

COSCO

Sustainable Development Report 2009





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Part A Strategies and General Introduction

Part I Statement of the President and Strategies

I. Statement of the president



In 2009, business operation of COSCO Group was most difficult since the beginning of the new century. In this year, COSCO Group has made painstaking efforts to make progress and endured severe challenges. Despite of severe and complicated market situations, COSCO Group, under the leadership of the State Council, has implemented the scientific outlook of development in an in-depth manner, coped with the challenges effectively, grasped operation speed, transformed the operation concept, researched on the winning rules, adjusted marketing strategies, optimized business structure, enhanced lean management, emphasized on cost reduction and efficiency boost, tried to convert challenges into opportunities and fulfilled the overall profit-making target of the group.

In response to changes of the market and industrial competition in post financial crisis era, COSCO Group rapidly adjusted the marketing tactics and methods in 2009, and transformed from defensive marketing in early stage of financial crisis to aggressive marketing in post financial crisis era, and from traditional and regular operation to super-limit operation. In the meantime, it has taken the coping with financial crisis as the opportunity to deepen the reform, and has actively promoted the industrial structure adjustment and management system reform. It has timely adjusted and improved the functionalities and organizational structure of COSCO Group headquarters and China COSCO headquarters. With respect to operation of bulk cargo fleet, it has established bulk cargo operation headquarters and established unified coordination mechanism by carrying out reform on fleet mechanism. With respect to capital operation, it has carried out a series of adjustment and restructuring following the overall strategy of “listing as a whole and implementing by steps”. It has insisted on the ideology of “Cash is King”, enhanced risk management in crisis and ensured cash safety of the enterprise. It has insisted on the concept of “human-orientation”, and done practical things for employees and contributed to the society whole-heartedly. It has tried all means to mobilize activeness and creativity of the employees, and has achieved pleasant progresses in innovative and safety operations.

As a pioneering enterprise of United Nations Global Compact, COSCO Group has



voluntarily supported Global Compact initiatives, actively took part in efforts to fulfill the Millennium Development Goals and cope with global challenges, explored enterprise development mode suitable for the nature of developing countries, mobilized more enterprises to implement the Global Compact by sharing its experiences and establishing the value chain of social responsibility, mobilized more enterprises to implement the Global Compact and contributed to sustainable economic and social development. Despite of greater pressure on business operation amidst market valley, COSCO Group was able to overcome the difficulties, shouldered its social responsibilities voluntarily, shared concerns of the country and contributed to people's life. COSCO Group has become the only Asian enterprise whose sustainable development report was listed as Notable COPs by UN Global Compact for four consecutive years.

In 2009, COSCO Group actively performed the Global Compact and social responsibilities, and its key social projects were as follows:

- ▲ In face of severe employment situations, COSCO Group actively responded to the call of the government on enlarging the employment, and created employment opportunities. It has acted in the requirements of State-owned Assets Supervision and Administration Commission, insisted on no staff reduction and salary cut, and solved the difficulty inside the group.
- ▲ Right after the occurrence of typhoon disaster in Taiwan, COSCO Group and COSCO Charity Foundation donated 10 million yuan in the earliest time to help Taiwan compatriots to re-build their homes.
- ▲ COSCO Group made continuous efforts to promote the work to aid Tibet and relieve poverty. Lincang Tuition Aid Program, as the "Most Influential Charity Program" received the 2009 China Charity Award issued by the Ministry of Civil Affairs.
- ▲ COSCO Group successfully organized the 6th World Shipping (China) Summit. Moreover, initiated by COSCO Group, CKYH Alliance released the Qingdao Declaration that aimed at "low steaming, energy conservation and emission reduction, digestion of surplus carrying capacity, cost reduction and income increase". By promoting low steaming, related enterprises can further reduce fuel consumption and carbon dioxide emissions, and performed corporate social responsibilities with practical actions.

With eight years of efforts, COSCO Group has established and improved the sustainable development management system as well as sustainable development information management platform. It has continuously promoted business process restructuring to make it an important guarantee for better and faster development of the enterprise. In the future, COSCO Group will continue to perform the Global Compact, take part in and support the important activities of UN Global Compact and Global Compact China Network, and pursue to be a leader in corporate social responsibility through practical actions.



As an action to implement the Declaration on Climate Exchange, COSCO Group Sustainable Development Report 2009 continued to adopt the online release form, so as to effectively save social resources, reduce carbon dioxide emissions, and show Chinese transnational company's actively contribution and model role in sustainable development undertaking with practical actions.

Wei Jiafu
July 19, 2010



II. Strategies

COSCO Group has established middle and long-term sustainable development strategies. In COSCO Group Sustainable Development Report 2009, it used the Six Sigma “strategic map” analytical method to analyze and showcase the development strategies of COSCO Group.

Sustainable development strategies of COSCO Group			
Mission statement			
To gradually develop its leading position in international shipping, logistics & terminal, shipbuilding and ship-repairing sectors, maintaining honest and trustworthy relationships with customers, employees and partners, and yielding best returns to the shareholders, the society and the environment.			
Value concept			
Globalization, harmony and mutual benefits.			
Development strategy			
perform the duties as a corporate citizen by taking technology as a tool and benefit 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; strengthen international shipping business, 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 into a global logistics operator and international shipping logistics system integrator from a cross-national business player into a multinational company and global conglomerate; build COSCO into 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
Development objectives “Generating 10 billion yuan of revenue and building up century-old COSCO” (double-hundred strategy)			



Development concept and objectives during the 11th Five-Year Period

As a leading enterprise in international shipping and logistics industry, COSCO Group has insisted on scientific development outlook, attached great importance to the harmony of corporate development and the environment and society, and has tried to promote the coordinated and sustainable development of the industry, the society and the environment. According to the general requirements on central enterprises' implementation of stock system and entry into capital market required by SASAC under the State Council, COSCO Group has deepened the system reform and established the three-layered modern enterprise system with rigid management and governance structure in a comprehensive manner, and has promoted its overall listing progressively.

<p>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 institutional reform and system establishment, regulate the operation and management procedures and constantly enhance the enterprise's sustainable development capability; promote industry optimization and restructuring depending on the core businesses, improve overseas operation and management models, and expand overseas business presence;</p>	<p>Stably expand the scale of vessel fleet owned and controlled by the group, scientifically adjust the fleet structure, make great efforts to develop the container ship 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 sustainable profitability of shipping companies;</p>	<p>Develop logistics, cargo transport and ship agency businesses with COSCO Logistics as the platform for development of modern logistics business, expand overseas logistics business 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, from a unified industry management system with COSCO Pacific as the pillar, and build up COSCO Group's terminal brand;</p>	<p>Cope with the challenges, 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, entry resource and energy industry properly and make them important pillars for development of main businesses;</p>
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Boost construction of corporate cultures and employee teams, protect the fundamental and long-term rights and interests of employees, improve the harmonious mechanism for mutual development of both enterprises and employees, and build up a harmonious enterprise based on development, reform, stability, innovation, justice and culture;



Keep the vessel fleet scale in a leading position in the world, the internationalized operation indicator at United Nation's indicators for Top Global 100 Companies, and the sales income within 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 sustainable COSCO Group.

Insist on human-orientation, establish comprehensive, coordinative and sustainable scientific outlook of development, perform Global Compact and social responsibilities in line with the Guidance of the State Council on Performance of Social Responsibilities of Central SOEs and the regulations and requirements of the regulators on social responsibilities, complete higher level of resource optimization and configuration, and maximize the comprehensive value of enterprises of stakeholders. Promote comprehensive development of economic society and the people. Actively take part in the activities of United Nations Global Compact and the World Business Council for Sustainable Development, apply concept, standards and operation modes of excellent enterprises in the world, and establish and complete quantitative management system of social responsibility and sustainable development in the entire group. All units shall take the risk management and sustainable development as the main tasks, apply AA1000 sustainable development report audit & evaluation methods, segment into detailed operable working measures, and change into voluntary actions of each employee. Take the establishment of social responsibility and sustainable development management system as a long-term and systematic project, formulate the planning and make improvement continuously. Develop and utilize sustainable development information system, set up sustainable development objectives, indicators and performance evaluation mechanism, perform the social responsibilities in a comprehensive manner, establish a harmonious COSCO, maintain the harmony of economy and society, the human being and the nature and between the human beings. As a signature enterprise of the United Nations Statement on Climate Changes and the Universal Declaration of Human Rights, we adopt effective measures to fulfill the commitment. As a long-term sponsor, COSCO Group and BASF have partnered with the China WTO Tribune to initiate the Golden Bee CSR China Honor Roll, bringing their influences in social responsibility sector by actively performing their respective social responsibilities.

Take the signature of Statement on Climate Changes and the implementation of energy conservation and emission reduction task as specified in the report to the 17th National Congress of the CPC, research and promote carbon footprint calculation, actively promote the Qingdao Statement that aims at promoting low-speed navigation and emission reduction of shipping industry, and bring the leadership and influence to promote the sustainable development of shipping industry while showing the value of COSCO Group in construction of energy-conservative and environment-friendly society. Continuously improve information disclosure and communications mechanism for social responsibilities. Compile internationalized, timely and reliable sustainable development report by strictly following the requirements of 2006 edition of GRI Guidelines, establish uniform communications platform with a focus on timely compilation and release of enterprise's sustainable development report, and form the dialogue and communications mechanism between enterprises and stakeholders. Continuously improve social responsibility information disclosure and communications mechanism. Compile international, timely and highly reliable sustainable



development report by strictly following the requirements of 2006 edition of GRI Guidelines, establish internally and externally unified communications platform centering on regular compilation and release of sustainable development report of enterprises, and form a communications and dialogue mechanism between enterprises and stakeholders. Maintain the position as notable COP of UN Global Compact. Elevate the global position and international reputation of COSCO Group, create value through communications, obtain economic and social benefits, fulfill the sustainable development objective of “generating 10 billion yuan of profit and building up century-old COSCO” and contribute to construction of harmonious world and promotion of sustainable development of the world.

Fully recognize the risks of global economic crisis and rapid decline of international shipping market in the second half of 2008, establish confidence, cope with the crisis correctly, make adjustment flexibly, seek opportunities in crisis, progress dedicatedly hardly and ensure the fulfillment of the objectives of the 11th Five-year Plan.

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	Comprehensive management, resources cherishing, environmental protection and employees shall be responsible. 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.	Human-orientation and safety development.	Safety, convenience, high-quality and high-efficiency.

Management philosophy

Apply modernized management tools to implement quality management, six Sigma, lean management and comprehensive risk management, and 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 procedures	Study and growth
Direct economic value created	Consumer health and safety	Decision-making mechanism	Staff employment
Financial inputs for climate changes	Product and service logo	Communications 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 Honesty operation and market promotion	Evaluation mechanism	Training and education
Comparison of Minimum salary standards	Consumer privacy	Internal control and risk management mechanism	Equal opportunities and diversifications
Procurement from local suppliers	Raw materials	Improvement mechanism	Responsible procurement
Proportion of employees employed from local community	Energy		Non-discrimination
Public service	Water resources		Freedom of association and collective bargaining
Indirect economic influences	Bio-diversity		Child labor
	Exhaust gas, sewage and waste		Enforced and compelled labors
	Products and services		Safety and security work
	Laws and regulations		Rights of indigenous people
	Traffic transportation		
	Community		
	Anti-corruption and anti commercial bribery		
	Public policies		
	Fair competition		
Conformity with laws and regulations			



Up to now, we have completed the description of sustainable development strategy blueprint. In 2009, we have improved the sustainable development indicator system and completed the division and operation of three-layered indicators of balance scoring card.

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

Sustainable development strategy
SWOT Analysis

	<p>Strengths (S)</p> <ul style="list-style-type: none"> ● Expanded fleet size and company scale. ● Complete upstream and downstream industrial chain and global network. ● Strong operation and emergency response ability. ● Complete sustainable development management system. ● Shouldering responsibilities as corporate citizen actively. ● High brand recognition and great influences in the industry. 	<p>Weaknesses (W):</p> <ul style="list-style-type: none"> ● In the face of severe challenges of global financial crisis, shipping industry, in particular container business, faces operation difficulties. ● Compared with leaders of industrial cluster, the operation and management level of COSCO Group still needs improvement. ● COSCO Group hasn't fulfilled the fundamental transformation from periodical development to sustainable development completely.
<p>Opportunities (O)</p> <ul style="list-style-type: none"> ● Global economic development enters post-crisis era and the overall situation develops towards favorable trend in fluctuation. ● In intermediate- and long-term period of time, global economy is expected to maintain stable and continuous growth. ● The grand objective of constructing a well-off society in a comprehensive manner in 2020 determines that demands of shipping, logistics and related industries of China will continue to grow rapidly. 	<p>So strategies:</p> <ul style="list-style-type: none"> ● Grasp development opportunities in post-crisis era and in intermediate and long-term period of time, adjust and optimize fleet and industrial structure, and maintain and develop scale, industrial chain and network advantages. ● Fulfill "double-hundred COSCO" and establish world's first-tier transnational company with great brand influences. 	<p>Wo strategies</p> <ul style="list-style-type: none"> ● Grasp the opportunities of rebound of shipping market in post-crisis era and improve difficult operation situations of container business in a comprehensive manner. ● Transform from combination of software and hardware with hardware as the emphasis to the combination of software and hardware with software as the emphasis. Promote elevation of operation and management level by enhancing comprehensive risks management and operation innovation strengths.
<p>Threats (T)</p> <ul style="list-style-type: none"> ● Global financial crisis hasn't passed completely, and development of global economy and trade still has great fluctuation and uncertainty. ● International shipping market is still in an unstable rebound period where supplies exceed demands. ● In intermediate- and long-term period of time, international and domestic capital markets, financial market, resources and energy prices will continue to fluctuate greatly. ● As the low-carbon economy comes, shipping industry will face great energy conservation and emission reduction pressure. 	<p>●St strategies:</p> <ul style="list-style-type: none"> ● Transform from possessing and controlling the resources to allocating social resources. Firstly, enter resource and energy operation sector and develop into a global allocator of resources and energies; Secondly, speed up internal restructuring and integration and external alliance and M&A, and develop into a leader of international shipping logistics industrial cluster. ● Transform from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation. ● Actively perform corporate citizenship responsibilities and build up a resource-conservative and environment-friendly enterprise. 	<p>Wt strategies</p> <ul style="list-style-type: none"> ● Cope with the challenges, avoid the weaknesses, develop international shipping industry, expand logistics terminal business and optimize ship-building and ship-repairing industry. ● Transform from periodical development to sustainable development. Firstly, with respect to development contents, special emphasis shall be laid to development of anti-cycle business; Secondly, with respect to development mode, special emphasis shall be laid to implementation of anti-cycle operation. Thirdly, with respect to development features, special emphasis shall be laid to environment-friendly development.



1. 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, and provides guarantees for transport of important materials such as energies and resources, and ensures the national economic safety.	Thanks to strengths and influences of state-owned backbone shipping companies such as COSCO, China has become a large country in terms of shipping industry in the world. China has been rated the A-class member of United Nations' International Maritime Organization for 10 times in a row, and has participated in the formulation of the world's maritime rules and the decisions of the international maritime affairs.	Ships and containers with COSCO log shuttle between over 1,600 ports in more than 160 countries and regions, bringing active influences in promoting prosperity of global trade and economy, enlarging influences of Chinese enterprises.	COSCO Group is focusing on sharpening the comprehensive competitiveness of four vessel fleets including container ships, dry bulk carriers, oil tankers and specialized cargo carriers in a horizontal perspective, while improving the competitiveness of the supply chain integration from shipping to door-to-door logistics, terminals and ship-building/ship-repairing sectors. Development of COSCO Group has important impacts on promoting the stable development of the global logistics supply chain and industrial chain.	By constantly improving the competitiveness of its shipping business, COSCO has expanded its business presence in modern logistics industry, built up the core competitiveness stronger than its competitors and pursued 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 Chinese shipping industry and a global shipping group, whether COSCO Group can achieve the sustainable development is of great significance to and has important impacts on the domestic and international economy and trade development, its shareholders, employees, customers and partners, shipping, logistics, shipbuilding and ship-repairing industries as well as the society and the environment.



2. Analysis on main risks and opportunities of sustainable development

Long-term risks	External perspective	<p>The uncertain, variable and competitive environment faced by COSCO externally, including uncertainty of world economic development and imbalance of global trade structure, such as the serious global financial and economic crisis broke out in 2008; periodicity for development of shipping logistics market, such as 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 resources and energy prices, in particular oils; increase of safety and environmental protection costs upon coming of non-traditional safe and low-carbon economic era; Moreover, leading transnational companies are currently promoting the systematic and strategic transformation into a global company, the competition between transnational companies is upgrading from hardware to software. If these risks can't be solved properly, they will bring great risks and challenges to sustainable development of COSCO Group.</p>
	Internal perspective	<p>In general, the biggest and fundamental risk or challenge for sustainable development of COSCO Group is how to establish a stable and sustainable operation mode that will not substantially fluctuate with the drastic fluctuation of the market. That is to say, COSCO Group should focus its efforts to build such an operation mode, with which, it can make higher profits than its rivals under favorable market situations, and can reduce the losses compared with its rivals or be free from the losses under unfavorable market situations. When the market fluctuates greatly, operating profits of COSCO Group can be more stable than its rivals, instead of fluctuating greatly.</p>
Risks in recent few years		<p>Since the second half of 2008, global financial and economic crisis originated from the American sub-prime mortgage crisis had resulted in sharp decline of international shipping market to the valley. In 2009, international shipping market continues to develop at low-level, bringing great impacts to operators of shipping companies including COSCO Group. Profits of these enterprises had decreased, while risks increased.</p>
		<p>Market risks. For a certain period of time at present and in the future, although the market has passed the most difficult time, the market rebound is still unstable with great fluctuations. In the meantime, the issue of surplus carrying capacity still exists.</p>
		<p>Operation risks. Unstable market and low-level operation result in greater operation difficulties and unstable operating benefits.</p> <p>Management risks. In the time when the market and operating benefits are unstable, the requirements on enhancing the management to reduce costs are higher. The risks on safety and stability will be enlarged.</p>



Opportunities	Five years ago	<p>By making use of the rarely-seen high-level of international shipping market, and in China, the fastest growing land in the world, COSCO Group, as the largest international shipping company in the world, has COSCO Group successfully grasped the important opportunities of speeding up the development and transforming development or operation models.</p>	<p>Financial risks. If the market risks, operation risks and management risks can't be dealt with actively and correctly, financial risks may appear. Moreover, fluctuation of international financial market in post-crisis era may increase the financial risks of enterprises.</p>
		<p>Accelerate the establishment of strategic partnerships with VIP customers to lay a solid foundation of cargo sources for successful establishment of a stable and sustainable operation model.</p>	<p>Information disclosure risks. These risks mainly come from law-compliance of information disclosure. As companies affiliated to COSCO Group have been listed in many stock exchanges home and abroad, it should abide by the supervision & control requirements, rules and regulations of many regulatory institutions. In particular, if information disclosure work doesn't comply with regulatory requirements, rules and regulations, it may raise doubts of investors, more seriously, raise inquiries, criticism and punishment of regulatory institutions on directors, supervisors and top executives of the listed companies.</p>
		<p>Strengthen paces to enter the international and domestic capital markets to provide constant funds for the enterprise's development and propel the enterprise's "system transformation and establishment", so as to lay a solid foundation in terms of capitals and system mechanism for establishment of stable and sustainable development.</p>	



		<p>Accelerate the adjustment and optimization in such aspects as industry structure, asset structure, fleet structure and staff structure, so as to lay a solid material basic for establishment of sustainable and sustainable operation model.</p>
Recent three years	<p>As COSCO has made full preparation before coming of the crisis, coped with the crisis correctly after the burst of the crisis, COSCO Group is expected to hold the new opportunities for development of enterprises in post-crisis era.</p>	<p>Try to fulfill “three focusing”: focusing on risk control before coming of crisis, focusing on risk management after coming of crisis, and focusing on opportunity management in post-crisis era.</p>
Long-term	<p>Favorable environment for global and Chinese economic, trade, shipping and logistics markets, as well as the coming of corporate citizenship era will lay a solid foundation for establishment of stable and sustainable development and operation mode and fulfillment of long-term and sustainable development in terms of market and environment.</p>	<p>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.</p> <p>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.</p> <p>In international community, the sustainable outlook of development has been deepened continuously, CSR initiatives are in the ascendant, the CSR and low-carbon era have come; Chinese Government also puts forward the requirements on establishment and implementation of scientific outlook of development, establishment of harmonious socialism society and building of harmonious enterprise. These will create favorable atmosphere and long-term impetus for COSCO</p>



		Group's efforts to construct a harmonious COSCO and build up a century-old enterprise.
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3. Analysis on primary countermeasures for sustainable development

From short-term prospective	Take effective measures to cope with the difficulties and risks caused by low valley of international shipping market, and try to fulfill the targets of “seeking for development, controlling risks, grasping the opportunities and competing for benefits”.	<p>Implement the guiding opinions of the group on risks prevention and control, and profit-making of dry and bulk cargo vessels and container vessel fleets and ensure the profitability of shipping business as the main business.</p> <p>Comprehensively inspect on vessel leasing and FFA agreements to reduce the law-breaching and operational risks to the minimum extents. Re-inspect vessel leasing agreements already signed, and adopt preventive measures ahead of time for agreements which may be violated. For the vessel renting agreement signed, adjust renting agreements at appropriate time according to the traditions of shipping market, so as to share risks with renters and try to reduce losses. For FFA agreements which may bring losses, hedging and other measures shall be taken to reduce the losses.</p> <p>Adjust investment and operation strategies to increase operational benefits to the maximum extents. Lay special emphases on strategic partnership agreements signed in primary stage of evaluation and implementation, and bring into full play the supporting functions of strategic partners in difficult time. Respond to appeals of SASAC under the State Council, enhance cooperation between central SOEs in difficult time, and try to cope with the difficulties together. 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>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>
	Continue to promote “four transformations” with a focus on establishes a stable and	The transformation from periodical development to sustainable development. Firstly, with respect to development contents, special emphasis shall be laid to development of anti-cycle business, including increase the inputs to existing logistics and terminal business and further discuss on development of financial industry and resource industry which are anti-cycle or short-cycle businesses for shipping industry; Secondly, with respect to development mode, special emphasis shall be laid to implementation of anti-cycle operation. For a certain period of time at present and in the future,



sustainable development and operation mode.	<p>COSCO will continue to reduce and delay key investment projects when the situations are not clear and insist on the “cash is king” policy. On the other hand, it also carefully traces and researches on the market situations to take actions at the valley. Thirdly, with respect to development features, special emphasis shall be laid to environment-friendly development. Actively perform the responsibilities as corporate citizens, and try to build up a resource-conservative and environment-friendly enterprise.</p>
	<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. For a certain period of time at present and in the future, COSCO Group, eyeing on development in post-crisis era, will promote the transformation to the combination of software and hardware with software as the emphasis by enhancing comprehensive risk management and innovation of operation mode.</p>
	<p>The third transformation from possessing and controlling the resources to allocating social resources. Firstly, enter resource and energy operation sector and develop into a global allocator of resources and energies. That is to say, COSCO Group will be dedicated to transformation from a global carrier of resources and energies to a global allocator of resources and energies. Secondly, speed up internal restructuring and integration and external alliance and M&A, and develop into a leader of international shipping logistics industrial cluster.</p>
	<p>The transformation from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation. For a certain period of time at present and in the future and under the background that earnings from production and operation were greatly impacted, COSCO Group will take the management of market value of the starting point, coordinate and enhance the governance, strategic planning, capital operation and management of relations with investors, stably promote the implementation of overall listing plans and try to transform into the profit-making from both production business and capital operation.</p>



Part II General Information of COSCO Group

Name:	Ocean Shipping (Group) Company (COSCO Group)
Established on:	April 27, 1961
Legal representative:	Capt. Wei Jiafu
Main businesses:	international passenger and cargo transport, cabin order, voyage charter and time charter, ship-building/repairing/buying/selling, 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

COSCO owns and controls over 800 modern merchant vessels with a total tonnage of 56 million DWTs and an annual carrying capacity of 400 million tons. COSCO Group's shipping lines cover over 1,600 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the second in the world. COSCO Group is positioned first in China and fifth in the world by container fleet size, and is also the first in the world by dry bulk fleet. It takes a lead in the world for comprehensive strengths of professional bulk, multiple-purpose vessel and special vessel fleet. Oil tanker fleet of COSCO Group is one of the super tanker fleets in the world. COSCO Group owns and operates 32 terminals worldwide, with 157 berths offered. Statistics released by Drewry in July 2009 show that throughput of container terminals of COSCO Pacific affiliated to COSCO Group continues to rank among top 5 places in the world.

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. 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 China, which own a total of 16 docks including 300,000-ton-class docks and 500,000-ton-class docks, with businesses include large-sized ship and ocean engineering construction, refitting and reparation. These bases boast leading production equipment assembling ability and production management level, and takes a lead in the world in terms of indicators such as technical ability, production efficiency and production costs. These bases annually repair and refit over 500 large-sized vessels and build up 8.4 million tons, making it the largest ship-repairing enterprise and most-advanced ship-building enterprise.

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 and hires 130,000 employees in total, of which, 400 are personnel permanently stationed overseas and 4,000 are foreign employees. Total assets of COSCO Group have exceeded 300 billion yuan, and overseas assets and income have exceeded half of the total, thus forming a complete global business chain comprising of shipping, logistics, terminal, shipbuilding and ship-repairing businesses.

COSCO Group is one of the earliest Chinese enterprises that enter international capital market. 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 Investment, COSCO Shipping, COSCON, China Merchants Bank and COSCO Property Management. On May 30, 2010, Financial Times, a renowned financial media in UK, released the latest FT Global 500 list, in which, China COSCO ranked the 450th, the third successive year for China COSCO to be included in the list since 2008.

In the face of serious impacts of international financial crisis and severe challenges of depression of shipping market in 2009, COSCO Group still makes profits and achieves satisfactory operation performance in the most difficult time through its own efforts, laying a solid foundation for recovery and leap-forward development of the enterprise in post-financial crisis era.

As a transnational company in China, COSCO Group has paid special attention to the shouldering of its wide responsibilities as corporate citizens earlier. COSCO Group has clearly specify that its obligation is to “gradually develop and consolidate its leading position in shipping, logistics, shipbuilding and ship-repairing sectors, maintain the honest and mutual-trust relationships with customers, employees and partners, give maximum returns to its shareholders, the society and the environment. In 2001, COSCO Group has established a comprehensive management system, which includes international environment management system, and occupational safety and health management system, becoming the first Chinese enterprise is certified by the



three management systems. In 2004, COSCO Group joined the UN Global Compact initiative to voluntarily practice the 10 principles of Global Compact and fulfill sustainable development. The sustainable development report of COSCO Group has been appraised as notable COP by UN Global Compact for four consecutive years, making COSCO Group to become the only Asian enterprise whose sustainable development report was included in the list of notable COPs for four years in a row.

COSCO Group has combined the performance of corporate social responsibilities and corporate development strategies, and actively cultivated “green competitiveness”. Its 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 have fully implemented the Global Compact in 2009. These subsidiaries cover more than 90% of COSCO Group's main businesses and generate over 90% of the group's total sales revenue.

I. Shipping

1. China COSCO Holdings Company Limited

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

Nature: Stock limited company (listed)	Investment proportion: 52.80%
Total assets: 138.62 billion yuan	Employee number: 39,226
Business revenue: 55.735 billion yuan	
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 146 vessels with a total carrying capacity of 561,038 TEUs, calls at 145 ports in more than 50 countries and regions worldwide. With 67 international shipping lines, 11 international branch lines, 21 domestic coastal shipping lines and 61 branch lines in Yangtze River and Pearl River Delta Region, COSCO Container has wide sales and service network in the world, and owns and operates over 400 domestic and overseas sales outlets. The bulk cargo fleet of China COSCO (including COSCO Bulk Carrier, COSCO Qingdao, COSCO Hong Kong and COSCO Shenzhen) operates 439 dry and bulk cargo ships, of which, 222 are owned by the company and 217 are leased from other companies. These ships with the total carrying capacity of 36,572,031 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 142 berths, ranking the fifth place in the world. The Florens Container Holdings Co., Ltd affiliated to COSCO Pacific offers container leasing services, and owns and manages 1,582,614 TEUs, with container	



leasing service occupies 14.3% 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.

Aforesaid data are calculated in line with domestic accounting rules.

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: 43.48 billion yuan	Employee number: 15,236
Business revenue: 23.84 billion yuan	
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 146 vessels with the total carrying capacity of 561,038 TEUs, ranking the fifth in the world for total carrying capacity. Calling at more than 145 ports in over 50 countries and regions, the vessel fleet of COSCO Container Lines runs 67 international shipping lines, 11 international branch lines, 21 domestic coastal shipping lines and 61 branch lines in Yangtze River and Pearl River Delta Region. 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) was established in 1995. In recent few years, COSCO Bulk COSCO Bulk has actively implemented the strategy of transforming from “owning” to “controlling” and has set up the “five-in-one” market orientation of ship-owner, charter, broker, cargo owner and FFA. It has explored the special operation mode of seeking for scale in



hedging development and seeking for profits in scale. COSCO Bulk has sped up the establishment of marketing network and promotion of bulk cargo logistics integration, fulfilling the diversified, intensified and transnational operation of shipping business. It has established COSCO European Bulk Carrier Co., Ltd, COSCO American Bulk Carrier Co., Ltd, COSCO Australian Bulk Carrier Co., Ltd, COSCO Cayman Bulk Carrier Co., Ltd and COSCO Indonesia Bulk Carrier Co., Ltd, and opened its service outlets in many countries.



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: 26.052 billion yuan	Employee number: 6,242
Business revenue: 15.481 billion yuan	
Main businesses: International dry and bulk cargo transport	
Subsidiaries : COSCO Bulk Carrier owns over 19 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 5.8 million DWTs, and rents 150 vessels. With the total carrying capacity of over 12 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) established on April 27, 1961 is the first state-owned ocean shipping enterprise of the newly established China. It 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: 13.125 billion yuan	Employee number: 7,416
Business revenue: 5.03 billion yuan	
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 11 fully-owned or shareholding land-based companies.	
By the end of 2009, COSCO Guangzhou and its investing enterprises owned and operated 108 special ships and multi-purpose ships, with the total carrying capacity of 1.979 million DWTs (including leased vessels). 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 1,607 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 hangs 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: 7.328 billion yuan	Employee number: 4,434
Business revenue: 3.903 billion yuan	
Main businesses: Ocean shipping and coastal shipping, intermodal transport by rail, sea and air (upon business license), crew labor service, wholesale and retail trading (excluding commodities controlled and managed solely by the State), ship agency, leasing, trading, repairing and building, loading and unloading services; storage (dangerous goods excluded), labor service, product information service, communication equipment repairing, and import/export goods shipment and agency;	
Subsidiaries: NYKCOS Car Carrier Co., Ltd, COSCO Shipping (Hong Kong) Investment, Tianjin Ocean Shipping Company (COSCO Tianjin).	
In 2008, COSCO Shipping owned and operated 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: 6.617 billion yuan	Employee number: 4,665
Business revenue: 3.74 billion yuan	
Main businesses: Dry and bulk cargo transport	
Subsidiaries: COSCO Qingdao owns 15 fully-owned and shareholding on-land companies and a crew service company.	
COSCO Qingdao owns and operates 26 large dry and bulk cargo ships including Capesize, Panamax, Handysize and Handymax, with the total carrying capacity of more than 2.4 million DWTs. With nine 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: 7.317 billion yuan	Employee number: 2,960
Business revenue: 2.917 billion yuan	
Main businesses: Liquid bulk cargo transport focusing on oil tanker	
Subsidiaries: COSCO Dalian has 19 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 37 vessels, including oil tankers, liquefied gas tankers and chemical tankers, with the totally carrying capacity of 5.5 million DWTs. Scale of vessel fleet of COSCO Dalian takes a leading position among enterprises of the same class. COSCO Dalian also owns 13 VLCCs, which are "flagship vessels" for profit-making and brand-building of the company. By increasing its strength on development of international customers continually, and enhancing the strategic cooperation with internationally renowned cargo owners, COSCO Dalian has managed to expand its business scope to 300 ports in over 100 countries and regions.	



8. Xiamen Ocean Shipping Company

Xiamen Ocean Shipping Company (COSCO Xiamen) established on Oct. 28, 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. While building up ocean shipping fleet, COSCO Xiamen participated in “three-through” direct shipping business on both sides of Taiwan Strait. In 2007, Wuyuan Liner was used for passenger transport service between Xiamen and Jinmen. In September 2009, it used “COSCO Star” passenger ro-ro ship for direct passenger and cargo transport business between Xiamen and Taiwan Port, successfully opening the first normal direct passenger and cargo shipping lines between both sides of Taiwan Strait.



Nature: State-owned company	Investment proportion: 100%
Total assets: 892 million yuan	Employee number: 119
Business revenue: 395 million yuan	
Main businesses: International and regional dry and bulk cargo and general cargo transport, with a focus on transport of grains, ores, coals, fertilizers, steels and bagged sugars and equipment; passenger and cargo transport services between Chinese mainland and Taiwan ports; “small three links” passenger transport service between Xiamen and Jinmen	
Subsidiaries: Besides developing ocean shipping business actively, COSCO Xiamen also operates and manages businesses in related industries such as ship-repairing, container station and transport, international crew training, tourism service, and "small three links" passenger transport.	
COSCO Xiamen currently owns and operates 12 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 passenger transport ro-ro ship “COSCO Star” started serving for passenger and cargo transport line between Xiamen and Taiwan port on Sept. 6, 2009, becoming the first normal passenger and cargo liner after 60 years of isolation on both sides of Taiwan Strait.	

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

COSCO (Hong Kong) Shipping Co., Ltd (COSCO Hong Kong) 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: 20.16 billion yuan	Employee number: 1,948
Business revenue: 8.29 billion yuan	
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 151 vessels, with the total carrying capacity of over 13.1596 million DWTs. Fleets include Handysize vessel fleet, Panama vessel fleet, Capesize vessel fleet and coastal transport fleet.	

II. Logistics and terminal

10. COSCO Logistics Co., Ltd

COSCO Logistics Co. Ltd (COSCO Logistics), co-established by COSCO Group headquarters and China COSCO 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: 8.95 billion yuan	Employee number: 9,970
Business revenue: 3.071 billion yuan	
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 five 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: 4.6 billion dollars	Employee number: 2,492
Business revenue: 3.49 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 96 container terminal berths in 18 ports worldwide (14 ports are in China and four ports are in overseas countries), with the annual throughput of 52.05 million TEUs; It also operates eight bulk and general cargo terminal berths with annual throughput of 9.05 million tons and two automobile terminal berth, with the annual throughput of 600,000 units. In 2009, COSCO Pacific processed a total of 43.54981 million TEUs and its throughput has decreased by 5.1%, accounting for 6.1% 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 1.58 million TEUs, accounting for over 14.3% 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 in Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang and eight ancillary service enterprises under its affiliation, COSCO Shipyard has become the preferred partner for top shipping companies and offshore oil service providers after eight years of leap-forward development.



Nature: Limited liability company	Investment proportion: 46.47%
Total assets: 27.934 billion yuan	9,092 人 Employee number: 9,092
Business revenue: 12.984 billion	
Main businesses: Large vessels building, marine engineering's construction and conversion, providing of ship-repairing and building sets	
Subsidiaries: Six large ship enterprises in Dalian, Zhoushan, Nantong, Guangdong, Shanghai and Lianyungang and eight ancillary service enterprises.	
Now, the total docking capacity of COSCO Shipyard Group has arrived 1.85 million tons and the annual shipbuilding capacity of 2.4 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: 12.28 billion yuan	Employee number: 4,011
Business revenue: 5.779 billion yuan	
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 63 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 three million tons in 2009. After completion of Dalian ship-building base in 2010, the annual production capacity of the company will reach six million DWTs.

IV. Others

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

China Marine Bunker (PetroChina) Co. Ltd (CHIMBUSCO), the former China Marine Bunker Supply Company, was established in 1972 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: 4.574 billion yuan	Employee number: 1,610
Business revenue: 12.089 billion yuan	
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 100 ships, 18 oil depots with the total storage capacity of 1.19 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: 1.465 billion yuan	Employee number: 1,415
Business revenue: 134 million yuan	
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 in 2005.



Nature: State-owned company	Investment proportion: 100%
Total assets: 376 million yuan	Employee number: 282
Business revenue: 94.56 million yuan	
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: 53.99 million yuan	Employee number: 1,029
Business revenue: 64.15 million yuan	
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) established in October 1993 is 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: 20.114 billion yuan	Employee number: 53
Business revenue: 554 million yuan	
Main businesses: Loan, financing lease, bill acceptance and discounting for member units of COSCO Group, internal account transfer and settlement between member units, design of settlement and clearance plans, absorption of deposits of member units and negotiable securities investment	
Subsidiaries: None	
Since its establishment, COSCO Finance has 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. All financial indicators are complying with financial supervision and control requirements, and are better than average level of companies in the same industry. The company has good asset quality, and its key indicators such as rate of return of total assets take a lead in the industry. .	

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: 300,000 yuan	Employee number: 9
Business revenue: 2 million yuan	
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: 1.98715 million pounds	Employee number: 33
Business revenue: 24.9486 million pounds	
Main businesses: cargo transport, logistics business, bulk cargo ship tax leasing, container ship leasing	
Subsidiaries: COSCO (U.K.) Logistics Ltd, COSCO Chartering & Brokage (U.K.) Ltd 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 2 employees dispatched from China. Subsidiaries of COSCO (U.K.) have a total of 27 employees, of which, four employees are dispatched from China.	



Part IV Awards

I. Awards relating to Global Compact and sustainable development

Winning Time	Awards
Feb. 10	▲ COSCO International received the logo of Caring Company 2008/2009 issued by the Hong Kong Council of Social Service.
May 12	▲ COSCO Group was awarded the honorable title of “National Public Welfare and Charitable Unit” by the China Charity Federation.
	▲ Capt. Wei Jiafu, President of COSCO Group, received the honorable title of “charitable ambassador”.
Sept. 19	▲ COSCO Group ranked the second place in 2009 China CSR Top 100 List released by the China Enterprise News
	▲ Green Oil-saving Project of COSCO Group was appraised as 2009 Excellent CSR Case of China.
Sept. 19	▲ COSCO Group received the “Outstanding Enterprise Award” for performance of CSR issued by the 2 nd Forum on CSR and Establishment of Harmonious Society.
	▲ Capt. Wei Jiafu, President of COSCO Group, received the Outstanding Person Award for performance of CSR.
Nov. 10	▲ COSCO (Group) Headquarters received the 2009 Most Responsible Chinese Enterprise Award in Asia and Pacific Region issued by the Asia-Pacific Chinese Entrepreneurial Leaders Forum.
	▲ Capt. Wei Jiafu, President of COSCO Group, received the 2009 Most Responsible Chinese Business Leader Award in Asia and Pacific Region issued by the Asia-Pacific Chinese Entrepreneurial Leaders Forum.
Dec. 2	▲ COSCO Group Sustainable Development Report 2009 received the 2009 Golden Bee Excellent CSR Report and Leading Enterprise Award. 
Dec. 20	▲ COSCO Group was awarded Top 60 Most Influential Brand in Past 60 Years Since Establishment of China of China Top 10 Brand List.
April 1, 2010	▲ COSCO Group Sustainable Development Report was included in notable COP List of UN Global Compact for four years in succession.
April 2, 2010	▲ Capt. Wei Jiafu, President of COSCO Group, was one of the Most Influential 25 Business Leaders in 2009 appraised by Chinese version of Fortune Magazine.



II. A summary of international and domestic awards won by COSCO Group in 2009

Winning Time	Awards
Jan. 8	▲ Capt. Wei Jiafu, President of COSCO Group, received the Commodore Award issued by the Connecticut Shipping Association.
Jan. 16	▲The A320 general assembly transport project in Tianjin of COSCO Logistics received the only Excellent Contribution Award of Transportation Industry issued by Airbus.
March 12	▲COSCO International was appraised as Top 5 Best Enterprises for Financial Disclosure in Greater China Region issued by Investor Relations Global Rankings in 2009.
March 29	▲COSCO Group Headquarters ranked the second place in Top 500 Chinese Enterprises for Informationization appraised by the 2008 Conference on Top 500 Enterprises for Informationization organized by the National Informatization Evaluation Center. COSCON, COSCO Bulk, COSCO Guangzhou and COSCO Shipyard affiliated to COSCO Group also attended the survey. Of which, COSCON ranked the 19th place, COSCO Bulk ranked the 41th place, COSCO Guangzhou ranked the 105th place, and COSCO Shipyard ranked the 159th place. COSCO Group headquarters, COSCON, COSCO Bulk and COSCO Shipyard also received many awards including Group Informationization Achievement Award, Best IT Governance Award, Excellent Informationization Construction Group Award and Best ERP Application Award.
April 11	▲China COSCO received the Best Board of Directors Award from the High-level Forum on Board of Directors of Listed Companies and 5th Gold Roundtable Award. Board of Directors of COSCO Shipping received the Excellent Board of Directors Award for three years in a row. Jin Lizuo, independent director of COSCO Shipping, received the Most Influential Independent Director Award, and Xue Jundong, secretary of the Board of Directors, received the Most Innovative Secretary of Board of Directors Award.
April 22	▲COSCON won 2009 Best Line Company of Pacific Ocean Shipping Line from the Asian Freight and Supply Chain Awards.
April 23	▲The Ministry of Human Resources and Social Security and SASAC of the State Council jointly held the awarding conference of advanced collective and labor models of central SOEs in Beijing. Zhang Dejiang, vice premier of the State Council, and Li Rongrong, chairman of SASAC attended the conference. COSCO Xiamen was awarded the honorable title of “Advanced Collective of Central SOEs”.



April 28	<p>▲Shanghai PanAsia Shipping Co., Ltd, COSCO (Guangdong) Shipyard Co., Ltd and Nantong COSCO KHI Ship Engineering Co., Ltd received the National May 1st Labor Award issued by the All-China Federation of Labor.</p>
	<p>▲Cai Xuecheng, chief engineer of COSCO Bulk, Li Yiping, general manager of Shipping Department of Zhongbo Company, Peng Xuefeng, a worker from COSCO Shipyard (Nantong) received the National May 1st Labor Awards issued by the All-China Federation of Labor.</p>
	<p>▲Xinshenghai Liner of COSCO Bulk, Zhongbo Sun Liner of Zhongbo, and COSCO Cargo Tarnsport Department in Suzhou of COSCON received the National Workers Pioneer titles issued by the All-China Federation of Labor.</p>
May 13	<p>▲COSCO Group was successively awarded the Best Carrier of the Year of Far East/East Canada Shipping Lines from CIFFA, the eighth time for it to win the honorable title through voting.</p>
May 21	<p>▲China COSCO won the honorable title of 2009 Chinese Listed Companies with Most Growth Potential awarded by the Fortune Leaders Forum of the 4th Conference of Outstanding Chinese Businessmen.</p>
May 24	<p>▲China COSCO was included “Top 100 Chinese Listed Companies for Market Value Management” issued by the 3rd China Summit Forum on Management of Market Value of Listed Companies and 2009 Top 100 Companies for Market Value Management. Wei Jiafu, chairman of China COSCO, won the 2009 Best Fortune-making Leader Award of Chinese Capital Market and Zhang Yongjian, secretary of the Board of Directors received the 2009 Best Fortune-making IR Award in Chinese Capital Market.</p>
	<p>▲COSCO Shipping won the award of Top 100 Chinese Listed Companies for Market Value Management in 2009, Xu Lirong, chairman of COSCO Shipping, Xue Jundong, secretary of the Board of Directors were awarded the 2009 Best Fortune Innovation Award in Chinese Capital Market and 2009 Best Fortune-making IR Award in Chinese Capital Market respectively.</p>
May 31	<p>▲China COSCO ranked the 337th place in Global 500 List of Financial Times with the market value of 14.8554 billion dollars.</p>
June 8	<p>▲China COSCO was awarded the 2009 Honest Enterprise Group Award by the China Enterprise Reputation & Credibility Association (Overseas) and the Reputation Institute China.</p>
June 25	<p>▲Capt. Wei Jiafu, President of COSCO Group, received the Annual Character Award appraised by Seatrade.</p>
June 26	<p>▲China COSCO won four awards, i.e. Top 100 Listed Companies for Market Value, Excellent Management Team of Listed Companies, Top 100 Secretary of Board of Directors of Listed</p>



	<p>Companies and Most Popular Websites of Listed Companies for Investors in the 2008 Chinese Listed Companies Value Appraisal and 1st Most Popular Websites of Listed Companies for Investors organized by the Securities Times.</p> <p>▲ China Shipping received five awards, i.e. 2008 Best 100 Chinese Listed Companies for Market Value, 2008 Best 100 Secretary of Board of Directors of Chinese Listed Companies, Best Innovative Communications Website of 1st Appraisal of Websites of Chinese Listed Companies, Most Popular Website of Listed Companies for Investors in 1st Appraisal of Websites of Chinese Listed Companies and 1st Best Investors Relations Interactive Platform in Appraisal of Websites of Chinese Listed Companies.</p>
June 27	<p>▲ China COSCO received the 2008 Top 100 Golden Ox Award of Listed Companies of the 2008 Forum on Golden Ox Listed Companies and 2008 Golden Ox Award for Listed Companies, and Zhang Yongjian, secretary of the Board of Directors of China COSCO received the Best Secretary of Board of Directors Award of Listed Companies.</p>
June 30	<p>▲ COSCO Dalian was awarded the honorable title of Advanced Collect in Middle Stage of Fifth Five-year Plan on Legal Publicity of China.</p>
Aug. 18	<p>▲ COSCO Group was named as “innovative enterprise” by the Ministry of Science and Technology, SASAC of the State Council and the All-China Federation of Trade Unions.</p>
Aug. 18	<p>▲ COSCO Group was appraised as Top 60 Brand in 60 Years of Development of CCTV, and Capt. Wei Jiafu, President of COSCO Group, received the Chinese Brand Outstanding Contribution Award.</p>
Aug. 20	<p>▲ After receiving the annual report award issued by ARC for the first time in 2008, the COSCO International Annual Report 2008 was awarded the silver award for page design, bronze award for cover photo, bronze award for printing and production and bronze award for financial data of shipping service group in the 23rd International ARC Award Competition. The COSCO Shipping Annual Report 2008 (printed edition) was awarded the bronze award for shipping service group.</p>
Sept. 3	<p>▲ Chen Hongsheng, general manager of China COSCO, received the honorable title of 2009 Top 10 Outstanding Chinese Entrepreneurs awarded by the China Enterprise Confederation – China Enterprise News.</p>
Sept. 4	<p>▲ China COSCO received the 2009 Best Board of Director for Governance of Chinese Listed Companies and 2009 Best Secretary of the Board of Directors of Chinese Listed Companies in the 2009 Appraisal of Best Board of Directors of Listed Companies.</p>



Oct. 20	▲ American Congress passed the proposal to award Capt. Wei Jiafu, President of COSCO Group, for his outstanding contribution to economic development of America and his successful practices in business expansion in America. The proposal will be recorded in archive of the American House of Representatives.
Oct. 27	▲ COSCO Logistics topped the Top 100 Chinese Logistics Companies again, the fifth time for it to win such honorable title.
	▲ In the past seven years since the establishment of COSCO Logistics, it has made innovation continuously, and has achieved outstanding results in R&D and application of core and patented logistics technologies as well as development of logistics business in overseas markets, and has won the 2009 Most Innovative Logistics Company Award.
Oct. 28	▲ The 2008 annual report of China COSCO and monthly IR Newsletter compiled and issued on a regular basis won the silver award and bronze award issued by the League of American Communications Professionals respectively.
Nov. 27	▲ Capt. Wei Jiafu from COSCO Group was selected as Top 10 Meritorious Characters of Shipping and Logistics Industries in Past 60 Years Since the Establishment of New China, and ranked the first place.
Dec. 9	▲ Capt. Wei Jiafu, president of COSCO Group, ranked the third place in listing of satisfaction of public image of Chinese entrepreneurs of Huade Award, which is regarded as Chinese edition of Fortune Global 500, with the score of 918.2 points.
Dec. 17	▲ COSCO International won the bronze award in “redesign/re-use: communications with stakeholders” group in the 9th iNOVA Awards International Websites Competition.
Dec. 18	▲ COSCO Shipping received the 2009 Board of Directors Award of 8th China Forum on Company Governance sponsored by Shanghai Stock Exchange and supported by SASAC of the State Council and OECD.
Dec. 20	▲ Capt. Wei Jiafu, President of COSCO Group, was appraised as “most influential 60 persons in Chinese economic circle in the past 60 years since establishment of new China of Top 100 Persons in Chinese Economic Circle.
Dec. 23	▲ Capt. Wei Jiafu, President of COSCO Group, was appraised as 10-year Business Leader in appraisal of 2009 CCTV Character of the Year in Chinese Economic Circle.
May 8, 2010	▲ In the appraisal of 6th Gold Roundtable Award of Board of Directors of Chinese Listed Companies (2009) organized by the Board of Directors magazine, COSCO Shipping received the Excellent Board of Directors Award. It was the fourth time for COSCO Shipping to win such award consecutively since 2006.



Part V General information of the report

This report is a vivid reflection of COSCO Group's efforts in 2009 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. COSCO Group tries to present a report to objectively and vividly reflect the sustainable development of COSCO Group for correlated parties, so as to provide reliable basis for decision-making of related parties, improve decision-making efficiency, reduce trade costs and assist related parties to get higher economic and social benefits. COSCO Group has inherited the principle of “communications creates value” and tried to provide a sustainable development report that transforms from green color to golden color for the world.

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

I. Scope of report

COSCO Group Sustainable Development Report 2009 covers largely the same scope as does the Report 2005, 2006, 2007 and 2008. It is complied according to the 2006 edition of GRI standards and the supplementary guidance of the industry, 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.

In accordance with the sustainable development strategy of COSCO Group, it is determined to rectify the composition of sustainable development reporting system of COSCO Group. In consideration of the features of globalization and standardization of ocean shipping and logistics business of COSCO Group, the group released uniform COSCO Group sustainable development report in China, which covers COSCO Group's sustainable development operation information worldwide.



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 situations for performance of social responsibilities.

Matrix for decision-making on reporting degree and form of COSCO Group Sustainable Development Report

Serial No	Item	Strategies and general information		Governance and management		Economic performance		Environmental performance		Reporting form
		Scale and influences	Supervision	Requirements of supply chain	Finance	Social investment	Energy conservation and low carbon	Anti-pollution		
		1-Common size;	1-No requirements;	1-No requirements;	1-Common;	1-Non-continuous investment;	1-Energy conservation of low power consumption industry;	1-Anti-pollution of low-risk industry;	Group report: uniform report of the group where key descriptions are emphasized in chapters;	
		4-Middle size;	4-Encouraging requirements;	4-Encouraging requirements;	4-Middle;	4-Continuous investment;	4-Energy conservation of common power consumption industry;	4-Anti-pollution of common-risk industry;	Industry report: professional report auxiliary with sub-report of the group report;	
		9-Large size	9-Externally compulsory requirements	9-Externally compulsory requirements	9-Large financial indicator	9-Special investment	9-Energy conservation of high power consumption industry	9-Anti-pollution of high-risk industry	Appendix of annual report: disclosed as attachment or independently disclosed in annual report of the listed	
1	China COSCO Holdings	9	9	1	4	4	1	1	Appendix of the annual report	
2	COSCO Container Lines	9	4	1	9	4	9	4	Industry report	
3	COSCO Bulk Carrier	4	4	1	4	4	4	4	Group report	
4	COSCO Hong Kong	4	4	1	4	4	4	4	Group report	
5	COSCO Qingdao	4	4	1	4	4	4	4	Group report	
6	COSCO Logistics	4	4	1	4	4	4	4	Group report	
7	COSCO Pacific	4	4	1	4	4	4	4	Group report	
8	COSCO Guangzhou	4	4	1	4	4	4	4	Group report	
9	COSCO Dalian	4	4	9	4	4	4	9	Group report	
10	COSCO Xiamen	4	4	1	4	4	4	4	Group report	
11	COSCO Shipping	4	9	1	4	4	4	4	Appendix of the annual report	
12	COSCO Shipbuilding Industry	4	4	4	4	4	4	4	Group report	
13	COSCO Shipyard	4	4	4	4	4	4	4	Group report	
14	China Maritime Bunker	4	4	1	4	4	4	4	Group report	
15	Hainan Boao COSCO	1	1	4	1	9	4	4	Group report	
16	China Ocean Shipping Tally	1	1	1	4	4	1	1	Group report	
17	COSCO Human Resources/COSCO Manning	1	1	4	1	1	1	1	Group report	
18	COSCO Finance	1	4	1	4	1	1	1	Group report	
19	COSCO U.K.	4	4	4	4	4	4	4	Group report	
20	China Ocean Shipping News	1	4	1	1	1	1	1	Group report	
21	Maritime China Magazine	1	4	1	1	1	1	1	Group report	



Matrix for decision-making on reporting degree and form of COSCO Group Sustainable Development Report

Serial No	Item	Labor		Human rights		Society		Products		Reporting form
		Safety	Human Resources	Collective bargaining	Non-discrimination	Community	Anti-corruption	Service product quality	Marketing	
		1-Low-risk industry	1-Low-reliance industry	1-Low-reliance industry	1-Industry where unequal treatment is not easily to occur	1-Industry with small influences on communities	1-Low-risk industry	1-Low-risk industry	1-Low-risk industry	Group report: uniform report of the group where key descriptions are emphasized in chapters;
		4-Common-risk industry	4-Common-reliance industry	4-Common-reliance industry	4-Common industry	4-Industry with common influences on communities	4-Common-risk industry	4-Common-risk industry	4-Common-risk industry	Industry report: professional report auxiliary with sub-report of the group report;
		9-High-risk industry	9-High-reliance industry	9-High-reliance industry	9-Industry where unequal treatment is easily to occur	9-Industry with large influences on industries	9-High-risk industry	9-High-risk industry	9-High-risk industry	Appendix of annual report: disclosed as attachment or independently disclosed in annual report of the listed companies;
1	China COSCO Holdings	1	4	4	1	1	4	1	1	Appendix of the annual report
2	COSCO Container Lines	9	4	4	4	1	4	9	4	Industry report
3	COSCO Bulk Carrier	4	4	4	4	1	4	4	4	Group report
4	COSCO Hong Kong	4	4	4	4	1	4	4	4	Group report
5	COSCO Qingdao	4	4	4	4	1	4	4	4	Group report
6	COSCO Logistics	4	4	4	4	1	4	4	4	Group report
7	COSCO Pacific	4	4	4	4	4	4	4	4	Group report
8	COSCO Guangzhou	4	4	4	4	1	4	4	4	Group report
9	COSCO Dalian	9	4	4	4	1	4	4	4	Group report
10	COSCO Xiamen	4	4	4	4	1	4	4	4	Group report
11	COSCO Shipping	4	4	4	1	1	4	4	4	Appendix of the annual report
12	COSCO Shipbuilding Industry	9	4	4	9	9	4	4	4	Group report
13	COSCO Shipyard	9	4	4	9	9	4	4	4	Group report
14	China Maritime Bunker	4	4	4	4	4	4	4	4	Group report
15	Hainan Boao COSCO	4	4	4	1	9	4	9	4	Group report
16	China Ocean Shipping Tally	4	4	4	1	1	4	4	4	Group report
17	COSCO Human	4	9	4	4	1	4	4	4	Group report
18	COSCO Finance	1	1	4	1	1	4	4	1	Group report
19	COSCO U.K.	4	4	4	4	4	4	4	4	Group report
20	China Ocean Shipping News	1	1	1	1	1	1	1	1	Group report
21	Maritime China Magazine	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 2009 is edited according to the normal fiscal year. Unless specified, all information contained in the Report is COSCO Group's sustainable development performance in 2009.

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II. Report compilation principles

The COSCO Group Sustainable Development Report 2009, 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 2009 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	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	COSCO Group sustainable development indicator system and material architect are compiled, collected and analyzed based on the sustainable development	COSCO Group Sustainable Development Report was released according to the specified procedures and plans strictly. In December of each month, the report indicator and	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	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



<p>influencing the judgment of readers. It applies six-sigma failure mode analysis method to conduct influential degree evaluation to ensure the key factors of the report and ensure the direct ratio between degree of influences of reporting items and its relative key factors. Besides reporting achievements, the report also discloses negative performance of the group.</p>	<p>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 in succession for stakeholders to analyze the performance of COSCO Group.</p>	<p>reporting framework to ensure full preparation of the information, and applies different tools in different aspects to analyze the consistency of the results.</p>	<p>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. The report will be released before July 31 to ensure its timeliness.</p>	<p>consideration of paper conservation, the Sustainable Development Report mainly adopts online version. The printed version is only 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>social responsibility report compilation process and communication mechanism. It has applied 18 evaluation and improvement processes to complete the report quality control process from all aspects such as indicator collection, material collection, report framework, report compilation, draft report, report revision, report review, internal audit, review by experts' committee, external review and communications with related parties. .</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
Description	Supervision or supply chain requirement 1-9- No requirements - Externally compulsory requirements	Financial scale influences 1-9-Little financial influences to great financial influences	Energy-conservation and low carbon 1-9 Energy conservation of low power consumption industry - Energy conservation of high power consumption industry	Anti-pollution 1-9 Pollution of low-risk industry - Pollution of high risk industry	Labor risks 1-9 Low-risk industry - High-risk industry	Human right risks 1-9 Industry where unequal treatment is not easily to occur - Industry where unequal treatment is easily to occur	Anti-corruption risks 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 addictions

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/COSCO 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

Since the issuance of its first report, i.e. COSCO Group Sustainable Development Report 2005, COSCO Group has adopted the core indicators of the 2006 GRI Guideline to systematically report all management and performance indicators of GRI. After strict evaluation in 2007, GRI believed that the COSCO Group Sustainable Development Report 2007 reports on 12 key core indicators as specified in GRI standards and meets GRI standards of A+ rating. Therefore, it agreed COSCO Group to use GRI A+ logo. In 2008, the COSCO Group Sustainable Development Report was rated A+ level, the highest rating, consolidating its leading position.

The statistical scope of the Sustainable Development Report 2009 is the same with the Sustainable Development Report 2008, 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 Company governance

I. Top management team

The State Council authorizes the SASAC to manage the talents, affairs and assets of state-owned enterprises. SASAC have the right to appoint main responsible persons of central enterprises. As COSCO Group is a large-scaled state-owned enterprise, its management team is evaluated and appointed by SASAC. Shouldering the responsibilities of well developing the enterprise and realizing the prosperity of state-owned economy, COSCO Group's management team shows strong sense of responsibilities and good spiritual state and organizes its crews and employees to create good business performances.

COSCO Group leaders	Work division	Work for Global Compact
Capt. Wei Jiafu, corporate representative, president and CEO of COSCO Group	Being responsible for all administrative works of COSCO Group headquarters, while focusing on accounting and financial affairs	Being responsible for the work related to the Global Compact and sustainable development
Zhang Fusheng, vice president of COSCO Group	Assisting the president to be responsible for all administrative works, managing cadres together with the president and focusing on management of human resource department/organization department and labor and insurance coordination center	Being responsible for the work regarding human resources, labor and insurance and the COSCO Group Charity Foundation and for construction of cultures of labors, human rights and sustainable development
Li Jianhong, vice president, chief risk officer and managers' representative of COSCO Group	Assisting the president in capital operation, enterprise planning and management, reform planning, on-land assets management, scientific and IT work, and mainly managing the Strategy and Development Department	Being responsible for implementation of the Global Compact and sustainable development
Xu Lirong, vice president and chairman of the Trade Union of COSCO Group	Assisting the president in transport production and external line cooperation of the group, being responsible for the fleets of container ships, oil tankers, general cargo ships and special ships, and mainly managing the	Being responsible for works of the trade union and for supervision of implementation processes of human rights and labor-related standards



	Transportation Department and the Trade Union	
Zhang Liang, vice president of COSCO Group	Assisting the president in management of safe production, safety committee, bulk cargo fleet, anti-terrorism security work, and mainly managing the President's Office, the Safety Technology and Supervision Department, the R&D Center and Investors' Relations Department; Assisting the president to be responsible for China COSCO Holdings Co., Ltd	Being responsible for safety, environmental protection, scientific research work, anti-terrorism work; being in charge of the work of China COSCO
Li Yunpeng, vice president of COSCO Group	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	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
Sun Yueyin, chief financial officer of COSCO Group	Assisting the president in accounting, financial and asset management work and mainly managing the Accounting Department and the finance company	Being responsible for financial risk management work
Liu Guoyuan, chief law officer of COSCO Group	Assistant the president to be responsible for legal affair work of the enterprises, coordinate and dispose legal affairs in decision-making of the enterprises and in charge of the Office of Chief Law Officer	Being responsible for legal work



II. 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 and Comprehensive Risk Management Committee	Guiding, promoting and arranging the work regarding construction of resource-saving enterprise and implementation of the Global Compact; evaluating and approving the implementation plans for construction of resource-saving enterprise and implementation of the Global Compact; Supervising, guiding and coordinating the key projects for construction of resource-saving enterprise and implementation of the Global Compact; approving technical service provider, budget plan and training plans; approving the issuance and application of the 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	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



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

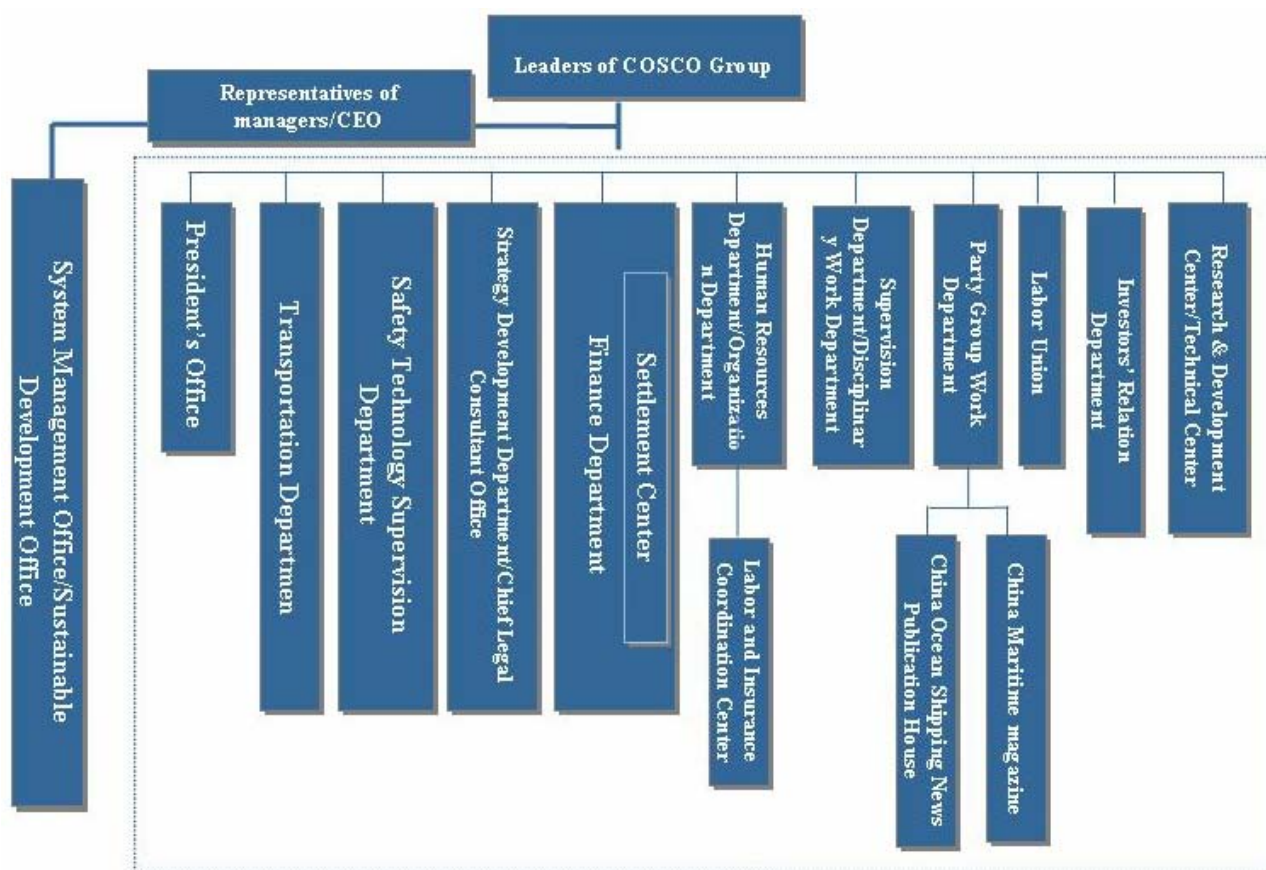
III. Decision-making mechanism

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. The establishment of the investors' relation department by the headquarters of COSCO Group in 2009 has led to the following results: organizing all the listed companies under COSCO Group to share their experiences in developing investors'



relations; establishing and improving COSCO Group's internal investors' relation communication standard, guiding and planning in a comprehensive manner the subordinate listed companies relations with their investors; formulating the information release program, management system and report system for the Group headquarters; examining, guiding and summarizing the information release work of the subsidiaries; improving the information release work of the Group; regularizing and coordinating the release of information to finance and economics media; maintaining a unified image for COSCO Group and ensuring the legitimacy of information release by listed companies. In addition, the Group also practiced environmental protection and technology responsibility in a comprehensive and systemic manner and in the safety and technology supervision department established an environmental protection and energy conservation room. (See chart below)

Operational and organization charm of modern enterprise management system of COSCO Group headquarters





IV. All-staff participation and communications mechanism

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

COSCO Group has established corresponding communications mechanism for different layers within the group, and the group headquarters adopt forms such as 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.

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



V. Supervision over the management team

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 among all staff regularly to collect for opinions from all staff of the management team. The management team puts forward improvement measures and report improvement results with regard to opinions put forward. In the meantime, company affair transparency system is adopted to supervise the management team.

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

VI. Company 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. If the responsible person fulfills the operational objectives, he or she will receive an annual bonus and long-term incentives during the tenure. If the responsible person 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.

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 requests 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. In October 2009, COSCO Group organized, in accordance to the SASAC's assessment for economic value adding (EVA) assessment in central enterprises, a training course on EVA assessment for employees responsible for operational performance, finance and human resources in its secondary companies. Experts were invited to explain relevant theories and practices regarding EVA assessment so that COSCO employees could prepare for the EVA assessment in 2010.

VII. Personnel evaluation mechanism

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

COSCO Group made adjustment to the leadership of its subsidiaries in 2009. Comprehensive assessments were conducted in four companies, COSCO Shipbuilding, COSCO Qingdao, COSCO Shipyard, and Hong Kong Shipping in 2009. Adjustments to leadership directly under the Party Committee were carried out at COSCO Finance, COSCO Human Resources, COSCO Guangzhou, COSCO Qingdao, COSCO Shipbuilding, COSCO Xiamen, COSCO Container Shipping, COSCO Bulk, Chimbusco, Qingdao Shipyard, COSCO Bo'ao, COSCO Singapore, COSCO Europe, COSCO Africa, Hong Kong Group and Hong Kong Shipping, involving 35 people and 76 person-time (including: 18 administrative appointments and 22 removals, 15 appointments and 21 removals at the Party Committee). The adjustment rate stood at 26 percent.

According to the management structure adjustment arrangement by COSCO Group headquarters and China COSCO, the Group offered 11 principal posts and 12 deputy posts from 11 departments for competition and recruitment on December 11, 2008 and January 7, 2009, respectively. All candidates had to go through a probation and tenure period. From January 14 to February 6, 2009, a number of managers and vice managers competed for the posts at various departments and centers, and altogether 73 managers and vice managers were selected. From February 10 to 17, 2009, recruitment was conducted by COSCO Group parent company and the headquarters of China COSCO, recruiting 184 employees. From December 17, 2008 to March 31, 2009, COSCO headquarters and China COSCO carried out communication and



exchange activities, sending 12 employees to overseas companies, and 1 to COSCO counterpart in China.

VIII. Internal statement, behavioral principles and implementation situation relating to economic, environmental and social performance

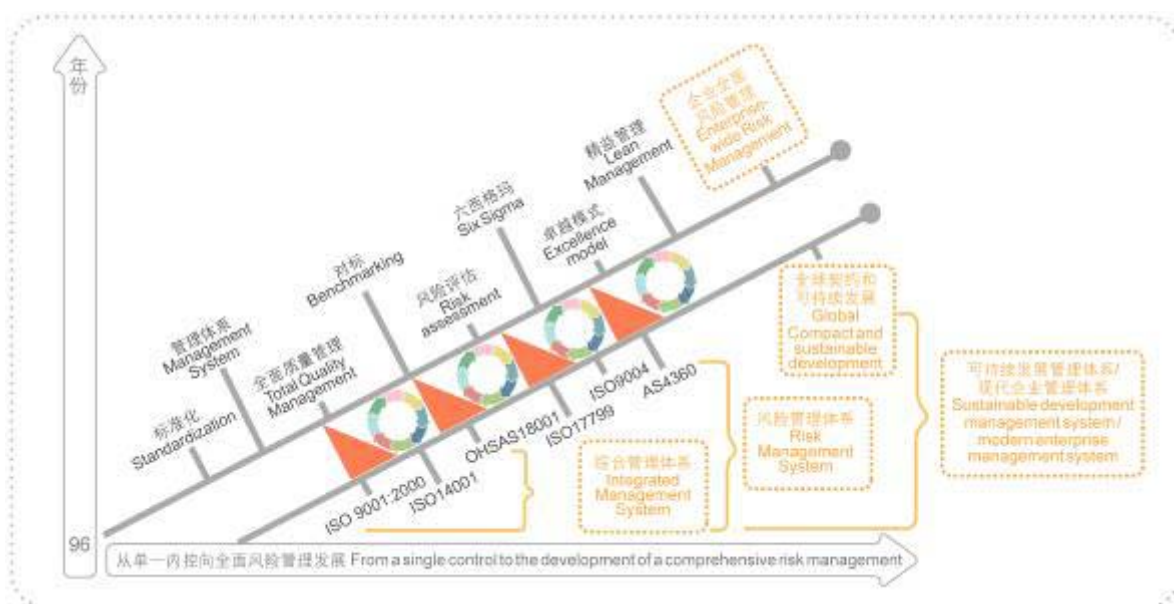
With an aim to fulfill the obligation of “gradually developing and enhancing its leading position in international shipping, logistics business, terminal operation and ship-building and ship-repairing industries, keeping honest and trustworthy relationships with customers, employees and partners, and 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 methods for corporate culture construction of COSCO Group in next five years such as COSCO Group environmental-protection specification, i.e. comprehensive management, cherish 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 treat public opinions. In 2009, COSCO Group launched the compilation of COSCO Group Twelfth Five Year Development Plan and COSCO Group Corporate Culture Construction during the Twelfth Five Year Plan. All internal statement and behavioral principles would be further improved and amended.

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 level and brand images. The corporate culture construction has become a voluntary behavior of operators 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.



Part II Major policies and management 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 comprehensive risk management and sustainable development management, hence establishes a long-term mechanism for the Group's sustainable development. (See the chart below)



In 2009, COSCO Group traced the formulation process of the ISO26000 social responsibility standard and made proactive preparation for its implementation. The Group carried out the National Standard for Risk Management (GB/T24353-2009) released on December 1, 2009 and the National Standard for Energy Management System Requirement (GB/T23331-2009), and incorporated its research results into the sustainable development management system.

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.

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.

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

COSCO Group began to adopt the Six Sigma method to improve its annual



sustainable development report since 2008. By analyzing COSCO Group's development strategies with strategic map, the Group further enlarged the application of strategic map and balanced score card in 2009, adding basic data resolution to the indicator system and ensuring that all long-term development goals established by COSCO Group could be realized.

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), and bring specific values of the companies to the markets (customer) in order to realize the values of shareholders (financial).

I. Overview of 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. In 2009, the Group completed the first phase of its work on the elevation of internal control to comprehensive risk management, fulfilled the basic requirements of the COSCO comprehensive risk management framework, the Comprehensive risk Management Guide issued by SASAC and the Basic Regulations for Corporate Internal Control and National Standards for Risk Management (GB/T24353-2009) issued by five ministries for the prevention and control of risks and ensured the realization of corporate sustainable development.

See the Structure of COSCO Group Sustainable Development Management System and Procedures



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
Internal environmental	The basis of corporate internal control, including the company's managerial structure, organizational structure, responsibility distribution, human resource policies, corporate culture and other basic elements for human resource and corporate internal control.	Management of corporate administrative structure	Procedures to select senior administrative personnel	Managerial procedures to select chairman and supervisor	Sub-procedures for the selection of chairman and supervisor
				Managerial procedures for chairman	Sub-procedures for the dispatch of chairman
				Managerial procedures for supervisor	Sub-procedures for the dispatch of supervision by the headquarters
					Sub-procedures for the guidance and training of dispatch supervisor
					Sub-procedures for the daily liaison with dispatch supervisor
					Sub-procedures for the assistance to supervision and examination or authorized supervision and examination by the dispatch supervisor
					Sub-procedures for the macro-guidance of supervision committee of subsidiaries
		Managerial procedures for the shareholders' constitution	Managerial procedures to exercise shareholders' rights (reserved)	Sub-procedures to exercise shareholders' rights	
		Management of corporate organization	Managerial procedures for corporate organization	Managerial procedures for institutional organization and committee	Sub-procedures for institutions and positions
				Sub-procedures for management of committee	
		Management of corporate employees	Managerial procedures for human resources	Managerial procedures for human resource development	Procedures for human resource policy research
					Procedures for compilation of human resource programs
					Sub-procedures for employee recruitment
					Sub-procedures for internal adjustment
				Sub-procedures for employee assessment	



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
					Sub-procedures for employee appointment and removal Sub-procedures for labor turnover Sub-procedures for the selection of overseas expatriates Sub-procedures for systemic talent construction Sub-procedures for assessment of executives Sub-procedures for appointment and removal of executives Sub-procedures for the management of crew members
				Procedures for payment management	Sub-procedures for the management of total wage program Sub-procedures for the management of wage-linked-to-performance Sub-procedures for the labor-wage statistics Sub-procedures for the management of income by corporate executives Sub-procedures for the management of income by domestic crew members Sub-procedures for the management of income by domestic offshore units Sub-procedures for the management of income by overseas units Sub-procedures for the management of income by administrative employees Sub-procedures for the management of income at directly-owned joint ventures Sub-procedures for the management of employee welfare



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
					Sub-procedures for the supervision and examination of annual wages, internal and external incomes
				Managerial procedures for labor insurance	Sub-procedures for the management of labor insurance
				Managerial procedures for training	Sub-procedures for the compilation of annual training program
					Sub-procedures for the implementation of specific training projects
					Sub-procedures for the selection of participants by all departments and centers
					Sub-procedures for unscheduled, temporary training programs
					Sub-procedures for overseas study and work on corporate commission
		Sub-procedures for post-training assessment			
		Management of corporate culture	Managerial procedures for corporate culture	Procedures for corporate culture construction and promotion	Sub-procedures for the construction and promotion of corporate culture
		Setting goals	The corporate board and executive group set strategical goals and business goals for the company based on the company's risk reference.	Management of corporate strategy and decision-making	Strategic and scientific decision-making procedures
Procedures for decision-making at presidential meetings	Sub-procedures for decision-making at presidential meetings				
Procedures for decision-making by party meetings	Sub-procedures for preparation of party meetings				
	Sub-procedures for organization of party meetings				
	Sub-procedures for decision items, tasks assignment, executive and examination at party meetings				



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure			
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures		
		Management of corporate strategic plans	Procedures for the formulation of strategic plans	Managerial procedures for development strategies and plans	Sub-procedures for development strategies and plans		
					Sub-procedures for the formulation and improvement of development strategies		
		Management of corporate business plans	Procedures for the analysis of corporate business activities	Procedures for the analysis of economic activities	Sub-procedures for the analysis of economic activities		
			Procedures for objective management	Procedures for implementation and control of annual plans and tasks	Sub-procedures for the implementation and control of annual plans and tasks		
			Procedures for operation statistics	Managerial procedures for comprehensive statistics	Sub-procedures for the management of comprehensive statistics		
					Sub-procedures for transportation and production statistics		
			Assessment procedures for business performance	Managerial procedures for business performance assessment	Sub-procedures for the implementation of SASAC business performance responsibility requirement		
					Sub-procedures for the implementation of business performance responsibility requirement by domestic and overseas subsidiaries		
		Item identification	The board meeting, executives, and other employees identify the external and internal risks impacting the realization of corporate goals.	Management of risk identification	Procedures for risk identification	Procedures for comprehensive risk management (procedures for risk identification)	Sub-procedures for collection of risk information
							Sub-procedures for identification of risky items
Risk assessment	and the realization of internal control goals, and	Management of risk assessment	Procedures for risk assessment	Procedures for comprehensive risk management (procedures for risk assessment)	Sub-procedures for the organization of comprehensive risk assessment		



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
					Sub-procedures for the identification and assessment of comprehensive risks
Risk handling	Risk handling can be classified into four types: risk circumvention, risk reduction, risk sharing and risk acceptance.	Management of risk handling	Procedures for risk handling	Managerial procedures for comprehensive risks (procedures for risk handling)	Sub-procedures for the formulation of risk management strategies Sub-procedures for the formulation of risk management and handling methods
			Procedures for meeting major risks and emergencies	Procedures for emergency management	Sub-procedures for the handling of emergencies Sub-procedures for the handling of potential emergencies and urgent events
			Procedures for handling special risks	Procedures for the management of relevant party risks	Sub-procedures for customer response Sub-procedures for complaint handling Procedures for satisfaction evaluation
				Procedures for the management of information safety risks	Sub-procedures for the assessment of information safety risks
				Procedures for the management of security risks	Sub-procedures for the assessment of career safety and health risks
				Procedures for the management of environmental risks	Sub-procedures for the management of environmental risks
			Procedures for the management of financial risks	Sub-procedures for the management of vessel fuel futures Sub-procedures for the management of interest rate risks	



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
Activity control	The company adopts relevant control measures in accordance with its risk assessment results, and keeps the risks at a durable level.	Management of corporate laws	Procedures for the management of legal risks (procedures for the management of external regulations)	Procedures for the management of legal risks	Sub-procedures for the management of long-term rate agreement
					Sub-procedures for legal risk prevention and control
					Sub-procedures for the collection and identification of laws and regulations
					Sub-procedures for the participation of law in project operation
					Sub-procedures for the management of intellectual property
					Sub-procedures for the handling of disputes and cases
					Sub-procedures for outside counsel management
		Procedures for the management of contracts	Procedures for the management of contracts	Sub-procedures for the management of contracts	
		Management of corporate finance	Procedures for the management of finance and business accounting	Procedures for the management of finance	Sub-procedures for the compilation of financial reports
					Sub-procedures for the SAP financial accounting information system risks
					Sub-procedures for the management of capital
					Sub-procedures for the management of debt
					Sub-procedures for the utilization of fund
					Sub-procedures for short-term CNY investment
					Sub-procedures for the completion of financial income and expenditure budgets
Sub-procedures for the management of fund at administrative units					
Sub-procedures for the management of taxation					
Sub-procedures for the management of administrative expenditure					



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure			
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures		
					Sub-procedures for financial accounting of revenue and expenditure Sub-procedures for the management of financial information Sub-procedures for the management of finances of overseas branches Sub-procedures for the management of state-owned assets evaluation and examination records Sub-procedures for the registration and annual checkup of state-owned assets		
		Management of corporate investment and financing	Procedures for investment and post-investment assessment	Procedures for the management of investment Procedures for post-investment assessment	Sub-procedures for the management of investment Sub-procedures for post-investment assessment		
			Procedures for the management of financing	Procedures for the management of financing	Sub-procedures for the analysis of financing needs Sub-procedures for the analysis of financing costs Sub-procedures for capital collection Sub-procedures for fund distribution and use		
					Management of corporate operation	Procedures for the management of science and technology	Sub-procedures for the management of scientific research Sub-procedures for the management of major or crucial scientific projects
							Procedures for the management of scientific and technological innovation
			Procedures on the management of corporate business and operation	Procedures for the management of transportation	Sub-procedures for the research and planning of shipping strategies Sub-procedures for the management of coordination and production Sub-procedures for the management of logistics Sub-procedures for the management of transportation and		



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
					production
					Sub-procedures for the management of agent commission fees
					Sub-procedures for the management of transportation fees
					Sub-procedures for the management of insurance and claim
					Sub-procedures for the management of fuel and lubricating oil
					Sub-procedures for the management of shipping organizations and U.S. routes
					Sub-procedures for the management of customer relations
					Sub-procedures for the management of ports
					Sub-procedures for the management of operational capital
		Procedures on operational capital	Procedures on operational capital	Sub-procedures for the management of operational capital	
			Procedures for the management of trade by company and relevant parties	Procedures for corporate management	Sub-procedures for the management of parent and subsidiaries
					Sub-procedures for continuous transaction between related parties
					Sub-procedures for discontinuous transaction between related parties
		Management of corporate assets	Procedures for the management of vessel assets	Procedures for the purchase and selling of vessels	Sub-procedures for shipping manufacturing by China COSCO
					Procedures for the management of retired ships
			Procedures for the management of assets	Procedures for the management of assets	Sub-procedures for the management of assets
Information and communication	internal control of information by the company to ensure effective communication within	Management of social responsibility	Procedures for the management of social responsibility	Procedures for the construction of social responsibility and harmonious enterprise	Sub-procedures for construction of social responsibility and harmonious enterprise
			Procedures for the management of sustainable development	Procedures for sustainable development report	Sub-procedures for the management of sustainable development report



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
				Procedures for sustainable development management information platform	Sub-procedures for sustainable development management information platform
		Management of corporate relations	Procedures for the management of relations	Procedures for the management of relations	Sub-procedures for the management of relations with relevant parties
					Sub-procedures for the management of public relations
		Management of corporate information	Procedures for the management of IT implementation and standards	Procedures for IT management	Sub-procedures for the implementation of major IT projects
					Sub-procedures for the management of construction of IT pillar industries
					Sub-procedures for the management of IT standards
			Procedures for information exchange and release (procedures for the management of annual report)	Procedures for information exchange and release	Sub-procedures for information exchange
					Sub-procedures for information release
			Procedures for the management of information communications and networks	Procedures for the management of computer software and hardware, and networks	Management of office information
		Sub-procedures for the management of office communications and operations			
		Procedures for the management of information	Procedures for the collection and sharing of		Sub-procedures for information collection, integration and sharing



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
			collection	intelligence, research results and information	Sub-procedures for information collection and processing Sub-procedures for the sharing of research results Sub-procedures for information collection and handling
			Procedures for the management of openness of factory affairs	Procedures for the management of openness of factory affairs	Sub-procedures for the management of openness of factory affairs
		Management of administrative affairs	Procedures for the management of daily affairs	Procedures for the management of daily affairs	Sub-procedures for the compilation of overseas development plans and work plans
					Sub-procedures for the management of relevant corporate rules
					Sub-procedures for the management of major corporate issues
					Sub-procedures for the compilation of ship manufacturing and maintenance, vessel services-related industrial development plans and the implementation of annual plans
		Management of administrative affairs	Procedures for the handling of office documents	Procedures for the handling and control of office documents	Sub-procedures for receiving correspondence
					Sub-procedures for sending correspondence and notes
					Sub-procedures for meeting summaries
					Sub-procedures for telephone records
					Sub-procedures for receiving correspondence and letters
					Sub-procedures for the management of official seals
					Sub-procedures for the management of documents



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
			Procedures for the organization of meetings	Procedures for the organization of meetings	Sub-procedures for work meetings by COSCO China Sub-procedures for medium-sized work meetings Sub-procedures for theme work conference Sub-procedures for coordination meetings Sub-procedures for transportation, production and telephone conference Sub-procedures for monthly economic efficiency analysis meeting Sub-procedures for operation management committee Sub-procedures for annual plan formulation and control Sub-procedures for other meetings and implementations
			Procedures for the management of official business	Procedures for the management of official business	Sub-procedures for the management of official business
			Procedures for the management of administrative affairs	Procedures for the management of administrative affairs	Sub-procedures for the management of fixed assets Sub-procedures for the management of official vehicles Sub-procedures for administrative procurement Sub-procedures for the management of office building and residential building
			Procedures for the management of external affairs	Procedures for the management of external affairs	Sub-procedures for the management of temporary overseas missions for official purposes Sub-procedures for the management of overseas expatriation Sub-procedures for the



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
					management of overseas crew employment Sub-procedures for the management of passport Sub-procedures for departure certificates Sub-procedures for the application of visa Sub-procedures for the application of pass to Hong Kong, Macao Sub-procedures for the management of external affairs Sub-procedures for invitation letters to foreign guests Sub-procedures for the management of reception of foreign guests Sub-procedures for the management of public relations
		Management of corporate party members	Procedures for the management of party building	Procedures for the enhancement and improvement of party building	Sub-procedures for the enhancement and improvement of party building
			Procedures for the management of labor union	Procedures for labor union	Sub-procedures for the labor protection by the labor union Sub-procedures for the selection of labor models Sub-procedures on the work for women employees and crew members' families Sub-procedures for the organization of group labor union Sub-procedures for cultural and education campaign by group labor union Sub-procedures for the compilation of China Ocean Shipping labor union information Sub-procedures for the management of labor union finances



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
					Sub-procedures for the management of labor union letters and reports
					Sub-procedures for the implementation of “caring for the employee” project
					Sub-procedures for the management of employees’ democracy
					Sub-procedures for mobilization activities
					Sub-procedures for training of labor union cadres
					Sub-procedures for the launching of cultural and sports activities at subsidiaries
					Sub-procedures for equal negotiation and collective agreement
			Procedures for the management of directly-affiliated party committee and league committee	Procedures for directly-affiliated party committee	Sub-procedures for directly-affiliated party committee
				Procedures for the management of league committee	Sub-procedures for the management of league committee
			Procedures for party organization	Procedures for party organization	Sub-procedures for party organization
		Procedures for organization work			
Supervision and control	Establish and implement supervision, examination and evaluation mechanism for internal control, evaluate the effectiveness of internal control, identify shortcomings, and rectify accordingly.	Internal control management	Procedures for the management of principle amendment	Procedures for the compilation and amendment of rules, regulations and internal control	Sub-procedures for the compilation of management system documents
					Sub-procedures for the formulation and amendment of Rules and regulations
			Procedures for the management of internal control process	Procedures for management system process control	Sub-procedures for corporate management system and internal control management
					Sub-procedures for the management of lean Sigma
			Procedures for effectiveness evaluation of internal control	Sub-procedures for the implementation of internal control activities	
				Sub-procedures for effectiveness examination and assessment of internal control	
Management and	Procedures for internal	Procedures for internal auditing	Sub-procedures for internal auditing		



Requirements for comprehensive risk management and internal control procedures				COSCO Group sustainable development management structure and procedure	
Internal control elements	Description of internal control elements	Structure of internal control	Requirements for internal control procedures	Major existing procedures	Existing sub-procedures
		supervision of corporate integrity	supervision and examination	Procedures for the cultivation of integrity and control at headquarters	Sub-procedures for the cultivation of integrity at headquarters
				Procedures for supervision and control	Sub-procedures for supervision and control

In 2009, COSCO Group elevated its internal management to comprehensive risks management. The number of key procedures in the managerial system increased from 46 to 67, and the number of sub-procedures to 210.

II. Management systems and internal control system of the affiliated 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 2009, 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.

Since its founding, China Ocean Shipping established and enhanced its internal control system. In accordance with the Basic Regulations (Interim) on Internal Accounting Control issued by the Ministry of Finance and relevant rules and the Guidance for Internal Control by Listed Companies issued by the Shanghai Securities Exchange, and with reference to the Basic Regulations for Corporate Internal Control jointly issued by five ministries in China, along with necessary examination and assessment required by COSCO headquarters and subsidiaries, the company established a set of internal control systems based on risk management and the Global Compact with a focus on the construction of comprehensive risks management and sustainable development. The set of systems were supposed to realize the following goals:

1. Revolving around the company's mid and long-term development strategy, and combining the company's actual situation and industrial features, the Group enhanced its management over the uncertainties that impact the realization of strategic goals through the construction of the internal control system and comprehensive risk management system. The awareness of risk management was cultivated among the employees, which provided a rational guarantee for the smooth realization of its strategic goals.
2. Revolving around the company's annual business goals, the Group used risk management method to improve its work flow, enhance the management of uncertainties that influence the realization of business goals, and improve the



company's operational effectiveness and efficiency. 3. Through continued risk management and internal control examination, the Group identified possible corruption and fraud as well as other risky behaviors, prevented assets loss and ensured the safety and completeness of the company's assets. 4. Through the establishment and improvement of the internal control for financial accounting, the Group enhanced the authenticity, accuracy, completeness of the information released regarding internal control, ensured and protected the company's image. 5. through internal control and comprehensive risk management, the Group effectively prevented risks of violating laws and regulations, ensured the legitimacy of the company's production, operation and capital operation activities, and set up a good example for the fulfillment of the Global Compact and the sustainable development initiative.

In accordance with the requirement for comprehensive risk management by SASAC, COSCO Container Shipping established an comprehensive risk management system.

On the basis of its original management system, COSCO Dalian established an comprehensive risk management system in accordance with the requirement for comprehensive risk management by SASAC. In addition, the company launched a new energy management system according to national standards on energy management system and the latest industrial guidelines for energy management and fuel efficiency.

When the ISO9001:2008 version was under review, Chimbusco headquarters added a key point and a risk control point to its comprehensive management system and prevention and punishment management system according to the Global Compact and the requirements on anti-corruption work by the sustainable development system.

III. Certifications obtained by affiliated companies

All the companies under COSCO Group adopted the methods in management system to implement corporate management, and used third-party assessment to promote the continuous improvement at their enterprises.

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

2. Environment management system certification: the companies established their environment management system according to the requirements and standards of the ISO14000 environment management system. The system served as a basic mechanism for the implementation of the Caring for Climate initiative, and helped to practice relevant national and international conventions on energy conservation and emission reduction.



3. Career health and safety management system certification. The company established their safety management system in accordance with the requirements of the OHSAS18000 career health and safety management system standards to ensure production safety and career health and security. By implementing standardized management, the mental and physical health of the employees were guaranteed.

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

5. Other management system certification: The companies established their special management systems in accordance with industrial requirements and the demands of the customers. COSCO Dalian, for instance, established the HSE management system and accepted evaluation by relevant parties.

N O.	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



N O.	Company name	Certificates obtained
		under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government
4	COSCO Shipping	<p>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.</p> <p>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</p>
5	COSCO Qingdao	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environmental Management System Certificate issued by the Quality Certification Company of China Classification Society accordance to ISO14001:2004 environmental management system standards;</p> <p>Occupational Health and Safety Management System Certificate issued by the Quality Certification Company of China Classification Society accordance to OHSAS18001:1999 occupational health and safety management system standards;</p> <p>Qualification certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government</p>
6	COSCO Dalian	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:1999 occupational health and safety management system standards;</p> <p>Qualification certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government.</p>



N O.	Company name	Certificates obtained
7	COSCO Xiamen	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:1999 occupational health and safety management system standards;</p> <p>Qualification certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government.</p>
8	COSCO Hong Kong Shipping	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;</p> <p>Qualification certificate issued by CSS according to ISM/NSM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government.</p>
9	COSCO Logistics	<p>Quality management system certificate issued by British Standards Institute according to ISO9001:2000 quality management system standard;</p> <p>Environment Management system certificate issued by British Standards Institute according to ISO14000:2004 environment management system standards;</p> <p>Occupational health and safety management system certificate issued by British Standards Institute according to OHSAS18001:1999 occupational health and safety management system standards</p>
10	COSCO Shipyard	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 quality management system standards;</p> <p>Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004</p>



N O.	Company name	Certificates obtained
		<p>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;</p>
11	COSCO Shipbuilding	<p>Quality management system certificate issued by DNV according to ISO9001:2008 quality management system standards; Environment management system certificate issued by DNV according to ISO14001:2004 environment management system standards; Occupational health and safety management system issued by DNV according to OHSAS18001:2007 occupational health and safety management system standards</p>
12	China Marine Bunker (Petro China) Co. Ltd	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:1999 occupational health and safety management system standards</p>
13	COSCO Hainan Boao	<p>Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2000 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;</p>
14	COSCO Ocean Shipping Tally Company	<p>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</p>



N O.	Company name	Certificates obtained
		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 ISO9001:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;
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

IV. On-site evaluation and internal assessment of the management system

To ensure the effectiveness of the management systems at COSCO Group and its branches, the headquarters promoted scientific evaluation and assessment procedures. In a creative manner, the headquarters conducted joint assessment and evaluation by the supervision and auditing department, the internal assessment executives and invited experts. Meanwhile, a second-party assessment was carried out by competent executives from secondary companies to promote the improvement of decision-making management and integrity.

China COSCO designed evaluation standard and table for the assessment of internal control effectiveness. The standard and table were used to conduct internal examination and quantitative evaluation of the internal control system and its implementation at the headquarters. The assessment focused on the strategic environment for internal control, including internal environment, goal setting, item identification, risk evaluation, risk handling, controlling activities, information communication and supervision and control, etc. These eight elements formed a comprehensive evaluation system which helped to judge the effectiveness of the internal control system. For example, in 2009, the Group selected 11 core procedures from 11 departments at COSCO headquarters, conducted effective evaluation, and judged on the effectiveness of the controlling activities. The evaluation covered all departments and their risk distribution. The 11 main procedures selected, along with relevant sub-procedures, were the focus of the examination since they served as key controlling points. Tests are conducted focusing on core sub-procedures, and key



controlling points of all procedures are taken as the focuses of on-site inspection.

All companies established their self-evaluation system for internal examination and internal control.

To make sure that the management systems of all subordinate companies work consistently and cooperatively with the management and operation scheme of the headquarters, COSCO Group established, on the basis of internal assessment and development at each company, a group evaluation team which consisted of internal evaluation personal from secondary companies to conduct unified assessment and evaluation on the secondary companies, providing guidance on the spot and ensuring the consistency of the operation of the system.



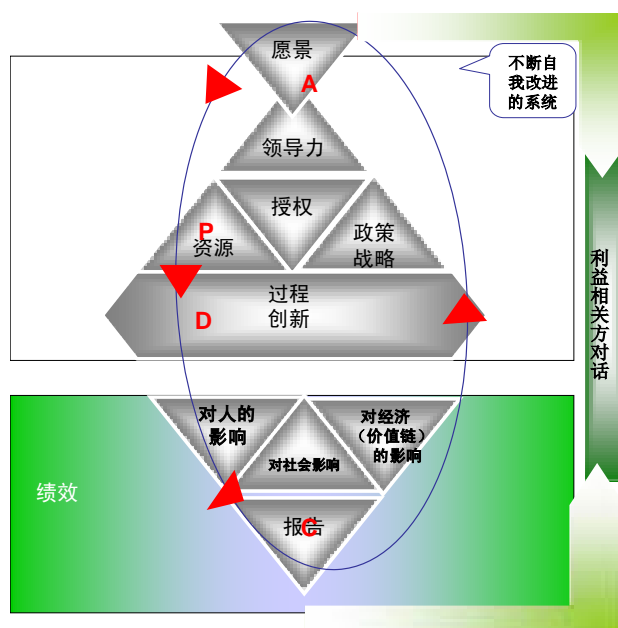
In 2009, Det Norske Veritas examined and assessed the reliability of the sustainable development management system and report data at China COSCO and COSCO Container Shipping while it conducted evaluation on COSCO Group’s sustainable development report. The timetable is as follows:

Company name	Assessment time
China COSCO Holdings Company Limited	June 28, 2009
COSCO Container Lines Corporation Limited	May 3 and 5, 2009



Part III Responsibility Management

COSCO Group has systematically planned the social responsibilities the enterprise should fully perform according to UN Global Compact Implement Guide and the *Guidelines on Central Enterprises Performing Social Responsibilities* proposed by SASAC according to the implement model of UN Global Compact and has brought the requirements into strategic planning and blended in its daily operations. After the first five-year-plan between 2005—2009, the goal of five-year planning has been successfully achieved. In 2009, the Group made the second five-year-plan from 2010 to 2015, and the responsibility management of the Group has marked a new stage. The main manifestations are as follows:



1. The implement system of social responsibilities and the promotion of the implement have developed from the construction of basic framework to deep-seated implement, taking social responsibilities of the enterprise combining with enterprise strategies as the starting point of social actions.
2. The implement of social responsibilities converted to scientific, standard and routinized and the persistence of the implement itself was laid stress on. Only by combining the implement of social responsibility to management, will there be increase in value.
3. The enterprise management has entered into the sustainable development era with comprehensive risk management as the nuclear. As an important risk of business corporation, social responsibility risk needs to utilize the theories and ways of risk management and scientifically implement the risk management of social responsibility.
4. The effect assessment indicator of the implement of social responsibility focused on the core competence of the enterprise clearly and the decision-making of the implement of social responsibility has routinized and targeted, gradually eradicating the blindness of project investment.



I. Cognition of Global Compact and Social Responsibility

COSCO Group fulfilled social responsibilities with cosmopolitan thinking and global vision and undertook the global social responsibilities of a world-class multinational corporation.

1. COSCO Group believes as the eldest son of PRC, it should play a leading part undertaking the political responsibilities of a central enterprise should take, i.e. construction of a harmonious society; undertaking the legal responsibility of the enterprise, comprehensively practicing operation according to law; undertaking the economic responsibility of the enterprise, that is maintaining the national asset and making it increase in value; undertaking the product responsibility of the enterprise providing products and services to society; undertaking the social responsibilities of a global enterprise citizen should take.

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

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

4. COSCO Group believes the social responsibilities of an enterprise is the purposive, planned and persistent responsibilities to stakeholders undertaken by the enterprise voluntarily under the conditions of market economy. By restraining the action of social responsibilities of an enterprise and establishing the long-term system about performing Global Compact and social responsibilities, the harmonious and sustainable object between the enterprise and the society has been achieved.



5. COSCO Group believes the framework and guideline of sustainable development report proposed by GRI, Global Reporting Initiative provides enterprises with applicative, comparable framework model for aware of disclosure of information. The enterprise must release prudently with responsible attitude for the society.

II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment

The development of COSCO Group centers on Scientific Outlook on Development advocated by the government. Under the guidance of four main contents: people oriented, overall, harmonious and sustainable development, the Group examines its own development and tries to build a conservation-minded and harmonious enterprise, with Scientific Outlook on Development leading management innovation so as to achieve the sustainable development of COSCO Group.

COSCO Group actively implemented the *Fundamental Norms of Enterprise Internal Control System* proposed by Five Ministries and Commissions and the requirements of strengthening the assuming of social responsibilities of listed companies and publishing the Environment Information Disclosure Guidance of the Listed Company in Shanghai Stock Exchange and the *Listed Companies Making Reports about Performing Social Responsibilities and Internal Control Self-assessment Reports Disclosure in 2008*, consolidating social responsibilities implement of listed companies and published reports on social responsibility while making financial reports in 2009.

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. In 2008, it formulated the three-year rolling plans for sustainable development. From 2008 to 2010, it will transfer the sustainable development of COSCO Group from scope expansion to in-depth implementation of strategies.

2005	Pilot projects at COSCO Group headquarters and COSCO Container Lines.
2006	Based its successful experience, COSCO Group expanded the scope for implementation of the Global Compact and sustainable development report to 15 shipping companies, logistics companies and ship-repairing companies. Meanwhile, COSCO UK was selected as a pilot among COSCO Group's overseas companies.



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.
2008	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.
2009	Scope of implementation was expanded to overseas companies. All second-tier companies completed the construction of risk management system of sustainable development strategies.
2010	The appraisal and evaluation system for risk management of sustainable development strategy of COSCO Group was completed.

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. Promotion of Global Compact and sustainable development of COSCO Group in 2009

According to the requirements of the construction and implement of Global Compact propulsion mechanism proposed by the *UN Global Compact Participants Guidance*, Global Compact/ social responsibility/ strategic system of sustainable development= comprehensive risk management, which is a long-term, continuously improving , complex project. In 2009, the head office of the Group added KPI and KRI index directing at system documents and program risks, constituting quantitative management system thus finishing the work of the first stage, i.e. promoting from internal control to comprehensive risk management. It met the basic demands of COSO comprehensive risk management framework, *Central Enterprises Comprehensive risk Management Guidance* by SASAC, *Fundamental Norms of Enterprise Internal Control* by Five Ministries and Commissions and GB/T24353 risk management international standards, safeguarding the prevention and control of risks and achieving the sustainable development of the enterprise.

All the companies further finished the construction of 3 basic management systems: quality, environment and employment safety and obtained certification documents.



Meanwhile, they integrated the general management system of the three (quality, environment and employment safety) in one with comprehensive risk management, sustainable development system synchronously, improving the general level of management system. They have preliminarily produced the management system with head office of the Group and the companies of different levels linked up systematically.

Sustainable development information management platforms of COSCO Group have been further improved, making the raw data collected from secondary companies more accurate, convenient and faster by free combination of documents through information technicalization.

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 sustainable development indicator system and improved it after assessment every year. Since 2005, when COSCO Group established sustainable development indicator system, through the perfection after assessment every year, it has realized the object of the quantization of reports. After 4 years' efforts, indicator constitution has changed from 250 to over 400, 670 and till over 770 at present by refining and perfection. The critical interests about which stakeholders concerned in all aspects from strategic management to management, products, economy, environment, laborers, communities and so on have been reflected on all sides and the indicators have been managed at different levels, thus the availability of the indicators have been improved.

Year	2005	2006	2007	2008	2009
Number of indicators	250	470	670	700	770
System construction	System establishment	System expansion	System split	System improvement	Exploration system
Improvement focus	Quantization of report	Complete indicators	Accurate indicators	Logical indicators	Indicator relations

3. Trainings on sustainable development

The Group has set up standard training mechanism on sustainable development and well planned series of all-round periodic trainings. According to the training routines of management system on sustainable development in COSCO Group, in order to save time and cost, in 2009, the Group continued to adopt the way of mass scale construction, organized by the head office of the Group, adopting concentrated trainings by stages. It implemented the trainings by proportion, giving directions selectively; it organized the examinations uniformly and reported centralizing establishment, with the coverage of more than 20.

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

All the companies of the Group publicized the meaning and basic requirements of Global Compact and sustainable development by intranet of the company, E-journals and so on. In the training class of indicator filling and submitting, material compiling internal auditor on Global Compact and sustainable development held in 2009, the staff discussed and interpreted the requirements of Global Compact and sustainable development together, comparing with GRI criteria and the uniform requirements of the Group, combining the reality of this company. The Group and all the companies held 33 training classes on Global Compact throughout 2009, training 1,095 person-times of all levels, lasting 42, 946 hours. It is planned that 59 training classes will be held on social responsibilities.

Year	2002	2003	2004	2005	2006	2007	2008	2009
Training class	1	1	1	1	10	9	9	33
Training person-times	24	26	33	56	410	248	248	1,095
Training hours	--	--	--	--	--	--	--	42, 946



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 social responsibility 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 2009
1	Sustainable development indicator assessment	Indicator system	March 23 to March 24, 2009
2	Material collection and improvement assessment	Material compilation	March 25 to March 26, 2009
3	Information management platform assessment	Report system	April 21 to April 22, 2009
4	Report framework and compilation assessment	Report framework	April 23 to April 24, 2009
5	First draft of report and improvement assessment	First draft of report	May 11 to May 12, 2009
6	Report improvement assessment	Discussion of each section	May 25 to May 26, 2009
7	Internal auditors assessment	System assessment	June 10 to June 11, 2009
8	Assessment of management assessment	Management assessment	July 13, 2009



9	Management system improvement assessment	Management system	Sept. 18 to Sept. 19, 2009
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In 2009, COSCO Group and its subsidiaries held 16 symposiums, with 270 persons attended and the discussion time of 1,305 hours.

Year	2002	2003	2004	2005	2006	2007	2008	2009
Number of discussions	1	1	1	2	20	9	9	16
Person times	24	26	33	116	680	248	248	270
Hours	--	--	--	--	--	--	--	1305

5. 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. 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. It established standardized risk evaluation and audit mechanism to satisfy the requirements for sustainable development and comprehensive risk management. It applies COSO for comprehensive risk management maturity degree rating to determine the risk controlling efficiency of the sustainable development strategy management. COSCO Group checks the reliability of the report according to AA1000 sustainable development report reviewing standards, rates the sustainable development management system, and determines the supporting degrees of the process to 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 the aim to improve credibility of the report, COSCO Group’s sustainable development reports in 2005 to 2009 were submitted to DNV for third-party review. From July 21 to July 24, 2009, DNV conducted on-site review on COSCO Group Sustainable Development Report 2009.

6. Establishing strict sustainable development and social responsibility report formulation process and communication system; Prudently publishing sustainable development reports

COSCO Group established standard sustainable development report formulation process program and assessment process program and automatically organized and monitored the schedule through sustainable development information management platforms, assuring they are started by the end of December. After the strict assessment of 18 procedures and improvement, sustainable development reports are published before June every year. COSCO Group sought after the ways of tracking and showing carbon footprint, promoting the increase in value brought by responsibility communication qualities and efficiencies, creating the sustainable



development of global economy. In 2009, COSCO Group prudently published sustainable development reports after asking for opinions of internal staff, subordinate companies, external experts, stakeholders as well as formation establishing departments on the basis of extensive communication with stakeholders



7. 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 increase year on year. In 2009, a total of 427 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	2009
Number of persons	24	26	33	116	173	173	325	427

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 35-member team for the compilation of sustainable development report, among whom 24 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 32 days, and the total concentrated working period was 2560 man days.

Year	2008	2009
Compilation Team	45	35
Core Team	22	24
Concentrated working days of the Compilation Team	30	32
Data collection personnel	--	45
Working hours	1350	2560

Report sections	Content	Person 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, Hu Yayu, Luo Hu
Management and stakeholder participation	Section I: company management Section II: Major Policies and Management System Section III: Global Compact, Comprehensive risk Management and Sustainable Development Section IV: Stakeholder Participation	Liu Xiaoping, Zhao Haotian, Yu Bo
Economic performance report		Zhuang Shaohuang, Yan Yan, Xu Ming
Environmental performance report		Huang Yejian, Dong Jie
Products performance report		Guo Shisheng, Li Jun
Labor performance		Yan Ge, Li Minggang



report		
Human rights performance report		Zheng Yongjiang, Sun Xuemei
Social performance report		Wang Xiao, Ding Dan
Draft compilation		Hou Yujia, Li Ying, Ma Xinying
Translation		Pan Deng, Tao Runyuan
Assessment		Ma Xinying, Jia Lianjun
Other participants		Zhu Fengyuan, Cao Bin, Zhang Yu, Xiao Junguang, Li Lianhua, Wang Shumin, Ying Haifeng, Zhou Weini, Zhou Zhenyang, Wang Xintian and Wang Qingli

IV. Achievement of COSCO Group Sustainable Development Report

On March 2, 2009, Georg Kell, Executive Director of UN Global Compact Office, send a letter to Capt. Wei Jiafu, President of COSCO Group. In the letter, he wrote: “We found your COPs to be of outstanding quality and believe they can serve as illustrative and inspirational examples for other participants. We therefore are pleased to feature you COPs in Global Compact’s Notable COP Program, giving them special recognition on our website.” It was the fourth time for COSCO Group’s sustainable development report to be included COP notable program of UN Global Compact.

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, press conference held in Beijing	COSCO Group 2006 Sustainable Development Report	Chosen as a notable COP by the UN Global Compact
July 31, 2008, press conference held in Beijing	COSCO Group 2007 Sustainable Development Report	Chosen as a notable COP by the UN Global Compact
July 31, 2009, online release	COSCO Group 2008 Sustainable Development Report	Chosen as a notable COP by the UN Global Compact

(Notes: cover of sustainable development reports in the past four years)



V. Implement plan and scheme on Global Compact and sustainable development in COSCO Group next year

COSCO Group will further implement the requirements of social responsibility conference of SASAC of the State Council and carry out in full operation Global Compact. The priority will be given in the following work:

1. Overall plan of all-around sustainable development. All the departments in charge of business in COSCO Group will make sustainable development plans of this management business according to specific regulations about social responsibilities of the international community and China. All the units will make their own sustainable development plans according to the sustainable development plans made by the Group, constituting a systematic sustainable development plan system.
2. Utilize the idea and means of comprehensive risk management to manage social responsibility risks, to assess risks and to make risk strategies. Standard management will be implemented in all the investment projects of social responsibilities.
3. Integrate managements like comprehensive risk, etc. by means of sustainable development information management platforms and integrate social responsibilities smoothly into operation and management by means of science.
4. From providing a green sustainable development report to the world to providing a gold sustainable development report, realize the purpose of communication creating values and maintain UN Global Compact model reports over a long period of time.
5. Cooperating with WBCSD, launch the research and making of shipping sustainable development indicator guide, creating actively green shipping, leading the sustainable development of global shipping industry. Take an active part in 3+1 project of CDCSD and put social responsibility of supply chains in motion, establishing gold-green supply chains.
6. Make good use of renewable energy sources to research the new motive power energy of shipping and carry out Qingdao Declaration proposed by COSCO Group Shipping Annual Conference, advocating total reduction of speed and emission so as



to achieve the goal of energy saving and emission reduction, consuming surplus shipping capacity and improving investment efficiency. Exert extensively teleconference and web publishing to reduce carbon emission and continuously enlarge the reveal of calculation of carbon footprint by COSCO Group.



Part IV Implementation and reports of comprehensive risk management

In order to cope effectively with operation risks, to realize the increase in value of national assets and to realize the all-round, harmonious development between enterprises and the society, COSCO Group implemented the Central Enterprises Comprehensive risk Management Guidance (is called the Guidance below) issued by SASAC in June, 2006, establishing and perfecting their own risk management system, actively carrying out a series of work such as risk identification, risk assessment, risk dealing, monitoring and early warning, communication and reports, trying to become the pillar of national economy and an example of the enterprise management in the whole society.

COSCO Group realized risk uncertainty is the basic characteristic of the current information era and post-industrial society and only by effective management of this uncertainty made by central enterprises, will enterprises have benign development. So far, the management idea of enterprises and system has entered into a sustainable development era with comprehensive risk management as its core. Due to the comprehensiveness, complexity and technicality of risk management, the traditional way that relies on manpower promotion and operation ways to manage and innovate can no longer meet the needs of pursuing comprehensive risk management. They need to employ modern technical ways--- the support of comprehensive risk management information system platforms.

Moreover, the implement of comprehensive risk management not only can trigger the change of enterprise values, but also a brand new enterprise management idea, which needs mighty decision-making strategies as driving force, scientific management and technical service as support. They need to thoroughly comprehend the contents of risks and to adopt proper tools, assessment techniques and evaluation methods, to allocate resource rationally and control risks effectively. Only in this way, will they integrate the requirements of enterprise risk management into strategies and operations of the enterprise, promoting the enterprise strategy transition with the idea of comprehensive risk management, enhancing the transition of enterprise operation modes and the re-construction of enterprise business process, leading to the revolution of enterprise “type of operation” thus, realizing the development and harmony among the value of the company, environment and natural resources. As a result, this work can not be accomplished in an action, but needs a process of constant accumulation and development in a long term. The construction of comprehensive risk management is a complicated system engineering which needs enterprises input abundant resources and insist persistently. Central enterprises must rely on modern information and network technologies in order to implement comprehensive risk management, and then they can better support their own strategic development.

Meanwhile, because COSCO Group is a large-scale business group and comprehensive risk management is a systematic complicated system engineering from



superior departments, linking up from strategic aspects to operative aspects, the general implement of comprehensive risk management of dozens of, hundreds of or even thousands of enterprises which is above three-level in the whole Group needs to form and rely on the supporter and means of promotion. They need to unite risk language, evaluation criteria and business risk control process in advance, to develop systematic information system and solidify the requirements of the headquarters and build man-machine interactive system, reducing man-made interference and information decay, increasing efficiency.

Thus, COSCO Group integrating its own characters, realized the idea of comprehensive risk management by means of information and increasingly improved after long-term practice and checking-out, finally established information system appropriate for large-scale group businesses so as to support the implement and birth of enterprise risk management system. The Group implemented scientifically *the Guidance*, with the help of comprehensive risk management information system and has made beneficial exploration and made significant progress in realizing sustainable development.

I. COSCO Group comprehensive risk management plan and implementation deployment

The Group has always attached great importance to management construction and improvement work. Based on the reality of the Group, it has introduced, studied and applied and applied advanced management concepts and methods to carry out management reform and innovation, so as to elevate risk management level of the group and ensure comprehensive and effective control of risks of the group. Since 2003, it firstly introduced AS4360 and COSO ERM Risk Management Standards. It has combined the theoretical concept of comprehensive risk management system proposed by the SASAC with COSCO Group's existing management system to build a complete management system; Comprehensive risk management has become the new theme of COSCO Group overall management innovation. The two sessions of comprehensive risk management and 3-year-planning have ensured the risk strategies and implement milestone. The Group made 2004 to 2008 comprehensive risk management plan and almost finished the establishment of comprehensive risk management system framework within 5 years and made a second comprehensive risk management plan, carrying out scientifically COSCO Group comprehensive risk management implement, ensuring the high-efficiency, high-quality and stability of the promoting of comprehensive risk management.

1. Implementation of the planning

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 comprehensive 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, 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	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. 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. 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. Based on Guide on Guideline on Fulfilling Social Responsibility by Central Enterprise of SASAC, 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. 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 reach out to strategic risks, market risks, financial risks, legal risks and social responsibility risks. 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.

2. The general plan of comprehensive risk management

According to the principles of “overall design, carry out step by step, pursue actual effect, by means of outside force, full attendance”, COSCO Group will make general plan and short-and-long-term objects and impel in proper order selectively by stages.

In accordance with the plan, the construction and implement scope of comprehensive risk management system in the comprehensive risk management year will be the headquarters of the Group and the related companies will participate in the construction as the supporting units of comprehensive risk management system construction. The comprehensive risk management construction is divided into 3 stages: the implement by the headquarters and that of member units as well as the integration from the superior departments to the lower level, lasting 2 years. In 2009, the implement by the headquarters was completed and in 2010, there will be more perfection. From 2011 on, it will be implemented in the subordinate companies and in 2013, there will be integration; in 2014, there will be more promotion.



II. Performance of comprehensive risk management plan in 2009

In 2009, COSCO Group, according to the general plan of comprehensive risk management system construction and specific organization of the work, started and completed the optimizing of basic management of internal control in COSCO Group and the construction of comprehensive risk management system and proposed specific solutions aiming at major risks and developed and on-lined comprehensive risk management information platforms. The specific performance of the company on comprehensive risk management working plan in 2009 is as follows:

Number order	Work planned to complete	Actual performance	Reasons for failing and measures of rectification
1	Overall optimizing of management process and the establishment of internal control system framework of the company	completed	no
2	Comprehensive risk management system construction of the company	completed	no
3	Establishment of major risk management solutions of the company	completed	no
4	Development and on-line of comprehensive risk management information platforms of the company	completed	no
5	Effectiveness assessment of regulations and cleaning up of the company	completed	no

1. The overall optimizing of management process and the establishment of internal control system framework of the company

The complete, effective internal control management complying with regulations is the basis of comprehensive risk management system constructions. In the first half of 2009, the company re-sorted out and re-optimized 67 major management programs and 121 subprograms on the basis of modern quality management system. The management process covered all the business management, functional management and logistic management domains with risks as guidance and built complete process management framework. Process management framework is composed of process property, risk property, control property, supervision and evaluation properties and so on, forming an operating mechanism with standard process, controllable risks, explicit measures as well as powerful supervision. On the basis of optimizing management process, the company re-established the internal control process management framework of COSCO Group, an internal control management system directed by comprehensive risk management theories coming into being, uniting the internal control management languages of the Group.



2. The comprehensive risk management system construction of the company

In 2009, COSCO Group officially established the comprehensive risk management system and made clear the organization responsibilities, working process, the requirements of risk management reports and risk management performance assessment system and implemented in the form of comprehensive risk management system and comprehensive risk management manual. The relevant constitutions of risk management include the President Working Conference, the Department of Strategic Development (relevant departments of risk management), and other departments in the headquarters as well as subordinated enterprises, etc. Risk management working process is composed of four modules: risk assessment, risk management strategy-making, risk management solution-making and risk management supervision and improvement.

3. The establishment of major risk management solutions of the company

The company selected hedging risk and investment assessment risk aiming at the major risks that have been evaluated in 2009 and made specific management solutions. Hedging risk management solutions further stipulated the risk management strategies of the company in implementing fuel oil futures, FFA, interest rate and exchange rate risk management, selecting explicit monitor index and defining relevant risk tolerance. At the same time, hedging risk management solutions also optimized relevant internal control requirements (such as stop-loss system) and made clear relevant control program to every risk control point, programming financial risk management as important means of prevention risks. Investment assessment risk management solutions centered on problems of technical aspects such as the setting of investment decision objects, the revelation and analysis of investment risks, the examination of the investment risks and so on, designing a complete investment risk assessment mechanism, specifying the management strategies of investment assessment risks.

4. The development and on-line of comprehensive risk management information platforms of the company

Comprehensive risk management information platform is one of important components of sustainable development platform of the company and is also one of the strategic measures of COSCO Group aiming at sustainable development. According to the specific requirements of Central Enterprise Comprehensive risk Management Guidance by SASAC and the achievement implement requirements of comprehensive risk management system and internal control system construction of the company, after two years' development, testing and pilot run from 2008 to 2009, this platform has come into operation completely and achieved the goal of applying comprehensive risk management system to central enterprises entirely by informatization. The coverage area of this platform will include the headquarters (of the Group), China COSCO and other key enterprises affiliated to it.

The comprehensive risk management information platform of COSCO Group, on the one hand, has solved the problem of low-efficiency of manpower operative risk



management working process, on the other hand, it has realized the objects of standardization, unification and normalization of the management languages and actions of the whole Group. And thus fundamentally resolved the problem that central enterprises used to hang out in the headquarters and be difficult to publicize to lower levels.

In order to publicize the successful experience in COSCO Group comprehensive risk management system construction and risk management information platform construction, the company has compiled corresponding experience materials to report to SASAC.

5. The effectiveness assessment of regulations and cleaning up of the company

In order to thoroughly apply the requirements of the 16th project of Scientific Outlook on Development about process regulation and the sorting out of institutions, directed by the principal legal adviser of the Group, the company started the all-sided clearing-up of internal regulations within COSCO Group in 2009. The clearing-up of internal regulations included the re-establishment of current regulation management framework, the effectiveness assessment and rectification of regulations. In 2009, the company finished the establishment of regulation management framework and the effective assessment system design. The all-sided clearing-up and rectification will be completed in 2010.

III. Comprehensive risk management plans in 2010

1. Comprehensively clear internal rules and regulations of COSCO Group headquarters.

Based on the establishment of internal control framework and procedures in 2009, the company will continue to clear the internal rules and regulations, carry out comprehensive clearance and effective evaluation work, and will further standardize the compilation, audit and management of internal rules and regulations.

2. Further improve and elevate the management of key risks.

In 2009, the company carried out in-depth management, improve and elevation work based on hedging risk and investment evaluation risk. In 2010, the company continued to promote experiences on management of key risks in other sectors, implement responsibility system and enable risk management mechanism to be implemented in various key risky sectors.

3. Promote system construction of affiliated enterprises through information platform. After five years of R&D, the comprehensive risk management information platform of the company has been run in the COSCO Group headquarters. In 2010, it will promote it among its affiliated enterprises through the advantages of information platform, form uniform and centralized risk management mode.

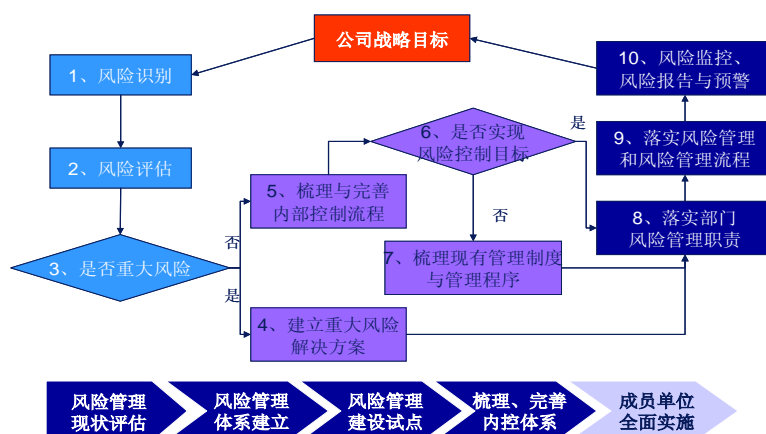


IV. By means of comprehensive risk management platforms, pushing forward overall management scientifically

Risk management of COSCO Group, according to the Guidance by the SASAC, consisted of 7 aspects. Combining with comprehensive risk management is a long-term management mode of continuously improved, increasing the requirements of powerful driving force, resource allocation and authorization, establishing the management mode of sustainable development. According to the steps that further decomposition of management experience of the enterprise can be implemented, the Group provided creatively the implement and publicizing steps of scientific establishment of risk management system and had a management innovation with a year as a cycle period. The comprehensive risk management information system developed in advance and was carried out synchronously with modules combination in upswing, pushing forward comprehensive risk management into deep development scientifically.

In the process of system construction, the Group should follow the route chart of risk project management as below:

1. Fully combine comprehensive risk management system with the strategic objects of the company, on the basis of strategic objects, construct risk monitoring system and fully coordinate the risk management of the company and the matching relations of company strategies.
2. Stress the key points and pay attention to the prevention measures of major risks which have significant influence on the company strategic objects.
3. Reflect the gradation of risk monitoring system construction.



There are 8 elements in risk management, that is, risk identification, risk evaluation, risk coping, risk monitoring, risk early warning, communication reports and management innovation. According to the requirements of the Guidance by SASAC, the 8 elements are developed step by step and the information system development should match the comprehensive risk management process of the company.



1. Exert risk information initialization based on comprehensive risk management system and make successive researches and evaluations about the current situation of enterprise management, developing the system into knowledge management.

2. Solidify and show COSCO Group comprehensive risk management system through risk management information platform, ensuring the effectiveness of routine operation

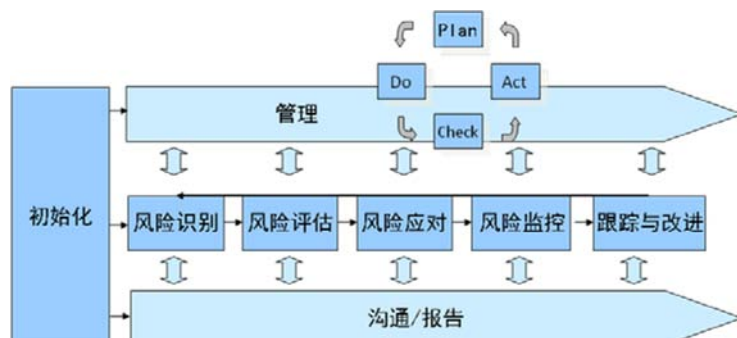
The construction of COSCO Group comprehensive risk management system aims at realizing the optimal incorporation between the theoretical construction requirements of enterprise comprehensive risk management from the Guidance by SASAC and Internal Control Standards by the Ministry of Finance and the current comprehensive management system of COSCO Group, that is, to realize the implement and supplement of comprehensive risk management system elements on the basis of current comprehensive management system. Meanwhile, to realize the implement and exertion of comprehensive risk management operative mechanism on the basis of current business and management functions.



The headquarters of the Group and all the companies should complete the plan and establishment of comprehensive risk management system and implement and operate effectively. At the same time, such constructions as policies and principles, organizing functions, management measures of risk financing of the Group will be implemented through risk management strategy-making, the perfection of organizing function system and the promotion of internal control system and will be realized through comprehensive risk management information system.



The risk management information system based on the conception platform of the network in COSCO Group can support the whole process required by the Guidance of SASAC. It is suggested that after realizing such modules as risk identification, risk evaluation, risk coping in the first stage and build monitoring early warning mechanism for risk indicators (KRI) mapped by business risk management system. Therefore, increasingly improve and perfect the monitoring system of the whole company.



3. The work of chief risk officers and the competent departments of comprehensive risk management is all conducted on the comprehensive risk management system platform, improving working efficiency and quality

COSCO Group appointed the first CRO of the central enterprise to be in charge of the work of sustainable development and comprehensive risk management, the construction and implement risk management institutional framework and responsibilities, therefore, set an organizing basis for the operations of sustainable development and comprehensive risk management system.

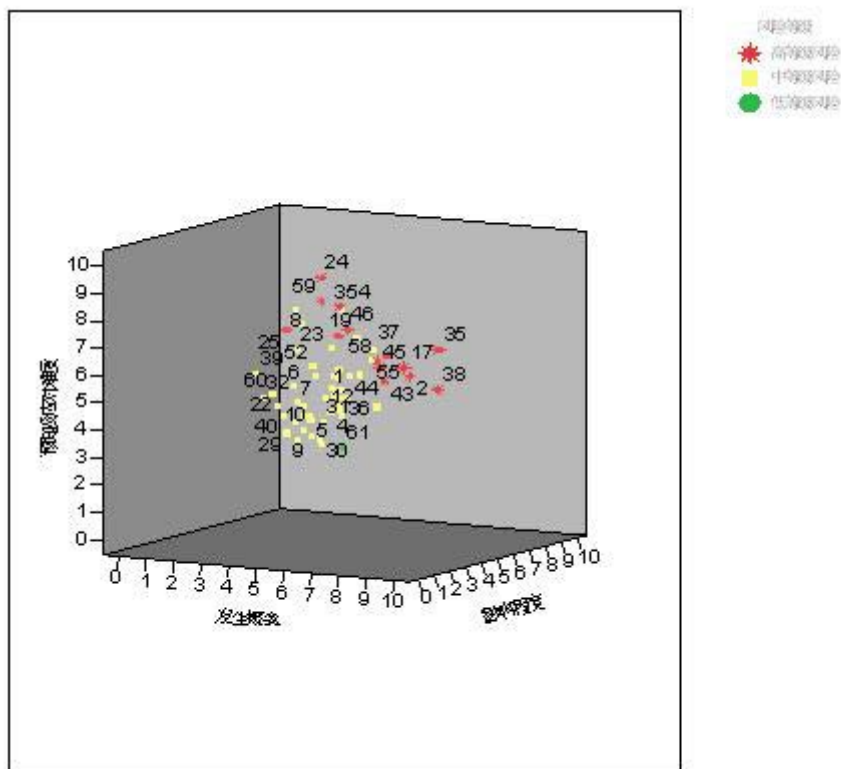
Based on the current organization structure and management responsibility, in order to take risk management functions to transit to independent departments gradually, we need to implement the development scheme of risk management functional institutions or set up special independent risk management departments or add relevant posts under the current special functional departments. At the same time, we should make clear risk management duties of the relevant institutions and determine the implement way of risk management in different departments, thus, setting an organizing basis for the operation of comprehensive risk management system.

The headquarters of the Group and all the companies should appoint CRO to be in charge of the work of sustainable development and comprehensive risk management and establish comprehensive risk management commission and set up relevant risk management institutions as well as allocate corresponding resources, ensuring the implement of comprehensive risk management in organization.



4. Conduct risk evaluation and make risk strategies scientifically through information platforms, ensuring the accuracy and reliability of the outcome of risk evaluation

COSCO Group, according to the requirements of the Guidance by SASAC, combining the standard of AS4360 risk management system, referring to American COSO comprehensive risk management framework, adopting Six Sigma technology, developed the risk assessment way of the Group. It used risk frequency, risk influence degree, risk precognition and coping difficulty three-dimensional independent variables, 1-10 successive data to evaluate risks scientifically. On the basis of the comprehensive risk assessment by the headquarters of COSCO Group in 2005, they evaluated process risks and post risks. COSCON, Hong Kong Shipping, Xiamen Ocean Shipping Company, Dalian Ocean Shipping Company and China Gas Holdings have finished risk assessment and made risk management plans. Among which, China Gas Holdings has finished the risk assessment of the whole China Gas system and Dalian Ocean Shipping Company has made operational risk assessment of ships in motion. All the departments and all the companies implemented management with risks as main line, aiming at the characters of their own business management risks, enlarged the stress to strategic risk, market risk, financial risk and legal risk on the basis of good management and control of operative risks. Because the scope of risk assessment is large with profound levels and more people participation, collecting and analysis can lead to too much work and low accuracy. Adopting and developing the risk assessment system of the risk management information platform can accomplish risk assessment by single landing of all the members of the Group, automatically made statistical calculation with the reckoning producing three-dimensional risk frequency spectrum, improving the reliability of risk assessment.





Based on the risk assessment results in early days by the headquarters of the Group, combining the status quo of the development of the Group and current external environment, they revised the risk category, risk characters and major risk ranking, having a comprehensive and accurate judgment about the headquarters risk status quo of the Group, determining the major risk at present and making clear the management stress.

According to the development strategies, risk evaluation results and management resource status quo of the Group, they studied and determined the general risk preference and tolerance plan, understanding the strategic requirements to deal with various major risks at present, providing decision criteria and guidelines for specific risk management.

COSCO Group integrating current international financial environment, aiming at major risks having been evaluated, selected hedging risk and investment evaluation risk and made specific management solutions. Hedging risk management solutions further stipulated the risk management strategies of the company in implementing fuel oil futures, FFA, interest rate and exchange rate risk management, selecting explicit monitor index and defining relevant risk tolerance. At the same time, hedging risk management solutions also optimized relevant internal control requirements (such as stop-loss system) and made clear relevant control program to every risk control point, programming financial risk management as important means of prevention risks. Investment assessment risk management solutions centered on problems of technical aspects such as the setting of investment decision objects, the revelation and analysis of investment risks, the examination of the investment risks and so on, designing a complete investment risk assessment mechanism, specifying the management strategies of investment assessment risks.

5. Apply the powerful and flexible statistical management functions of the selected information system to realize the promotion from internal control system to comprehensive risk management

In order to assure the systematism, planning of the sustainable development and comprehensive risk management carried out by COSCO Group, they re-engineered business process and integrated the provision requirements of comprehensive risk management and Global Compact into management decision and business process; they set up risk management program for all the key processes, putting the requirements of Global Compact about social responsibility, risk management duties, indicator management and risk authorization into practical actions of every member of COSCO Group by means of working standard. In 2007, the headquarters of the Group completed the construction of comprehensive risk management system, establishing quantitative risk management system.

COSCO Group, on the basis of original management system, established respectively the internal control systems. The Group re-sorted out and re-optimized 67 major



management programs and 121 subprograms on the basis of modern quality management system. The management process covered all the business management, functional management and logistics management domains with risks as guidance and built complete process management framework. Process management framework is composed of process property, risk property, control property, supervision and evaluation properties and so on, forming an operating system with standard process, controllable risks, explicit measures as well as powerful supervision. On the basis of optimizing management process, the Group re-established the internal control process management framework of COSCO Group, an internal control management system directed by comprehensive risk management theories coming into being, uniting the internal control management languages of the Group.

On the basis of internal control system and procedure collating, COSCO Group established officially the comprehensive risk management system and made clear the organization responsibilities, working process, the requirements of risk management reports and risk management performance assessment system and implemented in the form of comprehensive risk management system and comprehensive risk management manual. The relevant constitutions of risk management include the President Working Conference, the Department of Strategic Development (relevant departments of risk management), and other departments in the headquarters as well as subordinated

程序附件					风险矩阵							
工作步骤编号	工作步骤描述	控制点编号	控制点描述	执行部门 (流程)	制定和文件控制	控制等级	风险编号	最高风险描述 (流程风险)	风险行为	风险状态	风险分类 (三类型)	控制目标类
200001	制定和发布集团综合安全管理体系管理手册,并依据该手册制定安全管理体系实施计划	200001	依据国家安全生产法律法规和标准,健全集团安全生产法律法规,全面落实国家安全生产方针政策,制定集团安全生产规划,并依据该规划制定集团安全生产管理计划	安全环保部	中远集团管理手册: 中远集团安全生产和环保的方针、法律及主要规章制度,集团安全生产规划。	S	04000003	安全生产管理手册编制错误,可能导致集团发生严重安全生产事故。	安全生产管理手册编制及时准确	风险减少	制度控制类	强制性控制
		200002	落实安全责任操作,自下而上,自上而下,层层落实,内外监督,确保中远行发制不断完善并达到预期目标	安全环保部	中远集团管理手册: 中远集团安全生产和环保的方针、法律及主要规章制度,集团安全生产规划,集团安全生产管理计划,集团安全生产管理计划,集团安全生产管理计划。	S	04000002	下层公司落实安全责任操作不到位,可能导致集团发生严重安全生产事故。	下层公司的教育不足	风险减少	日常管理类	非强制性控制

控制流程						考核监督流程						
流程名称	控制目标名称	控制目标描述	控制方法	控制频率	控制频率说明	考核目标名称	考核目标描述	考核周期	考核周期说明	考核方法	考核说明	
风险	风险控制	1. 制定和发布集团综合安全管理体系管理手册,并依据该手册制定安全管理体系实施计划; 2. 落实安全责任操作,自下而上,自上而下,层层落实,内外监督,确保中远行发制不断完善并达到预期目标。	自上而下	持续性				安全生产管理部	制定和发布集团综合安全管理体系管理手册,并依据该手册制定安全管理体系实施计划; 落实安全责任操作,自下而上,自上而下,层层落实,内外监督,确保中远行发制不断完善并达到预期目标。	1. 制定和发布集团综合安全管理体系管理手册,并依据该手册制定安全管理体系实施计划; 2. 落实安全责任操作,自下而上,自上而下,层层落实,内外监督,确保中远行发制不断完善并达到预期目标。	1. 制定和发布集团综合安全管理体系管理手册,并依据该手册制定安全管理体系实施计划; 2. 落实安全责任操作,自下而上,自上而下,层层落实,内外监督,确保中远行发制不断完善并达到预期目标。	1. 制定和发布集团综合安全管理体系管理手册,并依据该手册制定安全管理体系实施计划; 2. 落实安全责任操作,自下而上,自上而下,层层落实,内外监督,确保中远行发制不断完善并达到预期目标。

enterprises, etc. Risk management working process is composed of four modules: risk assessment, risk management strategy-making, risk management solution-making and risk management supervision and improvement.

Without the support of comprehensive risk management information system, we cannot split the program to monitoring point and prevent and control according to



classifications, nor can we implement KRI index to monitoring point, therefore, we can realize the real-time monitoring and risk early warning functions.

According to the construction status quo of internal control system by the headquarters of COSCO Group, combining the major risk determined by risk evaluation and current business characters, we determined 2 key operative management activity and business area and made clear the main control point, optimizing internal control system from such aspects as risk analysis, risk management object, measures of control, responsibility implement and monitoring reports, revising relevant documents of original internal control system, producing the core contents of comprehensive risk management function exertion.

COSCON, Hong Kong Shipping Company and Xiamen Ocean Shipping Company have preliminarily established comprehensive risk management system framework. Employing ISO9000 quality system framework, taking risk management as a main line, they constructed social responsibility system and comprehensive risk management system and built long-term mechanism of performing Global Compact and social responsibility; they standardize social responsibility actions of the enterprises, therefore, realized the development and harmony of the company value, environment and natural resources.

6. By transplanting COSCO Group comprehensive risk management information system to subordinate companies, put the requirements of comprehensive risk management directly into the system and push forward as a whole.

The headquarters of the Group put directly the requirements of comprehensive risk management into the system by means of comprehensive risk management information system while promoting comprehensive risk management to subordinate companies and decomposed the internal institutions and indicator system into system process. They adopted the structure of modules and all the companies can also transplant and make comprehensive risk management platform system according to the steps and requirements of comprehensive risk management promotion. Integrating risk strategy-making, the collection and evaluation of risk information, the collection, evaluation, analysis, coping, monitoring of risk management system with the integration of business system, the monitoring and early warning mechanism of major risks, risk reports, monitoring of the system, the management of risk knowledge base, public factory affairs, combining business risk management, they perfected communication and disclosure system, establishing a set of complete comprehensive risk management information system.

7. On the basis of comprehensive risk management information system, they finished the drawing up of Comprehensive risk Management Annual Report, with material collection comprehensive and high-efficient.

According to the requirements of SASAC, central enterprises should earnestly draw



lessons from former implement of comprehensive risk management in the process of deepening comprehensive risk management and strengthen communication closely integrating current economic situations and the real demands of enterprise development. From 2009 on, they organized to compile comprehensive risk management annual reports of COSCO Group. All the companies, according to the comprehensive risk management report framework set in sustainable development information platform by SASAC, referring to the requirements of models provided, summarized and submitted the risk management situations to higher authorities.

In order to guarantee the submission of Central Enterprise Comprehensive risk Management Report to SASAC by March, 2009, sustainable development report data and materials collection in both midmonth of November and in November were deployed at the same time and utilized comprehensive risk management platform to fill in and submit. The collection of materials was generated automatically, which is convenient for the effective implement of compiling.

8. All the departments and companies carried out specialized risk management actively and improved the capacity of risk control according to the requirements by various professional executive organs.

All the departments and companies, according to the business demand and requirements by various professional executive institutions, made risk management programming and plan and conducted risk evaluation, made risk strategies and risk management planning and perfection system and internal control system. They selected the specialized tasks of risk management and put them into comprehensive risk management annual plan for implement. To be seen in the attached schedule: COSCO Group “comprehensive risk management year” activity implement schedule.

All the departments and units should have all-around prevention and control on strategic risk, financial risk, market risk, operative risk and legal risk in the process of operative management decisions, according to the requirements of various business competent departments on risk management; strengthen the internal control of major risks, decisions and events as well as important process. Under the broad environment at present, risk management is the key component in crisis resolution and going through difficulties steadily. Determining comprehensive risk management as the first means in sustainable development at the present stage, they should started the comprehensive risk management comprehensively and cope with challenges with scientific methods and technologies, using opportunities to obtain core competence, laying solid basis for the sustainable development of COSCO Group.



Part V Legal Affairs Management

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

Led by General Legal Counseling Office of the COSCO Headquarter, COSCO Group followed and learned relevant conventions, laws and regulations at home and abroad by subscribing to regulation database and the related legal journals of the State Information Center. COSCO Group concerned and actively promoted the implementation work of "Administration Measures for Counsel Professional Qualifications level Assessment in State-owned Enterprises" and assisted in drafting the implementation scheme. COSCO Group also conducted careful analysis on overseas contracts signed within last year and identify the terms and conditions for further perfection.

In order to actively promote the realization of "the new three-year" goals of legal work, COSCO Group established general counsel system and promoted its development. For legal affairs, the company implemented the system of legal advice report, clearly defined that the legal department must submit a written legal advice report before the Group makes major investment decisions, restructures, experience mergers and acquisitions, reorganizes or signs major contracts. In strict accordance with "Procedures for Contract Management " and process requirements, COSCO Group reviewed the legitimacy of contracts and agreements signed and approved to ensure that these legal documents safeguard the interests of the COSCO Group on maximum, lower and resolve risks on the basis balancing the rights of two contracting parties. COSCO Group strictly followed "Procedures for Trademark Management" and related processes, provided effective support for the protection of intellectual property rights and brand value.

I. Enterprise legal construction

In 2009, COSCO Group fully carried out the arrangements made by the State-owned Assets Supervision and Administration Commission (SASAC) on strengthening the guard against legal risks of the enterprises under current circumstances, by facilitating the establishment and refinement of the general legal counsel system of the enterprise, advancing the accomplishment of the Group's legal working objectives. In the meantime, the COSCO headquarter issued a notice on how to implement SASAC's arrangements, in which all subsidiary companies were required to start investigation and assessment of the potential legal risks caused by the financial crisis, to set an effective early warning mechanism against the risks. The contract risk prevention was suggested as the focus while reinforcement of legal working system construction and structural improvement as the guarantee.



II. Construction of the legal information system

In a bid to make sure that the enterprise is managed in accordance with laws and regulations, and to fully integrate the existing COSCO legal information and human resources, having set a general legal counsel post, in 2007 COSCO headquarter developed and built up a legal information system as the platform for resources sharing and business exchanges.

The legal information system, consisting of several real-time updated legal information databases, integrated databases on regulations, contracts, law popularization, legal human resources, regulations of the management of legal affairs, etc. It served as a highly effective and integrated platform for the information search and exchange, aiding the related staffs in their daily work and showing the guidance and service functions of the Group's management of legal affairs. In 2009, to solve its problems in application, COSCO headquarter cooperated with the system's developer formulating eight plans for its refinement. The improved and tested system featured with brand new nets, timely legal hotspots, the latest business contract models and flexible online Q & A sector, making good preparation for further application of legal information in the next phase.

The establishment of the legal information system has laid a solid foundation for the Group's popularization of law; it has contributed to better integration and usage of the system's information and lower cost of management of legal affairs; it has also helped in avoiding the legal risks throughout all phases in the life cycle of products and services.

III. Participation in major projects

According to the principles of prevention first and control second, the legal managerial personnel of COSCO Group participated in the whole process of the major capital operation projects. They undertook the project lawyer's selection and employment, signed the non-disclosure agreement and authorization files, provided legal advice, and participated in the contract negotiation as well as the legal review of the contracts. They also participated in the business group's work of the enterprise's annuity program, such as giving advice on the legal issues in the program, examining related legal documents, joining the inspections, tending and bidding of business institutions, and the following negotiations and paper signing as well, so that the legal risks of major projects had been reduced effectively. In 2009, major projects of capital operation participated by the legal office of COSCO Group headquarter included Project F3, Project F5, Project F6, Project U, stock transfer of COSCO Hunan, stock transfer of ICBC Credit Suisse, etc.

IV. Contract management

Strictly following the provisions on contract management and procedures issued by COSCO Group, the contracts and agreements signed and examined by the headquarter



and COSCO Group were examined legally, ensuring that the contract, while keeping both parties' rights and interests in balance, could safeguard the rights and interests of the COSCO Group headquarters and China COSCO to the greatest extent, reduce and defuse the possible risks. In 2009, the legal office of COSCO Group headquarters examined and sealed 65 contracts with special seal for contractual uses of COSCO Group headquarters, 24 with the special seal for contractual uses of China COSCO.

V. Training of laws popularization

To implement COSCO Group "55" laws popularization planning, headquarters for law popularization of the group headquarter formulated COSCO Group 2009 laws popularization and Rule of Law implementation opinions, handed it out to secondary units and required compliance by all units. According to SASAC notice requirements, COSCO Group carefully organized units at all levels to organize the activity of 2009 "12 • 4" nationwide Legal publicity day. The Group headquarters also organized knowledge quiz for "Corporate State-Owned Assets Law" for the "12.4" Legal Publicity Day. In 2009 COSCO Group held "COSCO Group 2009 legal and business operations training class." A total of 47 legal business and related personnel of the Group Headquarter/China COSCO relevant departments, domestic and Hong Kong units participated in the training. Training content contains lectures on "Enterprise State-owned Assets Law", "Legal Relationship of Goods Shipping ", and topics on Hong Kong and mainland listed companies related transactions and information disclosure.

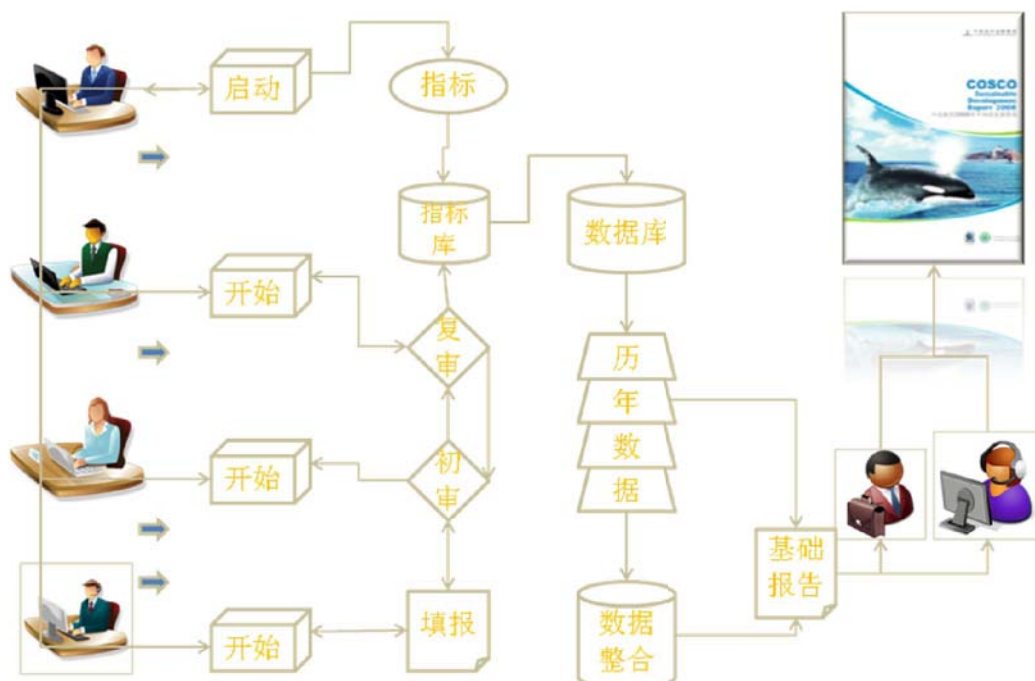


Part VI Sustainable Development Information Management Platform

I. Informatization of corporate social responsibility

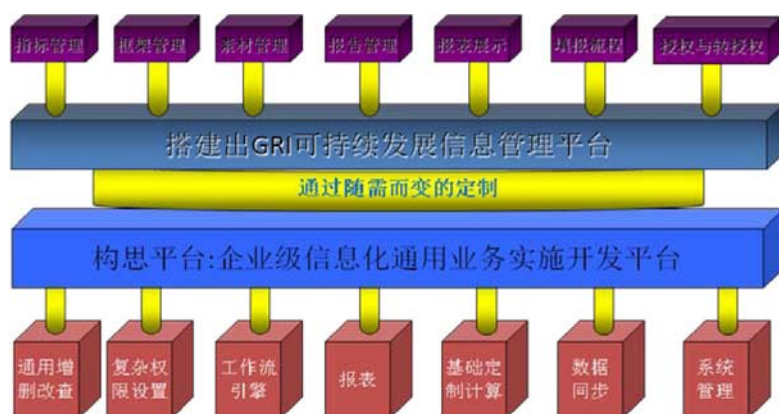
COSCO Group made full use of information advantage and combined management work of sustainable development with information technology on the basis of deep understanding of corporate social responsibility. After 3 years of constant practice and improvement, we have gradually achieved the normal management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

In 2009, COSCO Group studied the Guideline on Central SOEs Fulfilling Social Responsibility released by State-owned Assets Supervision and Administration Commission (SASAC). We actively cooperated with domestic and international NGOs, sorted out sustainable development indicators system with the Global Compact China Network Center and China Academy of Social Sciences to improve dimension and scope of corporate social responsibility report. With the application of information system, we established a database including 800 indicators, of which 74 are parent indicators, 726 are sub-indicators. All parent indicators can be generated and calculated automatically, thus enhanced the preciseness and quality of the report. Based on the original indicator summary functions, the information system this year particularly developed the indicator settlement module. Through pre-setting statistical models between different indicators and rigorous reporting process, we have achieved the automatic integration of target data.





COSCO Group promoted the consciousness of corporate social responsibility, established and improved the sustainable management system and set up a long-term mechanism of performing social responsibility and realizing sustainable development. The Group created the information platform, which not only enhances the effectiveness of implementation, but also makes the staff's awareness of the social responsibility. Concrete actions have been taken to achieve sustainable development. In addition, the COSCO Group analyzed the problems of the previous successful system. To seek optimized solution and facilitate the management of the system and reporting, the Group set objectives to improve the platform in 2009”:



- ▲ Establish indicators settlement mechanisms, achieve calculation relations between indicators through pre-setting formula, simplifies filling and reporting processes, improved quality and efficiency of data collection.
- ▲ Achieve real-time information require in 7 years, ensuring comparison of indicators and expectation analysis.
- ▲ Improve the report compiling modules, making information platform better manage the entire process to complete the sustainable development report.

COSCO Group's sustainable development management information system is developed in the philosophy of the global compact and corporate social responsibility. It complies with guidelines, initiatives and standards of international organizations (Global Compact, OECD, GRI, AA). The system gradually took its shape after three years of COSCO Group successful practice, the study of comparable domestic and foreign social responsibility management features in light of its own management system requirements. The Sustainable Development Information Management System is the first successful application in China of modern information technology in the Global Compact and sustainable development management.

Sustainable development management information system can meet the design requirements of flexible pre-setting, fast delivery, and on-demand change. It abstracts sustainable development information management business into basic function modules such as general information pre-setting and collection, permission management, workflow engine, chart presentation, formulae customization and



computation and system management, and with a large number of complex software development, realizes general social responsibility management information platform. With the realization and mature of the underlying general business modules, the sustainable development information platform obtain high flexibility and adaption to meet different complex business requirements. These features enables the system to quickly meet different users' specific needs of different data entry and handling situation, so as to provide a useful tool for quick and efficient sustainable development work.



COSCO Group sustainable development information platform can provide service for



more organizations to fulfill their global compact and social responsibility work and effectively improve the management level of sustainable development of enterprises. So the headquarter of an organization will have access to collective management of the subsidiaries' indicators related to sustainable

development through information platform to promote information transparency in internal and external organization. Therefore, it can inquire, calculate and analyze the overall operation of the corporation from different aspects and levels. It can manage the process of preparing the sustainable development report in a highly efficient and sound process.

COSCO Group's rich experience and scientific management methods in fulfilling social responsibility can help other large and medium-sized enterprises at home and abroad in promoting corporate social responsibility and sustainable development. Therefore, we hope we can establish the central SOEs general sustainable development management information system by the using COSCO Group's information platform and develop a long-term mechanism for social responsibility and sustainable development in the industry, which is a huge systematic project. We endeavor to use our powerful information system to complete the bottom-up collection of indicator information, statistical analysis, performance management, risk management, strategic decision-making, etc., to help companies better promote sustainable development.



II. Informatization of risk management

Global compact and social responsibility not only led to increasingly change of the global mindset and values, also as a new business management concept, stimulate the best business practice of corporate management innovation through fulfilling social responsibility, change business model, prevent and control risks, so as to enhance the efficiency and effectiveness.

COSCO Group has always attached great importance to risk management, and continued to introduce, study, apply advanced management concepts and methods according to its own development practice. The management reform and innovation enhanced group-wide integrated management levels and ensured effective and full control of the Group risk. COSCO Group headquarters divided modern enterprise risk into 6 areas: strategic risk, financial risk, market risk, legal risk, operational risk and social responsibility risk, and manage the risks in the above fully, comprehensively through information systems.

In response to fierce competition in the market, COSCO Group constantly summed up experience, innovate thoughts, pioneered information advantage, closely followed the requirements of "SASAC Guidance" and carried out independent research of comprehensive risk management system which suit to large enterprise group to help with handling of growing frequency of various types of risk. At the same time, COSCO Group met the communication requirements of regulatory agencies and the SASAC and other agencies, ultimately promoted comprehensive risk management work, especially against current social risks and opportunities. Through system of information collection and intelligence analysis, COSCO Group provided technical support for risk transfer and risk control in a more effective and timely manner.

COSCO Group's comprehensive risk management information system has been in actual operation for 2 years and has realized function modules of risk identification, risk assessment and risk response required by SASAC "Central SOEs Comprehensive Risk Management Guidelines." COSCO Group improved the system in the process of full personnel participation. The next step is to complete risk warning and risk improvement functions in the next 2-3 years, so as to facilitate the orderly development work COSCO Group comprehensive risk management system.

COSCO Group's comprehensive risk management information system closely follows requirements and step design of the SASAC "Central SOEs Comprehensive Risk Management Guidelines." We combined management features of large-scale enterprise group with the enterprise individual risk, perfected the existing management system, gradually built enterprise internal control process, and ultimately met the overall requirements of a comprehensive risk management.

Overall system planning and distribution of implementation combined with the requirements of SASAC "Guidelines", performed following business functions step



by step. Meanwhile, each business module associated with each other, but is also relatively independent with each other. Such organization is easy for group companies to customize and implement according to their risk management system construction and scheduling.

System can support from risk information initialization to identification, assessment,

公司整体状况

主要经济指标比较(元)				风险等级统计比较(个)					
	主营业务收入	资产收益率	职工平均工资收入	安全风险	环境风险	质量风险	财务风险	运营风险	人力资源
上周期:	300000.7	0.8	8870.0	18	0	0	0	4	2
本周期:	1.1E7	0.65	8900.0	0	0	0	0	0	0
趋势:	↑	↓	↑	↓	→	→	→	↓	↓

各部门风险统计比较(个)								
	运输部	安全技术监督部	战略发展部	财务部	人力资源部	监督部	党群工作部	集团工会
上周期:	7	0	10	3	6	0	0	0
本周期:	0	0	0	0	0	0	0	0
趋势:	↓	→	↓	↓	↓	→	→	→

	研发中心	劳动保护教育中心	公益性教育办公室	法务办公室	中远传媒	监事会	中远(香港)集团 有限公司	中远集团精准扶贫 办公室
上周期:	0	0	0	0	0	0	0	0
本周期:	0	0	0	0	0	0	0	0
趋势:	→	→	→	→	→	→	→	→

handling, monitoring and improving the whole process, also refer to the PDCA management methods in order to achieve continuous improvement of risk management and provide a convenient communication platform for reporting to SASAC or other departments risk management on time.

We will break risk management information system down into six core subsystems, which correspond to different links of risk management and control:

1. Risk information collection subsystem

Business description: the system provides collection channels for basic risk information, including the collection of risk events, risk identification, risk index filling and reporting system, risk report material sorting, risks organization and setting of position users.

System implementation: the user can add and delete management risk events, indicators or material. By customizing initial risk information set, the system can establish enterprise risk management infrastructure database, supporting the collection and statistics of risk information in the next steps.

Function Details:

- ▲ Risk point collection
- ▲ Risk indicators collection
- ▲ Risk report material collection
- ▲ Organization
- ▲ Positions
- ▲ Users



2. Statistics and analysis subsystem

Business description: conduct multi-dimensional quantitative analysis for quantifiable indicators or risk points, comprehensively calculate influence and probability of risk occurrence through flexible mathematics models and nested formulae, and show business risk ratings with risk map diagram, so as to help companies assess the extent of injury and to develop appropriate coping strategies.

System implementation: use general formula definition information set, take model definition as independent objects, then associate with the quantitative dimension of corresponding risk events. So, results can be demonstrated by charts and risk ratings can be reflected visually.

Function Details:

- ▲ Formulae customization
- ▲ Risk information set association
- ▲ Multiplex computational results
- ▲ Charts spreads

3. Strategy management subsystem

Business description: users can customize different risk management strategies, set the appropriate monitoring indicators, risk appetite and risk tolerance in order to implement the risk management processes. At the same time, a series of documents including internal control manual, program files, work standards, and rules and regulations are collected. Users needs to establish correlations, hierarchical mapping into functions at different levels and corresponding risk matrix, and ultimately segment the risk control points and build the risk handling operational framework.

System implementation: customize risk strategy information set, so that the system can have the properties of defining risk strategy, monitoring indicators, risk appetite, risk tolerance, at the same time establish internal control framework in which the program file, regulations and other documents can be split into control points to segment the risk management scope.

Function Details:

- ▲ Risk strategy customization
- ▲ Internal control framework customization
- ▲ Risk matrix correlation
- ▲ Duty department mapping
- ▲ Control point

4. Risk matrix management subsystem

Business description: establish corporate risk matrix so that risk assessment results can be unfolded, and eventually mapped into various functions according to their



importance. Each level of risk can associate with multiple risk events.



System implementation: establish multi-dimensional risk matrix information set, so that risks can be unfolded in different levels and associated with difference organization and position.

Function Details:

- ▲ Risk matrix customization
- ▲ Organization association
- ▲ Risk control hierarchy
- ▲ Risk event correlation
- ▲ Report spread

5. Risk quantitative warning subsystem

Business description: establish real-time warning mechanism of enterprise risk through monitoring one or more key risk indicators, and unfolding the risk in business operations.

System implementation: set monitoring thresholds of key risk indicators, and use report or dashboards to show visually, with the premise that risk management information system directionally synchronizes with business system data.

Function Details:

- ▲ Risk warning
- ▲ Formulae customization



- ▲ Monitoring indicators index
- ▲ Report show
- ▲ Dashboard show
- ▲ Report show

6. Risk information release subsystem



Business description: pre-set report framework and integrate release of risk management report through information portal.

System implementation: merge indicators, graphics, materials, achieve information content release and centralized management.

Function Details:

- ▲ Information merging
- ▲ Report framework customization
- ▲ Information management
- ▲ Media release

According to the actual situation of COSCO Group, We developed a comprehensive risk management information system in COSCO Group Sustainable Development Information Management Platform, which are both interdependently and



complementarily, and played a role in enhancing enterprise management level.

The establishment of comprehensive risk management information system is a risk management indispensable tool and prerequisite for enterprise comprehensive risk management. With vigorous development of enterprise comprehensive risk work, the comprehensive risk management information system will also show good prospects for rapid development and has high value in large and medium-sized central SOEs.

III. Promotion and cooperation of sustainable development information systems

Based on early success of report preparation, COSCO Sustainable Development Information System committed itself to further fulfilling the Global Compact and corporate social responsibility in more corporations.

China National Offshore Oil Corporation (CNOOC) and COSCO Group are both large state-owned enterprise affiliated under the SASAC. The two companies are comparable in management model. Given COSCO's experience and good reputation at home and abroad in preparing sustainable development report, the two parties agreed to cooperate. COSCO subsidiary company COSCO Network (Beijing) Co., successfully customized and transplanted sustainable development information management system for CNOOC, which is already in operation. Currently, the system is serving CNOOC new annual report preparation. This cooperation with CNOOC created learning and transfer of= corporate social responsibility information management model between central SOEs. This system also deepened the close cooperation between the central SOEs, creates an opportunity for promoting informatization of corporate social responsibility management in the entire society.

COSCO Sustainable Development Information System adapted itself very well to the relevant organizations corporate social responsibility, the urgent need of promoting sustainable development. It can not only provide good service for a large enterprise group and also for the small and medium enterprises to fulfill their social responsibility and the active support role, in particularly, provide guidance and help for all types of enterprises in developing countries.





Part VII External Initiative and Commitment

COSCO Group signed external initiatives in a careful and responsible manner, and took active, careful and honest steps to fulfill its commitment. The Group would incorporate external initiatives into its programs and planning, and deploy resources accordingly to ensure the smooth realization of its commitment.

I. Participation in external agreements, regulations and other action plans regarding economy, environment and society

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

In accordance to the requirements put forward at the 2009 Social Responsibility Working Conference held by the State-Owned Assets Supervision and Administration Commission of the State Council in November 2009, COSCO Group implemented the Guiding Opinions on Further Promotion of Social Responsibility among Central Enterprises, upheld the principle of sustainable development and combined it with the actual reform and development of the company. By sticking to its mission, enhancing awareness, careful coordination and active practice, COSCO Group established a complete social responsibility management system and mechanism, and combined social responsibility with its daily work. The Group strived to set up an example for fulfilling social responsibility and to make greater contribution for the social and economic development of the country. The Group focused on 5 tasks over the past year: first of all, it further enhanced its awareness and cultivated a scientific understanding about social responsibility; second, it improved its social responsibility management system and specified the work responsibilities; third, it set up a social responsibility work plan based on the actual situation of the company and incorporated social responsibility into everyday operation; fourth, the Group established a comprehensive social responsibility report mechanism, and strengthened information release and communication regarding responsibility; fifth, it expanded international exchange and cooperation, improved the Group's ability to fulfill social responsibility in overseas businesses. In its next five-year plan, COSCO Group would make more efforts to improve its sustainable development strategies and basic environmental strategies, protecting and consolidating existing businesses, minimizing the risks of existing commercial activities with bio-dependent strategies and giving full play to the investment in sustainable development. In existing commercial activities, a sustainable strategy prioritizing ecological efficiency was established and sustainable development was taken as a core driving force for growth which incorporated and exceeded all existing eco-growth strategies in commercial activities. Furthermore, the Group conducted active researches and studies on vessel energy, developed renewable energy to build genuinely green shipping, and made efforts to build low-carbon economy and trace carbon footprint. By using its powerful information system, all the indicators and information were collected and analyzed, and efficiency management, risk management and strategic policy were implemented. A common sustainable development management information system for central



enterprise was established, and a long-term social responsibility and sustainable development mechanism was set up and improved, which set a good example to other companies in the fulfillment of social responsibility.

2. United Nation Global Compact

The United Nations' Global Compact is a call-to-action by former UN Secretary-General Kofi Annan at the World Economic Forum in Davos, Switzerland in January 1999. Since its official launch in July 2000, the Global Compact has been a platform for promoting active participation by enterprises in the United Nations Millennium Development Goals, coping with global challenges, and rectifying their previous behaviors which compromised social and environmental factors for economic development. The present UN Secretary-General Ban Ki-moon promoted the Global Compact to a more extensive level, calling on enterprises to observe international conduct codes to balance and improve economic activities and social development, pay attention to and participate in the resolution of common problems facing mankind, such as climate change, the protection of water resources and the supply of food, etc.

In accordance with Secretary-General Ban Ki-moon's requirement that the Global Compact 2.0 should be used to cope with the economic recession, COSCO Group actively implemented its responsibility as a world leader. Caring for Climate initiative was the world's largest initiative on climate change proposed by enterprises, COSCO Group took actions accordingly, revealed its carbon emission condition, and observed the comprehensive environmental policies. In the financial market, on the other hand, the Global Compact developed cooperative relations with major investors through the Responsible Investment Principle, and major environmental and social problems were incorporated into the investment assessment processes.

COSCO Group supported the UN Global Compact Office in their work by completing the 2009 Annual Global Compact Implementation Survey. This survey aimed at understanding how the corporate members implement the ten principles and how to establish partnership and to identify the difficulties encountered by these enterprises. The results of the survey would prove invaluable for the resource distribution, dialogue, and activity arrangement of the Global Compact in the future.

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, as supports for the



Global Compact Chinese Network Centre.

In March 2009, COSCO Group participated in the compilation of publications about the Global Compact and the protection of women's rights in celebration of the International Women's Day, and submitted its own case regarding the protection of women's rights.

On March 21, 2009, COSCO Group submitted its UN Global Compact Acting on Climate Change case and was selected into the Board for Acting On Climate Change.

3. UN Acting on Climate Change

Since President Wei Jiafu announced that COSCO Group participated in the UN Acting on Climate Change on July 2, 2008, the Group has been actively implementing the initiative and taking a series of measures accordingly to cope with climate change. As the world's biggest maritime enterprise in developing countries, COSCO Group tried its best to reduce the emission of greenhouse gas in 2009. Upholding the principle of "common but differentiated responsibility," the Group formulated and implemented specific goals and measures for emission reduction.

4. Universal Declaration of Human Rights

As the first state-owned enterprise to sign the Universal Declaration of Human Rights (UDHR) in China, COSCO Group is committed to supporting, respecting and protecting human rights with global awareness within its sphere of influence.

5. Golden Bee Corporate Social Responsibility

On June 5, 2009, the Golden Bee Corporate Social Responsibility China Roll 2008, jointly held by China WTO Tribune, Sino-German Trade Sustainable Development and Corporate Social Responsibility Project, and China Service Trade Net, with the supports from the European Corporate Social Responsibility, Japan Economic Group's Association and Human Resource Management Association, was unveiled in Beijing on June 5, 2009. The theme of the conference was "economic crisis and corporate social responsibility." The conference was aimed at discussing the latest development trend in global social responsibility against the backdrop of economic crisis. More than 300 participants from the commercial sector, government, academic circle and press circle were present.

The Golden Bee Outstanding Corporate Social Responsibility Report release ceremony 2009, sponsored by WTO Tribute and China Business Council for Sustainable Development, was held in Beijing on December 2, 2009. This is the first list of outstanding corporate social responsibility reports. A total of 33 enterprises and 3 institutions were listed.

For consecutive three years COSCO Group's Sustainable Development Report was



selected the exemplary report by the UN Global Compact Office. COSCO Group's Sustainable Development Report 2008 disclosed the company's responsibility actions, performances, visions and challenges in terms of economy, environment, society, product, labor relations and human rights, etc. The report was highly recognized for its substantiality, completeness, reliability, comparability and innovative nature. Its publication of performance indicators, in particular, represented the highest level in social responsibility report by Chinese enterprises. The report was awarded the 2009 Golden Bee Outstanding Corporate Social Responsibility Report Award and the Corporate Leader Award.

II. Participation in associations

As China's largest shipping carrier and one of the world's leading shipping carriers, 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 Member	Promote sustainable development
Council of China Quality Association	President Member	Improve quality
Quality Management Association under the China Ministry of Transport	Vice President Member	Improve quality
China Maritime Law Association	Vice President Unit	Promote development of maritime law
Chinese Trademark Association	Member	Promote intellectual property rights
China Association of National Advertisers	Member	Promote intellectual property rights and maintain advertising honesty
Environmental Protection Web of China 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 Member	Play a key role in promoting development of navigation education standardization
China Ocean Ship Standardization Committee	Member	Standardization
Association of Transportation and Environmental Protection Information	Member	Protect environment and improve traffic and environmental protection level
Transportation and Environmental Protection Association	Member	Promote environmental protection
Transportation and Energy Management Association	Member	Promote saving of traffic resources and environmental protection
International Association of 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-government groups and non-profitable organizations to actively participate in activities related to social responsibility and sustainable development. In 2009, COSCO Group participated in 66 organizations and groups, of which, the most important ones are listed as follows:

Organization	Position and function	Valuable activities
ISF	Global shipping industry association	Promoting cooperation and co-development of global shipping industry
BOX CLUB	Association of world's container shipping industry	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
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 of 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 of 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 VIII Participation of stakeholders

The group identifies and chooses shareholders according to their influence on risks of sustainable development and on COSCO. It also applies risk evaluation method to identify main indicators concerned by related stakeholders to determine identification of stakeholders, communications and use of information of COSCO Group.

Stakeholders	Way of communication	Expectation on COSCO Group	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 sprints 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 on 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)	Annual report, shareholders' conference, written report for shareholders	Continuously improve company's value and market value, decrease	Publicly disclose important company information, opportunities	Market value, listed companies' reward ratio, minority shareholders'



and potential shareholders)		enterprise risk, ensure enterprise' sustainable development	for equal participation, protection over shareholders' interest	rights and interests, number of listed companies
Strategic 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 representatives	Provide high-quality products and services at reasonable price, make continuous improvement	Responding speed, individualized services for clients, service quality	Customer satisfaction ratio, comprehensive on-time ratio
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 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	Career development, opportunity, treatment, graceful and confident working environment	Employees' satisfaction, employee loyalty, job-hopping ratio, investment in employee training



		opportunities to employees		
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 with contacts, staff representative conference	Respect labor rights, comply with requirements of workers' unions, maintain legal rights and interests of employees	Respects to staff's rights and interests, complying with requirements on democratic management and transparent company affairs	Percentage of employees joining the 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	Civilized production, boost community prosperity and harmony, provide safe	Non-pollution and non-damages on community environment, no safety accidents, input	Investment in community building, number of pollution-related complaints



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

COSCO Group and its stakeholders worked together to promote social responsibility. By forming social responsibility alliances and launching social responsibility projects, the Group managed to engage its stakeholders into the work on sustainable development to the maximum degree.



I. Establishing Investors' Relationship Department, focusing on exchange and communication with investors and stakeholders in the capital market

The Investors' Relationship Department focuses on communication and exchange with the investors in the capital market. It not only took an active part in the investors' conferences held by investment banks and securities trades from both home and abroad, received the visits and inquiries by Chinese and foreign investors, fund managers and analysts, but also made its best efforts to help small and medium-sized investors with their calls and inquiries. At present, the Department has close relationships with more than a thousand international investors, along with over 300 funds, insurers, security companies, private equity in China. From 2005 to 2009, China COSCO met with a total of 9,389 investors at the mainland and Hong Kong stock markets (including 1,877 in 2009), received more than 2,300 phone calls from small and medium-sized investors, which totaled more than 9,000 minutes. To facilitate the communication with investors in the capital market, the Investors' Relationship Department noted down the email accounts of all investors and stakeholders in the capital market that had contact with the company and established a group for the accounts. All the notices, letters and information about the shipping market, important news release and analysts' reports, etc., would be sent to them via email. At present, a total of 1,500 were included in the list of email accounts for investors in the Hong Kong stock market, whereas more than 900 were listed on the email account group for investors in the mainland stock market.

II. Establishing close contact with competent authorities for social responsibility at SASAC, the State Council and implementing the requirements of social responsibility in a scientific manner

COSCO Group maintained close contact with competent authorities for social responsibility at the State-owned Assets Supervision and Administration Commission of the State Council. Every year, top management of the Group would attend the meeting organized by SASAC. Further decisions would be made after thorough discussions at the meetings. On July 13, 2009, COSCO Group held its 2008-2009 annual management evaluation meeting. According to Peng Huagang, Director of the Research Bureau of the SASAC, COSCO Group made an important achievement in fulfilling social responsibility and promoting sustainable development in an era when the fulfillment of corporate social responsibility had become a major trend in the world. This reflected COSCO Group's board, long-term view and striving for excellence. Mr. Peng also discussed with top management of COSCO Group about the measures to promote work with a scientific understanding of social responsibility, the improvement of management system for social responsibility and sustainable development, the continuous improvement of information release and communication mechanism for social responsibility and further to enhance international exchange, etc.



III. Establishing strategic cooperation with the UN Global Compact China Network Center and setting examples for other enterprises as a pioneering company

Since COSCO Group joined the UN Global Compact in 2005, it has maintained a strategic cooperative relation with its office in China and become a leading enterprise in the fulfillment of the Global Compact. Every year, board members of the UN Global Compact were invited to provide training courses for senior managers from COSCO Group, and new measures to implement the Global Compact were discussed and introduced by the evaluation meeting. COSCO Group's annual sustainable development report was evaluated by experts from the China Network Center of the Global Compact to promote the implement of work in the fulfillment of the Global Compact.

IV. Active participation in the project on the Guidance for WBCSD World Shipping Sustainable Development Indicators

As a member of the World Business Council for Sustainable Development (WBCSD), COSCO Group participated in the board meeting of the WBCSD and the compilation of the Guidance for World Shipping Sustainable Development Indicators by the Det Norske Veritas (DNV). Also, COSCO Group kept track of all activities launched by the WBCSD and had active communication with other WBCSD members.

V. Participation in the China Business Council for Sustainable Development (CBCSD)

On the afternoon of February 11, 2009, COSCO Group participated in the first board meeting of the second session of the China Business Council for Sustainable Development (CBCSD) in Beijing. The meeting was chaired by Mr. Wang Jiming, Executive President of CBCSD. Mr. Wang reported to the board the organization's work in 2008 and work plan for 2009. The board members had a thorough discussion of the reports, spoke highly of CBCSD's work in 2008 and its work plan for 2009.

On December 2, 2009, COSCO Group was invited to the 2nd China Corporate Social Responsibility Report International Symposium and Outstanding Corporate Social Responsibility Reports Expo sponsored by CBCSD and introduced its experience in best practices.

VI. Organizing the World Shipping Summit

The World Shipping Summit was jointly held by COSCO Group, Maritime China magazine, UK Drewry Shipping Consultants and American Biz Daily. It also received abundant support from the Water Transportation Bureau of the Ministry of Transport, the Maritime Safety Administration and the Municipal Government of Qingdao. The Baltic and International Maritime Council (BIMCO), the International Association of Dry Cargo Shipowners, the International Association of Independent Tanker Owners,



the International Chamber of Shipping, and China Shipowners' Association were the honorary organizers for the Summit.

As one of the most important summits in the global shipping industry, the World Shipping Summit has become an interactive platform for leaders in the global shipping industry to trace market trends, learn about customers' needs, create business opportunities, and realize mutual benefits. The symposium covered topics on ocean shipping, ship manufacturing, port, logistics, trade and finance. Senior leaders, experts and scholars from enterprises, industrial associations, international organizations and government organizations both home and abroad got together and exchanged their opinions on their common concerns in an extensive and in-depth manner. The concepts raised and discussed over the past few years, including "China factor," "seize the change," "win at the market," and "consider the situation" have become key words in the international ocean shipping industry.

On November 12, the World Shipping (China) Summit 2009 was held in Qingdao. The theme of the summit was "Changing Priorities." Mr. Zhang Fusheng, Secretary of Party Committee and Executive Vice President of COSCO Group chaired the opening ceremony. The summit attracted more than 800 representatives from the global ocean shipping and relevant industries, along with well-known experts home and abroad. Mr. Wei Jiafu, President of COSCO Group, attended the summit and delivered a keynote speech titled "Market Calls for Rationality."

President Wei Jiafu pointed out in his speech that the trend of economic globalization did not change despite the global financial crisis. The trend would continue to play an enormous part in the promotion of world economy, trade and ocean shipping development. There were signs that the global economy was improving. Positive economic factors were accumulating particularly in China. At present, we had to face the current difficulties, while be confident about the future, and resolve our problems in a scientific and rational manner. First of all, we should have a rational understanding of the market and its recovery; second, we should expand our businesses in a rational manner and actively cope with the oversupply of capacity; third, we should achieve development in a rational manner, and fulfill our social responsibility carefully; and finally, we should safeguard the stability of the market together.

Mr. Wei Jiafu emphasized that both challenges and opportunities lay ahead for us. The financial crisis had exerted a serious impact on global economy, whereas it was also a daunting challenge for the international ocean shipping industry. However, the trend of a booming development was irreversible and the ocean shipping industry would embrace its recovery as world economy and trade went back to a steady state.



VII. International exchange on social responsibility and sustainable development

(1) In the morning of March 23, 2009, COSCO President Wei Jiafu met with Mr. Gavin Newsom, the Mayor of San Francisco. President Wei introduced the overall business development of COSCO in recent years, and reviewed the business growth of COSCO in San Francisco and other regions in the U.S. west coast to Mr. Newsom. He also said that COSCO Group would continue to focus on the industrial environment in San Francisco, and actively explore the prospects for business expansion in the city. Mr. Gavin Newsom expressed his welcome to President Wei Jiafu on his visit to San Francisco and his gratitude to COSCO Group for its contribution in the city. He said that the municipal government of San Francisco would continue to support Chinese enterprises in the city and play an active part in promoting the continuous and healthy development of the Sino-U.S trade.

(2) On the afternoon of March 27, 2009 (U.S. time), President Wei Jiafu attended the Sino-U.S. Ocean Shipping Symposium held by the China Ministry of Transportation and the U.S. Department of Transportation (DOT). The theme of the symposium was the cooperation and development of Sino-U.S. ocean shipping over the past 30 years. President Wei Jiafu delivered a speech titled “Join Hands for Development, Overcome Difficulties Together and Open Up the Future,” which was very well received.

(3) On the afternoon of April 16, 2009, President Wei Jiafu attended the Board Meeting and Member Meeting of the Bo’ao Forum For Asia in Bo’ao, Hainan Province. The Board Meeting approved the work report submitted by Mr. Long Yongtu, Secretary General of the Bo’ao Forum for Asia on behalf of the Secretariat. At the Member Meeting, Mr. Zeng Peiyan, former Vice Prime Minister of the State Council was elected the Vice Chairman of the Forum.

(4) On November 20, 2009, the World Chinese Entrepreneurs Convention was held in Manila, the Philippines. Gloria M. Arroyo, the President of the Philippines, and Mr. Jia Qinglin, Chairman of the National Committee of the Chinese People’s Political Consultative Conference, were present at the opening ceremony and delivered a speech, respectively. COSCO Group President Wei Jiafu attended the conference and delivered a keynote speech during the lunch banquet. As an influential non-political forum for overseas Chinese in the world, the conference attracted more than 3,000 Chinese businesspeople. On the afternoon, President Wei Jiafu was warmly received by Chairman Jia Qinglin as a representative of the Chinese businesspeople.

(5) On December 2, 2009, President Wei Jiafu attended the 2009 China International Ocean Shipping Exhibition and the High-Level Maritime Forum in Shanghai. He delivered a speech at the Ocean Shipping and Finance session in which he introduced the measures taken by COSCO Group and China’s maritime industry to cope with the global financial crisis. The International Ocean Shipping Exhibition attracted hundreds of ship manufacturers and businesspeople involved in the maritime industry



from both home and abroad.

VIII. Promotion and cooperation of COSCO Group's sustainable development information platform

COSCO Group participated in the GRI Organization's social responsibility executors' roundtable meeting, introduced and promoted the application of its sustainable development information management guidance in corporate management.

COSCO Group also designed and developed the sustainable development website for the China Network Center of the Global Compact.

IX. Participating in social responsibility associations and organizing relevant activities

The China Corporate Social Responsibility Symposium 2009, held by China Enterprise News and China Enterprise CSR Research Center was unveiled in Beijing on September 19, 2009. The theme of the symposium was "60th anniversary, responsibility China." The Top 100 Corporations for Corporate Social Responsibility in 2009 was released at the meeting, along with 15 outstanding cases for the fulfillment of social responsibility and 15 cases where social responsibility was not observed. The list and the cases aroused considerable attention from the general public.

X. Strategic cooperation agreements with governments, big customers and suppliers

In 2009, COSCO Group continued to promote its big customer strategy, and established strategic partnership with local governments, big corporate groups in an active manner. Throughout the year, the Group signed strategic agreements with the local People's Government of Guangdong, Hunan, Hubei, Jiangxi, Shanxi, Anhui, Henan and Hebei, and tied up strategic relations with the Ministry of Railway, the People's Bank of China and Wuhan Iron and Steel Group.

XI. Fulfilling social responsibility on the supply chain

COSCO Group actively implemented social responsibility on the supply chain by providing its customers with professional advices and suggestions for the compilation of annual sustainable development report. China Minmetals Corporation was one of the companies that benefited from COSCO Group's experiences for their social responsibility planning, management system, compilation and publication of the sustainable development report.



XII. Actively promoting the sustainable development of the industry and building a green ocean shipping industry

As a world leader in ocean shipping, COSCO Group actively promoted sustainable development in the industry and made efforts to build a green ocean shipping industry.

- (1) The Group took part in the Caring for Climate Change initiative launched by the Global Compact Office, and discussed strategies with other members in the ocean shipping industry to cope with climate change.
- (2) The Group established an exchange mechanism with Chinese ocean shipping companies that have signed the Global Compact. By practicing best communication among different members in the maritime sector, COSCO Group helped promote the level of sustainable development in the entire industry.
- (3) The Group shared with China Shipping (Group) Company its experiences in fulfilling the Global Compact and social responsibility, and helped China Shipping plan for its social responsibility tasks.

XIII. Actively participating in the formulation of international and domestic standards for social responsibility

In 2009 COSCO Group played an active part in the formulation of the ISO26000 Standards. In accordance with the Global Compact and relevant ideas on corporate social responsibility, COSCO Group compiled a handbook for its sustainable development information management system based on relevant guidance, proposals and standards set up by the Global Compact, Organization for Economic Cooperation and Development (OECD), the Global Reporting Initiative (GRI) and AA, etc. The handbook was successfully adopted by COSCO Group and some of China's best enterprises over the past 5 to 6 years. It was further expanded and improved based on the Group's own requirements about its management system, the management characteristics of corporate social responsibility at both home and abroad, and third-party assessment and evaluation by the Det Norske Veritas (DNV), the GRI and the Global Compact, etc.

COSCO Group also participated in the compilation of Guidance on China Corporate Social Responsibility Report Compilation set by the Social Responsibility Research Center of the Chinese Academy of Social Sciences (CASS) and the compilation of Chinese Enterprises Social Responsibility Development Index Report 2009.

XIV. Exchanges with research institutes, colleges and universities

On September 26, 2009, President Wei Jiafu attended a lecture titled Rejuvenation of Asia and Rise of China at Guanghua School of Management, Peking University. He introduced at the lecture the development of COSCO Group and the global maritime industry, and discussed with the participants China's measures against the global financial crisis.



Professor Zhang Weiyang, Dean of Guanghua School of Management, Professor Yang Xian, Dean of the Business School of the National University of Singapore and Mr. Liew Mun Leong, President of CapitaLand Group were present at the lecture.

COSCO Group also participated in the compilation and interview conducted by Harvard Business School on cases about social responsibility.

XV. Exchanges with agents

COSCO Group worked with Det Norske Veritas, China Classification Society and PricewaterhouseCoopers China, conducted system assessments and report evaluations, identified risks and opportunities and promoted the improvement of COSCO Group. The Group also cooperated with First Huida Risk Management Company to implement comprehensive risk management and build quantity-based comprehensive risk management systems.



ECONOMIC PERFORMANCE INDICATOR AND KEY REPORT



Part C Management approaches and performance indicators

Part I Economic performance indicator and keynote 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 totally 100.15 billion yuan accumulatively.

While keeping good economic benefits, COSCO Group 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 gradually established and implemented the quality, environment and occupational health & safety management systems to bring the decision-making, production and management processes into management system. They also commenced the establishment of comprehensive risk management system for management and control of decision-making and operational risks.

3. Organization and responsibilities

COSCO Group headquarters and second-tier companies 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.

System 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 second-tier companies and for supervision and evaluation on annual production and operation objectives of second-tier companies. The Supervision Department is responsible for audit of operational performance of second-tier companies. The Transportation Department, Safety Supervision Department, Accounting Department and other departments of the group are responsible for guidance, supervision and inspection and for signing of the strategic partnership agreements with related parties. In 2009, the Investors Relationship Department was established for communications with investors.

Second-tier companies 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 regulatory departments 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, procurement control, and working procedure control.

4. Training and communications

COSCO Group established the Employee Training Procedures and identified employees' training needs from aspects such as development strategy, business demands, basic information of employees and career development. Each year, it formulates training plans, establishes mechanism and makes investment to carry out multiple-formed trainings, and facilitates communications of all layers by ways such as meetings, internal information network, newspapers and news briefs. 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 also 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

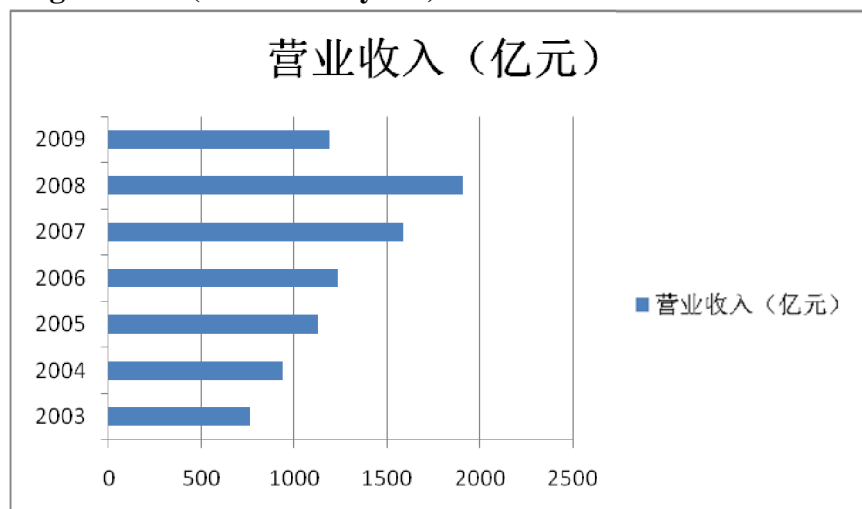
1. Direct economic value created and distributed by COSCO Group

(1) Direct economic value created

In 2009, COSCO Group completed the shipping volume of 409.7906 million tons, with the freight turnover of 1962.618 billion ton sea mile. The market occupancy in container shipping market was 4.2%, the market occupancy in dry and bulk cargo shipping market was 8.8% and the market occupancy in tanker market was over 1.5%. Its logistics business ranks the first place in Rankings of Top 100 Logistics Companies of China for five times in a row, and ship-repairing business also takes a lead in domestic market. Although affected by international financial crisis and sharp deterioration of international trade situations, the entire shipping industry was in a valley. Despite of this, operating revenue of COSCO Group still reached 118.823 billion yuan, building up the brand of Chinese shipping industry worldwide. Operating revenues of COSCO Group in recent years are as follows:

Indicator/Year	2003	2004	2005	2006	2007	2008	2009
Operating revenue (100 million yuan)	758	935	1,123	1,229	1,585	1,906	1,188

Operating revenue (100 million yuan)





Fleet size:

Self-owned ship fleet size							
Ships	Indicators	2004	2005	2006	2007	2008	2009
Container ships	Number of ships	86	87	86	85	93	92
	Capacity (10,000 TEU)	18.3	18.4	18.2	19.9	29.28	31.54
Dry and bulk carriers	Number of ships	207	208	228	217	224	238
	Capacity (10,000 DWT)	1,198	1,256	1,431	1,380	1,476	1,745
Oil tankers	Number of ships	14	17	28	27	24	25
	Capacity (10,000 DWT)	108	205	340	338	347	382
Other liquid bulk carriers	Number of ships	10	8	16	19	22	18
	Capacity (10,000 DWT)	4	4	5.9	8.63	10.4	9.26
General cargo ships	Number of ships	92	94	97	94	93	74
	Capacity (10,000 DWT)	152	157	170	164.92	161	143
Other ships	Number of ships	11	11	19	18	18	15
	Capacity (10,000 DWT)	13	13	20	20.7	20.7	21.35
Total of self-owned ships	Number of ships	420	425	474	460	474	462
	Capacity (10,000 DWT)	1,748	1,910	2,237	2,198	2,411	2,720

Notes: Statistics excluding figures of agency and joint venture companies

Ship fleet size controlled							
Ships	Indicators	2004	2005	2006	2007	2008	2009
Container ships	Number of ships	17	19	54	59	48	54
	Capacity (10,000 TEU)	6.9	7.4	21.7	23.6	20.35	24.56
Dry and bulk carriers	Number of ships	156	130	179	305	292	236
	Capacity (10,000 DWT)	1,419	1,296	1,641	2,530	2,489	2,094



Oil tankers	Number of ships	0	0	2	5	5	6
	Capacity (10,000 DWT)	0	0	58	141	141	171
Other liquid bulk carriers	Number of ships	0	0	1	0	1	2
	Capacity (10,000 DWT)	0	0	0.7	0	0.5	1.23
General cargo ships	Number of ships	0	1	3	3	9	6
	Capacity (10,000 DWT)	0	2	6	6	22	18
Other ships	Number of ships	0	0	2	9	6	4
	Capacity (10,000 DWT)	0	0	1.7	11	6.82	4.58
Total ships controlled	Number of ships	173	150	241	381	361	308
	Capacity (10,000 DWT)	1,518	1,396	1,982	2,987	2,910	2,587

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

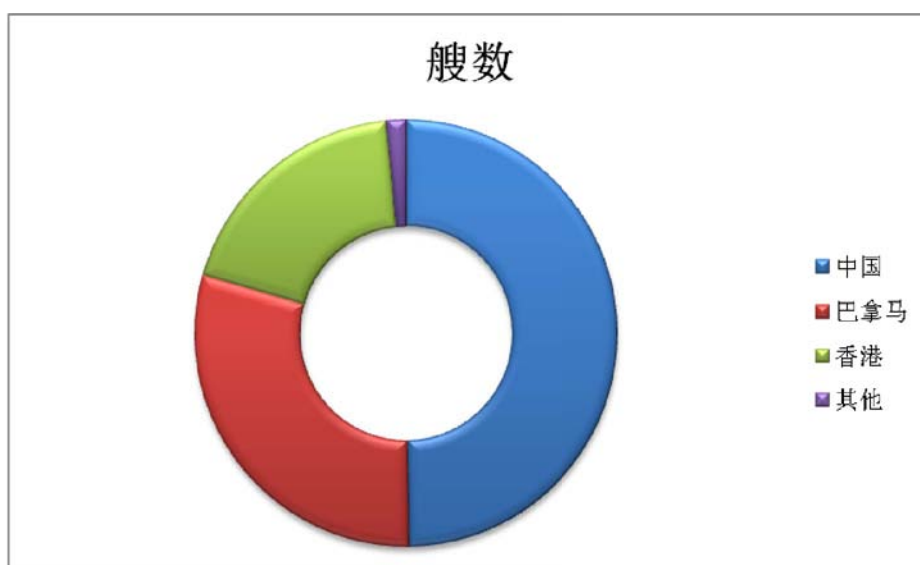


Other ships	Number of ships	11	11	21	27	24	19
	Capacity (10,000 DWT)	13	13	22	31	27.56	25.93
Total ships controlled	Number of ships	593	575	715	841	835	770
	Capacity (10,000 DWT)	3,266	3,306	4,219	5,185	5,321	5,037

Notes: Statistics excluding figures of agency and joint venture companies

Registration of ships

Ship flag registered (region)	China	Panama	Hong Kong	Others
Number of ships	230	137	88	7

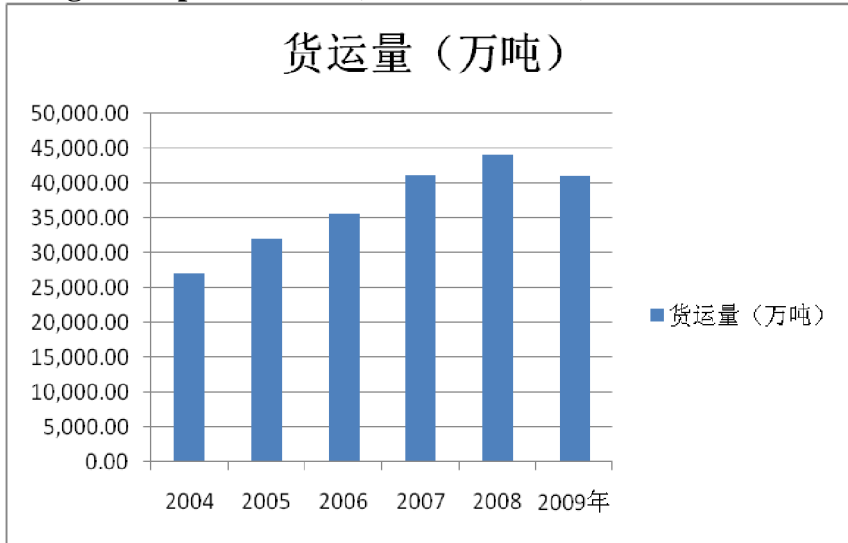


Transportation, production and related indicators

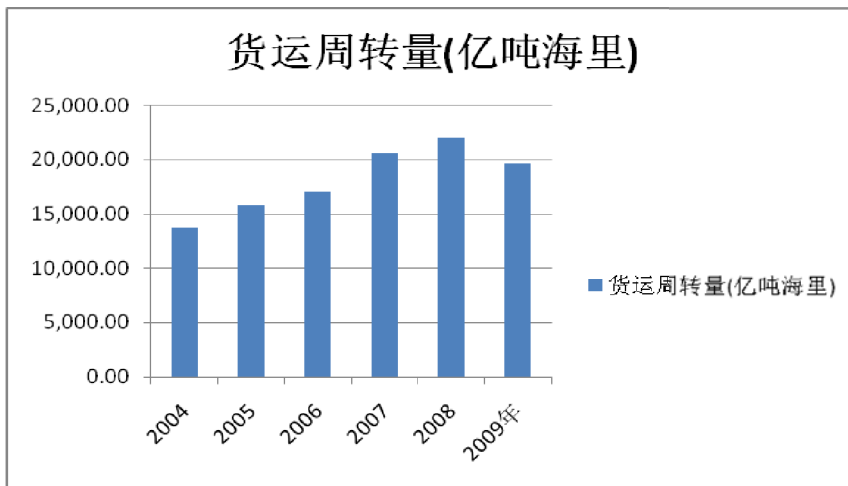
Indicator/Year	2004	2005	2006	2007	2008	2009
Freight volume (10,000 tons)	27,022.87	32,103.33	35,617.33	41,158.12	44,098.56	40,979.06
Freight turnover (100 million ton-sea mile)	13,757.8	15,835.6	17,078.8	20,602.8	22,071.74	19,626.18
Average age of self-owned ships (years)	13.90	14.60	15.16	15.48	15.23	14
Revenue of logistics business (10,000 yuan)	173,486	206,623	351,000	1,200,000	1,431,263	1,221,755
Output value of ship-repairing business (10,000 yuan)	268,000	417,000	553,000	787,652	900,500	476,160
Output value of ship-building business (10,000 yuan)	178,309	201,558	250,278	325,696	1,080,200	1,118,511



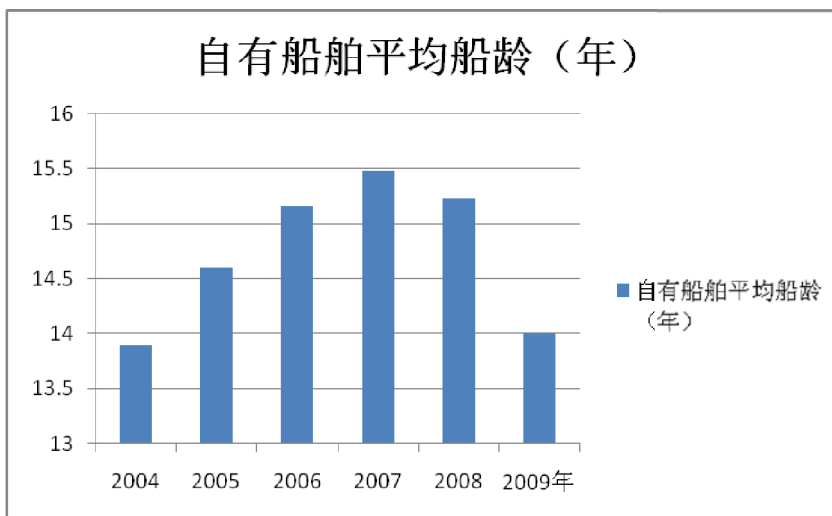
Cargo transport volume (100 million tons)



Cargo turnover (100 million ton*sea mile)

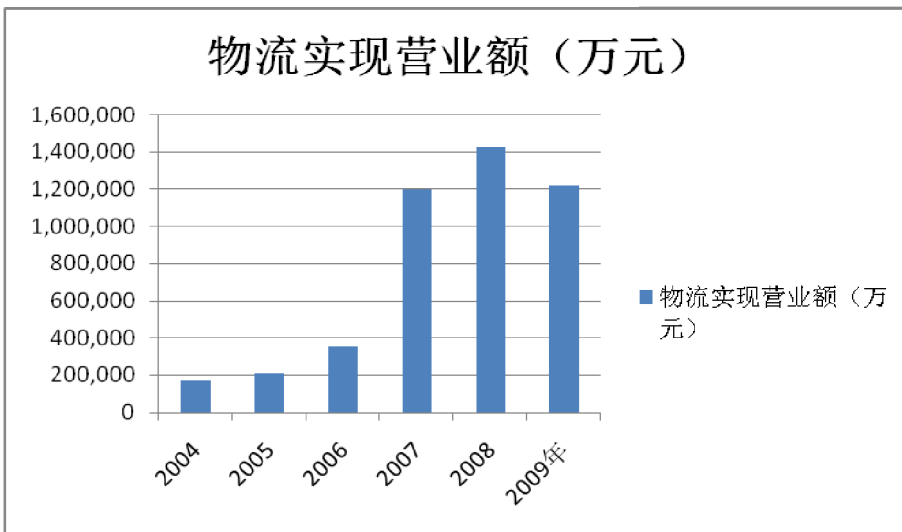


Average age of self-owned vessels

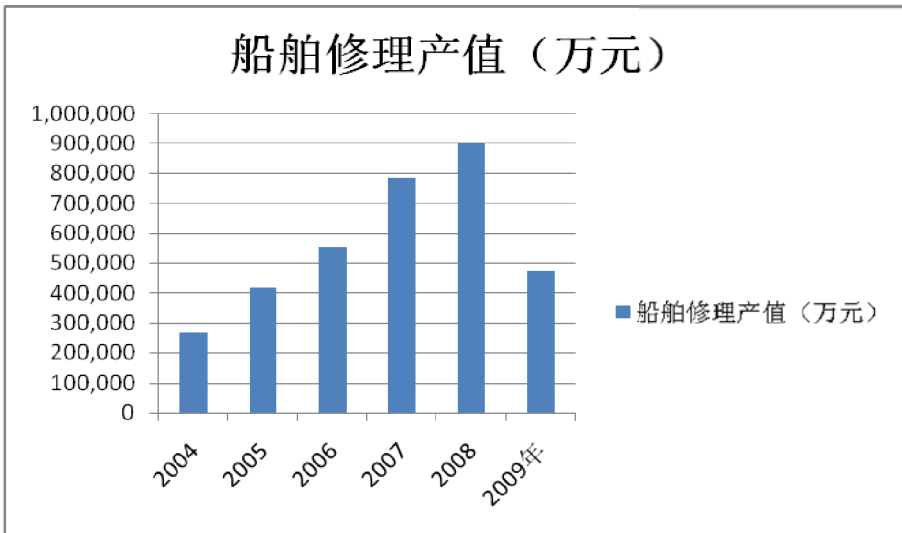




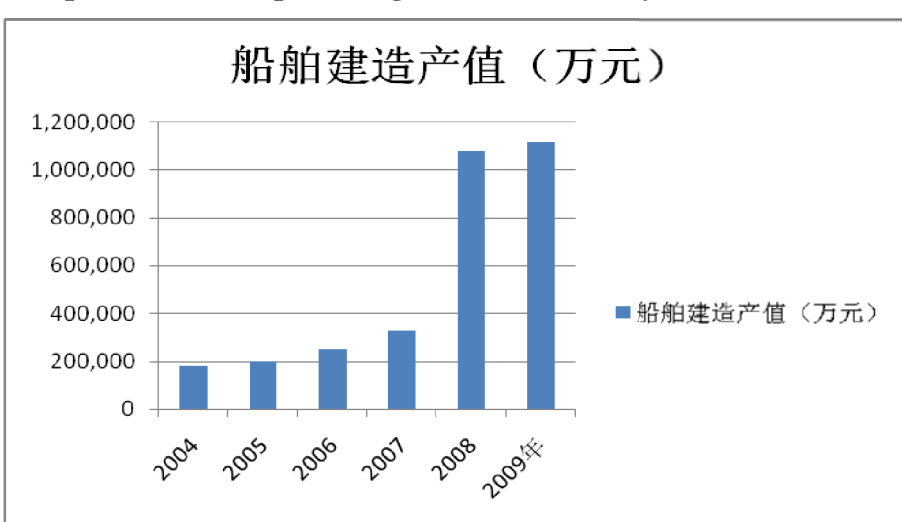
Operating revenue of logistics business



Output value of ship-repairing business (10,000 yuan)



Output value of shipbuilding business (10,000 yuan)





(2) Operational costs

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

COSCO Group has attached great importance to cost control work. In 2009, it continued to promote the “Lean Management” program 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.

(a) Reduce fuel consumption: fuel consumption is one of the major operating costs of ocean vessels. COSCO has adopted a series of measures to reduce fuel consumption and cut cost. Please see ENVIRONMENT for detailed information.

(b) Pay attention to energy-efficient designs on new ships: COSCO Guangzhou has 8 newly-built 32,000-ton timber vessels which were designed and built in strict accordance with high standards to realize economic benefits with environmental protection. When choosing auxiliary oil-fired boiler, the new rotary-cup type has been adopted with a special boiler cabinet, which saves 168 kilograms of clean fuel every day and reduces consumption by 7 percent during voyage.

(c) Recycle spare parts and reduce maintenance costs: in 2009, COSCO Guangzhou recycled and renewed 2.3 million yuan worth of spare parts, and cut the cost of spare parts by 3.5 million yuan.

(d) Reduce costs by taking reasonable advices: in 2009, COSCO Xiamen launched a campaign to collect employees’ advices and suggestions about revenue generation and cost reduction. Actively responding to the call for ideas, employees at COSCO Xiamen put forward 21 suggestions regarding a wide range of issues, including sales and marketing, Lean Production management, production safety, technological improvement, the improvement of operating and managerial mechanisms, and the mobilization of employees, etc. After careful consideration, all 21 suggestions were regarded pertinent and feasible, and they were expected to generate more than 8 million yuan in revenue. Therefore, the company decided to place competent



departments in charge of their implementation and to put in practice the employees' suggestions by process and effect tracing. As of November 2009, COSCO Group collected a total of 6,606 suggestions from its employees, and adopted 2,420 after preliminary consideration and assessment, which was expected to generate 355 million yuan in revenue. COSCO employees initiated 468 technological innovation projects which were expected to generate 110 million yuan.

(e).Reduce expenditure at information center by rational application of new technologies: the information center of COSCO Bulk has introduced a series of measures to save energy and reduce cost. These include: managing servers with virtualization technology to build green machine rooms (in 2009, more than 30 servers were laid off and the number of air conditioners was brought down, which saved 100,000 kilowatt-hours); promoting the use of IP telephone and self-developed internal instant message tool Spark, which saved 350,000 yuan in communication expense; and finally, seizing opportunities to introduce competitive mechanism, and relocating and re-positioning businesses involving the data routes of major operators. The company managed to cut expense on communications routes by 15,600 yuan every month, totaling 200,000 yuan in 2009.

(f) Cut costs through lean production management: COSCO Pacific established a cost control committee consisting of financial officers and leaders from different departments. The committee is responsible for overall cost structure analysis and sets cost-control targets for each subsidiary based on the different operations and management characteristics of the headquarters, wholly-owned companies and holding companies. In 2009, the company managed to save 73.46 million yuan through lean production management and cost-control measures and successfully achieved the cost control targets set by the Group. The quality control group generated revenues of 48.25 million 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.

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 2009, basic endowment insurance fees paid for COSCO Group's employees reached 1.065571 billion yuan, up 13% year-on-year. Among the basic endowment insurance fees paid in 2009, 20% were paid by COSCO Group, while 8% were paid by employees.



Besides aforesaid social insurances, COSCO Group also established supplementary medical insurance, work injury insurance and annuity of enterprises for all its employees. In 2008, the detailed implementation plans of the annuity of the enterprises have been approved by SASAC, and in 2009, the plans have been put into records by the Ministry of Human Resources and Social Security. In 2009, COSCO Group continued to promote enterprise annuity work and had entered the implementation stage.

(4) Payment to shareholders

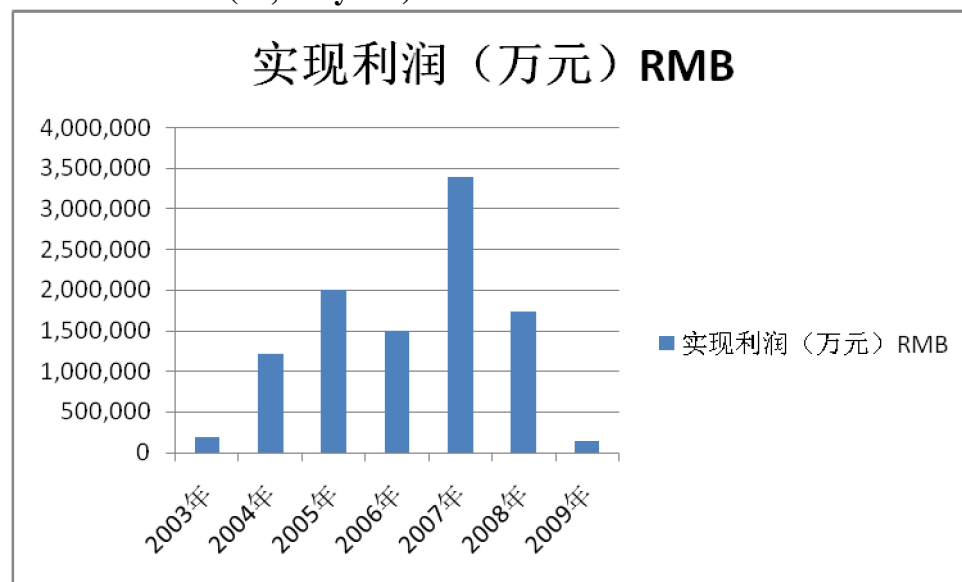
Since 2004, COSCO Group's profits accumulated to 100.15 billion yuan. The Group achieved satisfactory results in the business assessment conducted by the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council and was graded an A-Level Enterprise in the tenure assessment conducted by SASAC.

In 2009, COSCO Group reaped 1.397 billion yuan in profit and met its overall profit target despite the continuous impact of the financial crisis and the periodical change of the global maritime market.

Table for total profits of COSCO Group in past six years

Indicator/Year	2003	2004	2005	2006	2007	2008	2009
Profits realized (10,000 yuan)	189,481	1,217,889	2,007,100	1,504,100	3,405,542	1,740,386	139,725

Profits realized (10,000 yuan)



In 2009, international financial crisis brought great influences to shipping market. Listed companies affiliated to COSCO Group further improved related system, improved the governance structure and mechanism of the company, promoted comprehensive risk management, effectively controlled the market risks and achieved good results.



China COSCO has achieved the good performance of social contribution -0.11 yuan per share in 2009. 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.

On May 31, 2009, China COSCO ranked 337 with a market value of 14.8554 billion dollars on the latest Financial Times’ Global 500.

▲ On April 24, 2009, the World Eminent Chinese Business Congress, the 4th Eminent Chinese Business Leaders’ Forum and the 8th Spring of Diplomats Conference were held at the Great Hall of the People in Beijing. China COSCO was awarded the honorary title of Listed Chinese Company with Most Growth Potential in 2009.

▲ On June 26, 2009, the 2008 China Listed Company Value Award and the 1st Most Popular Website of Listed Company Among Investors Award Ceremony were held in Beijing. Through a number of procedures, including finance assessment, corporate management assessment, public and institutional voting, and the assessment by a panel of experts, China COSCO was awarded four titles: one of the Top 100 Listed Companies with Most Value, Excellent Management, Excellent President’s Secretary and Most Popular Website of Listed Company Among Investors. This is the second time COSCO Group has won the award.

Indicators of listed companies of COSCO Group (As of Dec. 31, 2009)

Company	Listing place	Total market value (100 million yuan)	Share proportion (%)	Market value calculated by share proportion (100 million)	ROE on net assets (%)	Dividend per share at end-period	Basic profit per share
China COSCO	Hong Kong/Shanghai	1278.3	52.8	674.9	-11.76	0	-0.74yuan
COSCO Pacific	Hong Kong	197.8	51.2	101.3	6.3	0.21 HD dollars	0.52HD dollars

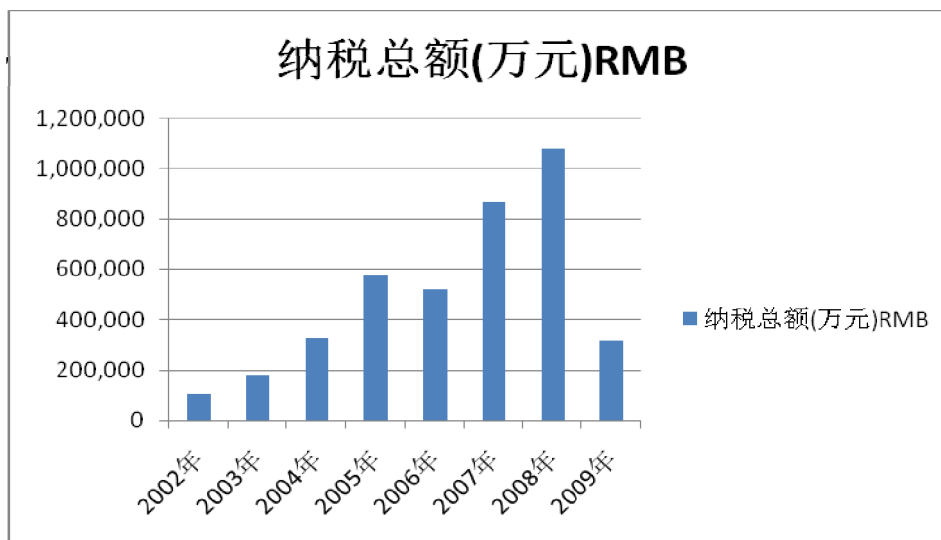


COSCO International	Hong Kong	44.2	59.87	26.4	14	0.084HD dollars	0.5625HD dollars
COSCO Investment	Singapore	129.5	53.35	69.1	9.9	0.03 Singapore dollars	0.05 Singapore dollars
COSCO Shipping	Shanghai	138.2	50.73	70.1	2.84	0	0.10 yuan

(5) Payment to the government

In 2009, COSCO Group paid a total of 3.17252 billion yuan of tax to the government while ensuring the overall profits of the group in crisis.

Indicator/Year	2002	2003	2004	2005	2006	2007	2008	2009
Total tax payment (10,000 yuan)	106,064	181,792	327,812	578,271	523,653	865,959	1,079,733	317,252





(6) Social investments and inputs

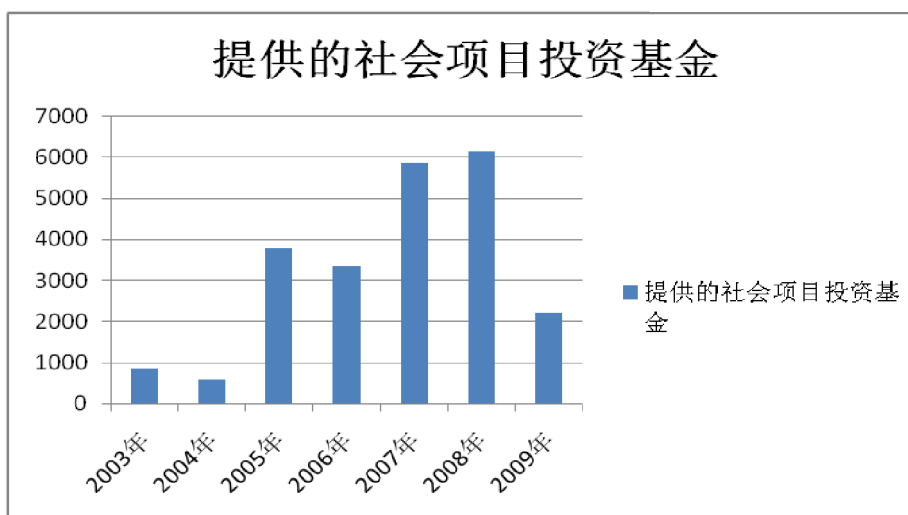
(a) Care for people's life and pay back to the society

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

Since 2003, accumulated donation made by COSCO Group for social projects totaled 228.2709 million yuan. (See table below)

Indicator (10,000 yuan)/year	2003	2004	2005	2006	2007	2008	2009
Investment capitals provided for social projects	866.1	584.37	3,794.63	3,355.68	5,875.96	6,142.35	2,208

Investments to social projects



In 2009, COSCO Group, through COSCO Charity Foundation, donated a total of 22.08 million yuan to social projects.

In August 2009, Typhoon Morakot brought serious disaster to Taiwan. COSCO Group and COSCO Charity Foundation donated 10 million yuan at the first time to support restoration of homeland of Taiwan compatriots in areas stricken by Typhoon Morakot.

(b) Standardize the operations of COSCO Charitable Foundation and fulfill social responsibility

COSCO Charity Foundation, founded by COSCO Group in 2005, is the first non-public offering, non-profit earning charity foundation that founded by state-owned enterprise. The foundation of COSCO Charity Foundation marked that



COSCO Group 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 aims 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. In accordance with relevant requirements by the Ministry of Civil Affairs, the Constitution of the Foundation, and the Notice on Enhancing Management of Donations by Central Enterprises issued by SASAC, COSCO Charitable Foundation had two board meetings in 2009 to ensure smooth and standardized operations, discussing the development, construction and major donations of the Foundation, and reviewing and voting on the change of board members, organization structuring, recruitment, financial budget and accounting, project development, work report and work plan, etc.

▲ Institutional enhancement: a new publicity department was established in 2009 and staffed by full-time employees, which formed a capable, efficient team consisting of both part-time and full-time workers.

▲ Strictly observe the financial regulations and enhance financial management: conduct financial accounting in strict accordance with the Accounting System for Non-Government, Non-Profit Organizations and the Accounting System for COSCO Charitable Foundation, and review and supervise each investment; invite third-party auditors to audit the annual financial report; manage income from investment in a timely manner, and prepare and submit the statistical statement in accordance with relevant requirements. Second, enhance capital management and earmark a fund for its specified purposes only to ensure the rational, effective use of capital; check cash and bank accounts on a regular basis, strictly observe the payment procedures and make good use of the donations. Third, enhance taxation management and actively seek for preferential taxation policies. The Foundation has completed all the work relevant to annual corporate income tax filing, went through all tax-related items, and consulted competent authorities for the establishment of tax items and the prevention of tax risks. It has also applied for preferential taxation policies, and enhanced its connection and communication with the State Administration of Taxation and the Ministry of Finance. COSCO Charitable Foundation became in 2009 one of the first charitable organizations to receive pre-tax charitable donations, which created excellent preconditions for the Foundation to utilize capital.

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.

Ever since its foundation, COSCO Charitable Foundation has been devoted to systematic, standardized construction. The organization has formulated and improved its regulations on the management and use of funds, managed social investment projects in a scientific manner, utilized social investment funds in a rational manner, given full play the benefits of social investment and realized the concentrated management of social investment funds and investment projects by different member companies. To guarantee that every donation expresses the will of the donator(s) and is used for its specified purposes, we endeavor to do an excellent job every time and keep a close eye on our projects and development processes.

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 2009 Work Guideline”, through rigorous research and feasibility analysis, COSCO Charity Foundation has carried out 16 projects in 2009, the projects funds amounted to 24.33 million yuan.

In 2007 and 2008, COSCO Group was awarded the titles of China Charity Award—Most Charitable Chinese Enterprise and China Charity Award-Special Contribution Award. In 2009, the Group was awarded the title of “National Charitable Company” by the China Charity Federation. On November 18, 2009, Forbes Chinese released the first China Charity List in China. Among all non-public funds in the country, COSCO Charitable Foundation ranked first. These awards and titles bespeak the recognition and acknowledgement COSCO Group has gained from the government and the public for its charitable work.

Mr. Wei Jiafu, Honorary President of COSCO Charitable Foundation, visits villagers in poverty-stricken areas.



Zhang Fusheng, President of COSCO Charitable Foundation, and Sun Yueying, Secretary General of COSCO Charitable Foundation, visit young heroes for the earthquake-relief efforts who were going through treatment at the National Research Center for Rehabilitation Technical Aids.





▲ “Voyage and Dream” Project on junior education in Lincang, Yunnan Province continues through careful organization



old students’ dorm;

visit and exchange

In 2007, COSCO Charitable Foundation began to donate to the primary schools at poverty-stricken, ethnic minority villages in Lincang City, Yunnan Province. Sun Yueying, Secretary General of COSCO Charitable Foundation and Chief Accountant of COSCO Group visited Lincang with her work group several times to organize the implementation of the projects. By the end of 2009, COSCO Charitable Foundation implemented a three-phase project on the primary schools at poverty-stricken, ethnic minority villages in Lincang and donated a total of 3,711,950 yuan. The organization equipped 35 primary schools at five counties, namely Gengma, Shuangjiang, Cangyuan, Zhenkang and Yunxian County, with 8,712 new sets of desk and chair, 1,513 bunk beds, 714 teachers’ desks, 224 platforms, 775 sets of dining table and chair, 32 experiment table and cabinet, along with TV sets, cameras, refrigerators, and electric cookers, etc. In addition, all students were provided new school bags. A total of 9,141 students and 611 teachers benefited from the project. This project, as one of the Most Influential Charitable Project in 2009, won a China Charity Award from the Ministry of Civil Affairs. The fourth phase of the project is currently underway.



new school bags,

desks, chairs and dormitories

▲ Enhance control and supervision, and ensure the quality of re-built school buildings in quake-stricken areas



on-the-spot inspection; handover ceremony for the key; a corner of the new school; children learning English



After the Wenchuan Earthquakes in 2008, COSCO Group donated 30 million yuan for the reconstruction of Cifeng Primary and Secondary School in Pengzhou City, Sichuan Province. The Group promised to have COSCO Charitable Foundation supervise and examine the whole project on the school buildings. Upholding the principle of “quality first,” COSCO Charitable Foundation managed to have effective communication and negotiation with the local government, the school and the construction company despite the tight schedule, long rainy season, power cut, road block and frequent quakes. To ensure the quality of the project, COSCO Charitable Foundation invited supervision and management professionals to examine the quality of the project and construction materials and to supervise the process of the work. The professionals conducted 11 examinations on the work site and prepared 11 reports. Problems were discovered and rectified in a timely manner, which effectively ensured the quality and schedule of the project. The project was put into use in March 2010. **Xiguan Primary School at Chengxian County, Gansu Province under construction (COSCO Group donated 8 million yuan for the reconstruction of the school through COSCO Charitable Foundation)**



(c) Poverty relief work in Tibet continues

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 fully 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 2009, COSCO Group invested a total of 12 million yuan in aid to Tibet and poverty relief.

▲ Poverty-relief work in Tibet achieves new progress through strict control

The ring road project at Luolong County was one of COSCO’s key projects in 2009. The Group invested more than 7.2 million yuan in it. Taking into full consideration the actual needs of local residents, COSCO Group decided to add a number of auxiliary projects to the original ring road projects, including the rechanneling of irrigation ditches along the road, the work on the retaining walls, drainage channels, cross-road pipes, steps, anti-crash walls and basic protection to residential houses along the road, etc. With strict control and management, these projects have passed the acceptance inspection.

In addition, COSCO Group contributed to the projects on the extension of water intake at Luolong Water Works and the medical equipment at Shuodu Town Clinic. It



also helped 170 farmers and herders' families to build their shelters.

a corner of the new ring road at Luolong County



▲ Promote the sustainable development of Luolong County with new education ideas

Training programs for grass-root cadres at Luolong County: In 2009, COSCO Group flew 15 local cadres from Luolong County to Chengdu for a 15-day training program. The cadres completed their field trips about agricultural industrialization, ecological agriculture, modern husbandry and farming industrial chains, rural development powered by tourism and comparative study on new village building, etc. Their horizons were expanded, experiences enriched, and ideas opened up.

Kelsang Metok Fellowship and Stipend: to fund and encourage the education for school-year children at Luolong farming and husbandry district in Tibet, COSCO Group established the Kelsang Metok Fellowship and Stipend. In 2009, a total of 41 and 58 students won the fellowship and stipend, respectively. By the end of 2009, the Kelsang Metok Fellowship and Stipend, total worth 823,600 yuan, were awarded to 426 students, which contributed greatly to the education for school-year children in the area.

(d) Establish COSCO Group Scholarship

As an encouragement for students majoring in ocean shipping at Dalian Maritime University and Jimei University, and to turn out more talents for China's maritime undertaking, COSCO Group established in 2008 a five-year COSCO Group Scholarship at Dalian Maritime University and Jimei University, respectively. The Group would pay 200,000 yuan as scholarship to each university every year.

(e) Ship disaster-relief materials to Taiwan

In August 2009, Taiwan received a hard blow by Typhoon Morakot. The south China



branch of COSCO Container Shipping was put in charge of the shipping of disaster-relief materials to Taiwan. The company loaded 246 40-foot containers with disaster-relief

materials (including 1,000 portable shelters) and transported them in four dispatches to Kaohsiung Port through Yantian Port in Shenzhen.



(f) Provide supplies for convoy fleet

On December 26, 2008, more than 800 officers and soldiers with Chinese People's Liberation Army Navy were sent to serve in the Gulf of Aden and Somali waters. In March 2009, the convoy fleet was in urgent need of supplies. Lequn Ship from COSCO Hong Kong learned about the situation and offered more than 200 kilograms of meat, dried goods and soybean to the navy, keeping only basic food supplies to itself.

Meanwhile, the south China branch of COSCO Container Shipping loaded 3 reefer containers with 8 tonnes of fresh vegetable and carried them to the Gulf of Aden on COSCO Hamburg Ship from Shekou, Shenzhen on April 2 to provide supplies to the convoy fleet.

Later, COSCO Container Shipping sent more supplies and goods to the navy on Yuguhe Ship and COSCO Indian Ocean Ship.



1. On February 21, 2009, Weishan Lake, a comprehensive depot ship, berthed at the Gulf of Aden, Yamen for the first comprehensive supplies to the Chinese navy. The General Manager of COSCO Western Asia was at the port coordinating the loading of supplies.



2. On March 23, 2009, a helicopter sent by Chinese navy's convoy fleet landed on Lequn Ship.



3. The crew members and navy soldiers carried food onto the helicopter.



4. On September 26, officers on Qiandao Lake received gifts for the National Day and Mid-Autumn Day from COSCO's Indian Ocean Ship.

(g) Participate in the 60th anniversary ceremony of Chinese navy and offer fuel and water to foreign naval vessel

On April 23, 2009, a total of 21 foreign naval vessels from 14 countries joined a grand international fleet in Qingdao for a display to mark the 60th anniversary of the founding of China's People's Liberation Army Navy. For the first time in history,



naval vessels from different foreign countries were invited to participate in a grand military review in China. Chimbusco Qingdao was appointed the exclusive fuel and water provider for the foreign naval vessels. On April 20, the wind force on Qingdao sea was 7 to 8 scale, with occasional 10-scale wind. Managers of Chimbusco Qingdao were onboard to direct the supply of fuel and water amid strong wind and high waves. The ship provided safe, high-quality water and fuel in a timely manner to a Korean destroyer, a Singaporean invisible missile escort vessel and an Australian depot ship and won sincere praises from these vessels.



(after the military review, leaders from North Sea fleet extended their gratitude to Chimbusco and awarded the company with a silk banner.)

(h) Take active part in marine salvage

Upholding international humanitarianism, COSCO employees exhibited their excellent professional skills and respectable dignity in the face of danger and threat to personal and property safety. Throughout 2009, COSCO Group participated in a total of 16 marine salvages.

On April 8, 2009, Chimbusco Lianyungang received an urgent notice from local marine bureau asking for maritime salvage for Lihua No. 6, a ship loaded with 4,500 tonnes of diesel but hit by another ship. After 8 days of hard work, the Lihua No. 6 was dragged to the safe sea area and all the diesel was unloaded. There was no leakage, nor risk for breakage or sinking. Thanks to the timely salvage and scientific arrangement, the loss from the accident was minimized, no injury or death caused, no associated accident incurred due to inappropriate salvage. A serious ocean pollution was successfully prevented.



2. Influences of climate changes

The global environment issue caused by climate changes has gradually raised concerns of all circles of the world. In particular, the Copenhagen Climate Change Conference held in December 2009 brought focuses of the world to environmental and economic issues caused by climate changes. With the opening of carbon emission indicator trade, the influences of climate changes on financial performance of the



company become more and more significantly. For COSCO Group, climate changes brought following safety risks and financial risks:

(1) Risks caused by climate changes

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

Increase of typhoons and bad weathers 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. 105 tropical cyclones (including TD) have been generated in the worldwide scale in 2009. 342 ships of COSCO Group have been affected, increased by 30.2% from 490 in 2008. Of which, 104 ships of COSCO Bulk were affected by typhoons worldwide (80 ships were affected by typhoons in north Pacific Ocean; eight were affected by cyclone in American Bay; 16 ships were affected by storms in India Ocean); 22 ships of COSCO Qingdao were affected by tropical cyclone in Northwest Pacific Ocean; loss of shipping time totaled 390.7 hours and loss of shipping mileage totaled 1,271 sea miles.

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, COSCO Group increased material and financial resources into energy-saving and emission reduction research and relevant equipment improvement, so as to save energy and reduce emission; COSCO Group 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.

Since 2005, COSCO Group has invested 88 million yuan to reduce emissions by applying electronic control device cylinder petrol supply system, installing homogeneous fuel equipment on vessel engines, installing waterway guide cover, airscrew clipper, Shipaneng oil-saving devices on vessels.

In order to 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 2009, COSCO Group adopted 79,474 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 28.48 million yuan and decrease of sulfur dioxide emission of 4,112 tons.

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.

3. Fixed welfare plans

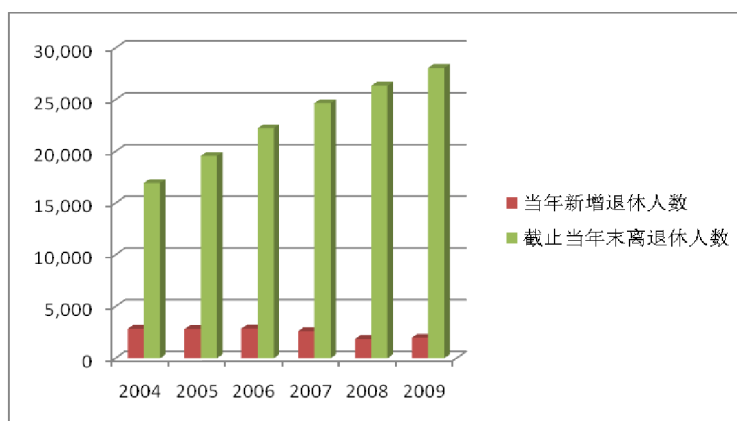
Retirement life guarantee is a main factor considered by all employees when selecting their jobs. Proper arrangement of retirement pension can solve the worries of employees and is favorable for attracting and keeping stable employees' team.

▲ COSCO Group has attached great importance to fixed welfare 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. By the end of 2009, total number of retired employees of COSCO Group reached 28,074 (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. In key and important holidays, it will issue holiday subsidy to retired employees, allowing them to enjoy the humanistic cares of COSCO Group.



Year	Number of new retired employees in the year	Number of retired employees as of the year end
2004	2,851	16,944
2005	2,818	19,559
2006	2,864	22,235
2007	2,604	24,665
2008	1,858	26,356
2009	1,977	28,074



4. Key financial supports provided by the government

In recent years, two scientific research projects of COSCO Group were included in the national science support projects by the National Ministry of Science and Technology. Of which, “COSCO Ship and Goods Transport Online Monitoring System” received eight million yuan of expenditure supports. The project has passed the check and got acceptance organized by the Ministry of Science and Technology on June 23, 2009. The “COSCO Ship Physical Purification Water Treatment Technology” received 7.7 million yuan of expenditure. The project has passed the check and got acceptance of the Ministry of Science and Technology on April 26, 2010.

5. 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 2009, all shipping companies of COSCO Group maintained and even increased the crews’ wages regardless the deterioration of shipping market.



6. Local suppliers and purchase policies

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

7. Employing local employees and senior executives

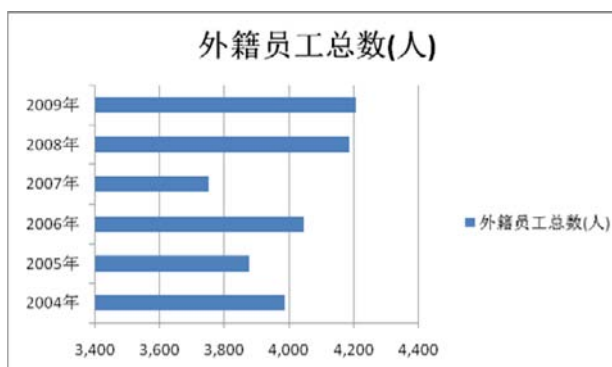
The adoption of local residents as members of its top management and accommodation of local people can increase human capitals of COSCO Groups, bring economic benefits to local society and improve COSCO Group's ability to know local demands.

COSCO Group adopts the jurisdictional management mode for its overseas companies, and employs local people according to laws and regulations of the places where overseas companies are located. Except for a few of top executives dispatched by COSCO Group, most members of intermediate and top management teams are employed at local places. In 2009, COSCO Group has employed 4,207 foreign employees, which was 5.88% of the total number of employees

Number of recruited foreign workers from 2005-2009

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

Number of foreign employees





8. Public services

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 started about 100 national training projects.

In 2009, COSCO Group invested 92.21 million yuan and launched the construction on the Jiaonan campus of Qingdao Ocean Shipping Mariners College. The campus covers an area of 1,200 mu, and is divided into the northern and southern districts. The southern district covers an area of 700 mu plus, with a floor space of more than 200,000 square kilometers. It will be used mainly for college education and basic skills training after its completion. The northern district covers an area of 500 mu plus, with a floor space of over 100,000 square kilometers. It will be used mainly for the training of high-level maritime professionals.

In addition, COSCO Group invested 15 million yuan in 2009 in the construction of a teachers' dormitory to improve the living condition of teachers at the college.

(2) Since the winter of 2009, the majority of China was hit by strong snow storms, low temperature and frozen weather. As a result, the power plants in some regions ran short of coals and a number of provinces and cities had to restrict their power supplies. To meet people's needs for heat and electricity, COSCO Group actively responded to the "Ensure People's Livelihood and Guarantee Operation" campaign launched by the Party Central Committee and the State Council to prevent and reduce losses from the disastrous weather, devoted all the 25 vessels operated by COSCO Shenzhen (which has a total tonnage of 1,215,000 tonnes) to the transport of coal in coastal areas. Since November 2009, COSCO Shenzhen completed 74 voyages, transported 3.21 million tonnes of coal and made active contribution to the relief of power shortage in southern China.

(3) On September 6, 2009, COSCO Star operated by COSCO Xiamen made its maiden trip to Taichung, Taiwan, opening up for the first time passenger and cargo routes after 60 years of isolation across the Taiwan Strait. The company provided free roundtrip tickets to 77 passengers during its first voyage to Taiwan.

(4) On March 12, 2009, Fuman Ship operated by COSCO Hong Kong was chosen as



the testing ship for the expansion of the Panama Canal during its 87th voyage to the Canal. The test would be done at Gatun Lake. Its purpose was to learn about the pulling power of existing convoy tugboats when large Panama vessels were close to the 12.04-meter (or deeper) limit and turned off their engine. The statistics obtained would prove extremely valuable for the purchase of new tugboats after the new ship lock was built on the Panama Canal. Fuman Ship took a proactive part in the test and was awarded a certificate by the local authority.

Panama Canal authority issues the certificate to the captain of Fuman Ship.



(5) To give a genuine picture of the impacts on shipping safety, environment and efficiency by Shanghai's cross-river railroad, the State Maritime Safety Administration used in May 2009 COSCO's Pengye Ship to participate in the real boat test organized by Shanghai Maritime University at the lower stream of the Yangzte River. Pengye Ship took a proactive part in the test and provided first-hand materials for the decision-making regarding cross-river bridge safety. It also helped accumulate experience for future tests in key water areas. Officials from the Ministry of Transportation, the State Maritime Safety Administration, the Ministry of Railways and the Jiangsu Provincial Government were onboard during the test, and spoke highly of COSCO Group and the Pengye Ship.

9. Key indirect economic influences

(1) 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 has increased year-on-year. In 2009, COSCO Group kicked off a total of 329 scientific research projects, with total expenditure of 74.867 million yuan.

In 2009, COSCO Group was named Innovative Enterprise in the second innovative enterprise assessment conducted by the Ministry of Science and Technology, the State-owned Assets Supervision and Administration Commission and All China Federation of Trade Unions. This is a fruit of COSCO Groups' continuous efforts in independent innovation and a token of COSOC Group's investment in science and technology.



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

Indicator/Year	2004	2005	2006	2007	2008	2009
Expenses on scientific and technological activities (10,000 yuan)	38,565.70	20,378	49,680.03	55,769.20	101,917	72,982
Expenses on researches and experiments development (10,000 yuan)	33,507	17,242	27,634.02	28,261.10	37,701.39	26,129
Total number of scientific and technological projects	152	137	137	257	263	268
Number of foreign cooperation projects	17	25	37	30	45	18
Number of scientific and technological awards received	3	2	2	2	3	1

▲COSCO Group’s Ocean Shipping Ballast Water Physical Purifying Treatment Technology: COSCO Group invested 16 million yuan and gained 7.7 million yuan fund from China’s Ministry of Science and Technology for this project. The project generated an abundance of innovative achievements in terms of the pretreatment of ballast water treating system, efficient disinfection technology and system automatic control and so on. It was China’s own ballast water treatment technology with independent intellectual property rights, and established standardized testing facilities and methods. On the whole, the research results stood at a high level in the world, and some technologies were even world-leading achievements. The project passed the assessment by the Ministry of Transportation on April 26, 2010.

Enterprise informationization is to establish modern information network system with modern management science and information technology, thus all aspects of enterprise management activities, through fast flow of information and effective services, the integration of funds, logistics, work flow and information flow can be integrated, so as to realize optimal distribution of resources, improve the management efficiency and level, elevate economic efficiency and core competitiveness of the enterprise. Enterprise information is an important means to improvement enterprise’s management level.

Under the current global rapid development of economy and information technology, information is the key factor of 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, COSCO Group positively embraced the new challenges of economic globalization and information globalization, continuously strengthening the supporting of information to enterprise competitiveness. In the 2007 Central enterprises information level



evaluation that reported by SASAC of the State Council on Oct. 16, 2008, COSCO Group together with other 10 enterprises have been rated as A class.

▲ In 2009, COSCO Group has invested 500 million yuan for in enterprise informationization construction. Capitals were used for introduction of automation office systems for shipping, logistics and shipbuilding and ship-repairing companies. Based on business nature of the companies, capitals were used to develop or introduce information systems, so as to improve working efficiency and achieve information sharing.

▲ Shipping companies put investment into the construction ship and 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, Inteliship, 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 Carrier establish company’s core business operation platform, constantly improved an 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 Carrier information security management system, established and gradually optimized unified information security standards.

▲ COSCO Dalian began to compile and implement a new IT construction development plan in 2007. Its business application systems were fully integrated, and the root of information islet was completely removed. In 2009, the company completed the basic structure of the Vessel and Port Information Comprehensive Management Platform and the improvement on the Crew Salary System. Some other applications, including the Shipping Business Management System, Vessel Shipping Control System, Flow Management System, Shipping Operation Management System, Maritime Management System, Employee Management System and Vessel Safety System and operation Control System, etc. The programs played an important role in production and operation management, vessel operation safety management, vessel operation cost management, and comprehensive corporate management, etc.

▲ COSCO Finance developed the second phase of its COSCO Finance Business Management Information System to improve the management level of credit business.

▲ Chimbusco made full use of IT technology and developed the Vessel Control and Safety Information System, and the Chimbusco Safety Education System. These two



softwares won the computer software copyright certificates issued by the State Copyright Bureau and were popularized within the maritime system.

▲ In June 2009, Penavico Xiamen developed the Xiamen Port international container transportation collaboration platform (X-Service platform) which won the third prize of Scientific and Technological Progress Award issued by Fujian Province. After several years of promotion and application, the X-Service platform has been adopted by more than 5,400 ship owners, cargo agents and tugboat users, and has helped save 30 million yuan. X-Service has become an innovative service brand owned by Penavico Xiamen in e-commerce application.

(2) Employment opportunities created

COSCO Group created 5,247 job opportunities in 2009.

▲ Against the backdrop of global financial crisis and continuous recession in the shipping market, COSCO Shipyard managed to expand its development room by optimizing product structure. In the mean time, the company created more job opportunities. COSCO Shipyard recruited more than 600 college graduates in 2008, and another 1,126 in 2009.

On July 15, 2009, COSCO Shipyard launched the orientation for the 1,126 new employees.



▲ COSCO Group receives praise and appreciation from the U.S. Congress for recruiting local employees and creating job opportunities

Boston Port was stuck in a crisis when the global shipping market shrank in early 2000. More than 9,000 port workers were about to lose their jobs. In January 2002, COSCO Group signed a cooperation agreement with the local harbor authority in Massachusetts upon the invitation of the Governor of the State to launch the weekly direct service between Boston and Asia. Thanks to this move, the 9,000 workers did not lose their jobs, and another 16,000 new positions were created.

In August 2009, John Kerry, Chairman of the Senate Foreign Relations Committee proposed to extend gratitude to COSCO Group. On October 20, the proposal was voted through at the U.S. House of Representatives headed by Nancy Pelosi to praise Mr. Wei Jiafu, President of COSCO Group, as a genuine ambassador from the people for his contribution to the U.S. economy and employment. This proposal will be kept permanently in the Senate files and become part of the U.S. history. This is the first



time the U.S. Congress passes a proposal to express their respect to a Chinese business leader. According to the proposal, COSCO Group employs more local staff in the U.S. than any other Chinese enterprises, for which the Group gained praises from the ports at Long Beach, Seattle, New York and Boston, etc.



ENVIRONMENTAL PERFORMANCE INDICATOR AND KEY PEROPT



Part C Management approaches and performance indicators

Part II Environmental performance indicators and theme report

I. Management measures

1. Objectives and performance

Along with pursuing economic benefits, COSCO Group shoulders 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, environment protection” and has committed to protecting the environment and preserving global resources, and supporting and participating in ecological protection activities as a social responsibility undertaker to initiatively improve enterprises’ environmental protection system. COSCO Group has taken the safety and the environmental protection as an important part of its commitment. COSCO Group has strictly implemented rules and regulations regarding environmental protection in domestic laws and regulations as well as international conventions, actively performed applicable suggesting standards, decrees and related requirements on environment protection home and abroad. It has promised to the United Nations to protect the environment, save global resources and establish a resource-conservative enterprise. It has adopted technological innovation to protect limited resources and took effective measures to avoid negative influences on the environment, so as to protect the beautiful environments that human beings are relying on. In 2009, COSCO Group was free from any environment pollution accidents and the associated penalties. In the third batch of energy-conservation demonstration projects for traffic industry initiated by the Ministry of Communications, one project of COSCO Group were selected as energy-conservation demonstration projects for traffic industry. COSCO Group was awarded the environmental protection flags successively 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 ISO14001 Environmental Management Systems Standard for establishment of the environmental management system and has passed third-party certification. Major second-tier companies of the group also introduced the ISO14001 Environmental Management Systems Standard, established and implemented the environment management system. Some companies have passed the



third-party certifications. Meanwhile, all shipping companies have introduced the International Safety Management Code (ISM) 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 second-tier company has set up the administrative unit or specific posts for environmental protection, which are mainly responsible for tracing and analyzing the environmental protection trends home and abroad, researching and stipulating policies and measures relating to environmental protection, supervising and guiding positions at all levels to effectively implement the solutions relating to environmental protection, and dealing with and correcting the deficiencies in environmental protection work. The group's executive vice president in charge of environmental protection is responsible for supervision and coordination, and the top executives of subsidiaries are responsible for supervision and implementation. In respect to environmental protection of ships, the captain is the first responsible person, and chief engineer officer is the main responsible person. They are tasked with studying rules of energy conservation and environmental protection work, pay attention to each process of the energy conservation, establish related mechanisms and systems, improved the company's energy conservation and environmental protection management system and established and improved 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 a number of forms such as delegated training, the company's organization of trainings and self-study. At meantime, it also organized knowledge update and management skill trainings for managing personnel of environmental management system and persons in environmental management posts, so as to improve the environmental protection consciousness and environmental protection management level of employees. The company uploaded the environment reports and 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 deficiencies through corrective and preventative procedures, thus constantly improving the company's environment performances and building a secure and environment-friendly PDCA recycling management system. COSCO Group headquarters has established its safety supervisor system to supervise shipping companies' environmental management and ISMC operation. All shipping companies have conducted internal audits for all ships they controlled on schedule, calculated and analyzed the unqualified items found in the internal audit, found the reasons and made corrections. In addition, onsite checking is conducted for the ships arriving at overseas ports through COSCO Group's overseas ship engineering outlets, including the checking on the environmental protection efforts taken by the ships. COSCO Group headquarters' environment management system has passed the joint certification of DNV and CSS, and certifications for environment management systems of the subsidiaries are being organized.

Statistical table for 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 Shipyard	★	★	--	--
COSCO Logistics	★	★	--	--
CHIMBUSCO	★	★	--	--
COSCO UK	★	--	★	★



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) Steel for the manufacturing and maintenance of vessels

COSCO Group mainly uses steel for the manufacturing and maintenance of vessels. Its shipbuilding companies adopted rational design specification, strict producer procedure and construction techniques as well as material consumption calculation system to reduce losses and wastes, and improve raw material utilization. Shipbuilding steel utilization rate remained at a high level of 92 percent in 2009.

Nantong COSCO KHI Ship Engineering, a subsidiary of COSCO Shipyard, adopted new straight bow on its 300,000dwt very large ore carrier (VLOC). Compared to traditional large vessels and ore carriers of similar size made by foreign manufacturers, the straight bow not only made shipbuilding more convenient and increased deadweight capacity by 1,000dwt, but also saved the use of steel plates. By optimizing designs, the use of steel was reduced by 200 tonnes, which gained the recognition from ship owners and the classification society.

(2) Total amount of raw materials used

The table below shows COSCO Group's raw material consumption in the past seven years:

Indicator/Year	2003	2004	2005	2006	2007	2008	2009
Used steel in ship-repairing steel structure engineering (ton)	57,458	75,639	100,926	163,496	192,698	303,238	212,264
Steels used in shipbuilding (ton)	85,771	86,331	101,395	179,800	151,728	256,300	235,500
Utilization of steels in shipbuilding(%)	92	92	92	92	92	92	91.99
Total volume of raw materials used(ton)	143,229	161,970	202,321	313,296	344,426	559,538	667,197

Remarks: COSCO Shipyard, a subsidiary of COSCO Group recently carried out shipbuilding business. The total consumption volume of raw materials includes steels used in shipbuilding of COSCO Shipyard. The utilization rate of steels for shipbuilding of COSCO Shipyard is not calculated.



(3) Vessels adopt Green Passport

With the approval of IMO vessel resources recycling conventions, shipbuilding industry is speeding up the structural adjustment, optimization and upgrade of vessel products, so as to promote the entire life-cycle green environmental protection from the construction, operation to dismantling. Use of hazardous articles and materials used in shipbuilding will be strictly controlled to avoid environmental pollution when they are dissembled.

COSCO Group 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.

(4) Renovation and recycle of spare parts and materials

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. COSCO Group set quota for the consumption of spare parts and materials for every vessel, and conducted assessment on a regular basis. The results of the assessments were directly related to the company’s performance, so that raw materials can be conserved. Meanwhile, the Group required vessels to enhance the service life of vessel auxiliary materials and binding backers, reduce the use of timber and improve replacement rate.

Based on the technological advices from the main engine producer and the current technical level, COSCO Qingdao made use of the opportunity when its vessels were at domestic ports and maintenance plants to renovate the rod and seat of air evacuation valves on the main engine. In 2009, altogether 6 rods and 4 seats were renovated.



When Tianronghai Ship went into the maintenance plant for repair of its oil cooker, the inner parts of the cooker were soaked and cleaned repeatedly to ensure the normal operation of the device and to reduce the temperature of the fuel. This helped save tens of thousands in cost and improved cost efficiency by a large margin.

(5) Reduce paper consumption

COSCO Group continued to adhere to the office modernization process and used digital management platform for file and information delivery to fulfill paper-free office work and reduce consumption to the minimum extent. As a result, paper consumption at the headquarters went down every year.



COSCO Guangzhou has a different way for reducing paper consumption. Collection boxes are placed in the workplace for the recycling of different types of paper: those marked with “recyclable” are used to store papers printed on single face, while those marked with “recycled” are used to store used paper ready for recycling. By printing on both sides, the consumption of paper can be reduced by half. In addition, the “recyclable” paper can be cut into small pieces as note paper apart from being used as printing paper. For files for internal use, most are printed on both sides. For notices and work logs, most are in electronic version so that the consumption of paper is reduced as much as possible.

Meanwhile, the company requires the use of email for most business exchanges. For files that need to be printed out, the employees should check for possible mistakes first and use small front and narrow margin so that each page can contain more contents. Or else, they may use the zoom out function in the computer. For the preparation of large-scale conferences, it is preferable to use multimedia presentation instead of printed materials.

(6) Utilization of renewable materials

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

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 2009, COSCO Group redoubled its efforts in energy conservation. It was committed to the guiding principles of development combined with energy conservation, growth combined with energy saving. By focusing on new energy-saving technologies and techniques, COSCO Group made the construction of



an energy-efficient industrial model its objective, and conducted comprehensive deployment with regard to energy consumption, equipment condition and environmental pollution risks, etc. 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.

COSCO Dalian was awarded the title of Leading Enterprise in Energy Conservation in 2009 by the Municipal Government of Dalian. At the award ceremony held by the Dalian Economy and Information Committee for leading enterprises and individuals in energy conservation in 2009, COSCO Dalian was named Leading Enterprise in Energy Conservation. Jiang Dianming from the environmental protection and energy conservation department was awarded the title of Outstanding Individual for Energy Conservation in 2009. In recent years, COSCO Dalian continued to promote the Health, Safety and Environmental Protection (HSE) system, and insisted on the principle of “blue sea, green route,” actively fulfilled its social responsibility in environmental protection, and organized and participated in a variety of environmental protection and energy conservation activities. The company made outstanding contribution to the construction and environmental protection in the city of Dalian, and the Dalian municipal government and party committee spoke highly of COSCO’s efforts.

(1) Fuel consumption and conservation

COSCO Group owned and controlled over 800 vessels, and fuel consumption every year stood at 4.56 million tonnes. In 2009, all subsidiaries designed and implemented slow-steaming programs, adjusted the schedule of vessels on some routes, and reduced vessel speed step by step, which minimized the consumption of fuel.

To ensure the smooth implementation of the slow-steaming plan, COSCO Container Shipping conducted slow-steaming experiment on different types of ships. The company analyzed and assessed the working condition parameters, abrasion of moving parts and maintaining cycle of the vessels after their speed slowed down, and negotiated a reasonable engine speed range with the vessels. Meanwhile, the company also studied the feasibility of the modification of vessel devices. It actively explored the requirements for vessel management after the engine speed slowed down, and took specific actions to ensure the safety of slow-steaming to meet the energy-conserving requirements in the new condition. The company made careful arrangements for the routes, and implemented the slow-steaming, ship-adding measures on large tonnage, high engine power, and energy-consuming routes that used more than 150 tonnes of fuel every day. By adding more ships and lowering vessel speed, and prolonging voyage time, the vessel speed was reduced by more than



10 percent, and daily fuel consumption by 20 to 25 percent. Beyond the former requirement for vessels to shorten their staying at the port for 2 hours, now vessels are required to reduce their stays by 4 hours to make full use of their potential, enhance the coordination between vessels, ports, cargo and customs. Furthermore, the company made careful plans for the vessels when they left a port, unload their cargo and tried its best to assist competent authorities in reducing vessel staying time. By doing so, the vessels would be able to travel at a more economical speed and effectively reduce their fuel consumption.

Fuel consumption per 1000 ton·sea mile:

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

(2) Consumption and conservation of lubricating oil

In 2009, COSCO Group consumed a total of 44,900 tonnes of lubricating oil. The management of lubricating oil constituted a very important part in COSCO Group’s energy conservation and emission reduction efforts. The Group enhanced regular examination of lubricating oil on its vessels and ensured that all performance indicators meet the requirements. For cases where the indicators exceeded the standards, the reasons would be analyzed and corrective measures such as changing oil, adding new oil and enhancing separation adopted. Strictly managing the quota of lubricating oil, the Group enhanced its examination on lubricating oil consumption based on the actual situation during each voyage.

COSCO Bulk implemented quota management on the consumption of lubricating oil, and required regular report on the storage of lubricating oil. The consumption quota was applied to every vessel. After each voyage, the consumption, addition, storage of different types of oil, the mileage covered, the loading capacity and other vessels information were put in the SMIS system. During the company’s assessment and examination of the vessels, the management and consumption of lubricating oil were taken as an important item and would be evaluated and graded when the vessel was



assessed. Vessels with good performance would be awarded, while those with excessive consumption and had not taken effective measures to cut the over-consumption would be punished. To regularize the use, consumption and daily management of vessel equipment and lubricating oil, the company formulated the Vessel Fuel Quality Working Standard, Lubricating Oil Regular Check Standard, Diesel Engine Analysis Standard, Notice on Oil Transfer, Notice on Fuel Renewal, Notice on Fuel Management, Notice on Lubricating Oil and Management and Assessment Methods for Vessel Fuel, etc. In 2009, based on the implementation of the above regulations and assessment methods, COSCO Bulk praised and awarded Xinshenghai Ship and 15 other ships for their efforts in energy conservation and emission reduction.

Indicator/year	2004	2005	2006	2007	2008	2009
Total fuel consumption (ton)	37647.40	45632.20	46739.5	40068.79	44560.49	44908.41

(3) Consumption and conservation of automobile fuel

COSCO Group enhanced its management over automobile fuel, improved the energy conservation technology on logistic-engaged automobiles, and accelerated the elimination of energy-consuming, less advanced facilities and vehicles. In 2009, the Group eliminated a batch of energy-intensive, pollution-causing forklifts and vans that had exceeded their age limit and had considerable safety loopholes. Also, the Group formulated the fuel standards for operating automobiles, and enhanced its evaluation and award mechanism.

Qingdao Harbor Company, for instance, formulated fuel standards for its existing vehicles to conserve energy and cut emission. In accordance to the standards, the company would reward drivers who managed an average low fuel consumption every month. In the use of machinery devices at the terminal, specific regulations were introduced which include forbidding heavy forklift truck from empty operation to reduce fuel consumption, etc. By implementing the above measures, the company not only reduced the fuel consumption and operation cost of its vehicles, but also raised the drivers' enthusiasm towards energy conservation and achieved satisfactory results.

(4) Consumption and conservation of power

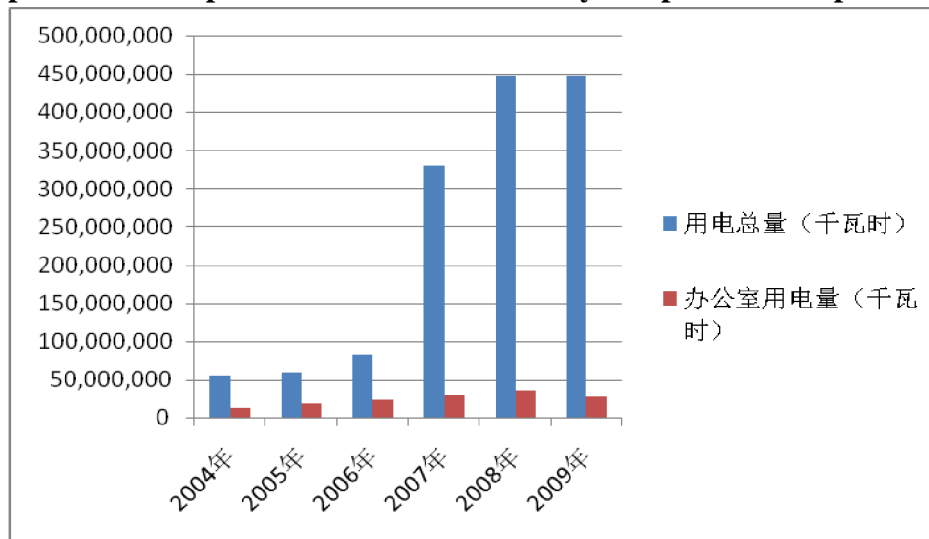
The headquarters of COSCO Group continued to implement the temperature control measures at its office building. Meanwhile, it enhanced energy conservation in other aspects. For instance, all computers, screens, air-conditioners, printers and copiers had to be shut down when the working day was over. The Group's subsidiaries responded actively to the initiative and carried out energy conservation activities at offices in different ways.



Total power consumption:

Indicator/year	2004	2005	2006	2007	2008	2009
Power consumption (kilowatt-hour)	54,442,489	58,917,533	82,889,859	330,679,826	447,548,643	447,710,797
Office equipment power consumption (kilowatt-hour)	12,223,274	18,937,974	23,021,411	30,178,179	35,928,540	27,565,904

(The statistics for 2007 were enlarged to incorporate more items, and therefore power consumption increased dramatically compared to the previous year).



(5) Application and research in clean energy

Solar power and wind power, as a supplement to vessel energy, will effectively reduce the fuel cost and pollutant discharge in the shipping industry. Adhering to the ideas of environmental protection in ocean shipping, COSCO Group made active efforts in the research of alternative energies on vessels in the future. By far, the Group has conducted prospective studies on the use of nuclear power, solar power and wind power on large-scale ocean ships.

At present, the use of solar power, wind power, terrestrial heat, hydro power and bio-based energy has not been included in the calculation of power consumption.



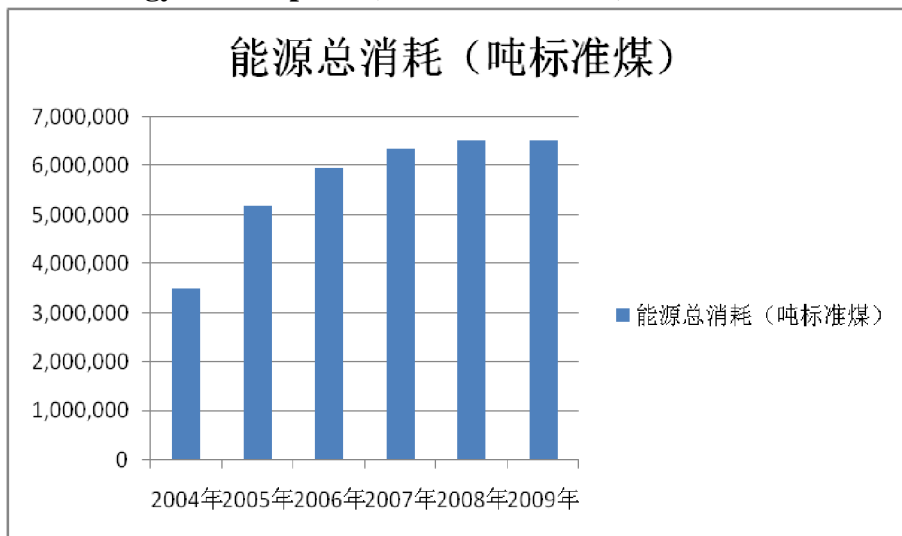
(6) Total energy consumption

Total energy consumption:

Indicator/year	2004	2005	2006	2007	2008	2009
Total energy consumption (tonne of coal equivalent)	3,508,609	5,195,554	5,966,153	6,349,471	6,507,927	6,513,347

(Note: including fuel and electronic power, but excluding gas and other forms of energy)

Total energy consumption (ton standard coal)



(7) Technologies for energy and fuel conservation on vessels

COSCO Group tightly focused on international ship energy-saving and environmental-protection technology development trend; put in a lot of human resource, materials and financial support; digested and absorbed internationally leading management methods and energy-saving and environmental-protection technology; promoted advanced and mature energy-saving and environmental-protection technology while at the same time, continuously developed energy-saving and environmental-protection application technology for its system; with energy-saving techniques and energy-saving management as the methods, implemented various energy conservations.

(a) Application of new technology of electronic control timing and rotational flow atomizing cylinder oil injection: COSCO Group invested a total of 71.03 million yuan and equipped 67 vessels with the electronic control timing and rotational flow atomizing cylinder oil injection technology. This new technology keeps the cylinder wall smooth, reduces abrasion loss, and fuel consumption, improves the reliability of the diesel engine, cuts NOx emissions and is conducive to environmental protection. By using the electronic control timing and rotational flow atomizing cylinder oil injection technology, the vessels managed to cut their fuel consumption and improve



the working condition for their diesel engines. The reliability of diesel engine was improved and the discharge of waste oil cut by more than 30 percent. According to statistics, the new technology has helped improve fuel efficiency by 20 to 40 percent.

COSCO Qingdao actively participated in the promotion and application of engine cylinder oil electronic injector. While its vessels were on dock for repair, the company equipped four Cape of Good Hope vessels, namely Tianchanghai Ship, Tianyanghai Ship, Tianshenghai Ship and Tianbaohai Ship, with the new electronic injector. After half a year's testing, daily oil consumption of the cylinder was reduced by 30 percent.

(b) Install homogenizer on vessel engines: COSCO Group invested 9.9 million yuan and equipped 67 vessels with fuel homogenizers. After the installation, the amount of oil residue separated was greatly reduced, the size of oil grains cut, burning efficiency and heat efficiency improved, and the working condition of the engine elevated.

(c) Install pod and propeller feather edge: COSCO Group invested a total of 5.88 million yuan and equipped 31 vessels with pods to reduce the flow resistance and improve the working condition of the main engine, which improved the heat efficiency of vessels.

(d) Spare fuel efficiency device: COSCO Group invested a total of 1.5 million yuan and equipped the Spare fuel efficiency devices on 5 vessels. With this device, the average fuel consumption was reduced by 3 percent, which cut costs effectively.

COSCO Guangzhou equipped three vessels, Baishaling Ship, Jinniuling Ship and Ruichanghai Ship, with the Spare fuel efficiency device. Based on the results of the test done by the Wuhan Water Transport Industry Energy Utilization Supervision Center, the device helped improve fuel efficiency by 2.4 percent in a stable and effective manner. Calculating by the international fuel prices of 460 dollars per ton, Baishaling Ship could save 0.34 tonnes of fuel every voyage day and therefore cut fuel costs by 156.4 dollars. Jinniuling Ship and Ruihaichang Ship, on the other hand, could save 0.528 tonnes of fuel every voyage day and therefore cut fuel costs by 242.88 dollars. Combined together, the three vessels could save 1.4 tonnes of fuel and cut costs by 642.16 dollars. If each ship makes three trips to Western Africa every year, and each voyage lasts 228 days, a total of 318.30 tonnes of fuel can be saved which amounts to 146,418 dollars. Meanwhile, gas emissions from the vessels were significantly reduced, and the energy conservation and emission reduction efforts proved very effective. COSCO Group invested a total of 600,000 yuan, or 87,847.73 dollars, in the installation of Spare devices on 3 vessels and saved 58,571 dollars in fuel costs.

(e) Utilization of fuel additives: COSCO Group invested a total of 32,370 yuan and utilized fuel additives on 289 vessels, which served the energy conservation purpose quite well.



In 2009, COSCO Guangzhou used JM-1 fuel additive on three vessels, Xichanghai Ship, Jinshaling Ship and Jindaling Ship. By comparing the performance of Jinshaling Ship at the same sea region under the same wind and cargo conditions, it was found that the vessel's fuel consumption was reduced by 0.7MT or 3.8 percent every day after using the additive. If the three ships consume 22 tonnes of fuel every day and travel 228 days in a year, they can save fuel consumption by 477.8 tonnes and costs by 220,248 dollars at the price of 460 dollars per tonne. Using 10 tonnes of JM-1 according to the ratio of 1:1,500, and calculated at the price of 54,000.00 yuan per tonne, the total cost of the additive stands at 540,000.00 yuan, or 79,062 dollars, but will help reduce cost by 141,186 dollars. Meanwhile, the amount of greasy filth in the oil cabin was greatly reduced, which kept the oil distributor, filter, heater, viscosimeter and fuel spray nozzle clean. As such, the work required for maintenance and the rate of failure were reduced considerably. In addition, homogenous fuel reduced the work load of the oil distributor, improved the spray and pulverization of fuel, and therefore improved fuel efficiency and cut fuel consumption.

(8) Energy-conserving lean management projects and measures

COSCO Group actively implemented and acted in the energy conservation and emission reduction guidelines and policies of the country, adhered to reducing cost and increasing efficiency, made every effort to reduce energy consumption, and carried out energy conservation activities by applying lean management measures. It has established the Energy-saving and Emission-reduction Leading Group of COSCO Group headed by Capt. Wei Jiafu, and Energy-saving and Emission-reduction Leading Group of second-tier companies headed by responsible persons of second-tier companies. Based on features of shipping management and land-based industries, it has established environmental protection and energy consumption department, energy conservation office or other related institutes for energy conservation and emission reduction work, implemented the responsibility system and formulated liaison system of work of related departments.

COSCO's shipping companies made use of the lean management measures to control fuel consumption by vessels, collect statistics on fuel consumption, and provide guidance for vessels to lower their fuel consumption. The employees in charge of fuel conservation were appointed, and fuel consumption was incorporated into the performance evaluation indicators. Comprehensive management measures were introduced, and an information management platform for fuel consumption established. By analyzing the fuel consumption during operation, tracking the fuel and lubricating oil consumption by different ships, the companies have come up with scientific, rational quota for fuel consumption and effectively controlled the use of fuel by vessels. By focusing on the source, detailing indicators, enhancing maintenance, tracking new trends, controlling the processes and paying attention to key points, the companies placed each link in the utilization of vessel fuel under its control and effectively reduced energy consumption.

COSCO Ship Engineering implemented the principle of "green shipbuilding," and



adopted new devices and technologies on its construction sites. If the strict control of waste discharge and the recycling of wastes should be considered “remedial” measures for energy conservation and environmental protection, then the investment in new technologies and techniques should be considered the “preventive” measures. Only by combining the “remedial” and “preventive” measures can the management on energy conservation and environmental protection be productive enough.

As for the remedial measures, COSCO Ship Engineering enhanced its treatment of sewage and dust. The company invested 400,000 yuan and 1.9 million yuan to update the bio-technologies at its No. 1 and No. 2 sewage treatment plants. The treatment capacity of the company was improved from 480 tonnes per day to 1,080 tonnes per day, and all water discharged met the quality standards. As early as 1998, the company adopted the then most advanced coating workshops and made sure that all operations were conducted in a closed, zero-leakage, pollutant-free environment, which brought the discharge of dust effectively under control.

▲ Replace fuel boiler with concentrated heating: the cost of purchased steam was only 136 yuan per cubic meter, while the cost of steam produced by fuel boiler was as high as 464 yuan per cubic meter. If the company chose to purchase steam, then it had to spend 4.267 million yuan, based on the consumption in 2006. The cost would reach 9 million yuan if calculated according to the scale of the second-phase project. Therefore, the company decided to eliminate fuel boilers in the second phase of the project and adopt concentrated heating. The total replacement project cost 2 million yuan, and the investment was paid back within a year. In addition, the emission of carbon dioxide by the fuel boiler was greatly reduced, which improved the air quality at the plant.

▲ Replace carbon dioxide electrical heating gasifier with spraying gasifier. Natong COSCO KHI Ship Engineering conducted in-depth research and sought advices from experts, and decided to replace the carbon dioxide electrical heating gasifier with spraying gasifier in the second phase of its project. The spraying system cost 500,000 yuan, but its annual operation cost was only 39,600 yuan. Compared to the use of electrical heating, which cost 1.47121 million yuan every year, the cost of the project can be returned within a year.

▲ Replace acetylene and propylene with natural gas. As a green energy, natural gas features low cost, wide application and high security. It is replacing acetylene and propylene as a major cutting gas in ship manufacturing. Therefore, Nantong COSCO KHI Ship Engineering began to promote the replacement project since early 2009. According to estimation, the use of natural gas would help reduce cost by 1.8 million yuan every year.



(9) Measures to reduce indirect energy consumption

All subsidiaries of COSCO Group analyzed the links in their production processes, and tried to make full use of their potentials to reduce indirect consumption of energies. The companies replaced and upgraded old facilities and tools that were energy-intensive, and achieved excellent energy-saving results.

COSCO Guanxi, for instance, powered the motor-driven gear pump on its sand mill with compressed air, which could save 3kw power on every pump. The solvent gear pump in the plant was replaced by air-driven pump, which saved 2kw power on every pump. The dirt catcher was renewed, and its engine power lowered from 22KW to 15KW, which saved 8,000 kilowatts power every quarter. Furthermore, the glass beads on the sand mill were replaced by zirconium beads, which improved the filling rate from 60 to 65 percent in the past to 80 to 85 percent now. By improving the mill efficiency, productivity was elevated by 30 to 40 percent and power consumption by each device was reduced by 20KW. The 125KW high-pressure mercury lamps at the workshop and storage were gradually replaced by 45W 4U energy-saving lamps, which saved as much as 40,000KW power every year while maintaining the same lighting effect.

The information technology center at COSCO Bulk made the establishment of green machine rooms its goal, and introduced the virtualized technology to manage its servers. In 2009, more than 30 servers were laid off to reduce the number of air-conditioners in the machine room, which saved more than 100,000 kilowatts power throughout the year.

COSCO Shipping utilized the 10KV utility power and set up converter rooms at its plants. A total of 20 converters were equipped, which amounted to 33,100KVA. During the day time, the converters were 90 percent loaded, while at night 50 percent loaded. The main load was used for welding equipment, alternating-current motors and some transducers whose general power factor stood at around 0.85. To improve the power factor, and ensure the reliability and safety of power supply, the company adopted concentrated supplementary devices and filtering devices, and the capacitors were set to turn on and off automatically. After the project was implemented, COSCO Shipping managed to cut their power cost by 31,500 yuan every month, and the cost could be repaid within 10 months.

3. Water resources

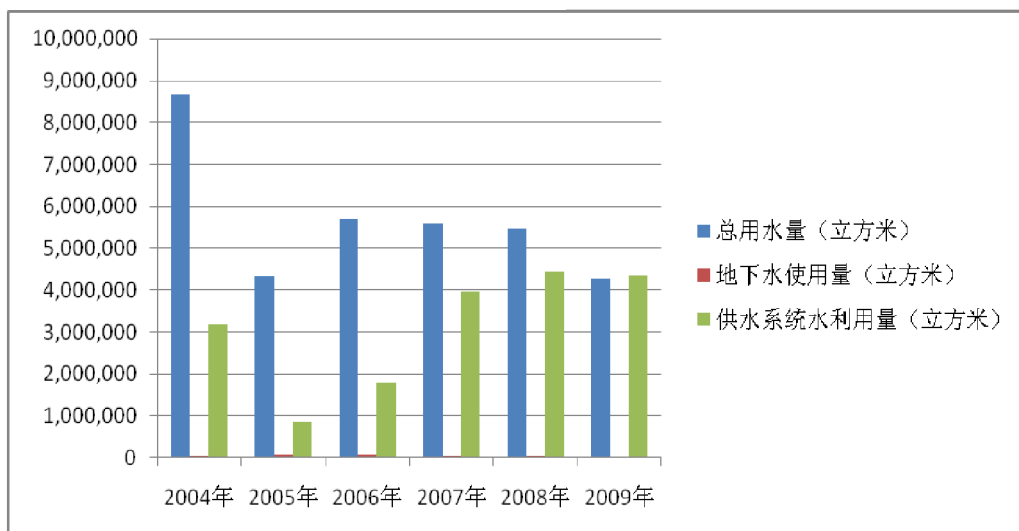
Water resources are closely linked to the social and economic development of the world. As the human society and economy continue to grow, demand for water resources is rising dramatically. As a result, the problem of water shortage is becoming increasingly conspicuous. Water resources constitute as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



(1) Water consumption

Water consumption of COSCO Group from 2004 to 2009:

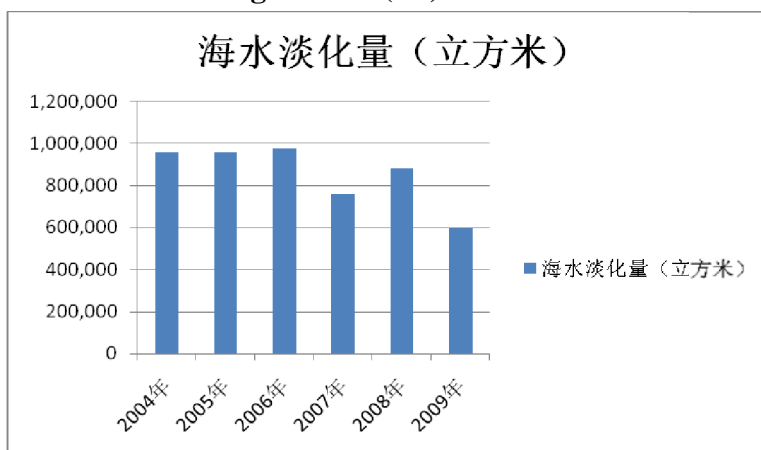
Indicator/Year	2004	2005	2006	2007	2008	2009
Total water consumption (m ³)	8,662,064	4,320,209	5,687,118	5,579,480	5,471,942	4,264,061
Underground water consumption (m ³)	65,700	72,100	77,800	63,900	50,000	40,615
Consumption of water from water supply system (m ³)	3,197,193	870,763	1,774,445	3,953,004	4,452,945	4,364,604



Vessels and land bases use desalted sea water to save fresh water resources.

Indicator/Year	2004	2005	2006	2007	2008	2009
Seawater desalting volume (m ³)	960,145	959,196	976,719	760,269	883,940	596,674

Seawater desalting volume (m³)

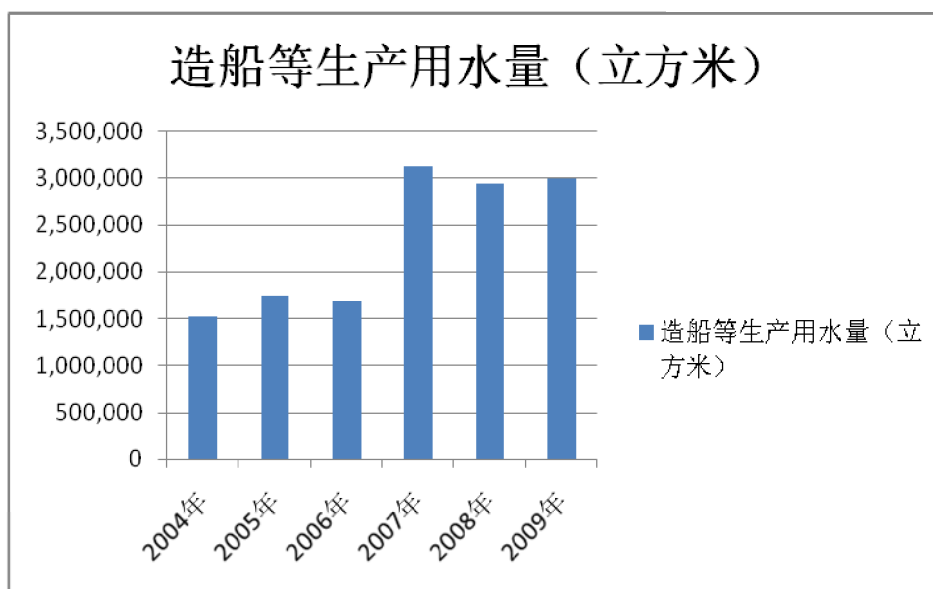




Water consumption in land-based shipbuilding business is as follows:

Indicator/Year	2004	2005	2006	2007	2008	2009
Water consumption in ship-building (m ³)	1,523,196	1,743,688	1,690,551	3,123,417	2,945,981	2,997,301

Water consumption in ship-building (m³)



(2) The significant impact of water consumption on water resources

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

(3) Water conservation measures, such as seawater cleaning

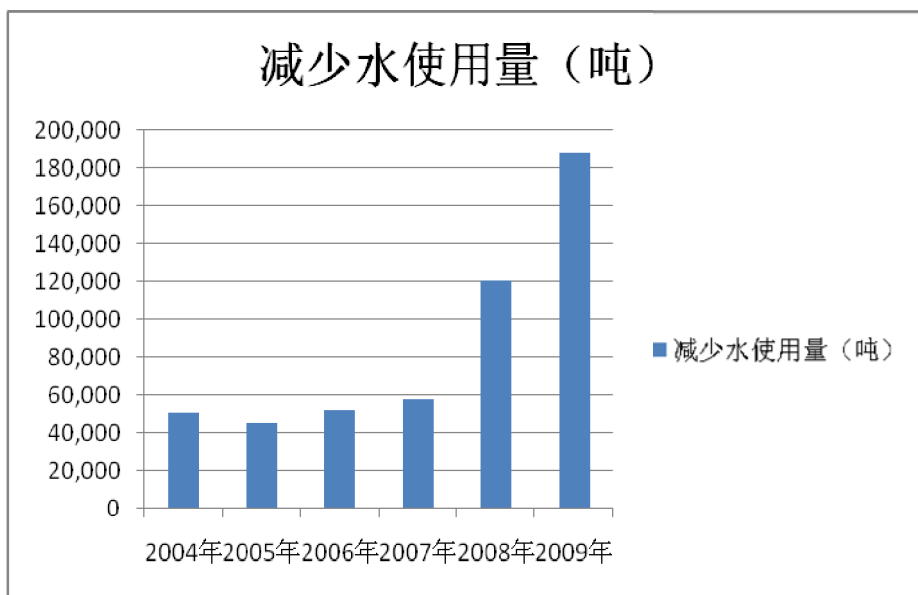
Water conservation of COSCO Group was comprised of ship water conservation and land-based water conservation. In terms of ship water conservation, all ships of COSCO Group were equipped with seawater desalination devices to de-salt the seawater with waste heat energies of main engines for daily water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



Decrease of water consumption of COSCO Group compared with same period of previous year

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

Reduced water consumption (ton)



4. Bio-diversity

After assessing the value of ocean shipping and other operations to biological diversity in involved areas, COSCO Group decided that traditional vessel paint, ballast water and vessel pollution had the largest impact on marine bio-diversity.

Therefore, COSCO Group tracked the requirements for bio-diversity in international conventions, and formulated policies to protect bio-diversity. After active research and effective implementation, non-toxic paint was used in the entire supply chain from shipbuilding to ship maintenance to protect the lives of ocean creatures. The Group also introduced and implemented plans for the treatment of ballast water to protect the living environment of marine life. In addition, international safety management regulations were strictly observed to prevent sea pollution and ensure the safety of ocean creatures.

COSCO Group paid close attention to the natural resources and ecological environment in the world and made efforts to sustain bio-diversity in the ocean environment to fulfill its responsibility as a multinational company. The Group made an effort to promote the use of environmentally-friendly paint. By far, all the paint used on vessels operated by COSCO Group met the requirements set out by the



International Maritime Organization in relevant environmental protection conventions. In 2009, COSCO Group added 11.84 million yuan to its investment and painted 4 ships with INTERSLEEK paint. Free of biological insecticides which kill marine creatures, this paint can improve the surface smoothness of vessels, reduce frictional factor, minimize the chemical and electrostatic adhesiveness between paint surface and marine creatures and therefore better protect the living environment for marine creatures.

▲ Ship ballast water management

COSCO Group strictly enforced conventions and relevant port requirements and developed the Ship Ballast Water Management Plan for every vessel which clearly defined responsibilities. Ballast water replacement requirements were established, while records and monitor for the whole ballast process were noted, so as to fully protect marine environment and sustain biological diversity development. Based on the research and development of COSCO Group Ship Ballast Water Physical Purification Treatment Technology, COSCO Group actively minimized the negative impact of ship ballast water to marine biological diversity and promoted marine environment and marine biological diversity protection. All the vessels operated by COSCO Group also responded actively to the initiative and incorporated bio-diversity protection into their daily operations.

▲ Construction of COSCO Group Bo'ao eco-garden

While concerned about the protection of marine environment, Hainan COSCO Bo'ao, a subsidiary of COSCO Group, played an active part developing ecological gardens. To effectively protect the local ecological environment, to achieve sustainable development in accordance to the requirements by relevant laws and regulations, and with the concept of harmonious unity of nature, society and human, COSCO Group is committed to regional ecological environmental protection, recycling economy development, concentrated treatment of water pollution, air pollution, forest coverage, waste pollution and other protection measures to eco-areas. By taking into consideration local natural sceneries and bio-diversity in its environmental designs, COSCO Group ensured that there was no bare land in outdoor areas and the forestation rate reached 70 percent, which effectively protected local plants and ecology. The air-conditioning system in the eco-garden was set at 24 degrees Celsius, and there was a constant temperature protection switch to reduce power consumption. With a recycling and filtration system, the water can be used repeatedly, which reduced water consumption. A large amount of original forests were preserved in the construction of the eco-garden, along with the natural ecological paths and indigenous villages. Most new plants introduced were local breeds, and the types of trees planted were suitable to local weather and geographic feature, which ensured not only the diversity of animal species but also the connection of the entire biological food chain. Wastes and fading leaves were fermented to be used as organic fertilizer for flowers.



As for the harm done by brontispa longissima on palmae plants on the Hainan Island, chalcids were introduced to reduce the spray of chemicals and to protect the palmae plants and the environment.

5. Exhaust, sewage and waste

By strictly observing relevant international and national laws and regulations on the emission and treatment of exhaust, sewage and waste, COSCO Group has managed to minimize the emission of exhaust gas, sewage and waste and therefore their negative impacts on the environment. In 2009, COSCO Group enhanced its efforts to conserve energy and cut emissions, which considerably reduced the amount of exhaust gas, sewage and waste discharged and kept emission per cargo handling at a relatively low level. All vessels operated by COSCO Group have been issued an International Oil Pollution Prevention (IOPP) certificate.

(1) Exhaust

The international maritime community has been calling for the reduction of greenhouse effect by cutting carbon dioxide emissions. Actively responding to this initiative, COSCO Group has taken effective measures in a number of aspects to reduce carbon dioxide emissions. In 2009, the Group launched an emission reduction campaign where it cut exhaust discharge by reducing fuel consumption, improving fuel efficiency, and controlling and cutting vehicle exhaust, etc.



Use of low-sulfur fuel to reduce emissions of sulfur oxides. Ships of COSCO Group further enhanced the convention compliance strengths, and continued to use low-sulfur fuels in specific shipping areas in line with the requirements MARPOL Convention Appendix VI, so as to reduce emissions. In 2009, it used a total of 79,473.78 tons of low-sulfur fuels, resulting in increase of fuel costs of 28.48 million yuan and reduction of sulfur dioxide emissions by 4,112 tons.

In 2009, at the At-Berth Clean Fuel Program unveiled by the Port of Seattle, the vessels operated by COSCO Container Shipping used clean fuel (0.5 percent sulphur diesel) after they berthed at the port, which effectively reduced exhaust emission from the vessels and met the Port's emission standards in its efforts of the Northwest Ports Clean Air Strategy. In recognition of COSCO's efforts, the Seattle Port Authority issued a Clean Oil certificate to every one of its vessels and awarded the company a Green Channel banner. On September 28, the authority issued an bonus check of 31,500 dollars to COSCO Container Shipping.



Total emissions:

Indicator/year	2004	2005	2006	2007	2008	2009
Carbon dioxide (CO ₂) (tonne)	7,408,051	11,071,600	12,688,800	13,716,510	14,368,138	14,181,600
Nitric oxide (tonne)	207,903	301,176	345,168	373,131	401,940	396,720
Sulfur oxide (tonne)	133,823	213,600	244,800	263,039	274,564	273,600

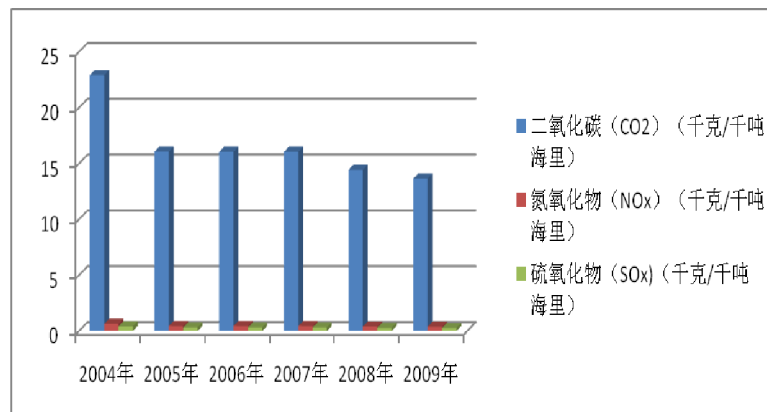
a) Carbon dioxide: according to IMO MEPC/29/18/DEC.1989 of IMO Marine Environment Union, one kilogram fuel produces 3,110 grams carbon dioxide.

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

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

Emissions for unit turnover volume

Indicator/year	2004	2005	2006	2007	2008	2009
Carbon dioxide (CO ₂) (kilogram/thousand ton mile at sea)	22.91	16.07	16.05	16.05	14.44	13.64
Nitric oxide (NO _x) (kilogram/thousand ton mile at sea)	0.64	0.44	0.44	0.44	0.39	0.38
Sulfur oxide (Sox) (kilogram/thousand ton mile at sea)	0.41	0.31	0.31	0.31	0.28	0.26





Cost of exhaust reduction:

Indicator/year	2004	2005	2006	2007	2008	2009
Costs of exhaust reduction (10,000 yuan)	273	311	2,293	546	6,127	3,902

(2) Sewage

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

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

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

Indicator/Year	2004	2005	2006	2007	2008	2009
Oil residues discharged to the sea (ton)	0	0	0	0	0	0
Ship pollution discharge and shore-returning volume (ton)	35,706	44,866	48,753	44,658	35,021	31,578

(3) Waste

In strict accordance with the supplementary provisions to the MARPOL Convention, all vessels operated by COSCO Group recycle and incinerate the solid wastes produced. All (100 percent) vessel industrial wastes, including garbage, sump oil and oilfoot, are treated.

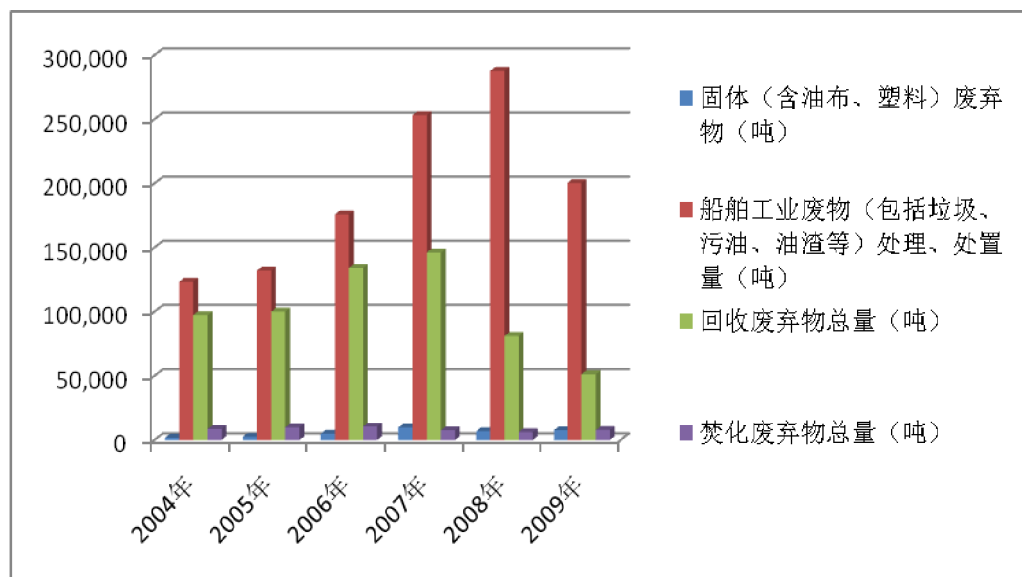
In 2009, COSCO Group continued to enhance environmental protection at the work place and recycled all the sump oil, used fluorescent tubes and batteries. The Group established a work account for the recycling and processing of harmful wastes, which



effectively reduced and prevented environmental pollution caused by these wastes.

In terms of the standardized treatment of wastes, Natong COSCO KHI Ship Engineering Co Ltd, a subsidy of COSCO Shipyard Group, put forward in 2003 two operable indicators, namely rate of paint waste and rate of solvent waste, and included the two factors into the company's annual environmental assessment. Through the assessment, the emission of harmful wastes was reduced and the utilization of materials became much more efficient. The rates of paint waste and solvent waste were brought down from 0.0875 ton/kiloliter and 0.0393 ton/kiloliter in 2004 to 0.076 ton/kiloliter and 0.033 ton/kiloliter in 2009, respectively.

Indicator/year	2004	2005	2006	2007	2008	2009
Solid waste (including tarpaulin, plastics) (ton)	1,801	2,369	4,799	9,814	6,830	7,692
Amount of vessel industrial waste treated (including garbage, sump oil, oilfoot) (ton)	123,611	132,292	176,028	253,212	287,863	200,397
Amount of waste recycled (ton)	97,333	100,044	134,286	146,091	81,231	51,279
Amount of waste incinerated (ton)	8,605	9,842	10,533	7,569	6,057	7,802



(4) Calculation of carbon footprint

In a world where energy conservation, emission reduction and green ecology are the major themes, enterprises are endeavoring to establish an economic mode that is



energy-efficient and environmentally-friendly. COSCO Group promoted scientific and technological innovation in energy conservation and emission reduction by improving energy efficiency and eliminating energy-consuming, pollution-causing production. It is the company's social responsibility to develop low-carbon economy and reduce carbon emissions. Therefore, the calculation of carbon footprint serves as a new token of the Group's commitment to social responsibility and points to the way for the Group's future development.

In 2009, COSCO Group adopted Life Cycle Assessment (LCA) to calculate and study the carbon emissions throughout the entire life cycle of vessel transportation, especially in its ocean shipping business. Carbon footprint (carbon consumption) was studied on three stages: ship manufacturing, vessel transportation and vessel disposal. After having obtained a clear picture of the carbon emission at every link and period, the Group was able to control and reduce its carbon emissions.

Serial No.	Name	Volume	Unit	Greenhouse gas	Carbon emission coefficient	Unit	Carbon emission volume	Unit
I	Shipbuilding						70085006	kg
(I)	Raw materials							
1	Steel	43545	ton	Carbon dioxide	1600	Kg/ton	69672000	kg
				SO ₂ +SO ₃	0.068	Kg/ton	2961.06	kg
				NO+NO ₂	5.1	Kg/ton	222079.5	kg
2	Steel tube	2046.419	ton	Carbon dioxide	80	Kg/ton	163713.52	kg
				SO ₂ +SO ₃	0.068	Kg/ton	139.156492	kg
				NO+NO ₂	5.1	Kg/ton	10436.7369	kg
(II)	Shipbuilding							
1	Electric welding and processing	1052000	m	Carbon dioxide	0.013	Kg/m	13686	kg
II	Operation						288914	kg



(I)	Fuel	22933.27	ton	Carbon dioxide	2.7	Kg/Kl	62482.1685	kg
				Methane	0.1	Kg/ton	2293.327	kg
				carbon monoxide	7.5	Kg/ton	171999.525	kg
				Nitrogen oxide	2.18	Kg/ton	1834.6616	kg
				Non-methane volatility organic compound	0.91	Kg/ton	49994.5286	kg
(II)	Fresh water	340	ton	Carbon dioxide	0.91	Kw/ton	309.4	kw
	Total						70.37	10,000 tons

Remarks: As the company doesn't calculate the paints used in shipbuilding and operation process, the statistical results don't include the greenhouse gas emissions given up by paints.

(5) The “Green Flag” program

The “Green Flag” program is an environmental protection program initiated by the Port of Long Beach of the United States. COSCON and COSCO Dalian won the green environmental protection banners issued by the Long Beach Port Authority in 2009. Since the implementation of the Green Flag plan in 2005, COSCON met the environmental protection requirements for five years in a row and was awarded a green environmental protection banner. Therefore, COSCO Group was given a favorable price by the port authority in recognition of its environmental protection efforts when COSCO vessels entered the Long Beach Port in 2010, which helped COSCO save 350,000 dollars in cost.

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.

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 coordinated community environment.

▲ Ship decommissioning policies

COSCO Group is very concerned about the disposal of vessels, which are the major service tools in ocean shipping, after they are decommissioned.

In 2009, COSCO Group continued to carry out relevant decrees issued by the Ministry of Communications to put the ships reaching the decommissioning age out of commission. In the meantime, ships not reaching the decommissioning age, but were in a poor state and were considered as not suitable to ocean shipping were also put out of commission. The decommissioned ships of COSCO Group were sold in two ways, i.e. operational ships and waste steel ships, which were sold to shipping companies with operational qualifications and to qualified ship scrapping companies respectively, so as to avoid the environmental influences. For ships sold to qualified ship scrapping companies, COSCO Group required the scrapping companies to made commitment on the contract in terms of qualifications, establishment and operation of environment management systems and main purposes after scrapping, ensuring the scrapping of ships the premise of environmental protection and thus reducing the impacts to the environment to minimum extents.

Statistics of decommissioned ships of COSCO Group in recent six years

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

7. Regulations

COSCO Group Strictly enforced the International Convention for the Prevention of Pollution From Ships, the International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties, the International Convention Relating to Intervention on the High Seas in Cases of Non-Oil Pollution Casualties, the International Convention on Civil Liability for Oil Pollution Damage, the International Maritime Dangerous Goods Code and other relevant international environmental protection conventions and agreements, as well as the Energy Conservation Law of the People's Republic of China, the Maritime Environment Protection Law of the People's Republic of China, the China Ocean Law, the



Environment Protection Law of the People's Republic of China. The Group has paid close attention to collection and research of laws and regulations at home and abroad and regularly held training and symposium classes on related laws and regulations to improve employees' awareness of law compliance and prevent the law and regulation-breaching accidents. In 2009, no incident or punishment ever occurred relating to environmental protection.

8. Traffic & transportation

COSCO Group advocated “Green Driving” and strictly abided by the regulations that displacement volume of newly purchased official vehicles should be 2.4L or less. COSCO Group strictly implemented the business trip approval system, encouraged online communications between companies and departments, and held video and telephone conferences as many as possible to reduce exhaust gas emissions and energy consumption of traffic tools. In 2009, COSCO Group saved 6.768 million yuan of **traveling expenses through video and telephone conferences.**

Indicator/year	2004	2005	2006	2007	2008	2009
Travel expense saved by television and telephone conference (10,000 yuan)	244.26	363.41	792.24	425.49	1878	676.8

▲ Transportation of dangerous goods:

COSCO Group implements a three-level management model, namely macro-level, operational level, and onsite level, for the transportation of dangerous chemicals and other goods. It acts in strict accordance to the International Maritime Dangerous Goods Code and the regulations introduced by different countries and regions along its travel routes regarding the carriage of dangerous goods. All vessels operated by COSCO Group with dangerous goods onboard would choose to sail, moor and operate in shipping environments that meet safety standards. In addition, they would discharge ballast water, cabin water and other wastes according to relevant regulations introduced by the country or region where they are. No discharge to the water where this is forbidden by the country or region, so as to prevent environmental pollution. In 2009, vessels and land enterprises under COSCO Group did not cause any pollution due to the spill of dangerous chemicals.

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 year. In this way, COSCO Group has made remarkable achievements in energy conservation and environmental protection.

Total expenditure and investment in environmental protection:

Indicator/year	2004	2005	2006	2007	2008	2009
Total expenditure for environmental protection (10,000 yuan)	4,847.90	5,528.85	6,658.51	6,418.44	8,091	9,255
Total investment in environmental protection (10,000 yuan)	701.78	1,830.82	2,926.48	4,310.28	16,356.82	16,649.40

Major investment in environmental protection:

Indicator/year	2004	2005	2006	2007	2008	2009
Costs for waste treatment (10,000 yuan)	234.65	299.90	384.37	692.38	523.51	224.45
Environmental responsibility insurance (10,000 yuan)	2,219.61	2,367.90	2,764.56	2,299.16	2091	7,035.87
Costs for using external services for environmental management (10,000 yuan)	109.90	81.37	188.73	91.80	121.27	64.12
Costs for overall environmental management activities (10,000 yuan)	135.36	203.88	283.15	184.05	593.65	862.73
Costs for waste, emission treatment and remediation (10,000 yuan)	38.49	44.51	85.53	953.28	379.84	370.90



PRODUCT LIABILITY PERFORMANCE INDICATOR AND KEY REPORT



Part C Management approaches and performance indicators

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 shouldered 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 2009, COSCO Group entered into strategic partnership relationships with many world top 500 enterprises and local governments and was awarded the Green Flag Award for its environmental protection efforts by the U.S. 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. Organization and responsibilities

COSCO Group headquarters and all its subsidiaries set up the offices for sustainable development committees or regulatory departments to be responsible for effective operation and control of quality, environment, occupational health and social responsibility management systems of the headquarters and its subsidiaries. The



Transportation Department of COSCO Group headquarters is responsible for formulation of guidelines and policies for transportation production of COSCO Group. The Safety Technology Supervision Department is responsible for ship, crew and cargo safety in transportation process. The product and service design and development departments of the companies are responsible for collection and identification of customers' safety and health demands and product and service liability requirements. The product manufacturing and service providing departments strictly implement related regulations to ensure quality of product manufacturing and service providing processes. The marketing departments promote the products and services honestly and faithfully under the marketing guidelines of the group, and participate in opening and fair competition of the market. The management departments are responsible for collection of customer satisfaction information, investigation and analyses on insufficiencies, formulation of corrective and preventative measures and supervision on the implementation.

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 commitment 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 know customers' demands. COSCO Group headquarters and its subsidiaries set up a special budget for training, formulated annual training plans and organized daily trainings in form of self-study, class and accreditation to improve product liability consciousness 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 angle of customers through on-site audit of the second party. It also justly and objectively evaluated the consistency and effectiveness of the companies' efforts to perform product and service liability compared with related standards and documents through third-party certification and audit. COSCO Group headquarters and its subsidiaries established daily and annual evaluation mechanism to supervise, evaluate and check



the product and service liability-related contents as specified in the operation and management liability objectives. It carried out customer satisfaction survey and information collection work through various ways to get customers' opinions and suggestions, so as to accept supervision of the customers and the public.

Statistical table for establishment and operation of management systems established by companies affiliated to COSCO Group according to Quality Management Standards (ISO9000) and international/domestic safety management regulations (ISM CODE/NSM CODE):

Company	Quality management system		Safety and anti-pollution management system	
	Established	Certified		Established
COSCO Group headquarters	★	★	--	--
China COSCO	★		--	--
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 2009, 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 Group's detailed services and products classification as follows:



Product classification and its impact assessment

Serial No.	Product Classification	Product Description	Completion of life cycle assessment
1	China COSCO	<p>Container Transportation About 146 ships in control. Owns today's most advanced container ships (transportation capacity over 1000 TEU), total transportation capacity reaches 560,000 TEU</p>	Yes
		<p>Dry Bulk Cargo Transportation China COSCO operates 439 dry and bulk cargo ships, of which, 222 are self-owned ships and 217 are leased ships. With the total carrying capacity of 36,572,031 DWTs, it is world's largest dry and bulk fleet in the world.</p>	Yes
		<p>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 established more than 400 branches in 29 provinces, cities, autonomous regions, Hong Kong and foreign countries. COSCO Logistics has ranked the first place in the appraisal of "The Best 100 China Logistics Enterprises" for five years in succession.</p>	Yes
		<p>Dock 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.</p>	Yes
		<p>Container Leasing Floren Container Co., Ltd owns and hosts 1,582,614 TEUs. Its container lease business accounted for 14.3% of the global market share, ranking the second place in the world.</p>	Yes
		<p>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 than 50%.</p>	Yes



2	Other shipping companies	Liquid Bulk Cargo Transportation	It owns and controls 37 oil tankers, liquefied gas carriers and chemical ships, with the total capacity of more than 5.5 million DWTs (of which, 31 are self-owned ships, with the carrying capacity of 3.84 million DWTs). The fleet size takes a lead among similar enterprises in domestic market.	Yes
		Grocery Item Transportation	Owns, operates and manages 138 ships. Transportation capacity reaches 2.399 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
3	Shipbuilding and ship-repairing	Ship Repairing	Ship repairing bases in Dalian, Zhoushan, Nantong, Guangzhou, Shanghai and Lianyungang own 16 different types of vessels including 300,000 dwt and 500,000 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 ranked the top in worldwide scale. The company has annually repaired more than 500 vessels and annual ship building capacity reaches two million dwt.	Yes
		Shipbuilding	COSCO Shipbuilding Industry is the current domestic largest shipbuilding heavy enterprise. Its production capacity reached three million dwt in 2009. After production of shipbuilding base in Dalian, the annual production capacity will reach six million dwts. Shipbuilding technology takes a lead in domestic market.	Yes
4	Others	Fuel Stock and Sales; Lubrication Agency Service	China Marine Bunker owns a wide range of 100 vessels, 18 oil storage facilities, with a total storage capacity of 1.19 million cubic meters. It owns docks with mature equipments and truck loading and unloading lines to provide all-directional services for ship-owners, vessel leasers, investors and equipment manufacturers worldwide. In business expansion and development process, the company has established long-term, stable and wide liaison and cooperation relations with shipping companies, oil companies and other related customers, establishing a good	Yes



		reputation in shipping and oil industries.	
	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.	
	Finance	Approved by China Banking Regulatory Commission, COSCO Finance is a non-bank financial institution aiming at the centralized management of group's funds and improving the use efficiency of funds. It provides it group members with financial management services.	Yes
	Business Meeting, Hotel and Vacation	Boao COSCO Co., Ltd is committed to the development, construction, operation and management of equipped facilities of Boao Asia Forum. Five operation units consist of Boao COSCO Co., Ltd which respectively are: 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 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 "AAA-grade Credit Enterprise of China's Foreign Cooperation Labor Service Enterprise" for the first time in 2009.	Yes

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. Taken 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 as follows:



Table for Transportation Production and Relevant Targets

Name of Target/Year	2004	2005	2006	2007	2008	2009
Arrival Out of Work Times	451	495	542	382	725	293
Departure Out of Work Times	942	539	598	438	742	316
Punctual Arrival Rate (%)	95.27	95.50	95.96	96.97	94.05	97.67
Punctual Departure Rate (%)	94.84	95.10	95.24	96.55	93.91	97.50
Integrated Punctuality Rate (%)	95.06	95.3	95.46	96.76	93.98	97.58

On November 23, 2009, Seven Driller, the world’s most advanced cylindrical drilling unit, was delivered from COSCO Shipyard in Nantong to the ship owner.

This platform is a 6th-generation drilling semi-submersible rig built by COSCO Shipyard. It represents the most advanced technology in ocean oil drilling platform and is a high-end product with incomparable capacity. In 2009, it was listed as one of China’s top 10 technological achievements on Science & Technology Review, an academic journal sponsored by the China Association for Science and Technology.



On November 18, 2009, Caesar Ship, China’s first deep-sea pipe-laying vessel was delivered by COSCO Shipyard in Nantong. The transformation of a cable-laying ship into a pipe-laying ship was more complicated and technologically challenging even than building a new ship. It is capable of laying pipes with a maximum diameter of 1.2m in up to 3,000 ft of water.



The newly converted pipe-laying vessel marked a new breakthrough in the conversion of special vessels for ocean engineering in China.

Control of the Fuel Supply Process of Self-Supply Vessels, an achievement in Quality Control by Chimbusco, found out that throughout the entire process of fuel supply on self-supply vessels there were a series of problems and deficiencies. For example, the greasy substances exceeded contamination standards, the efficiency of fuel supply low, the main risks involved in the fuel supply process underestimated, preventive measures chosen not sufficient, the management of different departments not clearly defined, and supervision, examination and control of each link monotonous. After analyzing the causes, the company found out the key reasons, implemented effective policies, assessed relevant risks, and therefore controlled the average grease



contamination rate at a level of -1.75 percent in 2009, realized the active goal of -2.00 percent. This figure was 50 percent lower than the -3.37 percent in 2008. In 2009, fuel supply efficiency at Chimbusco headquarters improved 27.2 percent year-over-year, far higher than the original goal of an improvement of 17 percent. Furthering this effort, the headquarters promoted the flow control management throughout the entire system, summarizing all operational links, forming a unified management mode, enhancing examination and popularization at all grass-root level companies, and further enhancing internal management and the ability to resolve problems in a timely manner.

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 open new lines, the regulatory departments will make an all-round understanding and evaluation on such aspects as the universe and the geography of the sea areas and ports along the routes, the technology situation of ships and local requirements of laws and regulations through collecting information or on-site investigation, thus meeting the needs of customers and related requirements for opening of the lines. Before transporting the cargos, responsible persons of the companies will check the category, nature, quantity and weight of the cargos as well as the seaworthiness and fitness of ships to ensure safe transportation of cargos. The logistics companies provided three stages of evaluation and control, i.e. cargo attribute verification, proposal design and services, ensuring customers' health and safety and fulfilling customers' logistics and transportation demands of customers very efficiently and safely. Ship-building and ship-repairing companies abided by the regulations of the management systems in terms of product design, manufacturing and delivery as well as after-sales service, and conducted full-process supervision and control over the project based on the work division to ensure customers' health and the safety relating to ship-building and ship-repairing projects.

In 2009, COSCO Group was not complained and punished due to influences of products and services on products and services.

COSCO Group and its subsidiaries established, implemented and approved the ISO9000 quality management system, carried out the general principles regarding safety, efficiency, quality and effectiveness, assessed and took into consideration the customers' concerns about health and safety, observed relevant rules and regulations, strictly adhered to the systemic documents formulated by the company, and tried its best to satisfy the customers' requirements and needs for the products and services at every stage.

Kangshengkou Ship operated by COSCO Shipping fulfilled successfully the loading, transportation and complete installation tasks for the CSP-1 and UAP petroleum platform in the USGIF project run by Abu Dhabi Marine Operating Company. Abu



Dhabi National Oil Company (ADNOC)'s track record in occupational health and safety, and protection of the environment sets the standards for the rest of the Arabian Gulf. Ever since 1997, outstanding achievements by ADNOC Group Companies and Contractors are recognized every year in the categories of Health, Safety, Environment, HSE Performance, Sustainable Development and Innovation. All applications go through a 2-phase judging process. The first round of judging is completed by a third-party consultant who conducts a preliminary screening of the applications. The top entry in each of the five categories is carried forward to a second round of judging which involves the ADNOC Directors and CEOs. In early April 2010, COSCO Shipping received an email from Mr.



Chris Rees, the General Director and Chief Engineer for the USGIF project. "I am delighted to inform you that the USGIF project was awarded two titles at the 2009 ADNOC HSE Awards yesterday," Mr. Rees wrote, "the UAP platform and the CSP-1 platform, installed with Dynamic Positioning (DP) system won the first prize in the overall performance of health, safety and environmental protection. It was also named the top partner for contract projects. It is a great achievement to win a first prize; and it is even better to win two at the same time. Therefore I would like to thank all parties involved in the project, including all vessels and crew members." His words bespoke his trust to COSCO Shipping, his preference for COSCO's semi-submerged vessels and his will for new cooperation. "The most accurate description is "silent operation," for throughout the entire project, everything was completed safely, efficiently and without the slightest noise. These awards constitute a high praise for the entire USGIS project and everyone involved in it." By "silent" Mr. Rees meant there was no risk, no accident in the loading and installation processes, and everything ran smoothly according to the original plan. This formed a sharp contrast with the semi-submerged vessels operated by other companies which would report vessel data through interphones all the time. COSCO Shipping's semi-submerged vessels had onboard vessel data transmission software developed by the crew members themselves, and data could be transferred to the drainage console in a timely, regular and accurate manner by simply keying in the information. This was a quiet way to help the staff at the drainage console take accurate measures, control vessel operation and improve loading speed. COSCO Shipping took the lead in adopting dynamic positioning method in ocean engineering, and became a leading provider of high-end ocean shipping technologies in the world. The company would continue to improve its dynamic positioning technology and provide rapid, economical and safe services to customers home and aboard.

3S Service, an international ferry service owned by COSCO Container Shipping, obtained a national trade mark registration, which ensured that healthy and safe services and products were provided to the customers and that the legal rights and



interests of the shipping company were protected. In this way, the company's influence in the shipping service market was further enhanced and expanded. Nantong COSCO Shipyard, for instance, launched a campaign to strive for visible management, fixed management, 6S management, TnPM management, lean management and "zero deficiency" management to protect the customers' safety. By using advanced theoretical and practical methods, the condition of the goods and the behaviors of people were clear at a glance which helped realize the standardization and regularization of the workplaces, the goods, the staff, production and management. Nantong COSCO's experience was promoted at a number of companies, including COSCO Container Shipping, COSCO Bulk, COSCO Guangzhou, COSCO Qingdao, COSCO Dalian and COSCO Xiamen, etc., which effectively protected the safety of the customers.

In order to raise the customers and employees' awareness on fire safety, improve their abilities to react appropriately in cases of fire and other emergencies, all the customers and employees at COSCO Plaza participated in a fire safety drill given by the firefighters from Xicheng District Fire Department. Officials from the Fire Department, the local police station and civic offices joined the representatives from COSCO's major customers at the drilling site. The event was reported by Beijing Television, Beijing Daily, Beijing Evening News and Beijing Youth Daily, etc.

2. Products and service logos

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

With customers as the concentration focus, COSCO Group and its subsidiary companies attached great improve 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 2009, 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.

COSCO Group continued to enhance its strategic cooperation with big customers, and signed a series of strategic cooperation agreements. The Group signed strategic cooperative agreements with China Classification Society, German Lloyd's Register of Shipping (GL), the Provincial People's Government of Zhejiang, Ansteel Group, China National Offshore Oil Corporation, China Export and Credit Insurance Company, China LCO, SNPTC, and Qingdao Port Group, etc to enhance the Group's service capacity and to promote the products and services of COSCO Group.

COSCO Bulk attached particular importance to the development and maintenance of its relations with big customers to enhance its sustainable development ability. The company signed a 3-year COA agreement with Valin Steel, which not only provided both parties with complementary benefits and mutual development opportunities, and enhanced their core competitiveness in their respective field, but also laid a foundation for the two parties to cope with the uncertainty in the post-crisis market and to strengthen their long-term cooperative, win-win relations.

COSCO Logistics and Goodrich Corp. Signed a logistics service agreement. Under the agreement, COSCO Logistics would initially provide integrated logistic services to Goodrich Corp, including China inland and international transportation, bonded logistics park warehousing, consolidation services and customs assistance, etc. COSCO Logistics was committed to further expanding its service offerings to other Goodrich strategic business units and other Chinese aerospace logistics market.



On the basis of 2008, COSCO Group continued to invest into informationization in 2009. It continued to improve the IRIS-II container management operating system, which has been confirmed and appraised by the customers in terms of information services provided. LMIS logistics system of COSCO Logistics is applicable to third party logistics market, and can effectively manage large and medium-sized logistics management, and transportation companies with cluster warehouse and large regional scope. The system has wider business coverage, advanced ideologies, strong





operation ability, and enable COSCO Logistics to control and manage logistics data of customers in the whole process, satisfy customers' demands for instant inquiry on cargo transportation process and help customers to adjust transportation plans and solve the issues and hidden worries in transportation process.

The headquarters of COSCO Group insisted upon concentrated management of trademarks, including the registration, use and protection of COSCO, COSCO ship trade mark, ZHONGYUAN and YUANYANG at home and aboard. In 2009, the major management of trademarks include:

(1) The Group continued with follow-up work for the registration of trade marks at home and aboard, including the classification of trade mark files. Trade mark registrations that needed to be renewed in 2009 were handed over to relevant agents. Trademarks that had not been registered were studied and would be registered soon.

(2) The Group protected its legal rights against Shanghai Zhongyuan Construction for their use of the ZHONGYUAN trademark, analyzing the ways for rights protection with trade mark agents. The Group also offered an explanation for the Ministry of Foreign Affairs and the Ministry of Commerce with regard to the letter from project owners of Palmilla Hotel in Jamaica. Furthermore, the Group prepared a letter on behalf of President Wei Jiafu to the mayor of Shanghai, in which we pleaded for the mayor's support for COSCO Group's assertion of its rights against Shanghai Zhongyuan Construction Group.

(3) COSCO Group supervised the trade mark notices at home and aboard, raised objections against similar trademarks, protected the Group's rights toward its trade marks. In response to the malevolent registration of COSICO trademark by individuals in the European Union, COSCO Group's European branches collected evidence for their use of the trademark, gained support from the EU Coordination Bureau and finally rejected the application for Class 39 registration of COSICO. Also, the Group raised objection against the registration of CISCO trademark in Malaysia, collected evidence of the use of COSCO in Malaysia for the trial of this case. The case of Hebei Yuanyang's registration of the HOSCO trademark aboard is also on trial at present.

3. Customer satisfaction

COSCO Group is always committed to maintaining an honest and mutually-trust worthy relation with its customers, employees and partners. Through excellent customer relation management in the life cycle of its products, COSCO Group ensured maximum satisfaction among its customers. By improving customer satisfaction through effective service management, COSCO Group improved the customers' service experiences and maintained excellent long-term relations with the customers.



Focusing on the needs of customers, COSCO Logistics established a Customer Satisfaction Management System and altered the entire operation of the logistics service system. Passive services in the past were replaced by proactive services that focused on the customers, catered to customers' needs, improved customer satisfaction and loyalty and prevented possible customer loss.

COSCO Star, a vessel operated by COSCO Xiamen, completed its maiden voyage from Xiamen to Taichung. This was the first regular, nonstop vessel operated between China's mainland and Taiwan, and it would shoulder important responsibility and mission for the trade, economic and cultural exchange across the Straits. Since its operation, COSCO Star was applauded by passengers for its excellent services. The Ministry of Transportation, the Taiwan Affairs Office, the Provincial Government of Fujian, the Municipal Government of Xiamen and relevant transportation authorities in Taiwan also spoke highly of COSCO Star.

COSCO Bulk established a customers' information database, registering basic information about the ship owners, leasers, vessel operators and agents and collecting information about the customers' credit, business operation, customer relation and satisfaction, etc. As such, excellent customer management was achieved and relevant operational risks prevented. The customers, on the other hand, were provided with necessary information, and their satisfaction hence improved.

COSCO Shipping has established its customer management goal as "continuously improving customer satisfaction and exceeding customer expectation." Amid the financial crisis in 2009, in particular, COSCO Shipping has made customer an important driving force for the company's development. It was committed to helping the customers "earn money" by providing them with differentiated, high-quality services, rather than "making money" from the customers. As such, the company helped customers fulfill their expectations for safe, efficient, and high-quality cargo transportation, improve their efficiency, lower cost, boost income, beat rivals and establish reciprocal relations with the customers.

4. Honest sales and marketing

Upholding the principles of "honest sales and marketing," COSCO Group is always committed to winning market shares and customers with high quality, trustworthy brand name and credibility and will make it the core competitiveness for the enterprises' development in the future. In 2009, COSCO Group did not violate any relevant laws, regulations or conventions with regard to sales and marketing.

(1) The concept and institutional guarantee for honest sales and marketing

Faced with business opportunities and market competition, COSCO Group upheld the scientific outlook on development, actively fulfilled its social responsibilities and strived for the goals of achieving sound and rapid development and sustainable development. The companies made customer services their top priority, return to



shareholders their ultimate goal, and stuck to the corporate principles of practicality, innovation and persistence and the managerial and operational ideas of honesty and devotion in an effort to create customers' values, protect customers' benefits and realize a reciprocal, win-win corporate value. Upholding the principle of being safe, rapid, economical and thoughtful, the Group established an information release responsibility mechanism, examining all promotional materials and information publicized or unveiled. The anti-monopoly laws of all trading countries were observed to protect the rights and interests of the goods owners and interest parties. By signing long-term strategic agreements with partners, the Group established mutually beneficial relations with a number of competitive partners and realized win-win through fair competition and healthy cooperation. When dealing with its relations with the investors and partners, COSCO Group was always standing by and sharing honors with them in an honest manner; when dealing with its relations with the rivals, on the other hand, COSCO Group emphasized both competition and coordination. Based in China, COSCO Group provided services across the world and gained considerable recognition and praise from the general public.

(2) Sales and publicity

The shipping, logistics and shipbuilding subsidiaries of COSCO Group shared their opinions about market trends with their customers through customers' meetings and routes' meeting. Sales policies and relevant information were openly released, while the companies' sizes, business capabilities and managerial levels disclosed in a timely and accurate manner. The companies would never exaggerate or fabricate specific information about themselves, which was against the principles of honest sales and marketing.

China Ocean Shipping Tally Company, a subsidiary of COSCO Group, considered third-party fairness as its core value. The company and the tally industry attached high importance to the cultivation of fairness. In its operation and production, China Ocean Shipping Tally upheld the principles of justice, honesty and protecting the legal rights and interests of the commissioners, and abided by the ideal of providing independent, objective and unbiased tally results for the customers and relevant parties. When accepting tally work, the company based itself on the stand of the third-party and strictly observed relevant laws and regulations, as well as industrial provisions and standards. Not affected by any administrative, economic or other interfering factors, the company safeguarded the independence, honesty, overall image and interest, and long-term sustainable development of the tally industry by observing laws and honest operation.



On August 18, 2009, the “CCTV 60 Years-60 Brands” Award Ceremony, sponsored by www.cctv.com, CCTV’s Brand Name and International Channel, CCTV Economics, CCTV Mobile Media, CCTV Mobile Television, etc., was held at the Peking University Hall. COSCO Group was named one of the top 60 brand names. COSCO President Mr. Wei Jiafu was awarded the title of Outstanding Contribution Award along with 6 other famous entrepreneurs for their outstanding achievements in the establishment of brand names and their incomparable contribution to brand name development in China.

COSCO Container Shipping American was awarded the title of Excellent Partner in 2009 by BON-TON, a well-known U.S. retailer for its excellent, outstanding container shipping services. Scott Larson, Vice President for BON-TON Global Logistics, spoke highly of the services provided by COSCO Container Shipping. He said that although domestic economy in the U.S. was confronted with difficulties and the American retailing industry remained far from a full recovery, the carriers and



shippers still shared many common interests in terms of route services, tonnage and shipping space. COSCO Container Shipping, as one of the world’s largest container shippers and a strategic partner of BON-TON, provided thoughtful and professional services to the customer. To express their heartfelt gratitude and encouragement for COSCO Container Shipping, BON-TON awarded the company with an Outstanding Partner medal and looked forward to further cooperation between the two parties.



COSCO won wide approval and support from the customers for its high-quality services. The Group was awarded Best Ocean Carrier in 2009 at the annual Cargo Shipping Award sponsored by the Canadian International Freight Forwarders Association (CIFFA). This was the 8th consecutive year COSCO Group’s Montreal branch had won the award.



COSCO Logistics was named One of China’s Top 100 Logistics Enterprises for the 5th consecutive time. Meanwhile, thanks to the continuous innovation efforts made by



COSCO Logistics since its establishment 7 years ago, the company has made outstanding achievements in the fields of research and application of core patent technologies and overseas logistics business development, etc. It was awarded the title of “Most Innovative Logistics Enterprise in 2009.” COSCO Logistics’ leading position on the top logistics enterprises’ list was a result of its continuous innovation efforts and excellent practice in business development mode, professional logistics technology, market competition and enterprise development, etc. Through in-depth, all-round innovation, the company achieved rapid development within 7 years and maintained a leading position among all logistics enterprises in China.

(3) Suppliers and management of supply chains

COSCO Group is committed to establishing a mutually beneficial demand-and-supply relation with the suppliers. By maintaining such as relationship with the suppliers, the creative values of COSCO Group’s subsidiaries were enhanced and their operational risks reduced. All companies would assess their important suppliers in terms of quality guarantee, services, prices and credit, etc, which would help them choose their suppliers in the future. All the shipping, logistics and shipbuilding and maintenance companies established suppliers’ control procedures, and would evaluate and choose suppliers from the qualified ones selected by the headquarters and then provide feedbacks about the performance of the suppliers to COSCO Group. Through the evaluation, selection and management of suppliers, the companies played proactive role in ensuring quality, controlling prices and optimizing services, established a mutually beneficial relation with the suppliers, and effectively reduced procurement costs and operation risks.

5. Protect information security and respect customers’ 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’ privacy, 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 no complaints due to infringing the privacy right of customers in 2009.



▲ Develop and use software to manage customer 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.

6. Law compliance

COSCO Group has insisted on relevant laws and regulations in business operation, operate honestly and trustfully and protect the legal interests of customers and consumers. COSCO Group strives to provide customers with safer, more convenient and more effective high-quality services, which has earned the company a good reputation in the industry. In terms of contract management, COSCO Group strictly observed the regulations stipulated in the COSCO Group Contract Management Methods and relevant work flows, conducted validity assessment over the contracts and agreements signed and approved by the headquarters, and ensured the rights and interests of both parties in the agreement while safeguarding the headquarters' rights and interests at a maximum degree and reducing possible risks. In terms of the management and protection of brand names, COSCO Group headquarters attached high importance of the management of brand names, upheld the principle of concentrated management of trademarks, including the domestic and foreign registration, permitted use and protection of "COSCO," "COSCO" vessel trade mark, "ZHONGYUAN" and "YUANYANG," etc.

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



adopted corrective measures to make improvements, so as to ensure that the production course, the realization of products and services as well as the marketing and the advertising activities can meet the requirements of related laws and regulations. Based on arrangement of the Board of Directors, shareholders of the companies affiliated to COSCO Group will invite external legal institutions to evaluate the legal compliance and the validity of the companies' business operation each year and invited well-known auditing institutions to conduct the audit for the companies in a bid to identify the related requirements of laws and industry regulations for the companies' production, operation, products and services. They reported the situation of legal compliance and the validity according to the standard auditing system, which will be delivered to the Board of Directors for examination and made corrections and improvements on the deficiencies. In 2009, COSCO Group faced no severe penalties for breaching related laws and regulations regarding product and service liability.



LABOR RELATION PERFORMANCE INDICATOR AND KEY REPORT



Part C Management approaches and performance indicators

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 outlook 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. It promoted employee quality project in an in-depth manner, exerted great efforts to implement the strategy of "empowering enterprise with talents", adapted to the 11th Five-year Development Plan of COSCO Group, further improved the overall quality of COSCO employees, protected basic rights and interests of the employees and realized harmonization and win-win of growth and development of enterprises. In 2009, 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-orientation, fulfill the strategic targets of "zero accidents, zero injuries and zero pollution" and ensure occupational health and safety of employees;
- Annual target: enhance safety consciousness of all staff and effectively reduce human injuries. Prohibit severe injury and death accidents, avoid serious accidents, effectively control common accidents and small accidents and reduce the death toll of employees to below 0.1‰.

2. Policies and regulations

Based on requirements regarding crew employment and management in the Labor Law of the People's Republic of China and 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 rights, obligations and welfares of employees from aspects such as employee recruitment, management, employment as well as the occupational health, labor safety, welfares and treatments. It has no discrimination against disabled persons, and provides equal opportunities to all people and lays a solid policy foundation and system guarantee for construction of “harmonious COSCO. The group has established and improved the articles of associations for the labor unions and organized collective negotiation and democratic negotiation as well as the communications and exchanges between employees’ representatives and members of top management of the company.

COSCO Group has stuck to the strategy of developing enterprises by talents, deepened the reform on modern personnel systems, established the human resources management system, and enhanced the transparency and democracy for selection and appointment of cadres. It implemented the public disclosure system in appointment of cadres and adopted competition-for-post method on a just and fair basis to enhance employees’ enthusiasm, prospects and creativity. 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, working skills, management knowledge and employees’ code of conduct. It carried out “Three 300s”



talent project to promote the overall development of human resources of the group. It has enhanced training strengths on urgently needed talents and laid special effects on the cultivation of teams of directors and supervisors, high-tech talents, senior financial management personnel, advanced crews and legal talents. In the meantime, it carefully implemented the Regulations on Seafarers, expanded the training modes of crews, enhanced the training strengths and continuously improved the comprehensive quality of crews. It attached great importance to pre-post, technical, safety and special work type trainings on peasant workers, with the training rate of as high as 100%. It also did a better job in communications of related knowledge and information with various meetings, media and networks and improved management ability and level of employees at all levels.

COSCO Group and its affiliated companies establish diversified and effective communication mechanism between employees and top executives, such as meetings of workers' representatives, mail box of general managers, letters and phone calls, meeting 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 use 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 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	★	★	--	--	--	--
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	★	★	--	--	--	--
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 tapped the potentials of its employees, stimulated their enthusiasm and offered its staffs the sense of belonging, thus achieving common growth of the company and its employees.

(1) Employee structure

Indicator/Year	2006	2007	2008	2009
Total number of employees	69,549	69,285	67,643	71,584
Number of mainland employees	38,435	39,959	38,757	44,036
Number of self-owned crew	26,682	25,191	24,305	22,943
Number of employees working overseas	384	383	393	407
Number of foreign employees	4,048	3,752	4,188	4,207
Proportion of foreign employees	5.82%	5.42%	6.19%	5.88%
Number of foreign female employees	1,602	1,590	1,713	1,658
Proportion of foreign female employees working on land	39.67%	42.4%	40.9%	39.41%
Number of contract peasant workers served	8,875	9,435	10,924	12,408



All-staff labor productivity (yuan)	392,000	684,764	665,836	152,579
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(2) Analyses on employees' leaves and losses

COSCO Group has devoted to create good working environment for employees, encouraged 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 2009, total number of employees who left the group reached 4,414, and the employee loss rate was 6.17%.

(3) Insurance and welfares of employees

COSCO Group has established social insurance system for employees who signed labor agreements with it in accordance with laws and regulations, covering pension, medical care, work-related injury safety, maternity and unemployment insurances, and housing accumulation fund. COSCO 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.

(4) 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.

(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. Through a series of cadre adjustment and exchange, it enables age structure, professional background and experience of the leading group of units adjusted more reasonable.

(6) Crew management

The progress in navigation technologies and the application of modern equipment make greater demands on the crew team-building and management. COSCO Group sets protecting employees' life and health as its fundamental objective, organically combines the staffing and training of the crew, and continuously enhances crew employees' basic knowledge and skills and their adaptation to emergencies and changes so as to meet new situation. Proceeding from the overall improvement of crew quality, we endeavors to strengthen the weak links of comprehensive quality of the crew and train a host of maritime professionals with strong theoretical insights and professional qualities.



COSCO Qingdao had weak links in the safety supervision and management of the crew who serve in foreign countries. To solve this problem, it further strengthened management of its crew, for example, they assessed in phases the qualifications and ship conditions of ship owners or shipping agent companies to which crew are sent, a measure to protect our crew's life and health from the root; continuously strengthened the safety management of overseas crew, set up and implement outbound ships information reporting system, strengthened information reporting and shore-based support for outbound ships to deal with special conditions such as bad weather or through pirate-infested area. These measures ensured the safety of our overseas crew. In compliance with the principles of people-orientation and "good care, strict management", COSCO Guangzhou integrated training of crew with staffing of crew, constantly improved comprehensive quality of crew, promoted the safe production of ships and enhanced the company's economic performance. In daily crew management, COSCO Guangzhou carried on crew ideological education and developed a long-term mechanism of management guidance for safe navigation of ships and safe working of crew; strengthened shore-based management to better the deployment of crew; implemented "Mangrove Project" to improve overall quality of crew. Beginning in 2006, "Mangrove Project" became an important measure for COSCO Guangzhou to strengthen the company's overall workforce. In 2008, this project extended from workers at sea to workers on the land and achieved the full coverage of the employees of the company, thus officially becoming a project of employee quality improvement. From 2006 to the end of 2009, 1720 employees were promoted to officers, and 100% of the crew on duty had job certificates, which fully met the requirements of the Convention. The average age of COSCO Guangzhou crew was 35.6 years old, 3.6 years younger than that of 2006; the proportion of the crew who have junior college degree or higher reached 33.7%, 5% higher than that of 2006.

Advance informationization construction of COSCO Group on crew management. COSCO Group crew management information construction is the key to crew management level improvement. In 2009, after four years of development of its "COSCO Crew Information System (CSIS)", full application of the system has began, based on the test operation in COSCO Bulk Carrier, COSCO Qingdao and COCSO Manning.

(7) Management of migrant workers

By the end of 2009, the COSCO Group's subsidiary companies have a total of number 44,697 migrant workers. In order to improve the professional quality of migrant workers and enhance their awareness of safe production, COSCO Group always attached importance to the training of migrant workers, continued to set safe development as the basic measure for sustainable, rapid development of the company. In the migrant worker skill training for safe production, through exploration, training content has been systematized, training forms diversified, training resources intensified training effects socialized. All of the migrant workers participate in pre-job safety skills training. We develop scientific, realistic safety education and training



measures and systems for them to obey and implement them in targeted manner. To effectively take care of migrant workers and their families, help them to solve their problems, labor unions at all levels regularly visit poor families, let them feel the warmth of organization and fully mobilize their enthusiasm for work. In COSCO Group, the harmonious atmosphere has gradually formed, in which migrant workers are taken care of, their educational level and working skills continue to improve.

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	2009
Proportion of employees joining the labor unions (%)	98	98	99.58	99.72
Number of second-tier labor unions under the labor union of COSCO	16	16	16	15
Coverage rate of collective contracts (%)	100	100	100	100
Coverage rate of labor contracts (%)	100	100	100	100
Number of labor protection, supervision and inspection personnel (persons)	1,515	1,267	1,356	2,037
Number of IT personnel of the labor unions (persons)	933	635	465	826
Information collected by information personnel of the labor unions*	3,787 cases	3,073 cases	782 sessions	3,787 cases
Time-limit for pre-informing of key events *	14-30 days	14-30 days	14-30 days	14-30 days
Pre-informing rate of key events (%)	100	100	100	100

Remarks:

1. The time-limit for pre-informing of key events of listed companies shall follow



the regulations of the Company Law, the Securities Law and Information Disclosure Management Methods of Listed Companies.

2. Since 2008, the information collector of the workers' union adopted statistics of information data by periods.

3. In early 2009, China COSCO and COSCO Group merge with each other. Therefore, number of second-tier labor unions of COSCO Group had decreased to 15.

(2) Labor contract signing situation

In accordance with laws and regulations, COSCO Group tried to protect the lawful rights and interest of the company and its employees and maintain stable and harmonious labor relations. In light of relevant provisions, COSCO Group Labor Unions and the Party branch jointly drafted and issued "COSCO Group Implement Implementation Measures for Collective Contract Regulations", aiming at further optimizing the coordination of labor relations and protecting employees' rights and interests in accordance with corresponding laws. The coverage of collective contract reached 100%.

In line with Trade Union Law of the People's Republic of China, Labor Law of the People's Republic of China and other laws and regulations, the labor unions at all levels of COSCO Group perform their duty of defending for labors, so that the work of right-safeguarding transferred from the concern for specific difficulties to the concern for their fundamental interests and the establishment of rights-safeguarding mechanisms. COSCO Group and all the subsidiary companies strictly implemented Labor Contract Law, signing with employees fixed term labor contracts, non-fixed-term labor contracts, which is conducive to harmonious and stable labor relations.

According to Labor Contract Law, The Regulation on Crew Management and other laws and regulations, COSCO Qingdao and COSCO Dalian revised original collective contract to conform to the Regulations on Collective Contract stipulated by the Ministry of Labor and Social Security and the specific requirements of COSCO Group's new version of collective contract. Subject to the deliberation of Workers' Congress, the new contract was signed and renewed by the general manager and the chairman of labor union on behalf of corporate party and employee party.

(3) Overview worker's congress system

In accordance with laws, COSCO Group labor unions at all levels organize employees to participate in the democratic decision-making, democratic management and democratic supervision through the Worker's Congress and in other forms. They pay attention to the decision-making role of Worker's Congress Joint Meeting during in the closure of Worker's Congress, actively promoting the inspection work of worker representatives, to ensure that employees can fully exercise of the rights of democratic management and democratic supervision in the major issues such as production,,



operations management and their vital interests. At present, COSCO Group has established a multi-level Worker's Congress system covering the group, second-tier and third-tier companies. The annual production and operation objectives and major issues are submitted to the Worker's Congresses for approval,



and important decisions involving the interests of workers are submitted for vote. Employee representatives are organized to evaluate the work of leaders on a regular basis, and plans regarding corporate restructuring, closure, bankruptcy and resettlement of workers are all submitted for the approval of the Worker's congresses. The Group managed to achieve openness in company affairs and soundness in organization, with company affairs made public in a variety of forms and in close connection to the actual situation of the enterprise. All work was made effective to play important roles in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions. The worker's congresses in units have been recognized by the worker representatives who sing praise for the organization of worker's congresses, duty clarification and role.

On the 4th meeting of 12th Worker's Congress held by COSCO Guangzhou received and deliberated important matters such as production and operation of the company, made democratic appraisal of the company leaders and leadership and issued an initiative to all the employees either on the ship and on shore, calling for effectiveness, safety, and rise in the face of adversity. This Worker's Congress collected 183 proposals from workers and gave excellent proposals rewards. In order to inspect the implementation of the key points of this meeting, Worker's Congress arranged the representatives an inspection tour, who made a tour of the shipping company, part of the on-shore business enterprises and ships. This inspection tour included management, safe production, labor relations and safeguarding the interests of employees and other contents, aiming at promoting the implementation of the tasks. COSCO Guangzhou has adhered to the inspection for more than ten years of history.

COSCO Qingdao carefully prepared and organized the Worker's Congress to consider the company's major issues. The 28th Worker's Congress successfully completed all the agendas, reached the objective. The democratic evaluation showed that 98.6% of the representatives are satisfied.

(4) Keep promoting the openness of company affairs; establish the system of major issues pre-notice



To further improve the openness of factory affairs, the labor unions of COSCO Group wrote new requirements and provisions into the assessment system according to the requirements of the SASAC. Various forms of openness were innovated, like conferences on openness of company affairs, online columns for openness of factory affairs, dialogues between leaders and employees, workers' meetings, and theme briefing conferences. The mechanism for openness of company affairs continued to improve, and the work was regularized and standardized. An advanced reporting system for major events (major changes that have substantial impact on employees (shareholders)) was established to report major events in advance. The advanced reporting rates were 100%, which played an important role in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions.

COSCO Xiamen labor union continued to implement the "Rules of the COSCO Group Worker's Congress," set Worker's Congress as an important carrier of democratic management, and further promoted openness of factory affairs, carefully built an important platform for democratic management. It upheld and improve enterprise democratic management systems in which worker's congress serves as the basic form, studied responsibility departments to implement opinions and suggestions made by and specific measures, organize inspection and supervision of the implementation of resolutions, decisions and proposals on worker's congress, supervise exercise of major decisions and hot issues of public concern. All these actions are for the implementation of, decisions and creation of conditions for effective democratic management and supervision rights.

COSCO Qingdao insisted on openness of company affairs and worker's congress inspection work. To further carry out democratic management of company affairs, the company on April 27, 2009 issued a document called "Notice on openness of company affairs (shipping affairs) and democratic management in 2009" In the second half year, representatives of the worker's congress inspected the company headquarter some units on land.

On December 28, Huanan Zhonghuo of COSCON held the fourth quarter "openness of affairs" meeting of 2009. Huanan Zhonghuo labor union announced the award winners for "golden ideas" and held award ceremony, report important decisions of the enterprise, business conditions, hot issues of immediate interests and



consult representatives with suggestions and comments of enterprise development. Representatives talked face to face with company leaders and raised opinions and suggestions. They are satisfied with such communications.



(5) Solicitation of proposals from employees

In order to encourage employees to give suggestions on how to improve business management, COSCO Group formulated “management approaches on COSCO Group headquarter employees raising rational proposals” (temporary) according to “The provision of raising rational proposals and technical improvement awards”. Group labor unions and the subsidiary labor unions collected rational proposals extensively from the ordinary employees through Worker’s Congress, working meeting and e-mail and other communications channels. Feedbacks were given to individuals when their proposals were adopted, and with rewarding to those good ones. In 2009, 6819 rational proposals were received, and 2745 were adopted.

In 2009, COSCO Xiamen held proposal solicitation activity "golden ideas for revenue increase and expense reduction". Employees propose 21 pieces of advices with great enthusiasm, which cover market management, lean management, safe production, technological innovation, management mechanism improvement, mobilization of the employee enthusiasm. Careful review of these 21 suggestions shows that they are targeted, and operational and are expected to directly bring more than 8 million yuan economic returns.

(6) Employee satisfaction survey

COSCO Group and its subsidiary companies adopted the method of first party survey to conduct the survey of employee satisfaction. The specific forms are as follows: firstly, senior executives 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 2009, Employee Satisfaction scored above 98.5% in democracy measurement held at all levels of Worker’s Congresses

(7) System of public scrutiny before cadre appointment

COSCO Group put into practice the system of public scrutiny before cadre appointment. Public scrutiny is to be held for those workers who are going to be promoted to the level above vice manager in headquarter or the leadership of subordinate unit. The content include name, sex, date of birth, place of origin, academic degree, the political affiliation, CV, current position and promotion positions. Generally all the information is to be posted in public for 7 days. It is often published through the OA system or in paper and at same time with telephone and email open for receiving public opinions. Public opinions are to be recorded, handled, carefully verified and kept confidential. The system of public scrutiny before cadre appointment effectively ensures employee’s the right to know, participate, to choose and to supervise the cadre selection and appointment. In 2009, COSCO Group and its subsidiary companies should publicize 490 cadres’ information before appointment. The actual number of cadres subject to the system is 490. The rate of public scrutiny is 100%.



3. Safety and occupational health

(1) Safety production and occupational health management mechanism

COSCO Group and its subsidiary companies attached great importance to safety responsibility. All subsidiary companies and groups were equipped with Safety Production Commission. Safety Production Office was set up as subsidiary to the Safety Production Commission. Main tasks and responsibilities of the Safety Production Office were insisting to the implementation of national production safety laws and administrative regulations, studying major measures of safety production works, coordinating and resolving major issues in safety production, guiding safety production work and offering instructive suggestions on the universal and tendentious issues that occurred in safety production.

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

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

COSCO Group has set up its Safety Technical Supervision Department, all subsidiary units have set up Safety Management Functional Department. Responsibilities included charging of safety production works; in charge of marine monitoring, maintenance management, ship resistance, marine and land emergency response, labor safety, traffic safety management, safety production inspection, risk assessment, safety health and environment management works guidance, as well as guiding the environmental-protection and energy consumption works in accordance with the implementation of international 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) Safe production and occupational health management mechanism

COSCO Group has attached great importance to safety and occupational health work. On January 6, 2009, safe production work conference for the entire production system was held to summarize and arrange for safety and occupational health work. In order to better implement the policy of the State Council on safe production, and to implement COSCO Group 2009 Safe production Work Conference, COSCO Group 2009 Guidance on Safe production, requiring all the subsidiary companies to implement in details.



▲ Guiding concept

Firmly establish the concept of safe development, improve the safety management system; implement safe production responsibility system, consolidate security management infrastructure, improve emergency management level; organize the activities of national "Safe production Year", comprehensively strengthen the work safe production, and continue to advance "Three Focuses and three Alerts", namely: focus on quality improvement and of safety management ability of crew who manage and operate ships, on alert of major serious accidents; focus on safety management of old ships, on alert of catastrophic pollution incidents; focus on structural maintenance of large ships, on alert of structural damage on large vessels. In safety management, we endeavor to explore laws, develop innovatively and achieve "zero accidents, zero injuries, zero pollution" relying on scientific and technological progress.

▲ Safety and occupational health strategy

Adhere to people-orientation, ensure the health and lives of employees, adhere to safe development, ensure no loss of property, protect the environment from be polluted; adhere to scientific development, achieve sustainable development, and ultimately intrinsic safety.

(3) Overview of safety and occupational health

In 2009, COSCO Group actively implemented all the measures of "Safe Production Year", carry out special activity of One Hundred Day's Troubleshooting, "inspecting potential hazards, promoting the rectification, ensuring safety, celebrating the National Day". We examined various types of safety risks in full range, strictly implemented the "two subject responsibilities," did good job on safety precautions during the 60th anniversary of the founding of People's Republic of China. The whole year saw COSCO Group stability in terms of safety successful safety work.

In order to better promote the safety management work of the company, create a harmonious and stable safety production environment in the entire system, ensure smooth completion of safety production work, and avoid and reduce occurrence of deaths, it has formulated five preventative measures.

Serial No.	Measures
I	Insist on safety first, implement comprehensive management. Only by carefully controlling the hidden worries and effectively preventing the accidents, can we implement the "safety first" in practical, fulfill the "voluntary inspection and comprehensive management of various hidden worries", do the work before occurrence of the accidents and prevent the accidents.
II	Enhance safety management strengths. Leaders should identify the long-term, arduous and complicated features of safety production work, see potential crisis and distance, keep alert, be prepared for danger in



	times of safety, prevent and correct blindly optimistic and relaxed attitudes and keep clear mines and high alerts.
III	Enhance the construction of safety supervision & management team. Improve the functionalities and number of safety team from organizational structure, enrich safety management team and reasonably dispatch management personnel to enhance the management.
IV	Continuously cultivate and improve the comprehensive quality of employees. Actively explore and promote more effective training and management methods on employees and outsourced labors, offer pre-post training for all employees and outsourced labors, and persons who don't accept the training can't take the post. In the meantime, increase the proportion of pertinency and increase the proportion of on-site operation, rehearsal and training.
V	Gradually increase the input to safety production work and conduct technical upgrade and reform with specific plans and steps. Correctly deal with the relationships between safety inputs, income increase and expenditure save, update and reform significant issues and hidden worries such as insufficient input, lagged technique, incomplete safety facilities and low safety level. In particular, make investment into projects which have great influences on environment and are closely related to life and health of employees.

Statistics of all types of accidents:

In 2009, two work-related injury cases were taken place in COSCO Group, resulting in death of three persons. There was one series accident, resulting in severe injury of one person. There were 88 minor accidents, causing 88 slightly injured.

Indicators/Year	2006	2007	2008	2009
Number of human damage cases	73	120	60	91
Work-related death toll	1	5	0	3
Death rate for safety liability accidents per 1000 persons	0.014	0.038	0	0.04
Number of persons involved in work-related	66	100	60	92
Loss of working time	3,379	4,470	3,049	22,433
Rate of loss of working time	0.19	0.26	0.15	1.51
Loss of working time caused by accidents	12,064	35,757	24,392	179,464



Note: Because according to GB6441-86 Enterprise Workers Casualty Classification of the statistical regulations, 1 death is equal to 6000 days loss of working time. Therefore rate of loss of working time, Loss of working time caused by accidents are adjusted accordingly. This sort of calculation was applied from 2009, so the data changed a lot.

In the year of 2009, altogether 7 marine accidents occurred, 1 severe accident, 3 general ones, 3 minor ones and 2 air-related ones.

COSCO Group marine accidents statistics					
Year	Serious	Major	General	minor	合计
2007	1	1	3	7	12
2008	0	0	1	5	6
2009	1	0	3	3	7

(4) Implementation measures of safety and occupational health

▲ Leaders set good examples and put the safety work in the first place.

In face of severe situation of the shipping industry, the group leadership earnestly implements their duty vested by "Safe Production Law" and attached great importance to work safety of the whole group. The Party/Administrative leaders meeting were held in February and July 2009 which put forward specific demands for safety work. In all the secondary units, safety work has already shown the good sign of great concern from leadership, well organization, efficient implementation and concerted effort.

▲ Ship workers and employees on shore work together, focusing on the seasonal safety work.

Seasonal safety work is the focus our shipping enterprise each year. COSCO Group has formed effective mechanism for seasonal safety work. In 2009, Group tracked vessels traveling in rough seas for 2424 times, in fog for 1539 times, in/out of ports for 3755 times, in special circumstances for 1114 times. 105 tropical cyclones formed globally. Vessels are affected for 342 times. With all the efforts of Ship seafarers and employees on shore, no vessel is in grave danger, and seasonal safety work achieved remarkable results.

▲ Mobilize all the employees to carry out "Safe production Year" activities practically.

In accordance with the State Council's the overall arrangement of "Safe production Year" activities, the whole company actively and deeply start a campaign of "three actions" and "three constructions" activities. From July 6 to October 15, 2009, COSCO Group carried out special activities of One Hundred Day's Troubleshooting,



"inspecting potential hazards, promoting the rectification, ensuring safety, celebrating the National Day". Altogether 871 units and ships participated; 42343 general defects and 75 major hazards were identified. All risks have been basically rectified.

▲ Strengthen supervision and inspection, so as to ensure safety and stability for the celebration of 60th anniversary of national day

The year 2009 marks the 60th year of the founding of People's Republic of China. COSCO Group and its subsidiary companies resolutely implement the "six don't slackens", which are, don't slacken leading of safe production, don't slacken safety education, don't slacken safe production system improvement, don't slacken the monitor of key units, don't slacken responsibility system and don't slacken safe production goals. Through the implementation of safe production responsibility system, the strengthening of safety measures, we spent a peaceful and safe holiday.

▲ Strengthen the system construction and accountability system for safe production was further improved.

According to "COSCO Group Safe Production Interviews, On-site meetings and Reporting system", in 2009, COSCO Group interviewed those units in which severe accidents happened. This promoted accident-stricken units to learn lessons and rectify. Most of these units developed, in accordance with the requirements of the Group, suitable and more detailed "safety interviews system" and "safety interview system implementation essentials".

▲ Implement preventive measures. Spare no effort to protect ships from pirate attack

Since 2009, off the Somali coast, pirate attacks were highly frequent and rampant. Although the whole group was on high alert, still one ship was hijacked. In the face of the grim situation of wild piracy, all the shipping units strengthened the organization and leadership and did a lot of work in thorough arrangement and implementation. Particularly the majority of crew members showed dauntless spirit. They did not fear or flinch before well-trained, heavily armed pirates. They used tools like self-made bullet-proof car, incendiary bombs and other electric fences and resisted pirates outside the ship board.

▲ Adhere to safe development, comprehensively promote production on land safety management standardization.

In June 2009, COSCO Group held a meeting of "production on land safety management standardization and 'Clear at First Glance' project. COSCO Shipyard "Clear at First Glance" project began to form with enterprise characteristics. 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. The projects solved effectively weak management of working field and basically achieved the safe management of all the employees in full ranges. The implementation of 'Clear at First Glance' promoted production on land safety management standardization.

▲ Strengthening the operational monitoring of safety management system and improve operational quality

COSCO Group and its subsidiary companies fully took advantage of the improvement and enhancement mechanism of the system, continuously adopted internal examination, management review, correction of preventive measures and customer satisfaction survey and other measures to improve the company's system. In combination with changes in laws and regulations, and circumstances collected in the internal and external examination and verification and system running, COSCO Group further enriched and optimized relevant content, improved the consistence, practicability and feasibility of the system. In 2009, COSCO Group had certified 106 ships, middle-verified 143 ships, renewed 134 ships, extra verified 10 ships, which all passed internal examination and inspection. In accordance with the standard requirements of COSCO Group, in 2009, its subsidiary companies have 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.

In the strengthening of safety management of ships and oil depots, China Marine Bunker gave full play to information technology and self-developed "Vessel Monitoring and Security Information System" in June 2008 and "China Marine Bunker safety education System" software in February 2009. It also popularized the application of "Vessel Monitoring and Security Information System" within the company. Dynamic tracking of ships of the company and of customers all year round can monitor ships dynamically at important timeslot and key regions, monitor ships in fog in real-time, successfully guide ships to evade bad weather for many times and save for fuel consumption. The system successfully defended ships in severe weather such as typhoons, cold spells and winds in 2008 and 2009 and successfully help more than 100 ships avoiding collision and stranding incidents. China Marine Bunker safety education System" provided employees with rich training cases of safe education, met their needs for safety knowledge, skills training and information exchange. It is convenient, targeted and open.

▲ Do a better job in vessel safety supervision work and effectively promote vessel safety and health work.

Supervision system played an important role in safety management. Safety



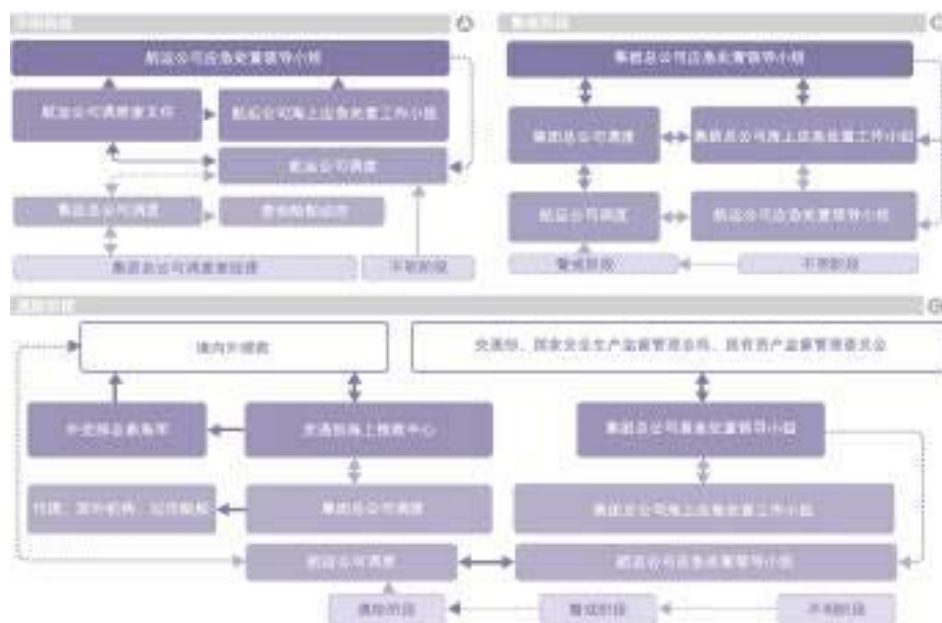
supervisors of COSCO Group are all outstanding captains and chief engineers with rich experience. They have set their footsteps on various ports in the national wide range. Through direct communication and interactions with the crew members, they have offered instructions on safety works in various aspects 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 2009, COSCO Group safety supervisors altogether checked 445 ships of COSCO Group, with no key or big defects found. It found a total of 524 common defects, helped vessels to make on-site rectification on 811 items and offered 856 comments and suggestions. Also, 1122 crews from 302 ships have been taken part in the “Ship Collision Rules” examination, 94.74% of the participated crews got the scores of higher than 80.

(5) Strengthen emergency management and effectively improve emergency handling ability

In 2009, COSCO Group further strengthened its emergency management work, optimized the preparation and amendment work of emergency plans at all levels and were capable of “having plan to meet emergency plan, having team to rescue, having mechanism to launch joint action and having measures to recover.” COSCO Group has strengthened its emergency management training which improved emergency handling ability of its employees at all levels and contributed to the linkage and continuous refinement of emergency plans at all level with relevant COSCO Group and government emergency plans.

COSCO Group Marine Emergency Handling Flowchart





COSCO Group emergency plan has played its important role in emergency handling and accidents prevention. Particularly, in natural disaster prevention, t COSCO Group kept 100% successful in fighting against typhoon in 2009, hence no accidents occurred. COSCO Group has established its high-efficiency anti-typhoon organization and set careful anti-typhoon emergency handling plan and annually updated anti-typhoon main working points.

▲ Strengthen the emergency handling platform with the guidance of science and technology

Guided by technology, COSCO Group has established global disastrous weather prevention security system. In order to improve its emergency handling 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 2009, COSCO Group has finished the development of 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 COSCO was equipped with new high-definition video and telephone conference system which provided effective guarantee for emergency command access. On June 23, "COSCO Group Ship and Goods Transportation Online Monitoring System passed the acceptance check of the Ministry of Science and Technology.



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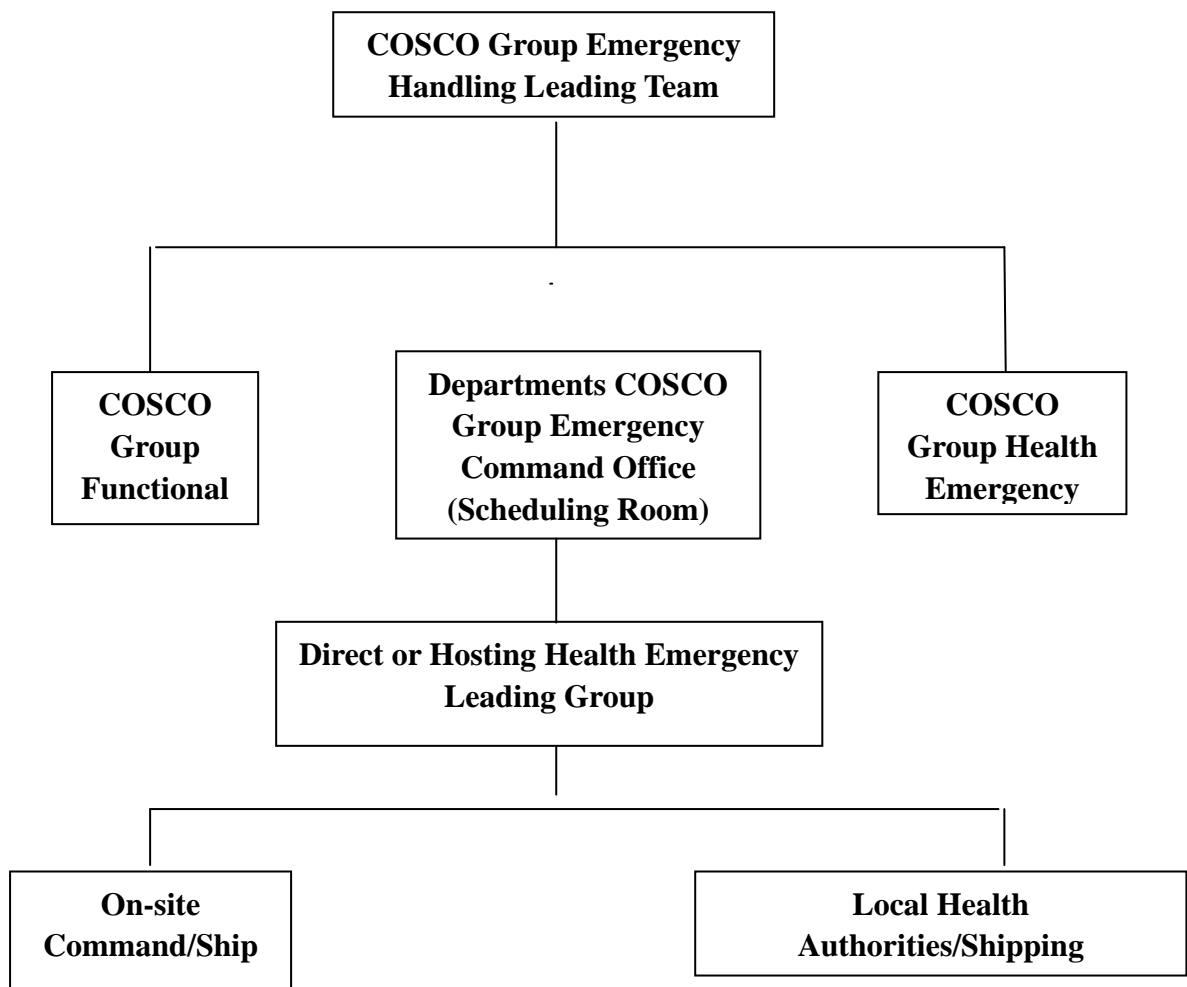
(6) Staff health and disease prevention

COSCO Group is a transnational enterprise with international shipping, logistics, terminals and ship repairing as its main business. It is also a high-risk industry attracted high great attention of the national safety production. In production and



business operation, there are sudden infectious diseases, unknown diseases, major food and occupational poisoning and other serious events which may cause serious harm to the health of employees hence serious business losses and significant adverse impact on environment and society. In order to effectively prevent, control and eliminate public health emergencies and its harm and impacts, guide and standardize various public health emergencies, minimize the health impact of public health emergencies on employees and public, ensure physical and mental health of staffs and public, COSCO Group formulated “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”.

The Flowchart for Public Health Emergencies Reporting





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 allocated special funds and organized its employees to take regular physical examinations thus gradually established health record for its staffs. In 2008, against H1N1 influenza, COSCO Group has made relevant prevention knowledge education and propaganda for its employees, their families and community members. COSCO Bulk Carrier, COSCO Dalian, COSCO Qingdao and other companies further strengthened the pre-training and guidance for crews, strengthened prevention and control work in the ship tracking, temperature measurement, timely distributed medicine with the changes of route, guided ships in prevention and control arrangements, and vaccinated crew on the ship and employees on shore.

(7) Ship security and contract performance

Since 2009, armed piracy off the Somali coast have frequently hijacked passing ships; known as most rampant sea area. In face of such grim situations in Somali and the Gulf of Aden, shipping companies of COSCO Group the effective implemented anti-piracy emergency plans, endeavors to improve rapid response abilities and emergency handling abilities, increase monitoring of piracy, regularly send out signals for early warning, guide ships for prevention in a targeted manner. "Fuqiang" and other 11 ships discovered pirates chase and fought valiantly back and successfully resisted pirate attacks and harassment, thus effective making sure that ships of COSCO Group safely passed pirate-infested waters, and crew and ships are safe.

Indicators/Year	2007	2008	2009
Piracy Attacks and Harassment	0	65	13
Successful Blocking Piracy Attacks	0	65	12
Successful Blocking Piracy Attack Rate	0	100%	92%

At 1 p.m. on February 25, 2009, COSCO Bulk Carrier ship Yandanghai was attacked by armed pirates in the Gulf of Aden waters. Pirates launched three penetrators, and rifled, fired with canister shot, shotguns shells. The crew fought valiantly and successfully resisted pirate attack, and then were saved by a fleet of multinational navy. At 22 o'clock that night, the Chinese Navy ship "Haikou" destroyer arrived, escorted Yandanghai away from the pirate-infested areas. 6 medicals were sent from supply ship Weishanhu to take care of the injured crew on Yangdanghai.



At 5:45, November 12, 2009, COSCO Hong Kong Shipping Fuqiang was travelling westbound in the Gulf of Aden, about to participate in escort fleet of Chinese navy, when it encountered pirate chase in speedboats and shooting attacks. As the crew to detect promptly, fought valiantly, pirate attacks were successfully repulsed for several times. Then escort fleet of Chinese navy came. Under the protection of the helicopter Fuqiang was out of danger.

In 2009, COSCO Group has received “International Ship and Port Safety Rules” (ISPS) checks for 1310 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.

▲ Carefully perform the contractual duty of ISPS

In 2009, COSCO Group has received “International Ship and Port Safety Rules” (ISPS) checks for 1084 times, passing rate reached 100%, defect-free rate reached 99.54%. 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 2009, on all the COSCO ships only 1 case of stowaway involving 5 people sneaked into the ship and were found and captured before the ship leaving the port. Compared with 2008, number of stowaway case is 8 lesser than that of 2008 and stowaways are 25 lesser, Number of captured stowaway cases reduced by 89% and number of captured stowaways before departure reduced by 83%.

Indicators/year	2005	2006	2007	2008	2009
Number of stowaway case	27	14	10	9	1
Number of captured stowaway cases before departure	27	10	8	9	1
Capture Rate of Stowaway Cas	100%	71%	80%	100%	100%



Number of Stowaways	179	32	24	30	5
Number of captured stowaways before departure	179	26	22	30	5
Capture Rate of Stowaway	100%	81%	92%	100%	100%

(8) Labor competition

▲ Safety competition

In 2009, the COSCO Group labor union continued to organize the activity of "Safety is around me; Reducing cost and increasing efficiency start from me", to make sure that labor safety of employees are protected. Early in the year COSCO Group labor union further enriched the content, forms of the activities, mobilize employees to achieve maximization of economical and social benefits with safety and streamlining concepts.

On November 19th, China Marine Bunker held firefighting skill competitions in the new fuel depot. The competition events include firefighting squads preparing for tasks, connecting two hose, running race bearing the weight of 60 meters fire hose, firefighting knowledge quiz. Through the competition, employee’s awareness on fire control safety is further enhanced; self-helping, coordination and emergency handling abilities are improved. Staffs of Public Security Bureau of Guangzhou Port were at present and praised the effect of the competition.

COSCO Shanghai carefully organized 2009 Shipping System vessel and team safety contest, and popularize safety contest in all the work, achieving "all are responsible for ensuring safety." "Zhenhe" crew members self-inspected on the standardization of the ship's safety management, ship management system implementation, the implementation of safe production responsibility system, ship safety management work, eliminate potential hazards and defects so as to ensure safety of ship production.

COSCO Dalian and COSCO Qingdao and other companies actively organize "Ankang Cup" contest. COSCO Dalian won the title of "excellent organizer of Ankang Cup contest in Dalian"; COSCO Qingdao has since 2001 won the title of “winner of Qingdao Ankang Cup Contest” for 10 consecutive years.

▲ Professional skills contest of central SOEs

From September 16 to 19 2009, the final round of ship sailors’ event and ship motormen’s event of Professional Skills Competition with Central SOEs was hosted by COSCO Group, with the State-owned Assets Supervision Administration



Commission of the State Council and Ministry of Human Resources and Social Security as joint sponsors. The COSCO contestants play skillfully and tenaciously and scored outstanding results. 33 of the total 42 COSCO contestants won awards, including 6 Gold Medals, 9 Silver Medals, 18 Bronze Medals, 79%. Of 10 Gold winners 6 came from COSCO Group. Of the top 10 winners of the sailor event 7 came from COSCO Group. Of the top 10 winners of the motorman event 6 came from COSCO Group. Wang Xuefa (COSCO Qingdao), Ma Zhaohui (Guangzhou Ocean Shipping Company) and Zhang Changsheng (COSCO Bulk Carrier) won gold medals in sailors' events, with respectively the first, the second and the fourth place; He Penghui (COSCO Guangzhou), Fu Dong (COSCO Bulk Carrier), Huang Hongliang (COSCO Guangzhou) won gold medals in motormen's events, with the second, the third and the fourth place respectively. The gold medal winners were conferred upon the honor of "National Technical Crackajack" by Ministry of Human Resource & Social Security of PRC; the silver and bronze medal winners were conferred upon the honor of "Technical Crackajack of Central SOEs", among which winners younger than 35 years old were simultaneously conferred upon "Young Technical Crackajack of Central SOEs" by Youth League Working Committee of Central SOEs.



(9) Psychological health of employees and health of family members

Given the working environment, labor intensity, food and other aspects, crew members easily have psychological problems on board. COSCO Group conducted in-depth analysis and study on internal and external factors that affect physical and psychological health of crew, such as environmental factors, social factors, management factors, personal and family factors. In response to solving problems in safe production that easily lead to psychological and physiological changes, we explore its regularity, improve our prediction of such problems, and promptly take effective measures to establish crew counseling agencies and provide them psychological health services to the crew in need. Enhance counseling and training of psychological health knowledge in all aspects. Create good atmosphere for the respect and care for the crew by management, guidance, service, assistance and so on.

Subsidiary company of COSCO Qingdao opened its crew psychological counseling hotline--Mr. Zhou Hotline. The hotline is gradually recognized by crew members and their families. Reservations for interview and consultations including crews and crew family calls, text messages gradually increased. In view of the confidentiality commitment, Mr. Zhou don't ask names or position in the counseling, only help with problems.



Visitors statistic table

Number of Visitors	Visitors Distribution		Counseling forms			Total number
18 人	crew	crew family members	phone	letter	interview	230
	On duty 4 persons On holiday 8 persons	6 persons (one person was introduced by the labor union)	64	157	9	
			Personality Evaluation Feedback			
Note: 1, the number of visitors is calculated by times of counseling; 2, the specific circumstances of the crew and their families will not be disclosed for the protection of privacy.						

Consulting issues classification table

Consulting Issues			
Environment Adaptation	Interpersonal Relationship	Affection and Emotion	Marriage and Family
4 persons	4 persons	3 persons	7 persons
Remarks: intersected in actual consultation			

(10) 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 labor union covered a range of provisions including working time, labor safety and health, labor protection, insurance and welfare. It is stipulated that enterprise should establish and improve work safety responsibility system; the workplace and facilities shall comply with requirements of national safety, labor protection and physical examination and recuperation; illegal commanding and forcing workers to do dangerous work is strictly prohibited; special protection should be provided for female workers; provisions for casualties handling and for worker's health and safety are defined in detail.

4. Training & examination

COSCO Group adheres to the guideline of people-oriented training as well as the strategy of reinvigorating the enterprise through human resource development, and focuses on improving the overall quality of the workforce. According to *COSCO Eleventh Five-year Plan for Developing Human Resource*, a variety of training programs have been formulated and fully funded. In these programs, training is closely connected with practice. Special training programs for management team and professional personnel have been organized so as to improve the management and market competitiveness for the enterprise.



Indicator/Year		2006	2007	2008	2009
Total training time of each category of employees (hour)	Top	10,363	21,278	6,977	7,724.4
	Middle	27,366	129,910	23,984	33,361
	Grassroots	72,758	255,371	235,887	111,331
	Technique	---	---	---	203,635
	Crew training	---	---	---	420,500
	Operation & management	---	---	---	93,238
	Skill and operation	---	---	---	63,383
Average training time of each category of employees (hour)	Top	74.76	64.17	71.96	65.26
	Middle	47.83	39.04	25.56	41.34
	Grassroots	39.85	33.99	18.14	29.84
	Skills				41.38
Total inputs for training of employees (yuan)		22,091,496	67,458,638	41,220,844	37,526,430
Training time in public expense (hour)		631,213	1,108,230.51	980,028	1,108,231
Training on safety		12,514	12,375	39,973	12,375
Training on contract performance (person-times)		18,037	18,805	20,388	18,805
“Three 300s” talent training (person-times)		245	400	0	460
Training before retirement (person-times)		2,676	371	658	371
Training in holidays and post returning rate after getting		100	100	100	100
Training rate on unemployed work allocation and training		100	100	100	100
Proportion of security personnel accepting formal		100	100	100	100



Number of lean six sigma projects	78	270	44	270
Number of participants of lean six sigma projects	1,459	7,695	71	7,695
Number of achievements of quality management team	350	335	387	367
Number of members of quality management teams	2,711	2,958	2,890	2,852
Training on lean management, six sigma and quality management team	3,877	8,087	2,741	1,589

(1) Training of top management

COSCO Group continued to enhance the training of leaders. In 2009, it has dispatched five leaders of COSCO Group, four department leaders and six leaders of directly affiliated units to attend the training work of the Central Party School, the Party School of SASAC of the State Council, Yanan Cadres' Institute, Pudong Cadres' Institute, Jinggangshan Cadres' Institute, Dalian Academy of Senior Managers and Training Center of SASAC.

(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.

(3) Training of professional teams

As international and diversified large enterprise group, COSCO Group attached great importance to its professionals training. In accordance with long- and short-term development plan and objectives, COSCO Group sent its professional to participate in training and learning courses of corresponding institutions and organizations every year.

In October 2009, to cooperate with State Property Management Commission of the State Council's to conduct the Economic Value Added (EVA) examination of SOE under direct supervision of the central government, COSCO Group dispatched a team of 70 people to attend to the 3-day training of EVA examination.

To ensure that all subsidiary companies under COSCO Group are running in accordance with laws and regulations, the related departments of COSCO Group hosted "COSCO Training Seminar on Related Transaction" and "COSCO Training Seminar on Information Disclosure" respectively in July and December 2009, in which professional personnel from Puheng Law Firm (Hong Kong), Zhongtong Law Firm and Luo Binxian Yongdao Accounting Firm were invited to give comprehensive training courses on related transaction and information disclosure based on Hong



Kong Stock Exchange Listing Rules and Shanghai Stock Exchange Listing Rules. In the meantime, the training departments required all subsidiary companies to offer their related staff more comprehensive training courses on related transaction and information disclosure to equip them with necessary knowledge about listing rules and to make sure COSCO Group operate in accordance with law and regulations.

COSCO Qingdao, to meet its operational needs, allocated more training resources to key operation divisions and posts, aiming at promoting development of talented people through training. In 2009, the company organized a series of training courses for shipping industry such as shipping market training courses, training for chief engineers and training for captains. A total of 139 people participated in them. In 2009 there were altogether 88 people from Shipping Management Division and 79 from the Safety & Technology Superintendent Division attending the trainings, in the form of training courses or outsourcing training.

(4) “Three Three-Hundred” talent project construction

“Three Three-Hundred” Talent Project, as a key project for COSCO Group’s talents team construction, refers to cultivating three hundred managerial and administrative talents, three hundred professional technologists, three hundred senior ship managers, for the purpose of reserving enough quality senior managers for COSCO Group. Since the group launched this project in 2003, it has conducted training on relevant staffs of the “Three Three-Hundred” talent pool. Thanks to full preparation, training participants have been highly satisfied as their knowledge and technology has been improved and updated and their comprehensive ability, adaptability and operational level have been strengthened. In 2009, 9 rounds of training under the project were organized, with 460 people trained into mainstays. To be specific, 2 rounds of them were on operating management, involving 108 participants; 2 rounds were for political work cadres, involving 110 participants; 4 rounds were for captains and chief engineers, involving 188 participants; the last round was on comprehensive transporting, involving 54 participants.

(5) Crew training

COSCO Group formulated *Instructions on strengthening crew training of COSCO Group* based on the new situation of crew team construction, it was required that more efforts should be put into crew training. At the 2009 COSCO Group Work Safety Conference, it was proposed to “strengthen safety training and improve overall qualities of crew in service”, regarding safety training as the vital measures to improve crew’s safety qualities and the fundamental solution to ensure safe production of the group. In accordance with the crew team five-year development plan, to further crew team construction, COSCO Group required all crew administrators to maintain a strict standard in recruiting, training, promotion and deployment. Guided by the principle of “continuous improvement through persistent training”, the crew’s safety skills and professional work ethics were constantly



upgraded to ensure the group crew team with sufficient number, high quality and reasonable structure.

COSCO Group has always attached importance to the training of migrant crew members and regarded safe development as the fundamental measure to promote constant and rapid development of the enterprise.



COSCO Guangzhou has formulated the annual STCW training program. Seeking for the Marine Bureau's cooperation and support, it completed STCW training for 769 seafarers. As to the age problem and weak knowledge base, after active communication and discussions with the training center, it adopted multiple teaching methods to motivate the seafarers.

As the trainees differentiated with each other in knowledge base and learning ability, teachers often found it hard to have good results. To solve this problem, on one hand COSCO Group required that trainees had better be dispatched according to their age and educational level so that their starting point were roughly the same; on the other hand, by the performance in preliminary exams, the trainees were divided into different levels and trained separately, which proved to be a success in raising the training quality.

For the purpose of raising the ideological level and professional competence of the crew, guided by the principle of "Practicality, Usefulness, Effectiveness", starting with and focusing on training the crew into those who can meet the specifications of international conventions and the needs of shipmasters in and abroad, COSCO Qingdao successfully fulfilled the annual training task, via training forms with multiple levels and channels. In 2009, 256 crew members were organized to participate in the training and national examination for Seafarer Certificate of Competency; 380 crew members were organized to take the exam of English Competency; 24 took the business skill training for ship technicians. With "training-oriented, long-term cooperation, mutual benefit and common development" as the guiding ideology, in 2009, COSCO Qingdao continued to work with Japan "MOL Coastal Steamship Company" and jointly held crew training course. The joint training method expanded assignment scale which directly and effectively created benefits.

(6) Labor protection inspection

In accordance with the responsibilities and authorities bestowed to the labor union in safe production and prevention of occupational hazards by "Trade Union Law", "Labor





Law”, ”Production Safety Law” and ”Law of the PRC on Prevention and Control of Occupational Diseases”, COSCO Group unveiled the labor protection inspection, raised people’s awareness of participation and safeguard, and thus successfully implemented the labor union’s responsibilities in supervision and inspection of labor protection. By means of systematic trainings on supervision of the labor protection, organizing people to learn about laws and regulations on labor protection and production safety, labor union regulations on inspection of labor protection, incident reporting and injury compensation and related safety skills, COSCO Group adjusted and refined the knowledge structure of labor union cadres, whose skills and competency have been constantly improved. A team of labor protectors with high quality can guarantee all the staffs safety and health. In 2009, the number of inspectors and supervisors of labor protection in COSCO labor union reached 2375; 130 training courses on the inspection of labor protection were organized, involving 4563 participants; 1633 inspections of labor protection and production safety were carried out.

On August 25-26, 2009, COSCO Qingdao gave a training course for shipping labor union cadres and inspectors of labor protection, in which 40 labor union chairmen and inspectors participated.

(7) Effective training and evaluation incentive mechanism

COSCO Group tried to improve the overall level of talent team construction with the cultivation of high-grade talents as the core contents and provided intelligence supports and talent guarantees for construction of "harmonious COSCO Group". In a bid to improve the training effects, COSCO Group connected employees' skill studying, elevation and promotion with its distribution system and provided corresponding treatment. It conducted inspection and evaluation on progresses of talent quality project on a regular basis and took the evaluation results as important bases for appraisal and reward of advanced workers. It formulated on-the-job training and education incentives, which greatly stimulated the staff’s learning enthusiasm and motivation. It also improved various talent guarantee mechanisms to create good atmosphere and environment for studying and growth of employees.

5. Equal opportunities and diversification

COSCO Group has conscientiously abided by “Labor Law of the PRC” and relevant laws and regulations of the overseas sectors, strictly complied with the relevant international conventions recognized by Chinese Government and established a perfect labor management system, in which all employees have been treated equally, regardless of their nationality, race, gender, religious belief or cultural background. It has promoted employment of local residents, females and the ethnic minorities and built a labor relation that is equal and harmonious.



(1) Gender, age and minority nationalities (foreigners) of members of management team

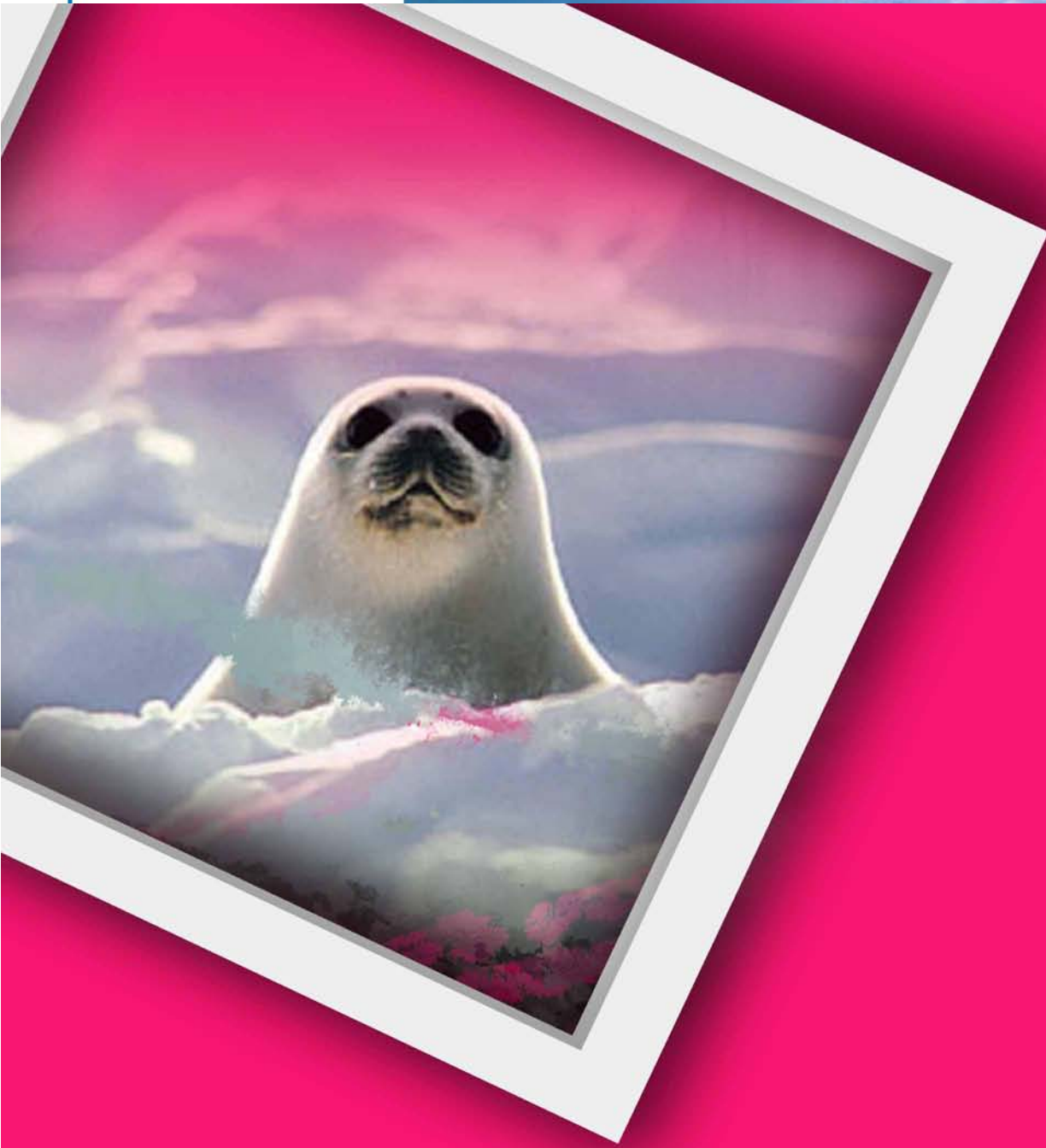
COSCO Group has paid special attentions to structural composition in terms of age, gender, nationality and party when cultivating, selecting and appointing leaders at all levels. Among 35 leaders of COSCO Group headquarters and related departments, two are non-party members, accounting for 5.7% of the total. Among 126 members of top management of second-tier companies, nine are females, accounting for 7.1%. Four are below 40 years old, accounting for 4.8%. One is non-party member, accounting for 0.8%. One is of minority nationality, accounting for 0.8%. COSCO Group has gradually formed the leadership group with complete specialties, reasonable age structure, excellent quality and connection of both new and old cadres.

COSCO Group has 4,207 foreign employees, of which, 1,658 are females, accounting for 39.41%. 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 income of male and female employees is 1:1.



HUMAN RIGHT PERFORMANCE INDICATOR AND KEY REPORT



Part C Management approaches and performance indicators

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, etc. 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

By implementing the State Council’s Directives on Matters of Migrant Workers, COSCO Group solved the problems related to migrant workers, boosted the development of the company, and maintained social harmony and stability. The Women Workers’ Committee actively protects the legal rights and special rights of female employees outlined in the rules and regulations for the protection of women workers. The corporate labor union signs collective agreements with such departments as the Department of Human Resources, protects the legal rights of the company and its employees, and maintains a stable and harmonious labor relationship. COSCO Group has formulated the Open Business Procedures and COSCO (Group) Headquarters Open Business Provisional Regulations, and accordingly, the subsidiaries have formulated practical plans and enforcement regulations in support of



the establishment of a harmonious enterprise. With its robust personnel management system, COSCO Group prevents child labor and all forms of discrimination. The legitimate interests of the local people in COSCO Group's operational areas are protected, and the company's relationship with the local people properly dealt with. Furthermore, COSCO Group makes full use of the IT system and the Internet to promote the Global Compact, familiarizing the employees with the importance of the Global Compact to the development of COSCO Group and encouraging them to take active parts in the implementation of the Global Compact. IT is used as a tool for the realization of people-oriented business, and the Internet as a channel for communication. The employees are encouraged to participate in the management of the company's affairs and to contribute in their own ways to the 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 strictly prevented according to the relevant national laws and regulations and COSCO Group's recruitment policies. Internally, all the employees enjoy equal opportunities at work, and male and female employees are entitled to equal pay for the same work. COSCO Group's Labor Union is responsible for the organization and implementation of the open business policies, and the secondary labor unions are responsible for the specific work. Public mailboxes and complaints handling systems are in place at every COSCO subsidiary, dealing with complaints from the employees with regard to human rights issues. Women Workers' Committee is established within the Labor Union to handle issues related to female employees and to protect their legal interests. Also, COSCO Group has introduced the management approaches for overseas companies which outline the regulations and requirements for overseas companies to comply with local laws, respect the manners, customers and rights of the local residents, etc.

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 are vital for the sustainable development of COSCO Group.

1. Responsible procurement

(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 consideration the protection of the employees' human rights in the economic entity.

(2) Procurement

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.

COSCO Group and all its subsidiaries use standard contracts in procurement process. Contents of the contract include requirements on human rights.

In 2009, procurement is done in accordance with the rules and regulations of COSCO Group.

(3) Human rights training

All COSCO subsidiaries organize professional trainings on human rights. In 2009, a total of eight intensive training courses were organized, and 256 managerial leaders of the Group were trained.



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 2009, COSCO Group had not received any reports of discrimination occurring.

(1) Providing equal career development opportunities

COSCO Group provides equal career development opportunities for all employees. In accordance to the principles of "openness, equality, competition and selection," COSCO Group improved its public recruitment system to promote capable employees, optimize internal human resources and boost the employees' initiative. Meanwhile, COSCO Group provided learning and working opportunities for more than 40,000 rural migrant workers through labor contracts.

COSCO Shipyard Group attaches high importance to the creation of individual development opportunities for contract workers. To better improve the skills of contract workers, Nantong COSCO Kawasaki Ship Engineering signed a long-term agreement with Japan-based Kawasaki Shipbuilding Corporation to dispatch contract workers to Japan for research and training, which achieved a win-win result—contract workers were provided opportunities to learn technologies, improve their skills and increase their incomes, while the company managed to cultivate and preserve excellent, skillful workers. COSCO Shipyard Group would select and reward outstanding contract workers at the end of every year to set up model roles.

In addition, COSCO Group incorporated the career development of rural migrant workers into its corporate development program, and formulated relevant encouragement and promotion methods as well as specific methods for rural migrant workers to become full employees.



COSCO Dalian carried out a series of training programs for its employees, including system training, human resource training, new employee orientation and corporate culture training, etc, to cultivate and improve the professional quality and skills of the employees.

The picture on the right shows COSCO Dalian offering corporate culture training to new employees.



(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.

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' Committee actively protect legal rights and interests of female employees in line with labor protection rules and regulations regarding female employees. Companies affiliated to COSCO Group, including 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. 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.

During the March 8th Women's Day in 2009, the Finance Department of COSCO Bulk was awarded the honorable title of "National Women's Civilization Post" by the All-China Women Federation. The business team of the Shipping Operations Department, COSCO Shipping, was awarded the honorary title of National Leading



Women's Group at Central Enterprises by the All China Women's Federation. The Women Workers' Committee at COSCO Guangzhou was awarded the titles of Leading Group and Leading Group for the Construction of Women Employees' Organization by the Guangdong Provincial Federation of Trade Unions.

The business team of the Shipping Operations Department, COSCO Shipping, was awarded the honorary title of National Leading Women's Group at Central Enterprises by the All China Women's Federation. The Women Workers' Committee at COSCO Guangzhou was awarded the titles of Leading Group and Leading Group for the Construction of Women Employees' Organization by the Guangdong Provincial Federation of Trade Unions.

(3) 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.

In September 2009, COSCO Group organized the 3rd COSCO Group Employees' Cultural Month activity which included three major themes: a skills competition for employees to improve their professional quality and skills; the celebration for the 60th anniversary of China; and a campaign to promote safe, cost-effective production amid the financial crisis. With the helpful support from and through careful organization by the Group and its subsidiaries, and thanks to the joint efforts of all employees, the activities were a great success and achieved the expected outcomes.



As the People's Republic of China commemorates its 60th anniversary in 2009, the Group organized a variety of celebration activities in accordance with the requirements and arrangements by the headquarters and local authorities, as well as the themes of the September Workers' Cultural Month. Adhering to the principles of "felicity, fervency, civility and harmony" proposed by the Party Central Committee, COSCO Group organized activities to celebrate China's glorious achievements made since its founding and exhibited COSCO employees' love for the country and devotion to the ocean shipping undertaking. COSCO Container Shipping, COSCO Bulk, COSCO Dalian and COSCO Shipping, for instance, organized calligraphy, painting and photography competitions for the employees. COSCO Guangzhou and COSCO Xiamen, on the other hand, organized singing competitions to sing praises of



the country. COSCO Shenzhen, COSCO Shipyard, Chimbusco and COSCO Bo'ao held singing competitions and speech contests, while COSCO Logistics launched a corporate culture theme conference. At COSCO headquarters, a singing competition was held as well. COSCO Qingdao, furthermore, attended the singing competition, knowledge contest and art performance organized by the municipal government of Qingdao. By holding celebration activities for the 60th anniversary of China, COSCO employees were further unified in their national spirit of patriotism and cultivated the zeitgeist of reform and innovation.

The labor union at COSCO Group successfully organized a Lantern Day's Evening Party at the headquarters. Highlighting the themes of "confidence, efficiency, stability and development," the evening party implemented the spirit of the Group's working conference and served as a corporate mobilization of employees to strive for their goals in 2009.

COSCO Dalian, implementing the spirit of the Group's working conference and in line with the purposes of enhancing corporate cohesiveness, enriching employees' cultural life and boosting employee morale, successfully held a Spring Festival Gala for 2009. Wonderful performance was put on by the company's employees and their families, which demonstrated their spirits and the company's vitality.

(4) Cultural and sports clubs for employees

COSCO Group attaches importance to cultural and sports activities for its employees, and organizes a variety of activities to enrich the cultural life of workers at leisure time.



COSCO Dalian, for example, organizes employees' sports meet every year, which were participated by all workers and sailors from its subsidiaries. Through colorful activities, the employees' cultural life was enriched and their interests in sports enhanced. Meanwhile, the company holds weekend hiking activities during spring and fall time, which was warmly received and helped the employees to relax and keep fit. At COSCO Bulk, an employees' cultural and sports activity demonstration base and an Employees' Home at its supply company were established. In accordance to the Guiding Principles for Labor Union's Work in 2009, the labor union enhanced its guidance for and investment in the establishment of Employees' Home at grass-root level companies to enrich the workers' cultural life and create a harmonious and steady environment.



As the Celebration of the 60th anniversary of the founding of the People's Republic of China, the Shanghai branch of COSCO Container Lines organized a sports meet with the theme of "express enthusiasm and praise for the country." Singing and athletic activities were carried out and COSCO employees expressed their deep love for their motherland, for the Communist Party, socialism, and reform and opening-up through their songs, and displayed their commitment to development and growth in a vigorous and dynamic manner.



(5) Care for employees

COSCO Group attaches importance to the employees' interests, and its care for them is exemplified in a number of ways.

To protect employees' legal rights and safeguard their physical and mental health, COSCO companies signed relevant agreements with the labor union, including the Collective Contract, the Collective Agreement to Protect Women Employees' Special Rights and the Collective Agreement on Safety and Hygiene.

Chapter Four of the Collective Contract, Working Hours, Leave and Furlough, stipulates the employees' working hours, the leaves they are entitled to, relevant regulations about overtime work and the right to refuse behaviors harmful to employees' physical health, etc. Chapter Five, Safety and Hygiene, provides provisions regarding the establishment of comprehensive labor safety accountability system, the workplace and facilities' adherence to national safety standards, labor protection, health check-up and rehabilitation, opposition to commands that violate security policy, special protection for women, and treatment for injuries and deaths, etc. The Collective Agreement on Safety and Hygiene details regulations regarding the accountability system for employees' safety and hygiene, working condition and safety measures, the storage and transportation of dangerous chemicals, safety operation specifications, safety training, professional hygiene and labor protection, treatment of accident work injuries, emergency handling and the use of special equipment, etc.

Nantong COSCO KHI Ship Engineering, a subsidiary of COSCO Shipyard, as well as other companies, continued to bring into full play the functions of contract workers' management committee and made it the "home" for contract workers.

In accordance with the Labor Law and relevant national regulations, COSCO Group guaranteed the employees rights to paid annual leaves. The Group made vacation arrangement for each employee according to their work condition and personal preference, which ensured that they have enough time for vacation and recuperation activities. Concerned about the employees' physical and mental health, COSCO labor



unions at all levels made efforts to promote the paid annual leave system by COSCO headquarters. They set up appropriate arrangements for the cadres and employees' vacation and furlough, organized recuperation activities for them, and provided a platform for the implementation of employees' paid annual leaves.

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

The Party leaders and labor unions at all levels of COSCO Group were immensely concerned about the health and lives of the crew members, employees and retired staff. They paid regular or occasional visits to the workers. During the Spring Festival of 2009, labor 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 from the Group and joined by personnel from relevant departments, went onto the vessels and into the families of employees in need. They helped them solve practical problems and genuinely brought warmth to the families. According to statistics, during the New Year and Spring Festival in 2009, a total of 12,142 needy employees were visited and helped, and 298 vessels visited. A total of 24,933 employees and crew members were visited, and 403 train tickets were bought for migrant workers to return to their hometowns.

In addition, COSCO Dalian paid close attention to the employees' work and lives. Leaders of the company often visited the crew members when the vessels arrived at the port.

(6) Care for employees' families

Attaching importance to work on the employees' families, COSCO Group has taken systemic measures to help the employees take care of their families.

To resolve the crew members' worries about their families, COSCO Group established 248 contact stations for the families of crew members through which the companies could learn about the families' needs and provide timely assistance.

The Dandong contact station visits Liu Yanli, the wife of a COSCO crew member, and her newborn baby on behalf of COSCO Dalian.

(7) Care for crew members' children

COSCO Group care about the crew members' children, and has carried out a number of activities to help them resolve their problems.

In the first half of 2009, the labor union of the Group organized a selection of Exemplary Workers' Family and Outstanding Personnel at Labor Union. After strict



assessment and selection, a total of 22 labor unions of COSCO Shipping were awarded the honorary title of COSCO Group Exemplary Workers' Family and Fu Xiong and 48 others were awarded the honorary title of COSCO Group Outstanding Personnel at Labor Union.

In accordance with the general requirements for the "Golden Autumn Financial Aid to Students" launched by the General Labor Union of Tianjin and the guiding spirits from leaders of COSCO Bulk, adhering to the principles of building a "harmonious COSCO Bulk" and "never make employees suffer from poverty," COSCO Bulk actively carried out financial aid activities to help children from employees' families 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 39 children from needy families to receive Golden Autumn Financial Aid.

Since most employees at COSCO Shipyard Lianyungang were from other provinces, the company helped enroll more than 130 children of the contract workers to local schools through active coordination with local education authorities by the labor union. The company also provided funds to the local primary and secondary schools on a regular basis.

COSCO Xiamen sends 200 yuan of bonus to all the minor children of its employees on Children's Day, and employees' children who are admitted to colleges and universities are eligible for 1,000 yuan of fund.

COSCO Shipyard Zhoushan has always made the school enrollment of employees' children as a priority for its care for the employees. The company joined hands with several primary, secondary schools and kindergartens in Liuheng in 2009. In September, the labor union launched a charitable donation and offered 158,786 yuan to four schools and kindergartens, including Liuheng COSCO Primary School, Longshan Primary School, Jiaotou Middle School and Jiaotou Kindergarten, for the improvement of their equipments and facilities. By far, COSCO Shipyard Zhoushan had donated a total of 9 million yuan for the development of local education undertaking in Liuheng, which exhibited the company's commitment to social responsibility. According to statistics, COSCO Shipyard Zhoushan helped enroll 32 children of the employees (including contract workers) to local primary, secondary schools and kindergartens in 2009. The labor union is now collecting data on the children who are going to enter schools in the second half of 2010 and will establish connection with local schools to help the employees relieve their worries.

3. Freedom of association and collective negotiation

(1) Collective contract and collective negotiation

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, etc., to protect the legal rights and interests of the employees.

In 2009, 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. COSCO Group supports its employees to perform the rights of collective negotiation and adopts corresponding risk evaluation measures to support these rights in all operational activities.

On the Working Conference to Promote Harmonious and Stable Labor Relations in Enterprises, held on July 23, 2009 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. In line with the spirits of the Supplementary Opinions to Further Promote Cultivation of Enterprises with Harmonious Labor Relations and related documents, Tianjin firstly brought the AAA-class and AA-class standards for harmonious labor relations to the appraisal activities. 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."

To give full play to the function of the labor unions in coordinating corporate labor relations and to regularize the labor unions' work with regard to labor relations early warning, the Group's labor unions at various levels formulated the Implementation Methods for the Labor Relations Early Warning Mechanism. Meanwhile, labor unions at all levels managed to give full play to the functions of the employees' congresses and labor dispute mediation committees in the form of collective negotiation, collective contract and openness of factory affairs. They made efforts to enhance the resolution of labor disputes, protect the employees rights and interests in a proactive and scientific manner, resolve difficult, key and widely-concerned problems related to the rights and interests of the companies and the employees, and solve labor relations



disputes at basic levels to guarantee the stability of the companies and employees.

At the end of last year, China Ship Owners Association and China National Seamen's Union signed the Collective Agreement of Chinese Seamen which had a profound significance for the protection of crew members' legal rights. The labor unions of COSCO Group studied carefully the contents of the agreement and actively implemented its provisions.

The labor union at COSCO Xiamen ensured the harmony and stability of the company and its employees amid the financial crisis through excellent coordination. In accordance with the Labor Contract Law and other relevant rules and regulations, as well as the principles and requirements of the Group, COSCO Xiamen conducted a detailed examination on the implementation of labor contracts and protected the legal rights of the employees. The company insisted on the principles of equal negotiation and collective contract, and established a fair, just and harmonious labor relation. Moreover, the company would always conduct ample negotiation and collect the employees' opinions and suggestions before introducing decisions, regulations and policies related to the employees' rights and interests, which fully mobilized the employees to participate in the management of the company and strongly boosted the company's dynamics for development.

(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.

At the 2009 working conference of Central SOEs of SASAC, COSCO Group was appraised as a typical speech-delivery unit. It gave special introductions to COSCO Group's experiences in promoting democratic management of enterprises, ensuring legal rights and interests of employees, promoting and propelling democratic and political construction of grassroots.

Companies at secondary level organized employees' congresses at different times to summarize the work for last year and plan for the work in the following year, which realized the goal of openness of factory affairs and encouraged employees'



participation in corporate management.

COSCO Container Shipping organized the Employee Representatives' Inspection Tour in 2009 and held the third enlarged meeting of the second session of the Seventh Workers' Congress. The Congress learned about the production and operation of functional departments of the company, the activities for production safety, energy conservation and emission reduction, the development and management of human resources, the examination of operational disciplines, the establishment of punishment and prevention systems, and the collection and handling of employees' proposals, etc. In addition, the representatives held talks with competent personnel from the functional departments and put forward suggestions regarding the employees' commonly-concerned questions and the company's operation management, cost control and efficiency improvement, production safety, and employees' wages, etc. They also had fruitful discussions about the improvement of the Group's work in 2010. Afterwards, the enlarged meeting introduced the background, purpose, principle and content of the COSCO Container Shipping Labor Contract Management Method, and the representatives fulfilled their responsibility to put forward advices and suggestions to improve the Method. The Method gained unanimous approval from the representatives after discussion and assessment. It catered better to the current situation of the company and the needs of the employees, and therefore further standardized and improved the company's management regulations and protected the employees' rights.

(3) Openness of company affairs

Open business is a major measure taken by COSCO Group to promote democratic management. COSCO Group headquarters has formulated the Implementation Methods for the Supervision and Assessment of the Open Business Policy, enhanced the supervision and assessment mechanism and clarified the responsibilities. With the assessment closely integrated with the actual work, the employees are given a clear picture of the company's operation and are mobilized to contribute their own efforts. To further improve the openness of factory affairs, the trade unions of COSCO Group wrote new requirements and provisions into the assessment system according to the requirements of the SASAC. The form of openness of company affairs was innovated and the mechanism was improved continuously, realizing the regularity and standardization of work. Special columns and suggestion boxes for the open business are established, and the employees' opinions are studied, adopted, explained and reported by the members of the open business supervision team, forcefully enhancing the democratic management. In 2009, 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%.

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.

The labor union at COSCO Xiamen holds a meeting on the openness of company affairs every quarter. The meeting is chaired by the President of the labor union, attended by all employees, and major leaders from the company’s party committee would report the quarter’s work to the employees. Moreover, the general manager would report the production safety, business profitability, reform and development, project construction, major decisions and their implementation, as well as the key work for the next quarter. The secretary of the party committee would report the construction of the party members’ groups, the party’s conduct and spiritual integrity as well as major events happened to every party member, including the purchase of house, automobile, stock, investment, source of income, part-time job, employment of family members, schooling of children and foreign travel by family members and children, etc. As such, the employees would have a clear picture of the company’s decision-making, operation and the party leaders’ integrity and honesty, which can help them effectively exert their rights for democratize management and supervision.

4. Prohibition on use of child labors

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 2009, 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. Prohibition of enforced and compelled labor

The abolishment of enforced and compelled labor is basic human rights. It is one of the clauses of the Universal Declaration of Human Rights and the No. 29 and No. 105 core convention of the ILO. COSCO Group supports and abides by the No. 29 Convention of ILO – Convention on Enforced Labors, and standardized behaviors of enterprises in line with related laws and regulations of the country and international community. The employees of COSCO Group sign labor contracts with the enterprise out of their free will, and the Labor Union organizes employee representatives to sign collective contracts with the enterprise which strictly stipulate the working hours, working intensity, vacation and welfare for the employees, protecting their rights and benefits at work.

The employees are allowed to choose their own jobs. The company will not prevent an employee from choosing a new job for any reason or in any form when he/she decides to resign. Nor will the company restrict the employees' personal freedom in any way. Compelled labor by means of paperwork and money detainment, debt repayment, surveillance, and threat is prohibited.

In 2009, 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 2009, COSCO Dalian was awarded AA Level Honest Company to Comply with Labor Laws and Regulations in 2008 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%. 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 working outside the company and responsibilities of both sides.



6. Focusing on human rights in security and safeguard work

COSCO Group organizes training programs for the third-party security guards, on the use of force and firearms in particular, enhances education about human rights to prevent any harm to the company's prestige or risk of lawsuit resulted from inappropriate behavior or measures. Meanwhile, the security guards are made aware of COSCO Group's expectation with regard to human rights performance.

The security force of COSCO Group is divided into two groups: the land-based security guards and the ship-based security guards. Some of the Group's land-based subsidiaries recruit security guards directly or from security service companies. The guards are formally trained and given related certificates before going on their duty. Other subsidiaries use their own employees as security guards. The security guards are trained in human rights and related knowledge by the COSCO subsidiaries or by the entrusted security service companies. Administrative provisions with regard to human rights are listed in the employment agreements with the security service companies, and the latter's work are supervised and evaluated.

The security of the ships is managed jointly by the security force on the ships and from the companies. Institutionalized management is carried out strictly according to the national laws and regulations, as well as the requirements of the international security rules. The management methods for shore bases and the security plans for ships are formulated, and the responsible security guards are trained and approved by the Maritime Administration of the Ministry of Communications. The training includes contents about human rights and the prevention of human rights violation, and so on.



In 2009, COSCO Group reported no incident of human right violation on the part of the security guards.

Indicator	2005	2006	2007	2008	2009
Company Security Officer (CSO)	72	72	72	145	413
Vessel Security Officer (CSO)	3772	3320	1618	1383	4,472
Percentage of security officers formally trained on issues of human rights	100	100	100	100	45.85
Percentage of formally trained security officers directly employed by land-based enterprises	100	100	100	100	50
Total number of security officers directly employed	278	346	2844	2853	5,936
Percentage of security officers formally trained on issues of human rights and specific procedures	100	100	100	100	37.26

7. Respecting and protecting 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;
- ensure that no more action needs to be taken with regard to the event (i.e., the problem is solved and the case settled, and no more action is needed on the part of the company).

In 2009, no complaint has been filed with regard to the infringement of the rights of the indigenous people.



SOCIAL PERFORMANCE INDICATOR AND KEY REPORT



Part C Management approaches and performance indicators

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 employee training and communication. Community construction, anti-corruption, anti-monopoly and other related content are incorporated into the training programs, and these programs are organized in various forms and at different levels. The training programs include: special events, theme essay competition, picture exhibition and other forms of activities. In this way, the relevant policies and regulations are promoted throughout the entire corporate system. Through the promotion of the construction of an honest enterprise, the main objectives, principles, major tasks, procedures, measures and so on are outlined in detail. And through the well-planned, all-round, multi-level and



systematic promotion of the honest culture, the companies are guided towards corporate integrity and legal operation, and the awareness of the staff members is enhanced. Unhealthy trends are corrected and overcome, a strong moral line of defense against corruption established among all the employees. To improve the work and management capacities of the audit staff in the Department of Supervision, intensive training courses about related knowledge and professional skills are organized in the companies every year, which has promoted the effective implementation of the relevant work. The companies also upload the relevant policies, regulations and cases on the Internet for the employees to learn about, so that they can enhance their precaution awareness and self-discipline abilities.

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

When entering and leaving communities, evaluate influences of business operation on local places, abide by existing rules of the communities and actively promote the friendly cooperation relationships 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 2009, COSCO Group



conducted 24 evaluations on its influences to local communities. In 2009, 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 2009, 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.

Care for the Future Generation Committee (CFGC) of Guangzhou COSCO, founded in October 2000, is composed of 7 members and has changed its leadership 3 times so far. The company has set up 18 secondary committees and 42 groups and is composed of 298 members of elderly model workers, cadres, Party members, seamen and political cadres.

In 2009, all the secondary committees in Guangzhou COSCO made a survey about the students of middle and primary schools and built files for them. On 10th of May, the Sixth Guangzhou Teen-agers Stamp Collecting Forum, the theme of which is Stamp Collecting and Motherland, was co-sponsored by Guangdong Science Museum. On August 5th they organized 43 students from middle





and primary schools to visit Guangdong Technology Centre of the University Town in Guangzhou. In September, they organized over 250 students to participate in the knowledge contest in honor of the 60th anniversary of the National Day entitled I Love Our Great Motherland. They have donated 88,700 Yuan to 38 impoverished college students and 7,777 Yuan to 13 Hope Project students.

On 21st of August, Dalian COSCO participated in the interaction and assistance activity between urban and rural women organizations sponsored by Dalian Women's Union in Village Gang and Qi. Yan Baofeng, the vice chairman of the Labor Union, on behalf of the company, went to Village Natun, Sun Street, Wafangdian andted more than 400 books to the Village Party Committee. He also extended his regards to Wu Zucheng, an impoverished child, and sent him 4,995 Yuan from the volunteer women workers of his company.

Enterprises affiliated to COSCO Shipyard Group have co-constructed with local middle, primary schools and kindergartens in Liuheng one after another. They pair-shared with Village Baoshan, Sucheng Township, Lianyungang; co-constructed with civility;



helped villagers achieve prosperity by various ways such as purchasing subsidiary agricultural products, providing proper working posts for villagers, helping villagers take employment training, aiding village families in need and so on. They also further co-constructed in the future construction of the industrial parks matching the ship industry; they put actively into effect the "Blue Sea Program", helping over 130 children of the subcontractor employees to enter schools.

(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.

(3) Actively devoted to social public welfare activities and promote harmonious development of the society

COSCO Group advocates young staff to establish friendly relationship with each other, to be up-and-coming, harmonious and make progress, to be dedicated, to unite and gather all the young staff together and play the parts of new force. In 2009, there



were 3,337 volunteers in COSCO Group participating in social and community activities, achieving good social benefits.

Indicator	2003	2004	2005	2006	2007	2008	2009
Personal donation of employees (10,000 yuan)	41.43	54.95	110.78	111.45	269.39	2,410.55	277.6

COSCO Group Young Volunteers Association was set up officially on March 12th directed by COSCO Group Youth League Committee. This association pursues the policies of devotion, friendliness, mutual assistance and progress. These activities were effective supporters of ideological educations on social morality, professional ethics, professional dedication, loving and caring and so on.

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Three League members of COSCO Oceania donated blood in Dalian. At the noon of February 17th, 3 League members of COSCO Oceania donated blood in Blood Centre of Dalian. They came to the blood collecting station set up in the development zones by Blood Centre of Dalian and donated 400cc-blood each with their seamen's certificates. Their deeds was praised by the blood collectors and all the seamen and added weight to COSCO seamen.

In November 2009, the company staff within various branches of Xinsanli took part in the blood donation activity appealed by the common values of "professional dedication, support of the people, increase in value" in the headquarters of Xinsanli in Qingdao. This company gets in touch with the local blood station every year and publicizes the common sense and meaning of blood donation to its staff so that the staff can participate in blood donation and show their loving and caring to the society.



(4) Showing their loving and caring by helping those in need

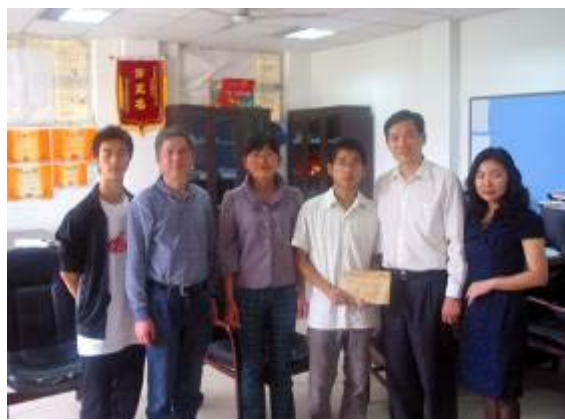
Helping the poor and aiding the poverty-stricken are traditional virtue of the Chinese people as well as the good traditions of COSCO Group. In 2009, the staff in COSCO



Group totally donated 2,693,900 Yuan.

At the first anniversary of Wenchuan Earthquake on May 12th, the Youth League of China Department of COSCO Group entrusted local institutions to extend their regards to China Agricultural University, Chengdu University of Information Technology, Chongqing University and so on, sending 2000 Yuan and some necessities for life to each of the 5 students from earthquake stricken areas.

In order to help Li Fengyun, a student, to fulfill his dream of entering university, Wuhan Branch of China Department of COSCO Group voluntarily organized a money donation within the company and raised more than 4000 Yuan, which helped to solve the problem of tuition fee the whole family are worrying about.



Before Children's Day, Guangzhou COSCO Freight Co. was awarded the medal of "the greatest love knows no boundary" by Guangdong Public Welfare Compensation of the Orphan and Assisting the Impoverished Association due to their active participation in the public welfare work. Sun Xiugang, the staff in Financial Department, was awarded the prize of "service dedication". This association is one of the six charity groups that won "China Charity Prize", the highest prize in China charity field. Since its foundation in May, 2004, Guangzhou COSCO Freight Co. has encouraged or sent its staff to work as Holiday Volunteers in the publicity of donation, visiting and assisting the impoverished besides performing its own duties. Some staff voluntarily donate money to assist impoverished students, making contributions to the association and performing the social duties at the same time.

(5) The management of adverse events

In 2009, all the enterprises subordinated to COSCO Group didn't conduct any adverse events in the community involved and there were no community pollution complaints.

2. Anti-corruption and anti-commercial bribery

(1) The overall plan and accented deployment of Anti-corruption and anti-business bribery



In 2009, COSCO Group developed to learn and practice the Scientific Outlook on Development according to the requirements of the Third and Fourth Plenary Session of the 17th Central Commission for Discipline inspections of the CPC, the work arrangement of SASAC of the State Council and the requirements of Global Compact. It implements steadily all the measures adopted by the Group to deal with international financial crisis centering on “build confidence, compete benefits, maintain stability, promote development”; it builds punishment and prevention system combining operation and management; it develops supervision and checking-up, efficiency monitoring and internal audit; it deepens the Anti-corruption and anti-business bribery and seriously investigates and treats cases violating disciplines; it actively and steadily boosts the pilot project of “vertical supervision” system and makes contributions to the sound development of COSCO Group.

(2) Insisting on combating corruption and upholding integrity; Boosting steadily the construction of punishment and prevention system

COSCO Group carried out the *2008---2012 Implementing Plan of COSCO Group Punishing and Preventing Corruption System*. All the units affiliated to it laid emphasis on the supervision and restraints to the leaders, the exercise of power, import and fields and key operations and constantly strengthened the business process management and system construction, as a result, the standard management of the enterprise was achieved according to the requirements of “establish punishment and prevention system within the internal control and risk management system of the enterprise and integrate enterprise operation and management system”, with good management as a supporter, system construction as a hand grab, improving and perfecting the construction of the Party conduct and of an honest and clean government as a basis. 1672 rules and regulations were established or revised in the whole group in 2009, among which 784 were revised and 888 established. By strengthening the system construction, the development of punishment and prevention system and operation management were integrated systematically.

(3) Strengthening the education on combating corruption and upholding integrity; Encouraging Party members and cadres obtain employment honestly

All the units affiliated to COSCO Group laid emphasis of the education on combating corruption and upholding integrity on ideological education, professional ethics education and education on obtaining employment honestly. They carefully studied and implemented *A Number of Rules for Leaders in State-owned Enterprises to Obtain Employment Honestly*; they carried out the education lasting 1 month on obtaining employment honestly with “observe laws and disciplines and obtain employment honestly” as its theme in a deep-going way; they launched the collection of comic and animation works on combating corruption and upholding integrity extensively. The key business personnel engaged in ship trade, purchase and building of ships and dealing with retired ships got education of case warning and had conversations about taking up an occupation honestly combining cases, enhancing the staff to obey regulations and take up occupations honestly. In 2009, all the 69 staff



who was sent to foreign countries was given a book and a conversation by the regulatory group of the leading Party group, that is, each of them was given a *COSCO Group Overseas Staff Obtaining Employment Honestly Handbook* and was given a conversation about taking up occupations honestly. In 2009, the whole group totally edited and handed out 112,800 materials on combating corruption and upholding integrity; 369 public lectures were given with 39,500 people participating. The group organized middle or higher staff to study documents on combating corruption and upholding integrity for 923 times, with 28,400 people taking part in and had conversations about taking up occupations honestly with 18,800 people.

(4) Advocating supervision and inspection integrating business focuses

Improving increasingly the ability to prevent risks

The regulatory group of the leading Party group of COSCO Group as well as discipline inspection, supervision and auditing departments of all levels perform its duties earnestly; strengthen the supervision and inspection to the implement of all the strategic measures proposed by the Group; give priority to the supervision and inspection of political, decision-making, operation, financial, resistance to corruption and public company disciplines of the leading groups of different levels, leading members as well as the key department, business, post staff. Centering on the fields which are prone to cause problems of violating law and discipline such as construction budget, bidding and tendering, contract management as well as supplies purchasing, financial control, freight charges management, financing logistics, chartering trade, ship fuel oil management and information disclosure etc., efficiency monitoring, audit supervision and inspection by board of supervisors were launched and rectified and reformed after finding out problems in the process, enhancing standard management, intensifying risk preventions. In 2009, the Group held 496 supervision check-ups and efficiency monitoring among 926 units. With 689 problems of various types ferreted out and 756 rectifying suggestions given, 299 problems were rectified and reformed, avoiding and retrieving economic losses 26 million Yuan.

(5) Promoting internal audit centering on focal points; Enhancing standard management of enterprises while improving auditing efficiency

In 2009, the Group took risk prevention, decrease of the cost and increase of the efficiency and standard management as the key points of auditing, insisting on penetrating audit supervision into high-risk field of business operations and integrating in the key link of enterprise management. Through revealing problems, they supervised and urged the rectification and reform, playing an important part in promoting standard management of enterprises. The audit institutions of different levels revealed operation risks and vulnerable links of internal control by strengthening the audit of the main business like shipping, ship repair and building and logistics. By launching the audit of such projects as engineering construction, materials purchasing and mechanical management, they promoted the decrease of the cost and the increase of the efficiency and standard management of the enterprise. By



employing special audit and examination of different types to payments and expenditures, the function of service to decision-making and management was highlighted. Several units were extensive in investment management, violating regulations or avoiding regulations with weak executive force and poor ability to find out who is to blame, the supervision of newly developing business being not fully fulfilled. As to these problems, audit departments of all levels made earnest analytical investigation and probed into the root of the problems, and then they proposed suggestions and supervised and urged the rectification together, making outstanding contributions to raising revenues and reducing expenditures as well as improving the management level of the enterprise.

In 2009, the Group totally finished 7,591 audit projects and found out 2,346 problems with 2,452 pieces of advice, promoting establishing and perfecting 372 regulations of various types, enhancing raising revenues and reducing expenditures 204 million Yuan.

(6) Strengthening petition letter investigations and handling cases; Effecting a permanent cure to enhancing management, taking cases as mirrors

The year 2009 was an important year for the 60th anniversary of the National Day and it was also an important year for the Group to spare no pains to overcome all the difficulties. On account of the new conditions and characteristics of petition letters, the regulatory group of the leading Party group insisted the working method of “going out, inviting in” and safeguarded the whole situation of stable development of the enterprise by stressing coordination, supervision, implement and supervising units concerned to selectively resolve the problems of petition letters. As to the petition events happened in the subordinate units of certain secondary company, the regulatory group of the leading Party group assigned the principal leaders from supervision department to “go out” and ask for information on the spot, then did some research together to help solve the existing problems. As to the problems about payment proposed by some basic unit staff, the regulatory group of the leading Party group “invited in” the principal leaders of higher authorities to investigate together on the basis of checking into situations so as to supervise and urge to properly resolve the problems of petition letters and set up and perfect regulations concerned. The regulatory group of the leading Party group also organized staff to supervise and instruct the petition letters and handling cases of 9 secondary units of the Group respectively. Units of all levels did well in petition letters according to reality and maintained the stable development of the enterprise.

As to the key fields where there were easily more corruptions and there were more masses reports, the regulatory group of the leading Party group and commissions for discipline inspections of all levels insisted that all the cases must be investigated and all the violations of laws and disciplines must be dealt with, maintaining the high tension situation of punishing corruptions. Meanwhile, as to recent cases violating law and discipline in the field of ship trade business, engineering construction, supplies purchasing and freight service, etc., they have done deep analysis and looked for



problems and vulnerable links existing in operation management and supervision on the basis of previous cases. They drew lessons from the past and tried to remove hidden dangers; they drew inferences about other cases from one case; they also established regulations to achieve the purpose of standard management. In 2009, the Group totally received 217 petition letters and settled 198 cases with the settling rate being 91.2%. Among them, the regulatory group of the leading Party group received 81 cases, in which 28 cases were directly dealt with. 23 cases were preliminarily surveyed and 20 were settled with the settling rate being 87%. 12 cases concerning the violation of Party members were put on record, among which 9 were settled with the settling rate of 75%; 9 Party members received Party disciplinary punishment; 4 members were sentenced; 6 non-Party members were sentenced.

(7) Deepening the reform of supervision system; vertical supervision has achieved initial success

According to the deployment of Group leading Party group, supported by the leaders of Party and Administration of the company, COSCON Discipline Inspection Commission, Supervision Department earnestly carried out the “vertical supervision” pilot projects and established two supervision branches in Beijing and Shenzhen respectively; they set up 8 supporting policies concerning “vertical supervision” and perfect 37 criterions of assessment and evaluation from 12 aspects, promoting the pilot projects steadily and actively. The preliminary practice of pilot projects indicated that the force to reveal and find out problems of supervision departments has increased sharply; the units being audited have laid more stresses on the audit; the force of rectification has increased obviously, all of which has maintained the interests of the whole enterprise.

(8) Deepening the “practice with various themes”; Strengthening the construction of anti-corruption teams

In 2009, the regulatory group of the leading Party group of the Group earnestly launched a practice themed “to be the loyal defender of the Party, to be the intimate of the masses”. The regulatory group of the leading Party group and discipline inspection commissions of different levels spared no efforts to look for and analyze the shortages of their own in such aspects as ideal and belief, style of work integrity and so on connecting with the situations of reform and development of the enterprise and anti-corruptions as well as the study and practice of Scientific Outlook on Development; they strengthened education, earnestly rectified, enhancing the increasing improvement of political awareness, ideology level and professional qualities in the team of discipline inspection, supervision and audit. Aiming at strengthening the ideological style and working style of the Chief Disciplinary Officers, the regulatory group of the leading Party group further developed the report of the Chief Disciplinary Officers from institutions directly under it. As to such situations in which the Chief Disciplinary Officers engaged in operation, project investment, bidding and tendering of engineering constructions within the system, they rectified the problem of the Chief Disciplinary Officers “being both a referees



and a sportsmen”, ensuring the Chief Disciplinary Officers to devote themselves to discipline inspection and supervision thus improving the ability to perform their duties.

3. Public policies

(1) Participation in formulation of governmental policies of China and international community by high levels

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.

▲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 5th, 2009, Zhang Fusheng, the vice-president, attended the Second Session of the 11th National People's Congress and on behalf of COSCO Group, submitted six suggestions:

- ▲ suggestions about amending the regulations concerning the business tax of shipping enterprises
- ▲ suggestions about perfecting laws and regulations on seamen dispatch and suggestions about enhancing seamen dispatch and the sound development of shipping industry
- ▲ suggestions about supporting shipping, ship building industries and promoting the sound development of national economy
- ▲ suggestions about solving the problem of Chinese-funded FOC on coal transportation and operation between Taiwan Strait and the mainland
- ▲ suggestions about convenient imported solid waste treatment
- ▲ suggestions about making clear the exempt of anti-monopoly about the container liner shipping industry

On the afternoon of March 27th, 2009, (local time of the USA), Wei Jiafu, the president, attended the Sino-American Ocean Shipping Seminar



themed “30 Years’ Cooperation and Development of Sino-American Ocean Shipping ” co-sponsored by China Ministry of Transport and American Transport Department. President Wei delivered a speech entitled “cooperation and development, uniting in overcoming difficulties, creating future”.

On April 19th, 2009, Capt. Wei Jiafu on invitation attended the workshop themed “pursuing development in the crisis---the strategic choice of enterprises in depression” in 2009 annual meeting of Boao Forum for Asia. He introduced the measures and experiences COSCO Group adopted against economic crisis in his speech.

On July 4th, 2009, Capt. Wei Jiafu attended in Beijing the Global Think Tank Summit and gave a lecture entitled “Innovation, Cooperation and All-win” in the forum of “the Cooperation and Duties of Multinational Corporations in Financial Crisis”, introducing the measures COSCO Group adopted against financial crisis.

On November 30th, Capt. Wei Jiafu attended in Nanjing the Fifth EU-China Business Summit and made a speech in





the first segment of the plenary session, introducing COSCO Group and China shipping industry actively developed energy saving and emission reduction and environmental protection and so on.

(2) Funds and materials donated to the political Parties and politicians of various nations

COSCO Group, abiding by the principle of fair competition, didn't obtain favorable treatment and interests by political donations. It set itself against unfair competitions.

4. Fair competitions

COSCO Group set itself against any unfair competitions and encouraged fair competitions. It didn't adopt the operation strategy of dumping sales and monopoly. It can consciously safeguard the interests of the concerned parties and win the trust of the consumers and the social recognition through its own practical actions.

The orientation of products, services and prices of COSCO Group is high quality, high grade, high technology, low cost, low consumption; the sales promotion strategy of COSCO Group is to make innovations, produce quality goods and win reputations; the promise of marketing management and the principles of accumulating credit in COSCO Group is to obey the laws and regulations and respect the requests of the customers.

Anti-monopoly Act of the PRC actively participated and promoted by COSCO Group has been put into effect officially. As a unit that participated and promoted the establishment and implement of the act, COSCO Group followed close to the line of anti-monopoly act and protected fair market competition; it improved the efficiency of economic operations; it preserved the interests of the consumers and social public interests; it enhanced the sound development of market economy. In 2009, COSCO Group didn't have any contentious cases due to anti-competition action, anti-trust or monopolies.

5. Observing law and discipline

COSCO Group has consistently operated abiding by laws and regulations, obeying strictly international conventions, laws and regulations of the nation, ensuring conducting according to disciplines, as a result, it prevented effectively legal risks and thus reduced the financial risks caused by direct penalty or indirect destroy of the reputation. In 2009, no penalty events caused by violation laws or regulations occurred in COSCO Group.

Comparison Table

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
<u>1. Preface of the report (P series)</u>					
1.1	Statement from the most senior decision-maker of the organization	IV. (XVII) Establishing and improving the system and mechanism to perform social responsibilities and integrating into development strategies of enterprises	2. Speech of the top executives (P2)	Part A Strategy and General Introduction/Part I Statement of the President and Strategy	
			Speech of the top executives is the summary on CSR work made by most senior decision-makers of enterprises and includes following two contents: P2.1 The declaration on relationships between enterprises and social responsibilities, i.e. strategic consideration of enterprises for implementation of sociaresponsibility work and the development opportunities brought by it;		
	P2.2 A summary of achievements and insufficiencies of social responsibility work of enterprises in the year.		Part A Strategy and General Introduction/Part I Statement of the President and Strategy		
	Governance of responsibilities (G1)		Part A Strategy and General Introduction/Part I Statement of the President and Strategy		
This part of report mainly elaborates the enterprises' concept to be responsible to economy, society and environment from high and strategic prospective as well as its focuses on stakeholders in its value concept and vision; It also elaborates enterprises' influences on stakeholders in operation process as well as external risks and opportunities in its sustainable development; It also elaborates the enterprises' commitment to stakeholders.					
1.2	Description of key impacts, risks, and opportunities.	IV. (XVII) Establishing and improving the system and mechanism to perform social responsibilities and integrating into development strategies of enterprises	G1.1 Ideas, vision and value concept of enterprises	Part A Strategy and General Introduction/Part I Statement of the President and Strategy/III.	
			Elaboration of indicator: the indicator describes enterprises' operational ideas, vision and value concept of being responsible to economy, society and environment.		
G1.2 Analysis on risks, opportunities and sustainable development	Part A Strategy and General Introduction/Part I Statement of the President and Strategy/III.				
Elaboration of indicator: the indicator mainly measures healthy degree of development of enterprises, which includes following three contents: (1) Active influences (such as improvement of living quality and increase of employment) and positive influences (damage the environment) brought by core businesses of enterprises to economy, society and environment;				Analysis on primary influences, risks, opportunities and countermeasures of sustainable development/2. Analysis on primary risks and opportunities of sustainable development	

			(2) Internal and external risks and opportunities of enterprises in fulfilling its sustainable development;	Part A Strategy and General Introduction/Part I Statement of the President and Strategy/III. Analysis on primary influences, risks, opportunities and countermeasures of sustainable development/3. Analysis on primary risks and opportunities of sustainable development	
			(3) Countermeasures of enterprises to cope with aforesaid risks and opportunities, i.e. path and planning of enterprises to fulfill its sustainable development.	Part A Strategy and General Introduction/Part I Statement of the President and Strategy/III. Analysis on primary influences, risks, opportunities and countermeasures of sustainable development/4. Analysis on primary risks and opportunities of sustainable development	
2. Organizational strategy and general introduction					
Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
2.1	Name of the organization.		(P3) Enterprise introduction P3.1 Name, nature of ownership and headquarters of the enterprise	Part A Strategy and General Introduction/Part II General Information of COSCO Group	
2.2	Primary brands, products, and/or services.		P3.2 Main products and services of enterprises	Part A Strategy and General Introduction/Part II General Information of COSCO Group	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	III. (IX) Enhancing market competitiveness.	P3.3 Operational regions and structure of enterprises including main departments, operation enterprises, affiliated and joint venture institutes	Part A Strategy and General Introduction/Part II General Information of COSCO Group; Part III Basic profile of companies implementing sustainable development management system/Basic information of related companies	
2.4	Location of organization's headquarters.		P3.1 Name, nature of ownership and headquarters of the enterprise	Part A Strategy and General Introduction/Part II General Information of COSCO Group	
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.		Part A Strategy and General Introduction/Part II General Information of COSCO Group; Part IV Basic profile of companies implementing sustainable development management system/Basic information of related companies	Part A Strategy and General Introduction/Part II General Information of COSCO Group	

2.6	Nature of ownership and legal form.			Part A Strategy and General Introduction/Part II General Information of COSCO Group; Part III Basic profile of companies implementing sustainable development management system/Basic information of related companies	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).			Part A Strategy and General Introduction/Part II General Information of COSCO Group; Part III Basic profile of companies implementing sustainable development management system/Basic information of related companies	
2.8	Scale of the reporting organization.			Part A Strategy and General Introduction/Part II General Information of COSCO Group; Part III Basic profile of companies implementing sustainable development management system/Basic information of related companies	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.			Part A Strategy and General Introduction/Part II General Information of COSCO Group; Part III Basic profile of companies implementing sustainable development management system/Basic information of related companies	
2.10	Awards received in the reporting period		P4.3: List of honors received by the company in reporting period	Part A Strategy and General Introduction/Part IV Awards	
			Type of honors: Responsibility management category, social performance category, environmental management category Report: appraisal institutes; honorable titles		
			Type of honor: market performance category; Report: appraisal institutes; honorable titles	Part A Strategy and General Introduction/Part IV Awards	

3. References of the report

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	IV. (XVIII) Establishment of social responsibility reporting system.	1. Reporting rules (P1) P1.2 Organization scope of the report P1.3 Time scope of the report	Part A Strategy and General Introduction/Part V General information of the report/I. Scope of report	
3.2	Date of most recent previous report (if any).		P1.4 Which number is the social responsibility report?	Part B Management and participation of stakeholders/Part III Responsibility Management/IV. Achievement of COSCO Group Sustainable Development Report	
3.3	Reporting cycle (annual, biennial, etc.)	IV. (XVIII) If possible, enterprises shall issue social responsibility report or sustainable development report on a regular basis	P1.5 Report release period	Part A Strategy and General Introduction/Part V General information of the report/I. Scope of report	
3.4	Contact point for questions regarding the report or its contents.	IV. (XVIII) Dialogue mechanism to improve communication methods of social responsibilities, timely understand and respond to suggestions and opinions of stakeholders, and voluntarily accept supervision of stakeholders and the society.	P 1.8 Contact persons and contact methods who can ask questions related to report and its contents	Part A Strategy and General Introduction/Part V General information of the report/I. Scope of report	
3.5	Process for defining report content			Part A Strategy and General Introduction/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.	IV. (XVIII) Current situations, planning and measures for enterprises to perform social responsibilities		Part A Strategy and General Introduction/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).		P1.7 Report reference standards	Part A Strategy and General Introduction/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.			Part A Strategy and General Introduction/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.		P1.6 Explanation to data of the report	Part A Strategy and General Introduction/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/acquisition, change of base years/periods, nature of business, measurement methods).			Part A Strategy and General Introduction/Part V General information of the report/I. Scope of report	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.			Part A Strategy and General Introduction/Part V General information of the report/I. Scope of report	
3.12	Table identifying the location of the Standard Disclosure in the report.		P 1.9 Report obtaining method and extension reading	Appendix/Index	
3.13	Policy and current practice with regard to seeking external assurance for the report.		P1.1 Guarantee to reliability of the report, i.e. "The board of directors of the company and all directors guarantee that contents of the report have no unfaithful records, misleading statements or major omit, and shoulder personal and related responsibilities to faithfulness, accuracy and completeness of the contents".	Part A Strategy and General Introduction/Part V General information of the report/I. Scope of report	
			III. Application level and excellent report appraisal of CASS-CSR1.0 Report Compilation Guideline (I) Rating of application level (II) Appraisal of excellent report	Part A Strategy and General Introduction/Part V General information of the report/I. Scope of report	

4. Management structure, commitment and responsibilities

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
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.	IV. (XVI) Establishing and deepening sense of social responsibilities. Deeply understanding the important meaning for performance of social responsibilities, firmly establishing the sense of social responsibilities and paying great attentions to social responsibility work.	P3.5 Description to regions and functions of enterprise governance institutes and professional committees, and their influences;	Part B Management and participation of stakeholders/Part I Company governance/I. Top management team; II. Related committees	
		III. (IX) Scientific and democratic decision-making.	G1.4 Description of indicators of social responsibility governance body: social responsibility governance body refers to highly decision-making, leadership and promotion institute managed by high-level leaders of enterprises (usually refers to president, general manager and other top executives of enterprises) directly and is at level of enterprise committee, such as social responsibility committee, sustainable development committee, corporate citizenship committee, etc.	Part B Management and participation of stakeholders/Part I Company governance/I. Top management team; II. Related committees	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.			Part B Management and participation of stakeholders/Part I Company governance/I. Top management team; II. Related committees	
		IV. (XX) Enhancing the leadership of party group on CSR work. Bring into full play the political center role of party group of the enterprises.			

<p>4.3</p>	<p>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.</p>		<p>P3.6 Describe board of directors of enterprises; “Please refer to annual report of the company for unmentioned contents” shall be indicated in the report.</p>		<p>At present, COSCO Group do not have a unitary board structure, so it is not applicable. COSCO is a state-owned enterprise according to the Corporation Act. As the investor, the State-owned Assets Supervision and Administration Commission of the State Council offers directions to the group’s president official business meeting in the forms of file and meeting. The president official business meeting will order each functional sectors and special committees to take charge in the implementation of the directions, and establish procedures and regulations while building modern enterprise management system to ensure the execution of the directions. Subsidiaries of COSCO establish their respective Boards of Directors in Chinese Corporation Act or local country’s Corporation Act. The Boards of Directors are under the administration of directors sent by COSCO according to the Corporation Act.</p>
<p>4.4</p>	<p>Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.</p>	<p>IV. (XX) Widely mobilize and guide party members to perform social responsibilities, support labor union, communist party of China and women’s organization to play and actively role in performing social responsibilities, and try to create a favorable atmosphere for enterprises’ performance of social responsibilities.</p>	<p>G3.3 Indicator to measure internal communications and exchange activities on social responsibilities led by high levels of enterprises: internal communications and exchange activities of social responsibility led by high levels of enterprises are as follows:</p> <ol style="list-style-type: none"> 1. Talk between high-level leaders and employees on social responsibility work; 2. Establishment of social responsibility topic in employees’ congress. 3. Special e-mail box for social responsibilities opened by high-level leaders. 	<p>Part B Management and participation of stakeholders/Part I Company governance/III. Decision-making mechanism; IV. All-staff participation and communications mechanism</p>	

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).	III. (IX) Improving governance of the company		Part B Management and participation of stakeholders/Part I Company governance/V. Supervision over the management team; VI. Company evaluation mechanism	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.			Part B Management and participation of stakeholders/Part I Company governance/V. Supervision over the management team; VI. Company 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.			Part B Management and participation of stakeholders/Part I Company governance/V. Supervision over the management team; VI. Company evaluation mechanism; VII. 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.	IV. (XVI) Trying to form the value concept and corporate culture for performance of social responsibilities.		Part B Management and participation of stakeholders/Part I Company governance/VIII. Internal statement, behavioral principles and implementation situation relating to economic, environmental and social performance	

<p>4.9</p>	<p>Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.</p>	<p>IV. (XVII) Establishing the system and mechanism for performance of social responsibilities. Clarifying designated management department and establishing sound working system.</p>	<p>2. Responsibility promotion (G2)</p> <p>Responsibility promotion block includes promotion of social responsibilities in and outside the enterprises. Internal promotion mainly describes construction of social responsibility management system within the enterprises, working mechanism and measures for performance of social responsibilities within the enterprises and achievements for promotion of social responsibility work within the enterprises; external promotion mainly includes enterprises' advocate and system regulations on performance of social responsibilities to their partners (mainly refer to suppliers)</p> <p>Expanded indicators</p> <p>G2.1 Description to indicators of social responsibility management system: The indicator mainly includes four contents as follows: (1) Social responsibility organization system, and responsible department to clarify and establish corporate social responsibility work; (2) allocation of personnel of CSR work department; (3) construction of CSR indicator system or special management system (such as social responsibility risk management); (4) System and measures for measurement of social responsibility work.</p>	<p>Part B Management and participation of stakeholders/Part II Major policies and management systems/I. Overview of management system; II. Construction of management systems and internal control system of the affiliated companies; III. Certifications obtained by affiliated companies</p>	
		<p>IV. (XVII) Implementation in all production and operation sectors.</p>			
<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>IV. (XVII) Bringing of performance of social responsibilities into governance of the company.</p>		<p>Part B Management and participation of stakeholders/Part II Major policies and management systems/IV. On-the-spot evaluation and internal assessment of the management system</p>	

<p>4.11</p>	<p>Explanation of whether and how the precautionary approach or principle is addressed by the organization.</p>	<p>IV. (XIV) Carrying out the competition with advanced enterprises in performance of social responsibilities.</p>		<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system;2. The construction of sustainable development indicator system;3. Trainings on sustainable development;</p>	
		<p>IV. (XVI) Putting the performance of social responsibilities into important agenda of enterprises, and researching and deploying social responsibility work regularly.</p>	<p>G2.2 Indicator for planning of social responsibility work mainly describes core topics of CSR work as well as overall objectives and guarantees measures to be achieved by social responsibility work.</p>	<p>4. Assessment of sustainable development report;5. Audit of management system and sustainable development report; 6. Establishing strict sustainable development and social responsibility report formulation process and communication system; Prudently publishing sustainable development reports/Part VI Sustainable Development Information Management Platform/I. Informatization of corporate social responsibility; II. Informatization of risk management</p>	
		<p>IV. (XVI) Putting the performance of social responsibilities into important agenda of enterprises, and researching and deploying social responsibility work regularly.</p>		<p>Part B Management and participation of stakeholders/Part VI Sustainable Development Information Management Platform/I. Informatization of corporate social responsibility; II. Informatization of risk management</p>	

		<p>IV. (XVI) Continuously innovating management ideas and working methods.</p>	<p>4. Key performance table (P4)</p> <p>Key performance table includes comparison table of annual performance of corporate social responsibility work within the reporting period, table of key performance and list of honors received by enterprises within the reporting period. Comparison table of performance of social responsibility work mainly describes management of corporate responsibility work as well as organizational institute, improvement of rules and regulations and improvement of management behaviors for social responsibility practices; table of key performance describes quantitative working achievements of corporate social responsibility work; a list of honors received by the company within the reporting period shows honors received by the enterprise within reporting period in concentration.</p> <p>P4.1 A comparison table of performance of social responsibility work</p>	<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 2. The construction of sustainable development indicator system; 3. Trainings on sustainable development; 4. Assessment of sustainable development report; 5. Audit of management system and sustainable development report; 6. Establishing strict sustainable development and social responsibility report formulation process and communication system; Prudently publishing sustainable development reports</p>	
			<p>G2.4 Promotion of social responsibility work of affiliated enterprises: the indicator mainly describes social responsibility work of affiliated enterprises, including social responsibility work released, training on social responsibilities for affiliated enterprises, pilot work for social responsibility work among affiliated enterprises, as well as evaluation and comparison of social responsibility work of affiliated enterprises.</p>	<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system;</p> <p>2. The construction of sustainable development indicator system; 3. Trainings on sustainable development; 4. Assessment of sustainable development report; 5. Audit of management system and sustainable development report; 7. Establishing strict sustainable development and social responsibility report formulation process and communication system; Prudently publishing sustainable development reports</p>	
		<p>IV. (XVII) Gradually establishing and improving statistical and evaluation system of corporate social responsibility indicators.</p>			

			G2.3 Training on social responsibilities		
		IV. (XVI) Enhancing all-staff training and popularization education of social responsibilities.	Indicator description: the indicator mainly describes social responsibility trainings (including promotion on social responsibility theory, introduction to advanced corporate social responsibility activities internationally and domestically and how to integrate social responsibility work with operational activities) organized by enterprises as well as achievements made.		Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/3. Trainings on sustainable development;
		IV. (XVII) If possible, enterprises who have the conditions shall establish the evaluation mechanism for performance of social responsibilities.			
			G3.2 Internal communications mechanism on social responsibilities within enterprises		
			Description of indicator: the indicator mainly describes communications mechanism and media of social responsibility information within enterprises. Internal communications mechanism on social responsibilities of enterprises mainly includes internal magazines, such as Monthly Magazine on Social Responsibilities and Social Responsibility Communications; establishment of special column on social responsibility work on website of the enterprise; exchange conference on social responsibility knowledge; internal network for CSR.		Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/7. Establishing strict sustainable development and social responsibility report formulation process and communication system; Prudently publishing sustainable development reports
			G3.4 Social responsibility communications mechanism outside the enterprise		
			The indicator mainly describes the mechanism and media for disclosure of corporate social responsibility information to external stakeholders, such as release of social responsibility report, the exchange fair of stakeholders held and participated and opening day of plants.		Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/8. Establishing strict sustainable development and social responsibility report formulation process and communication system; Prudently publishing sustainable development reports

		<p>IV. (XIX) Summarize the experiences, find the distance and improve the work.</p>	<p>4. Compliance with laws and regulations (G4)</p> <p>This block mainly describes work done by enterprises to be compliant with laws and regulations from the angle of management system and system guarantee, including construction of organizational system for compliance with laws and regulations, system measures, behavioral standards, law-compliance manual, law-compliance training and working achievements made by enterprises in complying with laws and regulations.</p>	<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 2. The construction of sustainable development indicator system;</p>	
			<p>G4.1 Law-compliance system of enterprise</p> <p>The indicator mainly describes the internal control system, law-compliance system and risk protection system of enterprise, including law-compliance ideas, construction of organization system and system establishment.</p>	<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 3. The construction of sustainable development indicator system;</p>	
		<p>III. (IX) Improvement of management and control ability.</p>		<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 4. The construction of sustainable development indicator system;</p>	
		<p>III. (IX) Enhancing risk protection.</p>		<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 5. The construction of sustainable development indicator system;</p>	

			<p>G4.1 Law-compliance system of enterprise</p> <p>The indicator mainly describes the internal control system, law-compliance system and risk protection system of enterprise, including law-compliance ideas, construction of organization system and system establishment.</p>	<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 6. The construction of sustainable development indicator system;</p>	
			<p>G4.2 Law-compliance measures</p> <p>The indicator mainly describes the law-compliance measures of enterprises, such as anti-corruption, anti commercial bribery and law-compliance manual.</p>	<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 7. The construction of sustainable development indicator system;</p>	
			<p>G4.3 Training on law-compliance</p> <p>The indicator mainly describes the law-compliance training activities organized by the enterprise, including training on legal sense, training of behavior law-compliance, anti-corruption training and training on anti-commercial bribery.</p>	<p>Part B Management and participation of stakeholders/Part III Responsibility Management/II. A survey of COSCO Group in implementing Global Compact and sustainable development deployment; III. Promotion of Global Compact and sustainable development of COSCO Group in the year/1. Construction of sustainable development management system; 8. The construction of sustainable development indicator system; 3. Trainings on sustainable development;</p>	
			<p>G4.4 Key negative information on law-compliance</p> <p>If there are key negative information on law-compliance within the reporting period, they shall be explained and improvement suggestions shall be offered; if there are no such information, enterprise shall promise that there are no key negative information on law-compliance.</p>		

4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses.		<p>G1.3 Organization for enterprise to perform social responsibilities and its responsibility commitment</p> <p>Organization for enterprises to perform social responsibilities include domestic and overseas social responsibility organization, such as UN Global Compact, WBCSD, CBCSD and Social Responsibility Alliance; Responsibility commitment mainly refers to compliance with international social responsibility conventions or standards, such as 10 principles of Global Compact and Statement of UN on environmental and labor conventions.</p>	Part B Management and participation of stakeholders/Part VII External Initiative and Commitment/I. Participation in external agreements, regulations and other action plans regarding economy, environment and society	
4.13	<p>Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:</p> <p>*Has positions in governance bodies;</p> <p>*Participates in projects or committees;</p> <p>*Provides substantive funding beyond routine membership dues; or</p> <p>*Views membership as a strategic.</p>			Part B Management and participation of stakeholders/Part VII External Initiative and Commitment/II. Participation in associations	
			<p>G3.5 Social responsibility communications and exchange activities attended by high-level leaders of enterprise</p> <p>Description of indicator: the indicator mainly describes social responsibility conferences home and abroad attended by leaders of enterprise, speeches delivered at the conference and commitment to social responsibilities.</p>	Part B Management and participation of stakeholders/Part VII External Initiative and Commitment/II. Participation in associations	

4.14	List of stakeholder groups engaged by the organization.		<p>3. Responsibility communications (G3)</p> <p>Responsibility communications block includes social responsibility communications in and outside the enterprise. Internal social responsibility communications mainly include description of delivery of social responsibility information within the enterprise, and external social responsibility communications mainly include information disclosure of enterprise to external stakeholder and responsibility communications and exchange activities attended by enterprise leaders.</p>	Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	
4.15	Basis for identification and selection of stakeholders with whom to engage.	IV. (XIX) Enhancing exchanges and international cooperation between enterprises.	<p>G3.1 Expectations of stakeholders on enterprises as well as countermeasures of enterprises</p> <p>Explanation of indicator: the indicator includes three contents as follows: (1) Identify external stakeholders of enterprises such as shareholders, supervisors, government, customers, suppliers, employees, partners, community, environment, media, etc. (2) Investigation on demands and expectations of stakeholders; (3) Expectations of stakeholders on enterprises and enterprises' countermeasures to expectations on stakeholders.</p>	Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.			Part B Management and participation of stakeholders/Part VIII 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.			Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	
		IV. (XIX) Researching and studying the advanced ideas and successfully experiences of domestic and overseas enterprises in performing social responsibilities.			
			<p>G2.5 Promoting partners to perform social responsibilities</p> <p>The indicator includes two levels: description of enterprises' advocate to partners, companies of the same industry and other organizations on performance of social responsibilities work; enhancing sense of social responsibilities of other enterprises.</p>	Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	

		IV. (XIX) Enhancing the dialogues and exchanges with related international organizations.	G2.5 Promoting partners to perform social responsibilities The indicator includes two levels: description of enterprises' advocate to partners, companies of the same industry and other organizations on performance of social responsibilities work; enhancing sense of social responsibilities of other enterprises.	Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	
			G2.5 Promoting partners to perform social responsibilities The indicator includes two levels: description of enterprises' advocate to partners, companies of the same industry and other organizations on performance of social responsibilities work; enhancing sense of social responsibilities of other enterprises.	Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	
		IV. (XIX) Actively participating in formulation of international standards on social responsibilities	G2.5 Promoting partners to perform social responsibilities The indicator includes two levels: description of enterprises' advocate to partners, companies of the same industry and other organizations on performance of social responsibilities work; enhancing sense of social responsibilities of other enterprises.	Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	
			G2.5 Promoting partners to perform social responsibilities The indicator includes two levels: description of enterprises' advocate to partners, companies of the same industry and other organizations on performance of social responsibilities work; enhancing sense of social responsibilities of other enterprises.	Part B Management and participation of stakeholders/Part VIII Participation of stakeholders	

Profile disclosure – Part III: Performance indicator

Society: Economy

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
DMA EC	Disclosure on Management Approach EC		1. Responsibilities of shareholders (M1) Responsibilities of shareholders mainly include two parts, i.e. management of investors' relationships and asset value maintenance and increase. The asset value maintenance and increase is presented by three indicators, i.e. growth, earnings and safety of assets. Core indicator	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/I. Management approaches	
			III. (VIII) Timely and fully-amount tax payment; (IX) Continuously improving sustainable profitability and developing main businesses.	P4.2 Table of key performance data Market performance indicators (three years of data); Main operating business revenue (10,000 yuan); Total profits (10,000 yuan); Earnings per share (yuan); Asset and debt ratio (%); R&D inputs (10,000 yuan); Taxes paid (10,000 yuan).	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/1. Direct economic value created and distributed by COSCO Group
			M1.1 Investors' relationships management system The indicator mainly describes the construction of investors' relationships management system of enterprises, including the concept of being responsible for investors, special institute for management of investors' relationships, investors' relationships management mechanism and communications mechanism with investors. The report shall indicate "please refer to annual report of year XXXX for unmentioned contents".	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/1. Direct economic value created and distributed by COSCO Group	
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.	III. (IX) Shortening of management chain. Reasonable allocation of resources. Enhancement of company management.	M1.2 Growth, indicators related to growth of enterprises within the reporting period, such as operating revenue and growth rate.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/1. Direct economic value created and distributed by COSCO Group	
			M1.3 Earnings, net profits growth rate, rate of earnings of net assets, earnings per share and other indicators related to operating revenue of enterprises within the reporting period.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/2. Direct economic value created and distributed by COSCO Group	

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.		M1.4 Safety, asset and debt ratio and other indicators related to financial safety of enterprises within the reporting period.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Direct economic value created and distributed by COSCO Group
			III. (IX) Reducing Operational costs	
			1. Responsibilities to government (S1) Responsibilities to government include responding to policies, tax payment in accordance with laws and driving of employment.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Direct economic value created and distributed by COSCO Group
			S1.1 Responding to national policies.	
			S1.2 Total sum of tax paid.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Direct economic value created and distributed by COSCO Group
			S1.3 Negative information related to tax evasion and tax fraud If there are tax evasion and tax fraud behaviors within the reporting period, related improvement measures shall be offered; If there are no such issues, statement that no such behaviors were occurred within the reporting period shall be made within the reporting period.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Direct economic value created and distributed by COSCO Group
			S1.4 Policies or measures to ensure and (or) drive employment.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Direct economic value created and distributed by COSCO Group
			S1.5 Number of persons employed within the reporting period.	
			S4.6 Enterprise public benefits fund or foundation; S4.7 Public donation amount; S4.8 Public donation made in overseas market; S4.9 Policies and measures to support volunteers.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Direct economic value created and distributed by COSCO Group
			S4.9 Policies and measures to support volunteers. S4.10 Data of employee volunteer activities	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Direct economic value created and distributed by COSCO Group
	III. (XV) Actively providing financial, material and human resource supports and aims before occurrence of serious natural disasters and urgent accidents.			

EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.			Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/2. Influences of climate changes	
EC3	Coverage of the organization's defined benefit plan obligations.			Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/3. Fixed welfare plans	
EC4	Significant financial assistance received from government.			Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/4. Key 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.			Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/5. Minimum salary and comparison with the standards	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		S4.4 Proportion of procurement localization	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/6. Local suppliers and procurement policies	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		S4.3 Proportion of local employees employed	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/7. Employing local employees and senior executives	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		S4.2 Driving regional economic development The indicator describes the driving forces of enterprise operation on economic development of local community as well as policies and measures to drive local economic development, such as procurement localization policies and policies to employ local employees.	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/8. Public services	

EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	III. (XII) Promoting self innovation and technical progress. Establishing and improving technical innovation mechanism, increasing R&D inputs, speeding up development of high and new technologies and reform of traditional industry, making breakthrough in industrial technologies, and increasing storage of technical innovation. Improving self-innovation ability. Bringing into play the driving force of industrial upgrade and structural optimization.	M2.9 System to support product and service innovation	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/9. Key indirect economic influences			
			Core indicator				
		M2.10 R&D inputs					
				Core indicator			
		III. (XII) Enhancing sense of intellectual property rights, implementing intellectual property rights strategies and fulfilling favorable interaction between technical innovation and intellectual property rights.	M2.13 Sales of new products	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/10. Key indirect economic influences			
			Core indicator				
III. (XII) Promoting self innovation and technical progress. Establishing and improve technical innovation mechanism.	M2.11 Number and proportion of R&D personnel	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/11. Key indirect economic influences					
	Core indicator						
III. (XII) Forming a batch of core technologies and renowned brands within independent intellectual property rights.	M2.12 Number of patents newly increased; expansion indicators	Part C Management approaches and performance indicators/Part I Economic performance indicator and keynote report/II. Performance indicators/12. Key indirect economic influences					
III. (XI) Development of energy-conservative products.	M2.14 Key innovation awards.						

Society: environment					
Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
DMA EN	Disclosure on Management Approach EN			Part C Management measures and performance indicators/Part II Environmental performance indicators and theme report/I. Management measures	
			<p>1. Environmental management (E1)</p> <p>Environmental management includes 10 aspects such as organizational structure, management system, R&D and sales of environmental protection products, environmental protection training, green procurement and environmental public welfare of enterprises.</p> <p>E1.1 Environmental management system</p> <p>The indicator elaborates overall management system of enterprises in terms of environment, including environmental protection organizational institute, environmental management system, environmental management solution, ISO14001 certification, etc.</p> <p>Environmental performance (E)</p> <p>Environmental management (E1)</p> <p>Resource and energy conservation (E2)</p> <p>Pollution and emission reduction (E3)</p> <p>E2.10 Green office performance</p>	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/I. Management approaches	
EN1	Materials used by weight or volume.	III. (XI) Enhancing resource conservation and environmental protection.		Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/1. Raw materials/(1) Steel for the manufacturing and maintenance of vessels; (2) Total amount of raw materials used	
EN2	Percentage of materials used that are recycled input materials.	III. (XI) Developing recycled economy and improving the resource comprehensive utilization rate.	<p>E2.7 Policies, measures or technologies of recycled economy</p> <p>E2.8 Energy resource recycling or reutilization rate or utilization volume</p>	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/1. Raw materials/(3) Vessels adopt Green Passport; (4) Renovation and recycle of spare parts and materials; (5) Reduce paper consumption; (6) Utilization of renewable materials	

EN3	Direct energy consumption by primary energy source.		<p>2. Conservation of resources and energies (E2)</p> <p>Responsibility for conservation of resources and energies mainly describes concepts, systems, measures and performance in five aspects, i.e. energy conservation, conservation of water resources, utilization of renewable energies, recycled economy and green office.</p>	<p>Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/(1) Fuel consumption and conservation;(2) Consumption and conservation of lubricating oil;(3) Consumption and conservation of automobile fuel;(4) Consumption and conservation of power;(5) Clean energy</p>	
			<p>E2.5 Policies and measures to use renewable energies</p>	<p>Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/(1) Fuel consumption and conservation;(2) Consumption and conservation of lubricating oil;(3) Consumption and conservation of automobile fuel;(4) Consumption and conservation of power;(6) Clean energy</p>	
EN4	Indirect energy consumption by primary source.		<p>E2.9 Policies or measures of green office</p> <p>Policies or measures of green office, including but not limited to following contents:</p> <ul style="list-style-type: none"> I Temperature of air-conditioner in summer shall not be lower than 26 centigrade; I Adopting energy-conservative lamps and lighting in office area and extinguishing the them after leave; I Recycling and re-utilization of living water in office area; I Promoting paperless office and use two sides of the paper when printing; I Scientific classification of office garbage; I Promoting video conference and reducing trips of personnel. 	<p>Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/(6) Total energy consumption</p>	
EN5	Energy saved due to conservation and efficiency improvements.			<p>Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/(7) Technologies for energy and fuel conservation on vessels</p>	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		<p>E2.6 Utilization volume or utilization rate of renewable energies.</p>	<p>Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/(8) Energy-conserving lean management projects and measures</p>	

EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		E2.1 Policies, measures or technologies to reduce energy emission; E2.2 Energy consumption and energy conservation volume per unit production value;	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/2. Energy/(9) Measures to reduce indirect energy consumption	
EN8	Total water withdrawal by source.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/ 3. Water resources/ (1)Total water consumption	
EN9	Water sources significantly affected by withdrawal of water.		E2.4 Water consumption and water resource conservation volume per unit output value	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/3. Water resources/(2) The significant impact of water consumption on water resources	
EN10	Percentage and total volume of water recycled and reused.		E2.3 Policies, measures or technologies for water conservation	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/3. Water resources/(3)Water conservation measures, such as seawater cleaning	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	III. (XI) Increasing environmental inputs, improving technique and process, reducing pollution emission, implementing clean production, and embarking on the way of low inputs, low consumption, low emission and high-efficiency consistently.		Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity	
EN13	Habitats protected or restored.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity	

EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.		E1.7 Protecting bio diversity.	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity	
EN16	Total direct and indirect greenhouse gas emissions by weight.	III. (XI) Carefully implementing energy conservation and emission reduction responsibility and taking a lead to complete energy conservation and emission reduction task.	<p>3. Pollution and emission reduction (E3)</p> <p>Pollution and emission reduction responsibility mainly describes enterprises' ideas, systems, measures and performances in terms of reduction of waste gas, sewage, wastes and greenhouse gas emission.</p> <p>E3.1 Policies, measures or technologies to reduce waste gas emission;</p> <p>E3.2 Waste gas emission and emission reduction volume</p>	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste/(1) Exhaust	
EN17	Other relevant indirect greenhouse gas emissions by weight.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.		<p>E3.8 Measures or technologies to reduce greenhouse gas emission</p> <p>E3.9 Greenhouse gas emission and emission reduction volume</p>	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste/(1) Exhaust	
EN19	Emissions of ozone-depleting substances by weight.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste/(1) Exhaust	

EN20	NOx, SOx, and other significant air emissions by type and weight.		E3.10 CO ₂ emission generated in business trips	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste/(1) Exhaust	
EN21	Total water discharge by quality and destination.		E3.3 Policies, measures or technologies to reduce sewage emission	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste/(2) Sewage	
			E3.4 Sewage emission and emission reduction volume		
EN22	Total weight of waste by type and disposal method.	III. (XII) Speeding up development of high and new technologies and reform of traditional industry, making special efforts to break through key technologies of the industry and increasing storage of technical innovation.	E3.5 Policies, measures or technologies to reduce waste residue emission	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste/(3) Waste	
			E3.6 Waste residue emission and emission volume		
			E3.7 Comprehensive utilization rate of waste residue		
EN23	Total number and volume of significant spills.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/4. Bio-diversity	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste	

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.		E1.2 Environmental training system	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/6. Products and services
			E1.3 Green procurement system	
			E1.4 Evaluation on environmental influences of new investment projects	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.			Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/5. Exhaust, sewage and waste
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		E1.10 Negative information on non-compliance with environmental protection law	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.			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.		E1.5 R&D and marketing system of environmental protection products	Part C Management approaches and performance indicators/Part II Environmental performance indicators and theme report/II. Performance indicators/9. General situation
			E1.6 R&D and application of environmental protection technologies and equipment	
			E1.8 Total inputs on environmental protection	
			E1.9 Public welfare on environmental protection	

Society: labor behaviors and graceful work

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
DMA LA	Disclosure on Management Approach LA			Part C Management approaches and performance indicators /Part V Human rights performance indicators and theme report/I. Management approaches	
			S3.1 Safety production management system The indicator mainly describes enterprises' efforts to establish safety production organizational system, formulation and implementation of safety production system, adoption of effective protection measures, so as to ensure the system and measures to ensure employees' safety.	Part C Management approaches and performance indicators /Part V Human rights performance indicators and theme report/I. Management approaches	
			S3.2 Safety emergency response management mechanism The indicator mainly describes enterprises' system and measures to establish emergency response management organization, standardize emergency response disposal process, formulation of emergency response plans and carry out emergency response rehearsal.	Part C Management approaches and performance indicators /Part V Human rights performance indicators and theme report/I. Management approaches	
			S3.3 Safety education and training The indicator mainly describes enterprises' efforts to establish safety production organizational system, formulation and implementation of safety production system, adoption of effective protection measures, so as to ensure the system and measures to ensure employees' safety.	Part C Management approaches and performance indicators /Part V Human rights performance indicators and theme report/I. Management approaches	

LA1	Total workforce by employment type, employment contract, and region.		2. Responsibilities of employees (S2)	Part C Management approaches and performance indicators		
			Responsibilities of employees mainly include protection of basic rights and interests of employees, equal employment, occupational health, employee development and management of employee relationships.			
				/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment		
					/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Employee employment	
			S2.2 Signing rate of labor contracts/coverage rate of collective contracts		/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Employee employment	
					/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	
					/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	
					/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	
LA2	Total number and rate of employee turnover by age group, gender, and region.		S2.22 Staff turnover rate	Part C Management approaches and performance indicators		
				/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment		
				/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment		
			S2.21 Employee satisfaction	Part C Management approaches and performance indicators		
					/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	
					/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	

LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	III. (XIII) Protecting legal rights and interests of employees. Signing and performing labor contracts with employees in line with laws.		Part C Management approaches and performance indicators	
				/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	
				/ (2) Analyses on employees' leaves and losses/ (3) Insurance and welfares of employees;	
			(4) Holiday system		
		III. (XIV) Timely and full-amount payment of social insurance.	S2.3 Coverage rate of social insurance	Part C Management approaches and performance indicators	
				/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	
				/ (2) Analyses on employees' leaves and losses/ (3) Insurance and welfares of employees;	
				(5) Holiday system	
		III. (XIV) Enhancing construction of employees' representative conference system, deepening the opening degree of factory affairs and promoting democratic management. Caring life of employees and solve worries and difficulties of employees in practical.		Part C Management approaches and performance indicators	
				/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment	
				/ (2) Analyses on employees' leaves and losses/ (3) Insurance and welfares of employees;	
				(6) Holiday system	
			S2.4 Number of employees who attend the labor union.		

LA4	Percentage of employees covered by collective bargaining agreements.			Part C Management approaches and performance indicators	
				Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment/(5) Leadership selection and appointment; (6) Crew management; (7) Management of migrant workers	
			S2.20 Channels for suggestions and opinions of employees to be delivered to top executives	Part C Management approaches and performance indicators	
			Channels for suggestions and opinions of employees to be delivered to top executives include but not limited to following methods:		
			1 Employee proposal system;	/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment/(5) Leadership selection and appointment; (6) Crew management; (8) Management of migrant workers	
			1 Mail box of the general manager;		
			1 General manager reception day;		
			1 Survey on employee satisfaction;		
			1 Regular dialogue system between top executives and employees.		
			S2.23 Cares to employees	Part C Management approaches and performance indicators	
			Cares to employees include but not limited to following contents:		
			1 Helping the employees who are in difficulties;	/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Employee employment/(5) Leadership selection and appointment; (6) Crew management; (9) Management of migrant workers	
			1 Holding of rich and colorful cultural and sports activities;		
			1 Improving working and living conditions of employees;		
1 Enriching spiritual and cultural life of employees.					

<p>LA5</p>	<p>Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.</p>		<p>S2.7 Negative information of labor disputes</p> <p>If labor disputes occurred within the reporting period, measures to improve labor relationship management shall be offered. If no such issues exist, it shall indicate that no labor disputes occurred within reporting period in the social responsibility report.</p>	<p>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/(1) Working mechanism and performances of labor unions;(2) Labor contract signing situation;(3) Overview worker's congress system;(4) Keep promoting the openness of factory affairs; establish the system of major issues pre-notice;(5) Rationalization suggestions; (6) Employee satisfaction;(7) System of public scrutiny before cadre appointment</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>S2.12 Occupational health management system</p> <p>3. Safety production (S3)</p>	<p>Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(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>III. (XIII) Preventing the occurrence of important and special safety accidents strictly. Establishing sound emergency-response management system, continuously improving emergency response management level and ability to cope with accidental events. Enhancing occupational education and training.</p>	<p>S2.16 Number of work-related injuries and deaths of employees</p> <p>S2.15 Number of times for occurrence of occupational diseases.</p>	<p>Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(2)Safety and occupational health work planning and arrangement</p> <p>Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(3)Safety and occupational health work planning and arrangement</p>	

		<p>III. (XIII) Inputs to safety production and providing safe, health and clean working conditions and living environment for employees.</p>	<p>S3.5 Inputs to safety production</p> <p>The indicator mainly includes inputs to labor protection, inputs to safety measures and inputs to safety training.</p>	<p>Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(4)Safety and occupational health work planning and arrangement</p>	
			<p>S3.6 Number of injuries and deaths of safety accidents</p> <p>The indicator mainly includes number of work-related injuries and number of deaths of employees.</p>	<p>Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(5)Safety and occupational health work planning and arrangement</p>	
			<p>S2.1 Complying with labor laws and regulations of the country.</p>	<p>Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(6)Safety and occupational health work planning and arrangement</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>Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(3) Overview of safety and occupational health work;(4) Implementation measures of safety and occupational health;(5) Strengthen emergency management and effectively improve emergency handling ability;(6) Staff health and disease prevention;(8) Labor competition; (9) Psychological health of employees and health of family members</p>	

			S2.13 Aids to psychological health of employees.	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/(3) Overview of safety and occupational health work;(4) Implementation measures of safety and occupational health;(5) Strengthen emergency management and effectively improve emergency handling ability;(6) Staff health and disease prevention;(8) Labor competition;(10) Psychological health of employees and health of family members	
LA9	Health and safety topics covered in formal agreements with trade unions.	III. (XIII) Guaranteeing production safety. Strictly implementing responsibility system of safety production, guaranteeing occupational health of employees, and preventing and reducing the harms of occupational diseases and other diseases on employees.		Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/ (10) Health and labor safety provisions covered in the collective contracts signed by enterprises and the labor union	
			S2.14 Physical inspection and coverage rate of health records.	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/3. Safety and occupational health/ (11) Health and labor safety provisions covered in the collective contracts signed by enterprises and the labor union	

LA10	Average hours of training per year per employee by employee category.		S2.17 Employee training management system	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/4. Training & examination/(1) Training of top management;(2)All-staff training	
			The indicator describes the training management system of enterprises, including organizational institution, training system, training category, course system and training evaluation of employee training.		
			S3.4 Safety training performance	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/4. Training & examination/(1) Training of top management;(3)All-staff training	
			The indicator mainly includes data such as safety training coverage rate and number of trainings.		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	III. (XIV) Creating equal development opportunities	S2.18 Career development of employees	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/4. Training & examination/(3) Training of professional teams;(4) “Three Three-Hundred” talent project construction;(5) Crew training;(6) Labor protection supervisor and inspector and training of cadres of labor union	
			The indicator describes the possible ways of employees to develop in the enterprise as well as the necessary processes and qualifications to fulfill the development objectives.		
			S2.6 Number of days for paid holidays per person.	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment/(3) Insurance and welfares of employees;(5) Holiday system	
LA12	Percentage of employees receiving regular performance and career development reviews.		S2.19 Employee training performance	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/4. Training & examination/(7)Training and evaluation incentive mechanism	
			Employee training performance mainly includes:		
			Proportion of number of employees trained to total number of employees;		
			Capital inputs of enterprises on employee training;		
			Training time per capita;		
Training fees per capita.					
			S2.10 Proportion of female managers	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/1. Employee employment/(5) Leadership selection and appointment	

LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	III. (XIV) Enhancing construction of employee representative conference system, deepening opening degree of factory affairs and promoting democratic management. Caring employees' life and solve worries and difficulties of employees in practical.	S2.8 Equal employment system S2.11 Employment rate or number of disabled persons	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/5. Equal opportunities and diversification/(1) Gender, age and minority nationalities (foreigners) of members of management team	
LA14	Ratio of basic salary of men to women by employee category.	III. (XIV) Insisting on doctrine of distribution according to labor, equal work and equal pay and establishing normal growing mechanism of salaries.	S2.5 Providing competitive wages and salaries for employees.	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/5. Equal opportunities and diversification/(2) Basic salary policies and practical situation of male and female employees	
			S2.9 Proportion of salaries of male and female employees.	Part C Management approaches and performance indicators/Part IV Labor relation performance indicators and theme report/II. Performance indicators/5. Equal opportunities and diversification/(3) Basic salary policies and practical situation of male and female employees	

Society: human rights

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
DMA HR	Disclosure on Management Approach HR		<p>3. Responsibilities to partners (M3)</p> <p>Partners of enterprises mainly include creditors, upper stream suppliers, downstream distributors, competitors of the same industry and other social communities. Responsibilities to partners include ideas, systems, measures, performances and typical cases of enterprises in terms of strategic cooperation, responsible procurement, honesty and creditability and fair competition.</p>	Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/I. Management approaches	
			<p>M3.1 Strategic sharing mechanism and platform</p> <p>The indicator mainly describes strategic sharing mechanism and platform co-established by enterprises and their commercial partners, including but not limited to following contents:</p> <p>Long-term strategic partnership agreement;</p> <p>Sharing experimental base;</p> <p>Sharing database;</p> <p>Stable communications and exchange platform.</p>	Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/I. Management approaches	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		<p>M3.2 Responsible procurement system and (or) guidelines</p> <p>The indicator mainly describes responsibility requirements put forward by enterprises to its suppliers, including law-compliance, environmental protection, protection of rights and interests of labors, honest operation, etc. Moreover, it also includes inspection system on responsible operation situations of suppliers on a regular or irregular basis.</p> <p>M3.3 Responsible procurement ratio</p> <p>The proportion of responsible procurement volume of enterprises to total responsible procurement volume to be conducted by enterprises within the reporting period, the formula is: responsible procurement ratio=responsible procurement volume/total responsible procurement volume to be conducted*100%</p>	Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Responsible procurement/(1) Investment	

<p>HR2</p>	<p>Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.</p>			<p>Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Responsible procurement/(2) Procurement</p>	
<p>HR3</p>	<p>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.</p>			<p>Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/1. Responsible procurement/(3) Human rights training</p>	
<p>HR4</p>	<p>Total number of incidents of discrimination and actions taken.</p>	<p>III. (XIV) Respecting employees, treating employees equally, and avoid any forms of discriminations against gender, nationality, religion and age.</p>		<p>Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/2. Non-discrimination/(1) Providing equal career development opportunities;(2) Women Workers' Committees;(3) Cultural life of workers;(4) Cultural and sports clubs for employees;(5) Care for employees;(6) Care for employees' families;(7) Care for crew members' children</p>	
<p>HR5</p>	<p>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.</p>			<p>Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/2. Non-discrimination/(1) Providing equal career development opportunities;(2) Women Workers' Committees;(3) Cultural life of workers;(4) Cultural and sports clubs for employees;(5) Care for employees;(6) Care for employees' families;(7) Care for crew members' children/3. Freedom of association and collective negotiation/(1) Collective contract and collective negotiation;(2) Employees' congress system;(3) Openness of factory affairs</p>	

HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.			Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/4. Prohibition on use of child labors	
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.			Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/5. Prohibition of 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.			Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/6. Focusing on human rights in security and safeguard work	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.			Part C Management approaches and performance indicators/Part V Human rights performance indicators and theme report/II. Performance indicators/7. Respecting and protecting rights of indigenous people	

Society: Social Responsibilities

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
DMA SO	Disclosure on Management Approach SO			Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/I. Management approaches	
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.	III. (XV) Attending social public welfare activities. Actively participating in community construction and encouraging employee volunteers to serve for the society.	4. Community participation (S4) Community participation responsibility mainly includes operation localization, charitable donation and employee volunteers. S4.1 Evaluation of influences of enterprise operation on local places.	Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/1. Community/(1) Strengthen the cooperation with related parties and construct harmonious communities;(2) Active promotion of environmental protection in communities, and improvement of community environment with practical actions;(3) Actively devoted to social public welfare activities and promote harmonious development of the society;(4) Showing their loving and caring by helping those in need;(5) The management of adverse events	
SO2	Percentage and total number of business units analyzed for risks related to corruption.			Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/2. Anti-corruption/(2) Insisting on combating corruption and upholding integrity; Boosting steadily the construction of punishment and prevention system.	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.			Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/2. Anti-corruption/(3) Strengthening the education on combating corruption and upholding integrity; Encouraging Party members and cadres obtain employment honestly	

SO4	Actions taken in response to incidents of corruption.	III. (VIII) Avoiding corruptive behaviors in commercial activities.		Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/2. Anti-corruption/(2) Insisting on combating corruption and upholding integrity; Boosting steadily the construction of punishment and prevention system;(4) Advocating supervision and inspection integrating business focuses	
				Improving increasingly the ability to prevent risks;(5) Promoting internal audit centering on focal points; Enhancing standard management of enterprises while improving auditing efficiency;(6) Strengthening petition letter investigations and handling cases; Effecting a permanent cure to enhancing management, taking cases as mirrors;(7) Deepening the reform of supervision system; vertical supervision has achieved initial success;(8) Deepening the “practice with various themes”; Strengthening the construction of anti-corruption teams.	
SO5	Public policy positions and participation in public policy development and lobbying.			Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/3. Public policies/(1) Participation in formulation of governmental policies of China and international community by high levels	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	III. (XV) Participating in social public welfare understandings such as charitable activities and donation warm-heartedly, caring and supporting public welfare undertaking such as education, culture and healthcare.		Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/3. Public policies/(2) Funds and materials donated to the political Parties and politicians of various nations	


<p>SO7</p>	<p>Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.</p>	<p>III. (VIII) Insisting on honest and credible operation. Abiding by laws, regulations, social ethnics, commercial ethnics and industrial regulations, protecting the rights and interests of investors and creditors, protecting intellectual property rights, performing contracts honestly, abiding by commercial credibility and opposing improper competition.</p>	<p>M3.7 Concept and system guarantee for fair competition</p>	<p>Part C Management approaches and performance indicators/Part VI Social performance indicators and theme report/II. Performance indicators/4. Fair competitions</p>	
<p>SO8</p>	<p>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</p>				

Society: product responsibilities

Profile disclosure	Description	Guiding Opinions on Central SOEs' Performance of Social Responsibilities issued by SASAC	Requirements in Guideline for CSR China	Reference	Reason
DMA PR	Disclosure on Management Approach PR		2. Responsibilities to customers (M2) Responsibilities to customers mainly describe enterprise and customer relationships management system, system and guidelines of enterprises in product innovation and product quality management as well as achievements made. Core indicator	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/I. Management approaches	
			P4.2 Table of key performance data Product qualification rate (%) Customer satisfaction (%) Contract performance ratio (%)	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/I. Management approaches	
			M2.1 Customer relationship management system Core indicator M2.2 After-sales service system Core indicator M2.9 System to support product and service innovation	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/I. Management approaches	
			M2.6 Product quality management system: The indicator mainly describes policies and measures of enterprises in product quality guarantee and improvement, such as ISO9000 international quality management system certification. Core indicator	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/I. Management approaches	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	III. (X) Practically improving product quality and service level. Guaranteeing safety of products and services, improving product performance and improving service system.		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.	III. (X) Trying to provide high-quality, safe and healthy products and services for the society, satisfying customers' demands to the maximum extents and protecting rights and interests of consumers.	M2.7 Product qualification rate: Core indicator	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.			Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/2. Customer health and safety	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.			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.			Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/3. Customer satisfaction	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		M3.4 Concept and system guarantee of honest operation	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/4. Honest sales and marketing/(1) The concept and institutional guarantee for honest sales and marketing;(2) Sales and publicity;(3) Suppliers and management of supply chains	

			M3.5 Credit evaluation level	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/4. Honest sales and marketing/(1) The concept and institutional guarantee for honest sales and marketing;(2) Sales and publicity;(4) Suppliers and management of supply chains
			M3.6 Contract performance ratio	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/4. Honest sales and marketing/(1) The concept and institutional guarantee for honest sales and marketing;(2) Sales and publicity;(5) Suppliers and management of supply chains
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.			Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/4. Honest sales and marketing/(1) The concept and institutional guarantee for honest sales and marketing;(2) Sales and publicity;(3) Suppliers and management of supply chains
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		M2.4 Customer information protection The indicator mainly describes concepts, system, measures and performance of enterprises in customer information safety. If there are accidents where customer information is disclosed, explanations shall be given and improvement suggestions shall be offered; if there are no such accidents, it shall indicate that there are no accidents where customer information is disclosed within reporting period. Core indicator	Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/5. Protect information security and respect customers' privacy

<p>PR9</p>	<p>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</p>		<p>M2.8 Negative information on product quality</p>	<p>Part C Management approaches and performance indicators/Part III Product liability performance indicator and key report/II. Performance indicators/6. Law compliance</p>	
			<p>If there are product quality accidents within the reporting period, explanations shall be given and improvement suggestions shall be offered; If there are no such accidents, it shall indicate in the report that there are no product quality accidents.</p>		

ASSURANCE STATEMENT



Introduction

Det Norske Veritas AS ('DNV') has been commissioned by the management of China Ocean Shipping (Group) Company ('COSCO') to carry out verification on COSCO's Sustainability Report 2009 ('the Report') against the AA1000 Assurance Standard (2008) ('AA 1000AS 2008').

COSCO is responsible for the collection, analysis, aggregation and presentation of information within the Report, while our responsibility is to perform this work completely in accordance with agreed terms of reference. The stakeholders of COSCO are the intended users of this statement. The verification is carried out based on the assumption that the data and information provided to us is complete and true.

Scope of Assurance and Limitations

The scope of work agreed upon with COSCO includes the following:

- The social, environmental and economic data presented in the Report, covering social responsibility performance from January to December 2009;
- On-site verification at COSCO headquarters and COSCO Container Lines Co., Ltd.;
- Evaluation of adherence to the AA1000 Accountability Principles and specified sustainability performance information (Type 2) with a moderate level of assurance, according to AA1000AS 2008;
- Verification was completed by DNV from May to July 2010;
- We did not verify the financial data presented in the Report (already verified by another third party);
- DNV has not observed significant factors to limit our assurance activities.

Verification Methodology

Our verification was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting.¹ The Report has been evaluated against the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness, as well as Reliability of specified sustainability performance information, as set out in the AA1000AS 2008;
- Adherence to additional principles of Completeness and Neutrality, as set out in DNV's Protocol.

As part of the verification, DNV has challenged the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. For example, we have:

- Examined and reviewed documents, data and other information made available to DNV by COSCO;
- Visited the headquarters of COSCO;
- Conducted interviews with about 70 of COSCO's representatives, including senior management and key employees;
- Performed sample-based reviews of the mechanisms for implementing COSCO's social responsibility policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative and qualitative data included in the Report.

Conclusions

In DNV's opinion, COSCO's Sustainability Report 2009 provides a credible and objective presentation of COSCO's overall sustainability performance and application of the AA1000 Accountability Principles. Within the scope of assurance, DNV has not observed any untrue statements. We evaluated adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

AA1000AS Principles

Inclusivity: Acceptable. COSCO appears committed to considering stakeholders' concerns, as described in strategic policy section of the Report, and COSCO achieves effective communication with stakeholders through various communication channels so as to understand the focus of concerns from its stakeholders. It is suggested that COSCO extends and develops the communication mechanism between subsidiaries and their stakeholders.

Materiality: Acceptable. The Report presents COSCO's sustainability performance information, and key sustainability performance indicators are managed and disclosed through the cooperation between the UN Global Compact Office China Network and World Business Council for Sustainable Development (WBCSD).

¹ www.dnv.com/services/assessment/corporate_responsibility/services_solutions/sustainabilityreporting/index.asp

ASSURANCE STATEMENT



Responsiveness: Acceptable. The Report responds to stakeholders about the main core issues of COSCO's mission, development strategy and performance indicators. Furthermore, COSCO also responds to stakeholders' concerns through participation in various social activities. For example, organising the World Shipping Summit, and sharing management experience in sustainable development with members of the China Business Council for Sustainable Development.

Reliability: Acceptable. According to the requirements of Type 2 and moderate level of assurance, the system for collecting specified performance data and information presented in the Report appears generally reliable. The underlying database, data measurement techniques and calculation basis have been adequately described to DNV. No systematic errors were detected during verification. It is suggested that the COSCO improves the internal audit mechanism to verify the data and information submitted by subsidiary companies.

Additional Principles

Completeness: Good. Within the reporting scope and boundary defined by COSCO, we believe that the Report does not omit relevant information that could significantly influence stakeholders' decisions or that reflect significant sustainability impacts during the reporting period.

Neutrality: Acceptable. We consider the overall tone of the Report to be neutral and the presentation of information to be generally balanced. The emphasis on various topics in the Report is basically proportionate to their relative materiality.

Opportunities for Improvement



The following is an excerpt from the observations and opportunities reported back to the management of COSCO. However, these do not affect our conclusions on the Report, and they are indeed generally consistent with the management objectives already in place.

- We encourage COSCO to present in more detail how it manages the performance of suppliers' corporate responsibility, including how it identifies suppliers' corporate responsibility risk, and how it works to improve suppliers' performance in gradually and systematically implementing corporate responsibility practices.
- We encourage COSCO to present a more elaborate analysis on the changing trends of key sustainability management performance indicators in the Report.

Statement of DNV's Competence and Independence

DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward any people interviewed and the verification by numerous public means to understand positive and negative comments on COSCO. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For Det Norske Veritas AS

<p>Signed:  Lead Verifier: Zhang Jun DNV China</p>	<p>Signed:  Approved: Wang Xue Zhu DNV China CSR Service Manager</p>
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Beijing China, July 2010



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