

COSCO

Sustainability Report 2013

中远集团2013年可持续发展报告





Table of Contents

A STRATEGIES AND GENERAL INFORMATION.....	6
PART I STATEMENT OF THE CHAIRMAN AND STRATEGIES.....	6
I. Statement of the Chairman.....	6
II. Strategies	9
III. Analysis on Primary Influences, Risks, Opportunities and Measures of Sustainability.....	13
PART II GENERAL INFORMATION OF COSCO GROUP.....	21
I. General Information of Shipping Industry	21
II. General Information of COSCO Group	22
III. General Information of Supply Chain and Industrial Structure of COSCO Group	24
PART III BASIC PROFILES OF COSCO GROUP’S SUBSIDIARIES	26
I. Shipping.....	26
II. Logistics and terminal	31
III. SHIP-BUILDING AND SHIP-REPAIRING	32
IV. OTHERS	34
V. Overseas companies	38
PART IV AWARDS	40
PART V GENERAL INFORMATION OF THE REPORT	41
I. Scope of the Report	41
II. Report Compilation Principles	44
III. Report Guarantee Methods.....	46
IV. Self-rating of the Report	47
B. MANAGEMENT AND PARTICIPATION OF STAKEHOLDERS	49
PART I CORPORATE GOVERNANCE	49
I. Governance Structure	49
II. Board of Directors	50
III. Special Committee of the Board	52
IV. Supervisory Board.....	53
V. Management Team.....	53
XI. Committees and Working Teams.....	54
VII. Decision-making Procedures and Structure	55
VIII. All-staff Participation and Communication Mechanism	56
IX. Corporate Evaluation Mechanism.....	57



X. Personnel Evaluation Mechanism	57
XI. Internal Statements, Behavioral Principles and Implementation Situations Relating to Economic, Environmental and Social Performance	58
PART II MAIN POLICIES AND MANAGEMENT SYSTEMS	58
I. Overview of COSCO Group’s Internal Control and Management Systems	59
II. Management Systems and Internal Control System Building Method of Subsidiaries.....	60
III. Internal Control and Comprehensive Risk Management Situations in 2013	61
VI. Management System Certifications Obtained by the Subsidiaries.....	62
V. On-site Evaluation of Management System and Sustainability Report	66
PART III INTEGRATION OF SOCIAL RESPONSIBILITY INTO ORGANIZATION AND MANAGEMENT.....	67
I. Responsibility Strategies	67
II. Responsibility Management.....	75
III. Responsibility Integration	79
IV. Responsibility Crisis Management.....	86
IV. Responsibility Communication	89
V. Responsibility Research	91
PART IV LEGAL AFFAIRS MANAGEMENT	92
I. Corporate Legal Building.....	92
II. Promoting Convergence of “Three Significances” of Legal Audit with Enterprise Operation and Management	93
III. Disposal of Major Legal Dispute.....	93
IV. Law Popularization and Training.....	93
V. Law-compliance	94
PART V CONSTRUCTION OF SUSTAINABILITY INFORMATION MANAGEMENT PLATFORM	94
I. Informationization of Corporate Social Responsibility	94
II. Promotion and Cooperation of Sustainability Information System	96
PART VI IMPLEMENTATION OF SASAC’S SOCIAL RESPONSIBILITY REQUIREMENTS	96
I. Implement SASAC’s Outlines on Implementation of Harmonious Development Strategies of Central Enterprises during the 12th Five-year Plan Period	96
II. Take Part in SASAC’s Compilation of the Guidelines on Social Responsibility Management of Central Enterprises	96
III. Social Responsibility Management Elevation Work.....	97
PART VII COMPREHENSIVE IMPLEMENTATION OF UN GLOBAL COMPACT PRINCIPLES	97
I. UN Millennium Development Goals	97
II. UN Global Compact LEAD Program.....	98
III. Local Network and Participation of Subsidiary Institutions	98
IV. Key Topics and Industrial Initiatives.....	99



V. Advocacy and Participation of Public Policies.....	99
VI. Cooperation and Collective Action	99
PART XIII VOLUNTARY INITIATIVES AND COMMITMENTS REGARDING SOCIAL RESPONSIBILITY	99
I. Signing of External Compacts, Acts and Other Action Plans Regarding Economy, Environment and Society	100
II. Participation in Associations	100
PART IX IDENTIFICATION AND PARTICIPATION OF STAKEHOLDERS	102
I. Identification of Stakeholders	102
II. Survey and Investigation on Demands of Stakeholders and Respecting Interests of Stakeholders	106
III. Stakeholders’ Participation in Corporate Social Responsibility	106
IV. Providing a Platform for Participation of Stakeholders with Informationization Measures and Websites.....	108
PART XI IMPLEMENTATION OF ISO26000 INTERNATIONAL STANDARDS ON SOCIAL RESPONSIBILITY	108
I. ISO26000 Planning	108
II. Implementation of ISO26000.....	109
III. ISO26000 Implementation Results.....	109
C. MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS	112
PART I ECONOMIC PERFORMANCE INDICATORS AND KEYNOTE REPORT	112
I. Management Approaches.....	112
II. Performance Indicators.....	115
PART II ENVIRONMENTAL PERFORMANCE INDICATORS AND KEYNOTE REPORT	133
I. Management Approaches.....	133
II. Performance Indicators.....	136
PART III PRODUCT LIABILITY PERFORMANCE INDICATORS AND KEYNOTE REPORT.....	156
I. Management Approaches.....	156
II. Performance Indicators.....	158
PART IV LABOR RELATION PERFORMANCE AND KEYNOTE REPORT	177
I. Management Approaches.....	177
II. Performance Indicators.....	180
PART V HUMAN RIGHT PERFORMANCE AND KEYNOTE REPORT	211
I. Management Approaches.....	211
II. Performance Indicators.....	213
PART VI SOCIAL PERFORMANCE INDICATORS AND KEYNOTE REPORT	230
I. Management Approaches.....	230
II. Performance Indicators.....	233

战略与概况

STRATEGIES AND GENERAL INFORMATION





A Strategies and General Information

Part I Statement of the Chairman and Strategies

I. Statement of the Chairman

In 2013, world economy recovered in great difficulties. Domestic economy faced great downturn pressure, global shipping market was in depression continuously and enterprises faced heavy operation pressure. In face of severe market situations, COSCO Group spared all its efforts to create benefits, tried to reduce the costs and increase the benefits by all means, continuously carried out management elevation activity, adjusted the structure and transformed the method in an in-depth manner and achieved new progresses in related work.

Year 2013 is the beginning year for acting in the spirits conveyed at the 18th National Congress of the CPC in a comprehensive manner, an important year for implementation of the 12th Five-year Development Planning, and also a key year for COSCO Group to cope with the challenges, elevate the benefits and realize rejuvenation in difficulty. In 2013, COSCO Group insisted on studying and implementing the spirits conveyed at the 18th National Congress of the CPC, the Central Economic Work Conference and the Conference of the Responsible Persons of Central Enterprises under the guidance of scientific outlook of development, focused on the target of “developing a powerful and excellent enterprise, being world’s first-tier enterprise”, seized the overall direction of “seeking for progress in stability”, adopted the “reform, innovation, adjustment and transformation” as the main task, voluntarily integrated the sustainability concept into strategic planning and production and operation process of the enterprises, and exerted great efforts to promote continuous growth of terminal, logistics, shipbuilding & ship-repairing and related industries with the deficit-reduction and benefit increase of shipping business as the main direction.

In the past year, COSCO Group focused its efforts on controlling the business source and seizing the key sectors, and continuously enhanced the cost control. With respect to fuel management and control, we reduced the expenditure by USD22.76 million through hedging, bidding and batch procurement measures, playing an important role in improving the operating benefits of shipping business. With respect to low-speed navigation, we saved USD387 million of fuel cost accumulatively in the whole year through measures such as scientific dispatch and management, reasonable selection of shipping lines and technical reform of ships. With respect to centralized procurement of parts and components and management of ship-building and ship-repairing business, we have reduced the spare part procurement value by 12.23% year-on-year. With respect to procurement, business outsourcing and supplier management, we have improved the procurement and supplier management systems continuously, laying a solid foundation for systematic cost control.

In the past year, COSCO Group constantly enhanced the risk control building to effectively prevent against important risks. With respect to control of operating risks, we insisted on the principles of “steady operation and ship leasing based on cargos”, reasonably controlled the proportion of self-owned ships and leased ships to effectively control the risks. With respect to control of investment risk, we timely adjusted the investment structure based on market changes, properly reduced the



investment scale, implemented special risk assessment mechanism for key investment projects, and enhanced the tracking and responsibility-investigation of projects. We strictly controlled the non-productive investment projects. With respect to control of fiscal risk, we strengthened the centralized management and control of capitals, and did a better job in capital coordination and arrangement to ensure stable production and operation of the group.

In the past year, COSCO Group adjusted the structure and arrangement in an in-depth manner, and actively promoted the transformation and upgrade of the enterprise. With respect to adjustment of fleet structure adjustment, we have accelerated the dismantling of old ships and building of new ships to promote younger and professional development of fleet structure, effectively reduce the unit cost, realized planned development of carrying capacity and further elevate the competitiveness of fleet. With respect to adjustment of customer structure, we have enhanced the management of strategic and high-value customers, actively developed basic customers and high-quality small and medium-sized customers, so as to optimize the customer structure constantly. With respect to adjustment of cargo source structure and shipping lines, we actively explored the potentials of new emerging markets, exerted great efforts expand domestic and overseas cargo sources and constructed overseas outlets continuously to improve our global marketing network.

In the past year, COSCO Group promoted the management elevation activity in an in-depth manner and kept close contacts with advanced enterprises to find the ideas to solve the issues. With respect to the weaknesses and bottlenecks found in management process, we determined the working focuses and made breakthroughs in key sectors. Some significant issues which have influence and constrain development of the enterprises in long period of time have been solved primarily.

In 2014, the beginning year for deepening of reform and the key year for completion of 12th Five-year Planning, international economic situations will still be complicated and full of uncertainties. The protectionism of various types will become obvious, potential pressure of inflation and capital bubble will increase, the world economy has entered from rapid development period into in-depth transformation and adjustment period, and economic growth will have many uncertainties. Growth speed of new emerging economic entities will slow down significantly. Chinese economy shows the obvious trend to transform from high-speed growth into medium-speed growth, and the imbalanced, uncoordinated and unsustainable issues for economic development of China are still significant. In the meantime, the surplus carrying capacity of global shipping market hasn't been improved. The pressure of trunk lines, large ships and competition are still huge. With the continuous depression of shipping market, competition structure will also change, the risk factors of the industry will increase and enterprises face greater and greater difficulties to realize continuous and stable growth. However, in the historical process to deepen the reform, the in-depth adjustment of world economy brings opportunities for use to better bring into fully play our advantages and occupy the controlling point in future development. The reform bonus released at the 3rd Plenary Session of the 18th Central Committee of the CPC, and the construction of the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road" will promote stable growth of Chinese economy. Shipping industry's elevation to a national strategic industry, release of the policies to dismantle old ships and build new ships, and potential logistics business opportunities brought by transfer of surplus production capacity in domestic market will create favorable conditions for development of the group in the future. COSCO Group will accelerate the "reform, innovation, adjustment and transformation", tightly uphold the main tasks of "increasing the revenue, controlling the risks, realizing lean management and ensuring



safety”, focused on container shipping and bulk cargo transport businesses, promote benefit increase of shipping business, constantly improved the profit contribution of terminal, logistics, shipbuilding and ship-repairing and related industries, and try to promote continuous, stable and healthy development of the enterprise.

COSCO Group will continue to practice the Blueprint for Sustainability Leadership, support the fulfillment of wider Millennium Development Goal of the United Nations, actively cooperated with related parties to cope with key global challenges such as climate change and poverty, and explore the sustainable development mode suitable to the enterprise.

Chairman Ma Zehua

May 30, 2014



II. Strategies

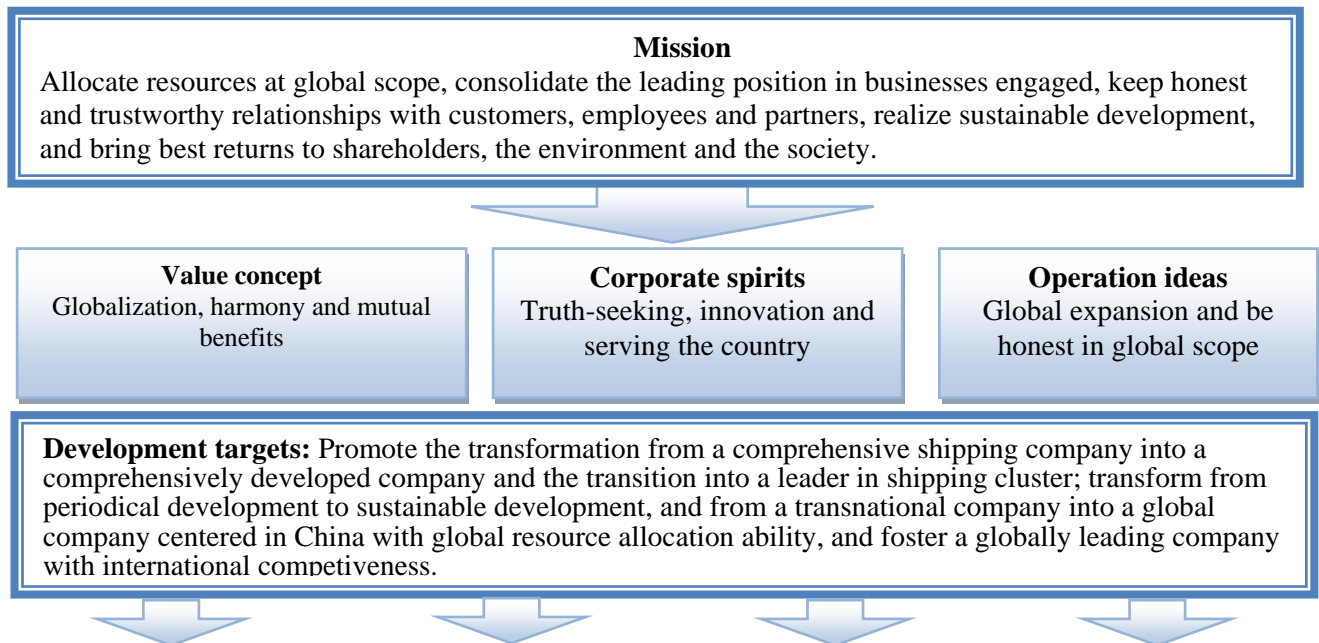
COSCO Group tries to become a reliable, innovative and globally leading supplier of shipping and logistics. The group advocates and promotes market-oriented and commerce-dominated solutions to cope with the challenges of development and the environment, and promotes the sustainable development of world's shipping and logistics industries. We cooperate with related departments and enterprises to cope with the sustainability challenges, work together with them in tool design and strategy formulation, elevate the sustainability, and lead the innovation and reform needed for sustainable development of shipping and logistics industries in the future.

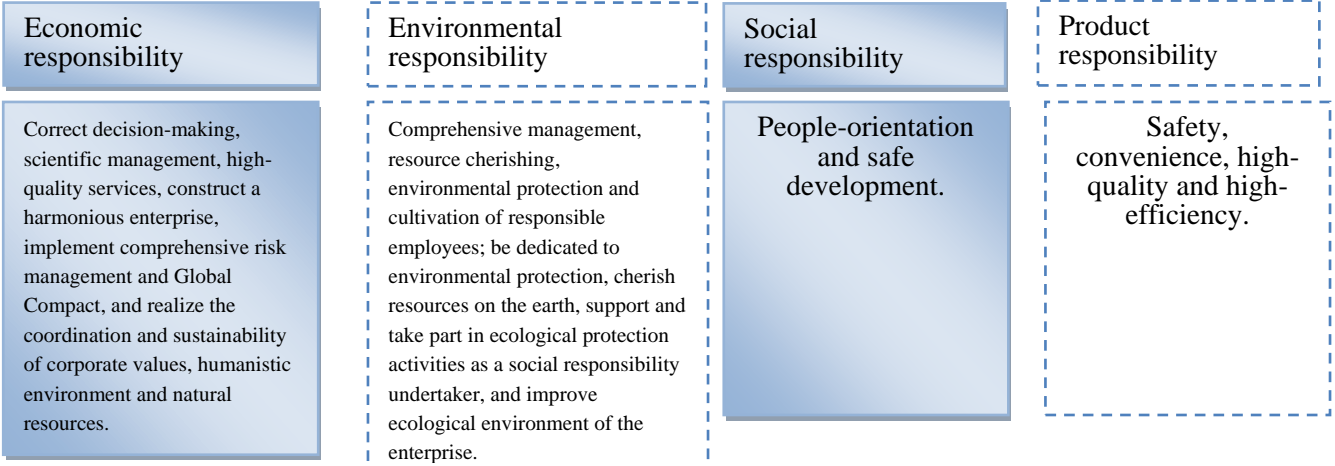
(I) COSCO Group's Sustainability Concept

COSCO Group insists on people-orientation and honest operation in the global operation, strives for mutual-benefits and joint development with customers, employees, shareholders and other stakeholders, and tries to benefit the society with our development achievements. We promote the green development of shipping industry, cope with major challenges of the globe and try to contribute to sustainable future of human society. COSCO Group innovatively puts forward the concept of "responsibility is top priority", and integrates the concept with all aspects of the enterprise.

COSCO Group establishes the middle and long-term sustainability strategies. In the sustainability report 2013, we successfully applied the "strategic map" analytical method of six-sigma to analyze and showcase our development strategies.

(II) Sustainability Strategy Roadmap of COSCO Group





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

“Four transformations” development strategies: Transform from periodical development to sustainable development; from an emphasis on hardware to an emphasis on software while paying equal attentions to both hardware and software; from possessing and controlling resources to allocating social resources; and from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operations.

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

Development ideas and objectives during the 12th Five-year Plan period
Implement the scientific outlook of development in an in-depth manner, adapt to changes of new situations in post-crisis era, seize development opportunities of the era, and promote industrial upgrade, technological innovation, international operation, talents-based and harmonious development with scientific development as the theme, transformation of economic development mode as the main task, enhancement of sustainability as the center and the overall listing as the target.





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

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

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

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

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

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

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

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

(III) Balance Scorecard for Sustainability Work

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



			in work
Salaries and welfares of staff	Honest market promotion and marketing	Evaluation mechanism	Development and training at working venues
Payment to capital providers	Privacy of customers	Internal control and risk management mechanism	Working conditions and social protection
Social investment and input	Customer service, supports and disposal of complaints and disputes	Improvement mechanism	Responsible investment and procurement
Financial inputs for climate changes	R&D input	Responsibility strategies	Non-discrimination and care of vulnerable groups
Coverage of fixed welfare	Environmental management	Responsibility governance	Freedom of association and collective bargaining
Key financial supports provided by the government	Sustainable utilization of resources	Responsibility promotion	Prohibition of child labor
Index of minimum wage compared to the standard	Energy	Responsibility convergence	Prohibition of forced or compulsory labor
Local suppliers and procurement	Water resource	Responsibility performance	Security and safeguard work
Proportion of local employees and senior managers	Environmental protection and bio-diversity	Responsibility communications	Respect of local residents and rights of local employees
Public service	Anti-pollution	Responsibility research	Economical, social and cultural rights
Indirect economic influences	Alleviation and adaptation to climate changes	Internal control building	Human right risks
Responsible investment and creation of employment opportunities	Environmental protection products and services	Legal affairs management	
	Compliance with environmental protection laws and regulations	Sustainability information management platform	



	Traffic and transportation	Implementation of social responsibility requirements of SASAC	
	Community	Implementation of UN Global Compact	
	Anti-corruption and anti-commercial bribery	Voluntary initiatives and commitment to social responsibilities	
	Public policies	Identification and participation of stakeholders	
	Fair competition		
	Law compliance		

Management methods of COSCO Group:

Apply modernized management tools, implement comprehensive quality management, six-sigma, lean management and comprehensive risk management, and try to build up “digital COSCO”.

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

COSCO Group has insisted on using the scientific development outlook in all kinds of work, systematically analyzed the primary influences, risks, opportunities and measures of sustainability with SWOT analytical method of lean six-sigma theory, correctly identified the external opportunities and threats as well as internal advantages and disadvantages, and formulated related strategies correspondingly, so as to fulfill sustainability of COSCO Group.



(I) Analysis on Primary Influences of Sustainability

SWOT analysis on sustainability strategies

- 航运业务规模优势明显。船队和公司资产规模大、实力雄厚。
- 品牌认同度高，企业在业界有较大的影响力。
- 码头业务得到航运业务支持，逐步形成网络，码头投资多元化。
- 物流、造船技术不断提升，保持领先，服务与船舶燃料供应网络不断健全。
- 国际化水平较高，拓展互补产业具有一定优势。

Strengths (S):

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

S
优势

- 面对后危机时期复苏中波动的复杂市场形势，航运及相关产业业绩波动、发展不平衡。
- 船队结构不尽合理，管理水平和营销能力有待提高。
- 码头分布较为集中，物流网络分布不均，燃料供应网络需进一步健全，造船工作体制需进一步理顺。
- 对航运互补产业研究不够深入，未完全实现从周期性发展向可持续发展的根本性转变。
- 管理创新能力和商业模式创新能力有待提高。

Weaknesses (W):

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

W
劣势

- 世界经济发展进入后危机时期，总体形势在波动中稳定发展。从中长期来看，世界经济有望保持基本平稳、持续增长。
- “十八大”提出建设海洋强国，十八届三中全会提出建设丝绸之路经济带和21世纪海上丝绸之路决定了中国航运、物流及相关行业需求依然会保持较快增长速度。中国经济崛起带动航运业务快速发展。
- 码头业务显现机遇，物流业务快速发展，船舶燃料供应业务增长空间巨大。

Opportunities (O):

- Global economic development enters post-crisis era and the overall situation develops favorably in fluctuation. In middle and long-term, global economy is expected to keep stable and sustained growth.
- The grand objectives of constructing a powerful country in terms of shipping industry and constructing a well-off society in a comprehensive manner in 2020 put forward at the 18th National Congress of CPC and the construction of the Silk Road Economic Belt and the 21st Maritime Silk Road put forward at the 3rd plenary session of the 18th Central Committee of the CPC determine that demands of Chinese shipping, logistics and related industries will continue to grow rapidly. Economic development of China will boost development of shipping business.
- Terminal business sees opportunities, development of logistics business accelerated, shipbuilding industry continues to transfer to China, and marine fuel supplying business has great development space.

O
机会

- 全球经济危机并未完全消退，世界经济和贸易发展依然存在较大的波动和不确定性。
- 国际航运市场依然处在运力供大于求的不稳定回升期，强周期性带来严峻挑战。航运业节能减排压力加大。
- 码头业供需形势不乐观，进入微利时代，兼并与重组活动将更趋活跃。物流竞争日趋激烈，船舶市场产能过剩，船舶燃料供应市场进一步放开。
- 业务板块组合风险日益增加。

Threats (T):

- As global financial crisis has not passed completely, development of global economy and trade still has great fluctuations and uncertainties.
- International shipping market is still in an unstable rebound period where supplies exceed demands. Strong periodical feature results in severe challenges. Energy conservation and emission reduction pressure of shipping industry increases.
- Supply and demand situations of terminal industry are unoptimistic, and M&A activities will be more active in meager profit era. Competition on logistics becomes fiercer and fiercer, shipping market is in surplus production capacity, and marine bunker supply market is further opened.
- Increasing of combined risks of business portfolio.

T
威胁



(II) Analysis on Main Risks and Opportunities of Sustainability

Long-term risks	External perspective	<p>Uncertain, changing and competing environment faced by COSCO Group externally, including imbalanced and uncertain economic and trade development of the world and China; transformation of economic structure of China; periodicity and fluctuation of shipping logistics industries; drastic fluctuation of global and domestic capital and financial markets as well as resources and energy prices, in particular oil price; increased safety and environmental protection costs upon coming of non-traditional safe and low-carbon economic era; moreover, leading transnational companies are currently promoting the systematic and strategic transformation into a global company, the competition between transnational companies is upgrading from hardware to software. If these risks can't be solved properly, they will bring great risks and challenges to COSCO Group's sustainability.</p>
	Internal perspective	<p>In general, the biggest risk or challenge to COSCO Group's sustainability is how to establish a stable and sustainable operation mode that will not substantially fluctuate with the drastic fluctuation of the market. That is to say, COSCO Group should focus its efforts to build such an operation mode, with which, its operating results will be more stable than its rivals under great market fluctuation, instead of fluctuating greatly.</p>
Short-term risks	<p>Since the second half of 2008, global financial and economic crisis originated from the American sub-prime mortgage crisis had resulted in sharp decline of international shipping market to the valley. In 2009, international shipping market continues to develop at a low level. Although the international shipping market started to recover in 2010, it still featured instability, great fluctuation and imbalance. In 2011, the imbalances of supplies and demands, cost and income, market entities, interest demands and profit distribution appeared in the market. In 2012, macro-economic situation declined and the imbalanced market development was not improved. These resulted in fluctuated performance and imbalanced development of enterprises in shipping and related industries including COSCO Group.</p>	
	<p>Strategic risks: In face of great uncertainties of global economy, countries worldwide enhanced the adjustment of economic, trade, monetary, taxation and other macro-economic policies. COSCO Group has single industrial chain, poor industrial structure supplementation ability, weak anti-risk ability, and increased risks in formulation, selection, implementation and control of strategies, and needs to further enhance its strategic risk management and control strategies.</p> <p>Market risks. For a certain period of time at present and in the future, although the market started to recover, the issues such as rapidly increased carrying capacity, slowed increase of demands, and imbalanced supplies of carrying capacity of shipping market will be obvious in short term, and the market recovery</p>	



		<p>will be unstable with great fluctuations. Efforts should be made to cultivate new revenue source and profit growth points.</p> <p>Operational risks. The imbalances of supplies and demands, cost and income, market entities, interest demands and profit distribution has resulted in operational difficulty as well as unstable and unbalanced operational benefits. Global network needs to be improved further.</p> <p>Management risks. In the time when the market and operational benefits are unstable and unbalanced, enterprises will face higher requirements on enhancing the management and reducing the costs. The risks of safety and stability will be enlarged. Efforts should be made to further improve the overseas operation and management mechanism.</p> <p>Financial risks. The cash flow has increased. If the market risks, operational risks and management risks can not be dealt with actively and correctly, financial risks may appear. Moreover, fluctuation of international financial market may increase the financial risks. Efforts should be made to further improve the ability to prevent and control operational risks in capital market.</p> <p>Legal risks. The market is in depression, and the competition becomes fiercer and fiercer. Legal risks brought by the contracts increase. Failure to implement or effectively implement legal risk controlling measures will result in losses of enterprises. Ineffective control of legal risks will bring serious results, and even irrecoverable losses.</p>
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		<p>Social responsibility risks. Corporate social responsibility has developed into a global campaign. In trans-national operation, in particular, in overseas market, the social responsibility-related sectors such as labor relation, human right and environmental protection bring greater and greater risks to M&A, daily operation and reputation of enterprises.</p>
<p>Opportunities</p>	<p>Short-term</p>	<p>Take the opportunity of global economic structure change, seize the opportunity of periodic fluctuation of shipping market, enhance lean management, adjust business structure, develop supplementary industries, transform operation mode and improve COSCO Group's ability to create benefits continuously.</p>
		<p>Further deepen the strategic partnerships with large cargo-owners to lay a solid foundation of cargo sources for a stable and sustainable operational mode.</p> <p>Accelerate the paces to enter the international and domestic capital markets to provide constant funds for the enterprise's development and propel the enterprise's "system transformation and establishment", so as to lay a solid financial and institutional foundation for a stable and sustainable operational model.</p>
		<p>Accelerate the adjustment and optimization in such aspects as industrial structure, asset structure, fleet structure and staff structure, so as to lay a solid material basis for a stable and sustainable operational mode.</p>
		<p>As COSCO Group had made full preparation before the crisis, and coped with the crisis correctly after the burst of the crisis, it is expected to seize the new opportunities for development of enterprises in post-crisis era.</p>
		<p>Try to fulfill "three focuses": focus on risk control before coming of crisis, focus on risk management after coming of crisis, and focus on opportunity management in post-crisis era.</p>



	<p>Long-term</p>	<p>Favorable environment for global and Chinese economic, trade, shipping and logistics markets, as well as the coming of corporate citizenship era will lay a solid market and environmental foundation in terms of market and environment for a stable and sustainable operational mode, and long-term sustainability.</p>	<p>In the first 30 years of 21st century, global economic development will become balanced again, economic entities in the world, in particular, in new emerging countries are expected to keep stable and sustainable growth. This will provide stable and continuously growing market spaces for the global shipping, logistics and related industries.</p> <p>The objective of building a well-off society in an all-round way by 2020 and the fact that China is in a strategic period to transform from a large shipping country into a powerful shipping country decide the growth speed and size of China's shipping, logistics and related businesses will, for a long period of time in the future, provide the driving forces for continuous development of China's shipping and logistics enterprises including COSCO Group.</p> <p>In international community, the sustainable outlook of development has been deepened continuously, CSR initiatives are in the ascendant, and the environmental protection and CSR attracted greater and greater attention. The Chinese Government also puts forward the requirements on establishment and implementation of scientific outlook of development, establishment of harmonious socialism society and building of harmonious enterprise. These will create favorable atmosphere and long-term impetus for COSCO Group's efforts to construct a harmonious and century-old enterprise.</p>
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(III) Analysis on Main Measures for Sustainability

Short-term	Take effective	Actively research on the winning rules in post-crisis era and
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	<p>measures to cope with complicated and fast-changing market situations in post-crisis era, and try to fulfill the targets of “seeking for development, controlling risks, seizing the opportunities and competing for benefits”.</p>	<p>fulfill development against market trends by seizing the opportunities in a difficult time. Review the contractionary strategies and transform operational strategies; transform from active contraction to rational contraction, and from strict control of risks to scientific and rational development.</p> <p>Cultivate new advantages in international competition through adjustment and upgrade. Firstly, pay close attention to changes of market structure, adjust market and customer structures, and improve effectiveness and pertinence of marketing activities. Secondly, carefully deploy carrying capacity and optimize structure of carrying capacity, enhance technological reservation; Thirdly, actively expand and supplement periodical business, and promote industrial structure adjustment steadily.</p> <p>Operate business carefully and explore profit-making sources effortlessly. Firstly, implement comprehensive management, strengthen benchmarking management, cost management and lean management, so as to reduce costs and increase efficiency; Secondly, enhance risk management, realize comprehensive budget management, insist on the ideology of “cash is king”, make investments stably, insist on legal operation and improve risk management and control ability; Thirdly, innovate on operational mode, strengthen scientific and technological innovation, and expand new profit-growing points; Fourthly, optimize structural organization, enhance coordination of the system and reasonably allocate internal resources.</p> <p>Deepen the reform and continuously enhance development impetus. Complete overall listing of shipping business step-by-step in accordance with the requirements of the State Council and SASAC on encouraging large and medium-sized enterprises to implement shareholding system and enter capital market, and by making use of the opportunities of market recovery in post-crisis era.</p> <p>Take scientific precautions and voluntarily adapt to new requirements on safety management. In particular, do a better job in anti-pirate effortlessly.</p>
<p>Middle- and Long-term</p>	<p>Continue to promote “four transformations” with a focus on establishing a stable and sustainable operation mode.</p>	<p>The transformation from periodical development to sustainable development. Firstly, with respect to development contents, special emphasis shall be laid on development of supplementary industries. Transform from a comprehensive shipping enterprise into a comprehensively developed enterprise, including increase the inputs to existing logistics and terminal business, and actively arrange for non-periodic businesses with high returns, such as energy and mineral resources, highway and financial industries. Improve operation and management mechanism in overseas markets, and enhance the expansion ability in international market and global</p>



operation ability. Secondly, with respect to development mode, special emphasis shall be laid to implementation of anti-cycle and low-cost operation. COSCO Group shall continue to reduce or delay key investment projects when the situations are not clear. On the other hand, it shall conduct tracing analysis carefully, and make investment at the low price. Capitals can be raised through capital market to promote transformation of mechanism of enterprises. Thirdly, with respect to development features, special emphasis shall be laid to environment-friendly development. Efforts should be made to implement Global Compact, actively perform the responsibilities as a corporate citizen, and build up a resource-conservative and environment-friendly enterprise.

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

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

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



Part II General Information of COSCO Group

Name: China Ocean Shipping (Group) Company

Date of establishment: April 27, 1961

Legal representative: Ma Zehua

Economic nature: Ownership by the whole people

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

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

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

Zip code: 100031

Telephone: 86-10-66493388

Fax: 86-10-66492288

Website: www.cosco.com

Telephone for supervision and complaint: 86-10-66492565

I. General Information of Shipping Industry

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

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

Periodical fluctuation will bring various operating and financial risks to shipping companies. Each financial crisis will cause depression of shipping industry. This results in the special operating mode of "making up the deficits during low season with the profits at peak season". Therefore, the appraisal on profit-making situations of shipping industry shall not be based on losses or profits in recent two to three years, but the accumulative profits or average profits in a certain period of time. Each economic crisis will bring bankruptcy and liquidation of many shipping companies. Shipping companies who exist in the economic crisis can enjoy growth in the next cycle. Therefore, appraisal on sustainability of shipping companies shall be based on existence ability of enterprises in low valley and fast profit-making ability of enterprises in recovery period.

Since the financial crisis, development trend of container shipping market has greatly deviated from the traditional rules of peak and low seasons. There are no references for development trends of freight rate in same period of 2013. This is mainly caused by frequent change of competition and cooperation relationships of liner market under the overall situations that supplies exceed demands



continuously, which results in sharp weakening of influences of supplying and demanding rules in low and peak seasons, decreased precipitations of supplying and demanding parties on growth of cargo volume in peak season, and increase the difficulties to increase the freight rate. Under the situations of continuous depression of the industry, more and more container shipping companies enhance the cooperation and unite together to overcome the difficulties, thus elevating the concentration degree of container shipping market significantly. COSCO Group takes the elevation of management level, improvement of business structure, pursuit of service quality and improvement of ship technology as the important competition measures of container shipping company.

Cargo-owning ship-owner has become an important force of dry and bulk shipping market, and has brought profound influence to market competition structure. Large cargo-owners gain bargaining power with the monopolized operation in upper and lower streams previously, so as to ensure lease of ships at low price and keep the flexibility of freight cost control. In order to compete with cargo-owning ship-owners, shipping companies took various means to optimize traditional operating mode. Firstly, they invest and build a large batch of energy-conservative and high-efficient new ships at the low level of shipping market, upgrade fleet structure and expand carrying capacity; Secondly, they form or expand scale of joint venture, enhance their own competitiveness with scale advantages, win long-term contracts through joint operation, and reduce market risks correspondingly; Thirdly, it pay more attention to service quality, break through service homogeneity, avoid “price war”, and offer personalized and whole-processed solutions.

After the financial crisis, global economic development and shipping market face extremely severe market environment. Shipping companies and their correlated parties shall have a full understanding on periodic fluctuation of economy, and formulate corresponding policies to cope with such fluctuation. Otherwise, they may lose existence opportunities in the fluctuation. Currently, COSCO Group is paying close attention to and conducting in-depth research on new features and new changes of these periodic fluctuations, so as to master the new rules of periodic change, seize new opportunities for market fluctuation and further elevate the benefit-creating ability and sustainability of COSCO Group’s fleet.

In 2013, COSCO Group, through business collaboration, realized cost reduction and benefit increase, optimized international resource allocation and integration, controlled whole-processed transportation chain, competed for new competition advantages and ensured the demands for maximization of overall benefits of the group. Shipping, logistics, terminal, ship-building and ship-repairing, cargo agency and container leasing companies have close business cooperation, and are key sectors for construction of complete main business industrial chain. Related enterprises provide high-efficient and high-quality services by enhancing internal collaboration, thus developing world’s first-tier transportation service and making active contributions to promotion of sustainability strategies.

II. General Information of COSCO Group

At the beginning of the establishment on April 27, 1961, COSCO Group was only a small shipping company with four ships and a total carrying capacity 22,600 DWTs. After 53 years of development, the group has developed into a transnational enterprise group focusing on shipping, logistics



&terminal, ship-building and ship-repairing businesses, and has stably ranked among Fortune Global 500 List.

COSCO owns and controls over 700 modern merchant vessels with a total tonnage of 51 million DWTs and an annual carrying capacity of 400 million tons. COSCO Group's shipping lines cover over 1,500 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the second in the world. The group is positioned the first in the world for sizes of container fleet, dry and bulk fleet, professional bulk carrier, multi-purpose and special vessel fleet. Oil tanker fleet of COSCO Group is one of the super tanker fleets in the world. COSCO Group owns and operates 21 ports in worldwide scope, with 117 berths offered. Statistics of Drewry show that COSCO Pacific, a subsidiary of COSCO Group, also ranks the fifth place in the world for throughput of container terminals.

COSCO Group owns rich logistics facilities and resources. It operates more than 4,000 logistics vehicles, 770,000 square meters of storage ground and 1.05 million square meters of warehouse. It provides high value-added services for customers in domestic appliances, chemicals, power, and financing among others, offers logistics services for many key projects home and abroad such as Qinghai-Tibet Railway, Tianjin Air Bus and India Power Station, and sets many world records.

COSCO Group, through many ship-building and ship-repairing bases in mainland China, owns a total of 16 docks including 300,000-ton-class docks and 500,000-ton-class docks, with businesses include large-sized ship and ocean engineering construction, refitting and reparation. These bases boast leading production equipment assembling ability and production management level, and take a lead in the world in terms of indicators such as technical capability, production efficiency and production costs. The group repairs and refits over 500 large ships annually, and has an annual ship-building ability of 8.4 million tons, which make it the largest ship-repairing enterprise and most-advanced ship-building enterprise in China.

COSCO Group owns matured ocean engineering construction technologies, and has become the first option of internationally renowned ocean oil service providers for its professional service and modernized management. The project of "key design and manufacturing technologies of highly-stable cylinder deep-sea drilling platform" developed by COSCO Shipyard has won the first-class National Scientific and Technological Progress Award in 2011. It is the highest award received by COSCO Group in scientific and technological sector in past 53 years since its establishment and the first time for a domestic ocean engineering equipment manufacturing enterprise to win such honor. COSCO BOS Ballast Water Disposal System, a topic of National Key Technology Support Program undertaken by COSCO Group and developed by COSCO Shipyard was listed as key national scientific research achievement during the 11th Five-year Plan period in 2011. The project, which has reached or is close to internationally advanced level, has independent intellectual property right and received 12 national invention patents. In the same year, the project was listed as "key new national product" by four ministries and commissions including the Ministry of Science and Technology, the Ministry of Commerce, the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine.

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



radiation points. With over 1,000 enterprises and branches in over 50 countries and regions worldwide, COSCO Group hires over 74,000 employees including 400 employees working in overseas countries and 4300 overseas employees. Total asset value of the group has exceeded RMB340 billion, and the proportion of overseas assets and revenue has exceeded more than 50% of the total. Currently, the group is forming a complete global business chain comprising of shipping, logistics, terminal, shipbuilding and ship-repairing businesses.

COSCO Group is one of the earliest Chinese enterprises that enter international capital market. In 1993, COSCO Investment was listed in Singapore in form of back-door listing. Currently, it holds controlling shares or shares in eight listed companies including China COSCO, COSCO Pacific, COSCO International, COSCO Investment, COSCO Shipping, CIMC, China Merchants Bank and China Merchants Securities.

As a transnational company in China, COSCO Group started to shoulder its extensive corporate citizen responsibilities long before. In 2001, it established a comprehensive management system, which includes international environment management system, and occupational safety and health management system, becoming the first Chinese enterprise that passes certification of three management systems. In 2004, COSCO Group joined the UN Global Compact initiative to voluntarily practice the 10 principles of Global Compact and fulfill sustainability. The sustainability report of COSCO Group has been appraised as notable COP by UN Global Compact for four consecutive years, making COSCO Group become the only Asian enterprise whose sustainability report was included in the list of notable COPs for four years in a row. COSCO Group is also a member of the Global Compact LEAD Steering Committee.

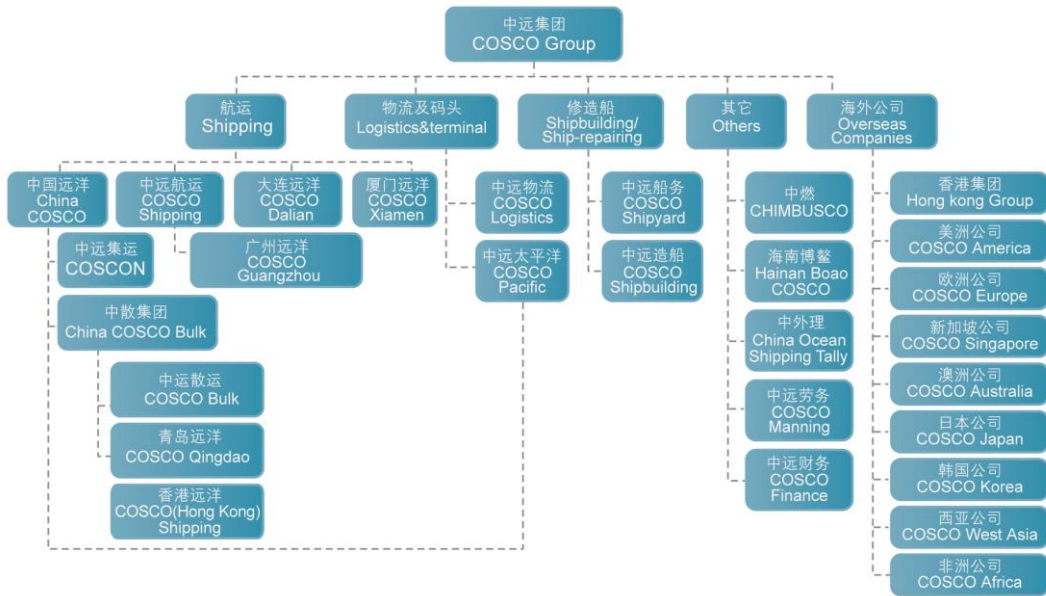
COSCO Group has combined the performance of corporate social responsibilities with corporate development strategies, and actively cultivated “green competitiveness”. Its main indicators for internationalization operation are close to UN’s standards for Global 100 transnational companies. It is gradually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

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

Shipping logistics business operated by COSCO Group is in the middle of the entire industrial chain, and is the part with lowest profits in entire value chain. In upstream, it depends on basic supplying and manufacturing industries, and in downstream, it subordinates to trade and financial services. Profits of the industry are squeezed by the two ends. In order to avoid the risk of strong periodicity of shipping logistics business, world’s first-tier shipping and logistics companies all developed upstream and downstream to form core competitiveness through advantage supplementation. Through investment or development of non-periodic industries or industries with reverse period with shipping logistics industry as the supplementary industries of shipping logistics business, they can “offset” the periodicity risk of shipping logistics business. In particular, upstream industries can provide decisive chips for existence and profitability of shipping logistics business when the industry is in low valley.



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



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



Due to limitations of related policies of the country, COSCO Group has been dedicated to shipping logistics and related industries. The logistics supply chains formed therefore are belonging to same cycle and there are no supplementary industries to offset the losses of shipping logistics business in



low valley. Therefore, COSCO Group is lack of effective measure for healthy and sustainable development to keep its stable operation upon the coming of low valley. In the meantime, COSCO Group shoulders the duties of promoting economic development and social stability. When it faces great difficulties in operation, the group insists on not making any staff to be unemployed and tries to ensure the employment right of staff and social stability. However, the group had paid the costs significantly higher than international counterparts.

Part III Basic Profiles of COSCO Group’s Subsidiaries

In 2013, COSCO Group’s subsidiaries implemented the Global Compact in a comprehensive manner, covering all businesses of COSCO Group and extending to regional companies abroad.

I. Shipping

1. China COSCO Holdings Company Limited

China COSCO Holdings Company Limited (China COSCO) was exclusively established by COSCO Group headquarters on March 3, 2005. In June 2005, China COSCO issued the H-shares through global offering and Hong Kong public offering, and started the trading in Hong Kong Stock Exchange (HKSE) on June 30, 2005. On June 26, 2007, the company was listed in Shanghai Stock Exchange. (Stock code: 601919, 01919.HK)



Nature: Stock limited company (listed)	Investment proportion: 52.80%
Total assets: RMB161.926 billion	Employee number: 41,379
Business revenue: RMB61.934 billion	
Main businesses: Container shipping, dry & bulk cargo shipping, logistics, terminal and container leasing	
Subsidiaries: China COSCO has COSCON, China COSCO Bulk (COSCO Bulk, COSCO Qingdao, COSCO (Hong Kong) Shipping) and COSCO Pacific under its affiliation. Currently, China COSCO, through its subsidiaries, provide services covering entire shipping value chain such as container shipping, dry and bulk cargo shipping, logistics, terminal and container leasing for customers home and abroad.	
As the capital platform of COSCO Group, China COSCO is based in China and faces global market. It makes constant efforts to elevate the comprehensive ability of shipping business with its market experiences and global advantages, and tries to develop into a globally leading shipping service provider.	

2. COSCO Container Lines Co., Ltd

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

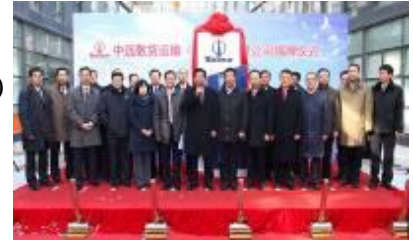




Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB57.079 billion	Employee number: 13,895
Business revenue: RMB42.535 billion	
Main businesses: International and domestic maritime container transport	
Subsidiaries: COSCON owns 19 fully-owned and joint venture subsidiaries (including eight domestic ones and 11 overseas ones).	
The vessel fleet of COSCON owns and operates 173 vessels with the total carrying capacity of 780,000 TEUs. Calling at over 178 ports in more than 60 countries and regions, it runs 84 international shipping lines, 30 international branch lines, 22 domestic coastal shipping lines and 77 branch lines in Yangtze River and Pearl River Delta Region. COSCON owns wide sales and service network worldwide.	

3. China COSCO Bulk Shipping (Group) Co., Ltd.

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



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB38.9999 billion	Employee number: 7,606 人
Business revenue: RMB14.072 billion	
Main businesses: International dry and bulk cargo transport	
Subsidiaries: three professional shipping companies in four places, namely COSCO Bulk, COSCO Qingdao and COSCO (Hong Kong) Shipping (COSCO Shenzhen).	
China COSCO Bulk now owns and controls 319 large-sized bulk ships of various types such as Capesize, Panamax and Handymax, with the total carrying capacity of over 28 million DWTs. Shipping lines of China COSCO Bulk cover 1000 ports in 100 countries and regions. China COSCO Bulk is also world's largest bulk cargo transportation fleet with the annual cargo transportation volume of more than 200 million tons. China COSCO Bulk has operational platforms in its Beijing headquarters and Hong Kong, operational companies in Hong Kong, Europe, America, Australia, Singapore and Indonesia, and service institutes in Africa, Japan, Korea and India to provide ocean shipping services of grains, ores and sands, coals, fertilizers, steels, timbers, agricultural products and cements for customers. It also provides ship-booking and other services related to international trade for cargo owners.	

4. COSCO Bulk Carrier Co., Ltd

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





Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB14.232 billion	Employee number: 1,141
Business revenue: RMB3.483 billion	
Main businesses: International dry and bulk cargo transport	
Subsidiaries : COSCO Bulk owns over 30 full-owned and joint venture companies	
COSCO Bulk owns and operates over 90 large bulk cargo vessels of all types such as Handysize, Panamax and Capesize, with the total carrying capacity of 6 million DWTs. It mainly provides ocean shipping services for such goods as grains, ores, coals, fertilizers, steels, woods and farm products. Shipping lines of COSCO Bulk cover 1,000 ports in over 100 countries and regions.	

5. COSCO (H.K.) Shipping Co., Ltd

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



Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB17.52 billion	Employee number: 1,994
Business revenue: RMB9.198 billion	
Subsidiaries: COSCO (Hong Kong) Shipping has 162 companies under its affiliation, of which, 155 are affiliated subsidiaries and seven are jointly-operated companies. It also has six directly-affiliated offices in Tianjin, Dalian, Shanghai, Guangzhou, Haikou and Fuzhou.	
Main businesses: Dry and bulk cargo transport including coals, grains, steels and steel products, fertilizers, metal ores and non-metal ores, ship leasing and consolidated cargo service. COSCO (Hong Kong) Shipping owns and operates 132 vessels, with the total carrying capacity of over 11.58 million DWTs. Fleets include Handysize vessel fleet, Panama vessel fleet and Capesize vessel fleet.	

6. Qingdao Ocean Shipping Co., Ltd

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





Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB5.52 billion	Employee number: 4,284
Business revenue: RMB1.641 billion	
Main businesses: Dry and bulk cargo transport	
Subsidiaries: COSCO Qingdao owns 15 fully-owned and shareholding land-based companies and one crew service company.	
COSCO Qingdao owns and operates 25 large dry and bulk cargo ships including Capesize, Panamax, Handysize and Handymax, with the total carrying capacity of over 2.6 million DWTs, including 10 self-owned Capesize vessels. Meanwhile, it runs such business as ship-leasing/renting, COA shipment and demise charter in the shipping market. In respect to shore-based industry, it has formed businesses such as crew labor service, shipping-related service, international vessel management and trade, and property-buying and logistics.	

7. COSCO Shipping Co., Ltd.

COSCO Shipping Co., Ltd (COSCO Shipping), which was formerly Guangzhou Ocean Shipping Corporation, the first state-owned ocean shipping company of the New China, is a controlling listed company of COSCO Group. Established on Dec. 8, 1999, the company was listed on the Shanghai Stock Exchange on April 18, 2002, and was selected as sample stocks for SSE Constituent Index 180, SSE Constituent Index 50, Shanghai and Shenzhen Stock Index 300, SSE Dividend Index, SSE Corporate Index and CCTV Finance 50 Index.



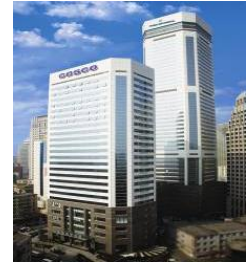
Nature: Limited liability company	Investment proportion: 50.52%
Total assets: RMB17.52 billion	Employee number: 5,710
Business revenue: RMB7.44 billion	
Main businesses: Ocean shipping and coastal shipping, intermodal transport by rail, sea and air (upon business license), crew labor service, wholesale and retail trading (excluding commodities controlled and managed solely by the State), ship agency, leasing, trading, repairing and building, loading and unloading services; storage (dangerous goods excluded), labor service, product information service, communication equipment repairing, and import/export goods shipment and agency;	
Subsidiaries: NYKCOS Car Carrier Co., Ltd, COSCO Shipping (Hong Kong) Investment, Tianjin Ocean Shipping Company (COSCO Tianjin) and Shanghai COSCO Shipping Co., Ltd.	
By the end of 2013, COSCO Shipping owned and operated 89 ships including multi-purpose ships, general cargo ships, heavy lift ships, semi-submersible ships, ro-ro ships and auto carriers. These ships have the average age of 10.0 years and the totally carrying capacity of 1.9965 million DWTs. COSCO Shipping is mainly engaged in special general cargo ocean shipping and costal shipping, specializing in transport of super-long, heavy, large and uncontainerable cargos and cargos that have special transport and loading/unloading requirements. It also provides irregular transport services to customers. COSCO Shipping mainly operates Far East-Bengal line, Far East-West African line, and lines from Southeast Asia and Far East eastward to Persian Gulf, the Red Sea, Mediterranean Sea,	



North and West Europe and North America, forming a worldwide ocean shipping network for special general cargos.

8. Dalian Ocean Shipping Company

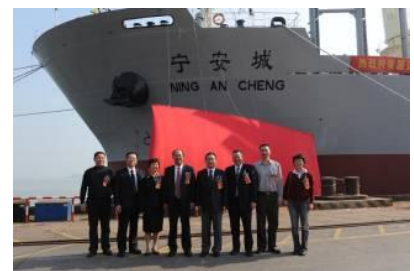
Dalian Ocean Shipping Company (COSCO Dalian), established in on Jan. 1, 1978, is a large-scaled shipping enterprise affiliated to COSCO Group, and also COSCO Group’s only professional shipping company engaged in liquid bulk cargo transport.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB1.4599 billion	Employee number: 3,143
Business revenue: RMB3.608 billion	
Main businesses: Liquid bulk cargo transport business, with a focus on oil tanker	
Subsidiaries: COSCO Dalian has 15 land-based subsidiaries, of which, 4 are fully-owned companies, 8 are holding companies and 3 are shareholding companies.	
COSCO Dalian currently owns and operates over 37 vessels, including oil tankers, liquefied gas tankers and chemical tankers, with the total carrying capacity of 7.76 million DWTs. Scale of vessel fleet of COSCO Dalian takes a leading position among enterprises of the same class. COSCO Dalian also owns 21 VLCCs, which are "flagship vessels" for profit-making and brand-building of the company. By increasing its strength on development of international customers continually, and enhancing the strategic cooperation with internationally renowned cargo owners, COSCO Dalian has managed to expand its business scope to 300 ports in over 100 countries and regions.	

9. Xiamen Ocean Shipping Company

Xiamen Ocean Shipping Company (COSCO Xiamen), established on Oct. 28, 1993, is a fully-owned subsidiary of COSCO Group. Besides building up its shipping fleet, the company also develops direct shipping service for the cross-strait “three links” project actively to serve for cross-strait economic and trade cooperation and exchange.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB837 million	Employee number: 236
Business revenue: RMB526 million	
Main businesses: International and regional dry and bulk cargo and general cargo transport, with a focus on transport of grains, ores, coals, fertilizers, steels and bagged sugars and equipment; passenger and cargo transport services between Chinese mainland and Taiwan ports; “small three links” passenger transport service between Xiamen and Jinmen	
Subsidiaries: Besides developing ocean shipping business actively, COSCO Xiamen also operates and manages businesses in related industries such as ship-repairing, container storage and transport, and "small three links" passenger transport.	



COSCO Xiamen currently owns and operates 12 vessels of various types, including bulk carriers, multi-purpose ships, timber ships, high-speed passenger ships and ro-ro ships. After the operation of Wuyuan Liner for Xiamen/Jinmen passenger transport line in 2007, the passenger transport ro-ro ship “COSCO Star” started serving for passenger and cargo transport lines between Xiamen and Taiwan ports in September 2009, becoming the first normal passenger and cargo liner after 60 years of isolation on both sides of Taiwan Strait.

II. Logistics and terminal

10. COSCO Logistics Co., Ltd

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



Nature: Limited liability company	Investment proportion: 100%
Total assets: RMB11.868 billion	Employee number: 9,867
Business revenue: RMB4.28 billion	
Main businesses: Modern logistics, international ship agency, international multimodal transport, freight forwarding, air transport agency, container yards management, warehousing, LCL service, railway, road and barge transport, project development and management, chartering brokerage	
Subsidiaries: COSCO Logistics headquartered in Beijing has eight regional companies in Dalian, Beijing, Qingdao, Shanghai, Ningbo, Xiamen, Guangzhou and Wuhan under its affiliation. With nine subsidiaries and representative offices in America, Europe, United Arab Emirates, South Korea, Japan, Singapore, Greece and Hong Kong, COSCO Logistics has entered into long-term cooperation agreement with over 40 cargo agencies in overseas countries. Besides, it opened 400 business outlets in 29 provinces, municipalities and autonomous regions in China, forming a logistics network with complete functionalities.	
Eyeing on becoming an “integrated logistics service provider”, COSCO Logistics offers whole-processed logistics solution for domestic and overseas customers in market segments such as electronic, chemical, aviation, power and exhibition, striving to improve the management quality of supply chain. It has ranked the first place in the Top 100 Chinese Logistics Enterprises for six times successively, and has won first-class logistics awards in China’s cargo transport industry.	

11. COSCO Pacific Co., Ltd

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





Nature: Limited liability company	Investment proportion: 43.92% (held by China COSCO)
Total assets: RMB46.048 billion	Employee number: 3,247
Business revenue: RMB5.019 billion	
Main businesses: container terminal, container lease, management and sales	
Subsidiaries: Headquartered in Hong Kong, the company holds stocks of 28 terminal companies worldwide, covering four port groups in mainland China, Hong Kong and Taiwan as well as overseas hub ports. With respect to container lease business, the company sets up companies and representative offices in Macao, Tianjin, Shanghai, Tokyo, Sidney, Singapore, San Francisco, New York, St. Paul, London, Hamburg and Genoa, forming a globalized service network. COSCO Pacific operates 117 berths at 21 ports worldwide, ranking the fourth place in the world.	

III. Ship-building and ship-repairing

12. COSCO Shipyard Group Co., Ltd

COSCO Shipyard Group Co. Ltd (COSCO Shipyard), specialized in building of large ships and construction of ocean engineering projects, ship refitting and reparation, and ancillary service businesses, is a large enterprise group affiliated to COSCO Group. With seven large shipbuilding enterprises in Dalian, Zhoushan, Nantong, Qidong, Guangdong, Shanghai and Lianyungang and eight ancillary service enterprises, COSCO Group has developed into an internationally renowned shipping company and the first option of partners for offshore oil service providers after 13 years of leap-forward development.



Nature: Limited liability company	Investment proportion: 37.35%
Total assets: RMB40.5 billion	Employee number: 8,868
Business revenue: RMB17.2 billion	
Main businesses: Construction, refitting and reparation of large vessels and ocean engineering projects.	
Subsidiaries: Seven large shipbuilding enterprises in Dalian, Zhoushan, Nantong, Qidong, Guangdong, Shanghai and Lianyungang and eight ancillary service enterprises.	
Docks of COSCO Shipyard have a total docking capacity of 2.045 million tons and an annual shipbuilding capacity of 2.4 million tons. These docks include two docks with the capacity of 300,000 tons, four docks with the capacity of 150,000~200,000 tons, six docks with the capacity of 40,000 to 80,000 tons, 36 berths, two shipbuilding platforms, eight water slides, and three auxiliary barges. The total site area is over 5.65 million square meters. These form a "North-Middle-South" scientific and rational geographical distribution and production structure. Ships built by COSCO Shipyard include 5,000-seat ro-ro car carriers, 30,000-ton heavy life ships, 57,000-ton bulk ships, 80,000-ton bulk ships	



and 92,500-ton bulk ships and livestock ships. Ocean engineering projects constructed include cylinder drilling platform, self-lifting drilling platform, semi-submersible drilling platform, shuttle tanker, turbine installation vessel, cylinder floating-typed production oil tanker, semi-submersible ocean life service platform, drilling auxiliary ship and pipe paving ship.

13. COSCO Shipbuilding Industry Company

COSCO Shipbuilding Industry Company (COSCO Shipbuilding), established in 1993 with a total registered capital of RMB2.58 billion, is a direct subsidiary of COSCO Group. COSCO Shipbuilding is a large ship heavy industry company with shipbuilding as the main business, and ship auxiliary, ocean engineering equipment manufacturing, building steel structure businesses as the auxiliary. It is positioned as a leader of Chinese shipbuilding companies for its world's first-tier ship design and manufacturing technology, multiple-vessel production capacity that exceeds four million DWTs per year and excellent lean management level.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB9.362 billion	Employee number: 5,163
Business revenue: RMB2.467 billion	
Main businesses: Shipbuilding and ancillary service business	
Subsidiaries: Fully-owned and joint venture enterprises affiliated to COSCO Shipbuilding include Nantong COSCO KHI Ship Engineering Co., Ltd, Dalian COSCO Shipbuilding Industry Co., Ltd, Nantong COSCO Ship Steel Structure Co., Ltd, Shanghai COSCO KHI Steel Structure Co., Ltd, Nantong Ocean Ship Equipment Co., Ltd and Nanjing COSCO Ship-repairing and Ship Equipment Plant.	
COSCO Shipping has cooperated with Japan Kawasaki Heavy Industries Co., Ltd to fulfill the "localization" and "recreation" of production management and technical management through technical introduction, absorption and innovation. COSCO Shipping has the R&D, design and manufacturing ability of various high-performance bulk vessels, super-large oil tankers, container vessels, ro-ro ships, ore ships, LNG ships, LPG ships as well as special ships such as heavy lift ships and semi-submersible ships, and ocean engineering ships. As of the end of 2013, it has successfully delivered 136 large ships of various types, and has taken a lead in the world and reached advanced levels of Japanese and Korean enterprises in terms of main economic and technical indicators such as building work time, steel utilization rate, power consumption per USD10,000 output value and production efficiency. In 2009, registered address of the company was changed into Floor 9, Building 1, Tiada Times Center, No. 15, Guanghua Road, Chaoyang District, Beijing.	



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 with the approval of the State Council. CHIMBUSCO is China's largest professional offshore oil and water provider. On Dec. 26, 2003, the company was reformed as a limited liability company, with COSCO Group headquarters and PetroChina Company Limited as its shareholders.



Nature: Limited liability company	Investment proportion: 50%
Total assets: RMB7.936 billion	Employee number: 1,626
Business revenue: RMB56.788 billion	
Main businesses: Providing fuel, lubricants and freshwater for ships for international routes and for domestic coastal transportation, finished oil import, transport and storage of various oil products, agency of oil products storage, supply, marketing and transport, and lubricant OEM business	
Subsidiaries: CHIMBUSCO has over 30 member units home and abroad, including some most famous regional subsidiaries or joint ventures in main ports in China such as Dalian, Qinhuangdao, Qingdao, Lianyungang, Shanghai, Guangzhou, Zhanjiang, Ningbo, Zhoushan, Yantai, Rizhao, Xiamen, Fangchenggang, Zhuhai, Nanjing, Nantong, Jiangyin, Changzhou, Caifeidian, Shenzhen and Hong Kong, and set up overseas companies or outlets in Singapore, Korea, America and the Netherlands.	
CHIMBUSCO has more than 100 ships of various kinds, 18 oil depots with the total storage capacity of 1.19 million cubic meters. It also has oil terminals and locomotive loading lines with complete facilities, which allows it to provide comprehensive services of ship-owners, ship charterers, investors and equipment manufacturers worldwide. During its service expansion and development processes, CHIMBUSCO also established long-term, stable and extensive contact and cooperation relationships with major shipping companies, oil companies and other customers in the world, building good reputations in both shipping and oil industries.	

15. Hainan COSCO Boao Co., Ltd

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





Nature: Limited liability company	Investment proportion: 100%
Total assets: RMB1.526 billion	Employee number: 1,291
Business revenue: RMB150 million	
Main businesses: Conference reception, hotel, golf and scenic spot sightseeing	
Subsidiaries: Sofitel Boao Grand Hotel, Boao Golden Coast Hot Spring Hotel, Boao Forum Asia International Convention Center Golf Club, Boao Forum for Asia Site and Scenic Spot Management Company and Hainan Boao International Convention Co., Ltd.	
Hainan Boao COSCO mainly engaged in development, construction, operation and management of auxiliary facilities of Boao Forum for Asia has established Boao Golden Coast Hot Spring Hotel, Palm Island Hotel and Townhouses, Binlang Island Townhouses, BFA International Convention Center, Sofitel Boao Grand Hotel, 18-hole golf club and many infrastructures. Total construction area of Hainan Boao COSCO in Boao is near to 170,000 square meters, with the total investment of more than RMB3 billion. Besides holding the annual Boao Forum for Asia, these sites will receipt tourists for 750,000 person-times and over 200 middle and high-grade meetingsfor companies home and abroad.	

16. China Ocean Shipping Tally Company

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



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB560 million	Employee number: 223
Business revenue: RMB26 million	
Main businesses: Vessel tally business for international and domestic shipping lines; container loading and unloading tally business; cargo measurement; ship water gauge measurement; loading/unloading supervision; cargo and container damage inspection and appraisal; issuance of cargo tally bills and reports; tally-related consultation services.	
Subsidiaries: China Ocean Shipping Tally owns 74 companies at ports China, covering main ports such as Shanghai, Ningbo, Tianjin, Qingdao, Dalian, Xiamen, Fuzhou, Shenzhen and Guangzhou. Insisting the criteria of "holding fair attitude, seeking truth from facts and protecting legal rights and interests of consignors", China Ocean Shipping Tally has made explorations and innovations continuously and increased scientific inputs and talent cultivation efforts, making great contributions to the country's reform and opening up and development of shipping and foreign trade businesses.	



17. COSCO Manning Cooperation Inc.

COSCO Manning Cooperation Inc. (COSCO Manning) is a state-owned enterprise directly under the affiliation of COSCO Group. The company has the operating rights for international labor cooperation and seafarer labor export granted by the regulatory authorities. Main businesses of COSCO Manning include dispatching seafarers and various labors to foreign countries, issuance of certificates for seafarers and providing maritime-related services.



Nature: State-owned company	Investment proportion: 100%
Total assets: RMB55.85 million	Employee number: 1,671
Business revenue: RMB70.22 million	
Main businesses: Dispatching crews and laborers to overseas markets	
Subsidiaries: Shanghai COSCO Manning Cooperation Co., Ltd, Qingdao COSCO Manning Cooperation Co., Ltd, Shenzhen COSCO International Ship Management Co., Ltd and Beijing COSCO Business Consultation Co., Ltd.	
Since its establishment, COSCO Manning has been endeavored to provide qualified seamen and other laborers as well as high quality, high efficient and satisfactory services to customers home and abroad. It has established close cooperation relationships with customers home and abroad, forming a nationwide business network and has dispatched seamen and other laborers for more than 130,000 person-times. COSCO Manning has established a comprehensive management system covering quality, environment and occupational health in accordance with the ISO9000, ISO14000 and OHSAS18000 standards and has received the certificates issued by the China Classification Society. It has set up four joint ventures in Shanghai, Qingdao, Shenzhen and Beijing.	

18. COSCO Finance Co., Ltd



COSCO Finance Co., Ltd (COSCO Finance) established in October 1993 is a non-banking financial institute directly affiliated to COSCO Group headquarters. It is formerly the finance company of COSCO Group. Approved by the People's Bank of China, it conducted capital increase and system reform and transformed into a limited liability company from a fully-owned subsidiary of COSCO Group headquarters in September 1999.



In December 2005 and December 2011, the company implemented two capital increases again with a approval of CSRC. Currently, the company was jointly invested and held by COSCO Group headquarters and 13 member units.

Nature: Limited liability company	Investment proportion: 43.125%
Total assets: RMB25.881 billion	Employee number: 59
Business revenue: RMB898 million	
Main businesses: Loan, financing lease, bill acceptance and discounting for member units of COSCO Group, internal account transfer and settlement between member units, design of settlement and clearance plans, absorption of deposits of member units and negotiable securities investment	
Subsidiaries: None	
Since its establishment, COSCO Finance has insisted on complying with related laws and regulations in its business operation and meeting the supervision requirements of the People’s Bank of China and the China Banking Regulatory Commission. Besides good asset quality, it also meets financial supervision requirements by all indicators and achieves significant economic and social benefits.	

19. China Ocean Shipping News

China Ocean Shipping News was merged by China Ocean Shipping Press and Maritime China Magazine. With the first issue published in 1994, China Ocean Shipping News originally named COSCO Group News is an official newspaper managed by COSCO Group and published by COSCO Group headquarters. In 1996, it was renamed China Ocean Shipping News upon the approval of Beijing Press and Publishing Bureau. Approved by the General Administration of Press and Publication, China Ocean Shipping News started the official publication for the whole society in September 1998. With the publication number of CN11-0261, the cross-fold, eight-page newspaper is published on every Monday. Maritime China, sponsored by COSCO Group and managed by the Ministry of Transport is a professional magazine covering shipping, port, logistics and shipbuilding and ship-repairing industries. Since its first issuance in January 1995, Maritime China has insisted on the tenet of “rooting in global shipping industry, identifying market changes, promoting industrial development and serving for marketing of enterprises”. The magazine is issued on the first day of each month.

Nature: State-owned company	Investment proportion: 100%
Employee number: 18	
Main businesses: Based on COSCO Group, China Ocean Shipping News serves as a supplement that covers ocean shipping, ship-building/ship-repairing, ship supply, ship agency and cargo agent industry in China. It mainly reports on COSCO Group’s comprehensive news, corporate culture as well as latest trends of international shipping industry as well as literature and art news. Maritime China magazine offers ad services home and abroad, releases ads for foreign businessmen in China, reports and organizes culture exchange activities, and offers economic information consultation.	
Main businesses: China Ocean Shipping News honored the Advanced Newspaper in national appraisal of public issuance companies for three successive years (the highest honor for national corporate news). In 2005, it ranked the first place in appraisal of excellent newspapers of Chinese corporate group. In 2006, it received the honorable title of National Excellent Newspaper for Printing Quality.	



Since its public issuance, over 200 articles of the newspaper had received the Good News Award and Excellent Thesis Award for National Corporate Newspaper. The Maritime China magazine has enjoyed high reputation home and abroad. In recent years, it had organized many industry's widely watched and influential International Shipping (China) Annual Summits as one of the sponsors.

V. Overseas companies

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

COSCO (Hong Kong) Group Co., Ltd was established on Aug. 28, 1994. As a fully-owned regional company and economic entity of COSCO Group, COSCO (Hong Kong) Group manages hundreds of enterprises of COSCO Group in Hong Kong, Macao and Philippines. Business outlets and investment projects of COSCO (Hong Kong) Group cover major cities in mainland China as well as Asia, Europe and America. COSCO (Hong Kong) Group has formed the pillar industries of shipping service, highway, information technology, industrial manufacturing, cargo transport service and logistical management. Business scope of the group also covers finance, insurance brokerage, tourism, and hotel industries.

22. COSCO America Co., Ltd

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

23. COSCO Europe GmbH

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

24. COSCO Corporation (Singapore) Limited

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



25. COSCO Oceania Pty Limited

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

26. COSCO Japan Co., Ltd

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

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

27. COSCO Korea Co., Ltd.

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

28. COSRACO LLC

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

29. COSCO Africa (PTY) Ltd

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



general cargo ship leasing and cargo canvassing business and administrative management of affiliated units invested.

Part IV Awards

A Summary of Awards for COSCO Group, China COSCO and Its Subsidiaries in 2013

International and domestic awards received in 2013	
Award-winning time	Awards
Jan. 7	COSCON received Service Innovation Award at Shanghai GM Suppliers Conference.
March 12	China COSCO ranked the first place in 2013 Top 100 Chinese Enterprises for CSR.
May 1	The Financial Management Department of Shanghai Pan-Asia Shipping Co., Ltd of COSCON received the honorable title of “National Workers’ Pioneer”.
June 27	Capt. Wei Jiafu, former chairman of COSCO Group, awarded the Grand Cross Medal by Greek Government.
July 8	COSCO Group ranked the 401th place in 2012 Fortune Global 500 List.
July 8	COSCO Pacific appraised as the Outstanding Terminal Enterprise in China for two successive years.
Sept. 21 to Sept. 23	COSCO Charity Foundation received the 2013 Transparent and Excellent Charity Organization.
Nov. 20	COSCO Logistics received the 2013 Top 100 Enterprises for Brand Value in Chinese Logistics Industry and 2013 Top 10 Chinese Logistics Enterprises.
Dec. 3	COSCO Pacific received the “Outstanding Enterprise in Hong Kong” awarded by Economic Weekly, a financial magazine of Hong Kong.
Dec. 10	COSCO Pacific and COSCO International awarded the Platinum Awards for Financing Performance, Environmental Responsibility and Investors’ Relationships by the Asset magazine, a renowned monthly financial magazine in Asia.
Dec. 19	COSCO Shenzhen received the honorable title of the “National Foreign-invested Enterprise – Double Excellence Enterprise” and the “National Foreign-invested Enterprise – Harmonious Labor Relations Promotion Award” for tenth successive year.
Dec. 21	Chairman Ma Zehua awarded the 2013 Top 10 Most Influential Character in Chinese Shipping Industry.
March 24, 2014	At the press conference for 5th rating of CSR report of listed companies, COSCO Group Sustainability Report 2012 ranked the 6th place and received the highest rating of AA.



Part V General Information of the Report

This report is a comprehensive demonstration of performance and achievements of COSCO Group's implementation of social responsibility strategies in 2013, a portrait to operating results of COSCO Group's sustainability management system and sustainability information management platform, a carrier for COSCO Group to accept supervision of the society and a bridge for it to communicate with other stakeholders. COSCO Group tries to present a report to objectively and vividly reflect the sustainability of COSCO Group for correlated parties, so as to provide reliable basis for decision-making of related parties, improve decision-making efficiency, reduce trade costs and assist related parties to get higher economic and social benefits. COSCO Group has inherited the principle of "communications creates value" and tried to provide a sustainability report that transforms from green color to golden color for the world. On June 30, 2014, COSCO Group Sustainability Report 2013 was released on official website of the Company.

I. Scope of the Report

Contents of the COSCO Group Sustainability Report 2013 were improved based on the 2012 version. On the basis of the efforts to implement the Global Compact Sustainable Development Leadership Blueprint and perform social responsibilities scientifically based on COSCO Group's sustainability strategic planning, fulfill the scientific development outlook, carry out the Guiding Opinions on Performance of Social Responsibility by Central Enterprises and Central Enterprise Comprehensive Risk Management Guidelines issued by the State-Owned Assets Supervision and Administration of China (SASAC) and the SASAC's Implementation Outlines of Harmonious Development Strategies during 12th Five-year Plan Period, and in accordance with the requirements of related parties on social responsibility, such as the Notice of the Shanghai Stock Exchange on Promoting Social Responsibility Undertaking of Listed Companies and the Release of "Shanghai Stock Exchange's Guidance on Disclosure of Environmental Information by Listed Companies" and the Guidance on Compilation of Report for Performance of Social Responsibilities, as well as the GRI Sustainability Reporting Guidelines (Version 3.1) (hereinafter referred to as GRI 3.1) and the supplementary guidelines of the industry, and in reference of the ISO26000 Guidance on Social Responsibility, the report covers the management methods and performance indicators of COSCO Group, all its second-tier companies, and all international shipping, logistics & terminals, shipbuilding/ship-repairing companies, as well as basic implementation situations of regional companies home and abroad.

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



COSCO Group Sustainability Risks Rating Matrix

序号 Serial No.	公司 Company	战略与概况 Strategies and General Information		治理和管理 Governance and Management		经济业绩 Economic Performance		环境业绩 Environmental Performance		劳工业绩 Labor Performance		人权业绩 Human Right Performance		社会业绩 Social Performance		产品业绩 Product Performance		Risk scores	风险等级 Risk Level	实施重要程序排序 Rankings of importance in implementation process	审核重要程序排序 Rankings of importance in review process	报告形式 Reporting form
		控制程度 Control degree	规模影响 Scale influences	监管 of supervision and control	供应链要求 Requirements	财务 Finance	社会投资 Social investment	节能低碳 Energy-conservation and low-carbon	污染防治 Pollution prevention	安全 Safety	人力资源 Human resources	集体谈判 Collective bargaining	非歧视 Non-discrimination	社区 Community	反腐败 Anti-corruption	服务产品质量 Service product quality	市场营销 Marketing					
1	中远集装箱运输有限公司 COSCON	4	9	9	4	9	4	9	4	9	4	4	4	1	4	9	4	10985	High	实施试点 Pilot project	单独审核 Separate review	行业报告 Industrial report
2	中国远洋控股股份有限公司 China COSCO	4	9	9	9	4	4	4	4	9	4	4	1	1	4	1	1	9594	High	第一批 First batch	单独审核 Separate review	与年报同期发布 Released together with annual report
3	大连远洋运输公司 COSCO Dalian	9	4	9	4	4	4	4	9	9	4	4	4	1	4	4	4	9295	High	第一批 First batch	单独审核 Separate review	行业报告 Industrial report
4	中远航运股份有限公司 COSCO Shipping	4	9	9	4	4	4	4	4	9	4	4	1	1	4	4	4	7943	High	第一批 First batch	单独审核 Separate review	年报附件 Appendix of annual report
5	中远太平洋有限公司 COSCO Pacific	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
6	中国远洋物流有限公司 COSCO Logistics	4	4	9	4	4	4	4	4	9	4	4	4	4	4	4	4	5512	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
7	中远散运有限公司 COSCO Bulk	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
8	中远(香港)航运有限公司 COSCO Hong Kong	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
9	青岛远洋运输有限公司 COSCO Qingdao	4	4	9	4	4	4	4	4	9	4	4	4	1	4	4	4	5200	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
10	中远散货运输(集团)有限公司 China COSCO Bulk	9	4	4	4	4	4	4	4	9	4	1	1	1	4	4	4	4576	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
11	中远船务工程集团有限公司 COSCO Shipyard	4	4	4	4	4	4	4	4	9	4	4	9	9	4	4	4	4032	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
12	中远船工业公司 COSCO Shipbuilding	9	4	4	4	4	4	4	4	9	4	4	9	9	4	4	1	3900	Medium	第一批 First batch	同集团审核 Review by the group	集团报告 Group report
13	中国船舶燃料有限公司 CHIMBUSCO	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
14	中远(英国)有限公司 COSCO U.K.	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3072	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
15	广州远洋运输公司 COSCO Guangzhou	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2880	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
16	厦门远洋运输公司 COSCO Xiamen	4	4	4	4	4	4	4	4	4	4	4	4	1	4	4	4	2730	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
17	海南中远博鳌有限公司 Hainan Boao COSCO	9	1	1	4	1	9	4	4	4	4	4	4	9	4	9	4	2700	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
18	中远对外劳务合作公司 COSCO Manning	9	1	1	4	1	1	1	1	4	9	4	4	1	4	4	4	1900	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
19	中远财务有限公司 COSCO Finance	9	1	4	1	4	1	1	1	1	1	4	1	1	4	4	1	1200	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
20	中国外轮理货总公司 China Ocean Shipping Tally	9	1	1	1	4	4	1	1	4	4	4	1	1	4	4	4	720	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report
21	《中国远洋报》社 China Ocean Shipping News	9	1	4	1	1	1	1	1	1	1	1	1	1	1	1	1	600	Low	第二批 Second batch	抽样审核 Sampling review	集团报告 Group report



填表说明:

1、控制程度：1-参股；4-控股；9-全资；
Control degree: 1 means shareholding; 4 means controlled shareholding; 9 means fully-owned;

3、监管：1-无要求；4-鼓励要求；9-外部强制要求；
Supervision: 1 means no requirements; 4 means encouraging requirements; 9 means external compulsive requirements;

5、财务：1-一般；4-中等；9-财务指标大；
Finance: 1 means general; 4 means moderate; 9 means large;

7、节能低碳：1-低能耗行业节能；4-一般性能耗节能；9-高能耗行业节能；
Energy-conservation and low-carbon: 1 means energy conservation of low-power industry; 4 means energy conservation of moderate-power industry; 9 means energy conservation of high-power industry;

9、安全：1-低风险行业；4-一般性风险行业；9-高风险行业；
Safety: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;

11、集体谈判：1-低依赖行业；4-一般性依赖行业；9-高依赖行业；
Collective bargaining: 1 means low-dependence; 4 means moderate-dependence; 9 means high dependence;

13、社区：1-对社区影响小的行业；4-对社区影响一般的行业；9-对社区影响大的行业；
Community: 1 means industries that have little influences on the community; 4 means industries that have moderate influences on the community; 9 means industries that have great influences on the community;

15、服务产品质量：1-低风险行业；4-一般性风险行业；9-高风险行业；
Service product quality: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;

2、规模影响：1-一般；4-中等；9-很大；
Scale influence: 1 means little; 4 means moderate; 9 means great;

4、供应链要求：1-无要求；4-鼓励要求；9-强制要求；
Supply chain requirements: 1 means no requirements; 4 means encouraging requirements; 9 means external compulsive requirements;

6、社会投资：1-非持续性投入；4-持续性投入；9-特殊投入；
Social investment: 1 means non-continuous investment; 4 means continuous investment; 9 means special investment;

8、防污染：1-低风险行业防污染；4-一般性风险行业防污染；9-高风险行业防污染；
Pollution prevention: 1 means pollution prevention of low-risk industry; 4 means pollution prevention of moderate-risk industry; 9 means pollution prevention of high-risk industry;

10、人力资源：1-低依赖行业；4-一般性依赖行业；9-高依赖行业；
Human resources: 1 means low-dependence; 4 means moderate-dependence; 9 means high dependence;

12、非歧视：1-不容易存在不公平对待员工的行业；4-一般性行业；9-容易存在不公平对待员工的行业；
Non-discrimination: 1 means industries unlikely to have unfair treatment of employees; 4 means industries that may have unfair treatment of employees; 9 means industries likely to have unfair treatment of employees;

14、反腐败：1-低风险行业；4-一般性风险行业；9-高风险行业；
Anti-corruption: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;

16、市场营销：1-低风险行业；4-一般性风险行业；9-高风险行业；
Marketing: 1 means low-risk industry; 4 means moderate-risk industry; 9 means high-risk industry;

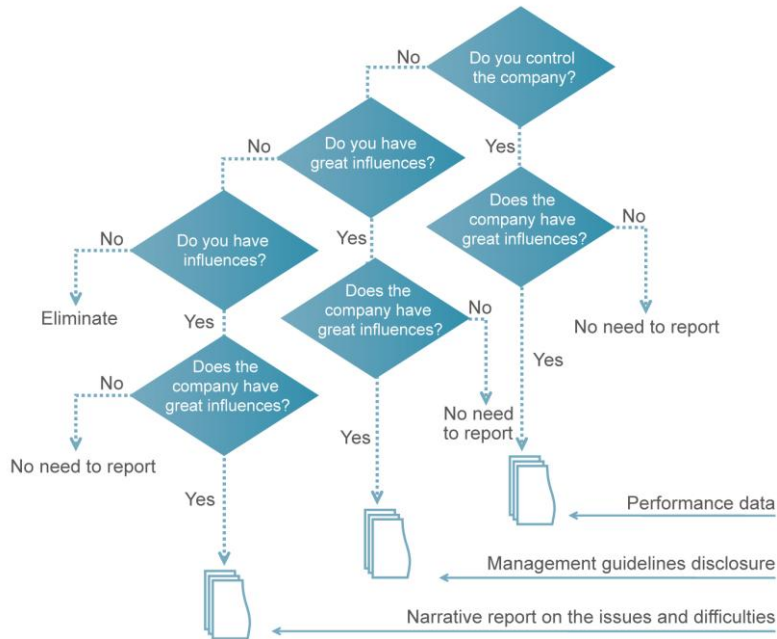
风险得分计算公式：战略*管理（经济业绩+环境业绩+劳工业绩+人权业绩+社会业绩+产品业绩）
 Strategies * Management * (Economic Performance + Environmental Performance + Labor Performance + Human Right Performance + Social Performance + Product Performance)

2. Determining reporting form in a scientific manner

COSCO Group scientifically defines the reporting scope in the supply chain and quantizes GRI's requirements on setting up scope decision-making tree based on the Decision-making Matrix for Sustainability Risks. With respect to container transport industry which has great influences on sustainability, it released the COSCON Sustainability Report separately since 2006 as an industrial report besides disclosing related information in the COSCO Group Sustainability Report. The COSCON Sustainability Report systematically reports on the implementation situations of its social responsibility strategies. Related indicators and performance of other second-tier companies are reported in accordance with uniform reporting structure in the report. Issues and difficulties of key third-tier enterprises home and abroad are also described in the report.



3. Determining scope of reporting contents in a scientific manner



The report is compiled in both Chinese and English and the Chinese version is the definitive version in audit of the report. The online version is available at official website of COSCO Group (<http://www.chinacosco.com>) -- The COSCO Group Sustainability Report. The COSCO Group Sustainability Report is edited according to the normal year. Unless specified, all information contained in the report refers to sustainability performance of COSCO Group in 2012.

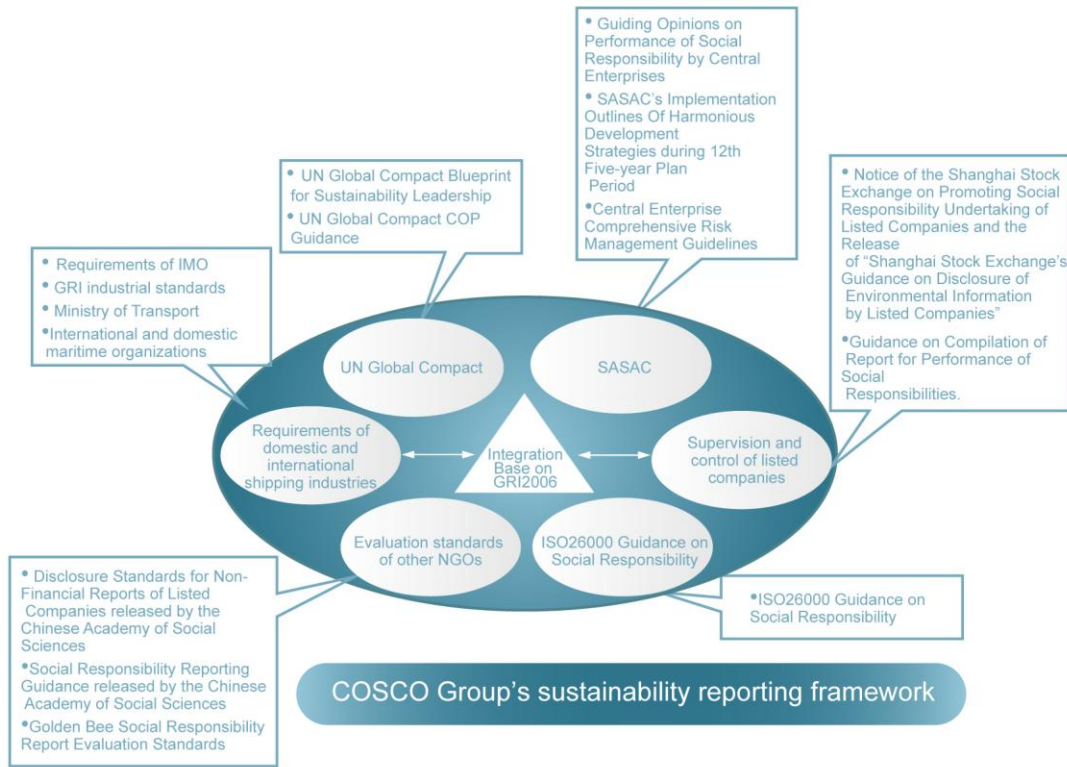
Contact person: Pan Deng, System Management Office
 Tel/Fax: 86-10-66492565/86-10-66492288
 Email: pandeng@cosco.com

II. Report Compilation Principles

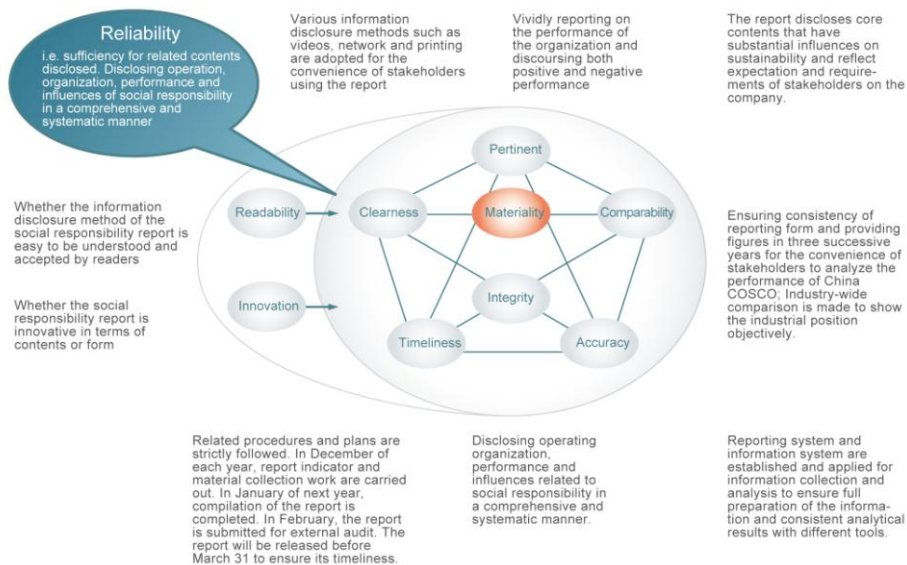
The COSCO Group Sustainability Report 2013 sets up the basic reporting framework based on the GRI Sustainability Reporting Guidelines 3.1 version, in reference to related requirements of GRI4.0 Guidance and by systematically integrating key guidance, standard and requirements related to ISO 26000 social responsibility guidelines, so as to satisfy requirements of related parties.



Standard Bases for COSCO Group's Sustainability Reporting Framework



To ensure quality of report, COSCO Group determines the reporting contents based on the principles of materiality, participation of stakeholders, sustainability background and integrity and ensures the report quality based on the principles of balance, comparability, accuracy, timeliness, reliability and clearance in compilation of COSCO Group Sustainability Report.





III. Report Guarantee Methods

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

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

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

COSCO Group carries out management innovation with ISO9000 Quality Management System as the architecture, quality, environment and safety management systems as the basis, and the sustainability and risk management as the main contents. It also forms an indicator-based sustainability management system to implement all sustainability requirements and indicators to processes and posts. The third party certification of the management system effectively ensures the reliability of report data.

Early in 2008, COSCO Group developed the COSCO Group sustainability information management system and established information safety management system based on ISO27000 information safety management standards to ensure the authenticity, integration and accuracy of data in the report, and to improve the substantiality, integrity, comparability, accuracy and reliability of the sustainability report continuously.

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

To ensure the report's authenticity and reliability and evaluates the quality of the report, COSCO Group submits the report to the Det Norske Veritas (DNV) for review, with an independent audit report provided.

In addition, COSCO Group communicated with stakeholders on responsibility through COSCO Group sustainability information management platform to propel constant improvements on the report. Website for COSCO Group sustainability information management platform is <http://gri.cosco.com>.



IV. Self-rating of the Report

COSCO Group adopts the core indicators of the GRI Guideline 3.1 to systematically report all management and performance indicators.

The statistical scope of the sustainability report 2013 is the same with the 2012 report, and self-rating level is A.

管理与相关方参与

MANAGEMENT AND PARTICIPATION OF STAKEHOLDERS





B. Management and Participation of Stakeholders

Part I Corporate Governance

I. Governance Structure

In accordance with related requirements and decisions of State Council SASAC on the pilot work to establish and improve the board of directors of enterprises solely funded by the State, COSCO Group established the Board of Directors on Aug. 23, 2011 to improve its juridical person governance structure, promote scientific decision-making, realize value-keeping and value-increase of state-owned assets, and enhance energies, controlling ability and influence of state-owned economy. The Board of Directors is the decision-making organ for operation and management of the company, and is responsible for research and determination of key operation and management issues. Chairman of COSCO Group is the legal representative of the company.

Governance structure of COSCO Group (please see the chart below) complies with the requirements for sustainable development. When making the decisions and supervising on topics that have significant economic, environmental and social influences, the Board of Directors and the Supervisory Board try to ensure that the decision-making process is democratic, scientific and law-compliant. When making important decisions, the Board of Directors will solicit opinions of the Government, investors and industry experts through opinion-collecting conference and on-site survey and investigation. The Board of Directors has established various coordination and communication mechanism. When the operating or investment projects of the company are conflicted with interests of external stakeholders, the Board of Directors will research on the solutions and authorize the managers to take measures to solve the conflicts and ensure normal operation of the company.

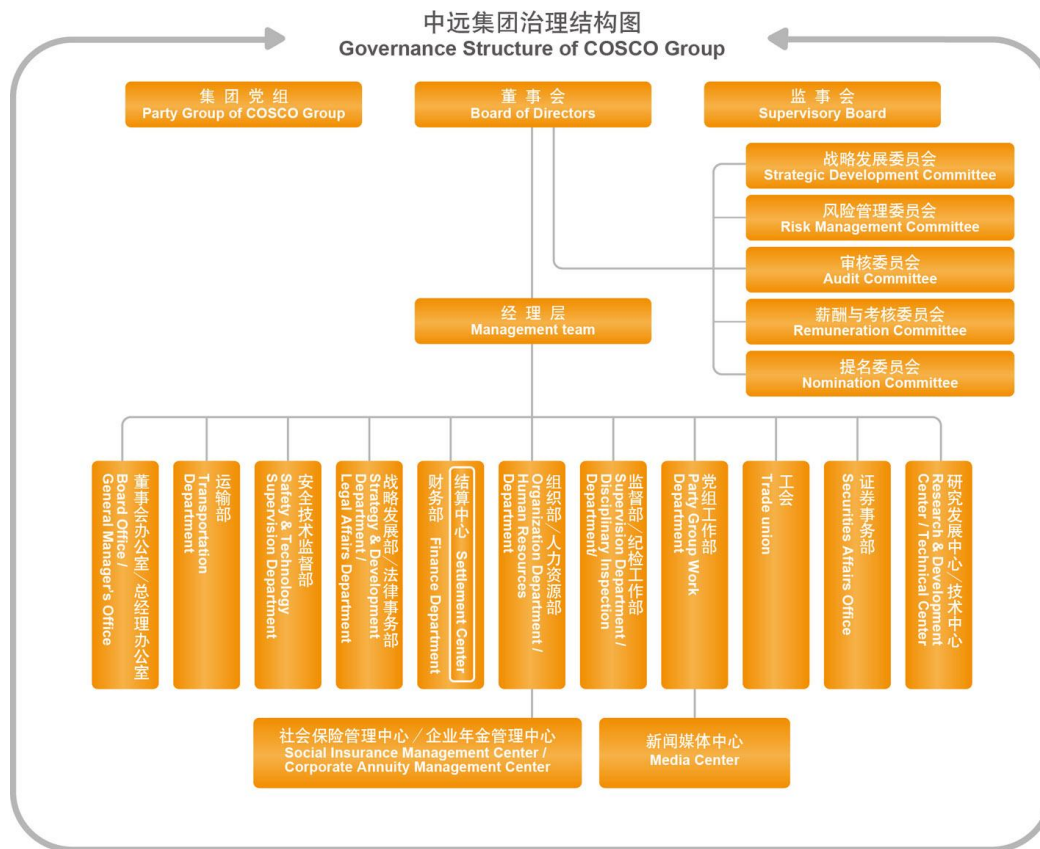
The Board of Directors and the Supervisory Board timely know the economic development situations, changes of environment, policies as well as laws and regulations, and key issues of the society through studying activity and special discussion, research on possible influences on operation of the group and put forward related countermeasures.

The Board of Directors is responsible for review of comprehensive risk management report of the group. It evaluated and reviewed the key risk events and countermeasures, and propelled related departments to implement the countermeasures, so as to control the risks effectively. In the meantime, it listened to opinions and suggestions of the regulatory institutes and experts on a regularly basis, so as to elevate the scientific level and risk management level of risk management decisions.

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



Governance Structure of COSCO Group



II. Board of Directors

On Dec. 28, 2011, COSCO Group established the Board of Directors. Establishment of the Board of Directors marks that COSCO Group has made an important step in establishing modern enterprise system and improving its legal person governance structure. As approved by the higher authorities, the Board of Directors of COSCO Group is comprised of nine directors, including five external directors and four non-external directors (including one staff director).

Before April 2013, members of the Board of Directors include Chairman Wei Jiafu and directors Ma Zehua (President), Song Dawei, Yu Ning (external director), Ye Daji (external director), He Qingyuan (external director), Chen Geng (external director), Xu Liejun (external director) and Fu Xiangyang (staff director).

After April 2013, SASAC determined to appoint Ye Daji, He Qingyuan, Chen Geng and Xu Liejun as external directors of COSCO Group continuously. In the meantime, it also appointed Zhong Ruiming as external director of COSCO Group to further optimize the professional structure of the Board of Directors. Yu Ning will not act as external director of COSCO Group any more.

In July 2013, CPC Central Committee and the State Council determined that Capt. Wei Jiafu shall not work as chairman and party group secretary of COSCO Group any more due to age reason. Ma Zehua



was appointed as chairman and party group secretary of the group, and would not work as president of COSCO Group any more. Li Yunpeng was appointed as director and president of COSCO Group.

After the adjustment, the nine members of the Board of Directors of COSCO Group are Chairman Ma Zehua and directors Li Yunpeng, Song Dawei, Ye Daji, He Qingyuan, Chen Geng, Zhong Ruiming, Xu Liejun and Fu Xiangyang.

All the members of the Board of Directors possess the professional knowledge required to discharge their duties, and have extensive experience in operation management, and discharge their duties loyally, honestly and diligently. They are effective guarantee of COSCO Group in regulating economic, environmental and social performance, and play an important role in reviewing the effectiveness of risk management procedures in terms of economic, environmental and social issues.

The Board of the company has five subordinate special committees, namely the Strategic Development Committee, the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee. These special committees are responsible to the Board of Directors and provide advices and suggestions for decision-making of the Board of Directors.

Company leaders	Committees	Remarks
Ma Zehua, Chairman	Strategic Development Committee, Nomination Committee	Convener of the Strategic Development Committee and the Nomination Committee
Li Yunpeng, Director and General Manager	Strategic Development Committee	
Song Dawei, Director	Risk Management Committee	
Ye Daji, External Director	Risk Management Committee, Nomination Committee	
He Qingyuan, External Director	Strategic Development Committee, Risk Management Committee, Audit Committee, Remuneration Committee	Convener of the Risk Management Committee
Chen Geng, External Director	Strategic Development Committee, Remuneration Committee	Convener of the Remuneration Committee
Zhong Ruiming, External Director	Audit Committee	Convener of the Audit Committee
Xu Liejun, External Director	Audit Committee, Nomination Committee	
Fu Xiangyang, Director and Chairman of Trade Union	Strategic Development Committee	



III. Special Committee of the Board

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

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



accordance with related regulations. The Nomination Committee, under authorization of the Board, can investigate on directors and supervisors of important subsidiaries as well as general managers of important subsidiaries having no board, and offer suggestions to the Board.

IV. Supervisory Board

The Board of Supervisors is the supervisory body of the company. In the spirit of being responsible to shareholders, the Board of Supervisors the company seriously discharge its duties, and protect the interests of the shareholders and the company through inspecting the company’s financial situation and duty-performance of the Board of Directors and the top management.

V. Management Team

The election and appointment of management of the company shall be in strict compliance with the Articles of Association of the company. The managers of the company shall perfume their duties in strict compliance with responsibilities and authorities as required, carefully implement the resolutions of the Board, manage operation of the Company effectively and constantly elevate the management level and operating performance of the Company.

Leaders of the Company	Work division with respect to Global Compact, social responsibility and sustainability	Remarks
Chairman Ma Zehua	Be fully responsible for implementation of Global Compact and sustainability work, be in charge of human resources and labor insurance work, be responsible for labor and human right work	
Deputy General Manager Li Yunpeng	Be fully responsible for sustainable development of the company’s business	
Chief Accountant Sun Yueying	Be in charge of management of financial risks as well as public welfare and charity work	
Deputy General Manager Sun Jiakang	Be in charge of implementation of sustainability work	Chief Risk office and General Counsel
Deputy General Manager Xu Minjie	Be in charge of safety, environmental protection, counter-terrorist and defense work	Resigned
Deputy General Manager Ye Weilong	Be in charge of scientific research and transportation work	
Director Song Dawei	Be in charge of anti-corruption, combating commercial bribery and social work, and be responsible for disciplinary inspection, supervision, audit and comprehensive control work	



Advisor Liu Guoyuan	Assist the general manager to deal with sustainability work	
Chairman of Trade Union Fu Xiangyang	Be responsible for the Trade Union, and be in charge of supervision over implementation of human right and labor standards	

XI. Committees and Working Teams

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

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



7	COSCO Group Management Innovation Team	Being responsible for strategies and planning for management innovation; organizing argumentation, evaluation and acceptance for technologies of innovative projects; organizing the summary, application, release and promotion of innovative achievements.
8	Leading Group, Working Group and Office of the Working Group for Management Elevation Work of COSCO Group	Being responsible for management elevation work of COSCO Group.
9	COSCO Group Leadership Group for Control of Commercial Bribery	Researching, deploying, guiding and coordinating the special work to control commercial bribery; researching and dealing with other important issues related to the work to control commercial bribery.
10	COSCO Group Leading Group and Working Group for Punishment and Anti-bribery System Building Work	Acting in and implementing the Implementation Outlines for Establishing and Improving the Punishment and Anti-Corruption System Focusing on Education, System and Supervision.
11	Leading Group and Working Group for Security, Stability-keeping and Disposal of Emergent Events	Carrying out the emergence response work regarding to social stability, social security comprehensive management and employees' safety.
12	COSCO Group Leading Group for Tibet-assistance and Poverty-Alleviation Work	Being responsible for organization of Tibet-assistance and poverty-alleviation work.
13	COSCO Group Leading Group and Working Team for Foreign-related Emergency Response Work	Being responsible for emergency response of foreign-related accidents.
14	COSCO Group Leading Group and Working Group for Ship Anti-pirate Work	Being responsible for anti-pirate work of ships.
15	COSCO Group Leading Group for Legal Work	Being responsible for legal work of COSCO Group.
16	COSCO Group Leading Group for Supplier Management	Being responsible for organization of procurement, business outsourcing and supplier management elevation, and for risk control of suppliers.
17	COSCO Group Supervision and Inspection Team for Openness of Enterprise Affairs	Being responsible for promotion of openness of enterprise affairs.

VII. Decision-making Procedures and Structure

In order to ensure the fulfillment of strategic objectives, COSCO Group establishes cautious governance structure in accordance with the requirements of modern enterprise system. The Board of



Directors is the supreme decision-making organ of the company. In order to elevate the standard operation and scientific decision-making level of the Board of Directors, COSCO Group formulated the Rules of Procedures of the Board of Directors of COSCO Group (hereinafter refer to as the Rules of Procedures), so as to realize value-keeping and value-increase of state-owned assets and sustainable development of the Company.

The Rules of Procedures specify the authorities of the Board, the rights and obligations of the directors, composition of the Board, meeting rules and procedures of the special committees and the board, as well as resolutions of the board, so as to ensure democratic and scientific decision-making in terms of development strategies of the company, investment plans, financial settlement plans, profit distribution plans, loss making-up plans, issuance of corporate bonds, merger, separation or dissolution or change of form of the company, important internal reform and restructuring, and listening to work report of the general manager.

With respect to rules of procedures of the board, the board secretary is responsible for collection of draft proposals before holding of regular board meeting. The proposals shall be submitted to the Chairman for review. The Chairman is responsible for holding of the board meeting, which should be participated by more than half of the directors. After full discussion, each proposal should be voted by the board of directors. Each director has one ballot. Common resolutions of the board shall be voted for by more than half of the total number of directors, while the special resolutions shall be voted by more than two thirds of the total number of directors.

The company pays special attention to standard development and makes ceaseless efforts to standardize the company governance. The systems such as the Rules of Procedures are cautious and operated in standard, the information disclosure is timely, accurate, fair and just, and the internal control and management system is sound and effective.

VIII. All-staff Participation and Communication Mechanism

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

COSCO Group actively encourages all staff to participate in enterprise construction and perform the social responsibilities. All subsidiaries establish the workers' congress system and held the workers' congress on a regularly basis to listen to and reflect the opinions, requirements and suggestions of the employees, take part in formation of related plans, review related issues and release the survey report on some issues.



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

IX. Corporate Evaluation Mechanism

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

X. Personnel Evaluation Mechanism

In 2013, a total of 313 employees of COSCO Group headquarters should attend the evaluation, with the actual number of employees attending the evaluation reached 313. The evaluation participation rate reached 100%. Employees attending the evaluation include leaders of related departments and centers, managers and deputy managers of the offices, and staff for business evaluation, realizing the all-directional coverage. All subsidiaries have formulated responding staff evaluation methods to implement the annual evaluation work of staff in an all-directional and multi-angle manner from four aspects, namely ethics, ability, diligence and performance.

2. Staff training

In accordance with the spirits conveyed in the Outlines for Cadre Education and Training Reform in 2010-2020 issued by the Organization Department of CCCPC, the trainings in 2013 continued to focus on knowledge update, quality improvement, ability elevation and problem-solving, with a special emphasis on the enterprise's demands for high-quality talents. Active efforts had been made to promote the development of training work and to improve training quality and efficiency, providing effective talent supports and guarantees for development and construction of the company.

At the beginning of 2013, the group organized the directly affiliated institutions and related departments (centers) under the headquarters to summarize the training work in 2012 in terms of whether the training objectives are clear, the training contents are enriched, the training schedule is reasonable, the training cost meets the requirements of lean management, and whether the training achieved anticipated results, analyze and research on the issues appeared, and put forward measures and methods to further improve the training work. Related companies improved the system and optimized the process centering on the practical demands of enterprise development and employee

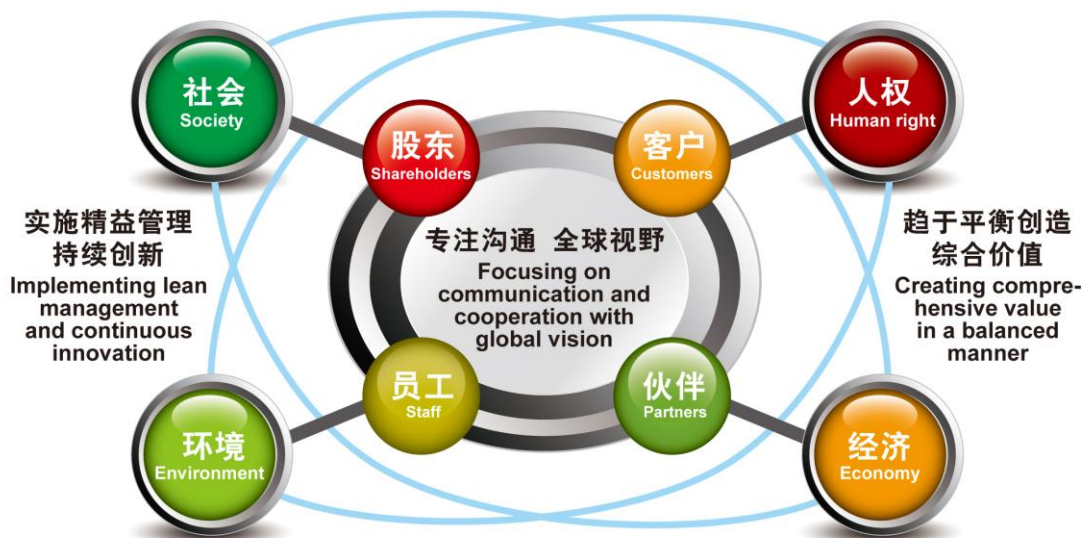


team building, carries out training on guidelines of the party and the government, economic situation, laws and regulations, operation and management, and business knowledge by different levels and types, and further elevated the training quality.

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

With an aim to fulfill the obligation of the Company, COSCO Group has been dedicated to protecting the environment and cherishing the earth resources in its production and operation process. It has supported and participated in ecological protection activities and improved ecological environment of enterprises as a “social responsibility undertaker”. Corporate culture construction has been integrated into production, operation and management work of the company. The guidelines and policies regarding economy, environment, safety and anti-corruption formulated by COSCO Group have been implemented, which elevated the group’s operation and management level as well as its brand image. The construction of social responsibility culture and corporate culture has become voluntary behaviors of operators and staff of all units, and characteristic corporate culture of COSCO Group was formed. These provide perpetual power for its continuous, rapid and healthy development.

中远可持续发展文化建设



Part II Main Policies and Management Systems

COSCO Group fully recognizes that internal control is a specific policy, system and method to ensure healthy development of its business operation and maximization of interests of owners and operators of the enterprise. A complete and effective internal control system shall ensure the reliability of information based on which decisions of the enterprise are made, ensure that business activities of all



departments of the enterprise are included in the policies and plans formulated, ensure asset safety, improve the economic benefits and efficiency of operating activities and ensure fulfillment of pre-set operation targets of the enterprise.

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

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

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

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





COSCO Group and its subsidiaries carefully follow the quality management system to operate in a standard manner, establish ISO9001-based decision-making quality management system and bring decision-making management and target management into related management procedures of the system. They also promote lean management to optimize business process, reduce wastes in operation process and reduce operation costs. By gradually establishing the management systems of operation quality, environment and occupational health & safety, the subsidiaries bring the decision-making, production and management into related procedures of the management system for control. In recent years, COSCO Group has cleared its management procedures and sectors in a comprehensive manner through systematic improvement of organization and management system. In accordance with the requirements of SASAC on management elevation, COSCO Group deployed the two years of work (2012 and 2013) to systematically elevate the internal control quality and effectiveness. In the meantime, professional risk management was elevated to control decision-making and operation risks, and elevate the risk protection and control ability.

II. Management Systems and Internal Control System Building Method of Subsidiaries

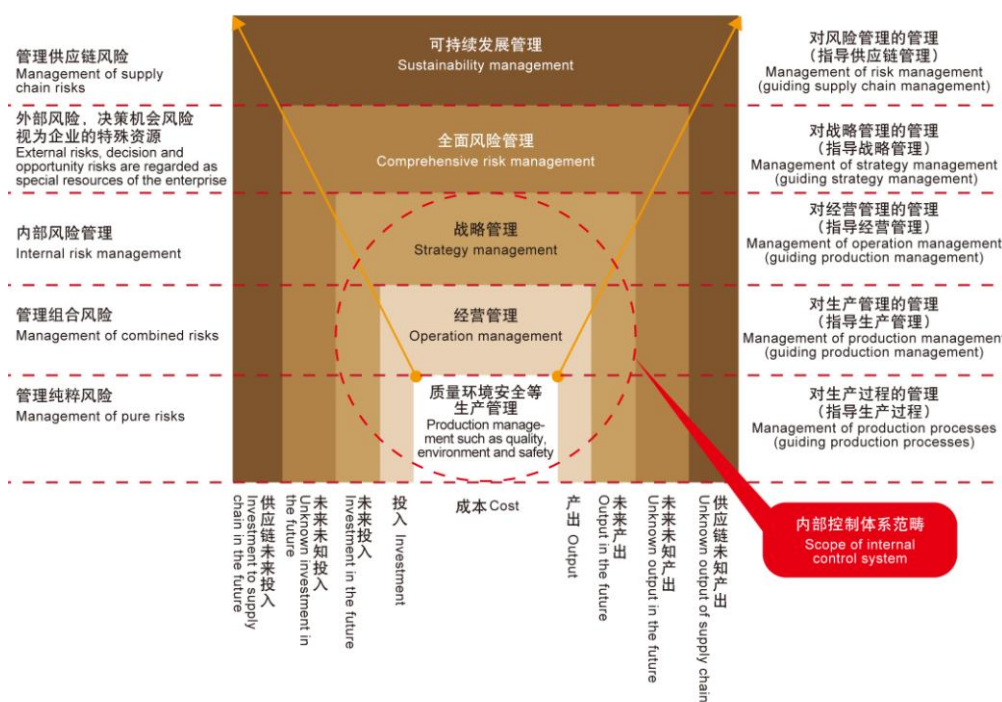
With the integrated system of quality, environment and occupational safety as the basis, and sustainability and risk management as the main routes, all subsidiaries of COSCO Group continued to apply 16-step method to bring the indicators in the group's sustainability indicator system to related production,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





In accordance with the Internal Accounting Control Criteria -- Basic Criteria (for Trial Implementation) and related implementation rules as well as the Guidelines for Internal Control of Listed Companies released by Shanghai Stock Exchange, and by referring to the Basic Standards for Enterprise Internal Control and related implementation guidelines jointly released by five ministries and commissions including the Ministry of Finance, necessary inspection and evaluation were conducted on internal control situation of COSCO Group headquarters and its subsidiaries, and related work was carried out in four stages, namely internal control diagnosis and evaluation, internal control system building, internal control evaluation and monitoring and internal control integration. In the meantime, COSCO Group actively implements the basic requirements of the Comprehensive Risk Management Guidelines for Central Enterprises and the National Standards for Risk Management of SASAC, prevents and controls risks, and provides guarantee for sustainable development of the enterprise.

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



III. Internal Control and Comprehensive Risk Management Situations in 2013

Internal control and comprehensive risk management are a long-term and complicated system management project that needs continuous improvement. Each year, COSCO Group will promote internal control building work continuously under the principle of “overall planning and step-by-step implementation”. In 2013, COSCO Group mainly did following work:

1. The group further carried out the comprehensive risk management work as well as the construction and promotion of internal control system. COSCO Shipyard, CHIMBUSCO and COSCO Pacific have



completed the building of the system primarily. In the meantime, the company tried to integrate various management systems in accordance with the working ideas of “promoting system building through appraisal” and in combination with the experiences of the company in terms of comprehensive risk management and building of internal control system in previous years, so as to promote the connection of risk management with internal control system and other management systems, promote the convergence of risk management and daily operation and management activities, and enable better implementation of risk management measures.

2. The group further enhanced the risk control and appraisal of effectiveness of internal control in the entire group, gradually established a sound risk management and internal control assessment and supervision mechanism. In 2013, COSCO Group headquarters establishes the appraisal working team to introduce the external advisors to conduct inspection on internal control of 32 subsidiaries. Other units also complete the self-inspection in accordance with uniform requirements of the group and submitted the report.

3. The group issued the Guiding Opinions of COSCO Group on Integrating Risk Management with Daily Business Operation and Special Enterprise Management, and further implemented the special risk management work. In 2013, the company conducted three special risk management projects, namely ship investment, financial derivative transaction and prohibition of asbestos.

4. The group continued to carry out informationization construction work for comprehensive risk management and internal control. In 2013, informationization tools were used in risk management and internal control system building, appraisal of effectiveness and risk assessment of the group. In the meantime, the company required all units to start informationized integration work.

5. The group continued to enhance the propaganda and training of risk management concepts and internal control methods, as well as cultivation of professional risk control talents. COSCO Group headquarters and its subsidiaries all formulated the training plans and budget, and took part in national training and certification of internal control risk manager.

The Board of Directors of COSCO Group believed that the company has better implemented the internal control and comprehensive risk management working plans within the reporting time, and fulfilled the targets for comprehensive risk management and internal control management.

VI. Management System Certifications Obtained by the Subsidiaries

In June 2013, COSCO Group passed the review on quality, environment and safety management systems jointly organized by DNV and CCS, and kept continuous effectiveness of its quality, environment and safety system certificates.

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



Quality management system certification: All subsidiaries of COSCO Group adopted the ISO9001 quality management system standards to manage their product and service quality, as well as the decision-making and operation quality. In 2009, the subsidiaries formulated the version upgrade plan in accordance with the requirements and promoted the ISO9001:2008 management system certification.

Environmental management system certification: All subsidiaries of COSCO Group established their environmental management system according to the requirements of ISO14001 environmental management system standards. The system served as a basic mechanism for the implementation of the Declaration on Climate Change initiative, and helped to practice relevant national and international conventions on energy conservation and emission reduction.

Occupational health and safety management system certification: All subsidiaries of COSCO Group established their safety management system in accordance with the requirements of the OHSAS18001 occupational health and safety management system standards to ensure production safety and occupational health and safety. They also implemented standardized management in terms of mental and physical health to ensure basic rights and interests of employees.

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

Company name	Certificates obtained
COSCO Group	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9000:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14000:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards;
COSCON	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9000:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:999 occupational health and safety



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



<p>COSCO Shipyard</p>	<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 18001:2007 occupational health and safety management system standards;</p>
<p>COSCO Shipbuilding</p>	<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>
<p>China Marine Bunker (Petro China) Co. Ltd</p>	<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 18001:2007 occupational health and safety management system standards;</p>
<p>Hainan COSCO Boao</p>	<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 18001:2007 occupational health and safety management system standards;</p>
<p>COSCO Ocean Shipping Tally Company</p>	<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 18001:2007 occupational health and safety management system standards;</p>



COSCO Manning	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9001:2008 quality management system standards; Environment management system certificate issued by CSS Quality Assurance Company according to ISO14001:2004 environment management system standards; Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS 18001:2007 occupational health and safety management system standards;
COSCO UK	Quality management system certificate issued by British Standards Institute according to ISO9001:2008 quality management system standards; Compliance certificate issued by DNV according to ISM rules under the authorization of Flag State Government
COSCO Pacific	The company has established complete management system and hasn't adopted any third party certification yet.
COSCON Japan	Quality management system certificate issued by Nippon Kaiji Kentei Quality Assurance Ltd. according to ISO9001:2008 quality management system standards

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

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

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

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

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



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

Part III Integration of Social Responsibility into Organization and Management

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

I. Responsibility Strategies

1. Overall planning and comprehensive implementation of sustainability strategies. The sustainability planning of COSCO Group and its subsidiaries makes up a complete system of sustainability planning. The Group uses management techniques such as strategy maps and balanced scorecards to ensure that the Group’s strategic objectives of social responsibility under the Global Compact are achieved through each employee’s work. The Group integrates management procedures such as comprehensive risk management with sustainability information management platform, combines social responsibility and business management through technological means and sets up a unified communication platform, thus forming a dialogue mechanism between companies and stakeholders.

2. Scientific promotion of social responsibility strategies through risk management. Using the concepts and tools of comprehensive risk management for the risk management of social responsibility, conducting risk assessment and developing risk strategies

3. A golden report strategy. Setting up procedures that can continuously improve the norms of Sustainability Report, enabling COSCO Group Sustainability Report to become a basis for

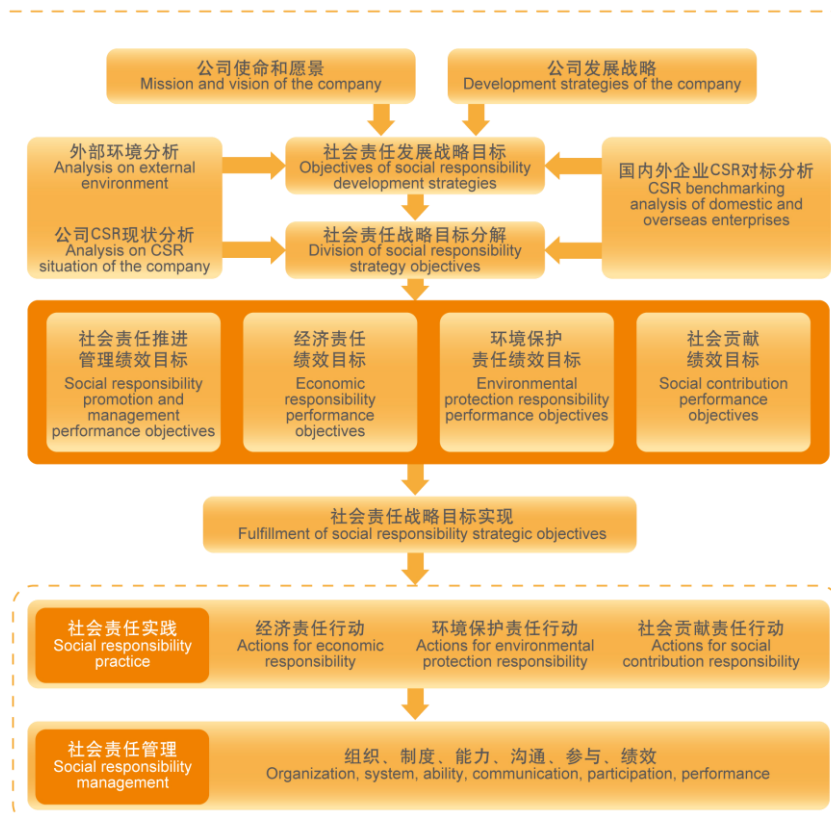


stakeholders to effectively assess the Group’s ability to develop sustainably, creating added value brought by the improvement of the quality and efficiency of communication about responsibility, and creating sustainable economic development worldwide; upgrading COSCO Group Sustainability Report from green to golden so as to enable communication to create value; maintaining the Group’s status as the United Nations Global Compact model report provider in the long term.

4. A strategy of being a pioneer in social responsibility. As a pioneer in the Global Compact, a signer to the United Nations declaration on climate change and a supporter of the Universal Declaration of Human Rights, COSCO Group should take effective measures to realize its promises with a positive attitude. As a member enterprise of Global Compact LEAD Steering Committee, COSCO Group tries to offer strategic guidance for sustainable development of other member enterprises while performing its own social responsibilities.

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

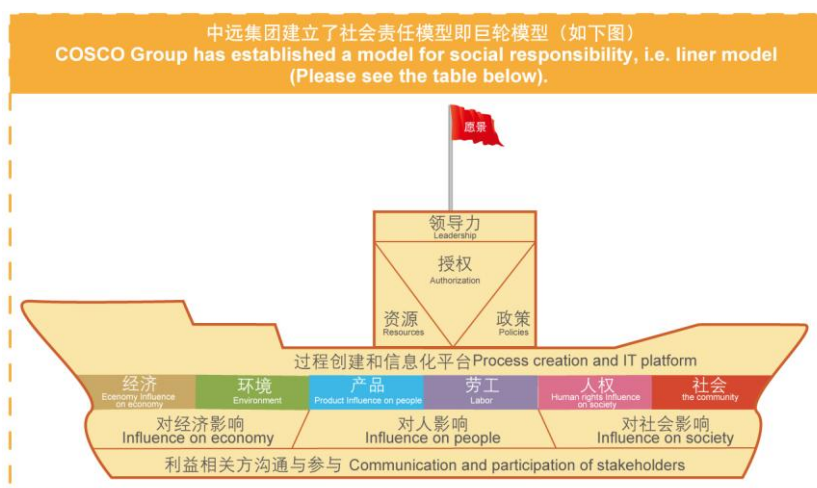
中远制定企业社会责任和可持续发展战略的框架程序
COSCO Group's framework procedures for formulation of CSR and sustainability strategies





(I) Responsibility Model

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



Model structure:

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

COSCO Group identified its mission, values and development objectives, established social responsibility leadership in accordance with the UN Global Compact’s Blueprint for Corporate Sustainability Leadership, allocated effective resources for the implementation of the Global Compact and sustainability, established a corporate mechanism for social responsibility, clarified labor division and authorized the risks involved, formulated strategic plans, policies and measures for sustainability, deployed the Global Compact and sustainability tasks across the entire Group.

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

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

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



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

Model analysis:

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

The oceans are the most important stakeholders of COSCO Group. COSCO Group established a report and communication mechanism which closely linked all the stakeholders, elicited their opinions and offered swift responses. In this way, the Group managed to adjust to the changes of the seas and effectively controlled risks.

(II) Responsibility Concept

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

1. COSCO Group believes that it should be a leader and model in shouldering social responsibilities as a global corporate citizen. It should undertake the political responsibilities of constructing a harmonious society, the legal responsibilities of promoting legal operation, the economic responsibilities of keeping and increasing the value of state-owned assets, and the product responsibility of providing products and services for the society.
2. COSCO Group believes that the ten principles of Global Compact established the new evaluation criteria of sustainability capacity of the enterprise in modern time, hence introducing the business management into a new era of sustainability with comprehensive risk management as the core. The meaning of implementing Global Compact lies in prevention and control of risks. The ultimate goal of sustainability is achieved by scientifically utilizing the method and technology of risk management with comprehensive risk management as the main line and core. Global Compact and social responsibilities should be comprehensively performed and carried out vigorously within the whole system.
3. COSCO Group believes that ISO26000 promotes corporate social responsibility to all kinds of organizations and unifies the concepts of social responsibility globally. An enterprise shall actively implements social responsibility work in accordance with the requirements of ISO26000, in combination with practical situations of Chinese enterprises and based on the laws and regulations of countries where it operates. GRI's sustainability reporting framework and guidelines provide applicable and comparable framework mode to know the disclosed information for an enterprise. Therefore, an enterprise shall release the sustainability report cautiously with the attitudes of being responsible to the society.



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

(III) Responsibility Principles

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

Principles	Contents of ISO26000 Principles	Measures of COSCO Group
Responsibility undertaking	An organization shall be responsible to its social, economic and environmental influences, accept related supervision and undertake the obligation to respond to the supervision.	COSCO Group pays close attention to harmonious development of the enterprise, the environment and the society, accepts supervision of stakeholders actively and takes practical measures to shoulder its due responsibilities.
Transparency	An organization shall be transparent in decision-making and activity that may affect the society and environment. An organization shall reasonably and sufficiently disclose any know and possible influences of its responsible policies, decisions and activities to the society and the environment in a clear, accurate and comprehensive way.	The group conducts external information disclosure through sustainability report, official website and mainstream media, and makes internal information disclosure through the transparency mechanism and internal website.
Ethical behaviors	Behaviors of an organization shall be ethical, and shall be based on honest, fair and just value concept. The value concept reflects the organization's special cares for people, animals and environment, and its commitment to effectively management influences of its activities and decisions on stakeholders.	COSCO Group insists on the value concept of "global development, harmony and mutual benefits". It actively guides standard development of industrial behaviors and abides by ethical standards of local places in global operation.
Respecting stakeholders	An organization shall respect, consider and respond to interests of stakeholders. Although targets of an organization may be limited to interest of its owner, members, customers or member units, rights and interests, opinions or special interests of other individuals and group shall also be considered. These individuals and groups form the	The group identifies and communicates on risks of sustainability and the influential degree on the group by stakeholders, and strives to satisfy special demands of stakeholders. The group also tries to know demands and hopes of stakeholders, considers appeals of stakeholders and responds to such appeals effectively.



	stakeholders of the organization.	
Respecting the law	An organization shall admit that it is a compulsive obligation to respect the laws. An organization shall take measures to know any applicable laws and regulations, and request its member units to undertake their obligations to abide by and implement these laws and regulations.	COSCO Group insists on legal operation, and strictly abides by international conventions as well as laws and regulations of local places where it operates.
Respecting international behaviors	An organization shall also respect international code of conduct while insisting on the principle of respect the law.	In business operation, COSCO Group respects related international conventions, agreements and industrial standards.
Respecting human rights	An organization shall also respect human rights, and admit the importance and commonness of human rights.	COSCO Group commits to respect the United Nations Human Rights Conventions, and supports, respects and protects human rights in its influential scope.

(IV) Responsibility Themes

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

Responsibility themes	Main contents of ISO26000	Disposal measures and information disclosure of COSCO Group
Organization & governance	Organization and governance can help hold an organization accountable for the impact of its decisions and daily activities and make social responsibility fully integrated into the organization and all its networks. Any socially responsible organization should have an organizational governance system that enables it to exercise oversight and put the core principles of social responsibility into practice.	To ensure the implementation of the core principles of social responsibility, COSCO Group has set up a strict system of organizational governance, which is consolidated by the use of modern IT technology. Relevant results can be found in Section B of Sustainability Report.



<p>Human rights</p>	<p>Recognition and respect for human rights are essential to the rule of law and social justice and equity, and are fundamental to basic social systems such as the judicial system. States have the responsibility and obligation to respect, protect and practice human rights. Organizations are obligated to respect human rights, including respect for human rights within their sphere of influence.</p>	<p>COSCO Group is committed to support, respect and protect human rights in their own sphere of influence. Relevant results can be found in the chapter on human rights performance indicators and themes in Section C of Sustainability Report.</p>
<p>Labor practices</p>	<p>Creating jobs and paying wages and other labor compensation are the most important economic and social contribution that organizations make. Labor practices have a significant impact on creating a sense of respect for the rule of law and social justice: socially responsible labor practices are essential to social justice, stability and peace.</p>	<p>Human resource development is a crucial strategy in COSCO Group. The Group effectively safeguards the fundamental interests of its employees so as to achieve harmony between employees' growth and business development. Relevant results can be found in the chapter on labor relation performance indicators and themes in Section C of Sustainability Report.</p>
<p>Environment</p>	<p>As a prerequisite for human survival and prosperity, environmental protection is an important social responsibility for organizations. As a core subject of social responsibility, the environment is closely related to other social responsibility core subjects and issues. Environmental education and capacity building are crucial for promoting a sustainable society and developing a sustainable way of life.</p>	<p>While pursuing economic profits COSCO Group also makes active efforts in fulfilling Global Compact's requirements for environmental protection by making safety and environmental protection an integral part of its business. Relevant results can be found in the chapter on environmental performance indicators and themes in Section C of Sustainability Report.</p>
<p>Fair operation practices</p>	<p>In the context of social responsibility, fair operating practices refer to the practices of an organization in using its relationships with other organizations to promote positive results. Organizations can achieve positive results by exercising leadership in the entire sphere of its</p>	<p>With integrity and legitimacy as its business principles, COSCO Group strives to maintain a fair, just and open market environment, and is firmly opposed to trade monopoly. All companies and employees of COSCO Group do not use illegal means to violate its competitors' trade secrets. Relevant results can be found in the</p>



	influence and promoting wider acceptance of social responsibility.	chapter on product liability performance indicators and themes and the chapter on social performance indicators and themes in Section C of Sustainability Report.
Consumer-related issues	In the context of social responsibility, consumer issues include the following issues: fair marketing practices, health and safety protection, sustainable consumption, dispute resolution and compensation, information and privacy protection, access to basic products and services, the fulfillment of the demands of disadvantaged consumers, and consumer education.	COSCO Group consciously takes responsibility for its products and services throughout their life cycle and obeys the relevant laws so as to build an honest and law-abiding environment of production and consumption together with its customers. Relevant results can be found in the chapter on product liability performance indicators and themes in Section C of Sustainability Report.
Participation and development of communities	For an organization, community involvement means not only identifying relevant stakeholders and promoting their participation based on the impact of its activities, but also giving support to and establishing relationships with the community. The most important is for the organization to recognize the values the community holds. Community involvement should be motivated by the recognition that organizations are community stakeholders, and should share common interests with communities.	COSCO Group has been persistent in maintaining good relations with its communities and reducing the impact and damage on communities when it enters into or withdraws from them. Relevant results can be found in the chapter on social performance indicators and themes in Section C of Sustainability Report.

(V) Responsibility Planning

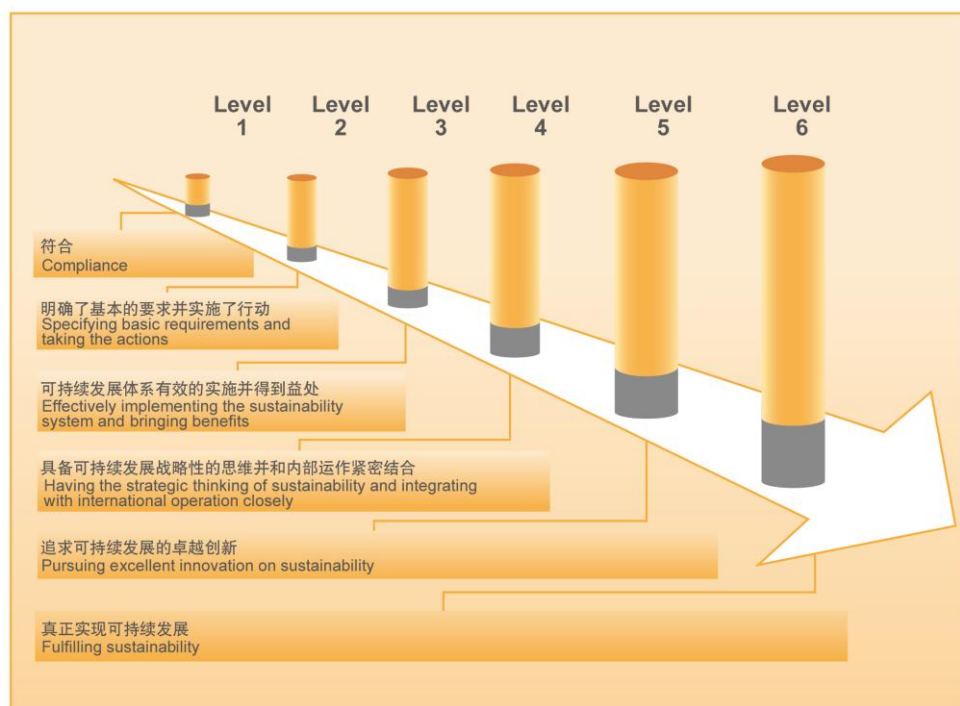
Following the United Nations Global Compact implementation model, COSCO Group has made systemic plans for its full implementation of social responsibility and has incorporated the requirements into its strategic planning and daily operations. COSCO Group brought the social responsibility planning into 12th Five-year Strategic Development Planning of the company, and works done are as follows:

Based on the international assessment standards for corporate sustainability strategic management, COSCO Group formulated six levels for its sustainability strategies: In 2007, COSCO Group formulated the detailed standards for research and comparison with Level 3 and Level 4 to find the key indicators, formulated related targets and entered the scope of Level 3. In 2008, COSCO Group established the strategies for corporate sustainability, that is, establish strategic management to



improve core competitiveness over the next three years, and gradually reach Level 4. In 2011, COSCO Group identified a higher objective for social responsibility, and will enter Level 5 primarily. In 2012, COSCO Group pursued for management innovation of sustainability by applying comprehensive risk management. In 2013, it will make improvements continuously.

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



II. Responsibility Management

(I) Responsibility Management Structure

COSCO Group headquarters and its subsidiaries established the Sustainability Committee or Global Compact Steering Team. They also established daily management institutes to bring Global Compact and sustainability work into their daily management work. A promoter team comprising of staff from different departments is formed to organize the Global Compact work and promote sustainability. The number of staff engaged in Global Compact and sustainability has increased year by year. In 2013, the promotion of Global Compact was listed as formal duties of a total of 475 staff from COSCO Group headquarters and companies implementing Global Compact.



Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of persons	116	173	173	325	427	473	473	495	475

(II) Social Responsibility Working System

With an aim to ensure timely release of high-quality sustainability report, COSCO Group has established a sustainability and social responsibility management system, and builds up a long-term mechanism for promotion of social responsibility. COSCO Group has established all levels of promoters' teams, indicator data collection teams, report compilation teams, IT platform construction & support teams and internal auditors' team to ensure construction of sustainability management system. Under the organization of special personnel of all levels of companies, all departments and offices designate a person specially engaged in construction and operation of sustainability management system, which form the promoters' team. There are more than 1,000 promoters in the group.

In 2012, COSCO Group established the sustainability report compilation team comprising of 31 persons, of which, a core team comprising of 23 persons attended entire process of work from data collection, material selection, outline compilation, concentrated report compilation, improvement and appraisal based on their work division. The concentrated working time of each person totaled 14 days.

Year	2008	2009	2010	2011	2012	2013
Number of members of the compilation team	45	35	36	38	38	31
Number of members of the core team	22	24	28	27	27	23
Concentrated working days the compilation team	30	32	13	14	14	14
Working hours	1,350	2,560	3,744	4,256	4,256	3,472

Chapters	Contents	Responsible Persons
A. Strategies and General Information	Strategies and General Information	Hu Yayu and Wu Teng
B. Management and	Management and Participation of Stakeholders	Pan Deng, Dai Tao, Zhao Haotian, Sun Han and Zhao Xiaoming



Participation of Stakeholders		
C. Management Approaches and Performance Indicators	Economic Performance Indicator and Keynote Report	Zhuang Shaohuang and Gui Yeling
	Environmental Performance Indicator and Keynote Report	Huang Yejian and Dong Jie
	Product Liability Performance Indicator and Keynoted Report	Yang Tao and Li Xiaonan
	Labor Practice Performance Indicator and Keynote Report	Tang Jingbo and Cai Shu
	Human Right Performance Indicator and Keynote Report	Zheng Yongjiang and Sun Xuemei
	Social Performance Indicator and Keynoted Report	Xiu Jin, Yang Bo and Zhang Xianglin
Final compilation and editing		Tao Runyuan and Ma Xinying
Translation		Pan Deng and Tao Runyuan
Audit		Cui Xiaonan and Xu Yan
Other participants		Cao Bin, Li Lianhua, Yan Jiabo, Zhang Yu, Wang Xintian and Feng Xiao

(III) Capacity Building of Social Responsibility Specialists

In order to improve the implementation of Global Compact and sustainability management system continuously, COSCO Group has paid special attention to capacity building of its team. With the improvement of ability and business quality of full-time staff as the starting point, it has enhanced studies and exchanges continuously. So far, its capacity building work has achieved primary effects and has promoted the Global Compact and sustainability work to achieve new breakthroughs. In 2013, full-time staff holding sustainability training certificates played a key role in implementation of Global Compact and sustainability management system, elevating the construction level of COSCO Group sustainability management system.

In 2013, COSCO Group organized three special trainings and 12 exchange activities including training on ISO26000 Guidance on Social Responsibility, training on new requirements of Global Compact annual progress reports, internal audit training.

(IV) Cultivation of Responsibility Culture

COSCO Group is the first Chinese enterprise that joined the United Nations Global Compact and promised the customers, the partners and the global community to abide by the United Nations 10 principles, the Millennium Development Goals and the Blueprint for Corporate Sustainability



Leadership. It has gradually integrated the Global Compact and sustainability concept with its management system, made them a part of the management system and procedures, and changed the fulfillment of Global Compact and sustainability concept into daily work of the enterprise.

It has established complete corporate culture and behavioral identifying system, which clearly specify the overall image of the company as well as general behavioral standards and criteria of employees. The behavioral standards require all staff to abide by the standards with strong sense of honor and responsibility, and contribute to building of COSCO Group's good image and fulfillment of COSCO Group's sustainability.

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

(V) Special Budget

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

In 2013, total expenditure of COSCO Group for Global Compact and sustainability reached RMB1.34 million.

(VI) Participation in International Social Responsibility Affairs

1. Actively Supporting and Participating in United Nations Global Compact

COSCO Group became a formal member of Global Compact in 2005. Since then, it actively implemented the global leadership responsibility in accordance with United Nations Secretary General Ban Ki-Moon's requirements on coping with economic recession with Global Compact 2.0. COSCO Group jointed the Declaration on Climate Change advocated by Global Compact in 2008, becoming the first Chinese enterprise that signs both the Declaration on Climate Change and the Universal Declaration of Human Right.

On June 18, 2013, Capt. Wei Jiafu, former chairman of COSCO Group, attended the Symposium between United Nations Secretary General and CEOs of Chinese Member Enterprises of Global Compact at the Diaoyutai State Guesthouse. The symposium themed on "Caring the Climate and Developing towards Low-carbon Economy" was jointly organized by Global Compact China Network and China Enterprise Confederation. During the event, Capt. Wei Jiafu introduced the measures of COSCO Group to care the climate and create low-carbon economy, and shared COSCO Group's experiences to practice sustainable development in shipping industry. In his speech, Secretary General Ban Ki-moon elaborated the UN's vision for caring the climate and low-carbon economy, and gave high praises to measures taken by Chinese enterprises to realize sustainable development.

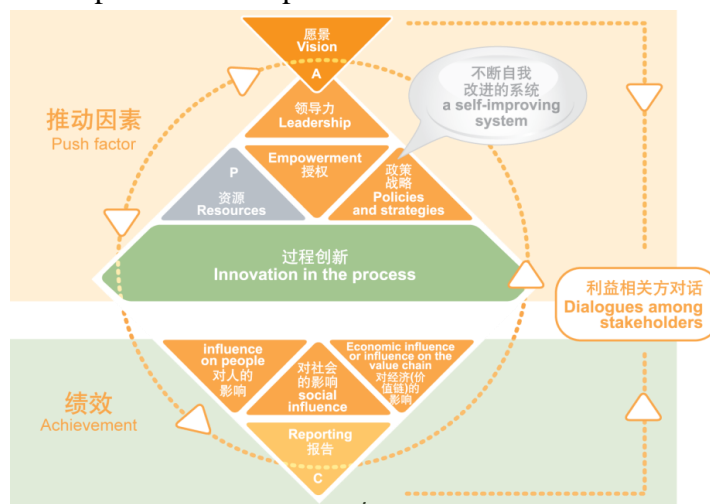


2. Actively Participating in Activities of WBCSD

The World Business Council for Sustainability (WBCSD) is a global alliance comprising of over 200 enterprises who advocate sustainability strategies, with its members covering more than 35 countries and 20 main industries. As a member unit of WBCSD, COSCO Group has participated in the compilation of sustainability indicators and guidelines of global shipping industry initiated by WBCSD and Det Norske Veritas (DNV), and tried to be a standard formulator. In 2013, State Council SASAC and WBCSD jointly organized a top-level roundtable themed on “role of state-owned enterprises in sustainable development of China”. COSCO Group paid close attention to these meetings and researched on solution to related issues actively.

III. Responsibility Integration

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





(I) Understanding Social Responsibility

1. Promotion and Training of Social Responsibility Concept

In order to integrate the Global Compact and sustainability concept into its daily operation and management, COSCO Group attached great importance to promotion and training of concepts, and established standard sustainability training mechanism and carefully formulated all-directional trainings on sustainability. In accordance with the group’s conventions of trainings on sustainability management system, and in order to save time and costs, it continued to adopt batch and scaled construction mode in 2013. COSCO Group has organized centralized training in stages, promoted scattered implementation, offered key guidance, organized uniform organization and centralized compilation of report.

COSCO Group headquarters and subsidiaries have promoted the meaning and basic requirements of Global Compact and sustainability via their internet websites and electronic magazines. In 2013, related trainings were organized with a focus on Global Compact and sustainability work such as indicator definition, revision and filling, material collection and compilation, and internal auditor of sustainability information platform database. Participants researched and elaborated the new requirements of Global Compact and sustainability work by referencing to ISO2600 and GRI standards, and discussed on practical situations of their respective companies.

Year	2009	2010	2011	2012	2013
Number of training classes	33	10	16	14	14
Number of persons trained	1,095	1,230	1,326	1,204	1,264
Total training hours	42,946	9,840	10,608	9,632	10,112

2. Social Responsibility Risk Management

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

Based on in the previous year, the risk identification work in 2013 fully considered the major issues in shipping, logistics, shipbuilding/ship-repairing and terminal industries, related markets, rivals, as well as operation and development process. In event collection process, it collected and cleared external risk events in aforesaid sectors, including threats and opportunities in terms of human right, environment, safety and anti-corruption, and formed the risk event database in 2013. It also analyzed top 10 major risks and formulated countermeasures correspondingly.



(II) Responsibility Promotion

1. Promotion strategies

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

- 立足当前，着眼长远 Focus on the present, with one eye on the future.
- 典型引路，以点带面 Learn from the typical cases and promote work in all areas by drawing upon the experience gained on key points.
- 先易后难，循序渐进 First the easy steps, then the difficult ones.
- 依靠群众，专家支持 Rely on the employees to be successful, and seek necessary supports from the experts.
- 经常培训，逐步深化 Organize constant trainings to deepen the work step by step.
- 把握重点，案例总结 Grasp the key points and summarize the cases.

2. Implementation steps

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



3. Plans and Implementation

Serial No.	Working plans	Completion time	Completion situation in 2013
1	Comprehensively carry out the Blueprint for Corporate Sustainability Leadership issued by the UN Global Compact as well as the Visions 2050 and Strategies 2020 issued by the WBCSD, implement the COSCO Group Sustainability Planning and propel the	Long-term	Continuous implementation



	subsidiaries to formulate social responsibility planning.		
2	Organize related units to transplant and make use of sustainability information management platform and integrate enterprise's data and information.	Three to five years	All companies have deployed the platform and migration work is promoting gradually.
3	Organize COSCO Group headquarters and its subsidiaries to conduct internal audit and evaluation on their sustainability, and conduct sampling evaluation and verification on at least three companies. Compile world's first-class sustainability report at high quality and efficiency, and keep the position as notable COP of UN Global Compact for long term.	Each year	Completed

In 2013, COSCO Group will further carry out the requirements of State Council's SASAC on social responsibility work and implement Global Compact comprehensively. Besides completing aforesaid work, it will also focus on following tasks:

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

4. Improvement of Sustainability Management System

To ensure systematic and planned implementation of Global Compact and sustainability, COSCO Group carried out process restructuring in accordance with requirements of related standards and guidance. It has brought the comprehensive risk management and articles of Global Compact into the management, decision-making and business procedures of COSCO Group, established social responsibility and harmonious corporate management procedures and sustainability reporting procedures as well as risk management procedures of key processes, and implemented the requirements of Global Compact social responsibility and risks management obligations as well as indicator management and risk authorization in practical actions of every COSCO staff through working procedures. It has established Global Compact social responsibility management system and sustainability report management system by making use of ISO9000 Quality System Framework, and developed and established sustainability information management platform. All companies affiliated to COSCO Group also established sustainability system gradually and transplanted and customized sustainability information management platforms.



5. Audit of the Report

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



In June 2013, COSCO Group invited experts from UN Global Compact to lead the joint audit team comprising of internal auditors of the headquarters and internal auditors of units in Beijing to complete the audit work of COSCO Group Sustainability Report 2012, covering all activities and processes of related departments of COSCO Group. The audit team issued the Internal Audit Report of COSCO Group Sustainability Report 2012.

6. Monitoring and Inspection Procedures of Social Responsibilities

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

COSCO Group headquarters smoothly completed the internal audit of management system on June 17 to June 19, 2013 in accordance with COSCO Group Management System Process Control Procedures and the requirements of management system audit and certification institutes and sustainability report auditing institutes. It also invited experts from CCS to lead the joint auditing team comprising of auditors and internal auditors as well as internal auditors from companies in Beijing to complete the internal audit and second-party audit on COSCO Group’s management system, covering all activities and processes of COSCO Group’s departments. The audit team issued the 2012-2013 internal audit report and the second-party audit report on management system of COSCO Group. In the meantime, COSCO Group entrusted auditors from a professional risk management consultation company to evaluate internal control effectiveness of the headquarters, covering all rules and regales, procedures



and standards of all functional departments. The audit team issued a report on effectiveness of internal control of the group.

COSCO Group held the 2012-2013 regular management and evaluation conference for sustainability on June 25, 2013, and the special session of the President Executive Meeting later. With risk management and sustainability as the main theme, and by applying the AA1000 audit and evaluation methods of sustainability report, it conducted comprehensive evaluations on the operation of COSCO Group sustainability management system, the implementation of the resolutions in the 2012 regular management evaluation report and the performance of Global Compact principles, and made arrangements for the further performance of Global Compact, implementation of comprehensive risk management and continuous improvement of development and management system in 2013-2014 as well as the compilation of COSCO Group Sustainability Report 2013, so as to ensure healthy, stable, standardized and continuous progress of its sustainability work.

(III) Responsibility-related Daily Operation

1. Social Responsibility Practices in Overseas Markets

Upholding the principle of “global thinking and local operation” in internationalization operation, COSCO Group makes ceaseless efforts in performing social responsibilities while providing high-quality, high-efficient, stable and reliable shipping services for sustainable development of international economy and trade.

- (1) Overseas companies of COSCO Group operate in strict accordance with laws and regulations of local place and make active efforts to enhance their influences and positions.
- (2) The group promotes cohesion of its staff with value concept and corporate spirits, insists on people-oriented management, and creates a healthy and struggling atmosphere. For instance, the overseas companies appraise “foreign labor models” each year, promote their stories and organize them to visit the group’s headquarters in China, enhancing their sense of honor and dedication towards the company.
- (3) Fleet of COSCO Group actively responds to green and environmental-protection activities of all countries, such as “Green Flag” program, “At-Berth Clean Fuel Program”, etc.
- (4) COSCO Group’s overseas companies employ staff and senior managers from local communities to create employment opportunities actively.
- (5) The group holds high the banner of international humanism and implements international rescues.
- (6) The group promotes the supplier and procurement localization policies to contribute to local economic development.



2. Promoting Sustainability of the Industry

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

- (1) It has attended the Global Compact's team to cope with climate changes and partnered with all member units in shipping industry to research on the countermeasures to cope with climate changes.
- (2) It has established an exchanging mechanism for shipping companies joining the Global Compact, and elevated the sustainability level of entire industry through exchanges of best practices of all member units in shipping industry.
- (3) COSCO Group pays close attention to international development trends of ship energy-conservation and environmental-protection technologies, and has input many labors, forces and capitals to research, digest and absorb internationally-leading management methods as well as energy-conservation and environmental protection technologies, promoted advanced and matured energy-conservation products and environmental protection technologies, made ceaseless efforts to develop energy-conservation and environmental protection technologies suitable to the system, and promoted energy conservation with technological energy-conservation and management energy-conservation as the focuses.

3. Promoting Social Responsibility within the Value Chain

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

- (1) It continued to perform the mobilization made by COSCO Group at the 2010 World Shipping (China) Summit. The top 10 largest port suppliers home and abroad including Hamburg Port, Long Beach Port and Shanghai Port had responded to the mobilization and released the Guangzhou Declaration. The declaration's concept of promoting construction of intelligent ports and green ports, and developing low-carbon logistics made active contributions to promote the sustainable development of the port and shipping industries.
- (2) In 2013, COSCO Group carried out social responsibility exchange activities with large customers such as Dongfeng Motor, FAW and AVIC.

4. Promoting Social Responsibility Performance of Subsidiaries

COSCO Group has made five years of overall arrangements for implementation of Global Compact and performance of social responsibilities to realize its sustainability. All departments formulated implementation schedules based on sustainability risk levels. By the end of 2013, COSCO Group has implemented the sustainability management system in a comprehensive manner, expanded the implementation scope of UN Global Compact to all second-tier companies and gradually promoted the work at overseas companies.



5. Promoting Performance of Social Responsibility by the Partners

COSCO Group has cooperated with related organizations and enterprises actively to establish strategic partnership relationships, and promoted the implementation of sustainability strategies while promoting the mutual-beneficiary and win-win cooperation with strategic partners. In order to carry forward the cultural concept of “global development, harmony and mutual-benefits”, COSCO Group continued to promote VIP customer strategy in 2013, established strategic partnership relationships with local governments and large corporate groups actively, and promoted sustainability of both parties. COSCO Group organized many exchange activities to share social responsibility experiences with its customers such as china Mobile and Air China.

IV. Responsibility Crisis Management

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

- (1) Strengthening social responsibility crisis management sense. COSCO Group emphasizes that establishment of crisis management system doesn't merely mean rapid response to crisis after its occurrence and strict control over crisis, the most important thing is the consciousness to solve social issues timely and effectively, and prevent against occurrence of crisis. The group has tried to cultivate the sense of crisis, integrated crisis management into its daily system building and optimized normal management of the company.
- (2) Establishing complete rules and regulations system. COSCO Group has actively improved the establishment of its rules and regulations system, researched and established rules and regulations system that covers all operation and management behaviors of the company, and supplemented the rules and regulations that are lacked in the framework. In the meantime, legal staff of the company paid close attentions to related laws, regulations and policies home and abroad to ensure business operation in compliant with laws and regulations.
- (3) Establishing crisis pre-warning mechanism. As crisis events have high level of uncertainties, it is necessary for enterprises to establish scientific crisis warning mechanism. Currently, COSCO Group has primarily established crisis warning mechanism. All levels of companies have formulated accidental events emergency response plans, established warning and monitoring mechanism of accidental events, made scientific predictions on possible crisis and adopted corresponding countermeasures to avoid crisis or reduce the occurrence rate of crisis to minimum extents.

(V) Responsibility Performance Evaluation

1. Social Responsibility Indicator System

COSCO Group has established sustainability indicators system, which was improved after evaluation on yearly basis. After many years of improvement, it has segmented the original 260 indicators to existing 789 indicators. These indicators comprehensively reflect the key interests concerned by stakeholders from strategic management to management of stakeholders, products, economy,

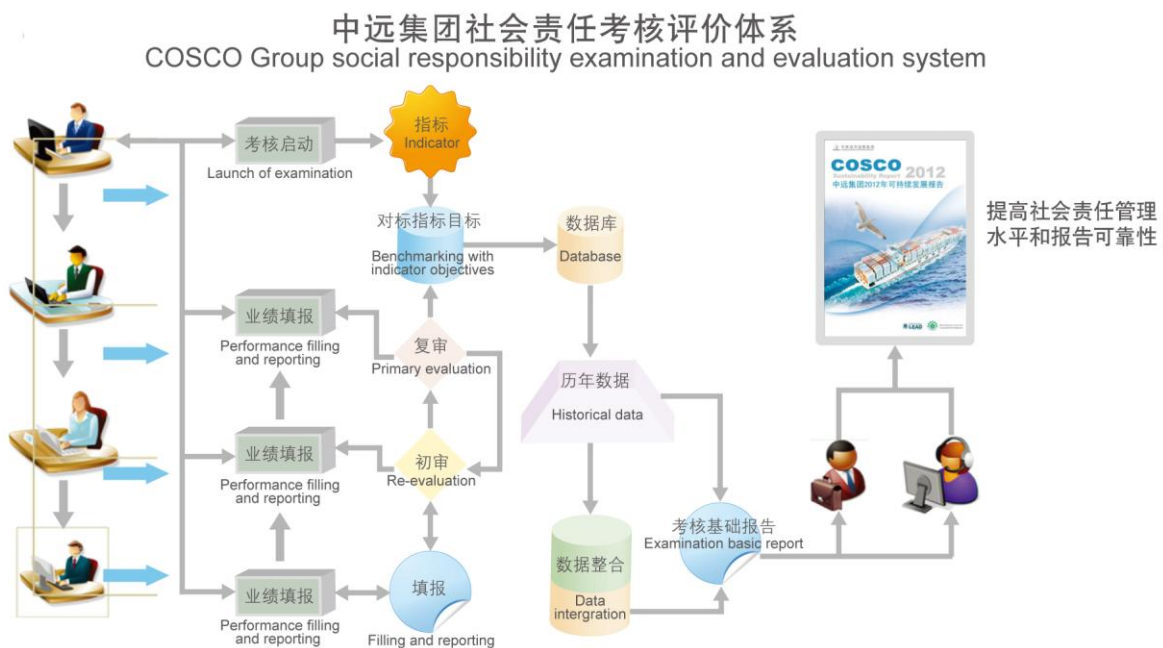


environment, labor and community. The group also realizes classified management over the indicators, elevating the usability of the indicators.

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of indicators	260 items	470 items	670 items	700 items	770 items	779 items	789 items	789 items	789 items
System building	System establishment	System expansion	System split	System improvement	System exploration	System integration	System optimization	Management elevation	Continuous management elevation
Improvement focuses	Report quantization	Indicator integrity	Indicator accuracy	Indicator logics	Indicator relations	Indicator optimization	Indicator convergence	Indicator analysis	Indicator improvement

2. Social Responsibility Evaluation System

CSR examination and evaluation is the key to promote social responsibility work, propel subsidiaries, departments and individuals to transform their working ideologies and working behaviors, and improve the performance of social responsibility, and also the core for closed-loop improvement of social responsibility. With respect to social responsibility examination and evaluation system, COSCO Group conducts examination and evaluation through sustainability information management platform.





(VI) Charity Foundation

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

Sticking to the tenet of "bringing forward national spirits, dedicating loving cares of COSCO, supporting public welfare undertaking and promoting the harmony and development of the society", COSCO Group Charity Foundation has carried out many social rescue activities to aid those who are in difficulties, poverty or disasters, to help orphans and the lonely elders, and power medical and educational industries, receiving good social effects. Classic projects include the charitable brands with special industrial characteristics of COSCO Group such as the "Navigation • Dream-seeking", "Navigation • Hometown", "Navigation • Heart-warming", "Navigation • Self-dependence", "Navigation • Health". In 2013, China Charity Foundation implemented 31 social public welfare projects, with RMB33.6292 million capitals donated, covering agriculture-aid, education and poverty-aid, help of vulnerable group, help of staff in difficulties, psychological health of seafarers, disaster-relief and poverty aid. In 2013, the group carried out "Navigation Dream of Charitable Tables and Desks" special donation activity as a part of the "Navigation • Dream-seeking" activity, encouraged employees and customers of COSCO Group to give loving care to children to poverty-stricken areas of Yunnan and to help them improve educational conditions. The special donation activity achieved satisfactory results and was well received by local government, the public as well as students and teachers.

At 8:02 on April 20, 2013, an earthquake of magnitude 7.0 was taken place in Lushan County, Ya'an City, Sichuan Province. The earthquake caused serious injuries and death and great property losses. When people of the entire national care about compatriots in disastrous area, COSCO Charity Foundation donated RMB5 million to disaster-stricken area in Ya'an, Sichuan, helping people in disaster-stricken areas to fight against the disaster and restore their home. In the meantime, the foundation also opened the donation collection platform for April 20 Earthquake in Ya'an, and encouraged all circles of the society to take actions actively and give loving care to people in disaster-stricken areas.

On Sept. 21 to Sept. 23, 2013, the 2nd China Public Welfare and Charity Project Exchange and Demonstration Fair jointly organized by six units including the Ministry of Civil Affairs and SASAC, was held at Shenzhen Exhibition Center. COSCO Charity Foundation specially promoted the "Navigation • Dream-seeking" Yunnan Lincang Basic Education Donation Project at the exhibition area of corporate social responsibilities and foundation, expanding the reputation and brand influence of COSCO Charity Foundation. At the Press Conference for Chinese Public Welfare and Charity Industries, the 2013 China Charity Transparency Report was released. COSCO Charity Foundation awarded the 2013 Transparent and Excellent Charity Organization with 94.39 points, becoming one of the only 70 award-winning social organizations out of 1,000 public welfare organizations in the country.



IV. Responsibility Communication

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

(I) Establishment of Sustainability Communication Mechanism

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

COSCO Group has paid close attentions to any groups or individuals who will affect or will be affected by fulfillment of corporate objectives, and has tried to establish a communication and supervision mechanism for enterprise and its stakeholders through system arrangement and resource guarantee, enabling the enterprise to have a deeper understanding on and full consideration of the demands of stakeholders. COSCO Group establishes multi-formed and interactive stakeholder participation and communication mechanism in accordance with the requirements of ISO26000 Social Responsibility Guidelines and the following nine elements for participation of stakeholders.

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

Element 1	determining main stakeholders and promoting its participation
Element 2	establishing a trustful relationship between the enterprise and its stakeholders
Element 3	starting from the practice and establishing flexible mechanism in communication with stakeholders
Element 4	establishing stakeholder participation and platform operation guarantee mechanisms
Element 5	ensuring transparency of participating process
Element 6	sharing of resolution process
Element 7	common understanding mechanism of targets and processes
Element 8	dispatching excellent employees
Element 9	establishing the mechanism and requirements to cope with changes, enabling stakeholders to take part in and supervise decision-making of the enterprises, and promote mutual benefits of enterprise development and satisfaction of stakeholders

(II) Compilation and Release of Sustainability Report

COSCO Group believes that sustainability report is the way of information disclosure and communication. It aims at helping stakeholders to obtain bases for correct decision-making through reading of sustainability report. COSCO Group has established standard processes and procedures for compilation and review of sustainability report, has automatically organize and supervise the



progresses through its sustainability information management platform. These will ensure the group to kickoff the work at the end of December in the previous year and release the sustainability report in first three months of each year after 18 steps of strict reviews and improvements. In 2013, COSCO Group cautiously released its sustainability report online after collecting opinions from internal employees, affiliated companies, external experts, stakeholders and compilation departments and after communicating with stakeholders widely.

(III) Internal Communication on Social Responsibility

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

(IV) Construction of Social Responsibility Website and System

Special online column for sustainability is an important window for information disclosure of an enterprise. COSCO Group has opened sustainability online column in its official website for disclosure of social responsibility-related information and communication on social responsibility. When setting up the special online column for sustainability, it has followed five principles, i.e. information integrity, information dynamics, information interaction, user-friendly interface and visual internationalization. For more information, please visit <http://gri.cosco.com/ccms/>.

COSCO Group sustainability information management platform is not only an important channel for it to disclose social responsibility information, but also a social responsibility management platform within the enterprise. For more information, please visit <http://gri.cosco.com/ccms/>.

(V) Improving Social Responsibility-related Transparency

COSCO Group has taken various effective measures to improve the trust degree of social responsibility in compilation and release of sustainability report. These include:

1. Compile the report in accordance with requirements of GRI3.1 Guidance and ISO26000 Social Responsibility Guidelines, integrate the requirements of UN Global Compact Blueprint for Sustainability Leadership and special requirements on shipping companies put forward by the International Maritime Organization into the report, and satisfy the requirements in the Guidance on Comprehensive Risk Management of Central Enterprises and the Guiding Opinions on Social Responsibility Performance of Central Enterprises issued by SASAC, and the Basic Standards for Internal Control of Listed Companies and its implementation rules released by five ministries and commissions including the Ministry of Finance.



2. Pay attention to comparability of data in the report, including horizontal comparability of reports in different years and vertical comparability with reports of companies in the same industry, and admit that nature of the report is determined by organization type, scale and ability.
3. Pay attention to balance of the report, faithfully disclose the events with negative influences occurred within the reporting period, analyze reasons of these events and put forward effective rectification measures.
4. Invite third parties to conduct external audit on the report and release audit report.
5. Create a communication platform for release of the report to enable all stakeholders to put forward suggestions and opinions to contents of the report, and make responses to their suggestions timely.

V. Responsibility Research

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

(I) Research on Social Responsibility Topics

COSCO Group has taken part in social responsibility research work of external institutes, and carried out research on social responsibility independently based on corporate social responsibility theories and practices, so as to improve corporate social responsibility management and optimize corporate social responsibility practices. It has attended the key research topics of SASAC, such as the Research on Social Responsibility of Central Enterprises and the Research on Corporate Social Responsibility Promotion Mechanism. In 2013, it attended the WBCSD's research on Guidance for Sustainability Indicators of Shipping Industry.

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

COSCO Group has partnered with educational and research institutes actively to carry out researches on corporate social responsibility, and attended the research projects on social responsibility with Peking University and Tsinghua University. These cooperative projects are not only favorable for the enterprise to refer to research advantages of educational and research institutes, make up its insufficient in terms of social responsibility theories and professional knowledge, but also favorable



for it to select research directions based on their own demands, so as to ensure the pertinence and usability of the researches. These will also promote the researches on corporate social responsibility.

In 2013, COSCO Group worked together with Beijing Rongzhi CSR Research Institute to research on social responsibility.

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

COSCO Group has actively attended the standards relating to social responsibility formulated by the Chinese Government, industrial associations and research institutes to promote and standardize social responsibility development of Chinese enterprises, as well as international and industrial social responsibility standards. With these efforts, it wants to obtain right of speech in formulation of international social responsibility standards and enhance the international influences of Chinese enterprises. In 2013, the group attended the draft and formulation of GRI Sustainability Report Guidance 4.0.

Part IV Legal Affairs Management

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

I. Corporate Legal Building

In accordance with the requirements of State Council SASAC on legal work of central SOEs in recent three years, COSCO Group formulated and issued the Implementation Plans for 3rd Three-year Target of COSCO Group to Implement Legal Work. In the past two years since implementation of the new Three-year Target, related companies pay close attention to the work. Leaders of the company take in charge of the work by themselves, while chief legal advisors assumed the responsibilities. The leading organ and working institutes for implementation of three-year targets were established to coordinate, plan and make deployment for related requirements of new three-year target for legal work. COSCO Group headquarters actively guided related companies to optimize and integrate legal resources, enhanced institution building and talent cultivation and implemented the responsibilities of chief legal advisor. They further established and improved the legal work management system, accelerated the establishment of legal risk prevention mechanism with special characteristics of COSCO Group, and escorted the strategic development and benefits of COSCO Group. COSCO Group continued to gain B-class rating in the middle-term appraisal results of 3rd Three-year Target of SASAC.



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

Corporate rules and regulations, economic contract and important decisions are “three focuses” for legal audit. With respect to corporate rules and regulations, office system of the company realized the electronization for release of rules and regulations, so as to ensure that legal audit rate of laws and regulations of the enterprise reached 100%. In 2013, COSCO Group headquarters reviewed 13 rules and regulations to be released or revised. Important subsidiaries of the system jointly reviewed 397 rules and regulations to be released or revised. COSCO Group headquarters and its important subsidiaries realized the review rate of rules and regulations of 100%. With respect to review of economic contracts, the company conducted strict review on contracts signed in accordance with the contract management methods and processes. In 2013, COSCO Group headquarters reviewed 125 economic contracts, and the legal affairs offices of important subsidiaries of the system reviewed 6,454 economic contracts. COSCO Group headquarters and its important subsidiaries realized the review rate of contracts of 100%. With respect to legal participation and review of important operating and decision-making activities, the legal advisors traced and participated in important projects. The chief legal advisor attended the decision-making conference, cleared related working systems and elevated the risk prevention and control strength of important decisions. In 2013, COSCO Group headquarters reviewed 246 important operation and decision-making items, and the important subsidiaries reviewed 523 important decisions.

III. Disposal of Major Legal Dispute

COSCO Group had enhanced dispute management work, traced the disposal of important legal disputes and updated related information timely. In January 2014, it reported the Report on Important Legal Dispute Cases of COSCO Group in 2013 to SASAC.

COSCO Group headquarters primarily reviewed the important cases whose value exceed RMB50 million in recent five years, conducted analysis on number and amount of cases, and required related companies to do a better job in legal management work of important cases.

IV. Law Popularization and Training

In 2013, COSCO continued to take law popularization as an important basic work to enhance employees’ legal awareness and improve legal governance level.

In 2013, COSCO Group organized “12.4” National Legal Propaganda Day activities, prepared legal knowledge questionnaire based on latest laws, and organized quiz contest activity.



V. Law-compliance

COSCO Group has insisted on relevant laws and regulations in business operation, operated honestly and trustfully and protected the legal interests of customers and consumers. COSCO Group strived to provide customers with safer, more convenient and more effective high-quality services, which has earned the company a good reputation in the industry.

In 2013, COSCO Group faced no severe penalties for breaching related laws and regulations regarding product and service liability.

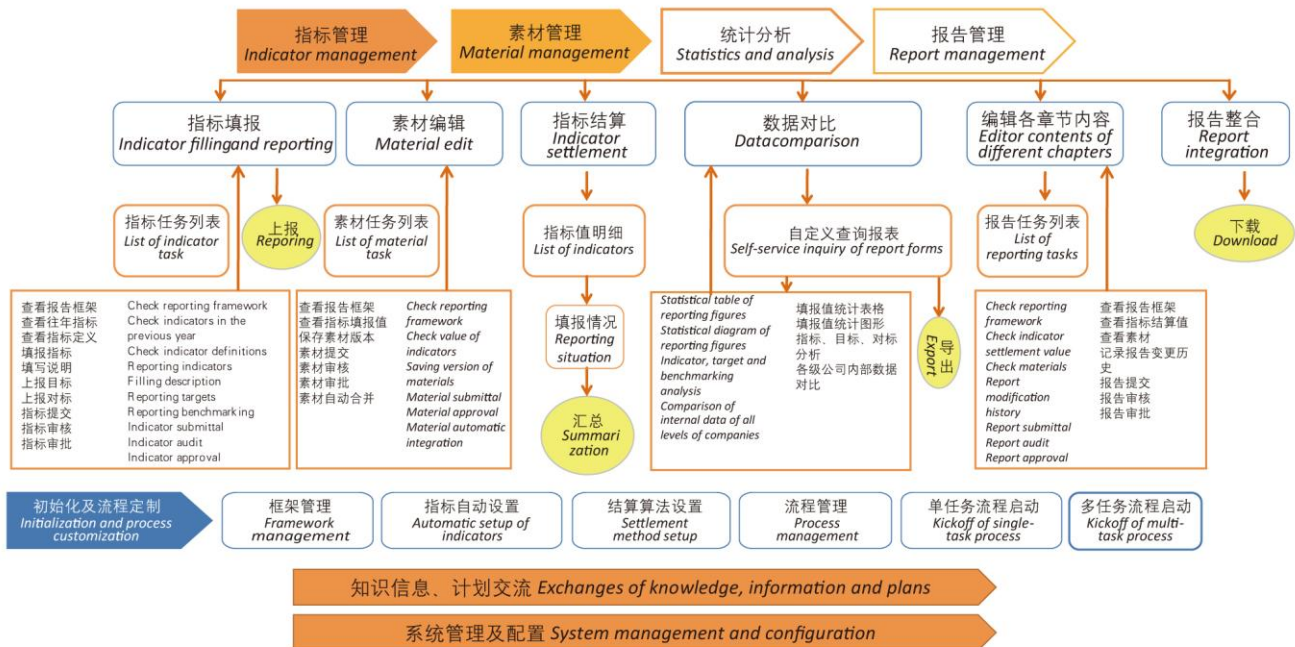
Part V Construction of Sustainability Information Management Platform

I. Informationization of Corporate Social Responsibility

COSCO Group realized that performance of social responsibility is a long-term accumulation and development process, and a complicated and systematic project that needs great inputs of the enterprise. Therefore, it kicked off project construction in 2006 by applying modernized IT and network methods, and initiated sustainability information management platform in 2008 to support implementation of social responsibility work and collection of sustainability information. In 2009, it launched the construction of comprehensive risk and internal control projects, which were integrated with sustainability information management platform to support comprehensive risk assessment work and internal control assessment work. The project passed acceptance check smoothly in 2013. The information system realizes a complete set of risk management processes from risk identification, risk assessment, risk solving and risk warning, a complete set of internal control processes from internal control analysis, internal control assessment, defect rectification, reporting and statistics, and realizes related functions such as indicator collection, indicator review and materials filling and reporting. The construction and application of information system enabled the group to conveniently and accurately collect data for sustainability indicator system of related departments and branches, and achieved the results of fast filling and reporting, online verification, summary and analysis, system response and collection of indicator data. The convenient functions of editing, controlling and auditing functions also enabled related persons to timely and high-efficiently compile Global Compact sustainability report based on data collected, so as to reflect the group's social responsibility concept and practices as well as its efforts to promote implementation of Global Compact and sustainable development with the world to the staff, customer, partner, shareholders and investors, national authorities, communities and all other stakeholders.



报告系统业务流程
Business process of reporting system



COSCO Group Indicator Reporting Interface



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



II. Promotion and Cooperation of Sustainability Information System

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

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

Part VI Implementation of SASAC's Social Responsibility Requirements

I. Implement SASAC's Outlines on Implementation of Harmonious Development Strategies of Central Enterprises during the 12th Five-year Plan Period

COSCO Group carefully studies and researches the SASAC's Outlines on Implementation of Harmonious Development Strategies of Central Enterprises during 12th Five-year Plan Period, implements the work deployment and requirements of SASAC, establishes social responsibility concept with a focus on sustainability, enhances social responsibility management, clears existing work in accordance with requirements of the Outline and actively promotes the construction of a honesty, green, safe, energetic and responsible central enterprise. It compiled the detailed implementation rules of the Outline with a focus on its development, exerted great efforts to implement harmonious development strategies, and made ceaseless efforts to elevate the group's ability and level to perform social responsibility.

II. Take Part in SASAC's Compilation of the Guidelines on Social Responsibility Management of Central Enterprises

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



III. Social Responsibility Management Elevation Work

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

In accordance with requirements in the Notice of SASAC on Doing a Better Job in Works Related to Management Elevation Activity of Central SOEs in 2013, COSCO further detailed the elevation and rectification plans of key issues, determined three key sectors that may influence and constrain development of COSCO Group, namely optimization of organization and management methods (system and mechanism issues), optimization of operating mode (market structure issue) and promotion of benefits with management (cost control issue), and formulated corresponding working plans. COSCO Group formulated working plans in accordance with SASAC’s overall requirements and deployment on social responsibility management elevation work, specified the focuses and direction for management elevation work of its subsidiaries, carried out special training on social responsibility management, and promoted the exchanges and studies of management experiences of the subsidiaries.

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

Part VII Comprehensive Implementation of UN Global Compact Principles

I. UN Millennium Development Goals



September 2000 witnessed UN Millennium Declaration signed by 189 countries during the UN Summit. UN Millennium Development Goals includes eight aspects. COSCO Group firmly supports and actively participates in the realization of the goals. The group has included the goals relevant to



the enterprise into its strategic development management to ensure consistence of performance of social responsibility and elevation of sustainable development ability, and promote healthy and sustainable development of world's shipping and logistics industry. Please see the table below.

Serial No.	UN Millennium Development Goals	Related activities of COSCO Group
1.	Eradicate extreme poverty and hunger	Poverty-alleviation, etc.
2.	Achieve universal primary education	Hope Project and donation to educational industry, etc.
3.	Promote gender equality and empower women	Equality of males and females, equal pay for equal work, protection of female employees, etc.
4.	Reduce child mortality	Support to medical and healthcare undertaking, etc.
5.	Improve maternal health	Birth medical insurance and maternal care for employees, etc.
6.	Combat HIV/AIDS, malaria and other diseases	Actively support related activities.
7.	Ensure environmental sustainability	Exert great efforts to guide environment-friendly development, energy-conservation and emission reduction of the industry.
8.	Develop a global partnership for development	Promote equal and mutual-beneficiary cooperation in global operation and support development of the community.

II. UN Global Compact LEAD Program

The Global Compact LEAD Program is intended to support leading enterprises to perfect itself on the basis of sustainable development, and it gives highly recognition to enterprises' such commitments. COSCO Group was officially invited to sign letter of commitment for joining the program on Jan. 20, 2011. In accordance with the requirements of UN Global Compact LEAD Program, COSCO Group actively integrated the principles of LEAD Project with operation of the company in 2013, improved the mechanism and system in terms of environmental protection, community and anti-corruption sectors, promoted its subsidiaries to improve the management and elevate the sustainability. These efforts had achieved satisfactory results.

III. Local Network and Participation of Subsidiary Institutions

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



IV. Key Topics and Industrial Initiatives

On March 27, 2013, Capt. Wei Jiafu, former chairman of COSCO Group, signed the Declaration for Establishment of BRIC Business Council, on behalf of China, with representatives of other BRIC countries at the International Exhibition Center in Durban, South Africa. The Declaration advocates BRIC countries to enhance economy, trade and investment, and work together to solve the bottlenecks that constrain the development. The cooperation will cover infrastructure construction, mineral industry and mine selection, pharmaceutical, agricultural products processing, service industry (including finance, information communications technology, healthcare and tourism), manufacturing industry and sustainable development sectors.

V. Advocacy and Participation of Public Policies

In 2013, COSCO Group participated in the formulation of the Guiding Opinions on Performing Requirements of International Maritime Laws and Enhancing Management and Control of Asbestos Harms of Ships organized by the China Traffic Enterprise Management Association of the Ministry of Transport. The Guiding Opinions aim to promote effective performance of the International Convention for the Safety of Life at Sea (SOLAS) of International Maritime Organization, enhance risk management and control of hazardous substances and asbestos in entire life cycle of ships, prevent against injuries of hazardous substances and Asbestos materials on seafarers and other persons, and promote sustainable development of traffic industry.

VI. Cooperation and Collective Action

On April 6 to April 8, the 2013 Boao Forum for Asia was held at Boao, Hainan. Theme of the event is “Asia Seeking Development for All: Restructuring, Responsibility and Cooperation”. Over 2,500 persons including leaders from countries and regions in five continents, responsible persons of international organizations, persons from political, industrial and commercial circles, experts and scholars attended the event.

On April 8, President Xi Jinping had a symposium with representatives of Chinese and foreign entrepreneurs attending the forum. Capt. Wei Jiafu, former chairman of COSCO Group, as one of the 32 representatives of entrepreneurs attended the symposium and appealed Asian entrepreneurs to “seek for domestic restructuring, external cooperation and joint development, and promote the sustainable growth of Asian and world economy.

Part XIII Voluntary Initiatives and Commitments Regarding Social Responsibility

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



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

(I) United Nations Declaration on Climate Change

Since July 2, 2008 when Chairman Wei Jiafu announced that COSCO Group will officially join the Declaration on Climate Change initiated by the United Nations, COSCO Group has actively fulfilled the principles and measures put forward in the Declaration to cope with climate changes. Leaders of COSCO Group pay close attention to energy conservation and emission reduction of ships and green shipping, and cooperate with renowned high schools on research of green energy projects such as solar energy and wind power.

(II) Universal Declaration of Human Rights

As the first Chinese enterprise that promised to support the Universal Declaration of Human Rights, COSCO Group has insisted on supporting, respecting and protecting human rights within its influential scope with global thinking in 2013.

On June 15, 2009, China COSCO and BSAF joined hands with WTO Tribune to bring forward the Golden Bee Initiative 2020, which aims at forming scale effects through unanimous responsibility concept and innovative action mode. In recent years, more and more enterprises attended in social responsibility practice activities, and enhanced their voluntariness and self-consciousness. These action roadmap and results embody the spirits of four key words, namely “common vision, common action, crossover cooperation and value-sharing”. Golden Bee CSR Honor Roll 2020 has become an important platform for delivery of CSR concepts and promotion of CSR practices, and is leading CSR practices of China to a deeper and high-efficient stage.

II. Participation in Associations

As the largest shipping enterprise in China and a leader in global shipping industry, COSCO Group has fulfilled its corporate social responsibility actively, joined many influential shipping organizations home and abroad, and participated in activities of all organizations. It has played as a promoter in international shipping industry, and made its own contributions to keep and promote the healthy and sustainability of international shipping industry.

Industrial Organization	Position and Function	Valuable Activities
ISF	Global shipping industry association	Promoting cooperation and co-development of global shipping industry
BOX CLUB	Association of world's container shipping industry	Promoting healthy development of world's container shipping industry



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



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

Part IX Identification and Participation of Stakeholders

I. Identification of Stakeholders

COSCO Group analyzes the stakeholders influenced by operation of the enterprise via two-dimensional matrix based on the influence degree on COSCO Group and COSCO Group's dependence on them in accordance with requirements for development of operating strategies of the enterprises, determined sequence of stakeholders of COSCO Group and specified their expectations and requirements to COSCO Group.

Stakeholders	Way of Communication	Expectation on COSCO Group	Detailed Requirements	Main Indicators
Government (Chinese Government and local governments of places where it operates)	Release of laws, regulations, policies and indicators, meetings of the country and related ministries and commissions, special reporting meetings, reports and visits	Continuous and stable growth, taxation income, employment opportunities, and driving of global prosperity	Requirements on building a harmonious society, conservation-oriented society, and law-compliance	Total tax paid; employment opportunities created
Investors (SASAC is representative of	Issuance and implementation of documents;	Continuously improve its profitability and	Requirements on comprehensive risk management,	Profit, capital return ratio, rate for value



investors)	participation in conferences and fulfillment of sprits conveyed at the conferences, periodical reports, daily communication with authorities, reports and visits	key competitiveness so as to keep and increase value of state-owned assets	enterprise sustainability, corporate social reliability report, and construction of resource-saving enterprise as well as related evaluation indicators	keeping and increase of state-owned assets, total debts, asset-liability ratio, owners' equity
Social public shareholders (Shareholders of all listed companies of COSCO Group)	Annual reports, shareholders' conference, written notice for shareholders, daily communication via telephone	Continuously improve company's value and market value, decrease enterprise risk, ensure enterprise' sustainability	Public disclosure of important company information, opportunities for equal participation, protection of shareholders' interests	Market value; listed companies' reward ratio; minority shareholders' rights and interests; number of listed companies
Strategic partners (juridical persons signing agreements with COSCO on strategic cooperation, joint operation and joint venture)	Contract implementation; regular meetings; meetings of top management; file and mail transfer, daily communications	Constantly improve profitability in strategic cooperation sector and ensure common interest of strategic partners	Information and resource sharing, management innovation, win-win cooperation	Sales revenues, return rate of capital, market occupancy
Clients (direct clients purchasing any product or services of COSCO Group)	Client conference, suggestion collection, daily communications with sales representatives	Provide high-quality products and services at reasonable prices, make continuous improvement	Responding speed, individualized services for clients, service quality	Customer satisfaction, comprehensive on-time ratio
Subsidiaries (COSCO Group's wholly owned, joint venture, joint operation, and	Work meeting, opinions collection, communication with top	Provide accurate decision-making and scientific management, continuously	Market command capability, high-efficiency decision-making, transparent and democratic	Profit, sales revenue, carrying capacity and turnover



cooperative companies)	executives, daily business mails and phone calls	improve management level and efficiency	management, capital guarantee and turnover	capacity, return rate on capital, debt ratio
All members in organizational structure of the company	Rational suggestions, president's mailbox, conference, opinions collection and exchanges	Continuously improve company's profitability and sustainability ability, provide more welfare and promotion opportunities to employees	Career development, opportunity, treatment, graceful and confident working environment	Employees' satisfaction, employee loyalty, job-hopping ratio, investment to employee training
Suppliers (suppliers and sub-contractors including ship agency, freight forwarding, classification society, service provider, consulting companies, certification and auditing units, etc)	Contract and agreement negotiation, regular visits, bidding meeting, opinions collection	Have the opportunity to serve for COSCO Group in long period of time and get reasonable benefits	Reasonable prices, stable policies, win-win cooperation	Number of business partners, bunker costs, ship-building costs, payment percentage in compliance with contract articles
Financial and insurance units of bond owners	Contract negotiation, regular visits, daily exchanges of business personnel	Operate stably to ensure timely payment and prevent risks	Timely payment, reduction of risky events	
Trade unions (Trade unions in China and in places where it operates)	Speaking rights on important company decisions, collective negotiation, trade union representatives in periodical	Respect labor rights, comply with requirements of trade unions, maintain legal rights and interests of employees	Respects to staff's rights and interests, complying with requirements on democratic management and transparent company affairs	Percentage of employees joining the trade union, number of trade unions in subsidiaries set by group trade union, signing



	communication with contacts, staff representative conference			collective contracts, employee participation ratio
Community (in China and business locations)	Signing contract on joint civilized construction, joint program development, periodical meeting for communication, parties for celebrating days	Civilized production, boost community prosperity and harmony, provide safe and healthy living environment	Non-pollution and non-damages on community environment, no safety accidents, input of resources to build harmonious society	Investment in community building, number of pollution-related complaints
Non-governmental institutions and organization (international environmental protection organizations, international labor organizations, international maritime organizations, industry associations, local communities, etc.)	Joining associations and assuming some posts, payment of membership fees, participation in project investment, participation in activities beneficial to industry and society	Play a driving and leading role in various fields of sustainability, industry development, and local development	Practices and resources to meet standards and requirements advocated by organizations of sustainable economic development, healthy industry development, local prosperity and non-profit organizations	Number of associations and societies related to social responsibilities participated, annual membership fees, social contribution ratio, investment in social welfares
Persons, organizations and media interested in related issues of the corporation	Press release conference, active news report and propaganda, periodical report release, legal information disclosure	COSCO Group is an excellent enterprise pursuing healthy development, and undertaking social responsibility is a mean to fulfill the sustainability.	Faithful, healthy, professional, internationalized	



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

II. Survey and Investigation on Demands of Stakeholders and Respecting Interests of Stakeholders

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

III. Stakeholders' Participation in Corporate Social Responsibility

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

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

In 2013, COSCO Group entered into strategic partnership agreements with governmental departments, VIP customers and suppliers such as Zhuhai Municipal People's Government, China Railway Materials Holdings Co., Ltd, MCC and GE to enhance the cooperation and seek for mutual development.

(II) Social Responsibility Management within the Supply Chain

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

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

In recent years, international community pays closer and closer attention to energy conservation, emission reduction and environmental protection. How to protect ecological environment of the ocean has become an important task of all countries. COSCO Group has promoted the environmental protection concept of ocean shipping industry and is actively researching on development of substitute energies for shipping industry. In accordance with the National High-tech Research and Development Plans (863 Plans), COSCO Group has cooperated with No. 702 institute of CSIC to research on application of wind power in navigation of ships.

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



In 2013, COSCO Group actively attended the formulation of domestic social responsibility standards. It has formulated the guidelines for sustainability information management system based on concepts related to Global Compact and corporate social responsibility and in combination with the related guidance, initiatives and standards of international organizations such as Global Compact, OECD, GRI and AA. The guidelines were formulated by COSCO Group based on the five to six years of successful practices of it and some Chinese enterprises, in combination with requirements of its own management system, researching and comparing social responsibility management features of domestic and overseas enterprises and by referring to third party appraises such as DNV, GRI and Global Compact.

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

(V) Exchanges with Research Institutes, Colleagues and Universities

After more than one year of preparation, COSCO Group and Inner Mongolia University jointly established a technical center on May 16, 2013. Based on projects such as port system optimization, container resource optimization, shipping line optimization, multiple-mode transportation, energy conservation and emission reduction of ships, the center cooperates with COSCO Group's technical center on research and consultation work, and drives the talent cultivation, information exchange, technical development as well as promotion and application of achievements. COSCO Group, based on its strategies and technological planning, assign R&D tasks to the center, or apply for national and local scientific research projects based on technical development demands of cooperation sectors of both sides. Inner Mongolia University provided a technical report on specific research direction for ever six months to COSCO Group, and offered various research achievements of the center on yearly basis.

(VI) Exchanges with Intermediary Agencies

On Sept. 9, 2013, COSCO Group attended the meeting on “Social Responsibility Practice and Implementation – UN’s Measures on Commerce and Human Right Principles” held by the Delegation of the European Union.

On Nov. 11, 2013, COSCO Group attended the Forum on Social and Environmental Risk Management organized by UN Global Compact China Network and the United Nations Environment Programme (UNEP).

On Dec. 18, 2013, COSCO Group attended the Sustainable Competitiveness Annual Conference jointly organized by Beijing Rongzhi CSR Research Institute and Beijing Enterprise Management Research Institute, and delivered a speech themed on “Enterprise and Public Transparency and Improving of Development Environment of Enterprise” to have in-depth discussion with the special guests on corporate social responsibility.

In 2013, COSCO Group also attended the 4th China Sustainability Reporters Conference to introduce the group's practices in sustainable development sector. It attended the Conference for Prevent and Control of Sexual Harassment of Enterprises jointly organized by the United Nations Entity for



Gender Equality and the Empowerment of Women/UN Women, China Women's University and China National Textile and Apparel Council and the Symposium on Prevent and Control of Sexual Harassment at Work organized by the International Labor Organization. It has wide exchanges with Chinese water crisis institution on water crisis issue. It also attended the China Roundtable Forum on "Industrial and Commercial Enterprises and Human Right Guiding Rules" jointly organized by Beijing Rongzhi CSR Research Institute, Peking University and GBI.

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

In order to collect opinions of stakeholders on the company's sustainability, improve communications efficiency and widen information channel, China COSCO has carried out social responsibility activities participated by stakeholders actively through information system platform. Please refer to Part VI Construction of Sustainability Information Management Platform of the report for details.

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

Part XI Implementation of ISO26000 International Standards on Social Responsibility

COSCO Group actively researches and implements the ISO26000 Guidance on Social Responsibility (ISO26000) and insists on carrying out social responsibility-related activities when meeting economic and financial crisis. As the crisis will have great influences on more vulnerable groups, it has greater demands for enhancing social responsibility. On this basis, COSCO Group carefully considers the methods to integrate economic, environmental and social factors with decision-making and activities of the enterprises more effectively, and formulates the implementation plans.

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

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

I. ISO26000 Planning

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

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



Comprehensive promotion and implementation of ISO26000 were completed in 2012.

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

II. Implementation of ISO26000

In 2013, the group promoted implementation of ISO26000 from following aspects:

1. COSCO Group carries out studies and researches on ISO26000 social responsibility principles and seven core themes among its management team and subsidiaries responsible for social responsibility, and puts forward pertinent policies and suggestions. COSCO Group organizes staff of its sustainability system to clear, research and evaluate the management system and sustainability information management of the group, and better integrate its social responsibility management tools, ISO26000 social responsibility principles, seven core themes and related important topics and indicators with sustainability report of the group. It also adjusts and improves the system document and management processes to realize the optimization of existing management system and ensure that the company could perform its social responsibility in a systematic, normal and standard manner.
2. In 2013, COSCO Group continued to carry out risk evaluations on its headquarters. It firstly integrated the requirements of ISO26000 social responsibility guidelines in the evaluation and achieved significant results. In the next step, it will organize related units to assess and evaluate the social responsibility risks found in the risk evaluations and formulated reasonable risk countermeasures.
3. Besides adjusting the framework in accordance with ISO26000 requirements in last year, the group organizes the members of the report compilation team to clear and research related issues based on requirements of seven core themes related to social responsibility of ISO26000 and social responsibility topics and practices concerned by stakeholders as confirmed by COSCO Group, and tries to elaborate the issues such as organization & governance, human right, labor practice, environment, fair operation and practice, consumer's issues, social participation and development as detailed as possible in related parts of the sustainability report.
4. On the basis of implementation of ISO26000 Social Responsibility Guidance for several years successfully, COSCO Group actively attended the work of National Standards of Social Responsibility Guidance organized by the National Committee for Standardization.

III. ISO26000 Implementation Results



Following results were achieved through effective implementation of aforesaid measures:

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



经济绩效指标和主题报告

ECONOMIC PERFORMANCE INDICATOR AND THEME REPORT





C. Management Approaches and Performance Indicators

Part I Economic Performance Indicators and Keynote Report

I. Management Approaches

(I) Objectives and Performance

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

(II) Policies and Regulations

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

(III) Organization and Responsibilities

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

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



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

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

(IV) Training and Communications

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

(V) Supervision and Inspection

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

COSCO Group established the comprehensive management systems regarding quality, environment and occupational health & safety and passed related certifications. With the establishment of the Global Compact and sustainability management system, quality, environment and occupational health & safety management systems were further improved.

All subsidiaries of COSCO Group also establish quality, environment and occupational health & safety management systems and organized related certifications. Please refer to “C. Certifications of Management Systems of Related Companies” for establishment and operation situations of quality



management system, internal control system, UN Global Compact sustainability management system and information security management system of the related companies.

(VI) Identification of Stakeholders and Risk Evaluation

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

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

(VII) Management Elevation

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

In 2013, COSCO Group organized the internal control inspection and internal assessment rectification on COSCO Group headquarters, COSCO Finance, CHIMBUSCO and COSCO Shipping, carried out special inspection on procurement and supplier management and face-to-face meeting, and required the inspected companies to report on rectification situations in written form. It conducted centralized inspection on equity transfer, liquidity and asset appraisal work in 2009 to 2011 of subsidiaries of China COSCO Bulk, COSCO Bulk and COSCO Logistics in Beijing and Tianjin, cleared the equity management project in 2012, and realized the comprehensive track of projects approved. It organized the summary and appraisal work of pilot project for “vertical supervision” of COSCON, China COSCO Bulk, COSCO Logistics and COSCO Shipyard, carried out supervision & inspection, energy efficiency supervision, audit & supervision, and enhanced the guidance on rectification. Moreover, leaders of COSCO Group also an inspection team to conduct on-site inspection on pre-stage management elevation activities of related units in Beijing, Shanghai, Guangzhou, Shenzhen and Dalian, effectively enhancing the management elevation work of grassroots units and passing the pressure of COSCO Group to the grassroots directly.

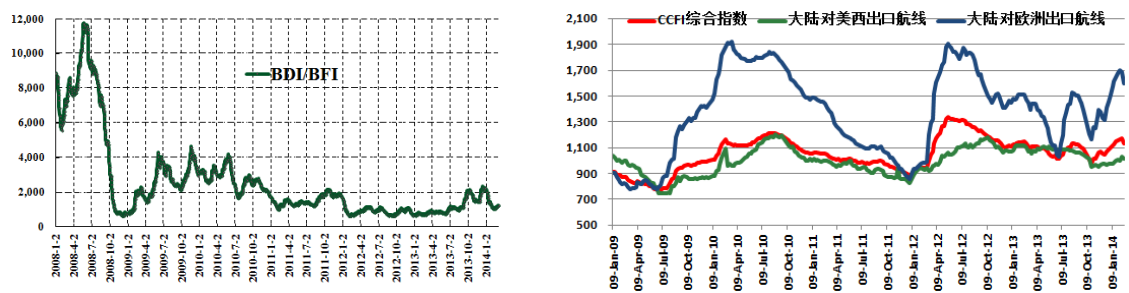


II. Performance Indicators

(I) Direct Economic Value Created and Distributed

In 2013, world economy recovered in great difficulties. Economic downturn pressure of China was increased. Global shipping market was fluctuated in low valley. Dry and bulk shipping market was recovered slightly, while the imbalance of supplies and demands of carrying capacity saw no significant improvement. Affected by disorderly input of carrying capacity of international shipping market, high delivery volume of ships, intensified competition of liner market, the recovery trend was weak.

The Baltic Freight Index and China Containerized Freight Index in recent years are as follows.



In face of difficult environment, COSCO Group took a series of measures, including elevating marketing level, strengthening value marketing, deepening customer development, innovating on marketing mode, expanding value-added services and increasing operating revenue; continuously optimizing global network, making arrangement in new emerging markets and increasing proportion of extension service; improving service quality, and elevating the professional and personalized service level; enhancing cost management, in particular fuel cost, operating costs, administrative cost, financial cost and labor cost, and strictly controlling cost expense; promoting management elevation in a comprehensive manner and establishing sound comprehensive budget management, procurement and supplier management system, internal control system and comprehensive risk management system.

On July 7, 2014, Fortune Magazine released the list of Global 500 enterprises. COSCO Group ranked the 451st place in the list with the operating revenue of USD26.805 billion in 2013.

1. Direct Value Created

In 2013, total shipping volume of COSCO Group reached 420.6725 million tons, with the freight turnover of 1826.432 billion ton sea miles. It ranks the fourth place in the world for container carrying capacity. COSCO Pacific is one of the renowned terminal operator and fourth container leasing company in the world. It ranked the first place in Rankings of Top 100 Chinese Logistics Companies for seven times in succession. It ranked the first place in top 100 logistics companies in China for eight successive years, and its ship-repairing business also took a lead in domestic market.



In 2013, COSCO Group realized the operating revenue of RMB164.811 billion. The table below shows operating revenue of the group in recent five years:

Indicator/Year	2009	2010	2011	2012	2013
Operating revenue (RMB100 million)	1,188	1,642	1,862	1,813	1,648

Indicators Related to Transportation and Production

Self-owned fleet size						
Ships	Indicators	2009	2010	2011	2012	2013
Container ships	Number of ships	92	101	100	105	109
	Capacity (10,000 TEU)	31.54	35.91	35.87	39.46	46.83
Dry and bulk carriers	Number of ships	238	245	249	237	216
	Capacity (10,000 DWT)	1,745	1,882.16	1,997.28	1,970	1,853.67
Oil tankers	Number of ships	25	29	31	32	29
	Capacity (10,000 DWT)	382	463	522	552	539.56
Other liquid bulk carriers	Number of ships	18	19	15	15	14
	Capacity (10,000 DWT)	9.26	10	8.5	8.5	8.19
General cargo ships	Number of ships	74	73	68	75	63
	Capacity (10,000 DWT)	143	157.16	153.04	174.18	154.18
Other ships	Number of ships	15	14	18	22	27
	Capacity (10,000 DWT)	21.35	22.91	41.63	49.21	62.06
Total of self-owned ships	Number of ships	462	481	481	486	458
	Capacity (10,000 DWT)	2,720	3,007	3,194	3,263	3,201.48

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

Leased fleet size						
Ships	Indicators	2009	2010	2011	2012	2013
Container ships	Number of ships	54	49	57	69	79
	Capacity (10,000 TEU)	24.56	25.5	30.93	36.24	40.99
Dry and bulk carriers	Number of ships	236	238	160	131	118
	Capacity (10,000 DWT)	2,094	2,166	1,598	1,266	1,037
Oil tankers	Number of ships	6	8	10	8	9



	Capacity (10,000 DWT)	171	239	298	236	268
Other liquid bulk carriers	Number of ships	2	1	4	4	5
	Capacity (10,000 DWT)	1.23	0.62	2.95	3.73	4.32
General cargo ships	Number of ships	6	16	23	28	16
	Capacity (10,000 DWT)	18	50	59	102	41.83
Other ships	Number of ships	4	6	8	13	10
	Capacity (10,000 DWT)	4.58	6.84	11.28	23.41	18.9
Total of self-owned ships	Number of ships	308	318	262	253	237
	Capacity (10,000 DWT)	2,313	2,771	2,338	2,063	1,862

Total fleet size controlled						
Ships	Indicators	2009	2010	2011	2012	2013
Container ships	Number of ships	146	150	157	174	188
	Capacity (10,000 TEU)	56.1	61.41	66.8	75.70	87.81
Dry and bulk carriers	Number of ships	474	483	409	368	334
	Capacity (10,000 DWT)	3,838	4,049	3,596	3,237	2,891
Oil tankers	Number of ships	31	37	41	40	38
	Capacity (10,000 DWT)	553	702	821	789	808
Other liquid bulk carriers	Number of ships	20	20	19	19	19
	Capacity (10,000 DWT)	10.5	10.62	11.45	12.23	12.51
General cargo ships	Number of ships	80	89	91	103	79
	Capacity (10,000 DWT)	161	207	212	276	196
Other ships	Number of ships	19	20	26	35	37
	Capacity (10,000 DWT)	4.58	29.75	52.91	72.62	80.96
Total of self-owned ships	Number of ships	770	799	743	739	695
	Capacity (10,000 DWT)	5,033	5,778	5,532	5,326	5,063

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

Registration of ships

Ship flag registered (region)	China	Panama	Hong Kong	Others
Number of ships	187	124	140	7



Transportation, production and related indicators

Indicator/Year	2009	2010	2011	2012	2013
Freight volume (10,000 tons)	40,979	43,582	44,176	42,679	42,067
Freight turnover (100 million ton sea mile)	19,626	21,088	20,817	19,884	18,264
Average age of self-owned ships (years)	14	13.27	13.06	12.78	11.59
Revenue of logistics business (RMB10,000)	1,221,755	1,529,787	428,800	707,100	428,000
Output value of ship-repairing business (RMB10,000)	476,160	422,743	346,586	323,121	258,941
Output value of shipbuilding business (RMB10,000)	1,118,511	2,018,640	1,064,540	1,328,041	971,100

2. Operational Costs

Effective cost control is a key element for an enterprise to make profits and achieve success. In face of depressing shipping market and pressure of sharp increase of costs in 2013, the reduction is far from benefit creation, but is closely related to existence and sustainable development of the enterprises. COSCO Group continued to promote the “Lean Management”, strengthened quota and benchmarking management, improved cost control work from the origin and all sectors, continuously improved cost control ability and reduced various costs. Main measures taken are as follows:

(1) Continue to enhance fuel cost control. Under the circumstance that carrying volume of COSCON increased by 8.5% year-on-year, its fuel consumption volume dropped by 6.2% year-on-year. This, in addition with the decrease of average single-unit fuel price of 8.9% had resulted in decrease of fuel cost by 14.6% year-on-year. COSCO Shipping established the Special Working Group for Low-speed Navigation and Energy-conservation of Ships, assigned tasks to ship management posts, implemented internal benchmarking and comparison of oil consumption of same type of ships. In 2013, self-operated ships completed 483 voyages, saving 41,058 tons of oils and RMB161.34 million.

(2) Continue to promote reduction of rents of dry and bulk carriers with high rents. By the end of December, operating cost of dry and bulk shipping business and related business totaled RMB15.702 billion, down RMB4.892 billion or 23.8% year-on-year. Of which, carrying capacity of leased ships further reduce, and ship leasing fee reduced by RMB3.081 billion or 37.4% year-on-year.

(3) Continue to enhance control of port charges, container management fees and cargo handling fees.



(4) Strictly control the administrative fee, elevate management efficiency and release the measures to enhance cost reduction in meeting, business trip, reception, office and business vehicle sectors.

(5) Continue to promote the lean management work focusing on cost reduction and benefit increase, and strengthen the control of key costs in operation and management process. Since 2009, COSCO Pacific started to research and promote the oil-to-electricity of tire crane. Till now, it has completed the oil-to-electricity reform of 124 sets of tire cranes. Currently, proportion of electric tire cranes using clean fuel of COSCO Pacific's controlling terminals reaches 86.42%. The average operating cost per standard container dropped by 79.38%, saving over RMB10 million of direct costs.

3. Salaries and Welfares of Employees

All levels of subsidiaries of COSCO Group have established different forms of salary and welfare systems in accordance with requirements of national laws and regulations and provisions of related policies, and based on practical situations of the industry and enterprises, so as to protect basic rights and interests of employees.

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

In 2013, the proportion of basic endowment pension paid by the group was 20% and that paid by individuals was 8%.

4. Payment to Capital Providers

In 2012, net losses of COSCO Group reached 2.413 billion.

Indicator/Year	2009	2010	2011	2012	2013
Total profits (RMB10,000)	111,061	1,632,631	-371,703	-331,475	-241,289

In face of depressing shipping market, domestic and overseas listed companies of COSCO Group further established and improved their internal control system in 2013, improved their governance structure and mechanism, promoted comprehensive risk management to effectively control the market risks, promoted lean management to effective control the costs and achieved satisfactory results.

(1) In 2013, COSCO Pacific was successively selected as constituent stock of Heng Seng Stock Index and Heng Seng Corporate Index for Sustainable Development, reflecting the comprehensive recognition of capital market on core enterprises of COSCO Group in terms of operating ideas, performance, corporate governance, social responsibility and sustainability.

(2) In the appraisal of 1st Best Investment Value Award for Listed Companies jointly organized by many financial service institutes in Hong Kong, COSCO International awarded the Best Investment Value Award for Listed Companies.



(3) In the appraisal of Top 100 Enterprises of Shipping Industry in 2013, COSCO Shipping received two awards, namely the Best Investment Value Award for Chinese Shipping Companies and the 2013 Top 10 Stable Enterprises in Chinese Shipping Industry. The appraisal of Top 100 Enterprises of Shipping Industry in 2013 is a list of industrial brands released by China Shipping Gazette together with related institutions, experts and scholars by selecting the most important news, characters and classic enterprise, clearing the development trends and directions of Chinese and world shipping industry in each year with time as the clue and character and enterprise as the carriers. Since 2003 till now, the appraisal has been carried out for 10 years successively, attracting great attention of the industry.

Indicators of Listed Companies under COSCO Group (As of Dec. 31, 2013)

Company	Listing place	Total market value (RMB100 million)	Share proportion (%)	Market value calculated by share proportion (100 million)	ROE on net assets (%)	Dividend distributed	Dividend per share at end-period	Basic profits per share (RMB)
China COSCO	Hong Kong/Shanghai	RMB33.714 billion	52.01%	175.34	0.96%	--	--	0.02 元
COSCO Pacific	Hong Kong	HKD30.987 billion	43.92%	246.04	15.5%	77.4 cents HKD cents	15.0 HKD cents	24.95 USD cents
COSCO International	Hong Kong	HDK5 billion	65.02%	25.5	3.3%	5.5 HKD cents	3.5 HKD cents	15.96 HKD cents
COSCO Investment	Singapore	SGD1.6 billion	53.35%	40.9	2.3%	1 SGD cent	1 SGD cent	1.37 SGD cents
COSCO Shipping	Shanghai	RMB5.933 billion	50.52%	29.97	0.50%	--	--	0.02 yuan

5. Payment to the Government

In 2013, COSCO Group paid RMB2.95625 billion of taxes to the government.

Indicator/Year	2009	2010	2011	2012	2013
Total tax paid (RMB10,000)	344,384	465,430	420,351	353,781	295,625



6. Social Investment and Input

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

Main projects of COSCO Charity Foundation cover education aid, medical aid, disaster relief, poverty-relief and environmental protection sectors. In 2013, COSCO Group implemented 31 public welfare and charity projects through COSCO Charity Foundation, and donated RMB33.62 million of capitals.

Indicator (RMB10,000)/year	2009	2010	2011	2012	2013
Investment funds provided for social projects (RMB10,000)	2,208	7,198	3,900	2,398	3,362

(II) Influences of Climate Changes

The global environment issues caused by climate changes have gradually raised concerns of all circles of the world. In particular, the Copenhagen Climate Change Conference held in December 2009 brought focuses of the world to environmental and economic issues caused by climate changes. With the opening of carbon emission trading, the influences of climate changes on financial performance of the company become more and more significant. For COSCO Group, climate changes brought following safety risks and financial risks:

1. Risks Caused by Climate Changes

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

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

2. Financial Influences of Climate Changes

In order to prevent and fight against the possible damages caused by typhoons, COSCO Group input more human resources and materials into the organization establishment, shore-based shifts, command and coordination. Typhoons also led to the increase in the sailing time and distance as well as the delay in the schedules. In 2013, a total of 101 tropical cyclones (including TD) were generated worldwide, an increase of nine compared with 2012, affecting 653 ships (times) of CSOCO Group.



Year	2009	2010	2011	2012	2013
Number of ships (times) affected	105	87	86	92	101
Number of ships affected (number of ships)	342	433	459	918	653

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

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

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

In order to cope with climate changes, the international community had revised the international conventions, resulting in increase of management costs and equipment expenses of COSCO Group. In 2013, COSCO Group adopted 312,900 tons of low-Sulphur fuel with the sulphur content of 1.5% m/m in a bid to satisfy the requirements of MARPOL Appendix VI and reduce emission of ships. This resulted in increase of costs by RMB98.7 million. In the five years since 2009, cost of the group had increased by RMB234.07 million due to the use of low-sulphur fuel.

Year	2009	2010	2011	2012	2013
1.5% m/m fuel consumption volume (ton)	79,474	110,475	106,278	187,900	312,922
Cost increased for using 1.5% m/m fuel (RMB10,000)	2,848	1,818	2,944	5,927	9,870

COSCO Group has responded to preventative measures taken by port countries and coastal countries to deal with climate changes, resulting in increase of its operating costs of shipping companies under the group. For instance, COSCO Group has actively responded to the "Green Ship Flag" advocated by California in US, requiring ships to reduce the speed in advance before sailing into or departing from the ports. COSCO Group's ships sail into and depart from ports at a speed lower than 12 nautical miles per hour and use the light oil-based fuels with less sulfur content instead of heavy oil in a bid to



alleviate air pollution. As the price of the light oil is 1.8 times of heavy oil, COSCO Group has to pay more when buying light oil-based fuels for ships.

(III) Fixed Welfare Plans

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

COSCO Group has attached great importance to fixed welfare plans for employees and paid endowment insurances for every employee according to policies of the State and local employees. COSCO Group calculated the budget for endowment insurances by 20% of total salaries of employees and paid the endowment insurances monthly to the social insurance institutes of the country.

By the end of 2013, total number of retired employees of the group reached 33,465. (Please see the table below)

Year	Number of newly retired employees in the year	Number of retired employees as of the year end
2009	1,977	28,074
2010	2,046	29,855
2011	1,752	31,392
2012	1,062	32,454
2013	1,011	33,465

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

(IV) Key Financial Supports Provided by the Government

1. In recent years, COSCON insisted on carrying out energy conservation and emission reduction work in terms of personnel, technology and management. It had spared no efforts to promote low-speed navigation of ships and energy efficiency management of ships, controlling the total fuel consumption and per unit fuel consumption of the company at a relatively low level. These efforts enabled the company to gain better economic benefits, and social benefits, and received good comments from the government and all circles of the society. In 2013, the COSCON's Project to Introduce BOT technology and Realize Technical Energy Conservation of Ships received RMB1.7 million of special fund from the Ministry of Finance.

2. The ship energy efficiency management project (reform of sliding spool oil head of main engine, cargo oil heating system, main engine electric cylinder oil injector, use of energy-conservative ship paint) of COSCO Dalian passed the approval of the Ministry of Transportation and the Ministry of



Finance, receiving RMB10 million of special fund for energy conservation and emission reduction of traffic and transportation industry in 2013.

3. COSCO Star of Xiamen Mintai Ferry opened the cross-strait passenger and cargo shipping business to service economy and trade on both sides of Taiwan Strait, and received RMB18.801 million of fuel subsidies offered by Fujian Province and Xiamen City.

4. COSCO (Lianyungang) Liquid Loading & Unloading Equipment Co., Ltd received a total of RMB1.2689 million of subsidies for industrial transformation and upgrade, new product development, and awards for technical centers of enterprises in Jiangsu.

(V) Minimum Wage and Comparison with Standards

COSCO Group strictly implemented the salary system of the central and local governments to ensure that salaries of employees are higher than the minimum salary level set by the Government. In the face of severe market situation, COSCO Group tried to keep salaries of seamen to ensure stability of seafarer's team of the company.

(VI) Local Suppliers and Procurement Policies

Hundreds of member units home and abroad of COSCO Group have formed a global business network with Beijing as the center, ocean shipping and global logistics services as the basis, and nine regions, i.e. Hong Kong, Japan, Singapore, America, Europe, Australia, Korea, South Africa and West Asia as the radiation points. They have more than 1000 enterprises and operation institutes in 50 countries and regions worldwide.

COSCO Group promotes establishment and improvement of procurement and supplier management system. With respect to different procurement type, it improves supplier entry-permit standards to promote suppliers to elevate the safety, quality, environment and labor management performance and drive healthy development of supply chains of shipping, logistics and terminal businesses.

By supporting local business activities in the supply chain, COSCO Group has introduced more capitals to local economic development. In the meantime, it is determined that local procurement can be a policy to ensure supplies and stabilize local economy. It has established long-term and sustainable strategic partnership with local suppliers, bringing active influences to prosperity of local economy. With respect to new investment projects, COSCO Group takes prior consideration of products or services offered by local suppliers in procurement project.

(VII) Employing Staff and Senior Managers from Local Communities

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

COSCO Group adopts the jurisdictional management mode for its overseas companies, and employs local people according to laws and regulations of the places where overseas companies are located.



Except for a few of top executives dispatched by COSCO Group, most members of intermediate and top management teams are employed at local places. In 2013, COSCO Group has employed 4,319 foreign employees, accounting for 5.81% of the total.

Number of Foreign Employees Recruited by COSCO Group in Recent Years

Year	2009	2010	2011	2012	2013
Number of foreign employees (persons)	4,207	4,023	4,173	4,329	4,319

(VIII) Public Services

Besides economic value created and distributed, COSCO Group also paid special attention to investments for public welfare.

1. Establishment of Qingdao Ocean Shipping Mariners College

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

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

2. Bringing forward International Humanistic Spirits

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

(1) COSCO Asia liner successfully rescued disaster-stricken yacht. On the morning of Sept. 4, 2013 of local time, COSCO Asia liner of COSCON received the disaster-stricken signal of a yacht from MRCC ALMERIA in western sea area of Mediterranean Sea. After receiving the signal, COSCO Asia adjusted the shipping direction immediately and navigated at full-speed to the disastrous area. The ships overcame the difficulties of strong wave and successfully rescued the disaster-stricken yacht with their excellent skills. Seafarers of the ship received high praises from the Spanish Maritime



Rescue Co-ordination Centre for their excellent occupational quality and outstanding performance in rescue task. MRCC ALMERIA sent a letter of thanks to COSCO Asia. In the letter, it wrote that I would like to express sincere appreciations to you, and thank you for assistant the Maritime Rescue Co-ordination Centre to rescue persons in disaster-stricken yacht in the western sea area of Mediterranean Sea. Captain and all seafarers of COSCO Asia inherited the excellent tradition of maritime rescue. Please convey our respect and appreciation to outstanding performance of seafarers of COSCO Asia in the rescue process.



(2) Fuanhai Liner successfully rescued nine disaster-stricken fishermen. On Aug. 27 of local time, Fuanhai Liner of China COSCO Bulk received a warning from Norway and Liberia Search and Rescue Center when navigating in the sea of West Africa, and navigated to the disastrous area in accordance with requirements of the center immediately. The liner successfully saved nine disaster-stricken seafarers, saving the humanistic spirits of COSCO's seafarers.

(3) Shanhe liner participated in the search and rescue of disaster-stricken seafarer at sea area of Brisbane, Australia. On March 1 of local time, Shanhe liner of COSCON participated in search and rescue of disaster-stricken seafarers of a fishing ship in the southeast sea area of Brisbane, Australia. It searched the disaster-stricken ship and reported the situations to the searching yacht, receiving high praises from the Australia Maritime Rescue Co-ordination Centre.

(4) On March 8, 2014, MH370 flight of Malaysia Airlines lost the connection. COSCO Group immediately launched the emergency response procedures after receiving the "Coordination Letter for Search and Rescue Tasks" from the China Maritime Rescue Co-ordination Centre, and dispatched ships in the surrounding sea area to attend the search and rescue. At 8:30 on the morning of March 9, 2014, Taishunhai Liner of COSCO Group arrived at the designated sea area (N. 06 deg. 56 min. and E. 103 deg. 35 min.) and carried out search and rescue work actively. Four ships of COSCO were waiting for orders at the nearby sea area.



(IX) Key Indirect Economic Influences

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

COSCO Group fully recognizes that technological innovation is an effective guarantee for sustainable development of enterprise, and is the origin of vital force of the enterprise. Efforts should be made to speed up transformation and upgrade of enterprise’s production mode through innovation. In the implementation of technological innovation strategies, the group had carried out development and research on topics such as technological application, high-tech ships, ocean engineering and ship auxiliary equipment, information system and soft topics with a focus on three main businesses namely shipping, logistics, and shipbuilding and ship-repairing. COSCO Group constructed national technological center. Depending on the national scientific research projects and formation of national standards, it had brought into full play its role as an industry leader, and formatted a batch of technical achievements with independent intellectual property right, thus driving technological progress of entire industry. In 2013, COSCO Group carried out 396 technological projects, with the R&D investment of 780.64 million.

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

Indicator/Year	2009	2010	2011	2012	2013
Expenses on scientific and technological activities (RMB10,000)	74,867	98,912	127,907	62,194	78,064
Total number of scientific and technological projects	329	341	332	232	396
Number of foreign cooperation projects	33	61	86	81	108
Number of scientific and technological awards received	1	2	1	3	1

(1) The elevation device project of self-elevating drilling platform undertook by COSCO Group completed all R&D tasks and achieved three invention patents and six new useful patents.

(2) COSCO Group’s “Ocean Ship Ballast Water Treatment Equipment” and China COSCO Bulk’s “VLOC” Bohai Sea Deepwater Shipping Route Technical Guarantee Information System” projects received the Second-class Prize of 2013 CIN Scientific and Technological Progress Award. The CIN Scientific and Technological Progress Award is the only technological award in domestic shipping industry and represents the latest achievements of shipping industry in scientific research, technical innovation and development, promotion and application of technological achievements as well as industrialization of high technologies.

(3) Nantong COSCO Shipyard, as the national innovation enterprise (pilot) and a key high-tech enterprise of the National Torch Plan, received the approval for establishment of national post-doctoral scientific and research workstation.



2. Informationization Construction

In order to better integrate with the transformation and upgrade of the enterprise, COSCO Group actively welcomed the challenges of economic globalization and global informationization, and continuously enhanced the supporting role of informationization to an enterprise's competitiveness. In 2013, total informationization investment of COSCO Group reached RMB350 million. Related subsidiaries invested continuously to promote informationization construction, covering nine projects including COSCON UNIX server upgrade and reform, IRIS-2 core storage upgrade, and 2013 safety production guarantee projects, as well as COSCO Shipyard digital storage system, COSCO Pacific SAP ERP project, CHIMBUSCO USD business management system, China COSCO Bulk BMS system reform, Hong Kong Group Yuantong ERP and customer system connection project, customer service information system jointly established by COSCO Logistics and COSCON, upgrade of information system of PMS affiliated to COSCO America, COSCO Shipyard established CAD production and management platform and carried out R&D work for virtualization of shipbuilding.

3. Support Boao Forum for Asia

COSCO Group, as permanent sponsor of the forum, had invested over RMB3 billion and completed more than 20 auxiliary projects including Boao Forum International Convention Center, Boao Forum for Asia Hotel, Boao Golden Coast Hot Spring Hotel, villas and golf courses in cooperation with construction of the forum, providing supports and guarantees for persons from political, academic and business circles of its member states to gather in Boao to discuss on economic, social, environmental and other issues.

The 2013 Boao Forum for Asia was opened in Bo'ao on April 1 to April 3. Xi Jinping, General Secretary of CPC Central Committee and President of the People's Republic of China, attended the opening ceremony and delivered a keynote speech. Over 2,500 persons including leaders in countries and regions of five continents, responsible persons of international organizations, and experts and scholars from political, industrial and commercial circles attended the event. Themed on "Asia Seeking Development for All: Restructuring, Responsibility and Cooperation", the event was held under the background that global economy was recovered in great difficulties and international structure undergone profound adjustment, and has significant meaning for integration of Asian economy and development of related countries and regions in Asia. Capt. Wei Jiafu, former chairman of COSCO Group, and Ma Zehua, existing chairman of the group, were present at the opening ceremony and attended a series of activities organized at the forum. During the event, President Xi Jinping had a symposium with representatives of domestic and overseas entrepreneurs attending the forum. Capt. Wei Jiafu, as one of 32 representatives of entrepreneurs, attended the forum and appealed that efforts should be made to seek for innovation domestically, seek for cooperation externally, realize mutual development, and promote continuous growth of Asian and world economy.

Success of Boao Forum for Asia had promoted the political and economic exchanges and cooperation between countries in Asia and Pacific regions, and further expanded the influences of China in Asia and the world. In the meantime, it had played an important role in elevating the reputation and brand image of COSCO Group. COSCO Group had become a permanent sponsor of the forum, completed the reception and service work at high quality, and elevated the reputation and brand image of the group. It also reflected COSCO Group's efforts to pay attention to interests of all stakeholders in



periodic valley of the market, perform its corporate social responsibilities and to keep sustainable development of the enterprise.

4. Organize the World Shipping (China) Summit

COSCO Group, as the largest shipping enterprise in China and a leader in global shipping industry, actively fulfills its corporate social responsibility and promotes development of international shipping industry.

On Nov. 6, 2013, the World Ocean Shipping (China) Summit, which is the largest, highest-level and most-distinguished summit forum of international shipping industry and enjoys the fame of “Maritime Davos” in international community, was held in Ningbo, China. The summit was held under the background that imbalance of supplies and demands of the market was intensified and sustainable development of the industry was affected. Chairman Ma Zehua and President Li Yunpeng of COSCO Group attended the summit and exchanged opinions with over 800 internationally renowned scholars, experts, commercial leaders and world’s first-class institutions.

At this summit themed on “shipping industry in economic reform”, special guests expressed their opinions on important topics such as macro-situation, strategies, globalization and farsightedness, inspired the opinions and guided balanced, harmonious, healthy and orderly development of the industry. The event further enhanced the resource-sharing, offered dozens of meeting, interviews, exchange fairs, working conferences and media releases for participants, built up a platform for sodality, communication, information exchange and creation of business opportunities, and received high praises from participants and domestic and foreign media.



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



5. China COSCO ranked the first place in Top 100 Enterprises for Corporate Social Responsibility released by Fortune China for a Third Successive Year in 2013

On March 20, 2013, Fortune China and the InnoCSR jointly released the 2013 Top 100 Chinese Enterprises for Corporate Social Responsibility. China COSCO ranked the first place in rankings for a third year. With systematic, comprehensive and detailed information disclosure and faithful data disclosure, China COSCO has taken a leading position in China CSR List.

(X) Responsible Investment and Creation of Employment Opportunities

1. Implementation of “Out-going” Strategy

(1) Implement “out-going” strategy with a focus on enterprise’s strategies.

COSCO Group is one of the earliest central enterprises that expanded its business presence in overseas market thanks to the globalization operation of ocean shipping business. COSCO Group put forward the strategy of “two transformations”, namely “transformation from a global shipping operator into a logistics operator focusing on shipping business” and “transformation from transnational operation into a transnational company” based on development trends of international shipping industry and the country’s deployment on out-going strategies. Focusing on this strategy, it integrated and optimized overseas resources and implemented the operation and management mode of “professional operation and regional management”.

By the end of 2013, the total foreign investment amount of COSCO Group reached USD12.054 billion accumulatively, and the total assets of outbound companies reached USD36.151 billion. In 2013, operating revenue of outbound companies reached USD25.317 billion. COSCO Group owned four listed companies in overseas countries, namely China COSCO, COSCO Pacific and COSCO International, which are listed in Hong Kong, and COSCO Investment, which was listed in Singapore. In 2013, number of shore-based staff of COSCO Group in overseas market totaled 4,738 persons, of which, the staff dispatched from domestic market accounted for over 8.8%. Most of the employees are recruited locally.

(2) Enhance strategic cooperation and elevate international competitiveness.

With the progress of economic globalization and the intensification of international competition, an enterprise shall embark on the international cooperation way and realize mutual benefits through strategic cooperation with companies of the industry as well as other enterprises in the supply chain if it wants to realize global operation. In container shipping sector, COSCO Group formed strategic alliance with K-Line, Taiwan Mingyang Shipping, Han Jin Shipping and other liner companies to lease cabins from each other and dispatch ships coordinative. These not only expanded the coverage of shipping lines and improved cabin utilization rate, but also lowered the operational costs and improved the operational efficiency of the enterprise. With respect to development of terminals in overseas countries, listed platform of COSCO Pacific had partnered with regional companies in overseas countries to attend investment and operation of terminals in overseas countries such as



America, Singapore, Italy, Belgium and Hong Kong through cooperation with overseas port enterprises and terminal operators.

(3) Global thinking and localized operation.

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

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

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

On June 1, 2010, COSCO Group took over the Piraeus Terminal successfully. Three months later, COSCO Piraeus Container Terminal Co., Ltd started to realize profits. In 2011, PCT successfully made up the defects and got surplus. In 2012, PCT set a record high with the annual throughput firstly exceeded two million TEUs and reached 2.11 million TEUs. In 2013, total throughput reached over 2.52 million TEUs, up over 20% year-on-year The container throughput set a highest historical level and broke the records for number of ships operated in the year. Construction of No. 3 terminal of PCT had started in Q4, 2011, and the entire construction project will be completed in 2015. Upon completion, the project will increase 1.1 million TEUs of annual processing ability for PCT. It is predicted that one of the berths will start production in the second half of 2013, and the throughput will be increased by 550,000 TEUs.

2. Responsible Investment and Creation of Employment Opportunities

China COSCO, as a large-sized state-owned holding enterprise, shoulders the responsibilities of enlarging the employment and keeping social stability. While ensuring harmony and stability of the enterprise, it tries to create employment opportunities for the society through responsible investment. In 2013, China COSCO created a total of 1,770 employment opportunities.

Year	2009	2010	2011	2012	2013
Number of employment opportunities created	5247	1129	844	2,012	1,770



环境绩效指标和主题报告

ENVIRONMENTAL PERFORMANCE INDICATOR AND THEME REPORT





Part II Environmental Performance Indicators and Keynote Report

I. Management Approaches

(I) Objectives and Performance

While pursuing economic benefits, COSCO Group shoulders social responsibilities and performs the environmental protection requirements in Global Compact. It has set the guidelines of environmental protection as “comprehensive management, preservation of resources, environment protection” and has committed to protecting the environment and preserving global resources, and supporting and participating in ecological protection activities as a social responsibility undertaker to initiatively improve enterprises’ environmental protection system. COSCO Group has taken the safety and the environmental protection as an important part of its commitment. In accordance with the overall requirements put forward by the government in the report of 18th National Congress of CPC on promoting ecological civilization construction in next five years, the Group strictly implemented the 12th Five-year Planning released by the Ministry of Transport, SASAC and the Ministry of Environmental Protection. 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. The Group has taken innovative technologies to protect limited resources and taken effective measures to reduce the negative influences on the environment, so as to keep the wonderful living environment of human beings.

As required by the 12th Five-year Planning for Energy Conservation and Emission Reduction of Highway, Waterway and Traffic Transportation of the Ministry of Transport requires, compared with 2005, the power consumption per unit transportation turnover volume of ships had reduced by 16% and the carbon dioxide emission per unit transportation turnover volume had reduced by 17%. In 2013, the energy consumption per unit throughput of ships operated by COSCO dropped by 25% compared with that in 2005, completing the target two years ahead.

(II) Policies and Regulations

Under the guidance of the guidelines and policies regarding energy conservation and emission reduction of the State Council and SASAC, COSCO Group has formulated and implemented the energy-conservation plans and implementation rules, and has established corresponding procedures, notices and operation rules. All the subsidiaries have introduced the ISO14001 Environmental Management Standards for establishment of the environmental management system and have passed third-party certification. In the meantime, and established their safety management systems. By carrying out corresponding management measures and solutions, COSCO Group is in compliance with all applicable environment-related international conventions, rules and Chinese laws & regulations as well as other requirements to prevent damage to the environment.

In 2013, COSCO Group constantly deepened the energy conservation and emission reduction work. It has paid close attention to energy conservation, emission reduction and environmental protection



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

(III) Organization and Responsibilities

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

(IV) Training and Communications

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

In 2013, COSCO Group paid close attention to energy conservation and emission reduction training for frontline staff. China COSCO Bulk enhanced the training on managers of ships. Chief engineer, as one of the leaders of ships, is responsible for work of engine department of ships, and plays an



important role in energy conservation and emission reduction work of ships. Related subsidiaries all take energy conservation and emission reduction as an important task for training and talk of chief engineers before working on the ships, and offered special training and guidance on daily operation management and filling of voyage report of chief and deputy chief engineers of ships. From January to December 2013, it offered training for 600 chief engineers who were working at their pots, and arranged technical service engineers of main engine manufacturers to offer trainings for chief engineers, second engineers and maintenance managers who were taking holidays at home on new diesel engine technologies, new engines, daily management, use and maintenance.

(V) Supervision and Inspection

Based on internal and external audit procedures of environmental management system, regular and annual evaluation procedures and the opinion solicitation from stakeholders, COSCO Group enhanced the supervision over the environment-related behavior and improved the deficiencies through corrective and preventative procedures, thus constantly improving the company's environment performances and building a secure and environment-friendly PDCA recycling management system. COSCO Group has established its safety supervisor system to supervise shipping companies' environmental management and ISMC operation. All shipping companies have conducted internal audits for all ships they controlled on schedule, calculated and analyzed the unqualified items found in the internal audit, found the reasons and made corrections. In addition, onsite checking is conducted for the ships arriving at overseas ports through COSCO Group's overseas ship engineering outlets, including the checking on the environmental protection efforts taken by the ships.

In 2013, COSCO Group further deepened the supervision over safety protection and environmental protection, and established the inspection working mechanism of inspection, supervision and self-inspection. All units organized safety and environmental protection supervision activities on a regular or irregular basis, and adopted the working mechanism of combining special supervision on significant issues and comprehensive supervision with specific plans. All the subsidiaries will organize at least one comprehensive supervision activity. Efforts were made to inspect illegal and non-compliant behaviors. On-site management and control of hidden worries are combined to diagnose and identify hidden worries ahead of time. The group also carried out rectification to find each hidden worry and realize systematic, standardized and scientific inspection and removal of hidden worries.

Please refer to "B Certifications of Management Systems of Related Companies" for establishment and operation situations of environmental management systems of related companies.

(VI) Stakeholders and Risk Evaluation

The Safety & Technology Supervision Department of the group is responsible for external communications and exchanges on environmental protection, including information communications and negotiations with regulatory departments, industrial organizations or institutions and other groups to promote the group's environmental protection guidelines and ideas, and accept and reply to consultation, suggestions and complaints of stakeholders. The department also identified, analyzed and evaluated risks related to energy-conservation and environmental protection, fully consider the interests and demands of stakeholders, enhanced the collaboration and cooperation, properly dealt the



interest conflicts with stakeholders and realized the sharing of opportunities and risks with stakeholders.

In 2013, COSCO Group actively responded to the Special Action Plan for Energy Conservation and Emission Reduction of 1,000 Transportation Enterprises organized by the Ministry of Transport, and steadily promoted the work by focusing on key task and grasping the key sector. The group has exerted great efforts to promote energy-conservative driving experiences, enhanced inspection on oil consumption of vehicles, strictly implemented the limits on fuel consumption of vehicles, and eliminated vehicles with high energy consumption. It greatly promoted the energy conservation of ships, reduced the energy consumption by lowering the speed, and implemented evaluation mechanism on fuel consumption of ships.

II. Performance Indicators

(I) Overview

With the continuous development of economy and society, people's environmental protection consciousness becomes stronger and stronger. While creating the atmosphere of safety production and environmental protection, establishing the concept of "safety first and harmonious development" and protecting life and property safety and environmental cleanness, the group also increased the inputs to environmental protection, actively promoted the R&D and introduction of environmental protection technologies, formulated emission reduction indicators, and assigned the indicators layer-by-layer for evaluation and appraisal at year-end. These efforts had achieved significant energy-conservation and environmental-protection effects. In 2012, COSCO Group didn't have any ship pollution accidents that may have influences on the environment and received no fines thereof.

Total Expense and Investment for Environmental Protection

Indicator/Year	2009	2010	2011	2012	2013
Total expense for environmental protection (RMB10,000)	9,255	12,562.86	10,596	6,760.44	12,892.49
Total investment for environmental protection (RMB10,000)	16,649.40	3,936.42	5,105.76	4,968.80	10,387.7

Statistics of Main Expenses for Environmental Protection

Indicator/Year	2009	2010	2011	2012	2013
Expense for waste disposal (RMB10,000)	224.45	1,568.86	615.54	942.05	908.98
Expense for environmental liability insurance (RMB10,000)	7,035.87	10,203.91	8,350.10	9,321.67	7,443.14



Expense for external environmental management service (RMB10,000)	64.12	101	63.75	72.95	130.72
Expense for personnel engaged in comprehensive environmental management activities (RMB10,000)	862.73	300.1	225.14	210.2	376.32
Waste disposal, emission disposal and remedy costs (RMB10,000)	370.9	651.22	329.78	324.26	533.472

(II) Sustainability Utilization of Energies and Resources

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

1. Sustainability Utilization of Materials

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

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

COSCO Group mainly uses steel for shipbuilding and ship-repairing businesses. All companies affiliated to COSCO Group adopted reasonable design specification, strict production procedures and construction techniques as well as material consumption calculation system to reduce losses and wastes, and improve raw material utilization. Steel utilization rate of shipbuilding and ship-repairing business remained at a relatively high level in 2013.

(2) Total Amount of Raw Materials Used

Raw Material Consumption of COSCO Group in Recent Years

Indicator/Year	2009	2010	2011	2012	2013
Steel structure engineering volume in ship repairing (ton)	212,264	161,858	93,283	74,673	25,917
Steel consumption in shipbuilding business (ton)	235,500	311,200	308,000	270,200	316,200
Steel utilization rate in shipbuilding business	92%	92.18%	90.06%	92%	92.22%
Steel consumption of COSCO Shipyard in shipbuilding business (ton)	219,433	181,649	551,887	205,600	162,553



Total raw material consumption (ton)	667,197	654,707	915,370	551,887	504,670
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Remarks:

1. The total raw material consumption includes steels used by COSCO Shipyard in shipbuilding business. The steel utilization rate in shipbuilding business of COSCO Shipyard is not calculated.
2. In recent years, production structure of COSCO Shipyard was optimized gradually, the proportion of ocean engineering was increased and the proportion of shipbuilding and ship-repairing business was reduced. These, in addition to continuous depression of shipbuilding market have resulted in sharp decrease of steel utilization volume in 2013 compared with the previous year.

(3) Refurbishing and Recycling of Spare Parts and Materials

While safeguarding operation safety of vessels and ensuring quality of spare parts, it puts forward the requirements on refurbishing and recycling of old spare parts with refurbishing value and spare parts damaged in utilization process. It has set quota for the consumption of spare parts and materials for each vessel, and conducted assessment on a regular basis. The results of the assessments are directly related to the company’s performance, so that raw materials can be conserved. Meanwhile, the group required vessels to enhance the service life of vessel auxiliary materials and binding backers, reduce the use of timber and improve replacement rate.

COSCON affiliated to COSCO Group promoted reutilization of spare parts and materials actively. By conducting refurbishment and reparation of main engine cylinder heads and exhaust valves, it had saved RMB15.8929 million of reparation fees of main engine cylinder heads and RMB14.0611 million of exhaust valve reparation fees in 2013.

(4) Paper Saving

COSCO Group has insisted on office automation and used digital management platform in document and material processing, so as to realize paperless office. Moreover, it also promoted paperless office among its subsidiaries to reduce the paper consumption as much as possible.

COSCO (H.K.) Shipping set up waste paper recycling box at all departments, requiring every staff to reduce, re-use and recycle papers voluntarily. It was required that documents that need to be printed shall be checked carefully to avoid re-printing due to errors. When ensuring the basic demands, efforts should be made to reduce the header, footer and edge distance, as well as distance between paragraphs and lines as well as font size, trying to make each paper to have more contents. Besides formal document, internal documents shall be printed on two sides. Papers which are printed in one side shall be used again.

(5) Utilization of Renewable Materials

COSCO Group has focused on resource recycling and comprehensive utilization, and appealed all its subsidiaries to enhance their efforts in energy conservation and waste recycling. All subsidiaries of COSCO Group carried out lean management project actively to reduce utilization of raw materials. By increasing the life span of supplementary materials and underlays, ships of the group had saved the timber consumption and improved the substitution rate. Management department of the company set



up quota for consumption of spare parts and materials, carried out evaluation on a regular basis and connected the evaluation results with the performance, so as to save the raw materials.

2. Energy

As a signatory of the Declaration on Climate Change, COSCO Group actively carried out and implemented the Energy Conservation Laws of the People’s Republic of China, the Decision on Enhancing Energy conservation Work of the State Council, the Detailed Rules for Traffic Industry to Implement Energy Conservation Laws, the Notice on Implementation Plans and Methods on Statistics, Supervision and Evaluation on Energy conservation and Emission Reduction approved and circulated by the State Council, the Notice on Environmental Protection of the State during 11th Five-year Period issued and printed by the State Council, and SASAC’s Notice on Energy Conservation and Emission Reduction Targets of COSCO group during the 12th Five-year Plan Period, and fulfilled the concretion and feasibility of energy conservation and emission reduction work.

Ocean shipping industry is powered by fuel, a non-renewable energy. COSCO Group owns and controls more than 700 vessels, which consumed over 4.825 million tons of fuels and 39,000 tons of lubricant oils in 2013. In order to protect the environment, save energy and reduce emissions, COSCO Group has made great efforts on fuel conservation work in recent years and has achieved significant results. Although total energy consumption volume has increased with its business growth, the specific power consumption was kept or reduced.

Total Energy Consumption of COSCO Group in Recent Years

Indicator/Year	2007	2008	2009	2010	2011	2012	2013
Total energy consumption (10,000 tons of standard coals)	628.58	660.01	672.80	688.62	753.75	779.3	707.3

(1) Direct Energy Consumption

Direct Energy Consumption of COSCO Group in Recent Years

Indicator/Year	2009	2010	2011	2012	2013
Specific fuel consumption (kg/kt sea mile)	4.39	4.12	4.07	3.96	3.84
Total fuel consumption of ships (ton)	456	460	513.6	531.1	482.5
Total gasoline consumption of vehicles (ton)	78,905	2,505	2,567	3,163	2,950
Total diesel consumption of motor diesel (ton)	19,877	8,496	8,980	16,845	16,747



(2) Measures to Reduce Direct Energy Consumption and Results

COSCO Group carried out energy conservation and emission reduction work actively. Based on development trends of energy-conservation and environmental-protection technologies of international community and domestic market, it has timely digested and absorbed advanced technologies. In 2013, it took a series of effective measures for reduction of direct energy consumption and achieved certain results:

By implementing the technical reform to plug one booster of the main engine (TC-CUT), COSCON successfully improved the working efficiency of other boosters while lowering the operating speed of main engine, so as to increase the fuel utilization efficiency of main engine and improve the low-burden operating situations of main engine. In the meantime, the scavenging pressure of main engine was greatly improved due to elevation of efficiency of booster. When the main engine is operating at low load, auxiliary blowing machine will stop operation. This reduces the load and oil consumption of auxiliary engine, and save five to seven tons each day. By the end of 2013, the technology was applied at all 38 5,100-TEU ships. All 25 leased 7,000-TEU ships also completed the technical reform except for COSCO Excellence and COSCO Fortune, which will complete the task in early next year. Since implementation of the technical reform in the middle of last year till the end of last year, the project has saved 11,000 tons of fuel.

Oil-to-electricity of tire crane. COSCO Pacific continued to promote oil-to-electricity of tire crane, implemented reform of tire crane among five controlling terminal companies, completed oil-to-electricity reform of 124 tire cranes on the basis of 140 tire cranes, increasing the proportion of electric tire crane using clean energy of COSCO Pacific's controlling terminals to 86.42%. Before completion of oil-to-electricity of tire crane, the oil consumption per TEU is 1.13L. After completion of the reform, the power consumption of per TEU is 1.77kwh. The average operating cost per TEU dropped by 79.38%, saving over RMB70 million of direct costs and reducing 13,000 tons of carbon dioxide emissions.



(a) Energy Conservation Management

To fulfill its commitment to the society in performing Global Compact, COSCO Group actively builds up an environmental and ocean protection, resource saving and environment-friendly enterprises and promotes its sustainability, so as to reduce oil consumption and emission reduction, fulfills its energy conservation and emission reduction responsibility and mobilize all its staff.

COSFREXM's management measure of "giving up steering wheel and selecting bicycle for energy conservation and





environmental protection, COSCO Shanghai’s management measure of “scientific management and reduction of oil injection rate of ALPHA”, COSCON Computing Center’s “power consumption and electricity saving of air conditions” and COSCO Tianjin International Freight’s management measure of “transforming procurement method of office equipment and reducing office cost effectively” appraised as Top 10 Energy Conservation and Emission Reduction Casts of Shanghai and Excellent Case for Energy Conservation and Emission Reduction.

(b) Fuel Consumption and Conservation

In 2013, total fuel consumption of COSCO Group reached 4.825 million tons and the per-unit fuel consumption of ships was 3.84kg/kt sea mile, down 3.03% year-on-year. Ship fuel consumption is an important energy consumption of COSCO Group. Therefore, insisting on fuel conservation of ships has significant meaning. All subsidiaries of COSCO Group have applied lean management approach to manage the fuel consumption of ships, timely calculated ship fuel consumption, and guided ships to reduce fuel consumption. It assigned specific persons in charge of fuel consumption work, and listed the fuel consumption in the performance evaluation indicators. They have formulated relatively complete management measures and developed ship fuel consumption information management platform. By analyzing fuel consumption in ship operation process with the information system, it traced and compared the fuel and lubricant oil consumptions of various ships, so as to set up the quota for fuel and lubricant consumption of ships in a scientific and reasonable manner and effective control the fuel consumption of ships. They have started from source control, targets segmentation, enhancement of maintenance, dynamic tracing, process control and key focuses to control all sectors consuming fuels through management approaches, thus fulfilling the management of energy conservation.

In 2013, all subsidiaries of COSCO Group designed and implemented slow-steaming programs, adjusted the schedule of vessels on some routes, and reduced vessel speed step by step, so as to save fuel consumption to the maximum extents. In the meantime, all companies enhanced the daily fuel management to further reduce the fuel consumption.

Fuel Consumption per 1000 Ton Sea Mile by Ship Types

Indicator/Year	2009	2010	2011	2012	2013
Container ship Kg/1000ton sea mile	8.44	7.3	7.29	6.70	6.04
Bulk ship Kg/1000ton sea mile	2.54	2.47	2.48	2.39	2.29
Oil carrier Kg/1000ton sea mile	2.11	2.07	2.15	1.96	1.78
General cargo ship Kg/1000ton sea mile	6.46	5.63	5.61	5.60	5.17

(c) Lubricant Oil Consumption and Conservation

The management of lubricant oil constituted a very important part in COSCO Group’s energy conservation and emission reduction efforts. The group enhanced regular examination of lubricating



oil on its vessels and ensured that all performance indicators meet the requirements. For cases where the indicators exceeded the standards, the reasons would be analyzed and corrective measures such as changing oil, adding new oil and enhancing separation adopted. Strictly managing the quota of lubricating oil, the group enhanced its examination on lubricating oil consumption based on the actual situation during each voyage. In 2013, COSCO Group consumed a total of 36,000 tons of lubricant oils, a reduction of 5,430 tons compared with 2012.

The cylinder oil injection rate of main engines of ships which have installed ALPHA oil injector and sliding spool-styled oil header has been reduced to 0.8k/kwh. Engines of ships can save a great deal of cylinder oil (lubricant oil) during operation at such oil injection rate. In only half a year, the combination of total oil consumption volume of entire fleet can save over RMB100 million of cost for COSCON.

In 2013, China COSCO Bulk invested over RMB21 million to install electronic cylinder oil injector for 21 ships. In addition to 26 new ships which already have the cylinder oil injectors, a total of 47 ships have been equipped with electronic cylinder oil injector, accounting for 21.8% of the total. Tests proved that the energy conservation effect reached as high as 30%. Take Panamax carrier for instance, the cylinder oil consumption volume of ships without the electronic cylinder oil injector is 260L. After installation of the electronic cylinder oil injector, the cylinder oil consumption volume can be reduced by 78L. If calculated by 280 days of navigation each year, over 21,840 liters of cylinder oil can be saved each year, saving over RMB270,000 each year if calculated by the oil price of RMB12.4/L.

Total Lubricant Oil Consumption of COSCO Group in Recent Years

Indicator/Year	2009	2010	2011	2012	2013
Total consumption of lubricant oils (ton)	44,908.4	49,571.46	47,425.47	44,482.38	39,052.38

(d) Ship Energy Conservation and Oil Saving Technologies

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

Tianjinhe Liner for daily internal trade route of COSCON is a 5,089-TEU container ship. Under the leadership of the leaders of the ship, all seafarers insisted on scientific management and lean management, focused on details and actively explored the effective measures for on-time, safety, energy conservation and emission reduction of ships with the implementation of Ship Energy Efficiency Management Plans as the focus, and in combination with practical situations of ships,



shipping lines and ports. In the first seven months of 2013, Tianjinhe Liner saved a total of 1,120 tons of fuel.

China COSCO Bulk promoted the application of hydropower energy-conservation devices actively, installed wake compensating tube on 15 ships including Zhongxinghai Liner, and installed high-efficient helm on 35 ships (of which, six are under construction), realizing energy conservation effects through technical measures.

The Ship Energy Efficiency Management Project of COSCO Dalian (sliding spool-styled oil header reform of main engines, cargo oil heating system, electronic cylinder oil injector of main engine and use of energy-conservation paint) passed the approval of the Ministry of Transport and Ministry of Finance, and received the Special Fund for Energy Conservation and Emission Reduction of Traffic and Transportation Industry in 2013.

(e) Auto Fuel Consumption and Conservation

COSCO Group has enhanced management of automobile fuel conservation, and implemented energy conservation technology reform on production automobiles of logistics system to accelerate the elimination of equipment and automobiles with high energy conservation and lagged technologies. In 2013, it mainly eliminated a batch of automobiles that exceed using time limit, have great hidden safety troubles and with high energy consumption and high pollution issues. In the meantime, it formulated fuel standards for vehicles operation and enhanced examination and awarding system.

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

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

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

All subsidiaries directly affiliated to China COSCO Bulk actively promoted the low-speed navigation of ships. Speeds and oil consumptions were determined based on ship schedules, type and navigation speed after careful research and comparable analysis. In January to December 2013, over 123,600 tons (about 176,700 tons standard coal) was saved accumulatively through low-speed navigation, and the net earnings totaled RMB52.6 million after reducing the losses of sailing schedule. In January to December, the average unit consumption of energy totaled 2.288kg/1,000 tons seamile, down 4.27% compared with 2.39kg/1,000 tons seamile in 2012.

(b) VLOC Bohai Deepwater Shipping Route Technical Guarantee Information System received the CIN Scientific and Technological Progress Award.



China COSCO Bulk continued to promote the application of VLOC Bohai Deepwater Shipping Route Technical Guarantee Information System. On Jan. 10, 2013, it conducted acceptance check of VLOC Bohai Deepwater Shipping Route Technical Guarantee Information System of Yuhuahai Liner. Yuhuahai Liner berthed with full load, and the draught for single-voyage of the liner increased by 0.8 meters and the iron ore transportation volume was increased by 14,000 tons. Over 0.4 voyage was reduced for every eight voyages, saving 2,400 tons of fuel and increasing the direct economic benefits by over USD340,000. In 2013, four ships had entered the port with full load by making use of the information system, increasing the iron ore transportation volume by 56,000 tons and the economic benefits by over USD1.36 million. In August 2013, the project passed the appraisal organized by the China Institute of Navigation successfully. The appraisal committee believed that achievements of the project have reached domestically leading level.

(c) Researches on Application of Clean Energies

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



Carrying out Penglong Liner 860 “Wind Wing Ship” Project. Based on progress of Research of Large Ocean Ship – Wind Wing Diesel Engine Hybrid Power Low-carbon Control Technology, a national 863 program, China COSCO Bulk selected Penglong Liner as the target for survey and investigation in consideration that Penglong liner has high oil consumption volume, and researched on how to reduce energy consumption of ships with wind power. No. 702 Institute of CSIC compiled a survey report of Penglong Liner, and related units are speeding up the R&D work actively.

(4) Indirect Energy Consumption

Total Electricity Consumption

Indicator/ Year	2009	2010	2011	2012	2013
Total electricity consumption (kwh)	447,710,797	515,012,175	491,218,323	519,829,499	561,447,645
Electricity consumption at offices (kwh)	27,565,904	32,169,786	27,543,604	30,077,251	32,654,881



(5) Measures and Achievements to Reduce Indirect Energy Consumption

(a) Energy Conservation in Production and Operation Process

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

COSCO Pacific promotes the replacement of existing high-voltage sodium lamp with large-power LED lighting lamps. Based on related technical parameters and inspection results of China Electric Light Source Inspection Center, it is primarily estimated that over RMB300 million of electricity cost will be reduced if LED lamps are promoted in related controlling enterprises, thus reducing the power consumption by 300 million kwh and the total carbon emission volume by 36,000 tons.

(b) Power Conservation at Offices

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

3. Water Resources

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

(1) Total Water Consumption

Table for Water Consumption of COSCO Group in Recent Years

Indicator/Year	2009	2010	2011	2012	2013
Total water consumption (m ³)	4,264,061	5,914,554	6,412,906	5,553,337	5,576,485
Sea water desalination volume (m ³)	596,674	612,569	627,642	680,384	717,879
Underground water consumption (m ³)	40,615	48,925	34,115	36,650	34,800
Consumption of water from water supply system (m ³)	4,364,604	2,537,016	4,975,407	5,039,529	4,159,776



(2) Significant Impact of Water Consumption on Water Resources

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

(3) Water Conservation Measures

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

(III) Pollution Prevention and Control

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

In 2013, COSCO Group further deepened the engine management system, strengthened management of old ships and pollution control work, exerted great efforts to promote management and technical evaluation of old ships, ensured the investment and enhanced the training to enhance the prevention control consciousness.

1. Exhaust

The international maritime community has been calling for the reduction of greenhouse effect by cutting carbon dioxide emissions. Actively responding to this initiative, COSCO Group has taken effective measures in a number of aspects to reduce carbon dioxide emissions. In 2013, it carried out promotion and emission reduction activities throughout the system and tried to reduce exhaust



emissions by reducing fuel consumption, improving fuel efficiency, increasing use of low-sulfur fuel and controlling and reducing exhaust emission of automotives.

Use of low-sulfur fuel is an effective measure to reduce emissions of sulfur oxides. Ships of COSCO Group further enhanced the convention performance strengths, and continued to use low-sulfur fuels in specific shipping areas in accordance with the requirements of MARPOL Convention Appendix VI, so as to reduce emissions. In 2013, it used a total of 312,900 tons of low-sulfur fuels, resulting in increase of fuel costs by RMB98.7 million and reduction of sulfur dioxide emissions by 17,953.8 tons.

Table for Total Gas Emissions

Indicator/year	2009	2010	2011	2012	2013
Carbon dioxide (CO ₂) (ton)	14,181,600	14,295,360	15,973,336	16,518,721	15,004,826
Nitric oxide (ton)	396,720	399,902	446,842	462,099	419,749
Sulfur oxide (ton)	273,600	275,794	308,167	270,885	246,059

Emissions per Unit Turnover Volume

Indicator/year	2009	2010	2011	2012	2013
Carbon dioxide (CO ₂) (kilogram/thousand ton per sea mile)	13.64	12.82	12.64	12.33	11.94
Nitric oxide (NO _x) (kilogram/thousand ton per sea mile)	0.38	0.36	0.35	0.34	0.33
Sulfur oxide (Sox) (kilogram/thousand ton per sea mile)	0.26	0.25	0.24	0.20	0.20

2. Sewage

COSCO Group continued to bid by the regulations as specified in IMO's MARPOL 73/78 conventions, Appendix IV "Rules on Preventing Domestic Sewage Pollution of Ships" and Appendix V "Rules on Preventing Garbage Pollution of Ships", required all ships to take the responsibilities of environmental protection and pollution reduction, operated in accordance with the regulations of the Convention and the Constitution of the company, reduced the ship oil residues, garbage and sewage of ships as much as possible and strictly followed the regulations relating to special region and oil content of the international conventions in ship discharges. With an aim to implement all tasks in practice, COSCO Group established strict and complete management system and formulated operational regulations for management activities such as oil residue disposal, shore-returning of garbage and sewage discharge. In 2013, neither oil residue pollution accidents were occurred, nor the group received any economical or non-economical penalties.

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



Subsidiaries of the group have done a good job in anti-pollution work of ships based on requirements of related ports to prevent against any pollution accidents.

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

Indicator/Year	2009	2010	2011	2012	2013
Oil residues discharged to the sea (ton)	0	0	0	0	0
Ship pollution discharge and shore-returning volume (ton)	31,578	42,325	100,966	110,825	22,131

Remarks:

Pollution discharge and shore-returning volume of ships refers to sewage and oil of ships is disposed at shore without being disposed on ships. Disposal of oil residues at shore is favorable for protection of ocean environment.

3. Waste

By strictly complying with the supplementary provisions to the MARPOL Convention, all ships operated by COSCO Group recycled and incinerated the solid wastes. The disposal rate of industrial wastes including garbage, sump oils and oil residues of ships reached 100%.

In 2013, COSCO Group continued to enhance environmental protection at the work place and recycled all the sump oil, used fluorescent tubes and batteries. It established a work account for the recycling and processing of harmful wastes, which effectively reduced and prevented environmental pollution caused by these wastes.

Waste Disposal Volume

Indicator/year	2009	2010	2011	2012	2013
Solid waste (including tarpaulin, plastics) (ton)	7,692	10,775	11,178.9	10,368.4	8,331
Disposal volume of industrial waste of ships (including garbage, sump oil, oil residue) (ton)	200,397	280,052	280,055	280,382	300,397
Total volume of waste recycled (ton)	51,279	51,309	51,719	51,046.38	72,670.3
Total volume of waste incinerated (ton)	7,802	5,978	4,870	4,674.37	8,916.03

4. Noise Control Policies, Regulations and Measures

COSCO Group conducted check and acceptance on noise control of ships built in strict accordance with the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise and in reference to the Engine Room Noise Standard of Transport Ship and the Regulation on Noise Levels of Ocean Ships. It also formulated related measures for prevention and



control of noise pollution for seafarers, which specify that seafarers, when entering a site where the noise level is higher than 90dB, should adopt ear protection measure. Any cabins where the noise level is higher than 90dB should place a visible warning plate at the entrance, indicating “Ear protectors are necessary when entering high noise area”.

(IV) Alleviation and Adaptation to Climate Changes

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

1. Greenhouse Gas Emissions

In 2013, COSCO Group actively reduced the fuel consumption, optimized the sea route design and strengthened the technical reconstruction of high-power devices to reduce greenhouse gas emission, and effectively controlled the growth rate of greenhouse gas emission of ships.

2. Carbon Footprint Calculation

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

COSCO Group started from its main business – shipping business, and adopted Life Cycle Assessment (LCA) to calculate and study the carbon emissions throughout the entire life cycle of vessel transportation. Carbon footprint (carbon consumption) was studied on three stages: ship manufacturing, vessel transportation and vessel disposal to know carbon emission volume of different sectors and periods, so as to control and reduce the carbon emissions.

3. The “Green Flag” Program

The “Green Flag” program is an environmental protection program initiated by the Port of Long Beach of the United States. The program requires ships entering and departing the port to lower its navigation speed to 12 nodes at the distance of 35 sea miles to the terminal, so as to reduce exhaust emission generated in combustion. Since the implementation of the Green Flag program, all container ships of COSCO Group arriving at the Long Beach have implemented the requirements of the port carefully, strictly controlled the entry speed, and the compliance rate reached 100%, receiving high praises from the port. COSCON received the Green Flag Award from the Port Authority of Long Beach again.



4. Participation in “At-Berth Clean fuel Program”

COSCO Group actively participated in the Green Gateway Partners Awards of Seattle Port in 2013. On the basis of “clean fuel certificate” issued by Seattle Port Authority to each ship and the receiving of “green flag” in 2011, it continued to participate in the “At-Berth Clean fuel Program”. After arrival at the port, the ship uses “clean fuel” with the sulfur content of less than 0.5% to reduce the exhaust emission of ships. With the concerted efforts of ship and shore-based personnel, all ships called at Seattle Port of the company had met the emission standards put forward by the port to realize the “Northwest America air purification strategy”.

5. Environmental Ship Index (ESI)

The Environmental Ship Index is initiated by WPCI affiliated to IAPH and is developed by IAPH. ESI is an international ship rating system based on internet. Ports can take the index as the indicator to give awards to operators who perform better than existing environmental performance standards and criteria, promoting cleanness and environmental protection of ships. ESI locks at various pollutants, including nitrogen oxide, sulfoxide and diesel granular material, and involves greenhouse gas emission issue. Release of ESI will help ships to find useful engine, fuel and technical improvement measures, so as to go beyond existing environmental performance standards.

On April 20, 2013, Rotterdam Port in the Netherlands, the largest port in Europe, released 2012 ESI, and five ships of COSCON in Europe included in the Top 10 Sustainable Ships. These five ships are COSCO Pride, COSCO Glory, COSCO Development, COSCO Excellence and COSCO Honesty liners. It is worth mentioning that COSCO Pride has distinguished itself from over 2,000 ships and ranked the first place with the total core of 51 points, and was appraised as 2012 Best Ship for Sustainability. The ship also received the tonnage tax reward of 10% discount offered by the port together with other four ships of COSCO Group.

(V) Environmental-protection, Bio-diversity and Natural Habitat Restoration

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

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

COSCO Group strictly followed the conventions and requirements of related port countries. It formulated Ship Ballast Water Management Plans for every ship, clearly defined responsibilities, formulated requirements on replacement of ballast water, recorded the ballast process and implemented whole-process supervision of ballast water, so as to fully protect marine environment and maintain biological diversity. Based on the research and development of COSCO Group Ship



Ballast Water Physical Purification Treatment Technology, COSCO Group actively minimized the negative impact of ship ballast water to marine biological diversity and promoted marine environment and marine biological diversity protection. All the vessels operated by COSCO Group also responded actively to the initiative and incorporated bio-diversity protection into their daily operations.

The Project of “Ballast Water Physical Purification Technology of Ocean Ships”, initiated by the Ministry of Transport, undertaken by COSCO Group and co-developed by the COSCO Shipbuilding Industry Company (COSIC) and Tsinghua University, is a National Science and Technology Support Project during the 11th Five-year Plan Period and the first national science and technology project undertaken by COSCO Group since its establishment. Implementation of the project will effectively elevate China’s technological and management level to prevent against transfer of exotic life-forms and pathogens, enhance the country’s contract performance ability, safeguard national image, elevate the country’s position and role in international maritime organizations, and provide technical supports for maritime authorities of China to manage ballast water, protect bio-diversity of coastal area, and prevent and control invasion of marine creatures.

(VI) Environmental Protection Products and Services

Over the years, COSCO Group has been actively fulfilling its behavior standards in environmental protection, endeavoring to become a “green service” provider. In order to improve oil quality and the burning efficiency thus reducing the environmental influences of emissions of ships’ propulsion, COSCO Group actively used the additives that have combustion-support, stabilization and energy-conservation functions on fuels.

1. Research on use of green and environment-friendly ships

In 2013, China COSCO Bulk received three 65,000-ton-class green and environment-friendly coastal ships. It also received two Panamax carriers, namely Meihuahai and Lanhuahai liners, whose main engine adopts common-rail electric engine. Use of electric engine of ships can achieve satisfactory fuel conservation effects. The biggest feature of common-rail electric technology is the electronically controlled common tail fuel injection system, which realizes the common-rail of fuel, lubricant oil and air, abolishes the traditional axle, high-voltage oil pump, discharge valve driving device, features accurate timing and insufficient fuel burning effect, and can satisfy TIRE2 emission standards and significantly reduce the visible smoke of main engines at partial load, and lower the fuel consumption greatly.

The Clean Sky LNG Double-fuel Bulk Carrier successfully developed by COSCO Shipyard at the end of 2012 attracted great attention of domestic and overseas ship-owners and equipment manufacturers. Clean Sky is world’s first KAMASARMAX bulk carrier that can adopt LNG as the fuel, and is a green and environment-friendly ship developed under the background that the global maritime circle has stricter and stricter requirements on emission of hazardous substances and ship-owners have stronger and stronger demands for energy-conservative ships. The ship driven by LNG is jointly developed by COSCO Shipyard in partnership with LR and Golden Union, and satisfies requirements of latest international rules, and reaches internationally advanced level in terms of environmental protection and economical performance of EEDI Index. Successful development of the project fills the blank of COSCO Shipyard in double fuel bulk carrier market, reaches internationally advanced level,



and effectively elevates the technical R&D ability of green ships of COSCO Shipyard. It is noted that adoption of LNG fuel can reduce carbon dioxide emission by 10% to 20%, nitrogen oxide by 90% and sulfide and granular emission by 100%. New orders for LNG ships or double-fuel ships will appear continuously. This will guide green and environment-friendly development of shipping industry.

2. Ship Retirement

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

In 2013, COSCO Group continued to implement related requirements of the Ministry of Communications to put the ships reaching the retirement age out of commission. In the meantime, ships not reaching the retirement age, but were in a poor state and were considered as not suitable to ocean shipping were also put out of commission. The retired ships of COSCO Group were sold in two ways, i.e. operational ships and waste steel ships, which were sold to shipping companies with operational qualifications and to qualified ship scrapping companies respectively, so as to avoid the environmental influences. For ships sold to qualified ship scrapping companies, COSCO Group required the scrapping companies to made commitment on the contract in terms of qualifications, establishment and operation of environment management systems and main purposes after scrapping, ensuring the scrapping of ships the premise of environmental protection and thus reducing the impacts to the environment to minimum extents.

COSCO Group insisted on implementing the laws, rules and regulations of the country on eliminating technique, equipment and products with lagged-behind technologies, and eliminated the old ships in poor conditions and high energy consumption in accordance with the Interim Management Methods on Retirement of Old Ships and Asset Disposal of COSCO Group. In January to December 2013, it eliminated a total of 56 old ships, with the total carrying capacity of 2.1947 million tons. Besides, it also strengthened the disposal of old ships as scrap ships in the ship retirement plans for 2013. A total of 55 ships were disposed as scrap ships in 2013.

Table of Retired Ships of COSCO Group in Recent Years

Indicator/year	2009	2010	2011	2012	2013
Number of retired ships	38	24	20	24	56
Tonnage of retired vessels (ton)	690,456	280,934	294,235	884,285	2,194,700

(VII) Compliance with Environmental Protection Laws and Regulations

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



China, the China Ocean Law, the Environment Protection Law of the People's Republic of China. The Group has paid close attention to collection and research of laws and regulations at home and abroad and regularly held training and symposium classes on related laws and regulations to improve employees' awareness of law compliance and prevent the law and regulation-breaching accidents. In 2013, no incident or punishment ever occurred relating to environmental protection.

(VIII) Traffic and Transportation

COSCO Group advocated “Green Trip” and strictly followed the regulations that displacement volume of newly purchased official vehicles should be 2.4L or less. COSCO Group strictly implemented the business trip approval system. It encouraged online communications between companies and departments, and held tele-video conferences as many as possible to reduce exhaust gas emissions and energy consumption of traffic tools and save travelling expenses.

Indicator/year	2009	2010	2011	2012	2013
Travelling expense saved by holding tele-video conferences (RMB10,000)	676.8	2,677.18	419.04	3,683.41	3,760.26

▲ Transportation of Dangerous Goods

In order to enhance the safety management of dangerous chemical products, prevent against any possible dangers and pollutions to human and the environment in storage and transportation process, and ensure property safety, COSCO Group formulated the Management Rules for Storage and Transport of Dangerous Chemical Products in accordance with the Production Safety Law of the People’s Republic of China and the Regulations on the Safety Administration of Dangerous Chemicals. Related shipping units, COSCO Logistics, CHIMBUSCO and related units all formulated the Regulations on Administration of Storage and Transport of Dangerous Chemicals correspondingly based on dangerous chemicals stored and transported by themselves, and organized education and training on storage and transport of related dangerous chemicals.

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.

COSCON carefully carried out the supervision on transportation of dangerous cargos of ships. Firstly, it organized COSCON 2013 Training Class on Upgraded Knowledge for Transportation of Dangerous Goods in form of video training class, and invited experts from Shanghai Maritime Administration on transportation of seven types of dangerous goods; Secondly, it released the Management



Requirements on Transportation of Dangerous Goods of COSCON on monthly basis through COSCON's online platform for management of dangerous goods to release the changes of laws, rules and regulations regarding transportation of dangerous goods collected from related parties, and put forward requirements on transportation of dangerous goods on this basis. It also increased the knowledge on transportation of dangerous goods and case analysis in the Management Requirements on Transportation of Dangerous Goods of COSCON; Fourthly, it organized COSCON's joint rehearsal of ship and shore-based units for emergency response of accidents in transportation of dangerous goods to check and evaluate the company's processes and ability to deal with emergent events.

Since early 2012, COSCO Group further deepened the survey on safety issues during transportation of nickel mines of ships and released the Regulations on Administration of Transportation Safety of Lateritic Nickel Mine, which includes strict regulations on whole process of nickel mine transportation from assignment of voyage task, preparation before loading, control of water control and cargo balance during loading of cargos, monitoring of water analysis in navigation with cargos, selection of navigation plans and reporting system. During the follow-up loading of nickel mine, it supervised each key operation of each ship and each voyage in accordance with the Regulations on Administration of Transportation Safety of Lateritic Nickel Mine, and gave warning timely to issues found. In 2013, a total of 14 voyages were completed, with the total carrying volume of 984,000 tons. No dangers or accidents had occurred.



产品责任绩效指标和主题报告

PRODUCT LIABILITY PERFORMANCE INDICATOR AND THEME REPORT





Part III Product Liability Performance Indicators and Keynote Report

I. Management Approaches

(I) Objectives and Performance

Through establishment of related mechanism and implementation measures, all shipping, logistics, terminal and shipbuilding/ship-repairing companies affiliated to COSCO Group voluntarily shoulders their due responsibilities in product life cycle and service providing process. In the product development, design, performance, implementation and follow-up service sectors, they paid close attention to safety and health of consumers and actively delivered product and service information by making use of IT technologies. They stuck to the self-disciplinary marketing strategies of "being honest to customers worldwide and establishing the credit", operated the business in accordance with laws and regulations, and established law-complying production and consumption environment together with customers. In this year, China COSCO entered into strategic partnership relationships with many Global 500 enterprises and local governments.

(II) Policies and Regulations

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

(III) Organization and Responsibilities

COSCO Group and all its subsidiaries set up the offices for sustainability committees or regulatory departments to be responsible for effective operation and control of quality, environment, occupational health and social responsibility management systems of the headquarters and its subsidiaries. The Transportation Department of COSCO Group headquarters is responsible for formulation of guidelines and policies for transportation production of COSCO Group. The Safety Technology Supervision Department is responsible for ship, crew and cargo safety in transportation process. The product and service design and development departments of the companies are responsible for collection and identification of customers' safety and health demands and product and service liability requirements. The product manufacturing and service providing departments strictly implement related regulations to ensure quality of product manufacturing and service providing



processes. The marketing departments promote the products and services honestly and faithfully under the marketing guidelines of the group, and participate in opening and fair competition of the market. The management departments are responsible for collection of customer satisfaction information, investigation and analyses on insufficiencies, formulation of corrective and preventative measures and supervision on the implementation.

(IV) Training and Communications

COSCO Group has enhanced the training and popularization of knowledge regarding product and service liability through its own portal website and other professional websites, allowing more employees to know the group's regulations on product liability and the commitment made to the society. It released information via network and commercial platform to enhance the communications with customers and consumers, share resources and know customers' demands. COSCO Group and its subsidiaries all have formulated annual training plans, set up a special budget, and organized daily trainings for employees in form of self-study class and trailing class enhance the product liability consciousness of employees and improve their skills. Contents with regarded to customer health and safety, information types and providing methods, requirements of laws and regulations, industrial regulations, customer privacy protection, and legal production and operation are taken as compulsory contents of the training.

(V) Supervision and Inspection

COSCO Group and its subsidiaries supervised and checked the product and service liability relating activities through annual internal audit, second-party supervision and audit, and third party certification and audit. Based on internal audit and management evaluation, it summarized and analyzed the implementation effectiveness of regulations related to product and service liability. It evaluated the compliance degree in performing product and service liability from the angle of customers through on-site audit of the second party. It also justly and objectively evaluated the consistency and effectiveness of the companies' efforts to perform product and service liability compared with related standards and documents through third-party certification and audit. COSCO Group headquarters and its subsidiaries established daily and annual evaluation mechanism to supervise, evaluate and check the product and service liability-related contents as specified in the operation and management liability objectives. It carried out customer satisfaction survey and information collection work through various ways to get customers' opinions and suggestions, so as to accept supervision of the customers and the public.

Please refer to “B Certifications of Management Systems of Related Companies” for establishment and operation situations 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).

(VI) Stakeholders and Risk Evaluation

COSCO Group pays close attention to management of stakeholders, and systematically identifies expectations, detailed requirements and related indicators of the stakeholders including government, investors, strategic partnerships and suppliers. It also systematically identifies and evaluates various



risks of the company including risks concerned by stakeholders with comprehensive risk management approach, and adopts control measures corresponding to risk level based on results of risk evaluation, so as to effectively avoid or reduce influences of risks.

(VII) Elevation of Marketing Management

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

(VIII) Elevation of Credit Management

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

(IX) Elevation of Suppliers and Procurement Management

COSCO Group adapts to the management requirements under new situations rapidly, transforms from traditional management method of supplier competition mechanism into the method of establishing collaborative, win-win, long-term and stably partnership with suppliers, promotes management elevation of suppliers in terms of safety production, labor relations, environmental protection, occupational healthy and anti-corruption, so as to enhance the core competitiveness of supply chain and strengthen the green procurement. It promotes enterprises in the system to establish up-to-bottom procurement and supplier management system. Through assessment, selection and management of suppliers, it achieves satisfactory results in ensure the quality, controlling the price and optimizing the service, effectively reduces the procurement costs, lowers the operating risks, and ensures stable and high-efficient operation of supply chain system of enterprises

II. Performance Indicators

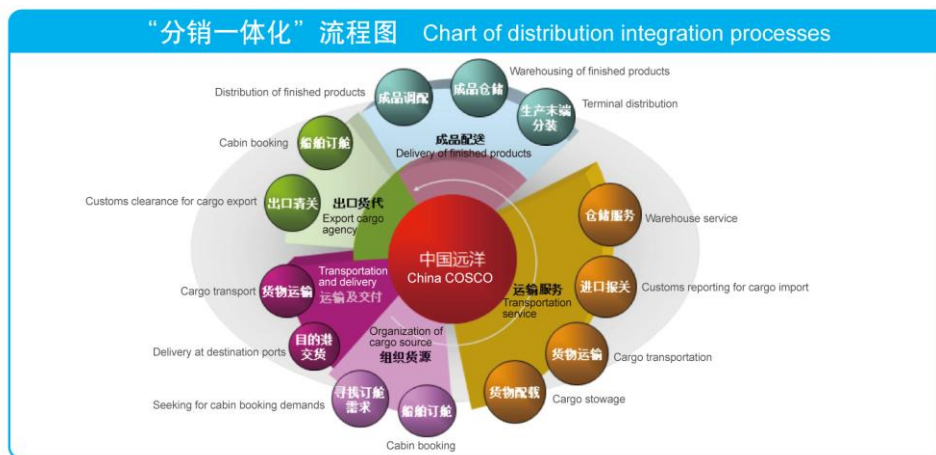
COSCO Group, as a transnational corporate group with shipping, logistics and terminal, and shipbuilding as the main business, offers container shipping, bulk and dry shipping, oil tanker shipping, logistics, terminal, container leasing, cargo agency and ship agency services for entire value



chain of shipping industry for international and domestic customers through its subsidiaries. It establishes the mechanism and implementation measures to pay attention to customers and their safety and healthy in product and service development, design, and implementation sectors as well as follow-up service sector. It delivered product and service information effectively by making use of IT technologies, insisted on the self-disciplining rules of “being honest in worldwide scope”, promoted law-compliant operation and established honest and law-compliant production and consumption environment together with the customers.

Centering on customers’ demands, COSCO Group integrates logistics services such as cargo agency, warehouse and terminal for sea, highway and air transport, and helps customers reduce the overall logistics costs while providing whole-processed logistics solution for customers and elevating the overall operating efficiency of logistics industry.

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



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

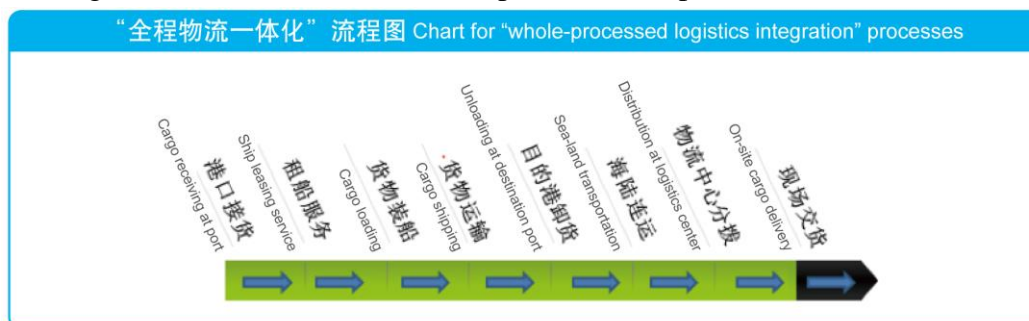
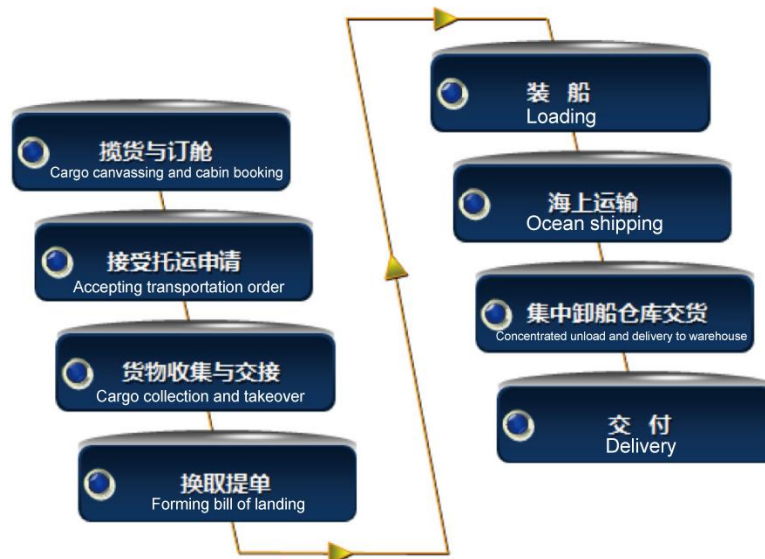




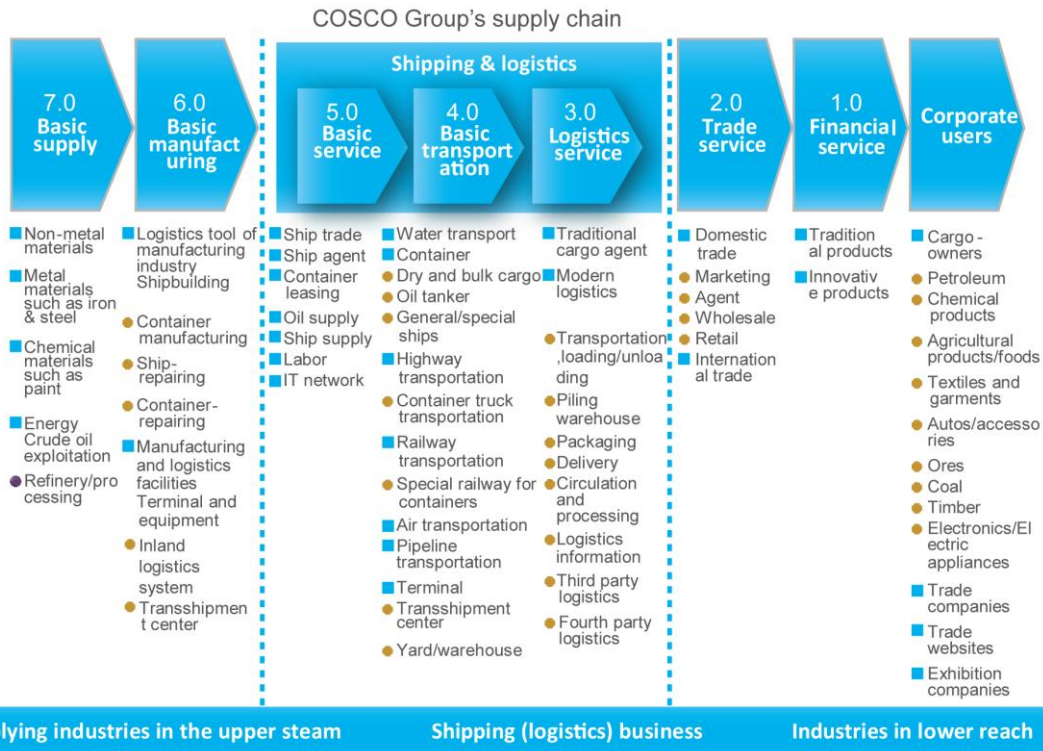
Chart for Container Transportation Processes



Chart for Bulk and General Cargo Transportation Processes



COSCO Group is the largest comprehensive shipping enterprise in China that features global business chain covering shipping, logistics & terminal, and ship industry. Currently, the group's bulk and dry fleet and container fleet ranked the first and fourth place in the world respectively.



In 2013, COSCO Group and its subsidiaries systematically classified and identified all products and services involved in its sustainability report again, and comprehensively evaluated the influences of products and services on health and safety in entire life cycle. Please see the table below for products and services provided by COSCO Group:

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



(I) Protecting Health and Safety of Customers

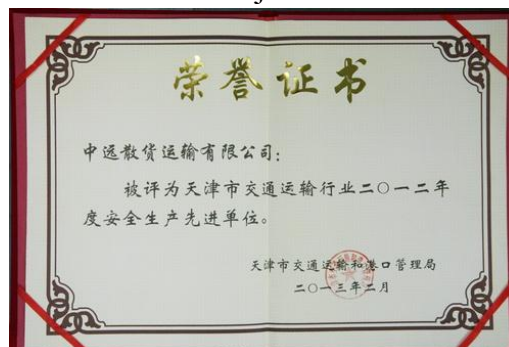
COSCO Group has paid close attention to health and safety of consumers. In all sectors of shipping, logistics and related products' life cycle, it fully evaluates and considers the matters related to customers' health and safety, performs related rules and regulations, and tried to satisfy customers' requirements and expectations. When opening new shipping lines, the regulatory departments will make an all-round understanding and evaluation on such aspects as the universe and the geography of the sea areas and ports along the routes, the technology situation of ships and local requirements of laws and regulations through collecting information or on-site investigation, thus meeting the needs of customers and related requirements for opening of the lines. Before transporting the cargos, responsible persons of the companies will check the category, nature, quantity and weight of the cargos based on practical situations of ships to ensure safe transportation of cargos. The logistics companies provide three stages of evaluation and control, i.e. cargo attribute verification, proposal design and services, ensuring customers' health and safety and fulfilling customers' logistics and transportation demands very efficiently and safely.

In 2013, China COSCO Bulk cleared the collaboration and cooperation mechanism of deck cargo transportation process in response to the issues such as non-standard distribution of securing point and welding, and unqualified bundling technique during loading of deck cargos and heavy cargos. It formulated the Interim Management Methods for Transportation of Deck Cargos of China COSCO Bulk in reference to related domestic and international conventions and regulations, playing an important role in ensuring personnel, ship and cargo safety during deck cargo transportation process.

During the appraisal of Safe and Honest Ships and Safe and Honest Captains organized by the Maritime Safety Administration of China, COSCO Bulk and COSCO Qingdao awarded the honorable title of 2012 Safe and Honest Company. Four captains including Chen Youtai of COSCO Qingdao appraised as 2013 Safe and Honest Captain.

In 2013, COSCO Bulk received the honorable title of 2012 Advanced Unit for Safety Production in Tianjin's Traffic and Transportation Industry, becoming one of the ten units in Tianjin that received such honor. The company insists on the guidelines of "safety first, prevention crucial and comprehensive management" and the "safe development concept", implemented safety responsibilities, strengthened safety management, deepened the special rectification for hidden risk investigation and safety production, keeping stability of safety production situations and achieving significant results.

In 2013, COSCO Group received no complaints or fines with regard to influences of its products and services on health and safety.





(II) Product and Service Quality

1. Product and service innovation and guarantee mechanism

COSCO Group has been dedicated to all-directional innovation and improvement of products and services to satisfy the ever-changing demands of customers. By conducting cautious market survey, it brought into fully play the advantages of core technical talents, offered safe and reliable organization and system guarantees, strictly controlled the development and improvement process of products and services, and ensured efficiency and quality. In 2013, all companies in the system took various measures actively to promote product and service innovation, launched many high-quality products and services in shipping line design and ship-building sectors, gaining good responses from the market.

On Feb. 28, NACKS made breakthrough on VLOC building technologies again after the 10,000 TEU container ship, and delivered China's first and most-advanced 13,386-TEU container ship, marking that NACKS has realizes series development of products in VLOC sector and has taken a lead in Chinese shipbuilding industry.



In 2013, China's first animal transportation ship "Galloway Express" and "Ganado Express" liners were completed and delivered to the ship-owner successfully. The liners designed and built by COSCO Shipyard Guangdong with independent intellectual property right not only filled the blank of domestic animal transportation ship building technologies, but also marked that new breakthrough of COSCO Shipyard in building of special ships, expanding business scope of the company.



COSCO Xiamen brought its geographic advantage to Taiwan and developed the cross-strait three links business actively. On Sept. 30, 2013, it opened Xiamen-Kaohsiung Offshore Regular Passenger Transport Shipping Route, the first regular passenger transport shipping route that connects Kaohsiung and mainland China, after the opening of Xiamen-Jinmen Passenger Transport Shipping Route and Xiamen-Taiwan Passenger & Cargo Direct Shipping Route. Opening of the shipping route opens a new channel for comprehensive transportation and logistics services to Taiwan.

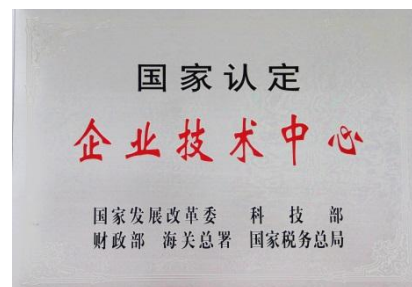
2. R&D Input for Environment-friendly Products and Equipment and Achievements

COSCO Group pays close attention to R&D and investment for environment-friendly products, technologies and equipment, carries out R&D on ship technologies, auxiliary equipment and information system focusing on the main business, and realizes the mutual-benefits of economic, social and environmental-protection benefits.



By the end of 2013, the national patents gained by COSCO Group include: single-wire, peel-grab, remote control hydraulic grab, a simulation diesel engine, special rack for container shipping vehicle, automatic detecting device for heating of oil tankers and cargo carriers, an intelligent communications control system of ocean ships, remote control system for navigation status of ocean ships, urgent separation valve of low-temperature fluid loading arm, low-temperature fluid loading arm, a multi-functional hanging bar. The Group also gained PC software copyrights.

China COSCO Bulk actively promoted the implementation of Ship Energy Efficiency Management Plans. Direct subsidiaries of the group actively promoted the energy efficiency management certification, inspection of ship energy efficiency management plans, and energy efficiency statistics and analysis work with CCS in accordance with the Cooperation Agreement on Management of Energy Efficiency of Ships signed by China COSCO Bulk and CCS and in combination with the practical situations. It also cooperated with CCS on development of real-time monitoring system for ship energy-efficiency management data, so as to elevate the accuracy and timeliness of energy efficiency management data of ships.



In 2013, COSCO Shipyard accelerated the R&D of 13 special technologies and products including green ship, special ship and ocean engineering oil/gas facility, completed the design and R&D of LNG double-fuel bulk carrier and MPV products, as well as optimization of 35k BC design and 5100-TEU bulb blow, promoting high-efficient production with optimized design. In November, COSCO Shipyard Dalian was approved as the “China Certified Enterprise Technical Center”.

3. Considering product safety factor in design product

COSCO Group continuously enhanced the safety management of service process to ensure controllability of its product safety. Since 2013, the group focused on grassroots and basic work, carried out three action plans, namely safety production publicity and education, supervision and inspection, management of hidden risks in an in-depth manner, strengthened the building of safety production system & mechanism, safety production capacity and safety management team, and effectively control the safety accidents, with national laws, regulations and directives of the superiors as the guidance, with effective protection of crucial and important accidents and control common accidents as the target, and with safety production, protection of pirate hijacking and group death and injury as the focus.

In order to prevent and control the pirate attack tasks in navigation process, COSCO Group further enhanced R&D and manufacturing of anti-pirate equipment. In accordance with the basic functions of “elusive and useful, safety defense, existence of seafarers and communications and liaison”, it established “safe cabin” for all its ships to ensure safety of seafarers under extreme conditions that pirates board on the ships compulsively. In the meantime, it further increased inputs to equipment and replenish anti-pirate instruments, timely built up wired fencing, sword fencing, and equip bulletproof vest, helmet and shield and titanium thunder to elevate the anti-pirate measures and ability of seafarers.



4. Product quality management and high-quality service

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

In 2013, many companies including COSCO Bulk, COSCO Qingdao and COSCO Dalian passed the formal examination of the Safety Committee of the Ministry of Transportation and the quality certification company of CCS, and were certified as Class 1 Qualified Enterprises for Safety Production Standardization, marking that production sectors of related companies comply with requirements of safety production laws, rules and regulations, standards and criteria. Of which, COSCO Dalian appraised as one of the Class 1 Qualified Enterprise for standardization certified by the Safety Committee of the Ministry of Transport.

In 2013, CHIMBUSCO carried out the QC team activity themed on “introducing the model, promoting the work steadily and making exploration and innovation”, combined the activity with other activities such as excellent pursuing, customer service year, management elevation and reasonable suggestion collection, and achieved good results. In 2013, nine achievements of CHIMBUSCO's system achieved the Excellent QC Team Achievements for Traffic and Transportation Industry.



On Nov. 20-22, the 10th China International Logistics Festival organized by the China Communications and Transportation Association was held in Haikou. In the appraisal of 2013 China Logistics Industry Award, COSCO Logistics received the 2013 Top 100 Chinese Logistics Enterprises for Brand Value and 2013 Top 10 Chinese Logistics Enterprises, and general manager of the company was appraised as 2013 Character of the Year for Chinese Logistics Industry.

5. Recycling of product packaging

COSCO Group abided by the concepts of “recycling economy” and “green packaging”, strictly implemented the national rules and regulations such as the Management Methods for Recycling and Reutilization of Packaging and Methods to Promote Recycling Economy, and paid special attention to recycling and re-utilization of packaging when providing transportation services for customers. COSCON carried out transportation service with container, provided dunnage materials to ensure perfectness of goods, formulated strict recycling and disposal system, and ensued 100% recycling of packaging and utilization of wastes.



(III) Honest Marketing and Promotional Activities

Upholding the marketing strategies of “Honesty and Sincerity-oriented Business Operation”, COSCO Group has insisted on winning market shares and customers with high quality, brand and reputation in promotional and marketing processes. The company firstly believes that legal promotion and honest marketing are core competitiveness of its development. Related companies established an information release responsibility mechanism to examine all promotional materials and information publicized or unveiled. The anti-monopoly laws of all trading countries were observed to protect the rights and interests of the goods owners and interest parties. By signing long-term strategic agreements with partners, it established mutually beneficial relations with a number of competitive partners and realized win-win through fair competition and healthy cooperation. When dealing with its relations with the investors and partners, COSCO Group was always standing by and sharing honors with them in an honest manner; when dealing with its relations with the rivals, on the other hand, it emphasized both competition and coordination.

1. Concepts and System Guarantees for Honest Operation

In the face of business opportunities and market competition, COSCO Group upheld the scientific outlook on development, actively fulfilled its social responsibilities and strived for the goals of achieving sound and rapid development and sustainability. Companies affiliated to the group made customer services their top priority, return to shareholders their ultimate goal, and stuck to the corporate principles of practicality, innovation and persistence and the managerial and operational ideas of honesty and devotion in an effort to create customers’ values, protect customers’ benefits and realize a reciprocal, win-win corporate value. The Group upholds the principle of being safe, rapid, economical and thoughtful. Base in China, it provides services across the world and gained considerable recognition and praise from the general public.

2. Honest marketing and promotion

Upholding the marketing strategies of “Honesty and Sincerity-oriented Business Operation”, COSCO Group has insisted on winning market shares and customers with high quality, brand and reputation in promotional and marketing processes.

In 2013, China COSCO Bulk deepened the reform, and provided one-stop service with a focus on value marketing. In response to market features and transportation demands of different cargo types, it innovated on marketing concepts, adopted the team marketing mode, established special teams for four cargo types and five project customization teams with deputy general managers in charge of operation as the team leaders, mobilized internal resources effectively to customized personalized and professional transportation solutions for customers, and elevated the service quality.

COSCON Quanzhou carried out “gold-digging” marketing, innovated on marketing mode and organized on-board interaction activities for customers. On April 26, Quanzhou Branch of COSCO Xiamen organized H.DAYA China to step on Donghe Liner berthed at Quanzhou Pacific Terminal and attend interaction activities with the seafarers. With this method, it wanted to enable customers to have deeper understanding on COSCO Group, and lay a solid foundation for deepening of cooperation.



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

Subsidiaries of COSCO Group pays close attention to construction of customer relations management system. They have formulated related systems and customer management processes, enhance works as customer demands investigation, service improvement, perfection of communications channels, disposal of complains and suggestions, and visit of customers. These efforts aim to satisfy and surpass the customers' existing and potential demands, and ensure the timely disposal of customers' suggestions and complaints on quality, environment and occupational health management.

On June 1, 2013, COSCON made the commitment of "Five Standards for Service Elevation of COSCON" in worldwide scope, aiming to elevate the service quality in a comprehensive manner and enhance the comprehensive competitiveness. The Five Commitments include cabin confirmation within 2 hours on working day, ensuring container usage within 48 hours after effective printing of equipment handover bill, issuance of formal bill of landing within one working day after cargo loading, providing invoice within one working day after cargo loading, and solving dispute on invoice within five working days and disposal of commercial disputes with clear facts within seven working days. In the meantime, it also elevated the differentiated services by customer groups through prior and reasonable configurations of internal resources.

In 2013, COSCON carried out a customer satisfaction survey. It hired third party evaluation institution to conduct satisfaction index survey among hundreds of customers nationwide with different carrying volume, so as to collect and analyze customer satisfaction situation in a comprehensive manner, formulate corrective measures with respect to effective opinions or suggestions offered by the customers, and made improvements timely.

Customer satisfaction index of COSCON

Evaluation items	Survey results					Comprehensive scores (2013)	Comprehensive scores (2012)
	Very satisfied (%)	Satisfied (%)	Common (%)	Dissatisfied (%)	Very dissatisfied (%)		
Coverage of shipping line	25.22	60.04	10.87	0.73	0	82.66	80.59
Ship schedule frequency	24.35	63.19	12.03	0.29	0	82.35	81.03
On-time ratio of ships	26.81	58.12	14.35	0.43	0	82.33	80.97
Supplying of ship cabin	25.65	56.67	15.94	1.45	0.14	81.28	81.07
Delivery time of shipping route	24.64	56.96	17.25	0.72	0.14	81.11	75.57
Cabin-booking smooth degree and feedback speed	34.49	55.07	9.71	0.58	0.14	84.64	84.91



Voluntary warning on errors/omissions of information of bills by service personnel	34.35	50.43	14.06	1.16	0	83.59	83.55
Timeliness and accuracy of issuance of bill of lading	36.09	53.62	9.13	0.87	0.14	84.97	87.45
Effective solution during cabin-packing	24.64	51.30	20.72	3.04	0.14	79.48	79.59
Cargo arrival notice and cargo placement operation	26.23	57.97	13.19	1.30	0.43	81.85	81.26
Customs declaration and inspection declaration services	28.84	54.06	11.45	0.58	0	83.42	77.07
Timeliness and accuracy of transshipment information	20.29	52.32	22.17	2.46	0.29	78.43	75.70
Cabin guarantee rate of transshipment process	19.86	52.61	22.03	3.04	0.14	78.22	75.83
Timeliness of transshipment process	20.00	49.28	25.51	2.61	0	77.80	----
Emergency response of special circumstance during transshipment	21.45	53.77	19.71	1.74	0.29	79.46	76.18
Timeliness of transshipment service	19.42	55.22	20.72	1.45	0	79.13	74.65



Transshipment and delivery time of transshipment service	21.30	53.77	20	1.59	0.29	79.43	75.34
Coverage of transshipment service	20.50	57.68	18.12	0.58	0.14	80.16	76.48
Overall satisfaction of COSCON's extension service	22.90	59.86	14.49	0.29	0	81.61	77.70
Container dynamic tracing service	30.14	57.97	11.01	0.58	0.29	83.42	82.59
Free staking and use of containers	22.75	43.48	27.68	5.80	0.29	76.52	75.76
Empty container supplying ability	29.57	56.09	12.75	1.30	0.14	82.76	82.45
Reasonability for arrangement of container picking and returning sites	24.78	57.54	15.36	1.88	0	81.14	85.77
Credit period and credit amount	26.96	54.78	15.50	2.17	0.28	81.26	88.80
Overall freight level	14.20	47.68	34.06	2.75	0.43	74.62	73.91
Stability of overall freight rate policies	17.68	47.97	25.51	3.19	0.58	76.64	73.54
Timeliness for update of freight rate information	20.00	48.84	21.30	4.06	0.58	77.65	75.00

(V) Information Disclosure and Contract Performance

COSCO Group has been dedicated to provide high-quality shipping and logistics services for global customers. By carrying out lean management, conducting supervision and control strictly and



controlling the cargo transport quality, it had ensured that its customers can access to information of selected products and services in a timely, accurately and effectively manner, so as to make decisions under information transparency and symmetry conditions.

(1) Comprehensive information release

Subsidiaries of COSCO Group, through tax, e-commerce platform, newspaper and magazine as well as related management channels, released the information such as voyage, shipping line, dynamic status of ships, technologies of ship, freight rate and cabin booking, unveiled information of schedule, shipping line, arrival and departure time, freight rate and cabin to cargo owners or the public. Based on analysis on customers' demands, the logistics companies timely and effectively released the information such as schedule, freight rate, logistics route, piling ground information and quality guarantee to the customers via website, magazine, telephone, email or fax.

(2) Fair practices of the contract

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

In 2013, COSCO Group and its subsidiaries strictly performed the contracts, so as to improve the contract performance quality and elevate customer satisfaction.

(VI) Customer Information Protection and Respecting Customers' Privacy

COSCO Group established necessary system and mechanism to protect customers' privacy. It formulated information security management procedures in accordance with ISO17799/27001 information security management system standards. It also signed confidentiality agreements with employees, requiring employees to properly manage the information of customers and all related parties and respect their privacies. The company insisted on respecting privacy of the employees, and insists on not disclosing personal information of the employees such as wages and salaries, performance evaluation and physical examination. By signing confidential agreements with customers, subsidiaries of the group promise to keep the customer information, contract contents and articles and freight as confidential, thus trying to protect piracy of customers. When it is necessary for customers to provide information, the company will explain the reasons and the purpose of the information.

In 2013, the group enhanced the confidentiality work and was involved in no confidential information disclosure events of its customers and stakeholders.

(VII) Sustainable Consumption

In order to realize sustainable development, COSCO Group has exerted great efforts to reduce and eliminate unsustainable production and consumption mode. With respect to sustainable internal



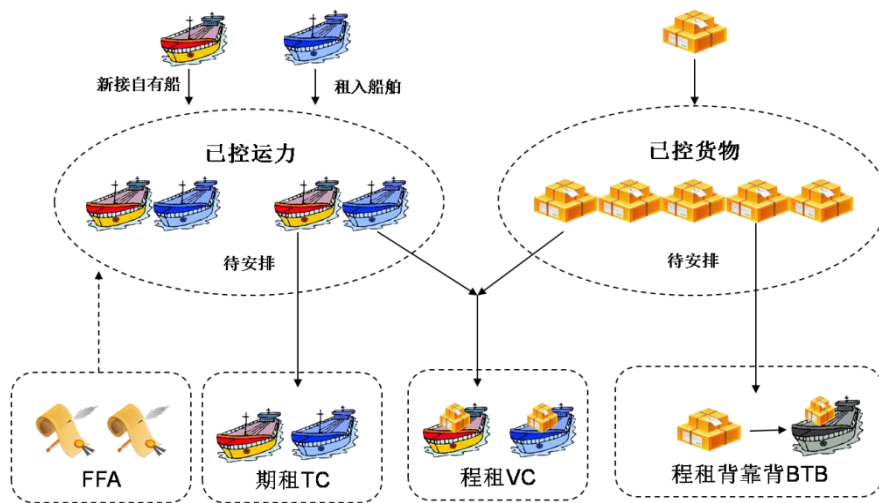
consumption, it pays special attention to resource sustainability in procurement process, builds and re-constructs ships in accordance with energy-efficiency standards and copes with high fuel prices and low-carbon performance. With respect to sustainable consumption of external products, it pays attention to sustainability in providing products and investment, including development of innovative business mode, encouragement of long-term investment and consideration of social and environmental responsibilities. By establishing the concept of sustainable consumption within COSCO Group, the group can drive related production and supplying enterprises of parts and components to implement the sustainable development requirements, reduce environmental influences in production process, lower resource consumption and promote sustainable development of the economy and the society.

(VIII) Access of Basic Services

Besides national responsibility and guarantee, COSCO Group has been dedicated to satisfying customers' basic demands and their rights to access to basic public service facilities. It provides services covering entire value chain of shipping industry, such as container shipping, dry and bulk shipping, logistics, terminal and container leasing services. The group has successfully passed the certification of quality, environment and occupational health and safety management system.

COSCON establishes an information system with special characteristics of COSCON that covers main businesses comprehensive, and involves many layers such as operation, management and decision-making. By the end of 2013, the number of registered users of the system had exceeded 29,000 persons, and the annual visit volume had exceeded eight million times. Besides introducing the situation of the company and releasing important information, the system can provide all-directional online services covering all sectors of container shipping business for customers, such as ship code inquiry, ship schedule inquiry, freight inquiry, cargo tracing, online cabin-booking, electronic container stuffing, online entrustment, remote billing and printing, customs reply information inquiry, customized tables and email notice.

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



(IX) Consumer education and Consciousness Strengthening

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



On the afternoon of May 14, China COSCO Bulk held a symposium on how to promote three-party cooperation, realize advantage supplementation and enhance business exchanged with Bohai Steel Group and Tianjin and Tewoo Group, two largest materials import enterprises in Tianjin. China COSCO Bulk gave detailed introductions to setting and advantageous characteristics of related shipping lines, had in-depth understanding on customers’ demands and tried to create high-

quality services for customers.

On Sept. 12-13, CHIMBUSCO held the 2013 Symposium on Bonded Oil Business of Domestic Ship-owners in Sichuan. A total of 12 domestic ship-owner customers including COSCON, COSCO Bulk, China Shipping Container, China Shipping Bulk, Sinotrans-CSC and SITC attended the symposium. The symposium, which mainly targeted at customers in domestic container, fishing and engineering vehicle industries, featured high professional degree and further enhanced the exchanges with ship-owner customers.



On Dec. 11 to Dec. 12, 2013, COSCO N America held the 2013 communication fairs for customers in Northwest America in Seattle and Los Angeles respectively. A total of 70 key customers in the region, such as Expedito Intl, Anderson Hay Mattel, James Farrel and Tirec dispatched representatives to attend the event. Potential customers in key development sectors such as reefer container and timber also attended the event. At the event, the company introduced the arrangement of shipping routes in



2014, knew the business expansion directions of customers in the next year, and made preparation for optimization of container shipping routes and acceleration of exploration of new emerging markets in 2014. Customers said that they are satisfying with COSCO Group's services in 2013 and hoped to further deepen the cooperation with COSCO Group.

(X) Law Compliance

COSCO Group has insisted on relevant laws and regulations in business operation, operate honestly and trustfully and protect the legal interests of customers and consumers. COSCO Group strives to provide customers with safer, more convenient and more effective high-quality services, which has earned the company a good reputation in the industry. The group established law information platform to track related laws and regulations in a dynamic manner and analyze the applicability, and helped customers to know requirements of related laws and regulations on implementation of related products and services. Subsidiaries of the group set up legal affair management department and system regulatory department to evaluate the law-compliance of products and services and specify related requirements in laws, regulations and industrial specifications to be followed by related products and services. They also implement compulsory rules and regulations strictly, inspected insufficiencies, and took improvement measures to ensure law-compliant of its production and operation, product and service realization process as well as marketing and promotional activities. All listed companies invite external legal firms to evaluate compliance and legality of their production and operation activities in accordance with arrangement of the board of directors, and invite renowned audit companies to conduct audits on the company. They clearly specify requirements of laws, regulations and industrial specifications on production, operation, products and services of the company, submit the compliance and legality situations of the company based on standard evaluation system for review by the Board of Directions, and make improvements on any insufficiencies.

In 2013, COSCO Group received no fines due to violation of related laws and regulations in terms of product and service liability.

(XI) Procurement, Supplier and Supply Chain Management

COSCO Group and its subsidiaries establish complete procurement and supplier management system, including well-arranged organization system, rules and regulations and rating system, so as to gain best supplying resources in a safe, economical and timely manner and satisfy the procurement and supplier management requirements under modern supply chain environment.

Since 2012, COSCO Group brought the procurement and supplier management work into special elevation working plans in accordance with SASAC's requirements on establishment of "concentrated, high-efficient and transparent procurement management system". It deepened and completed the elevation of supplier and procurement management in 2013 and promoted supply chain management. It determined the direction of "step-by-step implementation, specification of key projects, expansion of concentrate scope and standardization of concentrated management", stably promoted the elevation of supplier management of related second-tier units, achieved good results and provided effective supports for benefit creation and innovation of enterprises.



1. Supplier management organization system

COSCO Group establishes cautious and complete organization system for supplier management which was charged by top executives of the company. It set up the leading group for supplier management which is comprised of responsible persons of related departments and centers, and is responsible for guidance and decision-making of procurement, business outsourcing and supplier management work of COSCO Group. The leading group has supplier management office under its affiliation, which sets up the special post for supplier manager to be responsible for procurement, business outsourcing and supplier management. Related second-tier units and important third-tier units establish the leading body and working body for supplier management to perform duties for procurement and supplier management.

2. Procurement and supplier management and control system

In order to promote effective management and control of procurement and suppliers, COSCO Group establishes up-bottom procurement management and control system, completed the compilation of procurement, business outsourcing and supplier management systems of COSCO Group, which include a first-tier management system, seven second-tier management methods, 10 first-class three-layered management regulations for centralized procurement and corresponding four-layered management rules. The system documents specify the selection methods, authorization standards, approval procedures, appraisal of suppliers, supervision and inspection in procurement, business outsourcing and supplier management work. In the meantime, it also compiled the Rules for Procurement, Business Outsourcing and Supplier Management of COSCO Group and the Operating Guidance on Centralized Procurement to guide the practical work. Related second-tier units also completed the establishment of supplier management system, compiled the first-tier and second-tier management system documents and promoted the compilation of third- and four-tier system documents orderly.

3. Centralized and electronic procurement

COSCO Group tries to promote centralization and electronization of procurement. At the end of 2012, it took 10 types of projects with great influence on cost and expense such as ship fuel, ship-used lubricant oil, ship parts and components, ship-buying and shipbuilding as the first batch of first-tier centralized procurement projects based on practical situations of its business, and established the database for first-tier suppliers of centralized procurement projects in a scientific manner. At the end of 2013, the second batch of centralized procurement projects of the Group was launched, covering five categories including ship reparation and fuel for land-based power equipment. The company also developed first-tier centralized procurement and supplier electronic management platform to realize whole-processed supervision and supplier management on first-tier centralized procurement process by making use of modern management information system.

In 2013, total procurement amount of COSCO Group reached RMB23,458.2672 million, of which, the total amount of centralized procurement reached RMB17027.1818 million, and the procurement centralization degree reached as high as 72.6%. Through centralized procurement, it saved RMB321.7751 million of costs, and the centralized procurement work achieved primary results.



4. Procurement supervision mechanism

COSCO Group pays close attention to process control, and offers direction guarantee for elevation of procurement management. In system design and system implementation, it emphasizes on process supervision. Supervision departments of all levels of enterprises participated in the work sufficiently and conducted supervision effectively. Monthly reporting system for procurement work was established to report the work progresses on regular basis and correct the issues timely. Special inspection on procurement work was carried out. In the middle of April 2013, the group organized 12 key enterprises and one centralized procurement platform to conduct special inspection on procurement, with 155 issues found. The rectification plans were implemented step by step.

5. Green procurement

COSCO Group fully recognizes the role of green procurement for sustainable development of the enterprise and gives full consideration to support environmental protection in procurement process. It purchases energy conservative and emission reduction products and insists on establishing mutual-beneficiary supplying agreement with the suppliers to enhance value creation ability of subsidiaries of COSCO Group.

In 2013, COSCO Group organized its subsidiaries to conduct special inspection on procurement and supplier management, and hold “face-to-face” reporting fair. It required related units to implement green procurement plans to introduce the importance of selecting green products to suppliers and to give prior consideration to environment-friendly, energy-conservative and emission reduction products in procurement process. Related units conducted in-depth rectification on issues found in the inspection. In the meantime, it further improved and established domestic and overseas fuel supplier database to trace the fuel costs of COSCON and China COSCO Bulk in a comprehensive and timely manner, and implement the whole-processed supervision and control.



劳工实践绩效指标和主题报告

LABOR RELATION PERFORMANCE INDICATOR AND THEME REPORT





Part IV Labor Relation Performance and Keynote Report

I. Management Approaches

(I) Objectives and Performance

COSCO Group insisted on the principle of “people-orientation”. With the target of providing decent work and fair development environment for employees, elevating their occupational healthy level and establishing a harmonious labor relation, COSCO Group insists on the scientific outlook of development, starts from its sustainability strategies to innovate operational ideas, improve its management, optimize the structure and establish a harmonious enterprise, so as to establish teams of entrepreneurs, technical talents, operational and management talents, and seafarers that are adaptable to requirements of its development strategies. The group actively promotes the diversified management to actively absorb, integrate, encourage and use excellent talents worldwide. It actively promotes its globalized operation and management to propel the overall development of human resources, deepens employee quality project, establishes diversified talent competition mechanism and builds up a platform for employees to showcase their talents and abilities. It exerts great efforts to implement the strategy of “empowering enterprise with talents” to realized the harmonization and unification of employee growth and enterprise development.

Long-term target: Continuously improve overall quality of employees, establish professional teams that are suitable to requirements of strategic development of COSCO Group, and create harmonious labor relations. Insist on scientific development and human-orientation, fulfill the strategic targets of “zero accidents, zero injuries and zero pollution” and ensure occupational health and safety of employees;

Annual target: Enhance safety consciousness of all staff and effectively reduce human injuries. Prohibit severe injury and death accidents, avoid serious accidents, effectively control common accidents and small accidents and reduce the death toll of employees to below 0.1‰.

(II) Policies and Regulations

COSCO Group has improved the systems such as the Human Resources Management Procedures, the Safety Risk Management Procedures, the Employees’ Manual, the Management Methods of Seafarers On-board and the Management Methods of Seafarers at Bases in accordance with requirements of relevant international and national laws, regulations, conventions and decrees. These systems stipulate the policies regarding staff recruitment, management and employment, occupational health, labor safety and welfares, and provide policy foundation and system guarantees for construction of “harmonious COSCO”. Trade union of the group has improved its Articles of Associations, performed its obligations for collective bargaining and democratic negotiation, and communicated and exchanged with management team of the company on behalf of the employees. Organizations such as the female workers’ committee were established to protect legal rights and interests of female workers and ensure their physical and psychological health. The group has stuck to the strategy of “developing enterprises by talents”, deepened the reform on modern personnel systems, established the human resources management system, and enhanced the transparency and democracy for selection and



appointment of cadres. It implemented the public disclosure system in appointment of cadres and adopted competition-for-post method on a just and fair basis to enhance employees' enthusiasm, voluntariness and creativity. The COSCO Group Seafarer Information System (CSIS) was established to standardize the recruitment, employment, evaluation, training and management of seafarers, making sure that it has a seafarers' team with sufficient members, reasonable structure and excellent quality. The group also established and implemented the occupational health & safety management system based on OHSAS18000 occupational health & safety management standards and ISM regulations, formulated procedures, notices and operational regulations for occupational health & safety management, and enhanced the management of working safety and occupational health.

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

(III) Organization and Responsibilities

COSCO Group and its subsidiaries establish a number of functional departments such as the Human Resources Department, Trade union, the Safety Management Committee and Safety Supervision Department. The Human Resources Department is responsible for staff recruitment, daily evaluation, training & education, promotion and salaries and wages. The Trade union is responsible for coordination and signing of collective contracts and protection of rights and interests of staff, including supervision performance of the contract articles by the company, protecting proper rights and interests of female employees and other employees. The Safety Supervision Department is responsible for comprehensive safety management work, including safety and occupational health management of production sites, production processes and production personnel.

(IV) Training and Communications

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



of personnel at all levels. COSCO Group and its subsidiaries have established diversified and effective communication mechanism between employees and top executives, such as workers congress, general manager’s mailbox, letters and visits, democratic meeting for opinions collection and irregular symposiums.

(V) Career Development of Employees

COSCO Group has attached great importance to career development of employees and coordinative planned the career development demands of employees and its development planning. By establishing fair, transparent and just talent selection mechanism, providing diversified cultivation channels and establish talent selection mechanism focusing on educational background and practical working ability, it establishes an evaluation system with working performance as the evaluation standards and encouraged employees to improve their comprehensive ability. It makes full, reasonable and effective use of internal human resources and balances the human demands of enterprise and career development demands of employees. It deepens the human resources development and management, and develops talent team to the maximum extents. It also plans career development of employees to promote the joint progress of employees and enterprise.

(VI) Supervision and Inspection

COSCO Group supervised and inspected the occupational health and safety production work of its subsidiaries as well as the establishment and implementation of related rules and regulations through quarterly inspection on management system, internal audit and management and evaluation. In respect to problems found, it analyzed the reasons, formulated corrective measures, and made self-adjustment and self-improvement to ensure the implementation of all regulations. Based on the activity of “creating four bests leadership team”, it supervised and promoted the cultivation of leadership at all levels. Through such means as “making public the affairs of factories and enterprises” and the “workers’ congress”, COSCO Group accepted the supervision of the public and the employees on its fulfillment of related regulations, evaluated and reviewed the key and important affairs of the company and the production and operation status that are related to the fundamental interests of employees, and evaluated and commented on matters such as employees welfare, occupational health, labor contract and safety product. COSCO Group established the safety supervisor system to supervise the occupational health and safety management as well as the operation of management systems of companies at all levels, while guiding and carrying out the measures and proposals for labor protection and production safety. The group’s subsidiaries gradually established related systems and passed certifications of related organizations. Please refer to B. Certifications of Management Systems of Related Companies for details.

(VII) Stakeholders and Risk Evaluation

Sticking to the strategies of “people-orientation and strengthening the enterprise by talents”, COSCO Group attached great importance to influences of the staff on its development, emphasized that the staff is an important part of interest of the enterprise, and regarded all its staff as one of the important stakeholders. It undertook the legal liabilities to the staff actively, created working environment and conditions suitable for work, paid close attention to interest of the staff, and ensured rights and interests of the staff, such as rest, labor safety and healthy guarantee, social guarantee, and salaries and



treatment. The group established a multi-layered and multi-formed dialogue mechanism with its staff, which avoids conflicts of labor relations through effective communications, bargaining and negotiations and realizes joint and harmonious development of the enterprise and the staff.

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

II. Performance Indicators

(I) Staff Employment

COSCO Group promotes diversification of staff and implements “global thinking and local operation”. It spares no efforts to attract, retain, award and use excellent talents worldwide and actively fulfills its global operation and development. COSCO Group has always adhered to the idea of people-oriented and staff caring during its development process. The company has fully mobilized and tapped the potentials of its employees, stimulated their enthusiasm and arisen its staffs the sense of belonging, thus achieving common growth of the company and the staff.

1. Personnel Structure

Indicator/year	2009	2010	2011	2012	2013
Total number of staff	71,584	71,105	72,897	74,909	74,312
Number of land-based staff in China	44,036	44,642	47,069	48,065	47,797
Number of staff working abroad	407	405	418	423	419
Number of foreign staff	4,207	4,023	4,173	4,329	4,319
Proportion of foreign staff	5.88%	5.66%	5.72%	5.78%	5.81%
Number of land-based foreign female staff	1,658	1,686	1,736	1,834	1,856
Proportion of land-based foreign female staff	39.41%	41.91%	41.60%	42.37%	42.97%
All-staff labor productivity (RMB)	152,579	395,500	153,374	173,000	210,600



2. Employee Turnover

COSCO Group has been committed to creating good working environment for employees, encouraging their enthusiasm, and improving the mechanism of retaining talents with good welfares, passions and development opportunities, so as to increase employees' satisfaction and loyalty, and achieved good results. In 2013, five staff had resigned from the company and the employee turnover rate was 1.62%.

3. Insurance and Welfares for the Staff

COSCO Group establishes various social insurances including pension, medical care, work-related injury safety, maternity and unemployment insurances, as well as housing accumulation fund for all staff, with insurance participation rate reached 100%. It joins the social insurance of Beijing's social insurance institutes regardless of units and regions to ensure the legal rights and interests of employees. COSCO Group also establishes complementary medical care issuance and traffic accidental insurance for all its employees. It formulated the Interim Management Methods of Enterprise Annuity in accordance with related national rules and regulations, and promoted the annuity work within the group.

4. Vacation System

COSCO Group offers paid vacation, maternity leave and family leave in accordance with the rules and regulations of the country to alleviate their working pressure and enhance cohesion of the enterprise.

Table of vacations offered by COSCO Group

Indicators	Number of days
Marriage leave	3 days
Marriage leave (late marriage)	Additional 7 days
Maternity leave	90 days
Maternity leave (late childbirth)	Additional 30 days
Maternity leave (multiple gestation)	Additional 15 days for every extra child given
Paternity leave	15 days
Funeral leave	3 days
Home leave to see couples	30 days/year
Home leave to see parents (unmarried)	20 days/year
Home leave to see parents (married)	20 days/four years



Paid annual leave (employees working at the company for less than 10 years continuously)	5 working days per year
Paid annual leave (employees working at the company for more than 10 days but less than 20 years continuously)	10 working days per year
Paid annual leave (employees working at the company for more than 20 years continuously)	15 working days per year

Trade unions at all levels organize recreational activities for employees in different times and batches each year. These recreational activities enhance employees' physical quality, alleviate their working pressure, promote the unity and friendship of employees, create a harmonious and relaxing atmosphere, allow employees to feel the warmth of working in COSCO Group and to love COSCO Group, and enhance the cohesion of the enterprise.

5. Selection and Appointment of Cadres

COSCO Group has established selection, appoint and management principles and procedures of cadres in accordance with the modern enterprise system requirements. Through a series of cadre adjustment and exchange activities, and in accordance with the standards of truth-seeking, being objective and comprehensive, it has promoted the distinguishing of excellent talents from many aspects such as ideological quality, working performance, team coordination and working style and image. Thus, it has made the age structure, professional background and experiences of the management team of related units more reasonable. In 2013, number of cadres who attended the position competition reached 657 persons, and notice on appointment was made for all of them.

In order to introduce competition mechanism and select talents in a transparent, fair and just manner, the party committee center group of COSCO Shipyard expanded the studying activity and continued to build up high-end studying platform in 2013, and invited Prof. Li Zhongjie, deputy director of the Party History Research Office of CPC Central Committee, Prof. Zhao Xiangjiang, the Research Institute for Party Building of the Organization Department of CPC Central Committee, Wang Yongsheng, director of the Labor Relations Department of the Ministry of Human Resources and Social Guarantee, to deliver special lectures. It also invited Xu Xiulong and Zong Jiangang, ocean engineering experts of COSCO Shipyard, to deliver a lecture on ocean engineering knowledge. In the meantime, it also innovated on studying carrier continuously with the new media. COSCO Shipyard also cooperated with Times Guanghua Education and Training Company to establish an online studying platform – COSCO Shipyard Internet College and Internet Party School, providing an online studying platform for candidates of talent pool for top executives and middle-class management as activists of party application and probationary party members, and a fair competition platform for talents and cadres.



6. Seafarer Management

Statistics for Number of Seafarers of COSCO Group

Indicator/Year	2009	2010	2011	2012	2013
Self-owned seafarers	22, 943	22,035	21,237	22,092	21,777
Cooperative seafarers	12, 408	12,288	12,183	12,893	12,877

COSCO Group sets protecting employees' life and health as its fundamental objective, organically combines the staffing and training of the crew, and continuously enhances crew employees' basic knowledge and skills and their adaptation to emergencies and changes so as to meet new situation. Proceeding from the overall improvement of crew quality, we endeavors to strengthen the weak links of comprehensive quality of the crew and train a host of maritime professionals with strong theoretical insights and professional qualities. Shipping companies of the group actively promoted informationization construction in management of seafarers. The successful implementation of CSIS and its promotion at COSCO Bulk, COSCO Qingdao and COSCO (H.K.) Shipping further enhanced the information-sharing in seafarers' management, effectively improved the technological content of seafarers' management and elevated the working efficiency and effects.

In 2013, COSCO Shipping completed the convention performance work of 98 ships, gained the Maritime Labor Certificate, compiled the Guidance of COSCO Shipping to Perform 2006 Maritime Labor Convention, introduced contents of the Convention with ship's training team as the center, and promoted seafarers to perform the Convention. With the COSCO Shipping's Training Framework for Advanced Seafarers and COSCO Shipping's Model for Career Development System of Advanced Seafarers as the guidance, and with the seafarer training and guidance center as the platform, it focused on on-board training, training before promotion and training before dispatch, centralized advantageous resources, and constructed and completed the five-in-one "Vocational Training System for Seafarers of COSCO Shipping". It firstly put forward the management ideas for long-term cultivation and track of excellent talents of ships, formed uniform "interface" for talent selection of shore-based units, formulated talent cultivation standards, methods, processes and management responsibilities, improved the career development and planning work of seafarers, and reflected the company's concept of "retaining talents with business".

7. Management of Migrant Workers

Number of Contracted Migrant Workers Used by COSCO Group

Indicator/Year	2009	2010	2011	2012	2013
Number of migrant workers	44,697	42,514	34,937	32,493	24,488

In order to protect the practical rights and interests of migrant workers, it signs standard labor contracts with migrant workers, protecting legal rights and interest of migrant workers in terms of system. In order to improve the professional quality of migrant workers and enhance their awareness



of safe production, COSCO Group always attached importance to the training of migrant workers, continued to set safe development as the basic measure for sustainable, rapid development of the company. The group offers pre-job safety skills training to all migrant workers and develops scientific, realistic safety education and training measures and systems for them to obey and implement them in targeted manner. COSCO Group cares for and cultivates migrant works, takes active and effective measures to standardize management of migrant workers, and does a better job in building of migrant worker team, so as to effectively elevate its core competitiveness and promotes the stability and harmony of migrant worker team.

COSCO Group has focused on system and mechanism building to ensure legal rights and interests of migrant workers, and established enterprise management participation migrant to ensure democratic rights of migrant works. It also established democratic supervision mechanism among migrant works to supervise and evaluate management of construction projects and enable the migrant works to enjoy the evaluation and supervision rights granted by the laws. The group established safety management mechanism, insisted on people-orientation and humanistic cares, enhanced the safety management of migrant workers from maintenance, education, management and system-building to protect life safety of migrant workers. It established the life-related service mechanism to ensure basic life of migrant workers. Upholding the spirits of “being COSCO members when joining COSCO Group” and “taking migrant workers as sisters and brothers”, the group kicked off many projects regarding life of migrant workers to solve the living, waiting, eating and traffic issues of over 40,000 migrant workers. It also constructed 11 libraries, three staff activity centers and over 100 cultural and sports venues to enrich cultural and entertainment life of migrant workers.

In June 2013, the concept for “party building work of migrant workers” of COSCO Shipyard awarded as Best Case of the Nation for Innovation on Grassroots Party Building Work. After two years of case collection and expert’s appraisal, the 2nd Appraisal of Best Case of the Nation for Innovation on Grassroots Party Building Work jointly organized by China Pudong Cadres Institute, People.com • CPC News, China Organization and Human Resources Press and Shanghai Organization and Human Resources Press, appraised 30 best cases and 70 excellent cases. The Case of “Establishing Enterprise-based Concept and Solving Party Building Difficulty of Migrant Workers” reported by the Party Committee of COSCO Shipyard distinguished itself from more than 2,000 cases and received the Best Case. Ma Zhihong, Party Committee Secretary of COSCO Shipyard, was invited to attend the event and receive the award as the representative of award-winning unit for “Best Case”.



(II) Employment and Labor Relations

1. Working mechanism of the trade union

All levels of trade unions under COSCO Group performed their obligations of protecting legal rights and interests of the staff in accordance with laws by focusing on the strategic objectives and central tasks for reform and development of the enterprise, coordinated the labor relations, fully mobilized the



activeness and creativity of the staff, and promoted development of a harmonious and healthy enterprise. With organizational building as the basis and the system building as the center, the trade unions have enhanced its own construction, elevated its cohesion and influences, and tried to construct themselves into trustful staff's homes with comprehensive organizational structure, effective right protection mechanism, active working mechanism and significant functions.

Indicator/year	2009	2010	2011	2012	2013
Proportion of staff joining the trade unions (%)	99.72	99.84	99.73	99.86	99.88
Number of second-tier trade unions under the trade union of COSCO	15	15	16	14	14
Coverage rate of collective contracts (%)	100	100	100	100	100
Coverage rate of labor contracts (%)	100	100	100	100	100
Number of labor protection supervisors and inspectors (persons)	2,037	1,251	1,401	1,237	1,536
Number of information personnel of trade unions (persons)	826	333	689	264	189
Number of information released by information personnel of trade unions*	1,480 期	2,693 期	1,453 期	195 期	133 期
Time limit for pre-announcement of key events*	14-30 天	14-30 天	14-30 天	14-30 天	14-30 天
Pre-announcement rate of key events (%)	100	100	100	100	100

Remarks:

1. The time-limit for pre-informing of key events of listed companies shall follow the regulations of the Company Law, the Securities Law and Information Disclosure Management Methods of Listed Companies.
2. Since 2008, the information collector of the trade union adopted statistics of information data by periods.
3. In 2011, the trade union of China Ocean Shipping Tally Company was listed as second-tier trade union of the group for management. As a result, the number of second-tier trade unions of COSCO Group was increased to 16.



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

2. Signing of Labor Contract

COSCO Group and all its subsidiary companies strictly implement the Labor Contract Law of the People's Republic of China, and sign labor contracts such as fixed term labor contracts, non-fixed-term labor contracts and migrant worker labor contracts with their employees in accordance with related rules and regulations, building up harmonious and stable labor relations. The coverage of labor contracts reached 100%.

3. Communication Mechanism between Staff and the Management Team

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

On Oct. 15, 2013, COSCO Dalian held the 2013 Q3 Work Report Meeting for Three Chiefs of Ship. At the event, five "chiefs" of ships who were on holidays as well as director of the Diagnosis Department of Human Resources Department made work reports on safety management, cost reduction and benefit increase work of ships, the activity of "apprentice guiding" activity, building of management team of ships and party building work, ship repairation and maintenance work, and the diagnosis department, analyzed the issues exist, and put forward opinions and suggestions on enhance management elevation of the company. Management team of the company fully confirmed the frontier work of ships, fed back and analyzed the work, and offered opinions and suggestions. Both sides reached in-depth communications on key working focuses.

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

COSCO Group continuously innovated on forms of openness of factory affairs in accordance with requirements of the country, and developed a number of forms such as openness of company affairs, online columns for openness of factory affairs, dialogue mechanism between leaders and the staff, workers' meetings, and theme briefing conferences. The mechanism for openness of company affairs continued to improve, and the work was regularized and standardized. A prior-notification system for major events was established to report major events in advance, and the prior-notification rate of major events reached 100%. The system played an important role in creating an open, transparent and fair corporate environment, in mobilizing the employees, and in stabilizing the teams and making scientific decisions.

The Party Committee of COSCO Shipyard started from practical situations, paid attention to comment of the public in the activity to pursue for excellent, and emphasized on "five integrations": Firstly,



integrating with the overall target of “pushing scientific development, promoting social harmony, serving for people’s life and enhancing grassroots organizations”, and making the public comment activity to become a touchstone and focus of concrete activities; Secondly, integrating with the work to promote openness of party and enterprise affairs and further increasing the effects of “opening the door” public comment activity; Thirdly, integrating with “three meetings and one class”, namely workers congress, league congress and democratic life meeting and various exchange activities, and concentrating and enhancing the effects of public comment work; Fourthly, integrating with practices of grassroots party organizations and party members to fulfill their commitments, and elevating the pertinence and accuracy of public comment work through measurement of detailed standards; Fifthly, integrating the activity to “serve for the people and pursue for excellence in terms of customer service” and checking the performance of comment window service units.

5. Solicitation of Reasonable Suggestions

COSCO Group’s Trade union and the subsidiary trade unions collected reasonable suggestions extensively from the ordinary employees through Workers’ Congress, work meeting, e-mail and other communications channels. Feedbacks were given to individuals when their proposals were adopted, and individuals offering excellent suggestions were awarded.

In face of severe market situations and heavy production and operation tasks in 2013, the Trade union of China COSCO Bulk organized a series of activities themed on “Going all out to ensure safety, lean management and cost control” with a focus on safety production and benefit creation. It carried out three themed activities for different levels at organs, ships and grassroots units, and mobilized the staff to devote to safety production, cost reduction and benefit increase activities. It also carried out the safety product, cost reduction and benefit increase competition themed on “doing small things into excellent ones, and focusing on small things to reduce the costs and increase the benefits”, the special rationalization suggestion activity themed on “inspecting potential safety risks, waste loopholes, management defects and operation risks”, the labor protection supervision and inspection activity themed on “ensuring safety from small things”, and the activity of “offering suggestions to cost reduction and benefit increase and ensuring safety” with Ankang Cup as the carrier among ships, governmental organs and shore-based grassroots. With a focus on “Safety Production Month” and the “Management Elevation” activities, it also organized the awarded activity to solicit for reasonable suggestions on “inspecting management defects, operating risks and potential safety risks”.

Collection and adoption of reasonable suggestions		
Year	Number of suggestions collected	Number of suggestions adopted
2009	6,819	2,745
2010	2,895	1,423
2011	3,483	1,139
2012	9,883	1,993
2013	8,467	2,557



All levels of cadres and employees of China COSCO Bulk voluntarily enhanced the cost consciousness, established the ideologies of having urgent days, focused on key sectors and processes, and achieved satisfactory results. The Trade Union of China COSCO Bulk appraised and awarded the “sparing no efforts to ensure safety and controlling costs through lean management” series of activities. One grassroots unit and two project teams were appraised as Special Contribution Award, 16 ships received Excellent Ship Award, and seven grassroots units and departments received the Excellent Grassroots Unit Award. A total of 2,751 pieces of reasonable suggestions were collected, increasing the revenue by RMB27 million and saving the expenditure by RMB128 million. The Youth League Committee exerted great efforts to carry out innovation and benefit-creation activity, applied for 19 projects, and realized the revenue increase and expenditure reduction amount of RMB24.24 million.

DACKS carried out the activity to collection reasonable suggestions for energy conservation and environmental protection. Related staffs started from the grassroots things, explored the potentials for energy conservation and emission reduction, offered 129 pieces of suggestions on cost reduction and benefit increase of enterprises, reflecting the dedication spirits of the staff.

6. Staff Satisfaction

In order to have a comprehensive understanding on ideological trends of employees of COSCO Group headquarters, collect employees’ suggestions on corporate management, enhance the recognition of employees on the enterprise, improve cohesion of employees, further elevate the management level of COSCO Group headquarters and promote the mutual growth of the enterprise and the employees, the Human Resources Department organized a staff satisfaction survey among employees at COSCO Group headquarters.

The employee satisfaction survey took the form of secret questionnaire, and was conducted on six aspects, namely basic working conditions, working post, work development, salaries and welfares, staff training and corporate concept.

In order to have a comprehensive understanding on opinions and suggestions of staff on all management sectors of the enterprise, improve working environment, and elevate the cohesive force of the company, COSCO Shipping organized shore-based staff to attend Staff Satisfaction Questionnaire activity in November to December 2013. The questionnaire covers salaries and welfare, work duties, daily management, working environment and career development of the staff. Survey results show that more than 87% staff have clear understandings on the duties of their posts, 72% believed that the company has basic welfare projects, but needs further improvement, while 80% staff support the link of part of the wages and salaries with overall performance of the company.

7. Prior Notification System before Cadre Appointment

COSCO Group put into practice the prior notification system before cadre appointment. Prior notification is made for appointment of staff who are going to be promoted to the level above vice manager in headquarter or the leadership of subordinate unit. The content include name, sex, date of birth, place of origin, academic degree, the political affiliation, CV, current position and promotion positions. Generally all the information is to be posted in public for 7 days. It is often published



through the OA system or in paper and at same time with telephone and email open for receiving public opinions. Public opinions are to be recorded, handled, carefully verified and kept confidential. The system of public scrutiny before cadre appointment effectively ensures employee's the right to know, participate, to choose and to supervise the cadre selection and appointment.

In 2013, COSCO Group should make prior notification on appointment of 657 cadres. The actual number of cadres subject to prior notification was 657 and the prior-notification rate reached 100%.

(III) Safety and Occupational Health

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

1. Safety Production and Occupational Health Management Mechanism

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

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

COSCO Group has set up its Safety Technical Supervision Department, all subsidiary units have set up Safety Management Functional Department. Responsibilities included charging of safety production works; in charge of marine monitoring, maintenance management, ship resistance, marine and land emergency response, labor safety, traffic safety management, safety production inspection, risk assessment, safety health and environment management works guidance, as well as guiding the environmental-protection and energy consumption works in accordance with the implementation of international conce3ntions, national legislation and industry requirements. Safety Production Office worked under the leadership of Safety Production Commission.

COSCO Group has set up its ship safety supervision mechanism at domestic ports so as to conduct safety inspections and guidance for arrival ships. This measure has strengthened the effective control



of safety management of COSCO Group. COSCO Group and all its subsidiary units have all established emergency response and disposal leading group and working group in charge of supervising, coordinating, guiding and dealing with the emergent incidents and accidents occurred on ships and on shore.

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

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

2. Planning and Deployment of Safety and Occupational Health Work

COSCO Group has attached great importance to safety and occupational health work. In order to implement the spirits conveyed at the COSCO Group 2013 Working Conference on Safety Work, further deploy the key safety work in 2013 and promote safety culture building of the company, COSCO Group held the Promotion Fair for Implementation of Spirits Conveyed at the Safety Working Conference Held in Early This Year and Safety Culture Building in Putian City, Fujian Province on Feb. 22, putting concrete requirements on doing a better job in key safety work of COSCO Group in 2013 and promotion of safety culture building. It required related units to insist on the principles of “creating culture based on safety and promoting safety behaviors with culture”, led safety production with safety culture, constantly elevated the safety culture in safety production, built up a safety shield with culture, so as to ensure and promote safety production and harmonious development of COSCO Group’s system.

3. Overview of Safety and Occupational Health Work

In 2013, COSCO Group actively implemented and acted in the scientific outlook of development, and focused on the overall target of safety production to seize the key tasks, solve the difficult tasks and create highlights. It carried out many safety culture activities to expand and deepen the 24-word safety concept of COSCO Group, ceaselessly organized safety inspection and “illiteracy elimination” activity to effective control the potential risks, innovated on safety management methods and established a number of systems such as safety education training system, ship safety status inspection system, concentrated reporting system of leaders in charge of safety and safety responsibility investigation system. With these efforts, it achieved outstanding results in safety production and occupational health and safety, and keep the stability and favorable trend of safety situation.

Statistics and report of all types of accidents:



In 2013, 78 work-related injury cases were taken place in COSCO Group, resulting in death of three persons, loss of one person, slight injuries of 78 persons, and no persons have heavy injuries. Compared with 2011, the total number of accidents had increased by one, the number of persons with heavy injuries had increased by two and the death toll had increased by one.

Statistical Table of Labor Safety Accidents of COSCO Group					
Items/Year	2009	2010	2011	2012	2013
Number of human injuries	91	96	53	77	78
Work-related death toll	3	0	2	4	3
Death rate for safety accidents per 1,000 persons	0.04	0	0.029	0.051	0.040
Number of persons with work-related injuries	92	96	52	78	78
Loss of working time	22,433	21,683	18,269	12,526	20,015
Lost Time Injury ‰	1.51	1.49	1.23	0.84	1.37
Loss of working time caused by accidents	179,464	173,464	146,152	116,859	160,120

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 2013, altogether three marine accidents occurred, including one common accidents, two minor accidents, no fatal accident nor engine accident. There is also no pollution accident.

Statistics of maritime accidents of COSCO Group					
Year	Crucial	Serious	Common	Small	Total
2009	1	0	3	3	7
2010	0	0	0	7	7
2011	1	0	0	6	7
2012	0	1	1	10	12
2013	0	0	1	2	3

Remarks:

1) Since 2012, levels of the accidents were determined in accordance with the national standards.



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

4. Implementation of Safety and Occupational Health Work

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

In 2013, COSCO Group enhanced the safety education and training work and launched the construction of “safety education training system”. Related units exerted great efforts to promote the safety education and training work in accordance with the requirements of the COSCO Group Outlines on Safety Education & Training, and the number of participants, number of trainings and coverage of the training had increased by more than 30% year-on-year.

The safety development strategies of COSCO Group in 2013 are: forming the good situation of all-nation mobilization with “double wheel linkage of safety culture system and safety management system and all-staff action” as the core contents, and promoting enhancement of safety awareness of the staff; promoting elevation of safety skills of the software; promoting continuous safety behaviors of staff. The Group insists on taking concept innovation, scientific planning, responsibility system and all-staff training as the priority, and try to gain the initiative for safety development of the enterprise in the future. It determined the system framework in accordance with the requirements of establish safety concept system, summarized and cleared existing concepts, and categorized the concepts. It focused on grassroots and mobilized the public to make pertinent supplementation and improvement to the safety concept system, and refereed to safety management concepts of other enterprises to promote concept innovation, promote systematic and normal development of training, elevate the pertinence and effectiveness of training, and realized all-staff coverage, rich contents and various forms. It put forward clear requirements to all levels of responsible persons of the enterprises, ships and teams, requiring them to take safety training of enterprise and the team as important working contents. Stricter examination and evaluation system was established for all trainings to ensure continuous and stable safety situations of COSCO Group.

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

COSCO Group enhanced the main responsibilities of second-tier units in safety management, compiled the COSCO Group Safety Production Liability Investigation Methods in accordance with related laws and regulations such as the Safety Production Law of the People’s Republic of China. The Methods specify the safety-related duties of all levels of leaders including general manager of COSCO Group. In accordance with regulations of the Methods, COSCO Group carried out talks on safety production with units such as COSCON, and made punishment on related units and persons in 2013.



The second-tier units assigned and implemented the safety production responsibilities to each sector and each post in accordance with the spirits of COSCO Group, and further the safety responsibility system of “reaching the border horizontally and the bottom line horizontally”. It also enhanced the sense of obligation of each post to undertake related safety responsibilities, and formed the safety management framework that the “technical department ensures safety, production department implements safety and supervision department supervises the safety”.

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

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

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

In 2013, COSCO Group took the grassroots and basic work as the important measure for safety management. By revising, improving and enhancing the safety supervision mechanism and ship supervisor system, it enhanced the safety inspection and safety assessment on grassroots units and ships through various forms and means. It paid close attention to implementation of various preventative measures, so as to keep the good safety production order of grassroots units and establish the defense line for prevention of various safety accidents.

On Feb. 1, 2013, the two-month special regulation activity for navigation safety and the 2013 1st safety supervision were launched officially. Related units strengthened the inspection of potential risks to ensure navigation safety. All levels of leaders and all staff of COSCO Group continuously enhanced the safety production responsibility with a focus on the overall objectives for safety development, took the measures of safety production inspection and management appraisal, seized the opportunities of special actions of “year for special regulation on safety production”, “special regulation on navigation safety”, “attack of illegal and non-compliant behaviors”, “safety production month” and “100-day safety inspection”, continuously carried out and deepened the meaning of 24-word safety concepts by carrying out rich and colorful “corporate safety culture” activity, constantly improved and perfected the safety education and training system and dynamic inspection system on ship safety, so as to effectively control the key potential risks and keep the overall stability of safety situations of the group.



In 2013, COSCO Shipping actively promoted the activity of “asking for benefits from safety”, assigned the safety inspection indicators of the group to each unit based on practical situations of the company, formulated and issued the inspection methods and organized many safety supervision. Since the end of June till the end of October, the company organized five-month safety inspection, and achieved active results. It also established the long-term mechanism and formulated the Notice of Safety Inspection based on the practical situations of the inspection to enhance the inspection results. Since November 2013, the company conducted evaluation on safety production situations of related units, and make inspection on related units based on safety accidents occurred in combination with the evaluation.

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

Shipping safety is the top priority for safety management of COSCO Group. Related shipping units followed the uniform deployment of the group, draw lessons from the “March 6” and “Feb. 22” collision accidents, took the “rectification of driving style and correction of non-standard behaviors” as the breakthrough point, and did a better job in shipping safety work.

Anti-typhoon work was one of the key tasks in 2013. Leaders of COSCO Group paid close attention to anti-typhoon work, visited the safety supervision department to listen to the reports on situations of typhoon, and communicated with leaders of companies affected by the typhoon to give important directives. Related companies made responses actively, provided necessary shore-based supports for ships, and traced and managed the implementation of anti-typhoon work, ensuring the anti-typhoon successful rate of 100% in 2013.

(6) Doing a better job in monitoring of system operation and improving operation quality.

Since the implementation of the International Management Code for the Safe Operation of Ships and for Pollution Prevention, shipping units of COSCO Group formulated anti-pollution targets and guidelines, established, implemented and maintained safety management system complying with the Code. They paid close attention to management of inspections by Port State and Flag State, conducted in-depth inspection on ships and systems, ensured normal working conditions of ships through scientific input, ensured safety operation of ships, enhanced the system maintenance, hidden worry inspection and removal work, continuously improved the human factors and inspection-acceptance skills, propelled ships to implement the responsibility system, tried to pass the inspection of Port State smoothly, and avoided detention in PSC inspections of ships to the maximum extent. In 2013, COSCO Group accepted 1,074 times of inspects by port countries, with three ships detained and the detention rate of 0.23%. The number of ships passing PSC inspection without deficiencies reached 834, and the pass ratio without deficiencies reached 77.65%.

Statistics of Retentions during Inspection of Port Countries

Year	Number of ships inspected	Number of ships in retention	Retention rate	Number of ships passing the inspection without defects	Non-defect passing rate
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2009	798	3	0.37%	557	69.8%
2010	875	4	0.4%	638	72.91%
2011	757	4	0.52%	543	71.73%
2012	1,047	5	0.48%	784	74.88%
2013	1,074	3	0.23%	834	77.65%

5. Employee's Health and Disease Prevention

COSCO Group is a transnational enterprise with international shipping, logistics, terminals and ship repairing as its main business. It is also a high-risk industry attracted high great attention of the national safety production. In production and business operation, there are sudden infectious diseases, unknown diseases, major food and occupational poisoning and other serious events which may cause serious harm to the health of employees, hence serious business losses and significant adverse impact on environment and society. In order to effectively prevent, control and eliminate public health emergencies and its harm and impacts, guide and standardize various public health emergencies, minimize the health impact of public health emergencies on employees and public, ensure physical and mental health of staffs and public, COSCO Group formulated the Special Plan for Public Health Emergencies in accordance with the People's Republic of China Unexpected Emergencies Law, People's Republic of China Infectious Disease Law, People's Republic of China Food Sanitation Law, People's Republic of China Occupational Disease Prevention Law, People's Republic of China Frontier Health and Quarantine Law, Public Health Emergency Bill and Domestic Transportation Health and Quarantine Regulation. All shipping companies have set up specialized medical institutions providing medical assistance and services for ships and seafarers. The medical institutions were in charge of guiding ship medical equipment and medicine management, setting medicine and drug procurement, equipment, supply and distribution as well as in charge of health care management, epidemic prevention, infectious disease control and statistics reporting works of company's ships and land units.

COSCO Group has allocated special funds to organize regular physical examinations for the staff and thus gradually established health records for them. It also organized special physical examinations for female workers based on their physiological features. The physical examination rates and health record establishment rates of staff of COSCO Group and its subsidiaries all reached 100%.

In order to enhance the healthcare awareness of employees, elevate their living standards and physical quality, China COSCO Bulk held a healthcare and bodybuilding lecture on Nov. 4, 2013. At the event, experts were given to lectures on importance of healthcare to each staff and leader by combining the theories and cases, how to integrate the healthcare concepts into daily work, and pay equal attention to healthcare and work.





COSCO Xiamen paid attention to healthcare and disease protection of employees, insisted on people-orientation and humanistic care, tried to improve health situations of the staff and elevate the health level, improved and optimized the experience of staff, opened the “green medical service channel”, provided medical and healthcare services and consultation for employees suffering of diseases, offered medical and healthcare knowledge and information to the employees, and recommended healthcare knowledge and materials to them.

6. Ship Security and Contract Performance

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

In 2013, COSCO Group continued to enhance the monitoring and guidance on ships’ performance of ISPS. It paid close attentions to ISPS inspection situations of ports in different countries, collected information, researched their inspection approaches, features, rules and specific requirements, and guided the ships to do a better job in accepting the inspection. Ships of COSCO Group received ISPS checks for 972 times, with the passing rate reached 100%. Since COSCO Group ships docked at various countries with different customs and conditions, seafarers are required to strictly follow ISPS rules, conscientiously study and grasp the non-invasive security check operation. It was required not to miss any clues, and to avoid being accused of violations of human rights. Before the ships' arrival to the port, the captain was demanded to ask information as much as possible in various aspects such as security level of the port, basic social conditions and local customs habits in order to take appropriate security checking measures.

Indicators/year	2009	2010	2011	2012	2013
Number of illegal boarding cases	1	1	0	4	4
Number of illegal boarding cases found before departure	1	1	0	4	2
Capture Rate	100%	100%	0	100%	50%
Number of illegal boarding persons	5	1	0	6	10
Number of illegal boarding persons captured before departure	5	1	0	6	4
Capture Rate	100%	100%	0	100%	40%
Number of ships accepting ISPS inspections	941	910	925	1,424	972
Number of ships passing ISPS inspections	941	910	925	1,424	972
Pass rate	100%	100%	100%	100%	100%



(2) Preventing Hijack of Pirates and Ensuring Safety of Seafarers and Ships

In response to characteristics of Somalia pirates and the severe situations of rampant pirates in West Africa, COSCO Group further enhanced the supervision and leadership and shore-based supports for anti-pirate work. In 2013, it held special meetings for anti-pirate work for two. With respect to rampant pirate attacks in West Africa, the group clearly required ships passing sea area of West Africa to navigate at least 100 sea miles away to the coast. Ships drifting at Lagos Port to wait for berth shall drift at sea area at least 120 sea miles to the bank. COSCO Group officially released the Guidebook on Anti-pirate Work of Ships, further emphasizing the “five mechanisms” and “two musts” for anti-pirate work of ships and significantly elevating the anti-pirate ability of ships.

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

In 2013, 447 ships (times) of COSCO Group passed the highly dangerous areas such as Somalia and Gulf of Aden where pirates are rampant, and met no attacks or harassment of pirates, effectively ensuring the safety of seafarers and ships.

Indicator/Year	2009	2010	2011	2012	2013
Number of pirate attacks and	13	10	10	0	1
Number of pirate attacks blocked successfully	12	10	10	0	1
Pirate attack blocking rate	92%	100%	100%	0	100%

In order to perform ISM rules and ISPS rules, ensure that ship- and shore-based personnel is familiar with their duties in various emergent situations and security defense levels, COSCO Shanghai held the 2013 Joint Emergency-response Rehearsal of Ship- and Shore-based Units. With ship’s encounter of attacks of armed pirates and cabin fire alarming as the simulation contents, related parties organized a joint rehearsal by adopting video equipment for the first time.



On April 26, 2013, 31 liners of CHIMBUSCO joined hands with Qingdao Border Detachment of Armed Police and Qingdao Bureau of Public Security to carry out counter-terrorist rehearsal. During the rehearsal, it was simulated that 31 lines of CHIMBUSCO encountered hijack of pirates and



terrorists. Related departments carried out rescue based on plans. With the cooperation of all ships, the rehearsal was completed successfully after two hours. The rehearsal enhanced counter-terrorist awareness and defense ability of seafarers, and elevated ability of the ships to cope with accidental events.

On May 28, 2013, Persistence Liner of COSCO (H.K.) Shipping and COSCO Shenzhen navigated from the Gulf of Arden into Arabian Sea and India Ocean in planned shipping route. While confirming the arming and security defense force and enhancing the anti-pirate watch, it also contacted with convoy ship timely. On the wee hour of the next year, it was detected that there are suspected ships. The on-duty personnel kept alert immediately and monitored the movement of the suspected ships. With the assistance of convoy and military helicopter, the suspected ships got father and father. The liner has successfully protected the pirate attack and ensured the safety of seafarers and property.

(3) Promoting the Performance of Maritime Labor Convention and Ensuring Interests of Seafarers

With the effectiveness of Maritime Labor Convention, COSCO Group and its affiliated shipping companies will implement the requirements of the Convention. Besides enhancing training on performance of the Convention continuously and ensuring timely upgrade of related documents, they will continue to promote related work to perform the Convention, make to increase salaries of seafarers, improve living facilities of ships, improve the living and working environment of seafarers and did a lot of work to ensure decent and dignified work of seafarers, so as to be well-prepared for obtaining of related certificate.

On March 20, 2013, CCS conducted reviewed on performance of Maritime Labor Convention on Qingpinghai Liner of COSCO Qingdao berthed at Rizhao Port under the authorization of the Government of Panama. The review team adopted forms such as browsing documents, records, on-site rectification and face-to-face exchange with seafarers to review the maritime labor conditions of Qingpinghai Liner from 14 aspects of the Declaration of Maritime Labor Compliance. After comprehensive appraisal, the review team believed that working and living conditions as well as social guarantee of seafarers of Qingpinghai Liner satisfy the requirements of Maritime Labor Convention 2016, and issued the first Panama “Maritime Labor Certificate” in mainland China to Qingpinghai Liner.



On May 27, 2013, experts of Dalian Branch of CCS conducted comprehensive review of seamen management center of COSCO Dalian. After on-site inspection, the expert team believed that the seamen management center, as a professional institution for dispatch of seamen, features standard internal management, complies with requirements of the convention in terms of seafarer recruitment, dispatch and allocation, and can implement the Maritime Labor Convention 2016 in a comprehensively. Therefore, it approved the center to pass the review, enabling the center to become the first seamen service institute in China that complies with Maritime Labor Convention 2016.



7. Labor Competition

In 2013, COSCO Group continued to organize the activity of "Safety is around me; Reducing cost and increasing efficiency start from me", to make sure that labor safety of employees are protected. Early in the year, COSCO Group Trade union further enriched the contents, innovated on forms of activities, and mobilized all-staff participation by applying safety concepts and lean ideologies, maximizing the economical and social benefits.

On June 6 to June 8, 2013, the 1st Shandong Province Seamen Skills Competition organized by the Shandong Maritime Bureau was held at Qingdao Ocean Shipping Mariners College and Qingdao Olympic Sailing Center. The seamen skills competition themed on "elevating quality of seamen and constructing a powerful province in terms of seamen quality" has attracted over 200 participants from 17 shipping unites and colleges in Shandong Province to complete on seven seamen skills contests. A total of 13 persons from COSCO Qingdao attended the event and received the second-class award for Shipping Unit of 2013 Shandong Province Seamen Skills Competition, and chief engineer Li Zhaofeng was awarded the Shandong Province Labor Medal for Enrichment of People and Prosperity of Shandong.

The 9th CHIMBUSCO Staff Skills Competition was held in Shanghai on Oct. 30, 2013 to Nov. 1, 2013. The competition includes three items, namely oil product quality management, oil product design quality supervision and management, and oil product test. A total of 54 persons from 20 units from CHIMBUSCO's system attended the event. With this activity as the opportunity, many units organized staff to carry out various activities, various forms of post practice and skills competition activities before commencement of the competition, elevating the quality of staff and building up a platform for technical exchange and demonstration of them.



8. Caring for Mental Health of Employees and Health of Their Family Members

Given the working environment, labor intensity, food and other aspects, seafarers are easily to have psychological problems on board. COSCO Group conducted in-depth analysis and study on internal and external factors that affect physical and mental health of seafarers, such as environmental factors, social factors, management factors, personal and family factors. In response to solving problems in safe production that easily lead to psychological and physiological changes, the group explored the rules, improved the prediction ability of such problems, and promptly took effective measures to establish seafarer mental consultation agencies, which will offer mental health services for seafarers and provide psychological consultation and treatment for seafarers in need. The group also enhanced



guidance and training of psychological health knowledge in all aspects, and created the favorable atmosphere of respecting, caring and protecting seafarers by means of management, guidance, service, assistance and so on.

Seafarers' family members, with their dedication spirits, have made active contributions to the group's shipping companies in stabilizing seafarers' team and promoting harmonious development of the enterprise. As seafarers were working on ships all year along and can't take care of their families, shipping units of COSCO Group have made ceaseless efforts to promote construction of liaison stations for seafarers' family members. With the liaison stations as the bridges, they carried out condolence activities during holidays, established and improved the management archives for seafarers' family members, carried out aiding activities, cared about difficulties and pains of seafarers' families and help their family members to solve the difficulties, thus removing the hidden worries of the seafarers. By the end of 2013, COSCO Group built up 110 seamen family member liaison stations.



On July 8 to July 12, 2013, COSCO Shipping/COSCO Shenzhen set up two seamen family member liaison stations in Wuhan, Hubei and Zhuzhou, Hunan. Over 60 persons including seamen and their family members in the two places attended the opening ceremony of the stations, which aim to solve issues for seamen's families and promote stability and harmony of seamen team.

On Aug. 27, 2013, COSCO Logistics held the 2013 Corporate Family Day for Organs of COSCO Logistics Headquarters at the training center of the National Development and Reform Commission (NDRC), attracting 116 staff and their family members of 54 families. The event aims to build up a platform for communications between staff and their family members, enhance the sense of contribution and honor of staff to the enterprise, and promote harmony of their families and the enterprise.





9. Articles Regarding Healthcare and Labor Safety Covered in the Collective Contract

In order to protect the legal rights and interests as well as physical and mental health of employees, the collective contract signed by COSCO Group with the Trade union and the labor contracts signed with the employees all includes articles regarding working time, labor safety and health, labor protection, insurance and welfare. These articles clearly define the health and labor safety of employees in details, such as stipulating that enterprise should establish and improve work safety responsibility system; the workplace and facilities shall comply with requirements of national safety, labor protection and physical examination and recuperation; illegal commanding and forcing of dangerous operation are strictly prohibited; special protection should be provided for female workers; disposal of casualties and deaths.

10. Safety Management of Supply Chain and Focus on Safety Situation of the Industry

COSCO Group researches and implements safety management of the supply chain in accordance with ISO28000:2007 supply chain safety management system, pays close attention to safety situation of the industry, draws lessons from safety accidents, benchmarks with advanced enterprises in safety management such as DuPont, so as to improve its safety management situation continuously.



On May 8 to May 9, 2013, Ye Weilong, Vice President of COSCO Group, led the supplier management and inspection team of COSCO Group to conduct a special survey and investigation on procurement, business outsourcing and supplier management system building and implementation of China COSCO Bulk. The inspection aims to find highlights and issues by inspecting the supplier management work of related companies, collect opinions of related companies on doing a better job in supplier management elevation work, promoting exchanges and elevation of related companies. China COSCO Bulk successfully passed the inspection, and formulated related rectification plans based on issues found in the inspection, elevating the procurement and supplier management level of China COSCO Bulk to a new level.

(IV) Staff Development and Training at Work

COSCO Group pays attention to expansion of staff's post selection scope by elevating the capabilities and skills of them, so as to enable all staff to have a graceful job and a healthy life.

Over the years, COSCO Group has adhered to the guideline of people-oriented training as well as the strategy of reinvigorating the enterprise through human resource development, and focuses on improving the overall quality of the workforce. It formulates various talent cultivation plans and provides sufficient expenditures for these projects. It pays attention to close combination of training



and practices and offers various trainings for enterprise managers and professional technicians, so as to improve the management and market competitiveness for the enterprise constantly.

Indicator/Year		2009	2010	2011	2012	2013
Total training hours of each category of employees	Top	7,724.4	12,468	1,416	2,072	3,000
	Middl	33,361	70,328	3,304	11,543	10,504
	Grassr	111,331	281,313	11,480	21,560	19,824
	Technicians	203,365	210,985	307,769	—	543,008
Average training hours of each category of employees	Top	65.26	83.9	141.6	207.2	300
	Middl	41.34	69.1	72.1	74.95	68.21
	Grassroots	29.84	43.9	72.1	70.69	62.73
	Technicians	41.38	42.5	40.03	—	38.78
Total inputs for employee training (RMB)			41,796,606	3,390,000	3,045,358	47,192,000
Training hours in public expense			804,354	739,670	5,008	7,576
“Three 300s” talent training program (persons/times)		460	510	521	397	123
Training before retirement (persons/times)		371	400	124	2	8
Vocation training and post returning rate after getting certificates (%)		100	100	100	100	100
Training rate for allocation of unemployed employees (%)		100	100	100	100	100
Proportion of security guards accepting formal trainings on human right policies or procedures (%)		100	100	100	100	100



Number of achievements of quality management	367	354	374	369	363
Number of participants of quality management team	2,852	2,832	2,968	2,879	2,382
Training on lean management, six sigma and quality management teams(persons/times)	1,589	1,666	1,922	1,899	1,067

1. Training of Top Executives

In order to enhance the work of Trade Union and Communist Youth League of ships, COSCO Dalian held the 2013 Training Class for Chairman of Grassroots Trade Union and Secretary of Youth League Branch of Ships in Anbo on Nov. 11-14, 2013 in accordance with the staff training plans for 2013 and the overall arrangement on the work of trade union and communist youth league, and in combination with the requirements of the ship on carrying cultural life building of ships and “driving building of Communist Youth League with building of trade union”. A total of 40 persons including chief engineers (chairman of trade unions of ships), commissars, secretary of communist youth branches of ships from frontier ships as well as chairman of trade unions of some grassroots units attended the training class.

On May 8 to May 17, 2013, CHIMBUSCO held the training class to study and implement the spirits conveyed at the 18th National Congress of CPC by two stages at Qingdao Ocean Shipping Mariners College to offer training for 90 persons including members of management team of fully-owned and joint venture units of the system and deputy heads or above of organs of headquarters. This was the largest training class of leaders in CHIMBUSCO’s system, creating a platform for trainees to study, exchange experiences and increase their knowledge.

2. All-staff Training

COSCO Group pays close attention to quality elevation and personnel development of the staff. Under the guidance of the Board of Directors, the headquarters and related business units have established high-efficient training system, which was improved continuously. They formulated annual training schedules and plans based on their business demands, and enhanced the staff’s management and responding ability through training and enabled them to meet the demands of listed companies for talents.

In 2013, COSCO Group and its business units insisted on the principle of “specifying the tasks and emphasizing the focuses”, and carried out various trainings by different layers, types and forms. Following training forms were adopted: Arrange young employees with outstanding performance to work and study at the headquarters or related business units, so as to store talents for long-term and



sustained development of the company; enable the employees to enrich and accumulate their working experiences through post rotation, and promote balanced development of talents and enhance coordination consciousness; increase the exchanges and studies of employees through on-post training and off-the-job training; offer trainings on new knowledge and skills based on production demands to cultivate various types of professional talents. Besides attending the studying and training activities organized by the company, the employees also attended various academic and diplomatic education and qualification trainings and examinations at their spare time. Implementation of aforesaid training measures fully reflected the company's respects on talents and its attention on personnel development of the employees, and provided effective system and guarantees for cultivation of multi-disciplinary senior managers, professional directors and supervisors who are not only familiar with production and operation but also good at capital operation, who are not only specialized in professional knowledge and but also familiar with law-compliant operation, who have both rich experiences and global thinking.

3. Training of Professional Talents

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

In order to response to the requirements of COSCO Group, do a better job in law popularization work and enhance the legal awareness of all staff, COSCO Xiamen invited legal advisor of the company and Prof. He Lixin of Xiamen University to introduce the Legal Responsibilities and Risk Protection in Maritime Cargo Transport Process on June 14, 2013. The lecture was attended by leaders and all employees of the company, and gained good responses. In order to create favorable atmosphere for learning of laws and elevate the legal management level of the company, COSCO Xiamen encouraged, advocated and organized persons of related business posts to attend the National Corporate Legal Advisor Examination to increase the proportion of employees with certificate and the working skills of them.



On Feb. 21, 2013, COSCON offered training for marketing personnel in America (America and Canada) on setting of American shipping lines, marketing concepts, organization structure of global marketing headquarters as well as reform and innovation in terms of customer management. The training enabled marketing personnel in worldwide scope to further understand the operating objectives and marketing concepts of COSCON in 2013. Information provided by the company will play an active role in guiding and promoting the FOB agreement-signing work in North America.

4. “Three 300s” talent cultivation program

The “three 300s” training, initiated in 2005, is the branded talent cultivation program of COSCO Group and an important measure taken by COSCO Group in talent cultivation. The “three 300s” talents include 300 leaders and backup forces for party group management, 300 operation and



management talents, technical talents and political work talents (100 for each type), and 300 ship-related talents (100 captains, 100 chief engineers and 100 commissars of ships). The group took the employees included in the talent database of “three 300s” talents as the main training targets, and drove the elevation of overall quality of entire talent team by enhancing the building of core talent teams. So far, 59 “three 300s” trainings had been organized, with over 4,100 persons trained. In the meantime, the Human Resources Department of the group managed the “three 300s” training in a comprehensive manner in accordance with the requirements of COSCO Group’s party group to “constantly elevate the training quality and promote the elevation of talent quality in a comprehensive manner”. It carefully designed the training class, planned for activities of the training class cautiously, implemented strict disciplines and systems during the training, and timely conducted assessment on teaching quality, logistics service and spare-time activities after the training, enabling the “three 300s” training to become an excellent project for training of leaders.

In 2013, COSCO Group’s “three hundreds” (58th) Training Class of Ship Management Personnel was held at Qingdao Ocean Shipping Mariners College. A total of 39 trainees from eight units including COSCON and China COSCO Bulk of China COSCO attended the training. The training covers security management, laws and regulations, psychology and communication skills to enhance the ideology, service awareness and occupational quality of ships’ management personnel and elevate their business quality. On this basis, it also held the training class for three chiefs of ships, and increased the proportions of organization psychology, human resources management, ideological and political work and the contents of the 3rd Plenary Session of the 18th National Congress of CPC, so as to further enhance the comprehensive quality of leaders of ships.



5. Training of Seafarers

COSCO Group took the safety training as a key way to elevate safety quality of the staff, and regarded the “enhancement of safety training and elevation of comprehensive quality of seafarers” as the basic way to ensure safety production of the group. In accordance with the development plan for seafarer team, COSCO Group furthered enhanced the building of seafarer team. Seafarer management departments of all units maintain a strict standard in recruiting, training, promotion and deployment. Guided by the principle of “continuous improvement through persistent training”, they have constantly elevated the seafarers’ safety skills and professional work ethics to build a seafarer team with sufficient number, high quality and reasonable structure. By the end of 2013, COSCO Group has a total of 34,654 seafarers.

COSCO Group has always attached importance to the training of cooperative seafarers and regarded safe development as the fundamental measure to promote constant and rapid development of the



enterprise. It has included the career development of migrant workers into its development planning, and enhanced education and training to help migrant workers to gain related certificates and start their work as soon as possible. It also formulated corresponding encouragement and promotion methods, and the detailed methods for transformation of cooperative seafarers into self-owned seafarers, gaining due right and interests for migrant workers.

On Aug. 14 to Aug. 16, COSCO Dalian held the Top 4 (Captain, chief engineer, chief officer and first engineer officer) Seamen Management Elevation Training Class at Seamen Training Base to enhance the building of seamen team, and elevate the management ability of Top 4 and communications and exchange level with ship-owners. A total of 41 Top 4 seafarers attended the training. The training was comprised of three parts, namely introduction of situations, case analysis and introduction of system, covering contents such as safety management, disposal of emergent events, inspection of oil companies, building of management team of ships and party branch building, performance of 2006 Maritime Labor Convention, management of dispatched seamen and corporate cultural building.

6. Labor Protection Supervision and Inspection

COSCO Group grants the Trade union the obligations and power in the safety production and occupational risk prevention and control work in accordance with the Trade Union Law, the Labor Law, the Safety Production Law and the Occupational Disease Prevention and Treatment Law. It carried out the labor protection supervision and inspection work, enhanced the consciousness of participation and protection in accordance with laws, and performed the obligations of the Trade union in labor protection supervision and inspection work. By organizing systematic training on labor protection and supervision, and organizing the studying activities to learn the labor protection and safety protection laws and regulations, the labor protection supervision and inspection regulations of the trade union as well as knowledge about work-related injury report, investigation and disposal, safety technologies, and labor protection supervision and inspection of the trade union, it tried to elevated the labor protection knowledge level and the supervision ability of the public, adjust and improve the knowledge structure on labor protection of cadres of the trade union, continuously elevate the working level and business ability, cultivate a high-quality team in charge of labor protection work for the trade union, and better protect the life safety and physical health of the staff. In 2013, the number of labor protection and supervision inspectors of the trade unions of COSCO system reached 1,536.

7. Effective Training, Evaluation and Incentive Mechanism

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



In May 2013, COSCO Qingdao held the first “5+5” training class of ship’s cooks. Based on the training class in the previous year, the training class increased the training on performance of 2006 International Maritime Labor Convention and determined the “5+5” training plans, namely “five basic trainings and five skill elevation trainings”. Trainers of the training class include Liu Jinbo from Liu Jinbo Chief Skills Workstation of Ocean Hotel and excellent cooks of ships selected. Training contents were close to practical situations of ships and can effectively elevate the skills of seamen while satisfying the convention-performance requirements. The training class also included the training courses tailor-designed for seamen. The training class was well received by cooks of ships and achieved anticipated training effects.



(V) Equal Opportunities and Diversification

COSCO Group has conscientiously abided by “Labor Law of the People’s Republic of China” and relevant laws and regulations of the overseas sectors, strictly complied with the relevant international conventions recognized by Chinese Government and established a perfect labor management system, in which all employees have been treated equally, regardless of their nationality, race, gender, religious belief or cultural background. These efforts have promoted employment of local residents, females and the ethnic minorities and built a labor relation that is equal and harmonious.

1. Gender, age, minority nationality of management team

COSCO Group has paid special attentions to structural composition in terms of age, gender, and nationality when cultivating, selecting and appointing leaders at all levels. Currently, the group has 164 top executives (including leaders of the group, heads and deputy heads of related departments of the headquarters, and members of top management of knowledge units), of which, 16 are females, accounting for 9.8%, and 73 are aged below 50, accounting for 44.51%. The group has formed a cadres’ team with complete majors, reasonable structure and excellent quality.

Indicator/Year	2009	2010	2011	2012	2013
Proportion of female top executives and managers	14.29%	15.15%	17.95%	14.29%	19.04%
Proportion of top executives and managers below 40	17.14%	23.08%	12.82%	4.76%	7.14%
Proportion of female top executives at second-tier	7.26%	7.75%	5.43%	8.19%	7.3%
Proportion of top executives below 40 at second-tier	4.84%	1.55%	0.78%	0.82%	0.82%

2. Basic Salary Policies and Practical Situations of Male and Female Employees

COSCO Group established post-based salary system within the group, distributed salaries according to work and fulfilled the equal employment opportunities and equal pay for equal work. It has no



discrimination policies in terms of gender, age, health, race and religion. At meantime, it didn't pursue equality blindly, and realistically allocated working posts based on the nature of the work and psychological and physiological differences of male and female employees, so as to bring active rules of employees in the work. Meanwhile, COSCO Group insisted on providing special welfare pregnant and lactating female employees, better protecting rights and interests of female employees.

The proportion of basic income of male and female employees is 1:1.

(VI) Working Conditions and Social Protection

COSCO Group has been committed to providing decent working conditions for employees that can satisfy requirements of national laws. It has paid close attention to conditions and safety of work places, tried to improve labor and working conditions of employees, and ensured that the working conditions could comply with laws and regulations of the country and are consistent with applicable international labor standards. In accordance with national laws and regulations as well as articles on working conditions in the collective contract, COSCO Group made continuous efforts to increase salaries and welfares of the staff, and paid salaries and other remunerations of the staff timely and in full amount. The group implemented working hours, rest time, paid leave and compensation system for extra working time in accordance with regulations. By increasing the input for labor protection, it tried to improve working environment of the staff. The group offered labor protection utilities to the staff, arranged regular physical examinations for them, made active efforts to protect the staff's life and health right and interests, and prevented against any behaviors that may infringe rights and interests of the staff with regard to safety and health.

COSCO Group observes all legal obligations with regard to providing social protection for employees in local places and performs multi-layered social security measures. The group pays endowment, medical, work-related injuries, maternal and unemployment insurances as well as housing fund in accordance with laws, and established supplementary medical insurance and work-related traffic accident insurance for all the staff. In order to ensure and increase the endowment pensions of the staff, the group formulated the Interim Methods for Enterprise Annuity of COSCO Group in accordance with related rules and regulations of the country, and exerted great efforts to promote enterprise annuity work. By performing the social security obligations stipulated by the laws, it reduced the decrease or loss of income caused by work-related injuries, disease, childbirth, unemployment, old age, disablement or economic difficulty. For low-income staff or staff suffering from serious diseases, if their burden are heavy and their basic life was affected after reimbursement of medical fees, the group also offered some medical subsidies in accordance with related regulations to alleviate medial burden of the staff.

(VII) Social Dialogue

By establishing effective social dialogue mechanism in form of communications and negotiation, China COSCO organized talks, negotiations and information exchange on topics involved related interest of the enterprise and the employees, so as to promote democratic progress in labor relations sector and realize the harmonious labor relationships between the enterprise and the employees. COSCO Group and its subsidiaries all establish trade unions complying with laws and regulations. The trade unions coordinate labor relations and protect labor rights and interests of the staff through



systems such as equal negotiation and collective contract. The trade unions also sign collective contract with the enterprise on behalf of the staff on issues related to health and safety of the staff, such as working conditions, working hours, rest time, vacation system, labor protection and social security to prevent against any behaviors infringing labor rights and interests of the staff. With these efforts, it had played an active role in establishing stable and coordinative labor relations, and protected legal rights and interests of the staff. It also promoted the harmonious labor relations between the enterprise and the staff and kept sustainable development of the enterprise through effective social dialogue system.

On Aug. 22, 2013, a working group headed by Ding Xiaogang, Chairman of the Chinese Seamen & Construction Workers' Union, held a symposium to solicit opinions and serve the staff at COSCO Dalian under the accompany of Liu Shifeng, vice chairman of Liaoning Provincial Trade Union, and Han Xiaoqiu, Vice Chairman of Dalian Municipal Trade Union. At the symposium, the working team listened the opinions of operation and management personnel, cadres of trade union and representatives of staff of COSCO Dalian, as well as the experiences and actions of the trade union of COSCO Dalian on enhancing the relationships with staff, deepening the services for staff and protecting legal rights and interests of staff.



人权绩效指标和主题报告

HUMAN RIGHT PERFORMANCE INDICATOR AND THEME REPORT





Part V Human Right Performance and Keynote Report

I. Management Approaches

(I) Objectives and Performance

COSCO Group implements and acts in the scientific outlook of development with a focus on the struggling targets of “constructing a harmonious and century-old COSCO, realizing better, faster and sustainable development”, and SASAC’s target to implement third performance evaluation tenure, and voluntarily abides by the laws, rules and regulations of China and UN as well as international conventions, constitutions and initiatives on respect and protection of human rights, respects the rules of international code of conducts as well as human right-related rules in ISO26000 Guidance on Social Responsibility in its operation and management process. The group also signs for the initiative to support the UN Global Compact’s Universal Declaration of Human Rights to reemphasize that it will support, respect and protect human rights within its own influential scope. All levels of trade unions of the group, on behalf of the staff, conducted collective negotiation with the administrative department of the group, with regard to matters related to rights and interests of the staff, so as to ensure the protection of rights and interests of staff and promote the implementation of human right policies and harmonious and stable labor relations between the group and the staff. In the meantime, the group pays attention to the human right education and review of suppliers and contractors to reduce social risks of the group as human right issues of important supplies and contractors may damage the reputation of COSCO Group and/or affect stability of supplying activities.

In 2013, no events involving human rights were occurred. Besides, COSCO Group made favorable achievements in terms of internal control system, investment, procurement, training, caring to special group and collective bargaining.

(II) Policies and Regulations

COSCO Group strictly abides by human right-related laws and regulations, such as the Labor Law. The trade union of the group partners with related departments such as the Human Resources Department to promote signing of collective agreements, protecting legal rights and interests of the company and its employees, and maintaining stable and harmonious labor relationships. By implementing the State Council’s Opinions on Solving Issues Related to Migrant Workers, COSCO Group has solved the problems related to migrant workers, boosted the development of the company, and maintained social harmony and stability. COSCO Group formulates the Open Business Procedures and Interim Regulations of COSCO Group on Open Business System. The subsidiaries also formulate implementation plans and rules correspondingly in support of the establishment of a harmonious enterprise. The Women Workers’ Committee actively protects the legal rights and special rights of female employees outlined in the rules and regulations for the protection of women workers. The group establishes and improves its personnel management system to protect legal rights and interests of local employees and properly deal with relationships with local employees. Furthermore, COSCO Group makes full use of the IT system and the Internet to promote the Global Compact, familiarizing the employees with the importance of the Global Compact to the development of COSCO Group and encouraging them to take active parts in the implementation of the Global



Compact. IT is used as a tool for the realization of people-oriented business, and the Internet as a channel for communication. The employees are encouraged to participate in the management of the company's affairs and to contribute in their own ways to the sustainability of COSCO Group, which demonstrates the company's respect for human rights and promotes the group's sustainable development.

(III) Organization and Responsibilities

The subsidiaries of COSCO Group have established their respective Employees Representative Conference for democratic management. The relevant competent authorities in each subsidiary, such as the Department of Human Resources, implement employee management policies. The company recruits new staff openly according to work needs, signs contracts of labor and establishes labor relations with the employees on principles of equality, voluntariness and mutual agreement and in accordance with the law. Child labor is strictly prevented according to the relevant national laws and regulations and COSCO Group's recruitment policies. Internally, all the employees enjoy equal opportunities at work, and male and female employees are entitled to equal pay for the same work. COSCO Group's Trade union is responsible for the organization and implementation of the open business policies, and the secondary trade unions are responsible for the specific work. Public mailboxes and complaints handling systems are in place at every COSCO subsidiary, dealing with complaints from the employees with regard to human rights issues. Women Workers' Committee is established within the Trade union to handle issues related to female employees and to protect their legal interests. Also, COSCO Group has introduced the management approaches for overseas companies which outline the regulations and requirements for overseas companies to comply with local laws, respect the manners, customers and rights of the local residents, etc.

(IV) Training and Communications

COSCO Group enhances the employees' awareness of human rights and rights protection by organizing a variety of training programs and offered nine training on respecting the human right for related personnel. To improve the company's capabilities to help the employees protect their rights, COSCO Group attaches great importance to the training of Trade union cadres, and organizes a variety of training activities for the cadres every year to improve their comprehensive quality. The Trade union organizes trainings for the officials responsible for the open business policies and labor protection supervision annually, so as to improve their abilities to protect the employees' legal rights. Meanwhile, the employees working in such section as the Department of Purchasing are given training in human rights knowledge. The human rights clauses in the purchase contracts are improved and assessments are carried out for the suppliers' human rights environment. The subsidiaries focus on the continuity of training policies in regard to safety management system, contract fulfillment, "Three 300s," and the arrangement for retired employees, employees on leave, and dismissed employees, etc. Guiding the practical work with solid knowledge and policies, COSCO Group establishes its sustainability information management platform, makes full use of the Internet to promote the human rights concepts in the Global Compact, and strives for the realization of sustainability of the company.



(V) Supervision and Inspection

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

COSCO Group not only establishes internal supervision mechanism, but also hires DNV to conduct external inspection on its human right situations.

(VI) Identification of Stakeholders and Risk Evaluation

In accordance with requirements of the UN Global Compact's Initiative for Universal Declaration of Human Rights and ISO26000, COSCO Group fully considers expectations of stakeholders (including vulnerable group), carefully identifies types of human right risks related to stakeholders, evaluates the influential degree of human right risks related to the trade union, suppliers and partners, follows strict risk control procedures, adopts controlling measures applicable to risk grade, and effectively avoids and reduces the influences of various human right risks.

II. Performance Indicators

While fully analyzing and researching the United Nations' Universal Declaration of Human Rights and the international conventions on human rights approved by the Chinese Government such as the International Covenant on Economic, Social and Cultural Rights, as well as core labor conventions of the International Labor Organization, COSCO Group brings the principles and requirements regarding human rights to its sustainability information management platform. It enhances communications and exchanges by making full use of internet, and promotes the Global Compact's concepts regarding human rights. It respects and protects human rights, encourages its staff to take part in the company's affairs, so as to represents the value and contributions of employees, ensure equal participation and development rights of them and promote its sustainability.



(I) Responsible Investment and Procurement

1. Due Diligence Investigation and Avoidance of Complicity in Investment Activities

In the research, approval and implementation of investment projects, COSCO Group makes investment in accordance with the requirements of ISO26000 social responsibility guidelines, brings human rights-related standards as the review scope of investment projects, lists human rights as one of the requirements for feasibility assessment to avoid occurrence of complicity, low investment risks, and avoid any harm to the group's reputation that could impact the stability of investment.

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

2. Due Diligence Investigation and Avoidance of Complicity in Procurement Activities

In accordance to the requirements of ISO26000 Social Responsibility Guidelines, COSCO Group inspects and supervises human rights performance in the supply chain during procurement process. The company performs investigations on its important suppliers and distributors to prevent any possible harm to COSCO's prestige and any instability of the supply activities due to human rights problems.

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

3. Disposal of Complaints

COSCO Group pays close attention to any complaints regarding human rights in investment and procurement activities, and actively takes measures to dispose the complaints, reduce human right risks and improve human right situation.

In 2013, it received no complaints regarding human right.

4. Human Right-related Trainings

The company carries out human right-related trainings and educations in investment and procurement activities to improve the human right situation of its suppliers.

In order to promote the improvement of human right status of partners in the supply chain, COSCO Bulk offered training on legal knowledge for its employees actively. It enhances legal system



building and promotes improvement of human right situations. In 2013, the total number of trainings on human right offered for employees totaled 133,953 hours.

5. Social Responsibility Promotion in Value Chain

In business dealings with suppliers, COSCO Group informs suppliers its regulations in terms of labor rights, employment, salaries, working hours, labor insurance and welfares as well as other contents regarding its staff, requesting suppliers to fully consider the due human rights as well as other rights and interests of staff in economic entities. In practical, it focuses on human rights performance of suppliers, and conducts investigations on its important suppliers and distributors.

6. Human Right Risk Assessment

Human right risk assessment aims to appraise the enterprise’s involvement in operation risks or performance risks caused by human right infringement. Human right risk assessment is an important decision made by the enterprise to perform human right responsibilities, and also the important method of stakeholders to check performance of the enterprise. COSCO Group found suitable assessment method of human right influences in accordance with the Guidance on Tools for Assessment of Human Right Influences of the Enterprise and adopted most effective tools to complete the assessment of human right influences of the project smoothly.

Purpose of COSCO Group’s human right risk assessment aims to confirm, understand and manage the influences of its activities on human right. To achieve this goal, the group scores on human right-related risk events in a systematic manner from three aspects namely influential degree, occurrence rate and coping difficulty to gain the quantity figures, generate the rankings of risks, determine the biggest risk. On this basis, it establishes the risk rating matrix and takes responding measures to management the risks. The group also conducts human right risk assessment from project layer to forecast and find the potential human right influences and opportunities while conforming, preventing and managing the negative human right influences (potential).

First-tier Risk	Second-tier risk	Third-tier risk	Fourth-tier risk	Fifth-tier risk	Risk events
Social responsibility	Human right risk	Discrimination risk	Risk for guarantee of rights and interests of women	Sexual harassment risk	There are no complaining channels for sexual harassment and copyright infringement events, bringing negative influences on social responsibility.
					Poor quality of managers leads to sexual harassment of staff at work.
					The company has no measures to prevent and control sexual harassment due to lack of rules, regulations and procedures to avoid sexual harassment.
					Investigation on facts of sexual harassment events meets obstacles due to lack of strict rules and regulations.
					Female employees can’t get compensation when they face any infringements due to the failure to include



				articles to avoid sexual harassment in special contracts with female employees.
				Different standards are adopted for male and female employees when dealing with sexual harassment events, and sex discrimination exists.
				Sexual harassment of colleges appears due to poor quality of employees.
				Sexual harassment events occur due to wearing of exposed dresses in summer.
				The trade union fails to deal with the sexual harassment events timely, resulting on bad social influences.
				The superior has sexual harassment behaviors against subordinates by making use of their rights at post due to lack of good constrains on rights and relations.
				The labor utilization system of subsidiaries is not strict, causing forced labor events.
				Sexual harassment caused by imbalance of heart due to failure to purchase a lover at work, including sexual harassment of employees against other employees and customers against employees.
				Occurrence of psychological disease due to huge psychological pressure from the sexual harasser colleagues, and families.
				Revenge by the sexual harasser due to refusal of sexual harassment, forging of evidences for serious violation of principles and forced dismissal.
				Further obscene or rage due to acceptance of sexual harassment, and cause of reproductive system disease due to pregnancy or abortion.
				Suspect or abandonment by the couples due to sexual harassment, unhappy marriage or divorce.
				Reputation of the victims may be affected whether they accept or refuse the sexual harassment due to people's traditional awareness on gender.
				Suicide of staff due to inability to endure the pressure.

(II) Non-discrimination and Cares for Vulnerable Groups

The non-discrimination policy is one of the major requirements of the International Human Right Law. COSCO Group formulates non-discrimination policies and systems in strict accordance with laws and regulations of China, International Labor Convention and various guidelines, and establishes effective supervision mechanisms to ensure the implementation and practice of the non-discrimination policy in all kinds of business activities. Discrimination events related to internal and/or external interest groups in the business activities, including discrimination against race, color, sex, religion, political opinions,



nationality, social status, age, region, household registration, marriage or family status, HIV/AIDs carrier, and other forms of discrimination, will be appealed to the company's senior officials, via the special general manager e-mail, complaint letter, or the company's Trade union.

In 2013, COSCO Group had no discrimination events.

1. Providing Equal Career Development Opportunities

COSCO Group provides equal career development opportunities for all employees. In accordance to the principles of "openness, equality, competition and selection," COSCO Group improves its public recruitment system to promote capable employees, optimize internal human resources and boost the employees' activeness.

In 2013, the Trade Union of COSCO Group and all levels of trade unions mobilized the employees to further deepen the labor competition activity themed on "being the main force and contributing to fulfillment of 12th Five-year Planning", and organized and mobilized all staff to carry out the post-based practice activity, skill competition, technical innovation, invention and creation activity from all levels. These efforts activated the enthusiasm of ship- and shore-based staff to struggle for greater contribution based on their own work, and played an important role in helping the group to cope with depression of shipping market, increase the economic benefits and ensure safety production.

In June 2013, COSCO Group organized a team to attend the China Seamen Skills Competition. During the competition, three delegations of COSCO Group achieved outstanding results. COSCO Bulk and COSCON ranked the top two places from 18 teams. Qingdao Ocean Shipping Mariners College ranked the first place among 32 ocean shipping colleges. The competition showed the excellent skills and good spirits of seamen team of COSCO Group, and provided equal opportunities for career development of seamen.

2. Gender Equality and Women Workers' Committee

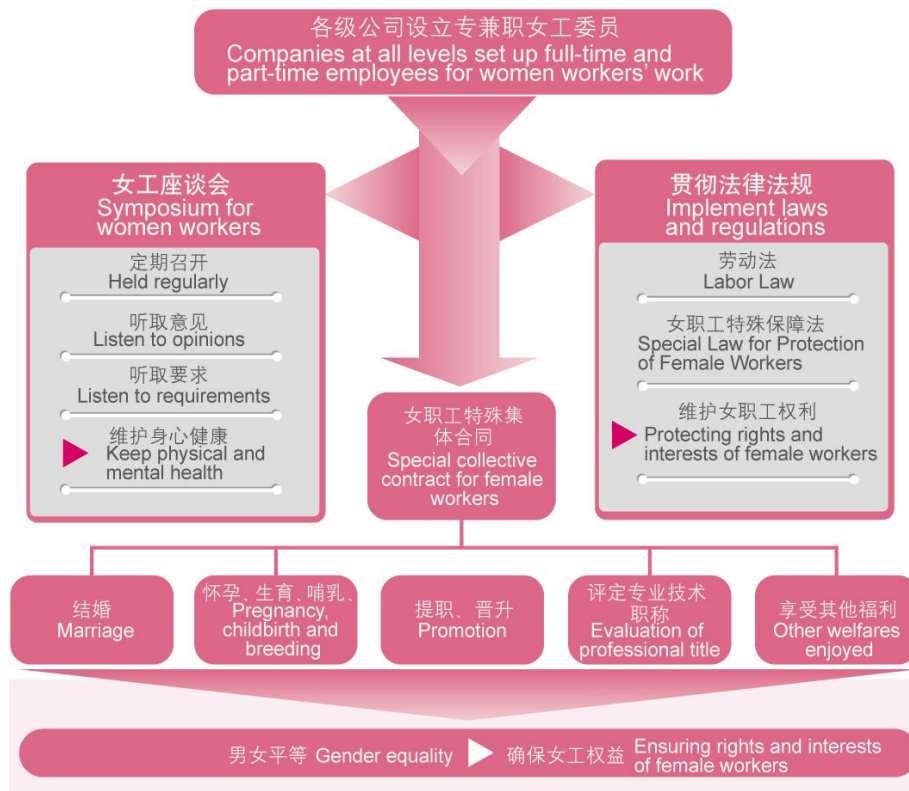
In regard to respecting and safeguarding the legal rights and special interests of women workers, COSCO Group conforms to related provisions in the Labor Law, establishes the women workers' committee to supervise protection of rights and interests of female workers, and tries to ensure equal development opportunities of them.

The Women Workers' Committee under the group's trade union has its own cadres. It holds symposiums of female workers on a regular basis to hear requirements and opinions of women workers, and ensure physical and psychological health of them. The Women Workers' Committee protects legal rights and interests of women workers in accordance with the Law for Protection of Special Rights and Interests of Female Workers.

In January 2012, the Special Collective Contract for Protection of Special Rights of Female Workers of COSCO Group (to be signed for every two years) was signed to specify equal treatment for female workers with regard to marriage, pregnancy, child birth, breastfeeding, promotion, assessment of professional titles and other welfares, ensuring rights and interests of them.



The Trade Union of China COSCO Bulk actively implemented the Special Regulations on Labor Protection of Female Employees, and signed the China COSCO Bulk’s Special Collective Contract for Protection of Rights and Interests of Female Employees in 2013. It also organized female employees of China COSCO Bulk headquarters to carry out two special collective activities, and handled special disease mutual-aid insurance for female employees. These efforts effectively activated the confidence and determination of all female employees to make contribution to the company unselfishly basing on their posts. COSCO Bulk organized a series of activities for female employees themed on “Merit Contribution, Development and Harmony”. COSCO Qingdao carried out a series of activities to celebrate the March 8th Women’s Day, and organized the lectures themed on “caring health of females and elevating living quality”. COSCO Shenzhen organized special condolence activity on Women’s Day and female employees in pregnancy and prenatal period, established Yoga team for female employees, set up nursery room for women in lactation period, and implemented the issuance of special healthcare allowance for female employees.



To further enhance structural construction and improve the quality of women workers, COSCO Group carried out activities with the themes of “learning, growing and making contributions ’and ‘contributions made by women’ among women workers, mobilizing the their enthusiasm to make contributions to the Group. Women workers’ organizations of trade unions at all levels combined the activity of ‘contributions made by women’ with the project of ‘women workers making great achievements,’ innovated the carriers of the activities, enriched the contents of the activities according to the characteristics of women workers, and provided a grand platform for women workers to display their intelligence and wisdom.



3. Prevention, Treatment and Cares of HIV/AIDS

In accordance with the Regulation on the Prevention and Treatment of HIV/AIDS took effects in 2006, COSCO Group takes prevention measures, made promotions actively and carried out prevention and treatment in a comprehensive manner. It holds no discrimination against AIDS sufferers and their family members. On the eve of the World AIDS Day on Dec. 1, 2013, COSCO Group enhanced the publicity of HIV/AIDS prevention knowledge through various channels.

4. Prevention and Control of Family Violence

Family violence is a worldwide issue and has its universality. Any populations, whatever in developed or developing countries, whatever their race, class, religious belief, cultural tradition, careers or knowledge level, have family violence issues. Existence of family violence seriously destroys the stability of family relationships and is an important factor that results in instability of the society. To avoid such issue, cares of enterprises are needed expect for prevention of laws and social environment. COSCO Group not only cares about work and healthy development of its employees, but also pays special attention to harmony of employees' families, cares family members of its employees through various ways and carries out various activities to enhance the human right protection consciousness of employees and harmony of their family.

5. Avoidance of Sexual Harassment

Sexual harassment refers any forms of unwanted sexual care, including humiliation, comment, joy and hint as well as any improper comments on dresses, body shape, age and family conditions; purposed ingratiation that many damage dignity of others or parent-styled attitudes that may infringe dignity of others whatever they are accompanied with threat or not; lascivious impressions or gestures related to sex; unnecessary body contact, such as touch, caress, pinch or injury.

Group formulates Special Regulations on Protection of Female Employees to prevent and control the sexual harassment, and prohibit occurrence of sexual harassment.

(III) Freedom of Association and Collective Negotiation

1. Collective Contract and Collective Negotiation

COSCO Group implements the Collective Contract of COSCO Group. Trade unions of its main subsidiaries conduct collective negotiations and sign collective agreements with the company, on behalf of the employees, with regard to wages, working hours, leave allowances, health and hygiene, occupational training, insurance and welfares, etc., in accordance with related laws and regulations of the country, so as to protect the legal rights and interests of the employees.

The overseas subsidiaries of COSCO Group fulfill the collective negotiation policy in accordance with local laws, regulations and the requirements of the industrial organizations to protect the legal rights of the overseas employees. COSCO Group supports its employees to perform the rights of collective negotiation and adopts corresponding risk evaluation measures to support these rights in all operational activities.



As approved by collective negotiation and worker’s congress, COSCO Group held a signing ceremony of collective contract at the 1st Session of 2012 5th Workers’ Congress and signed the two-year collective contract. The signing rate of collective labor contract of its subsidiaries reached 100%.

2. Workers Congress System

COSCO Group and its subsidiaries delivered its annual production and operation targets and important events to the Workers Congress for review each year, and submitted the important proposals regarding practical rights and interests of the staff to the Workers Congress for voting. It also organized representatives of the employees to evaluate leaders and cadres of the group through the workers congress. Any plans for system reform and displacement of staff due to closure and bankruptcy must be discussed and approved by the workers congress.

On May 24, 2013, the communications conference for the 5th Joint Meeting of China COSCO 5th Workers’ Congress was held. At the event, the report on Enterprise Annuity Work in 2012 made by China COSCO Enterprise Annuity Council was listened. A total of 45 persons from the Chairman Group of the Workers’ Congress attended the event.

Direct subsidiaries of COSCO Group convened the 2013 meetings of workers representatives in strict accordance with related rules and regulations, performed their rights and obligations comprehensively, approved various proposals and achieved anticipated results. In accordance with the workers’ congress system, the workers congress of related units also arranged workers representatives to conduct democratic evaluation on management team of the company. The evaluation results showed that the management team of these units enjoyed trust and supports of the staff.

Table for Holding of Workers’ Congresses by Second-tier Direct Subsidiaries of COSCO Group in 2013

Serials No.	Unit	Meeting	Time and Location
1	COSCO Guangzhou COSCO Shipping	Workers’ congress, work meeting, political work meeting, safety meeting	Jan. 16, Guangzhou Ocean Hotel
2	COSCON	Workers’ congress, work meeting, political work meeting, staff representative meeting	Jan. 18, COSCO Shanghai
3	China COSCO Bulk	Workers’ congress, work meeting	Jan. 17, National Organization Cadre Institute
4	COSCO Dalian	Workers’ congress, work meeting	Feb. 27, Dalian
5	CHIMBUSCO	Workers’ congress, work meeting	Jan. 31, Beijing
6	COSCO Xiamen	Workers’ congress, work meeting, political work meeting,	Jan. 31, one day, Xiamen
8	COSCO Shipyard	Workers’ congress, work meeting	Jan. 12, video conference, main venue: Dalian



9	Chinese-Polish Joint Stock Shipping	Workers' congress, staff representative meeting and work meeting	Feb. 1, Chinese-Polish Joint Stock Shipping in Shanghai
10	Qingdao Ocean Shipping Mariners College	Workers' congress, work meeting	March 9

3. Openness of Company Affairs

The openness of company affairs is a major measure taken by COSCO Group to promote democratic management. COSCO Group headquarters has formulated the Implementation Methods for the Supervision and Assessment of the Open Business Policy, established three-layered workers' congress system, improved the supervision and assessment mechanism and clarified the responsibilities. With the assessment closely integrated with the actual work, the employees 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.

The workers congress is the main carrier of openness of company affairs and is the basic form for the openness of company affairs. In 2013, COSCO Group and related second-tier units held the workers congress respectively to listen and review the important working reports and important items of the company.

In the openness of company affairs and democratic management work, the group focused on the openness of company affairs in terms of reform sector, fulfilled the right to know and participation right of employees in formulation of reform plans of the company, submitted the reform plans to the workers congress for review and accepted supervision of the employees during implementation of the plans.

In 2013, the coverage rate of collective contracts, the notification rate of important events and the coverage rate of democratic supervision of the group were all 100%.

Year	2009	2010	2011	2012	2013
Coverage rate of collective contract	100%	100%	100%	100%	100%
Notification rate of important events	100%	100%	100%	100%	100%
Coverage rate of democratic supervision	100%	100%	100%	100%	100%



(IV) Basic Principles and Rights at Work——Prohibition of Child Labor

The employment of child labor and/or young workers in dangerous work is strictly forbidden by COSCO Group, as this is the requirement in the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Office and the related guidelines of the organizations for economic cooperation and development. The possible risks of child labor are assessed, and measures to eliminate child labor are formulated according to the definition of child labor and young labor in the Convention No. 138 of the International Labor Office.

When engaged in shipbuilding and related work abroad, responsible persons of the ships, on behalf of the company, will confirm the suspected employment of child labor and young labor, discuss the matters with utmost seriousness and solve them properly if any illegal acts are confirmed.

COSCO Group headquarters and all its subsidiaries recruit employees in accordance with the management rules, and comply with international laws as well as the Labor Law of China. Complete procedures for employment and recruitment are established to prevent the employment of child labor and young labor. Strict recruitment rules and promotion procedures regarding the employment of ship crew are established to make sure that no child or young person will be employed. As for the rural migrant workers, COSCO Group clarifies all the duties and obligations with the signing of related contracts, restricts the contracted companies and labor companies responsible for the migrant workers, penalizes them according to the clauses in the contracts and reports to local labor management departments once child labor and young labor are found to be illegally employed.

(V) Basic Principles and Rights at Work——Prohibition of Forced or Compulsory Labor

The abolishment of forced and compulsory labor is a basic human right. It is one of the clauses of the Universal Declaration of Human Rights and the No. 29 and No. 105 core convention of the ILO.



COSCO Group supports and abides by the No. 29 Convention of ILO – Convention on Enforced Labors, and standardized behaviors of enterprises in line with related laws and regulations of the country and international community. The employees of COSCO Group sign labor contracts with the enterprise out of their free will, and the Trade union organizes employee representatives to sign collective contracts with the enterprise which strictly stipulate the working hours, working intensity, vacation and welfare for the employees, protecting their rights and interests. The employees are allowed to choose their own jobs. The company will not prevent an employee from choosing a new job for any reason or in any form when he/she decides to resign. Nor will the company restrict the employees’ personal freedom in any way. Compelled labor by means of paperwork and money detainment, debt repayment, surveillance, and threat is prohibited. It will obtain prior consent of its employees for any overtime work, and will not force employees to work overtime in any forms.

In 2013, COSCO Group received no complaints or appeals with regard to forced or compulsory labor.

(VI) Basic Principles and Rights at Work—Caring Human Rights in Security and Safeguard Work

The security personnel of COSCO Group include the land-based security guards and the ship-based security guards. Some of the Group’s land-based subsidiaries recruit security guards directly or from security service companies. The guards are formally trained and given related certificates before going on their duty. Other subsidiaries use their own employees as security guards. The security guards are trained in human rights and related knowledge by the COSCO subsidiaries or by the entrusted security service companies. Administrative provisions with regard to human rights are listed in the employment agreements with the security service companies, and the latter’s work are supervised and evaluated.

COSCO Group organizes training programs for the third-party security guards, on the use of force and firearms in particular, enhances education about human rights to prevent any harm to the company’s prestige or risk of lawsuit resulted from inappropriate behavior or measures. Meanwhile, the security guards are made aware of COSCO Group’s expectation with regard to human rights performance.

The security of the ships is managed jointly by the security force on the ships and from the companies. Institutionalized management is carried out strictly according to the national laws and regulations, as well as the requirements of the international security rules. The management methods for shore bases and the security plans for ships are formulated, and the responsible security guards are trained and approved by the Maritime Administration of the Ministry of Communications. The training includes contents about human rights and the prevention of human rights violation, and so on.

In 2013, COSCO Group reported no incident of human right violation by the security guards.

Indicator	2009	2010	2011	2012	2013
Security guard of the company (persons)	18	23	24	20	26
Security guard of ships (persons)	2,117	2,198	2,201	2,429	2,988



Training rate with respect to human right of security guard	100	100	100	100	100
Formal training rate of security guards hired by shore-based companies	100	100	100	100	100
Number of security guards hired directly (persons)	2,640	2,586	2,368	2,457	1,930
Proportion of security guards accepting training on human right policies or procedures	100	100	100	100	100

(VII) Basic Principles and Rights at Work—Respecting and Protecting Rights and Interests of Indigenous Residents and Local Employees

COSCO Group upholds the principle of respecting for the indigenous residents’ rights. In the overseas investment and corporate business activities, COSCO Group headquarters and its subsidiaries emphasize both the localized management of the employees and the respect for the policies and rules in regard to indigenous residents’ rights and interests as well as legal rights and interests of local employees.

The group also supports development of local community by participating in local public welfare activities as well as cultural exchanges.

In 2013, no complaint has been filed with regard to the infringement of the rights of the indigenous people.

(VIII) Economic, Social and Cultural Rights

COSCO Group actively supports and practices the International Covenant on Economic, Social and Cultural Rights, respects and protects the salaries and welfares, medical and health right and families of the employees in operation process, enabling them to have graceful working environment and live a dignified life.

1. Cares for Employees

COSCO Group pays attention to physical and psychological health of its employees and cares its employees from various ways.

(1) Legal and System Guarantee

In order to protect legal rights and interest of the staff and ensure their physical and psychological health, COSCO Group signs related agreements with the trade union, such as Collective Contract, Special Collective Contract on Protection of Special Rights and Interests of Female Workers and Special Collective Contract on Labor Safety and Health.



Chapter IV “Working Hours, Rest and Vacation” in the Collective Contract contains regulations on working hours, vacation system to be enjoyed, extension of working hours, and rights to refuse behaviors that may damage physical health of the staff; Chapter V “Labor Safety and Health” contains regulations on establishment and improvement of responsibility system for labor safety, compliance with related national regulations on safety in terms of workplace and facilities, labor protection, physical inspection and recuperation, prohibition of forced dangerous operation regardless of laws and regulations, special protection for female workers and disposal of work-related injuries. The Special Collective Contract on Labor Safety and Health includes detailed regulations on aspects such as safety liability safety involving labor safety and health of the staff, labor conditions and safety technical measures, storage, transport and management of dangerous chemicals, safety operation procedures, safety training, occupational health and labor protection, disposal of work-related injuries, safety emergency-response plan and use of special equipment.

COSCO Group offers sufficient annual paid leave for its staff in accordance with related national laws and regulations, such as the Labor Law, and arranges vacation time of each staff based on working situations and personal application, ensuring normal rest and recuperation leave of them. Trade unions at all levels organize recuperation activities under the principle of “caring physical and psychological healthy of the staff and serving for work of the enterprise”, which promotes COSCO Group headquarters’ implementation of annual leave system and makes better arrangement for rest and recuperation of cadres and staff, and provides a platform for implementation of annual paid leave system.

(2) Cares for career development of staff

In order to standardize and enhance the management of appraisal and award of labor models and advanced collectives of COSCO Group, bring into full play the model and leading roles of labor models in construction of two civilizations of the enterprise, mobilize the activeness and creativeness of the employees and promote continuous and healthy development of the group, the group formulated and issued the COSCO Group Management Methods of Appraisal and Awarding of Labor Models and Advanced Collectives in accordance with related rules and regulations of the country and based on practical situations of the group.

COSCO Group paid close attention to career development demands of employees, established talent selection and recruitment mechanism, provided post exchange platform and occupational training opportunities for employees, and encouraged employees to attend academic, degree and technical training at their spare time. In order to practice the party’s mass line educational activity, the Trade Union of COSCO Group issued a notice in August 2013, requiring trade unions of all units to carefully clear and summarize the situations of their respect units of the party group’s guiding framework to do concrete things of seafarers, carefully find the things that need improvement in practical work, listened to whether the seamen have other urgent demands, passed the cares of the group’s leaders and all levels of leaders on frontier workers and frontier seamen, implemented the framework of doing concrete things of seamen in practice, mobilized the activeness of seamen and frontier employees, formed the cohesive force, struggled for benefits and made great contributions to fulfillment of annual targets of the group.



COSCON insisted on the tenet of “serving, depending on, serving and returning to employees”, tried to do concrete, good and difficult things of seamen from the trifle thing based on practical situations of the company, seized the important resource of seafarer from the prospective of “being people-oriented and caring the seafarers”, further doing a better job in retaining the seafarers with passion, and mobilized the seafarers to make active contributions to keep overall stable development of safety production situations of the company.

COSCO Dalian built up the seamen service platform to provide mail service for family members of the seafarers. It also built up Ocean Online information platform to provide various information services for over 3,000 seafarers.

COSCO Xiamen improved the ship management software and hardware, and elevated its own quality to do a better job in serving for the ships. In order to expand the work place of seamen center, add necessary reception facilities and equipment, it establishes COSCO Xiamen Seamen Home for the convenience of reception work of seamen and their family members.

(3) Cares for Life of Employees

The Trade Union of COSCO Group continued to carry out the activity of “Providing Face-to-Face, Heart-to-Heart and Considerable Services for Grassroots Employees” in 2013. It required all levels of trade unions to pay close attention to the activity, strengthen the promotion of this activity, and move the employees, be moved by the employees or make employees to be moved with each other through the activity. The Trade Union, under the leadership of Fu Xiangyang, held launching ceremonies for the activity in Tianjin, Shanghai, Dalian, Guangzhou and Qingdao, pushing the activity to the climax.

2. Cares for the Staff's Family Members

Trade Union of the group carefully summarized the work to help the staff who are in difficulty in accordance with requirements of the State Council and SASAC. In order to establish a long-term mechanism to help and support the poor, all second-tier trade unions established achieves for staff in extreme difficulty, and formed a high-efficient dynamic management system of poverty-stricken staff. On this basis, they also established the aiding and warning system for staff in difficulties to find and cope with common difficulties of the staff.

Seamen Family Member Liaison Center is a special organization. Over the years, the liaison center solved and shared many difficulties for the company and seamen, receiving love and supports of seamen and their family members. In order to solve the hidden worries of seafarers, the group establishes 248 contact stations for the families of seafarers through which the companies could learn about the families' needs and provide timely assistance.

During the New Year and Spring Festival of 2013, COSCO Group further deepened the warmth-sending activity. The entire system went deep to grassroots, ships and staff's families for condolence activities. During this period, related units of the group condoled and saved 9,393 employees who are in difficulties, offered RMB14.87 million of condolence fee and gifts, visited 321 ships and 381 grassroots units, condoled 1,889 migrant workers and seamen of the collaboration center, and bought over 1,000 tickets for migrant workers to return their hometown.



Leaders of COSCO Dalian visited seamen family members liaison centers in Yantai, Weifang, Binzhou, Dezhou and Pingdu, visited over 400 seamen's families, and brought loves and cares of the leaders to seamen and their family members to each family. During this period, the Condolence Team of the company also visited family members of Gao Bo, a chief engineer working at dispatched ships, in Yantai, Hao Liang, a captain who were in difficult and were resting at home in Laiyang due to cerebral embolism, family members of Wang Xiuhui, a seamen of dispatched ships, in Yangxin County, bringing kind cares of leaders of the company. The trade union of the company established QQ group for seamen's family members, providing faster and convenient services for seamen and their family members.

3. Cultural & Sports Associations and Cultural Life of the Employees

COSCO Group complies with related international conventions to ensure rights and interests of its employees.

Harmonious development of the enterprise is closely related to corporate culture building. COSCO Group pays close attention to cultural life of employees, and promotes construction of a harmonious enterprise by promoting corporate culture building and increase cohesion of the enterprise. All levels of trade unions organize various forms of cultural and sports associations and organize cultural and sports activities and cultural month activity for employees. These efforts play an active role in enriching cultural life of employees, enhancing affection of enterprises, improving humanistic relation environment and increasing cohesion of the enterprise.

In 2013, COSCO Group held a staff culture month activity themed on "Common COSCO People and Excitement of You, Him and Me. The activity includes six parts, namely history review, post skill, habits and interests, family life, ocean dream and glory. It explored heart-touching details of staff of COSCO in form of online show to move, encourage and educate employees, and further mobilize their activeness and creation.

All levels of trade unions of China COSCO organized female employees to attend the "Beauty of Harmony" 2ⁿ China Females Paining, Calligraphy and Photography Competition jointly organized by the China Women's News Express, the Art Association of Central State Organs and the World Federation of Overseas Chinese Associations. After appraisal of the experts, a total of seven works received the awards. The event showed the spirits of contemporary females in China, encouraged women to play a better in construction of harmonious society and rejuvenation of the nation, guided and promoted women to actively attend cultural and art activities, elevate their aesthetic level and elevate their spiritual life quality.



Left: Photographic work “Fairyland of Shicheng Mountain” of Ouyang Shenchun from COSCON
Right: Painting work Sunflower of Lai Jinlian from COSCO Guangzhou

4. Disposal of Complaints

COSCO Group provides appealing channels for its employees, such as general manager’s mailbox, letters and visits. Moreover, employees can also appeal to the Trade union, which will report the discrimination cases to the company managers on behalf of the employees. Discrimination cases can also be dealt with through legal proceedings. The group also investigates and disposes discrimination cases and corrects improper behaviors, so as to eliminate discrimination behaviors.

(IX) Human Right Risks

COSCO Group lays special emphasis on situations of human right risks of stakeholders, and understands and improves human right situations of the supply chain in accordance with UN Global Compact’s Universal Declaration of Human Rights and ISO26000’s requirements regarding human rights. It makes use of comprehensive risk management methods to systematically identify and evaluate various human right risks including various risks concerned by stakeholders, adopts controlling measures corresponding to risk level based on risk assessment results, and effectively avoids and reduces influences of various risks. It also enhances the human right training and promotion for key departments and subsidiaries to prevent and control human right risks.



社会绩效指标和主题报告

SOCIAL PERFORMANCE INDICATOR AND THEME REPORT





Part VI Social Performance Indicators and Keynote Report

I. Management Approaches

(I) Objectives and Performance

COSCO Group commits itself to the fulfillment of social responsibilities, and shoulders its responsibilities as a global citizen. The group strives to maintain good relations with the local communities, to promote prosperity of the community, and to reduce the influence and harm on the communities when entering and leaving, so as to make due contributions to prosperity and development of the community. The company makes continuous efforts to construct the comprehensive corruption penalty and prevention system, upholds the corporate philosophy of legal operation and standard management, and adheres to the management principles of “prioritizing prevention and combining prevention with penalty.” It tries to influence responsibility performance behaviors of customers and suppliers with the sustainable development concept, and respects and protects intellectual property right. After years of efforts, the combat against corruption and the construction of an honest enterprise are successful, the honest, efficient operation and the harmonious, healthy and stable development of the enterprise guaranteed. In terms of the formulation and study of related international and domestic regulations, COSCO Group continues to invest in the comprehensive promotion of the philosophies and guidelines in the Global Compact and the sustainability initiative, and calls for the popularization and implementation of the philosophies in all walks of life. Based on the principles of honest operation and lawful production, COSCO Group strives to promote a fair, just and open market environment and fights against industrial monopoly with determination. The subsidiaries and employees never probe into the commercial secrets of the rivals by illegal means. Nor have they ever been accused of dishonest competition or monopolistic behavior.

(II) Policies and Regulations

COSCO Group requires its subsidiaries to fulfill their respective social responsibilities in their local communities, maintain good relationships with the communities, and minimize the negative impacts on the communities. COSCO Group formulates the Implementation Opinions of COSCO Group of the Implementation Guidelines for Establishment of a Sound Educational, Administrative and Supervision System to Prevent Corruption. All the subsidiaries formulated their respective implementation programs and enforcement regulations, incorporated the relevant requirements of the anti-corruption system into the scope of comprehensive risk management, and carried out anti-corruption and anti-monopoly work effectively. COSCO Group clarifies the relevant regulations for anti-corruption, anti-monopoly and unfair competition, along with the work requirements for the organizations, responsible personnel, and responsible departments. The companies under COSCO Group always abide by the principle of fairness and honesty, safeguarding free, fair competition in the market, complying with the anti-monopoly laws of the trading countries, upholding the principle of win-win cooperation, and protecting the interests of the goods, owners and the stakeholders. Engaged in fair competition and legal operation activities, the companies and employees of COSCO Group never supplant the rivals by any improper, illegal means. Nor have they deliberately fabricated and spread false facts to damage the reputation of the competitors. COSCO Group companies formulate corresponding measures to



guard against operational risks, improve the implementation capacity, investigate and punish disciplinary offences, and strengthen supervision and discipline.

(III) Organization and Responsibilities

Subsidiaries of COSCO Group establishes the workers' congress system to implement democratic management. They have set up the sustainable development committees, the administrative management departments and the public relations departments to maintain good cooperation relations with local communities. They have set up functional departments and offices for supervision and discipline inspection, established discipline inspection committees, and implemented the anti-corruption work in practical. The main duties of these departments and commissions are: research and track the national legislation and international policies and guidelines on anti-commercial bribery and anti-corruption, develop and implement the corporate procedures and measures for anti-corruption, organize and conduct the communication and education on anti-corruption policies and regulations, supervise and inspect the performance of various departments and posts with regard to the implementation of the provisions, investigate and deal with disciplinary offences. Administrative departments, such as the President's Office or General Manager's Office, are established in the companies. These departments are responsible for the daily leadership conferences, receptions and public affairs, ensuring that leaders at all levels are engaged in public speeches, lectures and other lobbying activities in accordance with the relevant procedural requirements and the companies' commitment and willingness are expressed and communicated. The marketing or sales departments of the subsidiaries are responsible for implementing relevant national and international policies and regulations with regard to anti-monopoly and anti-unfair competition.

(IV) Training and Communications

COSCO Group is committed to the popularization of the philosophies and concepts of social responsibility throughout the entire group by employee training and communication. Community construction, anti-corruption, anti-monopoly and other related content are incorporated into the training programs, and these programs are organized in various forms and at different levels. The training programs include: special events, theme essay competition, picture exhibition and other forms of activities. In this way, the relevant policies and regulations are promoted throughout the entire corporate system. Through the promotion of the construction of an honest enterprise, the main objectives, principles, major tasks, procedures, measures and so on are outlined in detail. And through the well-planned, all-round, multi-level and systematic promotion of the honest culture, the companies are guided towards corporate integrity and legal operation, and the awareness of the staff members is enhanced. Unhealthy trends are corrected and overcome, a strong moral line of defense against corruption established among all the employees. To improve the work and management capacities of the audit staff in the Department of Supervision, intensive training courses about related knowledge and professional skills are organized in the companies every year, which has promoted the effective implementation of the relevant work. The companies also upload the relevant policies, regulations and cases on the Internet for the employees to learn about, so that they can enhance their precaution awareness and self-discipline abilities.



(V) Supervision and Inspection

Under the correct leadership of the superior discipline committee and party group of COSCO Group, COSCO Group, carefully implemented and acted in the spirits conveyed at related meetings of CPC Central Committee, carefully implemented the deployments for party's mass line educational and practice activity, integrated the anti-corruption and anti-monopoly requirements in daily evaluation of employees and annual evaluation of the management team, strictly performed the responsibilities of party's work style and building clean government, enhanced building of penalty and prevention system, actively promoted the supervision, inspection, audit, case-handling and computer audit work with enterprise management elevate, cost reduction and benefit increase and prevention and control of risks as the focuses, and included related indicators into the evaluation scope of spiritual civilization construction. In accordance with the eight rules of CPC Central Committee and the Measures of COSCO Group on Further Improving the Work Style and Deepening the Relationships with the Public, responsible departments of related companies carefully implemented the regulations and conducted supervision and inspection on implementation situations of eight regulations. By establishing justice departments and posts, the companies supervise the management of the contracts and the implementation of the legal requirements. And by operating the supervision perfection mechanism for the management system and the trade unions democratic management function, the companies inspect and evaluate the community construction undertaken by the departments in charge, as well as the business exchanges and cooperation with foreign countries. The companies organize inspections for operative discipline and contract fulfillment to promote the implementation of the relevant provisions. Subsidiaries of COSCO Group cooperated with State Council SASAC, the Central Commission for Discipline Inspection and the National Audit Office in the anti-corruption and anti-monopoly supervision and inspection, and formulated and implement rectification measures.

(VI) Legal Management

COSCO Group has operated in accordance with related laws and regulations, strictly abided with international conventions, national laws and regulations and local laws and regulations (industrial and commercial/environmental/public security laws), and ensured that everything is done in accordance with the laws and regulations, so as to form the favorable atmosphere of learning, knowing, abiding by and using the laws voluntarily.

COSCO Group and its subsidiaries established chief legal advisor system, insisted on promoting the examinations and concentrated training of legal advisors to increase the certificate-holding rate of the legal advisors, enhanced the management of appointment of lawyers, and promoted the establishment of legal service institute databases.

(VII) Social responsibility Management

COSCO Group has been dedicated to promoting the undertaking of social responsibility, performing its due responsibility as a global citizen and actively promoting the development of social responsibility. It implemented requirements of related documents of State Council SASAC, abided by the ten principles of UN Global Compact, promoted related subsidiaries to improve organization and management, strengthened system building, and elevated the management ability and level.



II. Performance Indicators

COSCO Group insists on abiding by commercial ethics and opposing corruption and commercial bribery in cooperation with the government, partners, suppliers, contractors and customers. It attends public affairs responsibly, abides by fair competition principles and respects the intellectual property rights. It propels shipping enterprises to operate in a responsible way by making use of its own advantages and makes active contribution to promotion of sustainability of social environment.

(I) Community Involvement and Public Welfare Projects



1. Community Involvement and Development

COSCO Group kept close cooperation relationships with stakeholders in the community, and recognized and reasonable considered the characteristics of the community, such as culture, religion, tradition and history. The stakeholders in the community include governmental departments, military units, non-profitable organizations and non-governmental organizations. COSCO Group took itself as a part of the community, established good image in the community through cooperation with the stakeholders, created harmonious social atmosphere and contributed to overall development, harmony and progress of the society.

Environmental protection within the community has been a major concern for the COSCO Group. The group not only makes sure that its production and other business activities do not pose negative impact on community environment but also actively takes part in activities to protect community environment. All subsidiaries have tried to promote improvement of ecological environment of the society and publicity of green civilization concept through a series of methods and activities such as tree-plantation, free blood donation and volunteer service.



Upon the 50th anniversary for Chairman Mao’s inscription of “Follow the Example of Comrade Lei Feng”, COSCO Qingdao organized the Young Volunteer Themed League Day activity themed on “studying from Lei Feng, advocating thrifty and promoting elevation” on the morning of March 9 to further bring forward the volunteer service spirits of “Dedication, Friendliness, Mutual-aid and Progress” based on Lei Feng’s spirits and advocate the virtues of “diligent and thrifty”. Over 20 young members of the Communist Youth League attended the activity. Members of the Communist Youth League carried forward the spirits of Lei Feng, made concerted efforts, helped each other, and actively devoted to wasteland reclamation volunteer activity, and changed wastelands into planting bases of fruits and vegetables.



On the morning of March 12, over 200 employees of COSCO Shipyard Zhoushan of COSCO Shipyard Group responded to the company’s recall, and attended the free blood donation activity organized by the company.

Since 2006 till 2013, the free blood donation activities have been carried out by eight times, and the employees attending the blood donation exceeded 1,200 persons. The company was awarded the honorable title of “Advanced Blood Donation Collective of Zhoushan City”.



On Nov. 2, 2013, COSCO Dalian organized autumn trip activity themed on “Singing in Autumn and Being Close to the Nature” for primary schools in its jurisdiction. A total of 85 persons from 28 families attended the activity. The children played happily in the nature. During the activity, children were arranged to be close to the nature, have a picnic, understand natural creatures and ancient buildings. Besides, they were also organized to attend interesting sports meeting. At the sports meeting, children were divided into several teams to carry out the activities. The activity enhanced the team spirits and collaboration spirits of children, enabled them to experience the team collaboration, struggling spirits and sense of group honor in playing process, and achieved a complete success. This was one of the practices of COSCO Dalian to contact the communities voluntarily, carry out social activities and perform its social responsibilities.





With the acceleration of urban construction, old buildings were demolished continuously. The profound history and culture are disappearing continuously. During his spare time, Zheng Yongjiang, an employee of COSCO Dalian, studied and researched the history and culture of Dalian, sought for distribution of old buildings of Dalian, recorded these old buildings with lens and words, so as to mobilize more people to attend the team to protect the historical building and promote the protection of old buildings. Since the establishment of photographic team of old buildings in Dalian in April 2012 till now, a total of 36 collective photographic activities have been held and 86 activities of sub-teams had been organized, with the participation of more than 1,000 persons and 18,000 photos have been taken. The event attracted great attention of Dalian Evening News, Peninsula Morning Post, New Business and Dalian Photography. The media promotion enabled more people to realize the value of historical buildings and promoted the elevation of spiritual and social responsibilities of the city.

2. Education and Culture

Education and culture are bases for economic and social development, and also important part of community features. Protecting and promoting culture and education, and collaboration of it with respect of human rights have active influences on social cohesion force and social development.



By helping communities to alleviate poverty through knowledge and technology, COSCO Group has promoted the educational development and cultural quality elevation of the communities, and provided a strong guarantee for spiritual civilization construction.

On March 1, COSCON conducted a survey at Beiqiao Village, Sanxing Town, Chongming County. The company had in-depth communications and exchanges with the Beiqiao Village Committee, exchanged opinions on and actively promoted the development of village-level economy, educational and cultural undertaking, and changed the look of the village.



Members of the Loving Care Tutor Station of COSCO Shipyard Zhoushan of COSCO Shipyard Group provided 45 times of free tutorships for local primary schools in the first half of 2013, involving over 120 persons accumulatively. During the holiday of primary schools, the station also invited children to attend cultural and sports activities at spare time or weekends. In consideration that educational conditions of Liheng were imbalanced, it offered tutorship for children who needed tutorship, receiving good praises from headmasters of the school and the students.

In order to further support the development of basic education of Cangyuan Wa Autonomous County, Lincang City, Yunnan Province, COSCO Charity Foundation launched the special donation activity



themed on “Ocean Dream of Charitable Tables and Desks” in May 2013, advocating employees and customers of COSCO Group to give loving cares to children in poverty-stricken mountainous areas. By the end of 2013, a total of RMB419,980 of capitals were raised. So far, RMB358,005 of capitals had been used to buy 630 sets of student desks and chairs, six sets of tables and chairs for pre-school education, 229 beds for students, 115 sets of dining tables and chairs, 45 sets of office desks and chairs for teachers and 16 teaching desks for Nuoliang Township Central Primary School in Cangyuan Wa Autonomous Count. The rest RMB61.975 capitals were donated, which will be used to improve the teaching conditions of the schools based on practical situations of the schools.

In the past seven years since the implementation of “Ocean Dream” Yunnan Lincang Education-aid Project of COSCO Charity Foundation, the project provided 21,129 sets of desks and chairs, 4,642 beds, 1,672 sets of desks and chairs for teachers, and 2,308 sets of dining desks and chairs for students of 86 poverty-stricken primary schools in mountainous regions, benefiting over 22,400 teachers and students. This not only improved the studying conditions of children in poverty-stricken mountainous areas, received wide recognition and high praises from local governments, people, teachers and students, and reflected good social benefits of the enterprises.

3. Job Creation and Skill Development

After entering a community, COSCO Group always makes active efforts in creating employment opportunities for the community. In this way, it has cultivated a large number of versatile talents and fully implemented its social responsibility. By enhancing the cooperation with local suppliers and implementation the principles to employ local staff, it has created employment opportunities for local community actively.

4. Social Investment

During the social activity, COSCO Group and its subsidiaries made active contributions in terms of community training, culture, healthcare, revenue creation, infrastructure construction, information collection and economic development.

5. Public Welfares

COSCO Group actively enhances the cooperation with stakeholders of the community, establishes good image in the community through cooperation, creates safe, civilized and harmonious social atmosphere, showing its responsible and good corporate image of undertaking social responsibilities actively, feeding back the society and power construction of harmonious society.

In 2013, a total of 3,074 volunteers of COSCO Group participated in various social and community activities as volunteers, which had created good social effects.

On Oct. 27, Anping Liner of COSCO (H.K.) Shipping received emergent calls of Olympic Wireless Radio Station and local coast guard, requiring it to rescue a 20-meter-long small ship carrying 120 persons at 12 sea miles away to Pingan Liner. Materials of the ship had been used out, and people in the ships were in great dangers. Pingan Liner immediately sent the noodles, bread, biscuits, cans as well as milk, mineral water and fruits stored to the ships. After convey of materials, all persons in the ship stood up and shook their hands to show respect to the liner.



On the afternoon of Feb. 18, “COSCO Nantong Youth” released a micro-blogger article: A 10-year-old girl felt from 11 floors accidentally, and was in urgent needs of B-typed blood platelet to save her life. Employees of COSCO Shipyard Nantong organized employees to the blood station of the hospital to donate their bloods, and offered condolence fees, saving life of the girls.

On the evening of Feb. 24, Hua Sha Liner, a Panamax carrier in sea area of Chaolian Island, Qingdao of CHIMBUSCO, was caught by fire. The Public Security Bureau of Qingdao Port dispatched two fire-extinguishing ships to put out the fire. Due to long-distance voyage and on-site fire-extinguishing, the fuel and materials of fire-extinguishing ships were in short supplies on Feb. 25. After receiving the request of maritime department, the company ordered CHIMBUSCO 31 to supply fuels and materials for the fire-extinguishing ships, receiving appreciations from maritime department and the Public Security Bureau of Qingdao Port.

6. Helping Those in Poverty and Difficulties

Helping the poor is a traditional virtue of Chinese nation, and also an excellent tradition of COSCO Group. All subsidiaries of the Group use various means to participate in social and community activities and to faithfully fulfill their corporate social responsibilities.

On April 8, “Ocean Home” COSCO Xingfuyuan Seniors’ Home Project was launched at Jimuxi Townships, Yuanling County, Hunan Province. The number of people aged above 60 of the townships accounted for 35% of the total. Of which, 165 were old persons of households enjoying five guarantees, 45 were mental patients and 980 were disabled persons. Most of them were living in various villages. Due to inconvenience of traffic, some old persons enjoying five guarantees had weak self-dependence ability and were in great difficulties. Under the plans, a three-layered house in brick and concrete structure will be constructed. With a total area of 800 square meters, the house can accommodate 80 persons including old persons enjoying five





guarantees, orphans and disabled children, and vulnerable group, provide leisure and entertainment venues for the old persons. It is predicted that the project can benefit over 500 persons indirectly.

On Dec. 6, COSCO Logistics Kunming held the donation ceremony themed on “Education-aid Activity of COSCO Group and Luohong; Loving Care Donation in Snowy Plateau”. COSCO Logistics Kunming bought winter dresses and shoes as well as stationeries and books for 169 poverty-stricken children at primary schools of towns and townships in Luolong County, Changdu, Tibet. “I would like to show my appreciations to COSCO Charity Foundation and COSCO people for your charitable materials. Children will not be cold in this winter,” said Bu Du, chairman of Luolong County Committee of CPPCC, when receiving the materials donated.



7. Dealing with Adverse Events

In 2013, all subsidiaries of COSCO Group have neither caused any adverse events in local communities nor received any complaints on pollution to the communities.

8. Technical Development and Possession

COSCO Group pays close attention to technical supports for community development, and has used its own advantages to provide technical supports and services for development of local communities.

On the morning of Feb. 26, a delegation of six persons headed by Jiang Lijun, General Manager of China COSCO, inspected the campus and teaching facilities of Maritime Training Center, listened the report made by the center, and had a symposium with leaders and representatives of staff of the center. They had in-depth discussion on building of teachers’ team, reconstruction of facilities and equipment and R&D of technical project, promoting the elevation of professional skill level of the center.

9. Health

Health is a basic condition for social life, and also a commonly-recognized human right. COSCO Group takes health as people’s basic right, pays great attention to physical and psychological health of residents in local communities and tries to eliminate the unfavorable influences on health of local residents in its production and operation process, and the process to provide products or services.

10. COSCO Charity Foundation

In 2013, total donations made by employees of COSCO Group reached RMB1.0816 million.



Indicator/Year	2007	2008	2009	2010	2011	2012	2013
Donations made by employees (RMB10,000)	269.39	2,410.55	277.6	374.28	288.58	148.21	108.16

(II) Fair Operation Practices — Anti-corruption and Anti-commercial Bribery

1. Overall Planning and Deployment

In 2013, the Disciplinary Inspection Team of the Party Group of COSCO Group and all levels of disciplinary inspection and supervision team carefully implemented the spirits conveyed at related working meetings of the superior departments under the leadership of superior disciplinary inspection committee and the party group of COSCO Group. They steadily implemented deployment for party’s mass line educational program themed on “serving for people, truth-seeking and incorruptive”, focused on the targets and key task of “winning the battle to make up deficits and get surplus” made at the 2013 work conference of COSCO Group, strictly implemented the responsibility system for party’s work style and building of clean government, enhanced building of penalty and prevention system, carried out anti-corruption work carefully with a focus on management elevation, cost reduction, benefit increase and risk prevention and control of the enterprises, and achieved good results in party’s work style building and anti-corruption work.

2. Organization of Supervision and Inspection to Implement Eight Regulations of CPC Central Committee

In accordance with the requirements of party committee of SASAC, the group organized the supervision and inspection to implement spirits of eight regulations of CPC Central Committee, and achieved good results in implementation of the eight regulations and the improvement of work style.

3. Integrating Party and Political Work and Promoting the Building of Penalty and Prevention Systems Continuously

With the implementation of responsibility of party’s work style and building of clean government as the focus, the group paid equal attention to party, political and league work, supervised all levels of leaders and managers to carefully implement the “one post, double responsibilities” system and promote building of penalty and prevention systems.

4. Making active exploration and organizing tour inspection work steadily

In accordance with the deployment of the party group of COSCO Group, the Group took the promotion of implementation of development strategies and important decisions, promotion of building of management team and building of clean government, elevation of market competition and anti-risk ability of enterprises, and winning the battle to seek for existence and development as the targets, selected direct subsidiaries which have important influences on operating efficiencies and healthy and sustainable development of the company under the principles of “finding issues, making-



up the defects, improving the management, making-up deficits and getting surplus and seeking for long-term development”, and organized tour inspection work carefully.

5. Preventing risks and carrying internal audit work of enterprises

With a focus on the central task, it carried out prevention and control of corruption risks. COSCO Group headquarters issued the Implementing Opinions to Enhance Prevention and Control of Corruption Risks of COSCO Group, and related units formulated the implementation plans for the work. A total of 17 units carried out the analysis of corruption risks, accounting for 71% of the total. Special emphasis was laid on audit and supervision in terms of capital, cost, risk and management, and 16,291 internal audit items were carried out, promoting the revenue increase and expenditure reduction and saving RMB382.4969 million, making great contributions to cost reduction and benefit increase of COSCO Group. Firstly, unveil the capital risks, promote warning and prevention, and promote the company to enhance capital risk prevention and control measures of related units, and elevate the capital utilization efficiency and operating benefits. Secondly, enhance control supervision and control, promote the exploration of potentials and increase of benefits, and assisted the enterprises in cost reduction and benefit increase work actively by seeking for cost reduction and management elevation space. Thirdly, verify business risks, promote functional management and control, carry out the audit and supervision on high-risk business, and provide basis for standardization and management of related business risks. Fourthly, pay attention to delicacy management, promote improvement and elevation, find insufficiencies of related units in market exploration, operation, management and evaluation through audit, and promote related units to deepen the reform, adjust the structure and improve the management. Fifthly, integrate the daily management and perform supervision functions. In the daily operation and management process, the company strictly performed the audit and supervision responsibilities, find hidden risks in daily supervision and audit work to find the issues, offer the suggestions and promote rectification, it also collaborated with related departments and units to better perform the responsibilities, helped the audit committee of the listed companies to perform the duties, and promoted the elevation of overall management level of the company.

6. Deepen the education and further elevate the incorruptible employment consciousness of the party member cadres

In combination with the party’s mass line educational activity, the group organized the party member cadres to carefully study and implement the spirits conveyed at the 18th National Congress of CPC and General Secretary Xi Jinping’s important directive on insisting on diligent and thrifty and opposition of waste. The group carried out the education on laws, regulations, occupational ethics and incorruptible employment, constantly enhanced the incorruptible employment consciousness and anti-corruption ability of all levels of leaders and persons at important posts. It offered incorruptible dialogue with each person who is dispatched to work abroad and issued Manual on Incorruptible Employment. In 2013, COSCO Group has compiled and issued a total number of 94,355 copies of educational materials on anti-corruption, organized 688 anti-corruption study sessions for 20,140 middle-level managers or above, held 173 special anti-corruption lectures which were participated by 15,224 persons, and engaged 33,443 employees in anti-corruption talks. Other shore-based staff and seamen also accepted the training on anti-corruption policies and procedures through post training and training before dispatch, with the coverage rate of 100%. The incorruptible employment consciousness of all levels of party member cadres and employees were further elevated.



7. Enhancing the supervision and steadily carry out supervision, inspection and energy-efficiency supervision work

In accordance with deployment of the higher level, it carefully carried out the regulations on implementation of “three importance and one great” decision-making system, and implementation of party’s work style and building of clean government and incorruptible employment of all levels of leaders, implemented the decisions and deployment of the group, and carried out supervision and inspection. It paid special attention to supervision and inspection on material procurement, contract management, fuel management, financial management, engineering project management and regulation of commercial bribery. It carefully implemented the management functionalities of supervision business, timely found and corrected the regulation risks of the company, and ensured legal and law-compliant operation of the company. In 2013, a total of 366 supervisions and inspections were carried out, with 350 issues were found, and 383 pieces of rectification suggestions were put forward, promoting the improvement of 105 systems and avoiding RMB95.6 million of losses.

8. Adopting strict disciplines and doing a better job in letter, visit and case investigation work

All levels of disciplinary inspection and supervision teams of COSCO Group pay close attention to letter, visit and case investigation work. They also conducted in-depth investigation on issues regarding work style and incorruptible employment of cadres reported, as well as issues involving rights and interests of employees and affecting harmony and stability of the enterprises. They actively coordinated with related units and departments to research and solve the issues reported by the employees. They further enhanced the case investigation, investigated every case and found illegal and non-compliant behaviors. They also cooperated with the CPC Central Commission for Discipline Inspection, SASAC and Judicial Organs to investigate the cases, and insisted on case investigation principles to investigate the cases in accordance with laws and regulations. In 2013, the group accepted 115 letters and reports, of which, 113 had been settled, with the settlement rate of 98%. It handled preliminary investigation on 12 cases, of which, 11 had been completed, with the completion rate of 91.7%. It also set up 11 cases, of which, eight cases had been settled, with the settlement rate of 72.7%. A total of 5 persons were given party penalty, while 5 persons were sentenced into prison. In response to aforesaid cases, the group made in-depth analysis on the reasons, carried out warning and educational activities, and improved the system and process continuously. In 2013, it launched the cooperation to prevent against post crimes in Dalian, and planned to promote the work comprehensively in the second half.

9. Improving work style and continuously elevate the scientific level of anti-corruption building of discipline inspection, supervision and audit teams

All levels of discipline inspectors and supervisors formulated the measures to transform work style based on the Implementation of Eight Regulations of CPC Central Committee and Concrete Measures of the Group. In the supervision & inspection, energy efficiency monitoring, audit and membership card clearing activities, they took a lead to implement various rules and regulations, better keeping the incorruptible image of disciplinary inspection cadres. They carried out symposium on anti-corruption theories in the entire system to find the focuses for anti-corruption and various supervision work. It organized joint investigation, audit, supervision and inspection on cases and organized various



studying and training activities to improve the farsightedness, system, pertinence and effectiveness of the anti-corruption work and elevate the scientific level of anti-corruption building.

(III) Fair Operation Practices —— Responsible Political Involvement

COSCO Group pays attention to formulation of public policies, takes part in formulation of industrial policies home and abroad, and tries to promote the sustainability of economy, society and environment.

1. Participation in Formulation of National and International Sustainability Policies

COSCO Group, as a participant in the Global Compact, has always been committed to the promotion of global economic development and the fulfillment of the Global Compact and sustainability. To promote the fulfillment of social responsibilities, fight against commercial bribery and industrial monopolies, COSCO Group actively participated in relevant national, industrial and international activities, displaying the company’s philosophy and awareness at management level, and making relevant promises to the public through a variety of effective channels, in accordance with the principles of establishing a fair, just and open market competition environment. COSCO Group also participated in the research and formulation of relevant international conventions and relevant national rules and regulations. It engaged in the communications and exchanges on economic, environmental and social affairs in the international community and in China with the mind and attitude of a transnational enterprise. At the High-level Roundtable for Sustainability of Chinese Enterprises in Overseas Market, COSCO Group reported its efforts to enhance the cooperation with international organizations such as UNDP, UN Women, ILO and Global Compact, effectively solve the challenges of enterprises in “going out” and explored the way for sustainable development in overseas market to UNDP, State Council SASAC and Ministry of Commerce.

Main activities attended by COSCO Group in 2013

Time	Situations of the activity
April 7, 2013	Capt. Wei Jiafu, former chairman of COSCO Group, and Chairman Ma Zehua attended the opening ceremony of Boao Forum for Asia 2013. Theme of the event was “Asia Seeking Development for All: Restructuring, Responsibility and Cooperation”.
June 18, 2013	Capt. Wei Jiafu, former chairman of COSCO Group, attended the Symposium of UN Secretary General Ban Ki-moon with CEOs of Chinese Member Enterprises of Global Compact. At the event, Chairman Wei introduces measures of COSCO Group to care the climate and create low-carbon economy, and shared COSCO Group’s experiences in practicing sustainable development in shipping industry.
July 18, 2013	Chairman Ma Zehua attended the 2013 China Ocean Shipping Safety Forum themed on “Seamen, Energy Efficiency and Existence” and delivered a keynote speech titled “Undertaking Responsibilities, Seeking for Excellence, Overcoming Difficulties and Jointly Keeping Ocean Shipping Safety and Order”. In his speech, he elaborated the important of safety as well as COSCO Group’s exploration and practice. With respect to



	<p>difficulties and challenges of shipping industry in deepening energy conservation and emission reduction, establishing green shipping and realizing sustainable development of ocean shipping industry, Chairman Ma Zehua appealed industry insiders to face the issues together, make concerted efforts, deepen the cooperation contents and forms on the basis of mutual-beneficiary cooperation and self-discipline of industry, explore more mutual-aid, cooperative and self-disciplinary modes, and realize safety, cooperation and mutual benefits of entire industrial chain.</p>
Aug. 30, 2013	<p>Chairman Ma Zehua was invited to attend the High-level Roundtable for Sustainable Development of Chinese Enterprises in Overseas Market supported by UNPD, State Council SASAC and the Ministry of Commerce, and delivered a speech. Ma Zehua said that COSCO Group will enhance the cooperation with UNPD, UN Women, ILO and Global Compact, effectively solve the challenges of the enterprise in “going out” and explore sustainable development way in overseas market.</p>
Sept. 10-13, 2013	<p>Chairman Ma Zehua was invited to attend the opening ceremony of 2013 Summer Davos Forum and the symposium of Li Keqiang and responsible persons of internationally renowned enterprises, and the Global Leadership Summit. At the Global Leadership Summer, Chairman Ma took COSCO Group as the example to exchange opinions with the participants on international leadership, cultural differences of east and west and local management, with a focus on the theme of globalization.</p>
Oct. 13, 2013	<p>At the North Pole Forum, Li Yunpeng, President of COSCO Group, delivered a speech themed on “Enhancing Cooperation, Shouldering Responsibilities and Jointly Creating a Wonderful Future for the North Pole”. Upholding the concepts of “development globalization, harmony and mutual benefits”, COSCO Group actively tried the business in North Pole, provided value-added services for customers, and made favorable attempts for joint development of the enterprise and the customers. In the meantime, it appealed enterprises to take environmental protection as the prior task when exploring and utilizing resources in the North Pole, including shipping resources. With respect to scientific research and resource development of North Pole, including climate monitoring, research of icy situations and hydrological observation, it further enhanced the cooperation. When making use of the North Pole together, efforts should be made to standardize the behaviors, avoid disordered and unrestricted development, so as to protect the North Pole of human being.</p>
Nov. 6-8, 2013	<p>Chairman Ma Zehua and President Li Yunpeng of COSCO Group attended the World Shipping (China) Summit and pointed out that shipping industry shall realize cooperation and mutual benefits through collaborative innovation. Chairman Ma Zehua and President Li Yunpeng believed that efforts should be made to innovate the cooperation with ship-owners, avoid any damages to competition, seek for common value direction and keep rationality of behaviors. Efforts should be made to innovate on the cooperation of ship-owners and correlated parties, elevate credibility of the company and enhance brand penetration. Efforts should be made to</p>



	innovate cooperation between ship-owners and customers, transform service mode, realize personalized and customized services and elevate core competitiveness.
Nov. 29, 2013	Chairman Ma Zehua attended the Action in 2020 CEO Roundtable Forum organized by WBCSC, and exchanged opinions with special guests on prior sectors of sustainable development, business agenda and solution of industrial and commercial industry.
Dec. 3-6, 2013	In accordance with the arrangement of National People's Congress, Chairman Ma Zehua, as the member of Foreign Affairs Committee of National People's Congress, lead NPC duties to attended the 2013 World Trade Annual Conference of Foreign Affairs Committee of National People's Congress and Meeting of Guiding Committee held in Bali on Dec. 3 to Dec. 6, 2014. At the event, participants researched on multilateral trade negotiation agenda after WTO's Ministerial Conference in Bali as well as ways to promote sustainability, offer employment and reduce poverty through trade.

2. Donation of Capitals and Materials to Parties, Politicians and Related Institutes of Different Countries

COSCO Group has promoted its business development under the principles of fair competition, and has never donated any capitals or materials to parties, politicians or related institutions of any countries.

(IV) Fair Competition

COSCO Group set itself against any unfair competitions and encouraged fair competitions. It didn't adopt the operation strategy of dumping sales and monopoly. It can consciously safeguard the interests of the concerned parties and win the trust of the consumers and the social recognition through its own practical actions.

The orientation of products, services and prices of COSCO Group is high quality, high grade, high technology, low cost, low consumption; the sales promotion strategy of COSCO Group is to make innovations, produce quality goods and win reputations; the promise of marketing management and the principles of accumulating credit in COSCO Group is to obey the laws and regulations and respect the requests of the customers.

Anti-monopoly Act of the PRC actively participated and promoted by COSCO Group has been put into effect officially. As a unit that participated and promoted the establishment and implement of the act, COSCO Group followed close to the line of anti-monopoly act and protected fair market competition; it improved the efficiency of economic operations; it preserved the interests of the consumers and social public interests; it enhanced the sound development of market economy.

In 2013, COSCO Group didn't involve in any lawsuits due to anti-competition, anti-trust or anti-monopoly actions.



(V) Creating Wealth for the Community

COSCO Group paid close attention to role of community in supporting development of the enterprise, actively enhanced the cooperation with local communities, tried to create wealth for the communities and promote development of the communities. Related subsidiaries provided helps for community develop through measures such as payment of taxes in full amount and on-time, procurement localization, creation of employee opportunities for communities and help residents in the communities to elevate employment ability.

In 2013, 85 sub-contractors of COSCO Shipyard Dalian were local companies. The company insisted on the principles of localization and actively provided employment opportunities for local communities.

(VI) Promotion of Social responsibility in Value Chain

In the procurement process, COSCO Group insists on implementation responsible procurement, establishes complete procurement management system, and brings the environmental protection and safety production into examination of suppliers. It also pays attention to suppliers' protection on rights and interests and occupational safety of employees, insists on environmental protection requirements in procurement process, advocate energy conservation and emission reduction. promotes the costs and earnings for implementation of social responsibility in a fair and feasible manner in the entire value chain, including elevating the ability of organizations in the value chain to realize the target of being responsible to the society when possible. It also encouraged the customers it served to perform social responsibilities. It tries to bring into full value the role to promote social responsibility in the shipping value chain, for instance promote COSCO Group's sustainability concept at world shipping summit.

In the work to build up supplier database in 2014, COSCO Shipyard conducted investigation and appraisal on environmental and occupational health and safety of suppliers of 14 materials.

(VII) Respect of Intellectual Property Right

COSCO Group pays attention to bring into full play the role of intellectual property right in protecting technical innovation of enterprises, promoting conversion of innovation achievements and enhancing core competitiveness of the enterprise. It doesn't involve in any intellectual property infringement activities, including misuse of its dominating position, fake and unlicensed products, pays reasonable compensation to properties gained or used, and considers the expectations of the society and the basic requirements of human right and individuals when executing and protecting its own intellectual property right and properties. It establishes and improves IPR creation, application, management and protection mechanism based in characteristics of the industry and practical demands of the enterprise. It also encourages patent development and application work.

In 2013, COSCO Shipyard accelerated the R&D of 13 special technologies and products including green ship, special ship and ocean engineering oil and gas equipment, completed the design and R&D of LNG double-fuel bulk carrier and MPV products, and gained new patents in LNG Gas Tanker Layout System and Gas Supply Layout System of Double-fuel Ships and an Offshore Bulk Transport Equipment with Double Fuel.



(V) Law-compliance

COSCO Group has consistently operated abiding by laws and regulations, obeying strictly international conventions, laws and regulations of the nation, ensuring conducting according to disciplines, for instance, the legal affairs department will make a legal review before signing of the contract, as a result, it prevented effectively legal risks and thus reduced the financial risks caused by direct penalty or indirect destroy of the reputation.

In 2013, no penalty events caused by violation laws or regulations occurred in COSCO Group.

COSCO Group insisted on closely integrating the law popularization work with operation and management of the group, and formed the favorable atmosphere of learning, knowing, abiding by and using the laws voluntarily. In 2013, it continued to take the law popularization work as an important takes to enhance legal consciousness of employees and to elevate legal governance level. In accordance with the overall requirements of COSCO Group, it carried the legal promotion and education activity as well as Q&A activity in an in-depth manner, strengthened the enterprise legal system building. The law popularization education further enhanced the legal consciousness of managing personnel and staff, and elevated the operation and management level of the company.

In 2013, COSCO Group organized the trainings of legal advisors. A total of 50 legal advisors from related companies of the system attended the training

G3.1 Content Index

Application Level

STANDARD DISCLOSURES PART I: Profile Disclosures											
1. Strategy and Analysis		4.7	P57-58		P222-223	EN4	P139-145	LA3	P180-184	HR11	NA
Profile Disclosure	Location of disclosure	4.8	P9-11;P58		P223-224	EN5	P139-145	LA15	NA	Social: Society	
1.1	P06-08	4.9	P58-59		P224	EN6	P139-145	Labor/management relations		Indicator	Location of
1.2	P13-21	4.10	P59-62		P228	EN7	P139-145	LA4	P180-184	Local communities	
2. Organizational Profile		4.11	P58-67		P228	Water		LA5	P184-189	SO1	P233-239
Profile Disclosure	Location of disclosure	4.12	P99-102	DMA SO		EN8	P145-146	Occupational health and safety		SO9	NA
2.1	P21-26	4.13	P100-102	Aspects	P233-239	EN9	P145-146	LA6	P189-201	SO10	NA
2.2	P22-26	4.14	P102-105		P239-242	EN10	P145-146	LA7	P189-201	Corruption	
2.3	P26-39	4.15	P102-105		P242-244	Biodiversity		LA8	P189-201	SO2	P239-242
2.4	P21-26	4.16	P102-108		P244	EN11	P150-151	LA9	P189-201	SO3	P239-242
2.5	P21-26	4.17	P106-108		P246	EN12	P150-151	Training and education		SO4	P239-242
2.6	P21	STANDARD DISCLOSURES		DMA PR		EN13	P150-151	LA10	P201-207	Public policy	
2.7	P22-26;P26-39	G3.1 DMAs	Location of disclosure	Aspects	P162	EN14	P150-151	LA11	P202-203	SO5	P242-244
2.8	P26-39	DMA EC			P163-165	EN15	P150-151	LA12	P207	SO6	P244
2.9	P26-39		P115-121		P166	Emissions, effluents and waste		Diversity and equal opportunity		Anti-competitive behavior	
2.10	P40	Aspects	P115-121		P170	EN16	P146-147	LA13	P207	SO7	P244
			P127-130		P173	EN17	P146-147	Equal remuneration for women		Compliance	
3. Report Parameters											
Profile Disclosure	Location of disclosure	DMA EN		STANDARD DISCLOSURES PART III: Performance Indicators		EN18	P147-148	LA14	P207	SO8	P246
3.1	P41	Aspects	P137-138	Economic		EN19	P147-148	Social: Human Rights		Social: Product Responsibility	
3.2	P41		P139-145	Indicator	Location of disclosure	EN20	P146-147	Indicator	Location of	Indicator	Location of
3.3	P41		P145-146	Economic performance		EN21	P147-148	Investment and procurement		Customer health and safety	
3.4	P41-44		P150-151	EC1	P115-121	EN22	P148	HR1	P214-216	PR1	P162
3.5	P41-44		P146-149	EC2	P121-123	EN23	P148	HR2	P214-216	PR2	P162
3.6	P41		P151-152	EC3	P123	EN24	P146-149	HR3	P214-216	Product and service labelling	
3.7	P44		P153	EC4	P123-124	EN25	P146-149	Non-discrimination		PR3	P167-169
3.8	P41		P153-154	Market presence		Products and services		HR4	P216-219	PR4	P167-169
3.9	P44-45		P136-137	EC5	P124	EN26	P151-152	Freedom of association and		PR5	P167-169
3.10	P44		DMA LA	EC6	P124	EN27	P146-149	HR5	P216-219	Marketing communications	
3.11	P45	Aspects	P184-189	P124-127	Compliance		Child labor		PR6	P166	
3.12	Appendix		P189-201	Indirect economic impacts		EN28	P152-153	HR6	P222	PR7	P166
3.13	P46		P201-207	EC8	P125-126	Transport		Prevention of forced and		Customer privacy	
			P207-208	EC9	P127-130	EN29	P153-154	HR7	P222-223	PR8	P170
Profile Disclosure	Location of disclosure		P207	Environmental		Overall	Security practices		Compliance		
4.1	P49-55		P207	Indicator	Location of disclosure	EN30	P136-137	HR8	P223-224	PR9	P173
4.2	P50-51	DMA HR		Materials		Social: Labor Practices and		Indigenous rights			
4.3	P50	Aspects	P214-216	EN1	P137-138	Indicator	Location of	HR9	P224		
4.4	P56-57		P216-219	EN2	P137-138	Employment		Assessment			
4.5	P57-58		P219-221	Energy		LA1	P180	HR10	NA		
4.6	P55-56		P222	EN3	P139-146	LA2	P181	Remediation			

ASSURANCE STATEMENT

Introduction

DNV GL - Business Assurance Group ('DNV GL') has been commissioned by the management of China Ocean Shipping (Group) Company ('COSCO') to carry out verification on COSCO's Sustainability Report 2013 ('the Report') against the DNV GL VeriSustain Protocol (VeriSustain).

COSCO is responsible for the collection, analysis, aggregation and disclosure of information contained in the Report. Our responsibility in performing this work is to the management of COSCO only and in accordance with terms of reference agreed. The stakeholders of COSCO are the intended users of this statement. The assurance is based on the assumption that the data and information provided to DNV GL is complete and true.

Scope of Assurance and Limitations

The scope of assurance work agreed upon with COSCO includes the following:

- The economic, social and environmental data, as well as the social responsibility performance in the period January to December 2013, as presented in the Report.
- On-site verification at COSCON' Headquarter , and below subsidiaries:
 - Xiamen Ocean Shipping Company
 - Qingdao Ocean Shipping Co., Ltd.
 - COSCO Hongkong Shipping Co. Ltd.
- Interview the external stakeholders - Beijing Rongzhi CSR institution
- Evaluation of Accountability principles and performance information, as required for a Type 2, moderate level of assurance in AA1000AS.
- A specific evaluation of the information on sustainability performance related to: Shipping Safety and Environmental Performance of COSCO 2013
- Performance of Core indicators of GRI G3.1 as indicated in the Report and management approach
- DNV GL has not verified the financial data disclosed in the Report which had been audited by third party
- The verification to COSCO headquarter was conducted by DNV GL in June 2014, The verification to 3 COSCO's subordinate companies were conducted in September to November 2013

Verification Methodology

Our verification was planned and carried out in accordance with the DNV GL Protocol for Verification of Sustainability Reporting.

The Report has been evaluated against the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness in the AA1000AS 2008.
- Adherence to the additional principles of Neutrality and Completeness as set out in DNV GL's Protocol.
- Examined and reviewed documents, data and other information made available to DNV GL by COSCO.
- 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 presented in the Report.

Conclusions

In Our opinion, The Report provides a credible and objective presentation of COSCO's overall sustainability performance and application of the AA1000 Accountability Principles 2008. Within the scope of assurance, DNV GL has not observed any untrue statements of systematicness and Materiality.

We use 'Good', 'Acceptable' and 'Needs Improvements' to evaluate the Report's adherence to the following principles according to VeriSustain:

AA 1000AS (2008) Principles:

Inclusivity: Acceptable. COSCO has established a mechanism for stakeholders' communication and engagement through multiple actions. The results of this communication and engagement have already had some impact on the setup of the sustainability strategy of COSCO to a certain degree. The way of stakeholders' engagement and their focus has revealed the Report.

Materiality: Acceptable. COSCO has established a materiality determination process within the company. The Report disclosed the materiality aspects which identified through the determination processes and the relevant sustainability context.

Responsiveness: Acceptable. COSCO has setup a response mechanism to improve the responsiveness to the views of stakeholders through establishing policies, objectives and target, governance structure, management systems and processes. With the consecutive 3 years and more historical data and explicit context about COSCO'

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ASSURANCE STATEMENT

economic, social and environmental indicators and performance, the Report response the main stakeholders concerns.

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. No systematic errors were detected during verification.

Additional Principles

Completeness: Good. COSCO follow GRI 3.1 to disclose the their sustainability information of year 2013 completely. 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.

- It is suggested to present sustainability performance in relation to broader context of sustainability.
- It is suggested to present performance against the performance of other organizations for the better of enables stakeholders' evaluation
- It is suggested to disclose more information about COSCO's corporate business code of conduct and its implementation in 2013

Statement of DNV GL's Competence and Independence

DNV GL is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. We maintain complete impartiality toward any people interviewed and the verification by numerous public means to understand positive and negative comments on COSCO. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For DNV GL - Business Assurance Group



Cai, Kun Quan
Lead Verifier



C. K. Wong
Reviewer
Sustainability Service Manager,
Greater China

Shanghai, China, June 2014

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Statement GRI Application Level Check

GRI hereby states that **China Ocean Shipping (Group) Company** has presented its report "COSCO Sustainability Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 06 August 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



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

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 11 July 2014. GRI explicitly excludes the statement being applied to any later changes to such material.