to the public via newspaper, newsletter, magazine and NEWSLETTER system, this information releasing methods had been maintained and developed via mechanism and system construction.

Focusing on customers, Chins COSCO and its subsidiary companies attached great importance to "customers' voices". All companies affiliated to COSCO Group established customer satisfaction information collecting and analyzing mechanism. They actively collected customers' opinions and suggestions to the products and services in consumption processes, and know customers' satisfaction on products and services by holding regular customer satisfaction survey, customers representative meeting, customer exchange fairs and organizing opinion-collecting activities, analyzed reasons of the problems and formulated related measures for correction and improvement.

In 2008, COSCO Group had no accidents or complaints caused by breaching related laws and voluntary codes of behaviors in terms of products and service information and logo.

(1) Establishment of information platform for sharing of information resources

Besides making huge inputs to introduce and improve IRIS-II container management & operation system, COSCO Group actively encouraged its affiliated companies to develop related management software, establish information system and platform and share product and service information with customers.

The Logistics Management Information System developed by COSCO Logistics was applicable to large and medium-sized logistics management work in long-term and stable contracts for effective management of transportation with cluster warehouse and large regional scope. The system boastedwide coverage of business management and strong feasibility and reflected advanced management ideologies. The system allows COSCO Logistics to master and manage the data flow of customers in whole process, satisfies customers' real-time inquiry demands in cargo transport process, and helped customers to adjust transportation plans and to solve the issues and potential worries in transportation process.

(2) Continuous improvement of customer satisfaction and information collection mechanism

COSCO Group has employed third-party rating agency for successive four years and has made customer satisfaction rate survey towards hundreds of container customers in the nationwide. After a comprehensive collection of customer satisfaction responses, COSCO Group had effectively responded to customers' comments and suggestions, set corrective measures and conducted implementation by specific departments.

COSCO Dalian arranged visits from time to time to major oil companies including BP and Shell, while also invited major oil companies to pay visits. Through interactive visits, COSCO Dalian got a further understanding of customer needs and customer satisfaction situation, acquired advanced service and management experiences while found own shortcomings. Through overcoming the shortcomings, COSCO Dalian further improved their safety and management capabilities.

3. Market promotion and publication

COSCO Group had been adhering to the marketing strategies of "taking honesty as the bases and foundations". In the marketing and publicizing processes, it has tried to win market shares and attract customers with quality, brand and reputation. The company firmly believes that legal promotion and honest



marketing are core requirements for its development. By holding customers' meetings and shipping line meetings, all shipping companies, logistics companies, and ship-building and ship-repairing companies worked with customers to analyze the market situations, honestly released the sales policies and related information, publicly released and promoted the honest marketing concept insisted on by the company, and accurately delivered information regarding its production scale, feasibility and management level without any exaggerations. Companies affiliated to COSCO Group established related mechanisms, implemented information disclosure responsibility system and carefully checked and audited the materials and information included in all disclosures and advertisements. It had been abiding by the anti-monopoly laws and regulations of trade countries to protect rights and interests of cargo owners and stakeholders. By signing long-term strategic agreements and collaborating with partners, it fulfilled mutual benefits of both parties in fair competition and favorable cooperation. When dealing with the relationships with investors and cooperators, it had been honest and faithful by insisting on the ideology of co-existence and co-development with investors and cooperators. When dealing with the relationships with rivals, it insisted on the principle of both competition and coordination.

In 2008, COSCO Group received no penalties for any breaching of the laws and regulations and self-regulatory codes of behaviors regarding marketing and advertising.

China Marine Bunker and Qingdao Port (Group) Co., Ltd signed strategic cooperation agreement

On Oct. 23, China Marine Bunker and Qingdao Port (Group) Co., Ltd signed strategic cooperation agreement. China Marine Bunker and Qingdao Port (Group) Co., Ltd maintained long-term friendly and cooperative relations and held the ideology of "long-term, complementary advantages, mutual benefit and common development". The signing of strategic cooperation agreement showed that the two sides were to fully exploit their own advantages and launch cooperation deeply and broadly in port services function security construction and other relevant fields.



It also demonstrated China Marine Bunker's successful and important results in promoting optimized logistics strategy and VIP strategy.

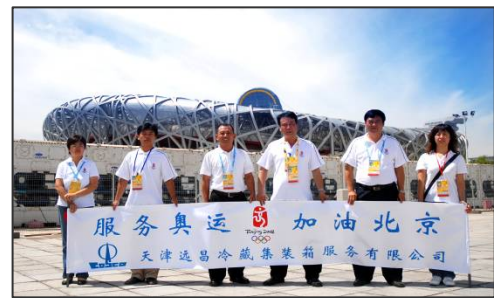
COSCO Group opened related transportation route to Taiwan

On Dec. 15th, 2008, ceremony of intercoastal route between mainland China and Taiwan has been launched in Tianjin Port Dongjian Zone. COSCO Group's domestic first 10000 TEU large modern container ship "The Oceania" proceeded to Kaohsiung Harbor in Taiwan which marked the start of intercoastal route.



COSCO Bulk Carrier's subsidiary company Yuanchang Refrigerated Container Service Co., Ltd provided monitoring and maintenance work for GE SeaCo refrigerated containers of Olympic sites.

Yuanchang Refrigerated Container Service Co., Ltd and the world's largest refrigerator container leasing company—GE SeaCo have signed refrigerator repair service contract during Olympic Games and Paralympics Games. GE SeaCo would provide good and beverage refrigerator leasing services for all competition venues (including competition and non-competition venues) in competition cities excluded Hong Kong. Yuanchang provided all-round and all-day monitoring and maintenance services for all the refrigerators so as to ensure food and beverage supplies of athletes, coaches, staffs and audiences in all competition venues. This was the catering project that China COSOC provided for Beijing Olympics.





4. Customer privacy

COSCO Group implemented the ISO17799 information security management system standards and ensured piracy of customers including employees by establishing necessary mechanism and system. It also established information safety management procedures. It set up COSCO Group Confidentiality Committee for confidential work. It also signed confidentiality agreements with employees, requiring employees to properly manage the information of customers and all related parties and respect their privacies. By signing confidential agreements with customers, the company promises to keep the customer information, contract contents and articles and freight as confidential, thus trying to protect piracy of customers. When it is necessary for customers to provide information, the company will explain the reasons and the purpose of the information. Except for employees of the company, the customer's authorized agents, partners or subsidiaries, the company will not share with others the customer's information, not to disclose or sell the information of customers or potential customers. With respect to respecting employees' piracy, all companies keep information such as personal information of employees such as their salaries, performance evaluation results and medical inspection results as confidential. There were no events that the company received complaints for due to infringing the privacy right of customers in 2008.

➤ **Developing and using software to manage customers' information**

Shipping, logistics, ship-building and ship-repairing companies of COSCO Group established information management systems to enhance the storage and protection over customers' information. COSCO Container Lines effectively managed customers' information by making use of the independent modules in IRIS-II system. COSCO Logistics developed and used LMIS (Logistics Management Information System) to keep confidentiality of customers' operational data in business operation. When customers use 5156 information system to check logistics status of cargos, they can search for needed information based on their user name, password, level and using rights and can only search for related logistics data of their owns. When serving for companies of the same industry, the risks for disclosure of client data and commercial secrets will not appear. In public promotions, if the company needs to mention customers' names, it will ask for consent of the customers. Otherwise, it will not use customers name or logo in public promotions indiscriminately. LMIS system was run on an independent server system specially prepared and a number of data backup and encryption methods were adopted to ensure data safety of customers. The company specially bought professional anti-virus software to avoid customers' data being affected by virus and Trojans, avoiding malicious theft of customers' data.

➤ **Honest and faithful services win honors**

In the face of good development opportunities and fierce market competition, COSCO Group has insisted on systematic development concept, abided by its obligations and actively performed its social responsibilities, so as to fulfill better and faster development of the enterprise and the objectives of "building up a long-lived COSCO". Companies affiliated to COSCO Group took the tenet of providing "optimized services for customers" and "bringing maximum returns of shareholders", insisted on the spirits of being practical and making innovation, stuck to the tenet of honesty and faithfulness and the operation and management concept of service first. It spares no efforts to create value of enterprises and protect their rights and interests and insisted on the value concept of "bringing mutual benefits to the enterprise and customers". It started from Chinese market to provide safe, convenient, economical and considerate services for global market and won high appraises and recognition of all circles of the society.

5. 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. Legal affairs institute of COSCO Group headquarters established a legal information platform to dynamically trace the laws and regulations of related industries and analyze the adaptability and help customers to know the relevant requirements in product and service implementation processes. Companies affiliated to COSCO Group set up the legal affair regulatory departments and system regulatory departments to evaluate the law compliance of products and services, identify the requirements of laws and industry regulations that products and services should conform to. They strictly enacted the compulsory regulations, found the deficits and adopted corrective measures to make improvements, so as to ensure that the production course, the realization of products and services as



well as the marketing and the advertising activities can meet the requirements of related laws and regulations. Based on arrangement of the Board of Directors, shareholders of the companies affiliated to COSCO Group will invite external legal institutions to evaluate the legal compliance and the validity of the companies' business operation each year and invited well-known auditing institutions to conduct the audit for the companies in a bid to identify the related requirements of laws and industry regulations for the companies' production, operation, products and services. They reported the situation of legal compliance and the validity according to the standard auditing system, which will be delivered to the Board of Directors for examination and made corrections and improvements on the deficiencies. In 2008, COSCO Group faced no severe penalties for breaching related laws and regulations regarding product and service liability.

➤ **COSCO Group establishes law information system**

COSCO Group has started from the angle of ensuring legal compliance of products and services and established a legal information system based on the Chief Law Advisor's Office, building up a platform for resource sharing and business exchange for its employees. The legal information system includes many legal information databases that will be updated accordingly and boasts functions such as information exchange, law resource sharing and contracts and documents recording. It boasts the inquiry function on personnel and institutes and provides effective legal information for companies and customers. The system provides powerful data supports to legal work, helping related personnel to check and read massive reliable legal materials, and to focus and study new laws, regulations, policies, explanations and cases continuously. It also provides a highly efficient platform for business exchange of the company, so as to fulfill sharing of human resources and bring functions of human resources into full play. Establishment of the legal information system provided solid bases for law popularization work of the group and created conditions for establishment of lawyer resource web of COSCO Group. Informationized network was used to help COSCO Group to better integrate and use resources of legal system, save costs of legal works and avoid legal risks in product and service providing processes of the company.



**LABOR RELATION
PERFORMANCE
INDICATOR
AND KEY REPORT**



Part IV Labor relation performance indicators and theme report

I. Management approaches

1. Objectives and performances

COSCO Group insisted on people-orientation, studied and implemented scientific development concept in an in-depth manner, and started 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 crews that are adaptable to requirements of its development strategies. COSCO Group actively promoted the diversified employee and culture management and its global operation and management. It propelled the overall development of human resources, deepened crew system reforms and promoted the social work such as pensions and medical insurance. It established peaceful and diversified talent competition mechanism, built up a platform for employees to bring their talents into full play and fulfilled the harmony and unification of employees' growth and enterprises' development. In 2008, it has completed the health and safety training targets set up in early of the year.

- Long-term target: continuously improve overall quality of employees, establish professional teams that are suitable to requirements of strategic development of COSCO Group, and create harmonious labor relations. Insist on scientific development and human-orientated, fulfill the strategic targets of "zero accident, zero injury and zero pollution" and ensure occupational health and safety of employees;
- Annual target: enhance safety consciousness of all staff and effectively reduce occurrence rate of human injuries. Prohibit key and important injury and death accidents, avoid big accidents, effectively control common accidents and small accidents and reduce the death toll of employees to below 0.1%.

2. Policies and regulations

Based on requirements regarding crew employment and management in the Regulations for Seafarers and the Labor Contract Law, COSCO Group has formulated the Human Resources Management Procedures, the Safety Risk Management Procedures, the Employees Brochure and the Collection of Organization and Human Resources Working System, defining policies relating to employee recruitment, management, employment as well as the occupational health, labor safety, welfares and treatments. These regulations provided solid policy bases and system guarantees for construction of a harmonious COSCO Group. The group has established and improved the articles of associations for the labor unions and organized collective negotiation and democratic negotiation as well as the communications and exchanges between employees' representatives and members of top management of the company. It set up female employees' committee as well as other organizations to protect legal rights and interests of female employees and ensure physical and psychological health of female employees. COSCO Group has stuck to the strategy of developing enterprises by talents, deepened the reform on modern personnel systems, established the human resources management system, and enhanced the transparency and democracy for selection and appointment of cadres. It implemented the public disclosure system in appointment of cadres and adopted competition-for-post method on a just and fair basis to enhance employees' enthusiasm, prospects and creativity. COSCO Group established the COSCO Seafarer Information System (CSIS) to standardize the recruitment, appointment, evaluation, training and management of crews, making sure that COSCO Group has a crew team with sufficient members, reasonable structure and excellent quality. COSCO Group and its subsidiaries gradually introduced OHSAS18000 occupational health & safety management standards and ISM regulations, established and implemented the occupational health & safety management system, formulated related procedures, notices and operational regulations for occupational health & safety management and enhanced the management on working safety and occupational health.

3. Organization and responsibilities

COSCO Group set up functional departments such as human resources departments, labor unions, safety management committees and safety supervision departments, which were mainly responsible for employee recruitment, daily evaluation, training and education, elevation and promotion and salary & benefits; for coordination and signature of collective contracts and protection of rights and interests of employees, including supervising the company to perform the articles of the contract, protecting female employees and



legal rights and interests of other employees; for comprehensive safety management work, including the management of production locations, production processes and safety and occupational health of production personnel.

4. Training and communications

COSCO Group headquarters, based on its strategic development planning and annual targets, has formulated annual plans for training and the education of employees on occupational health and safety, labor laws and regulations, production skills, management knowledge and employees' code of conduct. It carried out "Three 300s" talent project to promote the overall development of human resources of the group. It has enhanced training strengths on urgently needed talents and laid special effects on the cultivation of teams of directors and supervisors, high-tech talents, senior financial management personnel, advanced crews and legal talents. In the meantime, it carefully implemented the Regulations on Seafarers, expanded the training modes of crews, enhanced the training strengths and continuously improved the comprehensive quality of crews. It attached great importance to pre-post, technical, safety and special work type trainings on peasant workers, with the training rate of as high as 100%. It also did a better job in communications of related knowledge and information with various meetings, media and networks and improved management ability and level of employees at all levels.

COSCO Group and its affiliated companies establish diversified and effective communication mechanism between employees and top executives, such as meetings of workers' representatives, mail box of general managers, letters and calls, meeting of democratic life for opinion collection and irregular symposiums.

5. Career development of employees

COSCO Group has attached great importance to career development of employees and coordinated planned the career development demands and development planning of enterprises. 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 has established an evaluation system with working performance as the evaluation standards and encouraged employees to improve their comprehensive ability. It makes full, reasonable and effective user of internal human resources and balance 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.

6. Supervision and certification

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 team at all levels. Through such means as "making public the affairs of factories and enterprises" and the "workers' congress", COSCO Group accepted the supervision of the public and the employees on its fulfillment of related regulations, evaluated and reviewed the key and important affairs of the company and the production and operation status that are related to the fundamental interests of employees, and evaluated and commented on matters such as employees welfare, occupational health, labor contract and safety product. COSCO Group established the safety supervisor system to supervise the occupational health and safety management as well as the operation of management systems of companies at all levels, while guiding and carrying out the measures and proposals for labor protection and production safety. COSCO Group headquarters and second-tier companies gradually established related systems and passed certifications of related organizations.



Certifications of systems established by companies affiliated to COSCO Group according to related standards and regulations:

Companies	Occupational health & safety management system		International/domestic safety management rules		ISPS	
	Established	Certified	Established	Certified	Established	Certified
COSCO Group headquarters	★	★	--	--	--	--
COSCO Group	★		▲	▲	▲	▲
COSCO Container Lines	★	★	▲	▲	▲	▲
COSCO Bulk Carrier			★	★	★	★
COSCO Guangzhou			▲	▲	▲	▲
COSCO Shipping	★		★	★	★	★
COSCO Qingdao	★		★	★	★	★
COSCO Dalian	★	★	★	★	★	★
COSCO Xiamen	★	★	★	★	★	★
COSCO Hong Kong	★	★	★	★	★	★
COSCO Logistics	★	★	--	--	--	--
COSCO Shipyard	★	★	--	--	--	--
COSCO Shipbuilding	★	★	--	--	--	--
CHIMBUSCO	★	★	▲	▲	▲	▲
Hainan Boao COSCO	★	★	--	--	--	--
COSCO Ocean Shipping Tally	★	★	--	--	--	--
COSCO Human Resources/COSCO	★	★	--	--	--	--
COSCO Finance			--	--	--	--
China Ocean Shipping News			--	--	--	--
Maritime China			--	--	--	--
COSCO U.K.	★		★	★	--	--

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



II. Performance Indicators

1. Employee employment

COSCO Group promotes diversified employee and implements “global ideology and local operation”. It spared no efforts to attract, retain, award and use excellent talents worldwide and actively fulfilled 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 taped the potentials of its employees, stimulated their enthusiasm and offered its staffs the sense of belonging, thus achieving common growth of the company and its employees.

(1) Employee structure

Indicator/Year	2006	2007	2008
Total number of employees	69,549	69,285	67,643
Number of mainland employees	38,435	39,959	38,757
Number of self-owned crew	26,682	25,191	24,305
Number of employees working overseas	384	383	393
Number of foreign employees	4,048	3,752	4,188
Proportion of foreign employees	5.82%	5.42%	6.19%
Number of foreign female employees working on land	1,606	1,590	1,665
Proportion of foreign female employees working on land	39.67%	42.4%	39.75%
Number of contract peasant workers served as crews	8,875	9,435	10,924
All-staff labor productivity (yuan)	392,000	684,764	665,836

(2) Analyses on employees' leaves and losses

COSCO Group has been devoted to create good working environment for employees, encourage working enthusiasm of employees, improve the mechanism of retaining talents with good welfares, passions and development opportunities, and improve employees' satisfaction and loyalty, and achieved good results. In 2008, total number of employees who left the group reached 3,099, and the employee loss rate was 4.5%.

(3) Holiday system

COSCO Group provides competitive paid holidays, maternity leave, paternity leave and recuperate system among companies of the same industry.

A summary table of various holidays of COSCO Group headquarters

Indicators	Number of days
Marriage leave	3 days
Marriage leave (employees marry at a mature age)	Additional 7 days in addition to marriage leave for newly married employees
Maternity leave	90 days
Maternity leave (late childbirth)	Additional 30 days in addition to maternity leave for normal situation
Maternity leave (multiple gestation)	Additional 15 days for every extra child given
Paternity leave	15 days
Funeral leave	3 days
Home leave for couples	30 days/year
Home leave for parents (unmarried employees)	20 days/year
Home leave for parents (married employees)	20 days/four years
Paid holidays (employees working for less than 10 years continuously)	5 days/year
Paid holidays (employees working for 10 to 20 years continuously)	10 days/year
Paid holidays (employees working for more than 20 years continuously)	15 days/year



Labor unions of companies at all levels organized recuperative activities for employees in different times and batches each year. The recuperative activities enhanced employees' physical quality, alleviated their working pressure, promoted the unity and friendship of employees, created a harmonious and relaxing atmosphere, allowed employees to feel the warmth of working in COSCO Group and to love COSCO Group, and enhanced the cohesion of the enterprise.

(4) Insurance and welfares of employees. In strict appliance with the requirements of the nation's related laws and regulations, COSCO Group has established social insurance system for employees, covering pension, medical care, work-related injury safety, maternity and unemployment insurances, and housing accumulation fund. ICOSCO Group has joined 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 has established complementary medical care issuance and traffic accidental insurance for all its employees. Currently, COSCO Group is propelling the establishment of annuity system. The detailed implementation plans had been approved by the State-owned Assets Supervision and Administration Commission and submitted to the Human Resources and Social Guarantee Department for putting up a record.

(5) Leadership selection and appointment. COSCO Group has established its enterprise leadership selection and appointment management principle and procedure in accordance with the modern enterprise system requirements. It also has implemented pre-publicity system. In 2008, 509 cadres have been made known to the public before appointment, the company actually appointed 509 cadres, cadres appointment rate reached 100%.

(6) Strengthening policy research and system construction, continuously improving human resources management level. COSCO Group is to fulfill the study and corresponding implementation work in accordance with "People's Republic of China Labor Contract Law" and "People's Republic of China Regulations for the Implementation of the Labor Contract Law". COSCO Group has carried out the labor contract management and current employment situation survey, made an analysis on the impact of "People's Republic of China Labor Contract" on human resources management and labor relations management. In accordance with law and regulation requirements, COSCO Group has proposed optimization measures according to human resources management requirements including the "talents thriving enterprise" strategy and the "change from owning to controlling" strategic impact and corresponding response measures; issues that worthy noting and improvement suggestions such as democratic procedures, staff recruitment and hiring, contract signing, contract extending, contract unchain and other aspects;

(7) Promoting COSCO Group Crew Management Information Construction. COSCO Group crew management information construction is the key to crew management level improvement. Thus COSCO Group has spent four year in inventing its "COSCO Crew Information System (CSIS)" and applied it in COSCO Bulk Carrier, COSCO Qingdao and COCSO Manning for experimental operation. In 2008, expert group examined and accepted the system hence the research and development work of the system has come to an end.

In order to meet personalized requirements of different companies, and further optimize the application and promotion work of CSIS, in accordance with the principle of activeness and steadiness, COSCO Group actively coordinated with COSCO Bulk Carrier and timely resolved the technical problem that COSCO Qingdao and COSCO Dalian encountered in the actual application of CSIS system. At the mean time, on the basis of the collection of a wide range of advices and suggestions from COSCO Bulk Carrier and other companies, COSCO Group focused on the comprehensive application and promotion of CSIS so as to resolve technical problems of CSIS application.

2. Relations between labors and management team

(1) Working mechanism and performances of labor unions

Labor unions at all levels of COSCO Group fully expressed and protected legal rights and interests of employees. They mobilized and organized employees to actively attend the production, operation, management and reform, and tried to complete various tasks. They represented and organized employees to attend the democratic decision-making, democratic management and democratic supervision of enterprises. They spared no efforts to enhance the democratic, public and legal construction of the labor unions, increased the number of activities organized and served for employees whole-heartedly, so as to construct



the labor unions into reliable homes of employees with complete governance structure, effective right-protection mechanism, active working mechanism and significant functions.

Indicators/year	2006	2007	2008
Proportion of employees joining the labor unions (%)	98	98	99.58
Number of second-tier labor unions under the labor union of COSCO Group	16	16	16
Coverage rate of collective contracts (%)	100	100	100
Coverage rate of labor contracts (%)	100	100	100
Number of labor protection, supervision and inspection personnel (persons)	1,515	1,267	1,356
Number of IT personnel of the labor unions (persons)	933	635	465
Information collected by information personnel of the labor unions*	3,787 cases	3,073 cases	782 sessions
Time-limit for pre-informing of key events *	14-30 days	14-30 days	7-30 days
Pre-informing rate of key events (%)	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 workers' union adopted statistics of information data by periods.**

(2) Labor Contract Signing Situation. In order to protect enterprises and employees' rights and interests in accordance with laws and regulations, and maintain stable and harmonious labor relations in accordance with relevant provisions of the country, COSCO Group Trading Unions and Party Government jointly drafted and issued "COSCO Group Implementation Measures of Contract Provisions" aiming at further optimizing the coordination of labor relations and protecting employees' rights and interests in accordance with corresponding laws.

For the officially implementation of the "People's Republic of China Labor Contract Law", COSCO China Trading Union has organized the study and implementation of Labor Contract Law and has made detailed and wide range promotion of labor contract system, party rights obligations of labor contract and protection of legitimate rights and interests of employees. Labor contracts include fixed-term labor contracts, non-fixed-term labor contracts and labor contracts for migrant workers. The above mentioned measures have played important role in the construction and development of harmonious and stable labor relations of COSCO Group.

(3) Employee Satisfaction Survey. COSCO Group and its subsidiary companies adopted the first party survey to its employee satisfaction, of which specific form as follows: firstly, senior management evaluation was conducted by group organization during senior management conference; secondly, democratic evaluation of senior management was conducted by employee representatives during the annual employee representative conference; thirdly, functional department organized survey conduction. In 2008, COSCO Group commissioned Shanghai Quality Technology Consulting Firm and Shanghai Customer Satisfaction Assessment Center to conduct the third-party employee satisfaction survey in adoption of the form of questionnaire. The assessment scale and statistical method of this evaluation survey adopted the "5 ratings assessment scale". According to international practice, the 5 ratings assessment scale has been respectively scored 15, 35, 55, 75 and 95. As to working environment, remuneration and security, communication and cooperation, employ development opportunities, internal management and enterprise development the six evaluation module, they were determined by the degree of employees' concern. Though information collection and data analysis, the company's 2 "employee satisfaction" of 2008 got the evaluation score of 79.86, which increased by 7.32 compared with 72.54 in 2005, which was conducted by the same agent and adopted the same survey method.

3. Safety and occupational health

(1) Safety Production and Occupational Health Management Mechanism. COSCO Group and its subsidiary companied attached great importance to safety responsibility. All subsidiary companies and groups were equipped with Safety Production Commission. Safety Production Office was set up as subsidiary to the Safety Production Commission. Main tasks and responsibilities of the Safety Production Office were



insisting to the implementation of national production safety laws and administrative regulations, studying major measures of safety production works, coordinating and resolving major issues in safety production, guiding safety production work and offering instructive suggestions on the universal and tendentious issues that occurred in safety production.

Under the leadership of the safety committees, the safety committee offices were responsible for dealing with daily safe production and occupational health work, completing important tasks assigned by the safety committees, regularly organizing symposium and summary meeting on safety product, conducting inspection, evaluation and survey on the safe production, occupational health and environmental protection, putting forward requirements and improvement proposals for the above tasks and timely reporting to the safety committees.

The safety committees of ships were responsible for safe operation of ships, avoiding casualties, protecting health of crew and preventing ocean environment pollution. They shall strictly perform the international conventions and related regulations of local authorities and guarantee effective operation of safety management systems of ships. In case of any emergent accidents or events, captains have the rights to make final decisions in order to protect ship and personnel safety, avoid environmental pollution and reduce property losses.

COSCO Group has set up its Safety Technical Supervision Department, all subsidiary units have set up Safety Management Functional Department. Responsibilities included in charge 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.

Strengthening ships' safety health and technical guidance as well as shore-based support. COSCO Group has set up its ship safety supervision mechanism in the national major ports so as to conduct safety inspections and guidance for arrival ships. This measure has strengthened the effective control of safety management of COSCO Group. COSCO Group and all its subsidiary units have all established emergency response and disposal leading group and working group in charge of supervising, coordinating, guiding and dealing with the emergent incidents and accidents occurred on ships and on shore.

COSCO Group's ships and subsidiaries at all levels have established the safe committees, which are comprises of top executives and main leaders of labor unions and different departments of the respective companies. President of COSCO Group acted as the director of safety committee of COSCO Group headquarters, top managers of other subsidiaries acted as directors of the safety committees of their respective companies, and captions of the ships acted as the directors of safety committees of respective ships. Safety committees were mainly responsible for implementation of related international conventions and the safety production laws and regulations of the State, decision-making on safety, occupational health and environmental protection, supervision, coordination and guidance of related works and investigation and disposal of safety-related accidents.

Labor union of COSCO Group issued the Opinions on Establishment and Perfecting the Labor Unions' Working Mechanism on Labor Protection Supervision and Inspection. Second-tier labor unions had established and perfected the organizational systems for labor protection supervision and inspection work of the labor unions according to the spirits and requirements in the Opinions, propelled and assisted the enterprise to perform labor protection and safety production laws and regulations of the State and the regulations and systems of the enterprise, and ensured safety and health of employees in working processes.

Employee representatives of safety committees: chairmen and vice-chairmen of labor unions of COSCO Group headquarters and its subsidiaries at all levels are major members of safety committees. Responsible persons for labor safety protection and supervision of labor unions at all levels are main members of the safety committees. In the safety committee of COSCO Group headquarters, the number of employee representatives accounted for 18% of the total, compared with 20% in safety committees at all levels.



(2) Safety and occupational health work. Top management of COSCO Group has attached great importance to safety and occupational health work. Early in each year, the first conference of the entire system was safety work conference for summarization and arrangement of safety and occupational health work. On Jan. 4, 2008, COSCO Group released the Guiding Opinions on Safety Work of COSCO Group after the holding of safety work conference, requiring all companies to implement the opinions in details.

In 2008, COSCO Group actively implemented its “Risks Resolving” safety production works and in-depth launched its “100-day Safety Inspection Action”. COSCO Group comprehensively investigated and resolved all types of security risks, strictly implemented the “Two Main Parties Responsibilities”, did a good in-depth and meticulous safety work during Olympic Games and Paralympics Games. COSCO Group’s safety situation was stable for the whole year, safety works got significant effectiveness.

Various types of accidents statistics as follows:

A total of 60 cases of work safety accidents were occurred, resulting in light wound of 60 persons and without any deaths or serious wounds. The number of labor safety accidents had reduced significantly compared with same period of 2007.

Indicators	2006	2007	2008
Number of human damage cases	73	120	60
Death toll	1	5	0
Death rate for safety liability accidents per 1000 persons	0.014	0.038	0
Number of persons involved in work-related injuries	66	100	60
Loss of working time	3,379	4,470	3,049
Permillage of loss of working time	0.19	0.26	0.15
Loss of working time caused by accidents	12,064	35,757	24,392
Absence days	4,898.5	17,582	22,778
Permillage of absence rate	0.28	0.87	1.05

In the year of 2008, altogether 6 marine accidents occurred, of which 1 general accident and 5 minor accidents. None heavy marine accident has been occurred. There was no machine damage or pollution incident. Marine accident rate significantly decreased over 2007. Machine damage and pollution incident rate still kept their zero records.

COSCO Group Marine Accidents Statistics					
Year	Heavy	Big	General	Minor	Total
Year 2007	1	1	3	7	12
Year 2008	0	0	1	5	6
Over the corresponding period	-1	-1	-2	-2	-6

(3) Safety and occupational health work implementation measures

First of all, it is to optimize safety management mechanism, effectively promote long-term safety management mechanism construction.

With “three ones” as its emphasis, COSCO Group promoted the implementation of safety production responsibility. Firstly, COSCO Group adhered to the first charge person taking full responsibility. It was clarified that the first charge person of all units and departments would be the person taking overall responsibility for safety production. COSCO Group has strengthened its supervision and inspection to the first charge person. Secondly, COSCO Group adhered to “one position, dual responsibilities”. It has set up



the system of leading group fully taking responsibilities. Responsible person in charge of safety shouldered specific responsibilities, responsible person in charge of other works shouldered safety production works in their responsible working scale. Responsible people of different levels have signed safety production target management agreement thus the safety production supervision works have been assigned to the relevant departments, companies and even to every specific ship, project, step and position, which achieved the full implementation of safety production responsibility system. Thirdly, COSCO Group adhered to “one-vote veto” evaluation standard. COSCO Group has optimized safety production evaluation system and indicator evaluation system, which included safety work as important contents of company, department and ship evaluation. It also carried out regular evaluation, regular informing on the completion situation of objectives and tasks. The “one-vote veto” evaluation standard has been adopted and strictly implemented in various kinds of assessments and evaluations.

In order to prevent and reduce all types of safety incidents, encourage the leaders of the company focus on safety works and actively carry out accident prevention works, COSCO Logistics Shanghai improved its “COSCO Logistics Shanghai Safety production Management Responsibility Incentives”. Under the premise of full completion of annual profits targets, all corresponding companies were to take the following conditions as the premise of incentives for the responsible person for safety production: firstly, annual heavy responsible accident rate lowed than 0.5; secondly, annual car accident frequency with one million miles was within indicators; thirdly, safety assessment level was above Grade D (excluding Grade D). Should the above conditions cannot be met, corresponding enterprises and charge persons will be punished in accordance with “Accidents Resolving Implementation” and other relevant provisions.

Secondly, the revision and optimization of rules and regulations.

In 2008, COSCO Group has made in-depth study, modification, supplement and optimization to current safety management mechanism, system and regulatory framework so as to make the regulations more adaptable to the current development needs. In 2008, COSCO Group has amended and issued “COSCO Group Ship Technical Situation Assessment Approach”, “COSCO Group Machine Cost Estimates Management Practices”, “COSCO Group Machine Cost Management Practices”, completed “COSCO Group Regulations (Maintenance) Compilation”, Marine Rules and Regulations Compilation, Labor Safety and Land Units Regulations Amendment and Assessment work. Basically completed the amendment of the standard projects that set by the Ministry of Communications—“Ship Repairing and Maintenance System” and “Ship Repairing and Maintenance System Inspection Guidelines”. In accordance with the characteristics of ship management, all units audited and completed a variety of safety manuals, inspection standards, as well as evaluation and prevention implementation guidelines, which improved the ship supervision and inspection standard and enhanced operability of ship equipment evaluation. On this basis, the enriched and strengthened safety production management material basis including technology, equipment, capital, human resources and other aspects further promoted the long-term safety management mechanism construction.

China COSCO Completed Amendment Project of Relevant Regulations in 2008		
Serial Number	Name of Regulations	Notes
1	China COSCO Ship Technology Assessment Approach	
2	China COSCO Maintenance Cost Estimates Management Approach	
3	China COSCO Regulations (Maintenance) Compilation	
4	China COSCO Regulations (Marine) Compilation	
5	China COSCO Labor Safety and Land Production Units Regulations Compilation	
6	Ship Repairing and Maintenance Standard System	Ministry of Communications Science and Education Division Standards Project
7	Ship Repairing and Maintenance System Inspection Guidelines	Ministry of Communications Science and Education Division Standards Project



Thirdly, strengthening monitoring the safety management system operation and improving the quality of operation.

COSCO Group and its subsidiary companies fully took advantage of the improvement and enhancement mechanism of the system, continuously adopted internal audit, management review, corrective preventive measures, customer satisfaction survey system and other measures to improve the company's system. In combination of changes in laws and regulations, and collective circumstances of the company internal and external audit systems, COSCO Group further enriched and optimized relevant content, improved the consistency, practicability and feasibility of the system. In 2008, COSCO Group had 474 self-owned ships, 65 audit certification ships, 143 middle-audit certification ships, 134 renewal audit ships, 15 additional audit ships, which all passed internal audit and inspection. In accordance with the standard requirements of COSCO Group, in 2008, its subsidiary companies has all taken GB/T 28001 (OHSAS 18001) "Occupational Health and Safety Management System" into its comprehensive management system, which helped in identification and assessment of risk sources. Corresponding control measures have been set so as to ensure that various types of risks can be controlled to a minimum acceptable range.

On July 24th 2008, in the "National Large-scale Transportation Enterprises Safety Conference", COSCO Group has been awarded the first "Safety Integrity Company" because of its good operation of safety management system, good safety management record and integrity safety management of its employees and ships.

Fourthly, adhering to people-oriented and strengthening labor safety management guidance

From safety action to risk solving, from rules implementation to regulations construction, the concept of "human life supremacy" has been fully reflected. Firstly, the units have strengthened foundation management work, ensuring safety and reliability of hardware facilities, carrying out census registration work for dangerous source, important equipment and facilities; secondly, COSCO Group attached great importance to its management system, strengthening the power of management source, putting great efforts in solving difficulties and weak points in labor and safety management works thus COSCO Group's labor and land production safety management network has been basically established; thirdly, all units highlighted their key points, taking injury and death prevention as the most importance task which effectively controlled the occurrence of accidents.

In accordance with enterprise characteristics, COSCO Group implemented its "Clear" project. This project was to organize and regulation goods status and human behaviors so as to achieve visible working field, scientific goods layout, standardized human behavior, neat and clear space and environment, and continuous management improvement.

Fifthly, starting from action improving self-consciousness of safety and implementation capacity.

Focused on navigation safety, Shipping units of COSCO Group launched its "serious driving disciplines and curbing habitual anti-regulation" anti-collision and anti-leakage activity. Through strengthening training, supervision and guidance as well as improving the means of execution, COSCO Group put a focus on its seasonal works, ship operations and anti-typhoon works. In 2008, COSCO Group has tracked 1705 ships in heavy storms, 1399 ships in fog, 3367 ships in and out ports and 1106 ships under exceptional circumstances. In total there have been 490 ships being affected. Under the efforts of all employees, COSCO Group hasn't encountered any danger, navigate safety has been assured. Ship Aloft Work



Sixthly, paying attention to crews' mental health, improving crew psychological self-adjustment ability

COSCO Group attached great importance to crew training, in particular added "Paying attention to crews' mental health" seminar in its new crew training. Through the company "News" and other promotional platform as well as publishing and issuing "26 tips in crew mental health and psychological decompression", COSCO Group has launched a series of development and promotional works regarding crew mental health guidance.



Subsidiary company of COSCO China opened its crew psychological counseling hotline-Teacher Zhou Hotline in November. The hotline has gradually recognized by crews members and their families. Reservations for interview and consultations including crews and crew family calls, text messages gradually increased.

Visiting Statistics Table

Number	Distribution Situation of Visitors		Consulting Form			Total Number
	Crew	Crew Family	Phone Call	Text Message	Interview	
11 people	6 off route 4	2 people (one of who has been referred by the Trading Union)	52	136	5	194
			1 personality evaluation feedback			

Note:
1. Number of people refers to the total number of people who consulted
2. specific information of crew sand their families are not disclosed due to privacy issues

Consulting Issues Classification Table

Consulting Issues			
Environment Adaptation	Interpersonal Relationship	Affection and Emotion	Marriage and Family
Three people	Three people	One person	Five people
Cross-coincidence occurred in actual consultation			

Seventhly, good ship safety supervision work vigorously promoted the launch of ship safety health work

Supervision system played an important role in safety management. Safety supervisors of COSCO Group are all outstanding captains and chief engineers with rich experience. They have set their footsteps on various ports in the national wide range. Through direct communication and interactions with the crew members, they have offered instructions on safety works in various aspects including technology, thoughts, morality and daily works. The crew members all regarded the instructions from the supervisors were rather beneficial thus many of them initiatively turned their supervisors for instructions and advices.

In 2008, COSCO Group safety supervisors altogether checked 455 ships of COSCO Group. Investigated and rectified 456 ship defects and proposed 1737 suggestions. Also, 1063 crews from 320 ships have been taken part in the “Ship Collision Rules” examination, 90.4% of the participated crews scores more than 80.

Eighthly, carrying out various safety activities and promoting safety culture construction and risk solving works

Firstly, it was to carryout risk solving and anti activities. In accordance with management system requirements, it was to standardize the risk solving works. Risk solving works and anti activities, combined with industry characteristics, combined with self-examination and supervision as well as inspection, were to be resolved and fulfilled with strengthening works in the code of conduct, equipment and facilities, production environment and other aspects. This helped further establish and improve long-tern investigation and management mechanism, deepen risk solving management works. COSCO Group has strengthened its working vigor in major infrastructure, facilities and construction projects. COSCO Group has strictly strengthened its qualification examination, supervision process and execution power. Identifying, researching and solving problems were the main working theme during the process.

“Anti Activities” safety inspections statistics table

Serial No.	Unit	Defects found	Rectification	Rectification Following-ups	Rectification Rate
1	COSCON	225	225	0	100.00%
2	COSCO Bulk Carrier	2,153	2,128	25	98.84%
3	COSCO Guangzhou	1,124	1,124	0	100.00%
4	COSCO Qingdao	827	813	14	98.31%



5	COSCO Dalian	311	304	7	97.75%
6	COSCO Xiamen	120	118	2	98.33%
7	COSCO Hong Kong	889	717	172	80.65%
8	China Marine Bunker	211	209	2	99.05%
	Total	5,860	5,638	222	96.2%

Secondly, COSCO Group actively carried out its 2008 “National Safety Production Month” activity with the theme of “risk solving and accident prevention”. COSCO Group and its subsidiary companies have set up “Safety Production Month” activity leading group and particularly set up leading group office. COSCO Group has formulated its “2008 ‘Safety Production Month’ Activity Proposal” of which content covered a wide range, focused on the latest events and combined the actual situation of COSCO Group. With “Safety Production Month Activity” as the opportunity, in combination of “100-day Safety Production and Supervision Action”, COSCO Group comprehensively promoted the development of its “Year of Risk Solving” and “Anti Activities” and carried out down-to-earth implementation. In addition, COSCO Group has arranged and deployed various practical safety activities with rich contents and new forms. Leaders at all levels from COSCO Group have provided human, financial and material supports for “Safety Production Month”.

Thirdly, COSCO Group Safety Commission has clarified labor division, goals and tasks, and established safety database and long-effective management mechanism in accordance with the requirements of the Ministry of Communications. COSCO Group conscientiously summed up activity experience unified time, approach, standard and thus issued “Notice and Implementation Program of COSCO Anti-collision and anti-leakage Project”. Every crew has signed the “Safety Production Commitment” so as to keep and improve safety self-awareness and self-regulate own behavior.

COSCO Bulk Carrier has launched its safety training education activity in among all its employees in particular focused on safety capability systematic training on its new staffs. At the meanwhile, in order to do a good and detailed job in crew training and improve crews’ safety skills, in combination of training and activities situations, COSCO Bulk Carrier has formulated driver education training plan in particular conducted special training for new drivers. Drivers who have failed rigorous examination would be strictly prohibited from driving. 2398 crews have received training during the activity period.

Based on main responsibility investigation, COSCO Guangzhou has taken a variety of ways to carry out in-depth supervision, seriously organized investigation of the “four machines and one furnace” of ships, particularly launched specific investigation of aging ships and carried out investigation and rectification in combination of route, ship and goods characteristics. To the characteristics of each ship and route, COSCO Guangzhou has made specific arrangement and closely tracked and guided the entire process, developed guidelines and incorporated into the system regarding cargo stowage, banding, maintenance and handling in consideration of real practices. COSCO Guangzhou and other shipping companies further deepened safety works, innovated forms, expanded resources and initiated the crew family members to concern and support the enterprise’s safety transportation production. The “Family and Safety “ activity has been launched among crew family members. In various forms such as safety seminars, creative safety culture works, safety speech contest and safety keynote contest, via the “Family Line”, safety wishes has been passed to general crew members thus enhanced the safety awareness of crew members and promoted the implementation of safety rules and regulations.

Since the launch of the activity, in accordance with corresponding requirements, COSCO Qingdao has made special training to all its crew members in particular drivers, engineers and staffs. 2270 employees have taken the training with the coverage rate of 100%. Drivers and engineers were required to take monthly examinations, a total number of 728 drivers and engineers scores good or above.

The entire system of COSCO Shipyard has adopted various propaganda methods to promote enterprise safety culture, which has formed strong safety atmosphere in the enterprise. COSCO Shipyard Zhoushan has carried out its “Safety Production Month” signature activity with the theme of “Safety is Life”.

COSCO Shipyard Dalian has formulated its “Employee Family Member Safety Knowledge Reading”. Contents included common sense regarding electricity and gas usage, escape from fire place, a variety of emergency measure and other basic safety knowledge, aiming at enhance safety awareness among



employees through family safety education.

In 2008, COSCO Guangzhou “The Taiankou” and COSCO Dalian Zhonghuo Yingkou Branch Company stand out in the national “Ankang Cup” competition and have been awarded “2007 National ‘Ankang Cup’ Competition Winning Team” by China Federation of Trade Unions and the State Administration of Safety Production and Supervision Management. “The Taiankou” of COSCO Guangzhou has been awarded the “National Pioneer Worker” by China Federation of Trade Unions.

In 2008, the ship and ship team safety competition that jointly carried out by China’s Construction of Seafarers Union and Department of Transportation Safety of Transportation Board, 12 ships and 7 teams from COSCO Group has been awarded the honorary title of “National Water Transportation System Excellent Safety Ship and Excellent Safety Team”.

Ninthly, firmly adhering to comprehensive emergency management work and constantly optimizing emergency plan system

COSCO Group further strengthened its emergency management work, optimized the preparation and amendment work of emergency plans at all levels and got emergency plan, rescue team, mechanism linkage and recovery measures all settled. COSCO Group has strengthened its emergency management training which improved emergency resolving ability of its employees at all levels and contributed to the linkage and continuous refinement of emergency plans at all level with relevant COSCO Group and government emergency plans.

COSCO Group Marine Emergency Solving Program Flowchart

1. Unknown phase

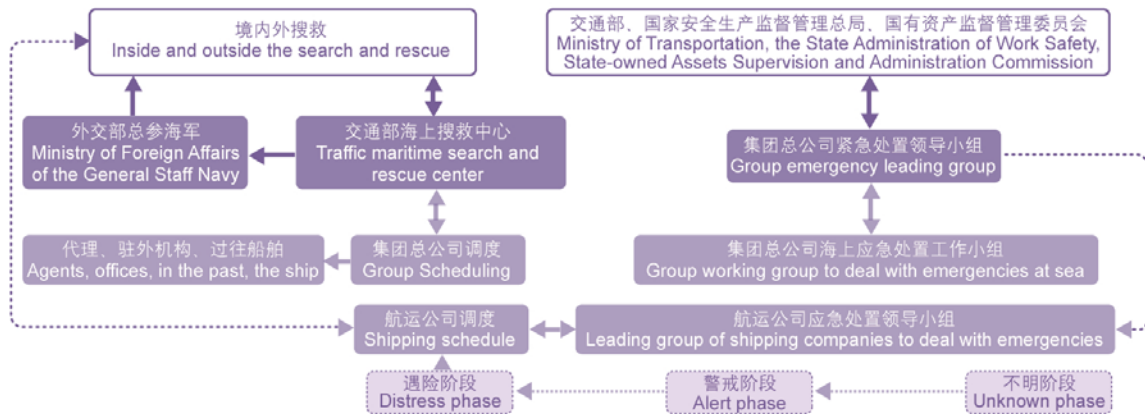


2. Alert phase





3. Distress phase



Inside and outside search and rescue Ministry of Transportation, the State Safety Production Supervision and Administration, State-owned Assets Supervision and Administration Commission

General Staff Navy of the Ministry of Foreign Affairs Search and Rescue Center of the Ministry of Transportation COSCO Group Group Emergency Disposal Leading Group

Deputy, Institutions abroad, Passing ships COSCO Group Group Scheduling COSCO Group Group Marine Emergency Disposal Group

Shipping Company Scheduling Shipping Company Marine Emergency Disposal Group

Distress phase, alert phase, unknown phase

COSCO Group has played its important role in emergency disposal and accidents prevention in particular natural disaster prevention. In 2008, COSCO Group kept its 100% record in anti-typhoon hence no accidents occurred. COSCO Group has established its high-efficiency anti-typhoon organization and set careful anti-typhoon emergency disposal plan and annually updated anti-typhoon main working points. In 2008, COSCO Group has successfully blocked 65 times of pirates harassment. None casualties or significant property damage has been made which further proved the important role of anti-piracy emergency disposals.

In 2008, rare snow disaster hit China Southern area, which brought great difficulty to coal transportation. COSCO Group and its subsidiary companies promptly launched severe weather emergency plan in accordance with actual situation. Through the joint efforts of COSCO Group, all units and ships, the national electricity and coal transportation task that shouldered by COSCO Group has been successfully completed. COSCO Group has won recognitions and praises from SASAC and other departments.

Tenthy, guiding by technology, strengthening

Guiding by technology, COSCO Group has established global severe weather prevention security system. In order to improve its emergency disposal capability, COSCO Group has continuously strengthened technology innovation and new technology promotion and application, updated its self-developed Ship Management Information System (shortened hereafter SMIS). The system enabled shore-based departments to grasp detailed information of ship facilities, emergency facilities and equipments so as to provide positive shore-based support. In 2008, COSCO Group has researched and developed its "COSCO Group Ship and Goods Transportation Online Monitoring System", which further improved the dynamic safety tracking management, monitoring and emergency disposal command platform.





The system was in adoption of the most advanced global communications network system, equipped with global electronic flight charts and possessed of the global hydrological and meteorological services thus it could obtain complete information and weather forecast information of the water area location of the ships of COSCO Group.

The system's route design, query, presentation, video surveillance, emergency disposal system made COSCO Group's non-gap tracking monitoring in global navigation come true, which provided reliable technology and information security for emergency command and disposal. China COSOC was equipped with new high-definition video and telephone conference system which provided effective guarantee for emergency command access. COSCO Group Ship and Cargo Online Monitoring System Main Page

➤ **Ship Security**

In 2008, COSCO Group and its subsidiary companies effectively implemented anti-piracy plans, anti-piracy got great achievements.

According to the annual piracy report issued by International Maritime Bureau (shortened as IMB hereafter) on Jan. 16, 2009, marine hijacking incidents reached an unprecedented new high in 2008. According to the statistics of IMB Piracy Reporting Center (shortened as PRC hereafter), the piracy hijacking and hostage incidents in 2008 were more than the combined amounts of relevant data recorded since 1992. In 2008, a total number of 293 piracy incidents have been occurred globally, increased by 11% over 2007's 263. The increase in piracy attacks could be attributed to the rampant piracy activities in the Gulf of Aden/Somalia. 111 piracy attacks have taken place in east of Somalia and the Gulf of Aden in 2008, which was nearly 200% of that of 2007.

Facing the grim situation of rampant piracy activities, COSCO Group has taken effective preventive measures: firstly, carefully adhered to "International Ship and Port Facility Security Rule", strictly stick to "Ship Security Plan" and did ship-shore ISPS joint exercise so as to improve prevention ability; secondly, conducted all year round tracking monitoring, periodically issued situation announcement and advanced warning, intensified monitoring efforts to piracy activities and pertinently guided prevention work; thirdly, shipping companies have established 24-hour tracking monitoring system in Somalia and the Gulf of Aden water areas so as to be prepared to deal with emergencies at any time; fourthly, improved the prevention consciousness of ships that crossed by water areas with rampant piracy activities, anti-piracy measures should be taken action.

Under the joint efforts of ship and shore, ships' control and response ability against unpredictable accidents has been greatly improved. In 2008, COSCO Group has successfully blocked 65 piracy attacks and prevented the pirates from the ships, no casualties or significant property damage has been made which effectively ensured the safety of all ships of COSCO Group when through the water areas with rampant piracy activities, crew and ship safety has been guaranteed.

Name of Indicator/Year	Year 2007	Year 2008
Piracy Attacks and Harassment	0	65
Successful Blocking Piracy Attacks	0	65
Successful Blocking Piracy Attacks Rate	0	100%

COSCO Group ship "The Taibai Sea" has successfully blocked piracy attacks. At 6:30 (local time) on Nov. 13, 2008, "The Taibai Sea" found a high-speed craft towards it in its left front direction, "The Taibai Sea" immediately entered the state of piracy emergency defense. Captain paid close attention to the movement of pirates while calmly commanded the ship adopted Z-sailing so as to avoid pirate ship. The captain commanded the chief officer and driving assistant to call the near U.S. warship for help, on the other hand, he promptly reported this accident to the company. The pirate ship ordered "The Taibai Sea" to stop. The captain kept dealing with the pirates while manipulating the ship. The pirate continuously fired 2 rockets which were approximately dozen bullets to the "The Taibai Sea". Crews calmly dealt with the pirate ship hence the pirates could hardly board on "The Taibai Sea". After that, the U.S. rescue ships timely arrived which made the pirates to give up and escape.

"The Deping Sea" from COSCO Qingdao was back to domestic south port from Ukraine Niuzini with mines loaded, it passed by the Somalia and the Gulf of Aden water areas in which piracy activities has become increasingly rampant. On Nov. 30, when the ship has not yet fully entered the Gulf of Aden, suddenly a pirate ship fast approached from the left direction, in response, the captain of "The Deping Sea"



immediately pressed the emergency alarm.

During the 64 hours of anti-piracy battle, all forces and powers of “The Deping Sea” have been mobilized and strictly stick to the day-and-night prevention which successfully resisted the pirate attack and harassment. “The Deping Sea” smoothly passed the Somali water area.



Deping Liner of COSCO Qingdao successfully blocks attacks of pirates.

➤ **Implementation of “International Ship and Port Facility Security Rule”**

In 2008, COSCO Group has received “International Ship and Port Safety Rules” (ISPS) checks for 774 times, passing rate reached 100%. Since COSCO Group ships docked at various countries with different customs and conditions, crews are required to strictly follow ISPS rules, conscientiously study and grasp the non-invasive security check operation. It was required not to miss any clues, and to avoid being accused of violations of human rights. Before the ships’ arrival to the port, the captain was demanded to ask information as much as possible in various aspects such as security level of the port, basic social conditions and local customs habits in order to take appropriate security checking measures.

According to statistics, in 2008, a total number of 9 smuggling cases have been happened and 30 involved people have been found that seized before port departure. Compared with 2007, one more smuggling case occurred and six more people were involved. Smuggling cases occurrence and people involved rate respectively increased by 20% and 8%.

Indicators/year	Year 2007	Year 2008	Comparison of 2008 data with 2007 data
Number of illegal entry cases occurred	10	9	
Number of illegal entry cases found	8	9	
Capture rate	80%	100%	+20%
Number of persons involved in illegal entry cases	24	30	
Number of persons involved in illegal entry cases found	22	30	
Capture rate	92%	100%	+8%

On Aug. 28, 2008, in the PUERTO CABLELLP port in Venezuela, four smuggling people were found when The Yihua” from COSCO Hong Kong carried out is daily anti-illegal immigration check. The captain promptly arranged specific people to do monitoring and timely reported to the police. Under their assistance, four smuggling people have been seized by the police and 15 kilograms of cocaine has been found. A smuggling illegal drug incident has been successfully prevented.

(4) Staff health and disease prevention. COSCO Group is a cross-nation 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 “Special Plan for Public Health Emergencies” in accordance with "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”.



➤ **Public Health Emergencies Flow Chart:**



All shipping companies (or its subsidiary crew companies) have set up specialized medical institutions providing medical assistance and services for ships and crews. 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 assigned special funds and organized its staffs to take regular physical examinations thus gradually established health record for its staffs. In 2008, against avian flu, foot-and-mouth disease and other infectious diseases, COSCO Group has made relevant prevention knowledge education and propaganda for its staffs, staff families and community members.

➤ **Health and Labor Safety Provisions Covered in the Contract**

For the protection of staffs' legitimate rights and interests as well as physical and mental health, the contract that signed between the enterprise and the Trade Union covered a range of provisions including working time, labor safety and health, labor protection, insurance and welfare.

(5) Labor Competition

The year of 2008 is COSCO Group's "Year of Deepen Reforming". Trade Union of COSCO Group continued its "Safety by my side, cost reduction and efficiency enhancement" activity so as to guarantee its staffs' safety. Early of this year the Trade Union of COSCO Group further enriched activity content and invented new forms of activities. With the concepts of safety and lean thinking, Chin COSCO initiated and mobilized its staffs to fully participate in activities so as to maximize economic and social benefits.

➤ **Safety Competition**

In 2008, Trade Union of COSCO Group has carried out the "My Contribution to Energy-saving and Emission-reduction" and "Pioneer Worker" activities. COSCO Group actively participated in safety competitions of national water system. COSCO Guangzhou "The Taiankou" and COSCO Dalian Zhonghuo Yingkou Branch Company stand out in the national "Ankang Cup" competition and have been awarded "2007 National 'Ankang Cup' Competition Winning Team" by China Federation of Trade Unions and the State Administration of Safety Production and Supervision Management. In 2008, the ship and ship team safety competition that jointly carried out by China's Construction of Seafarers Union and Department of Transportation Safety of Transportation Board, 12 ships and 7 teams from COSCO Group has been awarded the honorary title of "National Water Transportation System Excellent Safety Ship and Excellent Safety Team". In the "My Contribution to Energy-saving and Emission-reduction" and "Pioneer Worker" activities that carried out by China's Construction of Seafarers Union, "The COSCO Asia" from COSCO Group and "The New Shenghai" from COSCO Bulk Carrier have been awarded "Pioneer Workers of National Transportation Construction System". Starting from safety responsibility and strengthening safety,



all units have effectively promoted the implementation of ship and team safety production responsibility, which enhanced ship and team safety management level. In accordance with authority instruction and spirit, Trade Unions at all levels has set implementation plan for energy-saving and emission-reduction activities and combined those activities with “Safety by my side, cost reduction and efficiency enhancement” and effectively finish the job with meticulous organization.

➤ **Central Enterprise Labor Competition**

In order to comprehensively enhance staff working skill level, Trade Union of COSCO Group actively participated the central enterprise staff working skill competition held by the State Assets Committee of the State Council. In the final competition of central enterprise staff working skills competition hotel industry that held in Zhuhai in June, COSCO Group has selected four players from COSCO Guangzhou and COSCO Boao to participate Chinese food table layout, cocktail and other four competitions. Pan Ridong and Su Shengbao from COSCO Boao have been awarded “Central Enterprise Technical Experts”, meanwhile, COSCO Group has been awarded the excellence award of organization of central enterprise staff working skill competition. COSCO Group has selected two staffs to participate the central enterprise staff working skills competition forklift working skill final competition that held in Changchun in October in 2008. Shao Feng from COSCO Shipyard and Yang Hui from COSCO Shipbuilding have won the bronze medal and have been awarded the “Central Enterprise Technical Experts”.

4. Training and examination

(1) Training of top management of the group. COSCO Group continued to enhance the training of leaders. In 2008, it has dispatched 7 leaders of COSCO Group, 4 department leaders and 9 leaders of directly affiliated units to attend the training work of the Central Party School, the Party School of SASAC of the State Council, Pudong Cadres’ Institute and Dalian University of Technology.

(2) All-staff training. Through continuous training to its staffs, COSCO Group has set improving staffs’ business ability and overall capability as its long-term strategic measures. Every year COSCO Group and its subsidiary companies sent its staffs to participate in various types of training courses in accordance with development strategies and actual needs.

COSCO Qingdao conscientiously implemented the “in-depth carrying out training year” spirit of the 27th employee congress in order to maximize its potential talents of its employees. With training and building a learning organization as its goal, COSCO Qingdao carried out its training work in a planned order. In 2008, COSCO Qingdao was with registered 1343 employees, land-based staffs who have participated in various types of training organized by COSCO Qingdao reached 3066 people, training rate reached 228.3%. Among which leading member, middle cadre training receiving rate reached 100%. COSCO Qingdao was with 3466 crew members, among whom 1745 crew members have participated in training with various types of nature and content, crew member full-time training rate was 33%.

In order to enhance overall capability of the company coastal management staffs, COSCO Dalian has organized 60 batches of land-based staff training of domestic and international projects such as enterprise leader training, scientific concept of development, the Global Compact, maritime business, shipping law and practice, fuel quality, maritime transport oil volume, dispute disposal, emergency response, crisis management, hull inspection, hull damage and repair, maintenance supervisor business, safety supervision management, three-standard integrated management system, business process management, performance management and key performance KPI, IT technology, labor contract laws and regulations, new taxation laws and regulations, financial management, auditing, discipline inspection and supervision integrated services and other contents. A total number of 575 people have participated training, which was 118% of the number of land-based staffs. Averagely, one staff participated 1.2 times of trainings in a year.

(3) Various types of professionals training. 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 professional to participate in training and learning courses of corresponding institutions and organizations every year.

In September 2008, Zhong Jiyin, professor of Economics Research Institute of Chinese Academy of Social Science has been invited to participate in corporate management training. Training participants included company leaders, seniors and part-time directors, corresponding charge persons and part-time directors from corresponding companies. A total number of 70 participants have been involved.



Combined with company actual needs of production and management, COSCO Qingdao has held a series of training courses for shipping industry such as shipping market training courses, chief engineer training courses and captain training courses, a total number of 278 participants have been involved. In addition, through training courses and outsourcing training, in 2008 altogether 133 people attended shipping industry training, training rate reached 300.2%. Training participants from Ship Management Department and Safety Supervision Department reached 192 people, training rate reached 468.2%.

(4) “Three Three Hundred” Talent Project Construction. Since COSCO Group launched its “Three Three Hundred” Talent Project, it has conducted training on relevant staffs of the “Three Three Hundred” talent pool. Thanks to well preparation, training participants have been highly satisfied. Training participants’ knowledge and technology has been improved and updated, their comprehensive ability, adaptability and operational level has been strengthened.

By the end of 2007, COSCO Group conducted its second round selection to the “Three Three Hundred” talents which injected fresh blood to the project. Altogether 973 people were selected and of whom average age reached 40.01 years old. Middle-level staffs accounted for 79.2% of the total number, staffs with college degree and above accounted for 95.18% and staffs with bachelor degree accounted for 76.18%. To get prepared for a new round of “Three Three Hundred” selection, corresponding department has made serious communication and research with training center and timely adjusted the teaching plan. In 2008, due to the accommodation and transportation inconvenience that brought by the Beijing Olympic Games, “Three Three Hundred” was suspended. However, this project will be carried on in 2009.

(5) Bid for “National High Skilled Professionals Training Base”. In accordance with the requirement of the State Department of Labor and Social Security regarding “Notice of Establishment of National High Skilled Professional Training Base”, COSCO Group has formulated and reported its “COSCO Group’S Establishment of National High Skilled Professional Training Base Program”. In May 2008, COSCO Group, as well as other 157 enterprises have become the first group of base for the national high skilled professional training. After that, in accordance with the requirement of leaders, COSCO Group has further refined its “Establishment of National High Skilled Professional Training Base Program”, put forward specific measures and methods, clarified each task content, charge units and competition time and issued to each unit.

(6) Crew Training. In its 2007 working conference, COSCO Group proposed to pay greater attention to crew team development and formulate crew team five-year development plan. In order to further strengthen crew team construction and ensure the group crew team with sufficient number, high quality and reasonable structure and enhance the predictability of work, COSCO Group has organized corresponding units to formulate development plan for crew team in the next five years.

In 2008, as to the current quality and quantity situation of crew team of COSCO Group, in accordance with the next five years crew team development situation, recruiting situation of Marine College students, natural attrition of crews, in combination of “People’s Republic of China Crew Bill”, “People’s Republic of China Labor Contract Law” and other corresponding crew labor management requirements, on the basis of scientific analysis and summary, COSCO Group proposed its overall goals, ideas and concrete measures for crew team construction and development, in particular proposed directional views regarding the common and key points of crew team construction and development, which formed the development plan for COSCO Group crew team in the next five years.

In June 2008, COSCO Shanghai first ship labor protection training course has been held in Marine Center. In adoption of the method of combination of teaching and interaction, combined with “Safety Production Law”, a number of national major accidents have been analyzed during the training. Safety department leaders and executive officers from COSCO Group and COSCO Shanghai have made speech on the “Trade Union Three Regulations”, “Ship Casualties Accident Disposal”, “Industry Injury Insurance Regulations” and the “Required Conditions for Industry Injury Definition”. Marine Center was invited to give a speech on “People’s Republic of China Crew Ordinance”. 58 crew members participated in the labor safety training. It achieved the training objectives of “high-level attendance, various training forms and good feedbacks”.



With “training-oriented, long-term cooperation, mutual benefit and common development” as the guiding ideology, in 2008, COSCO Qingdao and Japan “MOL Coastal Steamship Company” jointly held crew training course, 38 crew members at different positions participated in the training. The joint training method expanded assignment scale which directly and effectively created benefits.

Ship Training Examination Scene



Attached great importance to the actual operation of intensive training, COSCO Bulk Carrier insisted to let every pilot and engineer that has participated in training to conduct real operation with the use of simulators thus to timely find and correct their incorrect habit via training and actual practice. COSCO Bulk Carrier developed and designed 10 simulator specialized training scenes, organized marine resource management role play, ship arrival/departure operation, narrow waterway navigation and other training lessons. In order to enhance the interaction in training, for example, in large ship manipulation, after each participant has finished their experimental manipulation, discussion would be held and attendants would express their views followed by participants and at last, coach would give comments as conclusion. Trainees’ participation has been enhanced. Trainees could acquire experience not only from their own practice but also from conclusion.

(7) Migrant Worker Training. According to the statistics by the end of 2008, COSCO Group and its subsidiary companies had 10924 migrant crew members, which accounted for 31% of the COSCO crew number. Therefore, COSCO Group attached great importance to migrant crew training and took safety development as the basic measure for enterprise continuous and rapid development. In migrant worker safety production skill training practice, COSCO Group has explored and developed systematic training content, diversified training forms, intensified training resources and socialized training effects. Career development of migrant crew has also been included in enterprise development plan and corresponding encouragement approaches and specific methods have been formulated.

(8) Labor Protection Training

COSCO Dalian has organized two labor protection supervision inspector trainings, 174 people attended. In accordance with company safety production circumstances, training contents included occupational safety health training, labor safety notice and anti-piracy security work.

In 2008, in the two technical skill competition of hotel service industry and forklift industry that held by the State Assets Committee of the State Council, COSCO Group has been awarded the excellence organization award for central enterprise staff working skill competition.

Effective training and evaluation incentive mechanism. **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 also improved various talent guarantee mechanisms to create good atmosphere and environment for studying and growth of employees. COSCO Group tried to improve the overall level of talent team construction with the cultivation of high-grade talents as the core contents and provided intelligence supports and talent guarantees for construction of “harmonious COSCO Group”.**

In the “Incentives Provision of Master (PHD) Degree Pursuit in Active Service” that issued by COSCO Qingdao on July 14th 2008, the restriction on age entry has been relaxed and training incentives amount has been increased. Meanwhile, incentives reimbursement procedure has been simplified. Those measures have greatly stimulated the studying enthusiasm and activeness of employees thus enhanced the company’s cohesion and strengthened the incentive role of enterprise training.

Indicator/Year		2006	2007	2008
Total training time of each category of employees (hour)	Top management team	10,363	21,278	6, 977
	Middle management team	27,366	129,910	23,984
Total training time of each category of employees (hour)	Grassroots	72,785	255,371	235,887



Average training time of each category of employees (hour)	Top management team	74.76	64.17	71.96
	Middle management team	47.83	39.04	25.56
	Grassroots	39.85	33.99	18.14
Total inputs for training of employees (yuan)		22,091,495.79	67,458,638.40	41,220,843.63
Training time in public expense (hour)		631,213	1,108,230.51	980,028
Training time in personal expense (hour)		80,197	167,041.79	116,847
Training on safety management system (person-times)		12,514	12,375	39,973
Training on contract performance (person-times)		18,037	18,805	20,388
“Three 300s” talent training (person-times)		245	400	0
Training before retirement (person-times)		2,676	371	658
Training in holidays and post returning rate after getting certificates (%)		100	100	100
Training rate on unemployed work allocation and training (%)		100	100	100
Proportion of security personnel accepting formal training on human right policies or detailed procedures (%)		100	100	100
Number of lean six sigma projects		78	270	44
Number of participants of lean six sigma projects (persons)		1,459	7,695	71
Number of achievements of quality management team		350	335	387
Number of members of quality management teams (persons)		2,711	2,958	2,890
Training on lean management, six sigma and quality management team (person-times)		3,877	8,087	2,741

Remarks: The “Three Hundred” training class was not organized due to inconvenience of accommodations and traffics due to holding of Beijing Olympics in 2008.

5. Diversification and opportunities

(1) Gender, age and minority nationalities (foreigners) of members of management team. COSCO Group has paid special attentions to structural composition in terms of age, gender, nationality and party when cultivating, selecting and appointing leaders at all levels. Among 38 leaders of COSCO Group and departmental leaders of the headquarters, 4 are females, accounting for 11.11%; five are aged below 40, accounting for 13.89%; 2 are non-party members, accounting for 5.56%. Among 130 members of top management of second-tier companies, 9 are females, accounting for 6.92%; six are aged below 40, accounting for 4.62%; two are non-party members, accounting for 1.54%; one is of minority nationality, accounting for 0.77%. It gradually formed the management team with complete specialties, reasonable ladders and excellent quality.

COSCO Group has 4,188 foreign employees, of which, 1,665 are females, accounting for 40.9%. It has formulated a diversified employee team.

(2) Basic salary policies and practical situation of male and female employees. COSCO Group established post-based salary system within the group, determined salaries based on posts, distributed salaries according to work and fulfilled the equal employment opportunities and equal pay for equal work. It has no discrimination policies in terms of gender, age, health, race and religion. At meantime, it didn't pursue equality blindly, and realistically allocated working posts based on the nature of the work and psychological and physiological differences of male and female employees, so as to bring active rules of employees in the work. Meanwhile, COSCO Group insisted on providing special welfare pregnant and lactating female employees, better protecting rights and interests of female employees.

The proportion of basic salary of male and female employees is 1:1



**HUMAN RIGHT
PERFORMANCE
INDICATOR AND
KEY REPORT**



Part V Human rights performance indicators and theme report

1. Management approaches

1. Objectives and performances

Guided by the systematic development concept, COSCO Group strives for the goals to “establish a long-lived company” and to meet the requirements of the second performance evaluation period implemented by the State-owned Assets Supervision and Administration Commission. Abiding by the national rules and regulations applicable to the company, the international agreements and labor standards affirmed by the Chinese Government and other applicable industrial standards in terms of investment and purchase, non-discrimination, rights to free association and collective negotiation, child labor, forced labor, security guarding and indigenous rights, etc., COSCO Group fulfils its commitments to respect human rights, prevent child labor, practice non-discrimination, and protect the rights of the local people, and so on. The labor union, acting on behalf of the employees, communicates and negotiates with the company’s administration on issues related to the employees’ interests and rights, so as to protect the employees’ rights to free choice of employment, resignation, and labor freedom, etc., and to promote a harmonious and stable employer-employee relationship that boosts the company’s development. COSCO Group attaches great importance to the human rights investigation on its suppliers and contractors. The human rights problems on the part of important suppliers and contractors may undermine COSCO Group’s prestige, and/or result in unstable supplying. Therefore, COSCO Group conducts investigations on its suppliers and contractors to lower the company’s management risks. In 2008, 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.

2. Policies and regulations

Implementing the State Council’s Directives on Matters of Migrant Workers, COSCO Group solved the problems related to migrant workers, boosted the development of the company, and maintained social harmony and stability. The Women Workers’ Committee actively protects the legal rights and special rights of female employees outlined in the rules and regulations for the protection of women workers. The corporate labor union signs collective agreements with such departments as the Department of Human Resources, protects the legal rights of the company and its employees, and maintains a stable and harmonious labor relationship. COSCO Group has formulated the Open Business Procedures and COSCO (Group) Headquarters Open Business Provisional Regulations, and accordingly, the subsidiaries have formulated practical plans and enforcement regulations in support of the establishment of a harmonious enterprise. With its robust personnel management system, COSCO Group prevents child labor and all forms of discrimination. The legitimate interests of the local people in COSCO Group’s operational areas are protected, and the company’s relationship with the local people properly dealt with. Furthermore, COSCO Group makes full use of the IT system and the Internet to promote the Global Compact, familiarizing the employees with the importance of the Global Compact to the development of COSCO Group and encouraging them to take active parts in the implementation of the Global Compact. IT is used as a tool for the realization of people-oriented business, and the Internet as a channel for communication. The employees are encouraged to participate in the management of the company’s affairs and to contribute in their own ways to the sustainable development of COSCO Group, which demonstrates the company’s respect for human rights.

3. 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 firmly prevented according to the relevant national laws and regulations and COSCO Group’s recruitment policies. Internally, all the employees enjoy equal opportunities at work, and male and female employees are entitled to equal pay for the same work. COSCO Group’s Labor Union is responsible for the organization and implementation of the open business policies, and the secondary labor unions are responsible for the specific work. Public mailboxes and complaints handling systems are in place at every



COSCO subsidiary, dealing with complaints from the employees with regard to human rights issues. Women Workers' Committee is established within the Labor Union to handle issues related to female employees and to protect their legal interests. Also, COSCO Group has introduced the management approaches for overseas companies which outline the regulations and requirements for overseas companies to comply with local laws, respect the manners, customers and rights of the local residents, etc.

4. Training and communications

COSCO Group enhances the employees' awareness of human rights and rights protection by organizing a variety of training programs and familiarizing the relevant employees with human rights and rights protection knowledge. To improve the company's capabilities to help the employees protect their rights, COSCO Group attaches great importance to the training of Labor Union cadres, and organizes a variety of training activities for the cadres every year to improve their comprehensive quality. The Labor Union organizes trainings for the officials responsible for the open business policies and labor protection supervision annually, so as to improve their abilities to protect the employees' legal rights. Meanwhile, the employees working in such section as the Department of Purchasing are given training in human rights knowledge. The human rights clauses in the purchase contracts are improved and assessments are carried out for the suppliers' human rights environment. The subsidiaries focus on the continuity of training policies in regard to safety management system, contract fulfillment, "Three 300s," and the arrangement for retired employees, employees on leave, and dismissed employees, etc. Guiding the practical work with solid knowledge and policies, COSCO Group establishes its sustainable development 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 sustainable development of the company.

5. Supervision and certification

COSCO Group's labor unions at different levels, formed by the employees on voluntary terms, not only protect the company's collective interests, but also work independently according to the Trade Union Law of the People's Republic of China and the Constitution of the Trade Unions of the People's Republic of China to represent and protect the employees' legal rights. The focus of human rights protection has shifted from the specific difficulties and problems of the employees to their fundamental interests and the establishment of rights protection mechanism. COSCO Group has formulated the Implementation Methods for the Supervision and Evaluation of Open Business, enhancing the supervision and evaluation systems and clarifying responsibilities. The implementation of the open business policy is regarded as the most important prerequisite for the evaluation of advanced companies, the performance of the company's open business assessed methodically and the quality improved significantly. Through such mechanisms as democratic management supervision, safe production supervision and labor safety supervision, etc., the employees' rights, the recruitment policy and the implementation of human rights obligations in the processes of purchasing are supervised, evaluated and brought into the overall assessment system of the companies. Meanwhile, the employees supervise, manage and implement the tasks at work through the Employees' Representative Conference, and they also offer suggestions for the implementation of human rights protection.



II. Performance indicators

COSCO Group established its sustainable development information management platform, and makes full use of the advantages of the Internet to promote the human rights concepts in the Global Compact. Through the information platform, various parties can communicate effectively, and the employees can participate in the management of the company's affairs. In this way, the employees can demonstrate their values and contributions, and enjoy equal opportunities for participation and development. The respect and protection of human rights is vital for the sustainable development of COSCO Group.

1. Investment and purchase

(1) Investment

In the research, approval and implementation of investment projects, COSCO Group lists human rights performance as one of the required assessment items, lowers investment risks, and avoids any harm to the Group's prestige that could impact the stability of investment.

COSCO Group pays attention to the human rights provisions in foreign investment contracts, and lists human rights provisions as a requirement in the foreign investment contracts signed, which is in line with the requirement of laws and regulations. By way of human rights assessment, COSCO Group clarifies the employees' labor rights, employment, wages, working hours, labor insurance and welfare, as well as the regulations and arrangements related to the employees, taking into full considerable the protection of the employees' human rights in the economic entity.

(2) Purchase

COSCO Group attaches great importance to the investigation and supervision of human rights performance in the supply chain during the process of purchase. The company performs investigations on its important suppliers and distributors to prevent any possible harm to COSCO's prestige and any instability of the supply activities due to human rights problems.

COSCO Group specifies human rights provisions in its procurement contracts, setting up terms for labor rights, wages, working hours, labor insurance and welfare, etc, and exerting influence on suppliers to ensure labor rights.

In 2008, a total of 19 contracts signed by COSCO Dalian with its important suppliers and contractors included standards of human rights or assessment contents for human rights. All contracts used the company's standard model and included health, safety and environment provisions.

(3) Human rights training

COSCO Group organized professional training on human rights. A total of five intensive training courses were organized in 2008, with a focus on the human rights contents in the 17th Session of the National People's Congress, and 238 managerial leaders of the Group were trained. A total of 53 training courses were organized in companies from home and abroad, with 1,587 mid-and-high-level managers trained. The task of intensive training was completed with a training rate of 100 percent.



2. Non-discrimination

The non-discrimination policy is one of the major requirements of the International agreements, social legislation and various kinds of guiding principles. COSCO Group complies strictly with the International agreements, social legislation and various kinds of guiding principles in the management of the enterprise, and establishes effective supervision mechanisms to ensure the implementation and practice of the non-discrimination policy in all kinds of business activities. Discrimination events related to internal and/or external interest groups in the business activities, including the race discrimination, color discrimination, sex discrimination, religious discrimination, political discrimination, nationality discrimination, social status discrimination and other forms of discrimination defined by the International labor organizations, will be appealed to the company's senior officials, via the special general manager e-mail, complaint letter, or the company's Labor Union. The discrimination events can also be investigated and solved through legal means.



By the end of 2008, COSCO Group had received no reports of any discrimination occurring.

(1) COSCO Group provides equal career development opportunities for all the employees, adheres to the principles of “openness, equality, competition and selection,” and improves its public recruitment system, so that capable employees are promoted, the internal human resources optimized, and employees’ initiative boosted.

(2) Women Workers’ committees

In regard to respecting and safeguarding the legitimate rights and special interests of women employees, COSCO Group conforms to relevant provisions in the Labor Law, and at the same time, by establishing women workers’ committee in the Labor Union, protects and oversees the implementation of women workers’ interests, and guarantees equal promotion opportunities for women workers.

Companies affiliated to COSCO Group, including COSCO Container Lines, COSCO Qingdao, CHIMBUSCO, COSCO Shipbuilding and COSCO Xiamen, formulated the Collective Contract for Special Protection of Women Workers, specifying the benefits women workers enjoy with regard to marriage, pregnancy, child birth, breastfeeding, promotion, assessment of professional titles and so on, achieving equality between men and women and ensuring the interests of women workers.

Women Workers’ Committees have been established in COSCO Group headquarters and all of its affiliated companies. Full-time or part-time cadres are employed, and meetings of women workers are held on a regular basis to hear their demands and requirements and to maintain their physical and psychological health. The Women Workers’ Committees actively safeguard women workers’ legitimate rights and prevent their special interests against violation according to women workers’ labor protection laws and regulations. To further enhance structural construction and improve the quality of women workers, COSCO Group carried out activities with the themes of “learning, growing and making contributions” and “contributions made by women” among women workers, mobilizing their enthusiasm to make contributions to the Group. Women workers’ organizations of 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.

In 2008, according to the spirit of the SASAC documents and relevant requirements, Sun Yueying, Chief Accountant of COSCO Group, was selected one of the Top Ten Chinese Economic Women of the Year 2007.

Before the International Working Women’s Day in 2008, Chen Xiang, Deputy General Manager of COSCO Container Lines, won the honorary title of National March Eighth Red Banner Pacesetter.

In 2008, the women workers’ committee of COSCO Guangzhou was chosen by the General Labor Union of Guangdong Province as “Advanced Group in the ‘Two Projects’ Work” and “Advanced Group for Women Workers’ Organization and Construction Work.”

COSCO Guangzhou purchased Women Workers’ Health Insurance for all women employees, and effectively eased the urgent needs of women workers suffering from serious diseases.

On the occasion of the March Eighth International Working Women’s Day, the women workers’ committee of COSCO Dalian initiated a “Mother Education” project among women employees. The project is designed for all parents, mothers in particular, and aimed at carrying forward maternal spirits, improving the quality of women to enhance the level of family education, and facilitating the healthy growth of minors. Radiation-proof overalls were bought for women workers working on special posts, and gynecological examination was arranged for all women employees to provide another line of defense against gynecological diseases of women workers.

(3) At present, the COSCO Group’s staff is divided into land-based employees, foreign employees, crew members, and migrant workers. The number of migrant workers was more than 50,000, mostly concentrated in the repair shipyards as contract workers. Migrant workers in the shipping industry accounted for 7,000, mostly as dispatch workers. Contract and dispatch workers received the same payment and treatment as formal employees, and their needs for old-age care and medical care were taken care of, which completely resolved the worries of these workers and enhanced the cohesion of employees. All



workers could attend their work without worries, which fully reflected the humanistic management philosophy of “enterprise achieves development, and employees gain benefits.” In addition, the companies adjusted workers’ payments based on market prices and introduced new labor cost system, which played a positive role in facilitating the development of a harmonious and stable contract workers’ team.

At the same time, COSCO Shipbuilding placed great emphasis on the creation of individual development space and platform for contract workers. To better improve the skills of contract workers, Nantong COSCO Kawasaki Shipbuilding signed a long-term agreement with Kawasaki Japan to dispatch contract workers for studying and skills training in Japan. This win-win practice not only provided contract workers with the opportunities to learn technologies, improve skills and increase revenues, but also provided conditions for the company to cultivate and reserve outstanding technical staff members. At the end of each year, COSCO Shipbuilding would select outstanding contract workers, reward the excellent ones and set up examples for the others to emulate. Since 2004, Nantong COSCO Kawasaki and other enterprises affiliated to COSCO Shipbuilding have set up Contract Workers’ Management Committees, so that more than 1,000 contract workers now have their own “homes.”

COSCO Shipyard Dalian has set up lounges and reading rooms at the offshore bases to provide convenience for the crew members. The families of some crew members are allowed on the ships, and recuperation holidays are arranged for some crew members and their families every year. Since the workplace of crew members are limited, the company made discs about knowledge on nutrition and health for crew members, and distributed materials on health maintenance on the ships to help crew members expand their knowledge about health. The crew members’ welfare and remuneration were adequately guaranteed, wages and various benefits were paid regularly and in full amount.

(4) Cultural life of workers

COSCO Group attaches great importance to the cultural life of workers to promote the building of COSCO’s corporate culture, to enhance corporate cohesion and to facilitate the building of a harmonious enterprise. Trade unions at all levels actively organize cultural and sports activities for workers and establish various cultural and sports associations.

➤ **Activities in the Cultural Month**

In September 2008, COSCO Group organized the Second COSCO Group Employees’ Cultural Month activity. Highlighting the themes of Olympic spirit and COSCO culture, COSCO Group held two activities, the opening ceremony of COSCO Group 2008 Employees’ Cultural Month and COSCO Employees’ Family Talents Competition, and the Aquatics Meet and Closing Ceremony in Tianjin and Qingdao respectively. The activities were a great success.



During the activities in the Cultural Month, the participants and their families displayed very high cultural qualities, exemplified COSCO’s corporate spirits of hardworking, patriotism, dedication, diligence, honesty and innovation, achieved great results, enhanced mutual friendship and fully demonstrated COSCO’s special corporate culture and the harmonious atmosphere of the COSCO family. The influence of the Employees’ Cultural Month was continuously enhanced. It has become a grand cultural event for COSCO employees and a brand name for employees’ cultural activities organized by Group trade unions.

➤ **Establishment of cultural and sports clubs by all companies**

To innovate the forms of trade union work and to enrich the cultural life of workers at leisure time, trade unions at all levels of COSCO Group founded a variety of cultural and sports clubs, including singing, dancing, swimming, bicycle and table tennis clubs, etc. In 2008, all cultural and sports clubs organized activities, including lectures, demonstrations and competitions, according to the plans they formulated at the beginning of the year.

The Singing Club of COSCO Group headquarters guided the members to improve their signing ability by starting from basic vocal practices. The members were organized to watch high-level concerts during holidays to cultivate high musical qualities. Singing contests were also organized for employees at the headquarters. The Swimming Club assisted the trade union in the successful organization of swimming



competitions for companies in Beijing, and actively participated in the selection of contesters for the Aquatics Meet in the Second COSCO Group Employees' Cultural Month.

On the occasion of its 47th anniversary, COSCO Guangzhou organized the COSCO Guangzhou Cup employees' basket game and the COSCO Guangzhou Property Cup table tennis game for big customers, along with badminton, football and chess games. A total of 13 teams and 160 employees participated in the basketball game.

The companies affiliated to COSCO Container Lines organized a variety of culture and sports competitions within their respective areas, enriching the cultural life of employees, cultivating a healthy corporate cultural atmosphere, and encouraging all employees to love COSCO Group and work hard to make more contributions to the development of the company.

COSCO Bulk organized the Welcome Olympics, Exert Efforts and Make Achievements, COSCO Bulk 2008 Employees' Team Competition for Ball Games. A total of 13 departments, 50 teams, and 500 employee athletes took part in 700 games.

(5) Care of employees and their families

COSCO Group further adjusted the welfare and remuneration for crew members. Crew wages were substantially adjusted according to the ideas of internationalization, marketization, dominance and simplification, and an adjustment mechanism for the increase of crew wages was established. Provisions on crew members' paid annual leaves and wages before dispatch were carried out according to the Regulations for Crew Members. In addition, the Group headquarters made arrangements for the accompanying spouses of employees sent overseas according to the latest policies in Hong Kong and Macao.

In order to provide families of crew members, who were far away from the Group headquarters, with timely help, to make them feel the warmth of the enterprise and to resolve the crew members' worries, the shipping companies established contact stations for the families of crew members, a total of 234 in the entire Group, and formed a relatively complete and well-organized working network for families of the crew which was unique in COSCO Group. This network provided strong organizational guarantee for work on families of the crew.

On April 23, 2008, COSCO Group organized and held a meeting to celebrate the 20th anniversary for the establishment of contact station for families of crew members from Dandong, Liaoning Province. A women employees' working meeting was held by the trade unions of COSCO Group at the same time to summarize and report the work on women workers and families of the crew, and to discuss and deploy the next tasks. In addition, to advocate and spread the spirit of selfless dedication of families of the crew, trade union of the Group edited and released a book entitled Warm Harbor.

➤ Consolation and relief aid after snowstorms and earthquakes

The trade unions of COSCO Group issued the Notice on Learning the Situation of COSCO Companies, Crew Members and Employees' Families Hit by the Disaster according to the situation of rain and snow disasters in some areas of Southern China at the beginning of the year. The Report on the Situation of COSCO Companies, Crew Members and Employees' Families Hit by the Rain and Snowstorms was submitted according to the survey. Letters of condolence were sent to companies and employees suffering the rain and snowstorms in Southern China, and consolation teams were organized and sent to regions seriously affected by the disasters to visit the families of COSCO's crew members.

After the strong earthquakes at Wenchuan, Sichuan Province, the trade unions of COSCO Group issued the Notice on Learning the Situation of COSCO Crew Members and Employees affected by the Sichuan Wenchuan Earthquakes in the first instance to all the secondary trade unions. All companies directly under COSCO Group made all efforts to establish contact with crew members and their families in the earthquake-stricken areas. They conveyed their sympathy to the families, and reported the situation of families affected by the disaster to the crew members onboard and the trade unions of COSCO Group.

On May 19, the trade unions of COSCO Group submitted to the Group leaders the Report on Distribution of Residences of COSCO Crew Members and Employees in Wenchuan and Other Earthquake-Stricken Areas in Sichuan. Based on the situation of COSCO crew members and employees in the earthquake-stricken regions, the trade union issued the Notice on Further Improving the Earthquake Relief Work, requiring all secondary trade unions to further learn the situation of families of crew members and



employees that were affected by the disaster besides collecting statistics on the distribution of their residences. Based on the situation learnt, the trade union submitted the Report on the Situation of COSCO Crew Members and Employees Affected by the Disaster in Sichuan Wenchuan Earthquake-Stricken Areas to the Party Committee of the Group. During the process of earthquake relief, trade unions at all levels played important roles, actively assisting the Party organs to plan and deploy earthquake relief work, and actively organizing donations among workers to show their love and support for the people in earthquake-stricken regions. In some companies, president of the trade union led the teams to the front line of the disaster-hit areas to visit COSCO companies and employees there. They also comforted the onboard crew members whose families were in the disaster-hit regions to ensure the security and stability of work.

➤ **Vacation and recuperation activities**

In accordance with the Labor Law and other relevant laws and regulations, COSCO Group gave employees the full rights to enjoy paid annual leave. Vacation time was arranged for each employee according to their respective work and personal application to ensure the normal recuperation holidays of employees. Concerned about the employees' physical and psychological health and the overall situation of the enterprises, and to promote the implementation of annual vacation policy outlined by COSCO Group headquarters, trade unions at all levels made proper arrangements for the holidays and vacations of cadres and workers, organized recuperation activities for employees and provided a platform for the implementation of employees' paid leave policy.

The trade union directly under COSCO Group, under the leadership of the Party Committee and in accordance with the Management Methods of Recuperation Activities for Employees of COSCO Group Headquarters, organized recuperation activities for employees at COSCO Group headquarters every year since 2001, and won the recognition and praise from employees.

➤ **Recreational activities for workers**

COSCO Xiamen held Chinese New Year Meeting to reward excellent crew members at the beginning of each year. The meeting was led by leaders of the company, and leaders from subsidiary companies were invited along with some of the excellent crew members and their families to attend the meetings. During the meeting, leaders from the company extended their heartfelt thanks to the families of the crew in particular, gave them red packets for the Chinese New Year, got to know the difficulties and requirements of crew families, and asked for opinions on the meeting to decide on the tourist destination for excellent crew members and their families this year. Through this activity, families of the crew got to know more about COSCO Xiamen. They trusted COSCO Xiamen and felt the care and concern of the company's leaders for the crew members, and showed their determination to support the work of the crew members.

➤ **The activity of "Golden Autumn Financial Aid to Students"**

Adhering to the principles of building a "harmonious COSCO Bulk," "harmonious families" and "never make employees suffer from poverty," COSCO Bulk actively carried out financial aid activities to help children from employees' families that were in need. The company conducted detailed investigations in the school performance of children from families that were not well off, obtained a general picture of their school performance and did a good job reporting children that needed financial aid. At the same time, the company conducted follow-up surveys and selected 20 children from needy families to receive Golden Autumn Financial Aid.

➤ **Visits during Spring Festival**

The Party leaders and trade unions at all levels of COSCO Group were very concerned about the health and lives of crew members, employees and retired staff. They paid regular or occasional visits to the workers. During the Spring Festival in 2008, trade union of the Group organized an activity with the theme of "help the needy to solve problems, and bring warmth and harmony to all families." Six visiting teams, led by leaders of the Group and participated by personnel from relevant departments, went onto the vessels and into the families of needy employees for visits. They helped the needy employees to solve practical problems, and genuinely brought warmth to the families. According to statistics, during the New Year and Spring Festival in 2008, a total of 12,142 needy employees were visited and helped, and 298 vessels were visited, by COSCO companies. A total of 24,933 crew members and employees were visited, and 403 train tickets were bought for migrant workers to return to their hometowns.



3. Freedom of association and collective negotiation

COSCO Group supports the employees' rights to collective negotiation, and implements the relevant risk assessment measures in all of the company's business activities.

The Group's labor unions at various levels conduct collective negotiations and sign collective agreements, on behalf of the employees and the company, with regard to wages, working hours, leave allowances, health and hygiene, professional training, insurance and welfares, and so on, as a means to protect the legal rights and interests of the employees.

In 2008, the trade unions of COSCO Group conducted the signing and implementing of collective contracts and labor contracts to protect the legal rights and interests of the employees. In accordance with the spirit and requirements of the new Labor Contract Law, by collecting employees' opinions and submitting to the approval of the 1st session of the Fourth Workers' Congress of COSCO Group, COSCO Group signed the third round of collective contracts. Trade unions at all levels made use of the implementation of the Labor Contract Law as a chance to supervise the employment behaviors of the companies, to participate in supervision and inspection of the implementation of the labor contracts, to assist the management of labor contracts and to work hard to improve the signing and fulfilling rates of labor contracts.

The overseas subsidiaries of COSCO Group fulfilled the collective negotiation policy according to local laws, regulations and the requirements of the industrial organizations to protect the legal rights of the overseas employees.

On the Working Conference to Promote Harmonious and Stable Labor Relations in Enterprises, held on July 23, 2008 in Tianjin, COSCO Bulk won the title of Tianjin AAA Enterprise with Harmonious Labor Relations in Tianjin and became one of the first 61 companies to win this title in Tianjin. The winning of this title will play an active role in promoting the establishment of harmonious, stable labor relations in the enterprise and the building of a "Harmonious COSCO Bulk."



(1) Continue to deepen the openness of factory affairs, and construct advanced reporting system for major events

Open business is a major measure taken by COSCO Group to promote democratic management. COSCO Group headquarters has formulated the Implementation Methods for the Supervision and Assessment of the Open Business Policy, enhanced the supervision and assessment mechanism and clarified the responsibilities. With the assessment closely integrated with the actual work, the employees are given a clear picture of the company's operation and are mobilized to contribute their own efforts. 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.

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 was innovated, and the effective forms of conferences on openness of factory affairs, online openness columns dialogues between leaders and employees, workers' meetings, and theme briefing conferences were established and promoted.



The mechanism for openness in factory affairs continued to improve, and the work was regularized and standardized. An advanced reporting system for major events (major changes that have substantial impact on employees (shareholders)) was established to report major events in advance. The advanced reporting rates were 100 percent, which played an important role in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions.

Leaders' team conference on openness in corporate affairs of COSCO Container Lines



COSCO Shipyard established a special fulltime management organ that is responsible for the work on migrant workers, Management Department for Contract Projects, formulated and improved the Management Regulations and Assessment Methods for Migrant Workers, and established the “team” management mode among construction teams of migrant workers. Altogether 20 Migrant Workers’ Congresses were established in the subcontracting parties to supervise the fulfillment of labor contracts of the construction teams to which the migrant workers belonged, to improve the payment system and to implement the social insurance system.

In 2008, the coverage rates of the Group’s collective contracts, the report rates on major incidents and the coverage rates of democratic supervision were all 100 percent.

(2) Employees’ Congress System

COSCO Group has established a multi-level employees’ congress system covering the Group, second-tier and third-tier companies. The annual production and operation objectives and major issues are submitted to the employees’ congresses for approval, and important decisions involving the interests of workers are submitted for vote. Employee representatives are organized to evaluate the work of leaders on a regular basis, and plans regarding corporate restructuring, closure, bankruptcy and resettlement of workers are all submitted for the approval of the employees’ congresses. The Group managed to achieve openness in factory affairs and soundness in organization, with factory affairs made public in a variety of forms and in close connection to the actual situation of the enterprise. All work was made effective to play important roles in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions.

In January 2008, COSCO Group successfully held the first meeting of the Fourth Workers’ Congress, bringing into full play the rights of suggestion, approval, supervision, assessment and democratic election and other legal rights of the Workers’ Congress. During the meeting, the proposal committee for the meeting collected 93 proposals, the contents of the proposals involving all aspects of COSCO’s construction of “Two Civilizations.” All proposals of the first meeting of the Fourth Workers’ Congress were processed and all proposers received responses before the end of 2008.

Type of proposal	Number of proposals	State	Total Number of proposals
Operation and management	31	Completed	93
System reform	18	Completed	
Team construction, education and training	15	Completed	
Safety in production	5	Completed	
Wages and welfare	15	Completed	
Others	9	Completed	

At the 2008 Working Conference of Trade Unions of Central Enterprises, organized by the State-owned Assets Supervision and Administration Committee of the State Council, COSCO Group was selected as an exemplary company, and the company’s experience in promoting corporate democratic management, protecting the legitimate rights and interests of workers and facilitating democracy building at grassroots level was introduced.

4. Child labor

The employment of child labor and/or young workers in hazardous tasks is strictly forbidden by COSCO Group, as this is the requirement in the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Office and the related guidelines of the organizations for economic cooperation and development. The possible risks of child labor are assessed, and measures to eliminate child labor are formulated according to the definition of child labor and young labor in the Convention No. 138 of the International Labor Office.



Apart from complying with the International laws, the Group conforms to the relevant regulations in the Labor Law. Complete procedures for employment and recruitment are established to prevent the employment of child labor and young labor.

Strict recruitment rules and promotion procedures regarding the employment of ship crew are established to make sure that no child or young person will be employed.

As for the rural migrant workers, COSCO Group clarifies all the duties and obligations with the signing of related contracts, restricts the contracted companies and labor companies responsible for the migrant workers, penalizes them according to the clauses in the contracts and reports to local labor management departments once child labor and young labor are found to be illegally employed.

When engaged in shipbuilding and related work abroad, COSCO Shipping, represented by the people in charge of the ships, 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.

The parent company and its subsidiaries stick to the administrative provisions for employment and recruitment. By 2007, no child labor has ever been employed and the occurrence of child labor is precluded in principle and in practice.

COSCO Dalian strictly complies with the Labor Contract Law of the People's Republic of China, and Provisions of the Prohibition of the Use of Child Labor. The company has established a health, safety and environmental protection management system, and a complete recruitment procedure to fundamentally eliminate the use of child labor.

5. Enforced and compelled labor

The abolishment of enforced and compelled labor is basic human rights. The employees of COSCO Group sign labor contracts with the enterprise out of their free will, and the Labor Union organizes employee representatives to sign collective contracts with the enterprise which strictly stipulate the working hours, working intensity, vacation and welfare for the employees, protecting their rights and benefits at work.

The employees are allowed to choose their own jobs. The company will not prevent an employee from choosing a new job for any reason or in any form when he/she decides to resign. Nor will the company restrict the employees' personal freedom in any way. Compelled labor by means of paperwork and money detention, debt repayment, surveillance, and threat is prohibited.

In 2008, COSCO Group received no complaint or appeal with regard to enforced and compelled labor.

COSCO Dalian strictly complies with the Labor Contract Law of the People's Republic of China. Incidents of enforcement or forced labor have never occurred in the company. In July 2008, COSCO Dalian was awarded AA Level Honest Company to Comply with Labor Laws and Regulations in 2007 by the Dalian government.

When COSCO Dalian dispatched seafarers and other workers to foreign countries, the company implemented strict contract management according to relevant international conventions and national laws to protect the legitimate rights of dispatched seafarers and workers. The company signed a total of 28 overseas labor service contracts/agreements with the ship owners and employers, the rate of signing being 100 percent. Safeguard clauses for the legitimate rights of seafarers and workers were specified in the overseas labor service contracts/agreements, including jobs, wages and payment, working hours and overtime pay, labor protection supplies, medical care and injury insurance during



6. Safety and security

COSCO Group organizes training programs for the third-party security guards, on the use of force and firearms in particular, enhances education about human rights to prevent any harm to the company's prestige or risk of lawsuit resulted from inappropriate behavior or measures. Meanwhile, the security guards are made aware of COSCO Group's expectation with regard to human rights performance.



The security force of COSCO Group is divided into two groups: the land-based security guards and the ship-based security guards. Some of the Group's land-based subsidiaries recruit security guards directly or from security service companies. The guards are formally trained and given related certificates before going on their duty. Other subsidiaries use their own employees as security guards. The security guards are trained in human rights and related knowledge by the COSCO subsidiaries or by the entrusted security service companies. Administrative provisions with regard to human rights are listed in the employment agreements with the security service companies, and the latter's work are supervised and evaluated.

The security of the ships is managed jointly by the security force on the ships and from the companies. Institutionalized management is carried out strictly according to the national laws and regulations, as well as the requirements of the international security rules. The management methods for shore bases and the security plans for ships are formulated, and the responsible security guards are trained and approved by the Maritime Administration of the Ministry of Communications. The training includes contents about human rights and the prevention of human rights violation, and so on.

In 2008, COSCO Group reported no incident of human right violation on the part of the security guards.

Name of indicator	2005	2006	2007	2008
Company Security Officer (CSO)	72	72	72	145
Vessel Security Officer (CSO)	3772	3320	1618	1383
Percentage of security officers formally trained on issues of human rights	100	100	100	100
Percentage of formally trained security officers directly employed by offshore enterprises	100	100	100	100
Total number of security officers directly employed	278	346	2844	2853
Percentage of security officers formally trained on issues of human rights and specific procedures	100	100	100	100

7. Rights of indigenous people

COSCO Group upholds the principle of respect for the indigenous people's rights. In the overseas investment and corporate business activities, the parent company and its subsidiaries emphasize both the localized management of the employees and the respect for the policies and rules in regard to the local people's legal rights and interests. According to the regulations of the local governments, the incomes are redistributed to the communities where the companies are located. The companies also actively participate in the local public events in the form of voluntary work and cultural communication, etc.

Based on the rearranged emergency planning, COSCO Group will take the following actions when infringements are reported:

- investigate the event;
- implement the remedial measures;
- evaluate the results of the remedial measures through the normal internal management procedures;
- and make sure that no more action needs to be taken with regard to the event (i.e., the problem is solved and the case settled, and no more action is needed on the part of the company).

In 2008, no complaint has been filed with regard to the infringement of the rights of the indigenous people.



**SOCIAL
PERFORMANCE
INDICATOR AND
KEY REPORT**



Part VI Social performance indicators and theme report

1. Management approaches

1. Objectives and performances

COSCO Group commits itself to the fulfillment of social responsibilities, and shoulders its responsibilities as a global citizen. COSCO Group strives to maintain good relations with the local communities and to reduce the influence and harm on the communities when entering and leaving. The company makes continuous efforts to construct the comprehensive corruption penalty and prevention system, upholds the corporate philosophy of legal operation and standard management, and adheres to the management principles of “prioritizing prevention and combining prevention with penalty.” After years of efforts, the combat against corruption and the construction of an honest enterprise are successful, the honest, efficient operation and the harmonious, healthy and stable development of the enterprise guaranteed. In terms of the formulation and study of related international and domestic regulations, COSCO Group continues to invest in the comprehensive promotion of the philosophies and guidelines in the Global Compact and the sustainable development 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.

2. Policies and regulations

COSCO Group requires its subsidiaries to fulfill their respective social responsibilities in their local communities, maintain good relationships with the communities, and minimize the negative impacts on the communities. All of the subsidiaries have implemented this basic principle effectively. COSCO Group has developed the COSCO Group Implementation Guidelines for the Establishment of A Sound Educational, Administrative and Supervision System to Prevent Corruption. The companies have formulated their respective implementation programs and enforcement regulations, incorporated the relevant requirements of the anti-corruption system into the scope of comprehensive risk management, and carried out anti-corruption and anti-monopoly work effectively. COSCO Group clarifies the relevant regulations for anti-corruption, anti-monopoly and unfair competition, along with the work requirements for the organizations, responsible personnel, and responsible departments. The companies under COSCO Group always abide by the principle of fairness and honesty, safeguarding free, fair competition in the market, complying with the anti-monopoly laws of the trading countries, upholding the principle of win-win cooperation, and protecting the interests of the goods, owners and the stakeholders. Engaged in fair competition and legal operation activities, the companies and employees of COSCO Group never supplant the rivals by any improper, illegal means. Nor have they deliberately fabricated and spread false facts to damage the reputation of the competitors. COSCO Group companies formulate corresponding measures to guard against operational risks, improve the implementation capacity, investigate and punish disciplinary offences, and strengthen supervision and discipline.

3. Organization and responsibilities

COSCO Group companies have set up their respective Commission on Sustainable Development, established administrative departments and public relations departments to maintain the good relations of cooperation with the communities. Moreover, the companies have set up inspection and supervision departments and discipline inspection commissions which are responsible for the implementation of the anti-corruption work. The main duties of these departments and commissions are: research and track the national legislation and international policies and guidelines on anti-commercial bribery and anti-corruption, develop and implement the corporate procedures and measures for anti-corruption, organize and conduct the communication and education on anti-corruption policies and regulations, supervise and inspect the performance of various departments and posts with regard to the implementation of the provisions, investigate and deal with disciplinary offences. Administrative departments, such as the President’s Office or General Manager’s Office, are established in the companies. These departments are responsible for the daily leadership conferences, receptions and public affairs, ensuring that leaders at all levels are engaged in public speeches, lectures and other lobbying activities in accordance with the relevant procedural requirements and the companies’ commitment and willingness are expressed and communicated. The



companies' market or sales departments are responsible for implementing the relevant national and international policies and regulations with regard to antitrust and anti-unfair competition.

4. Training and communications

COSCO Group is committed to the popularization of the philosophies and concepts of social responsibility throughout the entire Group by way of 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 defence 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.

5. Supervision and certification

COSCO Group includes the requirements of anti-corruption and anti-monopoly as the contents for the daily examination and assessment of the employees, and the relevant indicators are included in the assessment of the construction of spiritual civilization. The companies' supervision and discipline departments supervise and assess the implementation of the provisions, and propose rectification measures for the problems identified. By establishing justice departments and posts, the companies supervise the management of the contracts and the implementation of the legal requirements. And by operating the supervision perfection mechanism for the management system and the labor unions democratic management function, the companies inspect and evaluate the community construction undertaken by the departments in charge, as well as the business exchanges and cooperation with foreign countries. The companies organize inspections for operative discipline and contract fulfillment to promote the implementation of the relevant provisions. The State-owned Assets Supervision and Administration Commission conduct regular or occasional spot checks on the implementation of the anti-corruption and anti-monopoly policies on the part of COSCO Group, as a form of external supervision.



II. Performance indicators

1. Community

- **Comply with the existing principles when entering and leaving the communities, and promote friendly cooperative relations with the communities**

COSCO Group and its affiliated companies, when entering and leaving the local communities, carry out active communication and negotiation with the representatives of the communities and the relevant management authorities to ensure full compliance with the communities' laws, regulations and established rules after entering the communities, minimized impact on the communities in accordance with the provisions of the local authorities when leaving the communities, and thorough communication about the potential events that may happen during the enterprises' businesses. The prior consultations create a sound cooperative atmosphere and environment for the enterprises and prevent damage to the communities.

In 20078, the affiliated companies of COSCO Group did not report any incident of disharmony upon entering and leaving the local communities due to lack of communication. Good relations of cooperation will be a basic guiding principle for COSCO Group in the promotion of good cooperative relations with the communities.

- **Promote the cooperation with the communities when business activities are conducted, and fulfill the company's responsibilities as a corporate citizen by making contributions to the communities**

According to the philosophy of global citizen responsibility, COSCO Group regards itself as a basic citizen in the communities. By actively promoting the cooperation with the communities, COSCO Group identifies the needs of the communities and makes contribution accordingly to fulfill its social responsibilities. In 2008, the Group managed to maintain good relationships with the local communities, and promoted social cooperation in various forms. The efforts devoted by COSCO Group in the construction of the local communities were highly praised.

(1) Strengthen the cooperation with related parties and construct harmonious communities

COSCO Group has been committed to the cooperation with the related parties in the communities, including the community-related government departments, the military garrison units, non-profit organizations and private groups, etc. Through cooperation with relevant parties, COSCO Group has established a good image within the communities, and contributed to the construction of the harmonious atmosphere in the communities, as well as the overall development, harmony and progress of the communities.

The Boao Forum for Asia in 2008 was of the highest level, largest scale and had biggest number of participants in its history. Major leaders from more than 10 countries and more than 1,700 famous people from the political and government circles, scholars and experts, and journalists from more than 300 media across the world attended the opening ceremony. COSCO Group, as the main developer and permanent sponsor of the Forum, went on to participate in other work of organization and reception during the Boao Forum for Asian 2008 Annual Conference. To provide high-quality services for the annual conference, COSCO Boao ensured that service workers at all levels possessed skillful techniques and provided first-class service support by carrying out professional training, simulated training and emergency preparation drilling for the workers. The Government, the forum secretariat, representatives from home and aboard, and news media all thought highly of and extensively praised workers from COSCO Group who made not a single mistake in the work of reception and service. To facilitate the construction of Boao Forum for Asia, COSCO Group invested and completed more than 20 projects, including the Boao Forum International Conference Center, and COSCO companies in Boao employed more than 2,000 local residents.

To celebrate the 25th anniversary of the partnership between Chongqing, China and Seattle, US, the People's Government of Chongqing invested and built the Zhichun Institute at the southern communities of Seattle, and collaborated with the Washington State Government and local universities to provide courses on Chinese, cooking, Chinese architecture and gardening for primary and secondary school students and local residents, in an attempt to promote Chinese culture. To expand the influence of COSCO Group, and to improve the country's image through this project, COSCO Group decided after discussion that it would



send 40 cabinets for the Zhichun Institute project and commit COSCO Container Lines Americana for follow-up services. The task was completed successfully.

Due to the impact of the worst rain and snowstorm disaster in several decades, man highways, railways and airports in central and southern China were paralyzed. Traffic between the north and the south was severely disrupted. At the Guangzhou Train Station alone, more than 100,000 passengers were stranded during spring transportation and could not go back home. To ensure the safe and orderly travel of passengers, COSCO Guangzhou responded to the government's call and selected several excellent employees to maintain order at the train station. In the cold weather, COSCO employees left the cold to themselves and brought warmth to the hearts of the passengers. They won the praise of leaders and the recognition of the general public. Meanwhile, COSCO Guangzhou assisted to maintain passenger order at the Guangzhou Train Station during spring transportation and provided meals for 40 armed police officers who were responsible for public security in surrounding areas.

(2) Active promotion of environmental protection in communities, and improvement of community environment with practical actions

Environmental protection within the community has been a major concern for the COSCO Group. The various subsidiaries have been focusing on contributions for the improvement of the ecological environment by way of donation and reforestation, etc. COSCO Group encourages the local subsidiaries to take part in green projects. COSCO Dalian, COSCO Qingdao and COSCO Xiamen have all built forests together with the local governments. Other companies are also actively engaged in green projects:

In July 2008, a large amount of enteromorpha appeared along the coast of Qingdao City, and had a negative impact on Qingdao's coastal landscape. To maintain the cleanness of the beaches, and to ensure the smooth running of the Olympic Sailing competition, more than 1,000 employees of COSCO Group in Qingdao engaged in the fight to clean enteromorpha. The activity fully demonstrated the sense of social responsibility of COSCO employees, and further enhanced the excellent social image of COSCO companies in Qingdao.



On May 8, during the 15th Operation and Management Committee Conference of COSCO Group, the tree planting activity sponsored by COSCO Guangzhou with the theme of "fulfilling the Global Compact, and creating a green home," was held at Shima Peach Blossom Park in Guangzhou. Participating in the tree planting activity were COSCO President Wei Jiafu, Secretary of the Party Committee Zhang Fusheng, leaders at various levels attending the 15th Operation and Management Committee Conference of COSCO Group, and employees of COSCO Guangzhou. They planted the COSCO Forest in Guangzhou. President Wei and Secretary Zhang unveiled the stone carving at the COSCO Forest and leaders participating the activity planted saplings for the COSCO Forest. President Wei and Secretary Zhang pointed out that the fulfillment of the Global Compact, care for the world and environmental protection were corporate ideas advocated by COSCO Group, and were also the obligatory social responsibilities of COSCO Group. The building of the COSCO Forest was the fulfillment of the Global Compact and a specific measure to protect the ecological environment.



All companies of COSCO Group should continue to fulfill their social responsibilities, and all employees should take active part in the activities to cultivate the tradition of caring for the world, protecting the environment and cherishing life in COSCO Group. The robust growth of COSCO Forest in Guangzhou carried COSCO's wish to fulfill social responsibilities and to promote energy reservation and environmental protection. It symbolized COSCO Group's strategic measures to support the economic construction of Guangdong Province and the city of Guangzhou, and foretold the beautiful and promising future for COSCO's development.





In 2008, COSCO Xiamen invested another RMB 210,000 in the construction of COSCO Forest, building a COSCO Pavilion and a plank lane amid the woods to provide convenience for the citizens' creational life. After years of unremitting efforts, the COSCO Forest in Huwei Mountain has become a good recreational place for citizens in Xiamen and played an active role in improving local ecological environment.

(3) COSCO Logistics checks in advance the environment in the process of road transport to reduce impact on the communities

During the process of logistic transportation of heavy and large cargo, COSCO Logistics would pass by a number of communities. Before transporting the cargo, the company would conduct investigations in road conditions according to the community environment involved in the process of cargo transportation, and carry out adequate communication with local road management departments, responsible people for the local communities and other relevant parties. The company would choose a time period when there were few pedestrians and local people would not be disturbed, so that the impacts on local communities were minimized. As for the transport of large quantities of dangerous chemicals and radioactive materials very year, COSCO Logistics also invested a great deal. The company continued to update its logistics equipments, importing facilities from foreign countries to meet the special requirements of the environment on vehicles and to ensure transport safety and environmental friendliness.

(4) Participation in community activities in a variety of forms, and fulfillment of social responsibility

Subsidiaries of COSCO Group took part in social and community activities in a variety of forms, and faithfully carried out their social responsibilities.

After the May 12th Wenchuan Earthquake, COSCO Logistics joint hands with sina.com and opened a green channel for the transport of relief supplies from Beijing to Shifang. The company made a significant contribution to the earthquake relief work, and gave full play to COSCO Group's corporate culture of "Hard work, patriotism and dedication."



2. Anti-corruption

In 2008, COSCO Group's Party group discipline inspection team and discipline inspection, supervision and audit departments at all levels deepened the building of the anti-corruption campaign, focusing on the company's overall situation and central tasks, and in accordance with the requirements of the Global Compact.



In the face of financial crisis, personnel from the discipline inspection and supervision organs in the entire system applied the scientific outlook on development as a guideline, did a good job in discipline inspection, supervision and audit work, enhanced the company's internal oversight, actively rectified the problems identified, promoted honesty and integrity among the companies, prevented possible corruption risks and provided strong guarantee for the honesty, regularized, efficient, harmonious and healthy development of COSCO Group.

(1) Integrate the punitive and preventive system into operation and management, and further deepen the construction of the anti-corruption campaign

The discipline inspection group of COSCO Group carefully studied the Work Plan for Building A Sound Punitive and Preventive Anti-Corruption System from 2008 to 2012 released by the Central Government and the Implementation Suggestions for Carrying out the Work Plan for Building A Sound Punitive and Preventive Anti-Corruption System from 2008 to 2010 by the SASAC of the State Council. Based on the overall planning of the Group's Party Committee, after conducting detailed analysis of the current situation of COCSO Group's work on anti-corruption and collecting opinions from a variety of sectors, the discipline inspection group formulated and released the Work Plan for Building A Sound Punitive and Preventive System from 2008 to 2010 in COSCO Group, making a comprehensive and systematic plan for the construction of punitive and preventive system in COSCO Group in the next five years.

COSCO Group attached great importance to the establishment of the punitive and preventive system, insisted on the combination of the punitive and preventive system with operation and management, and deployed, checked and assessed the construction of the punitive and preventive system together with



operation and management. The punitive and preventive system was integrated into the Global Compact, and internal control was enhanced to prevent commercial bribery. With regard to the major problems and weakness in operation and management found in the process of supervision, inspection, performance monitoring and audit, the Group worked hard to rectify and improve them. In 2008, 1,611 regulations were amended and 696 new systems established, amounting to a total of 2,307 within the entire Group. By enhancing system construction, COSCO Group further standardized power operation and business management.

(2) Continue to carry out self-examination and self-correction activities; further fulfill the system of “Three Important and One Big,” and “Seven Requirements”

Leaders of party committees at all levels and the discipline inspection teams earnestly implemented the work plan of the Central Commission for Discipline Inspection and the SASAC of the State Council, and carried out the self-examination and self-correction activities of “Three Important and One Big” and “Seven Requirements.” The discipline inspection groups of the party committees established work teams to organize and coordinate self-inspection and supervision in the Group headquarters. The teams had communicated and talked with major leaders from 9 departments and more than 20 employees, checked more than 600 documents on 172 investment projects, internal management issues and transfer of state-owned assets dated from 2007 to August 2008, discovered problems and urged the problems to be solved. A total of 945 leaders were engaged in the “Seven Requirements” self-examination activity, with no one missed out and no dead angle left. Through self-examination and self-correction activities, the system of “Three important and One Big” and “Seven Requirements” was further implemented.

“Three Important and One Big” refers to decisions on important issues, appointment and dismissal of important cadres, decision for investment in important projects and use of big amount of capitals.

“Seven Requirements” refers to the seven requirements for honesty and self-discipline for leaders of state-owned enterprises. They are:

Forbidden from using convenience of duty to seek profits for themselves or specific related parties through fellow-business or connected trade;

Forbidden from providing convenience for profit-generating activities operated by each other, each other’s spouses, children and other specific related parties;

Forbidden from abusing of power for personal gains in the processes of corporate assets integration and introduction of strategic investors;

Forbidden from unauthorized mortgage, guarantee or entrusted financial management;

Forbidden from using internal information to benefits themselves or specific related parties in the processes of enterprise listing, merger, restructuring and additional stock issue, etc;

Forbidden from suggesting, instigating or forcing financial and accountancy personnel to provide false financial reports;

Forbidden from setting up their own wages, doing part-time jobs, and excessive issuing of subsidies and bonus.

(3) Carry out in-depth supervision and inspection, further standardize operation management

The discipline inspection groups of COSCO Group’s party committees and audit departments at various levels focused on the actual operation of the enterprise, and carried out supervision, inspection, performance monitoring and audit supervision to promote the standardized operation of the subsidiaries and the preservation and increase of value of state-owned assets. The interests of COSCO shareholders were protected, and the company’s level of management was improved.

COSCO Group enhanced supervision and inspection with a focus on such aspects as property rights transactions, the sale, repair, building and renting of vessels, procurement of materials and equipments, the return of commission, and the signing and implementing of business contracts, etc. COSCO Guangzhou strengthened its supervision of joint ventures, jointly operated companies and listed companies, and carried out performance inspection and supervision on such aspects as corporate restructuring, transference of title of property, listed trade, rental fees and repair of ships, voyage commission, internal control mechanism



and operation flows. COSCO Shipyard Group focused on power operation and supervision on major businesses, carried out performance inspection and supervision on such business processes as material procurement, engineering construction, labor outsource, and sales of steel scraps, etc. COSCO Dalian focused on machinery management, and further standardized the performance inspection and supervision on ship repair, ship facility procurement, and machinery management flow. COSCO Qingdao focused on capital management and enhanced performance inspection and supervision on the transfer and use of funds at its headquarters and subsidiaries. CHIMBUSCO focused on the strengthening of inspection and supervision on vessel supply for domestic trade, trade of fuel oil, and overland sales, etc. COSCO Bulk focused on the performance inspection and supervision on bid and purchase, construction of basic projects and major businesses of subsidiaries. COSCO Logistics made use of the chance of establishing Assessment Methods for Discipline Inspection and Audit Work to enhance performance inspection and supervision on price difference management in shipping agency services, the procurement of storage and delivery facilities and the operation processes of transport of large cargo.

In 2008, 508 performance inspection and supervision were carried out in the entire Group, with 811 companies checked, 653 problems identified, 759 pieces of advices for correction and improvement proposed, 377 problems rectified, 35 systems established and improved, and RMB 14.4252 million prevented and saved from economic loss.

(4) Actively carry out anti-corruption education, and further increase honesty awareness

The companies of COSCO Group actively carried out anti-corruption education activities that were rich in content, diverse in form and effective. Besides holding democratic life meeting among party members, leaders and cadres, all companies organized discussions about corporate honesty to further enhance the awareness of honesty among leaders. All companies established the honest culture construction plan, and carried out Honesty Education Month activities with the theme of observing disciplines, obeying laws and devoting oneself wholeheartedly to work. A typical case was chosen for educational purposes every month, and revolutionary tradition education, anti-corruption education and party disciplines and regulations education were carried out, which created a good atmosphere for honest business. Discussions about honest business and signing of letter of commitment were also organized, and most mid-level or above leaders of the companies signed letters of commitment to honest business. In June 2008, the discipline inspection groups of the party committees conducted a collective talk with all of their newly appointed secretaries, requiring them to fulfilling their responsibilities earnestly. Talks about honesty were conducted with 51 employees dispatched aboard before they were sent, and with all mid-level and above leaders and employees at important positions of all companies. In 2008, a total of 91,984 materials on anti-corruption education were compiled and issued in the entire Group, and 479 report conferences were held with 29,487 people attending. There were a total of 671 courses for mid-level and above leaders to study the anti-corruption documents, participated by 14,779 people, along with honesty talks with 9,748 people. The awareness of honesty was further enhanced among leaders, party members and employees. COSCO Container Lines continued to deepen the construction of corporate honesty culture, organizing serial education activities with the theme of “Honesty, Integrity and Operation in Accordance with Laws.”

The culture of honesty was spread into teams, departments, organs at grassroots levels, ships, families and projects, and further expanded into the overseas companies. COSCO Group’s mode for construction of honesty culture—“Six Progresses and One Expansion”—was established. The discipline inspection group of the COSCO Container Lines also published a book entitled Purifying the Humanistic Environment for Corporate Development—Collected Essays on Honesty, Integrity and Operation According to Laws of COSCO Container Lines, which effectively enlarged the coverage of the campaign.



(5) Properly deal with complaint and report cases, and severely punish corruption

COSCO Group attached great importance to issues that aroused strong public concerns. With regard to the problems in the work of corporate leaders and business activities found in complaint and report cases, discipline inspection organs at all levels proposed advices and suggestions for the improvement of leaders’ work and relevant systems and the enhancement of business management in good time, in an effort to build a harmonious enterprise and enhance democratic management. Discipline inspection groups at all levels of



COSCO Group made great efforts in accepting and dealing with complaints and reports, conducted surveys in time to learn the situation, coordinated the resolution of problems reported and protected the legitimate rights of employees. Discipline inspection groups of the party committees and at various levels insisted on having all cases looked into and punishing violations of laws and regulations severely. Meanwhile, all settled cases were reported twice and every single case led to rectification and improvement, which enhanced the strength and quality of case analysis.

In 2008, the inspection groups of the Group's party committees and inspection organs at all levels received 196 complaints and reports, and settled 91.3 percent of them. The inspection groups of the party committees received 92 complaints and reports, and conducted talks with the reported and carried out investigations into 16 cases. A total of 35 cases were checked in the first instance, with a settlement rate of 91.4 percent. Altogether 27 cases were recorded, 25 settled, with a settlement rate of 92.6 percent. Twenty four people received administrative sanction, and 5 sentenced in accordance with laws by the judiciary. A total of RMB 3.4189 million was saved from economic loss. Through the investigations, violations of laws and regulations were effectively punished.

(6) Strengthening of internal audit and promotion of further improvement of operation and management

In 2008, according to the arrangements and requirements for audit work from superior organs and departments, including the SASAC of the State Council, the Audit Commission, the Ministry of Communications and China Internal Audit Association, audit departments at all levels of COSCO Group closely related to the development needs of the companies, carefully fulfilled the responsibility of audit, supervision and service, comprehensive arranged the audit projects, actively cleared up dead angles in supervision, and continuously enhanced internal control, audit, and risk management audit and integration. All financial and performance audit work was consolidated and deepened, with a variety of work actively carried out. These included economic accountability audit, audit of financial revenue and expenditure, risk management audit, internal control audit, engineering construction audit, machinery management audit, vessel repair audit, supply procurement audit and assessment after decision making. Meanwhile, audit management, system construction and team development were paid close attention to, which provided strong guarantee for the healthy development of the Group. A total of 7,339 audit projects were completed throughout the year, with 2,826 advices and suggestion for audit proposed, RMB 590,000 undisciplined use of capital found out and RMB 146.36 million saved from unnecessary expenditure or economic loss.

3. Public policies

(1) Position for public policies, and participation in developing and advocating public 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 sustainable development. 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, President 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.

Vice President Zhang Fusheng submitted proposals to the First Session of the Eleventh National People's Congress

As a representative of the Eleventh National People's Congress, Vice President Zhang Fusheng submitted proposals to the Eleventh National People's Congress on behalf of COSCO Group to promote the formulation of policies. He proposed a total of 20 plans and suggestion which were all considered and



adopted by the National People's Congress and the Government. These included the Proposal to Establish National Shipping Day, On the Release of Seafarers' Act and Seamen's Bill, About Further Standardizing the Management of China's Third-Party Logistics Industry and Promoting the Development of Third-Party Logistics Industry, Suggestions on Safeguarding Safety of China's Petroleum Import and Developing China's Tanker Fleets, Suggestions on the Approval and Implementation of 2006 Maritime Labor Convention, Suggestions on Strengthening the Cultivation of Talents Among Chinese Seafarers, and Suggestions on Implementation of Flexible Policy with Regard to Hanging Five Star Flag on Vessels, etc. China has now set up a National Shipping Day and released the Seamen's Regulation of People's Republic of China. These proposals and plans, which were closely related to the shipping industry, outlined COSCO Group's track of scientific development and fully demonstrated COSCO Group's cause to boost the revitalization of China's shipping industry and to realize sustainable development. On March 5, 2008, Vice President Zhang Fusheng attended the First Session of the Eleventh National People's Congress, and submitted 6 suggestions, including On Accelerating the Formulation of State-Owned Assets Act, Suggestions on Facilitating the Rapid and High-Quality Development of State-owned Enterprises, Suggestions on Adopting Tonnage Tax Policy in the Shipping Industry, On Accelerating the Formulation of Nationwide Unified Social Insurance Relations Transfer Policy, Suggestions on Solving the Problem of Connecting Employees' Trans-Regional Social Insurance Relations, On Solving the Difficulty of Lack of Seafarers, Suggestions on Providing the Construction of Shipping Industry with Talented People, and Suggestions on Strengthening Macro-Control in Shipbuilding Industry in China.

Vice President Chen Hongsheng met with Swedish Secretary of State

On February 29, 2009, COSCO Group Vice President Cheng Hongsheng met with visiting Swedish Secretary of the State Ola Altera and Swedish Ambassador in China Mikael Lindstrom at COSCO Plaza. The two parties had in-depth discussions and exchanges on such issues as corporate sustainable development and global corporate citizen, etc.

President Wei Jiafu met with Ms. He Jing, President of Temasek Group

On April 15, 2008, COSCO Group President Wei Jiafu met with Ms. He Jing, President of Temasek Group at Temasek Headquarters during his visit in Singapore. President Wei and Ms. He Jing exchanged their views on issues of common interest, including the trends of global economy, capital market and corporate social responsibility, etc.



Vice President Xu Lirong attended Ninth International Road and Water Transport Technology and Facility Exhibition and 2008 China Communications Development Forum

On April 24, 2008, Vice President Xu Lirong attended on behalf of COSCO Group the opening ceremony of the Ninth International Road and Water Transport Technology and Facility Exhibition sponsored by the Ministry of Communications and Transport at Beijing Exhibition Hall. After the opening ceremony, he accompanied Weng Mengyong, Deputy Minister of Communications and Transport, to inspect the booth of COSCO Group. In the afternoon, Vice President Xu Lirong attended on behalf of COSCO Group the 2008 China Communications Development Forum sponsored by the Ministry of Communications and Transport and the Science Institute of the Ministry of Communications, and delivered a speech entitled Innovation and Pilotage: Building New Ocean Shipping Enterprises, introducing COSCO Group's innovative practice as a large state-owned shipping enterprise.

COSCO participated in Bo'ao Modern Logistics and Freeport International Forum

On June 8, 2008, Vice President Xu Lirong attended the Bo'ao Modern Logistics and Freeport International Forum held in Ningbo, and delivered a speech entitled 'Cooperation Between Ports and Shipping Companies for Sustainable Development' at the opening ceremony, introducing COSCO's understanding of the importance of cooperation between and common development of shipping companies and ports, as well as COSCO's successful practice in this field. Ye Weilong, General Manager of COSCO Logistics, delivered a speech at the sub-forum of 'Contingency and Rapid





Response in Event of Logistics Strategic Emergencies,' introducing COSCO Logistics' preparation for quick response in pre-arranged planning, professional team and drilling, along with its quick response to the Wenchuan Earthquake on May 12 and the opening of green channel for transport of relief supplies.

(2) Donations of money and goods to the political parties, politicians and institutions in various countries

COSCO Group develops its businesses in accordance with the principle of fair competition, and does not resort to political donations for favorable treatments and benefits. COSCO Group is strongly against any form of unfair competition.

4. Anti-competitive practices

COSCO Group encourages fair competition, encourages fair competition and does not practice dumping or monopoly.

The products, services and prices of COSCO Group show the following features: high-quality, high-grade, high-technology, low-cost and low-consumption. COSCO Group promotes its businesses in the following ways: bring forth new ideas and new products, establish credibility, and consciously protect the interests of related parties.

COSCO Group upholds the following principles to promote sales and accumulate credibility: comply with the laws and regulations of the country, respect the needs of the customers, and gain the trust and praise from the customers and the society with actual deeds.

COSCO Group plays an active part in the promotion of the Anti-Monopoly Law of the People's Republic of China approved on August 30th, 2007 by the 29th meeting of the Tenth Standing Committee of the National People's Congress of the PRC. COSCO Group, as a promoter for the formulation and implementation of this law, complies with the requirements in the Anti-Monopoly Law, protects fair competition in the market, improves the efficiency of economic operation, safeguards the interests of the consumers and the public, and powers the health development of the market economy.

5. Conformity with laws and regulations

As a leader of the shipping industry in China, COSCO Group sticks to the relevant rules and regulations in the management of the enterprise, and as a pioneer in the observing of disciplines and laws, COSCO Group abides by the laws and prioritizes the prevention of legal risks in daily operation. In 2008, no incident of penalties for violating laws and regulations ever occurred.

Guided by the Office of Legal Advice in the COSCO Group headquarters, the Group subscribes to the relevant databases and publications for laws and regulations of the State Information Center, learns about and tracks the relevant international conventions, laws and regulations home and abroad. As for the international legal environment, COSCO Group mainly focuses on the formulation of the United Nations Convention on the Law of transport, and for the domestic legal environment, the main concern is the Anti-monopoly Law, the Labor Contract Law and Enterprise Income Tax Law. COSCO Group has collected the contracts signed with foreign companies over the past year and carried out careful analyses to identify the vulnerable clauses in the contracts. Reflecting on the major legal disputes in the past three years, COSCO Group classifies, summarizes carefully the experiences and lessons, and collected the issues related to intellectual property rights in enterprises.

For the management of legal affairs, the company practices the legal suggestion system, clearly defining that written legal submissions must be issued by the legal departments before major investment decision-making, restructuring, merger, reorganization, and the signing of major contracts. The Guidelines for Contract Management are formulated, clarifying the responsibilities of contract management departments at all levels, detailing the signing, fulfillment, disputes, numbering and archiving related to the contracts. A classified contract management system is established, and the Approach for Trademark Management is formulated, regulating the flow of intellectual property rights and providing strong support for the protection of intellectual property and brand values.

COSCO Sustainability Report 2008

Det Norske Veritas (DNV) has been commissioned by the management of China Ocean Shipping (Group) Company (COSCO) to carry out an assurance engagement on COSCO's Sustainability Report 2008 ('the Report') in its printed format.

This is the fourth time COSCO has published its Annual Sustainability Report and invited a third-party agency to conduct an independent assurance.

Scope of Assurance

The Scope of DNV's assurance is to assess whether the disclosed critical information, data and management support systems are in compliance with the relevant reporting principles and criteria of reliability.

Limitation of Assurance

DNV's assurance team visited the head office of COSCO in Beijing, but did not visit any site office or external stakeholders.

DNV selected three second-tier subsidiaries for on-site assurance at their locations in China:

- COSCO Container Lines Company Ltd. (Shanghai)
- Qingdao Ocean Shipping Company Ltd. (Qingdao)
- COSCO Logistics Co., Ltd. (Beijing)

Assurance Approach

The assurance engagement was conducted from November 2008 to July 2009 and performed in accordance with the requirements of the "DNV Assurance Protocol for Sustainability Reporting". The Report has been evaluated against the following criteria:

Adherence to the principles of stakeholder inclusiveness, materiality, responsiveness, completeness, reliability, neutrality, comparability and accuracy as set out in the "AA1000 Assurance Standards 2008" and The Global Reporting Initiative ('GRI') 2006 Sustainability Reporting Guidelines Version 3.0.

The DNV assurance team has undertaken the following work to reach conclusions regarding the Report:

- Information search in public media to identify concerns of COSCO stakeholders
- Evaluation and ranking of the material CSR risks of COSCO, based on the "DNV Assurance Protocol for Sustainability Reporting"

- Interviews with COSCO's senior management team to understand the top level commitment and strategic approach to sustainability
- Interviews with departmental representatives to understand the management procedures and their status of implementation
- Examination and tracking of reported data and information, including a site-visit, to verify the methodology of data compilation and aggregation
- Comparison of COSCO's CSR reporting data over several years to understand the progress and trends in corporate social responsibility performance

Conclusions

In our opinion, the Report provides a fair representation of the level to which COSCO's sustainability policies have been implemented throughout its business units. No material or systematic errors were observed in the reporting.

Compared with last year's report COSCO has included more details in the explanations of their mission, vision and values, and has included a systematic SWOT analysis of the main impacts, risks, opportunities and solutions which have formed the basis of the company's strategy map.

In the process of the assurance engagement, DNV also identified some opportunities for improvement which have been included in the DNV Assurance Report.

Stakeholder Inclusiveness

The Report illustrates COSCO's commitment to be accountable to stakeholders and ensure that stakeholders participate in the identification of relevant issues and solutions.

The formal engagement mechanisms for interaction with stakeholders and the selection criteria of responding indicators could be further improved to coordinate and balance the expectations of stakeholders.

Materiality

The Report discloses the company's sustainability performance indicators and information regarding the main stakeholders affected.

DNV recommends that further improvements focus on developing policy and judgment criteria of material issues based on industry best practices, and quantification of material indicators.



COSCO Sustainability Report 2008

Responsiveness

The Report illustrates COSCO's mission, strategy and performance indicators, providing objective data corresponding to the major concerns of the main stakeholders.

To further improve the clarity of their communication to stakeholders in the future, COSCO is recommended to include information about their concrete commitments and an action plan which reflects stakeholders' concerns.

Completeness

The Report disclosed the key issues and performance information of the 2008 reporting period which covered COSCO head-office and all subsidiaries.

Regarding areas of improvement, it is recommended that the Report increase the focus on social indicators (e.g. related to labor relations such as statistics and analysis of the rate of work-related injuries and loss of working time) and environmental indicators (such as waste management generated from ships).

Reliability

COSCO has established a dedicated Corporate Social Responsibility management office and processes to collect, compile and analyze data and information. These procedures are found to be effective.

Accuracy

DNV has not found any material inaccuracies in the reported data that may significantly affect the comparability of selected key performance indicators. However, it is noted that for the future the reporting boundaries and definition for some performance indicators should be more clearly defined.

Neutrality

The DNV assurance team concluded that the information contained in the report is unbiased and reflect a balanced view of COSCO's corporate social responsibility performance.

Comparability

The information in the Report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis. The company could further improve comparability by reinforcing horizontal comparisons with the industry.

DNV is confident that COSCO will improve their corporate social responsibility management systems and the quality of the report on a continuous basis.

DNV's Independence

The independence of DNV's assurance engagement team is ensured by internal control procedures and the following principles:

- The total independence of assurance staff during working period.
- Keeping confidentiality of all the sensitive information of COSCO;
- No conflicts of interests between Assurance staff and COSCO.

DNV expressly disclaims any liability or responsibility for any decision a person or entity would make based on this Assurance Statement.

VOGTH-ERIKSEN, Thomas
Vic President
Det Norske Veritas.
July, 2009

Wang, Xuezhu
CSR Services Manager
Region Greater China
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July. 2009

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Region Greater China
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July. 2009



G3 Content Index				
STANDARD DISCLOSURES PART I: Profile Disclosures				
1. Strategy and Analysis				
Profile Disclosure	Description	Reference	Reason	Explanation
1.1	Statement from the most senior decision-maker of the organization	P3 Part A Strategies and General Information/Part I Statement of the President and Strategies/I. Statement of the President		
1.2	Description of key impacts, risks, and opportunities.	P9 Part A Strategies and General Information/Part I Statement of the President and Strategies/III. Analysis on primary influences, risks, opportunities and countermeasures of sustainable development/Analysis on primary influences of sustainable development;P11 risks, and opportunities.;P12 Analysis on primary countermeasures for sustainable development		
2. Organizational Profile				
Profile Disclosure	Description	Reference	Reason	Explanation
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2.2	Primary brands, products, and/or services.	P13 Part A Strategies and General Information/Part II General Information of COSCO		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	P15 Part A Strategies and General Information/Part III Basic profile of companies implementing sustainable development management system;P15 I. Shipping;P19 II. Logistics;P20 III. Ship-building and ship-repairing;P22 IV. Others;P25 V. Overseas companies;		
2.4	Location of organization's headquarters.	P13Part A Strategies and General Information/ /Part II General Information of COSCO		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	P13-14 Part A Strategies and General Information/ /Part II General Information of COSCO		
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2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	P13-14 Part A Strategies and General Information /Part II General information of COSCO;P14-25 Part A Strategies and General Information/Part III Basic profile of companies implementing sustainable development management system		
2.8	Scale of the reporting organization.	P12-13 Part A Strategies and General Information /Part II General information of COSCO;P14-24 Part A Strategies and General Information/Part III Basic profile of companies implementing sustainable development management system		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	P25 Part A Strategies and General Information/Part III Basic profile of companies implementing sustainable development management system		
2.10	Awards received in the reporting period.	P26 Part A Strategies and General Information /Part IV Awards;P26 I. Awards relating to Global Compact and social responsibilities;P27 II. A summary of international and domestic awards won by COSCO Group in 2008		

3. Report Parameters

Profile Disclosure	Description	Reference	Reason	Explanation
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	P33 Part A Strategies and General Information /Part V General information of the report/I. Scope of report		
3.2	Date of most recent previous report (if any).	P64 Part B Management and Participation of Stakeholders/Part III Global Compact, overall risk management and sustainable development /(IV) Achievement of COSCO Group Sustainable Development Report		
3.3	Reporting cycle (annual, biennial, etc.)	P33 Part A Strategies and General Information /Part V General information of the report/I. Scope of report		
3.4	Contact point for questions regarding the report or its contents.	P33 Part A Strategies and General Information /Part V General information of the report/I. Scope of report		
3.5	Process for defining report content.	P29 Part A Strategies and General Information /Part V General information of the report/I. Scope of report		

3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	P29 Part A Strategies and General Information /Part V General information of the report/I. Scope of report		
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope). I	P29 Part A Strategies and General Information /Part V General information of the report/I. Scope of report		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	P29 Part A Strategies and General Information /Part V General information of the report/I. Scope of report		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	P34 Part A Strategies and General Information /Part V General information of the report/II. Report compilation principles		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	P34 Part A Strategies and General Information /Part V General information of the report/II. Report compilation principles		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	P34 Part A Strategies and General Information /Part V General information of the report/II. Report compilation principles		
3.12	Table identifying the location of the Standard Disclosures in the report.	excursus/index		
3.13	Policy and current practice with regard to seeking external assurance for the report.	P35 Part A Strategies and General Information /Part V General information of the report/III. Report guarantee methods		
4. Governance, Commitments, and Engagement				
Profile Disclosure	Description	Reference	Reason	Explanation
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	P39 Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P39 1. Top management team;P40 2. Related committees		

4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	P39 Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P39 1. Top management team		
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	cannot obtain	Not applicable	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	P39Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P41 3. Decision-making mechanism; 42 4. Communication mechanism		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	P39 Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P42 6. Supervision over the management team;P43 7. Performance evaluation mechanism		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	P39 Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P41 3. Decision-making mechanism;P42 4. Communication mechanism;P42 6. Supervision over the management team;P43 7. Performance evaluation mechanism		
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	P39Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P42 6. Supervision over the management team/P43 7. Performance evaluation mechanism/8. Personnel evaluation mechanism		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	P39 Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P35 5. Internal statement, behavioral principles and implementation situations relating to economic,environmental and social performance		
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	P46 Part B Management and Participation of Stakeholders/Part II Major policies and ,agement systems/P46 1. Overview of management system;P47 2. Overview of COSCO Group management system;P50 3. Management system construction of companies;P51 4. Certifications obtained		

<p>4.10</p>	<p>Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.</p>	<p>P54 Part B Management and Participation of Stakeholders/Part III Global Compact, overall risk management and sustainable development/P55 (III) Implementation of Global Compact and sustainable development of COSCO Group in 2008;P58 5. On-site evaluation and internal auditing</p>		
<p>4.11</p>	<p>Explanation of whether and how the precautionary approach or principle is addressed by the organization.</p>	<p>P54 Part B Strategy and management/Part III Global Compact, overall risk management and sustainable development/P55 (II) COSCO Group's promotion of Global Compact and implementation of sustainable development;P55 (III) Implementation of Global Compact and sustainable development of COSCO Group in 2008;P56 1. Construction of sustainable development management system;P56 2. Construction of sustainable development indicator system;P57 3. Serial trainings on sustainable development;P58 4. Assessment of sustainable development report;P60 6. Audit of management system and sustainable development report;P61 7. Establishing strict compilation process and communication mechanism for sustainable development and social responsibility report, and cautiously issuing the sustainable development report;P62 9. COSCO Group will raise the level of IT application to pursue sustainable development and establish a highly efficient reporting mechanism.P67 III. IT facilitates the Group to realize ERM and sustainable management</p>		
<p>4.12</p>	<p>Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.</p>	<p>P54 Part B Strategy and management/Part III Global Compact, overall risk management and sustainable development/P74 2. Actively supporting and participating in UN Global Compact;P 3. Taking active part in the project of WBCSD World Shipping Sustainable Development Indicator Guidelines;P75 . Signing Acting on Climate Change and Universal Declaration of Human Rights</p>		
<p>4.13</p>	<p>Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the</p>	<p>P39 Part B Management and Participation of Stakeholders/Part I Corporate Governance Structure/P43 9. Participation in associations</p>		

	organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.			
4.14	List of stakeholder groups engaged by the organization.	P70 Part B Management and Participation of Stakeholders/Part IV. Participation of stakeholders		
4.15	Basis for identification and selection of stakeholders with whom to engage.	P70 Part B Management and Participation of Stakeholders/Part IV. Participation of stakeholders		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	P70 Part B Management and Participation of Stakeholders/Part IV. Participation of stakeholders		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	P70 Part B Management and Participation of Stakeholders/Part IV. Participation of stakeholders/P74 1. Actively responding to the call of SASAC, and setting an example of fulfilling social responsibility;P74 3. Taking active part in the project of WBCSD World Shipping Sustainable Development Indicator Guidelines;P75 7. Organizing World Shipping Summit 2008;P76 8. International exchange activities;P78 10. Actively participating in and supporting the popularization of GRI Sustainable Development Guideline and AA1000 Sustainable Development Assurance Standards		
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G3 DMA	Description	Reference		
DMA EC	Disclosure on Management Approach EC	P80-82 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/I. Management approaches		
DMA EN	Disclosure on Management Approach EN	P102-103 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/I. Management measures		
DMA LA	Disclosure on Management Approach LA	P127-128 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/I. Management approaches		
DMA HR	Disclosure on Management Approach HR	P149-150 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/I. Management approaches		

DMA SO	Disclosure on Management Approach SO	P161-162 Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/1. Management approaches		
DMA PR	Disclosure on Management Approach PR	P117-118 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/I. Management approaches		
STANDARD DISCLOSURES PART III: Performance Indicators				
Economic				
Performance Indicator	Description	Reference	Reason	Explanation
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	P83 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(I) Direct economic value created and distributed by COSCO Group/P83 1. Direct economic value created;P85 2. Operational costs;P87 3. Salaries and welfares of employees;P87 4. Payment to capital providers;P90 6. Social investments and inputs;P90 5. Payment to the Government		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	P94 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(II) Financial inputs for climate changes/P95 (2) Financial influences of climate changes on COSCO Group;P94 (1) Risks caused by climate changes		
EC3	Coverage of the organization's defined benefit plan obligations.	P95 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(III) Fixed welfare plan		
EC4	Significant financial assistance received from government.	P96 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(IV) Financial supports provided by the Government		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	P96 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(V) Minimum salary and comparison with the standards		

EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	P96 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(VI) Procurement and supplier		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	P97 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(VII) COSCO Group's procedures of employing local employees in important operation regions and the proportion of local senior executives		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	P97 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(VIII) Infrastructure investment and services for public welfares by		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	P98 Part C Management approaches and performance indicators/Part I Economic performance indicator and key report/II. Performance indicators/(IX) Important indirect economical influences/P98 1. COSCO Group's input on technology R&D and achievements;P100 2. Creation of employment opportunities		

Environmental

Performance Indicator	Description	Reference	Reason	Explanation
EN1	Materials used by weight or volume.	P104 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/1. Raw materials/P104 (1) Indirect material usage mainly		
EN2	Percentage of materials used that are recycled input materials.	P104 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/1. Raw materials/P104 (3) Spare parts and materials renovation and reusing;P105 (4) Reducing burden of office environment.		
EN3	Direct energy consumption by primary energy source.	P105 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/P105 Total energy consumption;P106 Energy		

		consumptions of COSCO Group in recent few years;P106 Fuel consumption indicators of main fleets of COSCO Group in recent few years;P109 Total electricity consumption of COSCO Group in 2003-2008		
EN4	Indirect energy consumption by primary source.	P105 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/P106 Energy consumptions of COSCO Group in recent few years		
EN5	Energy saved due to conservation and efficiency improvements.	P105 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/P105 Total energy consumption;P106 Energy consumptions of COSCO Group in recent few years;P106 Fuel consumption indicators of main fleets of COSCO Group in recent few years;P109 Total electricity consumption of COSCO Group in 2003-2008		
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	P105 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/P106 (1) In advocacy of energy-saving and emission reduction;P106 (2) Energy Saving;P106 Energy-saving required full participation and consensus;P106 Energy-conservation by technologies;P108 Energy-conservation management;P109 Energy conservation in office		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	P105 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/P106 (1) In advocacy of energy-saving and emission reduction;P106 (2) Energy Saving;P106 Energy-saving required full participation and consensus;P106 Energy-conservation by technologies;P108 Energy-conservation management;P109 Energy conservation in office		

<p>EN8</p>	<p>Total water withdrawal by source.</p>	<p>P109 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/3. Water resources/P110 Water consumption of COSCO Group from 2004 to 2008</p>		
<p>EN9</p>	<p>Water sources significantly affected by withdrawal of water.</p>	<p>P109 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/3. Water resources/P110 Water consumption of COSCO Group from 2004 to 2008</p>		
<p>EN10</p>	<p>Percentage and total volume of water recycled and reused.</p>	<p>P109 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/3. Water resources/P110 Water consumption of COSCO Group from 2004 to 2008</p>		
<p>EN11</p>	<p>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</p>	<p>P110 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity/P110 (2) Ship ballast water management;P110 (3) COSCO Group Boao eco-garden construction</p>		
<p>EN12</p>	<p>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</p>	<p>P110 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity/P110 (2) Ship ballast water management;P110 (3) COSCO Group Boao eco-garden construction</p>		
<p>EN13</p>	<p>Habitats protected or restored.</p>	<p>P110 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity/P110 (3) COSCO Group Boao eco-garden construction</p>		
<p>EN14</p>	<p>Strategies, current actions, and future plans for managing impacts on biodiversity.</p>	<p>P110 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity/P110 (1) The use of non-toxic paint;P110 (2) Ship ballast water management;P110 (3) COSCO Group Boao eco-garden construction</p>		

<p>EN15</p>	<p>Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</p>	<p>P107 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity</p>		
<p>EN16</p>	<p>Total direct and indirect greenhouse gas emissions by weight.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P111 (1) Exhaust gas emission (direct emissions);P112 Indirect carbon dioxide emissions:</p>		
<p>EN17</p>	<p>Other relevant indirect greenhouse gas emissions by weight.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P111 Emissions for unit turnover volume</p>		
<p>EN18</p>	<p>Initiatives to reduce greenhouse gas emissions and reductions achieved.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P111 (2) Use of low-sulfur fuel to reduce emissions of sulfur oxides;P111 (3) Use of desulfurization and dedusting equipment;P111 (4) Replace acetylene gas with high efficiency and clean natural gas;P112 (6) All ships of COSCO Group own the International Oil Pollution Prevention (IOPP) Certificates;P112 (7) The “Green Flag” program.</p>		
<p>EN19</p>	<p>Emissions of ozone-depleting substances by weight.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P112 (8) Reduction of emissions of ozone depleting substances.</p>		
<p>EN20</p>	<p>NOx, SOx, and other significant air emissions by type and weight.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P111 Emissions for unit turnover volume</p>		

<p>EN21</p>	<p>Total water discharge by quality and destination.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P113 Oil residues pollution discharged to the sea and pollution discharge and shore-returning volume</p>		
<p>EN22</p>	<p>Total weight of waste by type and disposal method.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P113 Solid wastes: COSCO Group collected and disposed solid wastes according to regulations as specified in the appendixes of MARPOL Convention;P113 Processing and disposal rate of industrial wastes of ships (including garbage, oil dirt and residues)reached 100%;P113 Waste disposal volume: COSCO Group collected and incinerated wastes according to the requirements of international conventions.</p>		
<p>EN23</p>	<p>Total number and volume of significant spills.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P113 (12) Serious spillage accidents.</p>		
<p>EN24</p>	<p>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P112 (9) Oil residues, sewage and wastes.;P113 (11) In 2008, COSCO continued to enhance the environmental protection work in offices;P114 (14) Enhance resource recycling and comprehensive utilization.</p>		
<p>EN25</p>	<p>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.</p>	<p>P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P111 (5) Pollution accidents prevention, drainage system function recovery.</p>		

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	P114 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/6. Products and services		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	P111 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust gas, sewage and waste/P114 (14) Enhance resource recycling and comprehensive utilization.		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	P114 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/7. Regulations		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	P115 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/8. Traffic transportation		
EN30	Total environmental protection expenditures and investments by type.	P115 Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/9. General situation/P115 Total expenses and investment on environmental protection;P115 Statistics on main inputs for environmental protection:		

Social: Product Responsibility

Performance Indicator	Description	Reference	Reason	Explanation
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	P121 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/1. Customer health and safety		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	P121 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/1. Customer health and safety		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	P122 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/2. Products and service logos		

PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	P122 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/2. Products and service logos		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	P122 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/2. Products and service logos/P122 (2) Continuous improvement of customer satisfaction and information collection mechanism		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	P122-123 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/3. Market promotion and publication		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	P122 -123 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/3. Market promotion and publication		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	P124 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/4. Customer privacy/P124 Developing and using software to manage customers' information		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	P124 Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/5. Law compliance		
Social: Labor Practices and Decent Work				
Performance Indicator	Description	Reference	Reason	Explanation
LA1	Total workforce by employment type, employment contract, and region.	P130 Part C Management approaches and performance indicators/Part (IV) Labor relation performance indicators and theme report/II. Performance Indicators/1. Employee employment/P130 (1) Employee structure		

<p>LA2</p>	<p>Total number and rate of employee turnover by age group, gender, and region.</p>	<p>P130 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/1. Employee employment/P130 (2) Analyses on employees' leaves and losses</p>		
<p>LA3</p>	<p>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.</p>	<p>P130 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/1. Employee employment/P130(3) Holiday system;P131 (4) Insurance and welfares of employees.</p>		
<p>LA4</p>	<p>Percentage of employees covered by collective bargaining agreements.</p>	<p>P131 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/2. Relations between labors and management team/P131 (1) Working mechanism and performances of labor unions</p>		
<p>LA5</p>	<p>Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.</p>	<p>P131 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/2. Relations between labors and management team/P132 (2) Labor Contract Signing Situation.</p>		
<p>LA6</p>	<p>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</p>	<p>P132 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/3. Safety and occupational health/P132 (1) Safety Production and Occupational Health Management Mechanism.</p>		
<p>LA7</p>	<p>Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.</p>	<p>P132 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/3. Safety and occupational health/134 (2) Safety and occupational health work.</p>		
<p>LA8</p>	<p>Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.</p>	<p>P132 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/3. Safety and occupational health/P134 (3) Safety and occupational health work implementation measures</p>		

LA9	Health and safety topics covered in formal agreements with trade unions.	P132 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/3. Safety and occupational health/P142 (4) Staff health and disease prevention.		
LA10	Average hours of training per year per employee by employee category.	P144 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/4. Training and examination/P144 (1) Training of top management of the group;P144 (2) All-staff training.		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	P144 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/4. Training and examination/P144 (3) Various types of professionals training;P145 (4) "Three Three Hundred" Talent Project Construction;P145 (5) Bid for "National High Skilled Professionals Training Base";P145 (6) Crew Training;P146 (7) Migrant Worker Training;P146 (8) Labor Protection Training		
LA12	Percentage of employees receiving regular performance and career development reviews.	P144 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/4. Training and examination/P146 cohesion and strengthened the incentive role of enterprise training.		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	P142 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/5. Diversification and opportunities/P147 (1) Gender, age and minority nationalities (foreigners) of members of management team.		
LA14	Ratio of basic salary of men to women by employee category.	P142 Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance Indicators/5. Diversification and opportunities/P148 (2) Basic salary policies and practical situation of male and female employees.		



Social: Human Rights				
Performance Indicator	Description	Reference	Reason	Explanation
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	P151 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Investment and purchase/P151 (1) Investment		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	P151 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Investment and purchase/P151 (2) Purchase		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	P151 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Investment and purchase/P151 (3) Human rights training		
HR4	Total number of incidents of discrimination and actions taken.	P151 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/2. Non-discrimination/P152 (1) COSCO Group provides equal career development opportunities for all the employees;P152 (2) Women Workers' committees;P152 (3) At present, the COSCO Group's staff is divided into land-based employees;P153 (4) Cultural life of workers;P154 (5) Care of employees and their families		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	P156 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/3. Freedom of association and collective /P157 (1) Continue to deepen the openness of factory affairs, and construct advanced reporting system for major events;P158 (2) Employees' Congress System		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	P158 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/4. Child labor		

HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	P159 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/5. Enforced and compelled labor		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	P159 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/6. Safety and security		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	P160 Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/7. Rights of indigenous people		
Social: Society				
Performance Indicator	Description	Reference	Reason	Explanation
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	P164 Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/1. Community/P164 (1) Strengthen the cooperation with related parties and construct harmonious communities;P165 (2) Active promotion of environmental protection in communities, and improvement of community environment with practical actions;P166 (3) COSCO Logistics checks in advance the environment in the process of road transport to reduce impact on the communities;P166 (4) Participation in community activities in a variety of forms, and fulfillment of social responsibility		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	P165 Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/2. Anti-corruption/P166 (2) Continue to carryout self-examination and self-correction activities; further fulfill the system of "Three Important and One Big," and "Seven Requirements"		
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	P166Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/2. Anti-corruption/P168 (4) Actively carry out anti-corruption		

		education, and further increase honesty awareness		
SO4	Actions taken in response to incidents of corruption.	P166 Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/2. Anti-corruption/P166 (1) Integrate the punitive and preventive system into operation and management, and further deepen the construction of the anti-corruption campaign;P167 (3) Carry out in-depth supervision and inspection, further standardize operation management;P168 (4) Actively carry out anti-corruption education, and further increase honesty awareness;P168 (5) Properly deal with complaint and report cases, and severely punish corruption;P169 (6) Strengthening of internal audit and promotion of further improvement of operation and management		
SO5	Public policy positions and participation in public policy development and lobbying.	P168 Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/3. Public policies/P168 (1) Position for public policies, and participation in developing and advocating public policies		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	P169 Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/3. Public policies/P171 (2) Donations of money and goods to the political parties, politicians and institutions in various countries		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	P171 Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/4. Anti-competitive practices/		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	P171Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/5. Conformity with laws and regulations		