

COSCO

Sustainability Report 2014

中远集团2014年可持续发展报告



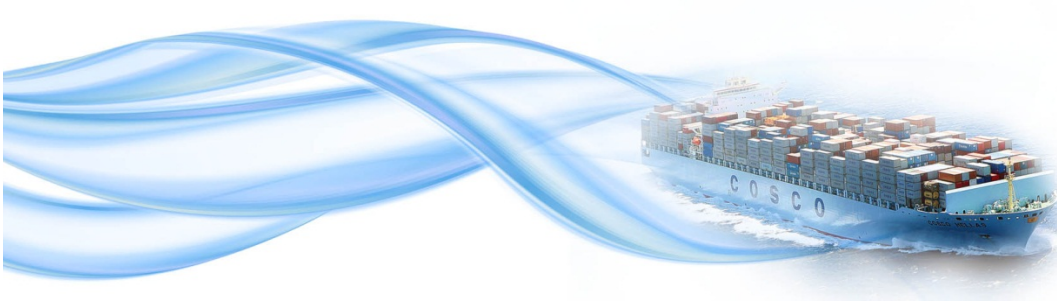
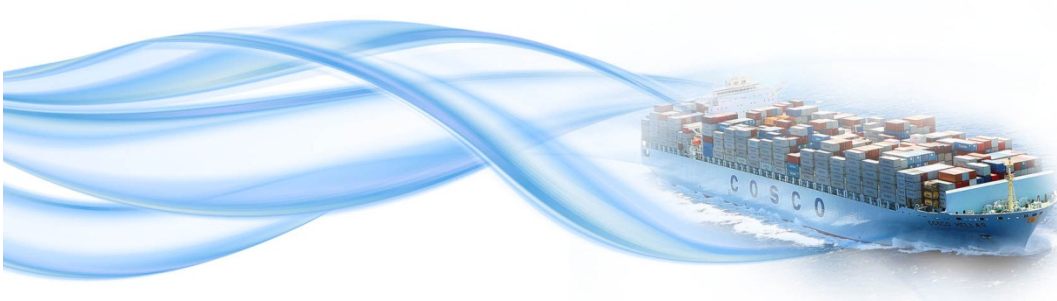
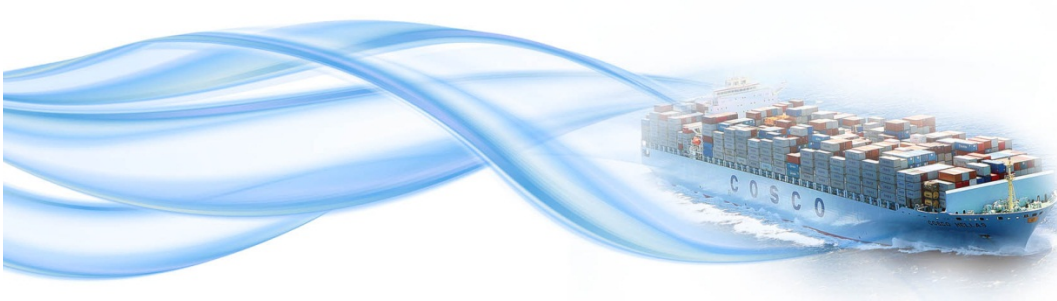


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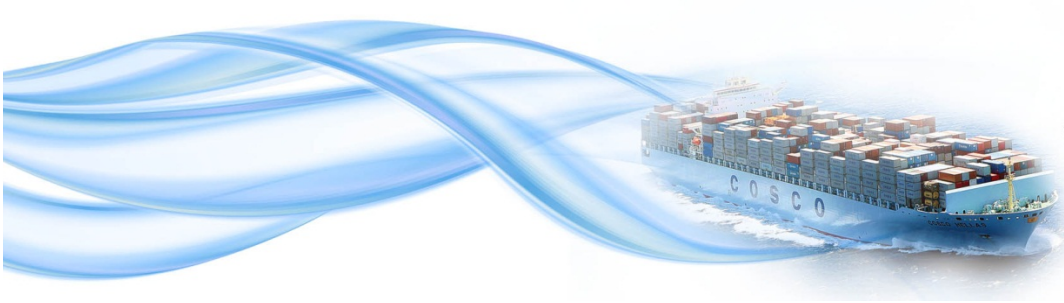
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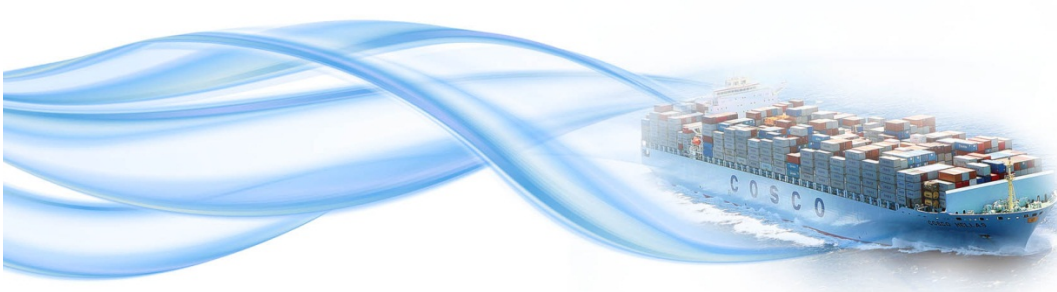


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战略与概况

STRATEGIES AND GENERAL INFORMATION





A Strategies and General Information

Part I Statement of the Chairman and Strategies

I. Statement of the Chairman

First of all, I would like to, on behalf of the Board of Directors and management team of COSCO Group, express my sincere appreciations to customers who have pay attention to and support the development of COSCO Group. I would also express my appreciations to our ship- and shore-based employees who have worked hardly and diligently to promote business development of COSCO Group.

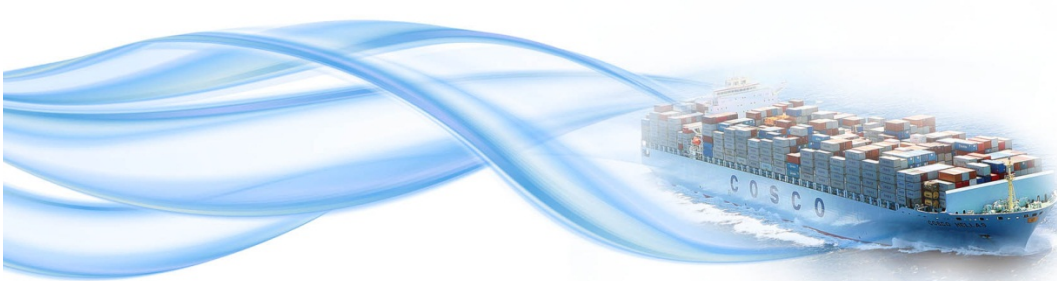
In 2014, total operating revenue of COSCO Group reached RMB169.336 billion, up 2.75% year-on-year. Of which, the accumulative revenue of shipping industry reached RMB74.949 billion. The accumulative operating revenue of ship-building and ship-repairing industry had increased by 16.02% year-on-year to RMB22.931 billion. The accumulative operating revenue of logistics business had decreased by 6.08% year-on-year to RMB4.022 billion. The accumulative revenue of terminal and container leasing business had increased by 5.39% year-on-year to RMB7.248 billion, and the accumulative revenue of trade supplying business had decreased by 12.61% year-on-year to RMB82,171 billion.



During the reporting period, the imbalance of supplies and demands of international shipping industry had no significant improvements. The freight rate of shipping market was stood at low level. The average figure of BDI was 1,105 points, down 8.3% compared with the previous year. The average figure of CCFI was 1,086 points, almost the same with 1,082 points in the previous year. In the meantime, operating cost of shipping industry increased continuously due to rigorous increase of port fees and other fees. Although international fuel price dropped greatly in the fourth quarter, the influence on annual performance was limited and the enterprise still faced great operation pressure.

In face of fierce challenge, COSCO Group took active measures to increase the income and reduce the expenditure. The main shipping business had reduced the deficits greatly and the cash flow of operating activities was improved significantly. In the meantime, the sale of equity assets and subsidiaries for ship retirement also increased the revenue.

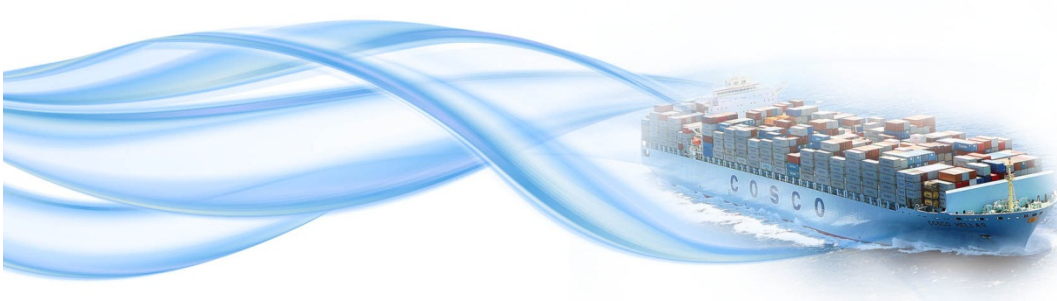
In 2014, freight rate of international shipping market was still at low level due to weak economic recovery of the world, slowdown of growth of demands and surplus carrying capacity. In this year, COSCO Group continued to adjust the fleet structure, control the leased bulk shipping capacity. Leasing agreement of some bulk ships will not be renewed upon expiry, and some old ships were retired. This resulted in reduction of overall scale of bulk carriers. The size of oil tanker fleet and general cargo fleet



also reduced due to termination of leasing agreements of some carrying capacity. Scale of container fleet was increased due to delivery of new orders. In 2014, shipbuilding enterprises of COSCO Group overcame the double pressure of market and cost, tried to elevate the ship-building and ship-repairing skills, enhanced the technical R&D and cost control, strengthened self-inspection mechanism, implemented automation reform, coped with opinions of ship-owners high-efficiently, elevated the quality of ships constantly, and ensured on-time delivery of existing orders. As of early December, COSCO Shipyard had successfully completed the shipbuilding tasks for the whole year. The growth of world trade had slowed down due to global economic downturn. Although the growth of import and export volume of China had slowed down in 2014, the container throughput of COSCO Pacific at domestic and overseas terminals also increased. Piraeus Port invested by COSCO Pacific achieved outstanding results in market expansion, operation & management, cost reduction and benefit increase. The port saw sharp increase of container volume and made profits continuously. These favorable factors promoted the continuous growth of total container throughput of terminals invested by COSCO Pacific. Affected by world economic situations, the growth has been slowed down. Under the background that shipping market was in depression, COSCO Logistics tried to expand the business, and achieved growth in container canvassing volume, general and bulk cargo agent volume and railway transportation volume. While trying to increase the cargo canvassing volume, it promoted the classified management of customers and layered tracking and development mechanism, enhanced the construction of chemical, railway and other professional platforms, and made breakthrough in development of core customers. At the 2014 HP Global Supplying Chain Summit, COSCO Logistics awarded the Annual Innovative Logistics Supplier and Outstanding Strategic Partner in Chongqing.

In 2014, COSCO Group deepened the comprehensive budget management, strengthened the cost control and achieved significant results in cost reduction work. With respect to fuel cost control, it saved 665,200 tons of fuels (about RMB400 million) through low-speed navigation, scientific dispatch and management, and ship technical reform. With respect to control of operating cost, it tried to enhance the control of voyage cost, engine cost, rents, port fee, transshipment fee and reparation fee. With respect to procurement, business outsourcing and supplier management, all shipping companies enhanced the concentrated procurement of spare parts and management of shipbuilding and ship-repairing business, and the procurement value of spare parts of ships had dropped by 10.8% year-on-year. The group has implemented the system of “repairing ships of COSCO Group at the ship-repairing companies of COSCO Group” strictly, generating good collaboration effects.

In 2014, COSCO Group accelerated the adjustment and optimization of fleet structure, customer structure and market structure. With respect to adjustment of fleet structure, it accelerated the retirement of old ships, and ordered a batch of energy-conservative and high-efficient new ships, further elevating the energy efficiency and market competency of fleet and optimizing the overall structure of carrying capacity. With respect to adjustment of customer structure, it deepened the VIP customer strategies, and tried to increase the proportion of strategic customer, director customer and high-contribution customer. It strengthened the canvassing of basic cargo source to increase the proportion of basic cargo source and direct customers. With respect to adjustment of market structure, it actively explored the third country business, explored the new emerging markets in Southeast Asia, Central and East Europe, South America, Africa and Middle East. It also explored the markets in middle and upper reaches of the Yangtze River and the central and west regions with the opportunity of “one belt and one road” strategies and the strategies of Yangtze River economic belt.



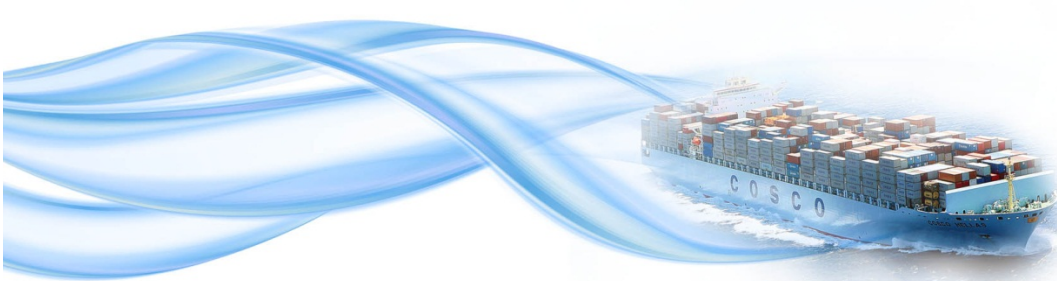
In 2014, COSCO Group made ceaseless efforts to innovate on the service mode and to promote long-term and sustainable development of the company. COSCON tried to improve customer experience and elevate customer loyalty by enhancing the customer service guarantee system. It made ceaseless efforts to promote the strategies of cross-border convergence of traditional industry and e-commerce industry. The Pan-Asia e-commerce platform received recognition of more and more customers, and made breakthrough in terms of number of users and transaction volume in the second half of the year. China COSCO Bulk innovated on marketing concept with customer as the center, deepened the reform of marketing system by setting up a marketing center and adopting the responsibility system of account manager for marketing, and established global marketing system. In 2014, China COSCO Bulk made significant progress in cooperation with large customers such as VALE, and gradually established long-term and stable cooperation mode.

In 2014, COSCO Group followed the requirements of UN Global Compact, and made active efforts to build up an environment-friendly, ocean-protective and resource-conservative enterprise. In 2014, COSCO Group saved 521,900 tons of fuel through energy conservation technical reform, low-speed navigation and optimization of shipping lines, and reducing the carbon dioxide emission, sulfur dioxide emission and nitrogen dioxide emission by 1.6231 million tons, 266 million tons and 454 million tons respectively. Moreover, COSCO Group brought into full play the humanistic spirits, and participated and assisted in many rescue activities.

In 2015, domestic and overseas economic situations will still be complicated. The uncertainties of world economy will increase and China will face economic downturn pressure. WTO predicted that global trade volume will grow by 4% in 2015, lower than the average growth rate of 5.3% in the past 20 years. Affected by this, global shipping market is entering a new normal with low-speed growth of demands and the surplus carrying capacity can't be changed in short period of time. It is predicted that the low-level fluctuation of shipping market will last for a certain period of time. In face of new normal of global economy and shipping market, COSCO Group will pay more attention to the collaboration of all companies in the business cluster, and tried to take a lead in terms of profitability, anti-cycling ability, globalization and scaled growth.

With the emerging of new technologies, new economy and new business status, as well as higher and higher requirements on transportation mode, transportation safety, service experience and environmental protection, shipping market will be more complicated in the future. Cooperation, innovation and rational operation will become the common understandings of shipping industry. Supported by all shareholders, COSCO Group will seize the opportunities of "one belt and one road, collaborative development of Beijing, Tianjin and Hebei, strategies for development of Yangtze River Economic Belt and the national policies to promote development of shipping industry" under the background of economic reform and innovation of China, made reform, innovative and struggling, and made ceaseless efforts to promote sustainable development of COSCO Group, provide high-quality services for customers and return to the shareholders continuously.

Chairman Ma Zehua



II. Strategies

COSCO Group tries to become a reliable, innovative and globally leading supplier of shipping and logistics industry. We advocate and promote market-oriented and commerce-dominated solutions to cope with the development and environmental challenges, and promote the social inclusion and sustainable development of world's shipping and logistics industries. We also cooperate with related departments and enterprises to cope with the sustainability challenges, elevate the sustainability, and lead innovation and reform needed for sustainable development of shipping and logistics industries in the future.

COSCO Group's strategic development vision in 2020: Building up a customer-oriented and world's first-tier comprehensive logistics enterprise integrating global shipping, supply chain, ocean engineering, and oil & gas storage and transportation services.

Basic meanings of the vision are as follows: Firstly, undertaking the basis of shipping business and taking the world's leading shipping service as the pre-condition and basis for development. Secondly, serving for global customers, centering on customers' demands, integrating resources, innovative products and excellent operation skills, and create maximum value for customers. Thirdly, building up three networks, namely the container shipping network that serves for global trade, global supply chain service network and comprehensive logistics network in domestic market. Fourthly, realizing diversification of industrial and financial services, developing shipping financial business, realizing extension of industrial chain, and promoting the enlargement of ocean engineering and comprehensive energy services. Fifthly, realizing global development, improving worldwide arrangement, developing customers and introducing talents in worldwide scope. Sixthly, creating higher value, creating value for shareholders and employees by realizing higher customer value, undertaking the corporate social responsibilities and realizing the Chinese dream together.

COSCO Group will divide its existing and future businesses into "4+1+2" industrial clusters, namely four strategic business clusters, i.e. global container integration service cluster, global dry and bulk integration service cluster, global logistics and comprehensive service cluster, and ocean engineering and energy service cluster, one logistics financial platform, and two shipping-support business units, i.e. ship manufacturing and fuel services.

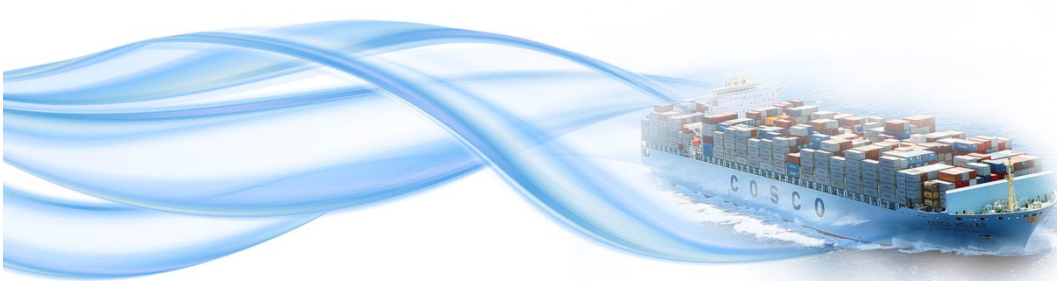
(I) COSCO Group's Sustainability Concept

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.



(II) 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	Alleviation and adaptation to	Internal control	Human right risks



influences	climate changes	building	
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 and Measures of Sustainability

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

SWOT analysis on sustainability strategies

- 1、船队规模位居中国第一、世界第二。其中，集装箱船队、干散货船队、专业杂货、多用途和特种运输船队规模实力均居世界前列，油轮船队也是当今世界超级油轮船队之一；
- 2、服务网络遍布全球，中远品牌享誉全球；
- 3、客户基础稳固，战略合作关系广泛；
- 4、持续推进业务协同，发挥中远集团综合优势；
- 5、重新修订完善2020战略，布局远洋运输全产业链；
- 6、企业内部管理水平不断提升。

- 1、面对后危机时期复苏中波动的复杂市场形势，航运及相关产业也就波动、发展不平衡。
- 2、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。

S **W**
O **T**

- 1、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、可持续增长；
- 2、国家实施“一带一路”、京津冀协同发展、长江经济带战略，为发展多式联运提供了新空间；国家推进自由贸易区建设，为发挥全产业链优势提供了新市场；国家加快央企“走出去”步伐，为打造全球一流公司提供了新机遇；国家扶持互联网、电商、物流地产等发展导向，为创新商业模式提供了新领域；国家振兴高端装备制造业的产业目标，为提升海工船舶板块提供了新商机；国家促进海运业发展的系列政策，为持续健康发展提供了新环境；
- 3、国际油价大幅下跌降低了航运成本。

- 1、世界经济总体复苏疲弱态势难有明显改观，国家金融市场波动加大，石油等大宗商品价格持续跌落，加之地缘政治等经济因素影响，世界经济短期内很难走上稳定复苏轨道；
- 2、国内经济发展正处于增长速度换挡期、结构调整阵痛期、前期刺激政策消化期“三期叠加”阶段，面临的主要风险是经济下行压力加大；
- 3、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；码头也供需形势不乐观，进入微利时代。
- 4、新亚欧大陆桥运输能力的提升对远洋运输形成一定威胁。

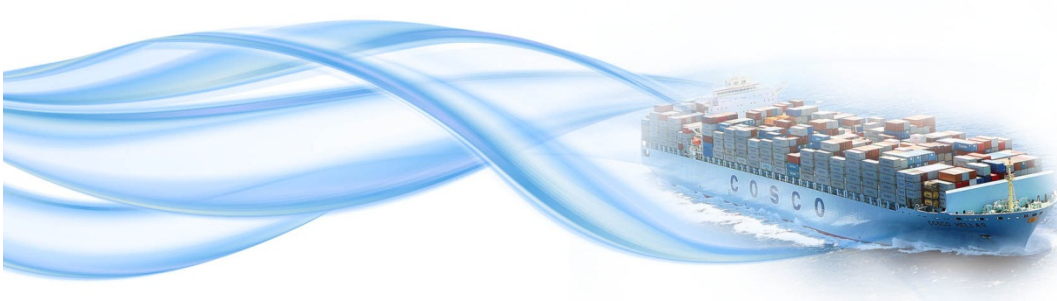
Strength (S)

1. The first place in China and the second place in the world for its fleet scale, leading position in the world for scale of container fleet, dry and bulk fleet, professional general cargo fleet, multiple-purpose and special fleet, and one of the super-oil tanker fleets in the world.
2. Worldwide service network and globally-renowned brand.
3. Stable customer basis and wide strategic partnership relationships.
4. Continuously promote business collaboration and bring into full play the comprehensive advantages of COSCO Group.
5. Revise and improve the 2020 Strategies and make arrangement for entire ocean shipping industrial chain.
6. Elevate the internal management level of the enterprise continuously.

Weaknesses (W)

1. Shipping and related industries are fluctuating and imbalanced in face of complex market situation of fluctuation in recovery in post-crisis era.
2. Insufficient research on shipping-supplementary industries, and incomplete transformation from periodic development to sustainable development.

Opportunities (O)



1. 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.
2. The implementation of “one belt and one road”, collaborative development of Beijing, Tianjin and Hebei and the Yangtze River economic belt create new space for development of multiple-modal transportation. The construction of free-trade area offers new markets for bringing into full play the advantages of entire industrial chain. The acceleration of “out-going” strategies of central SOEs creates new opportunities for construction of world’s first-tier companies. The efforts to support development of internet, e-commerce, logistics and real estate industries created new sectors for innovation of business mode. The target to rejuvenate high-end equipment manufacturing industry creates new opportunities for elevation of ocean engineering and ship industries. The policies to promote development of shipping industry offers new environment for sustainable and healthy development.
3. The sharp decrease of international oil price has reduced the shipping cost.

Threats (T)

1. The weak recovery of world economy hasn’t been improved significantly, financial market faces increased fluctuation, and prices of bulk commodities such as oil dropped continuously. These factors in addition to the non-financial factors such as geographic politics create difficulties for more stable recovery of world economy.
2. Domestic economic development is in the switch period of growth speed, painstaking period of structural adjust, and the digestion period of previous stimulating policies, and the increased pressure of economic decline is the main risk.
3. 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. Terminal industry faces unoptimistic supply and demand situations, and enters meager-profit era.
4. Elevation of transportation ability of new Asia-Euro continental bridge also threatens to ocean shipping industry.

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 businesses as approved.

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

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I. General Information of Shipping Industry

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

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

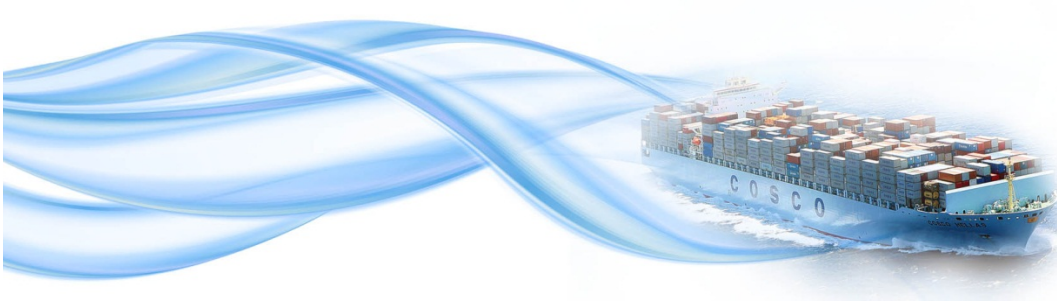
Economic cycle is the fluctuation based on global or national economy. One economic cycle includes four stages, namely recovery, expansion, downturn and recession. Recovery is the prelude for next round of periodic expansion, therefore, the economic cycle can be simply divided into expansion and recession stages. Periodic change of economy is the basic reason for periodic change of peak and valley of dry and bulk shipping market. According to related calculations, international shipping volume will increase by 1.6% if the world economy increases by one percentage point. Economic recession will bring direct, rapid and profound influence on shipping industry.

As world shipping volume which determines shipping demands is closely related to world economy, and supply of carrying capacity, although rigorous, is changing with the freight rate, world economic development determines the periodicity of shipping industry. It can be said that development of world economy determines the long cycle of shipping industry, the contrast of supply and demand relationships leads to fluctuation of freight rate of shipping industry and therefore the short cycle of shipping industry.

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.

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 54 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.



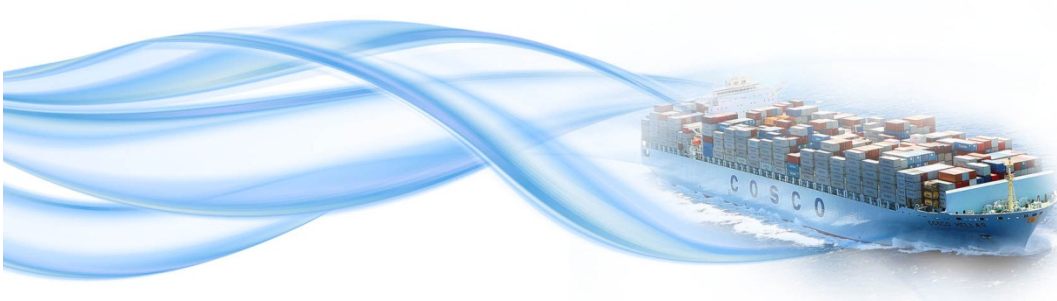
COSCO owns and controls over 600 modern merchant vessels with a total tonnage of 51 million DWTs and an annual carrying capacity of 400 million tons. COSCO Group's shipping lines cover over 1,500 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the 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 123 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. It is the highest award received by COSCO Group in scientific and technological sector 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 was listed as key national scientific research achievement. 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 75,000 employees including 400 employees working in overseas countries and 4600 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.

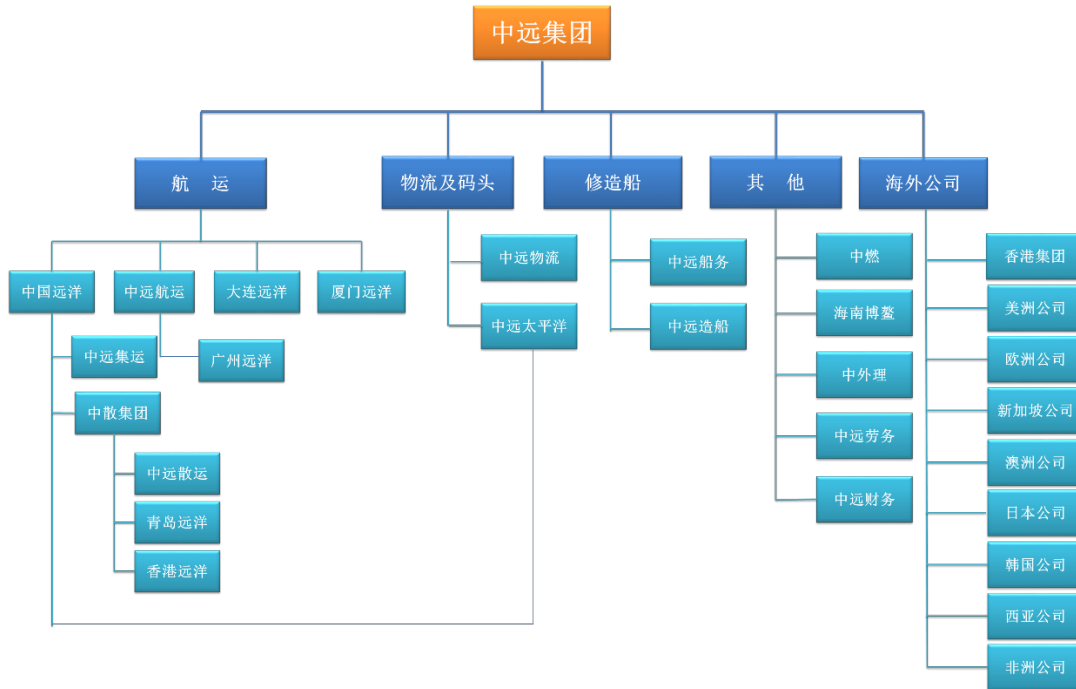
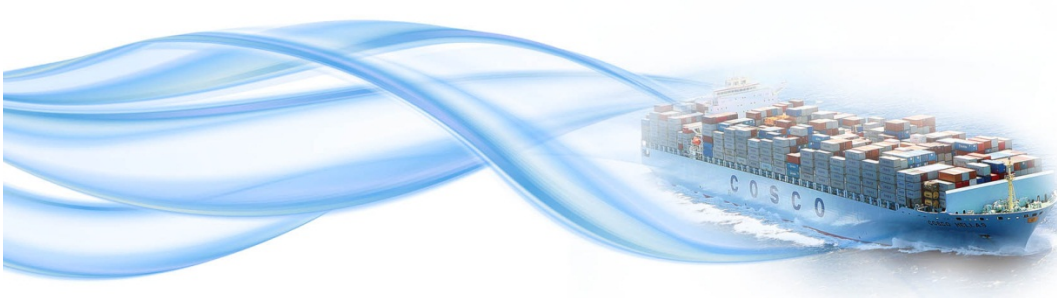
As a transnational company in China, COSCO Group started to shoulder its extensive corporate citizen responsibilities long before. In 2001, it established a comprehensive management system, which includes international environment management system, and occupational safety and health management system, 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

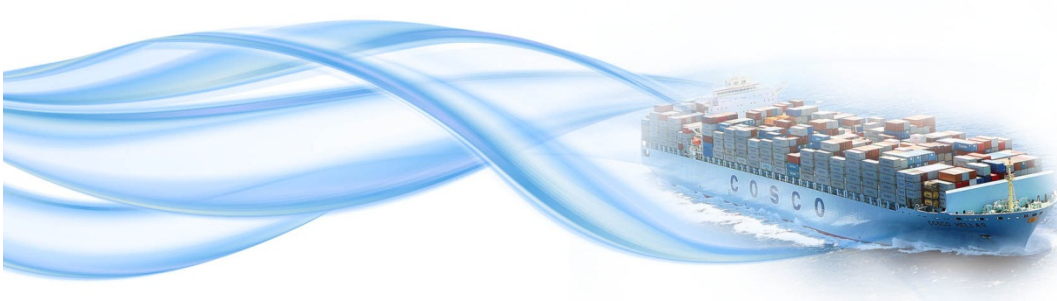
Shipping logistics business operated by COSCO Group is in the middle of the entire industrial chain, and is the part with lowest profits in entire value chain. In upstream, it depends on basic supplying and manufacturing industries, and in downstream, it subordinates to trade and financial services. 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:



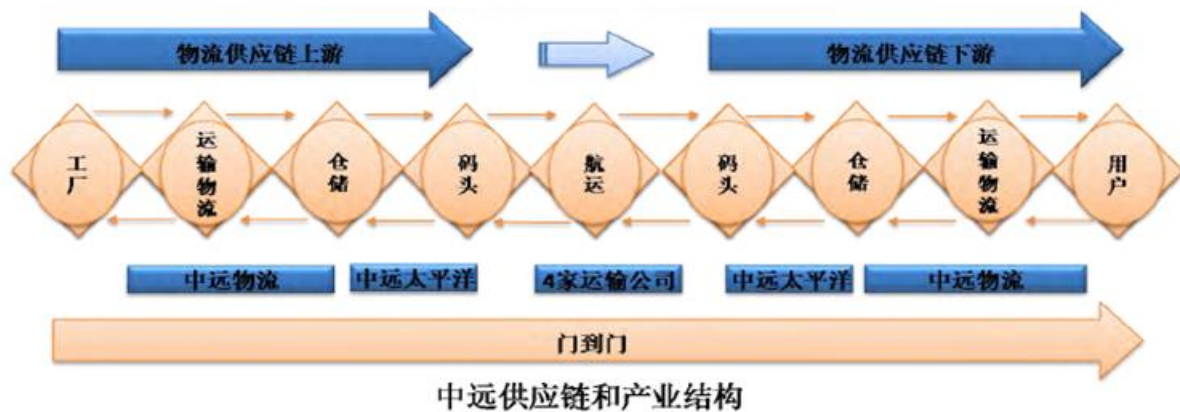
图：

- 中远集团 COSCO Group
- 航运 Shipping
- 物流及码头 Logistics & terminal
- 修造船 Shipbuilding/Ship-repairing
- 其它 Others
- 海外公司 Overseas companies
- 中国远洋 China COSCO
- 中远航运 COSCO Shipping
- 大连远洋 COSCO Dalian
- 厦门远洋 COSCO Xiamen
- 中远集运 COSCON
- 广州远洋 COSCO Guangzhou
- 中散集团 China COSCO Bulk
- 中远散运 COSCO Bulk
- 青岛远洋 COSCO Qingdao
- 香港远洋 COSCO (Hong Kong) Shipping
- 中远物流 COSCO Logistics
- 中远船务 COSCO Shipyard
- 中远太平洋 COSCO Pacific
- 中远造船 COSCO Shipbuilding
- 中燃 CHIMBUSCO
- 海南博鳌 Hainan Boao COSCO
- 中外理 China Ocean Shipping Tally
- 中远劳务 COSCO Manning



- 中远财务 COSCO Finance
- 香港集团 Hong Kong Group
- 美洲公司 COSCO America
- 欧洲公司 COSCO Europe
- 新加坡公司 COSCO Singapore
- 澳洲公司 COSCO Australia
- 日本公司 COSCO Japan
- 韩国公司 COSCO Korea
- 西亚公司 COSCO West Asia
- 非洲公司 COSCO Africa

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



图：

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

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

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

工厂 Factory

运输物流 Transportation & logistics

仓储 Warehouse

码头 Terminal

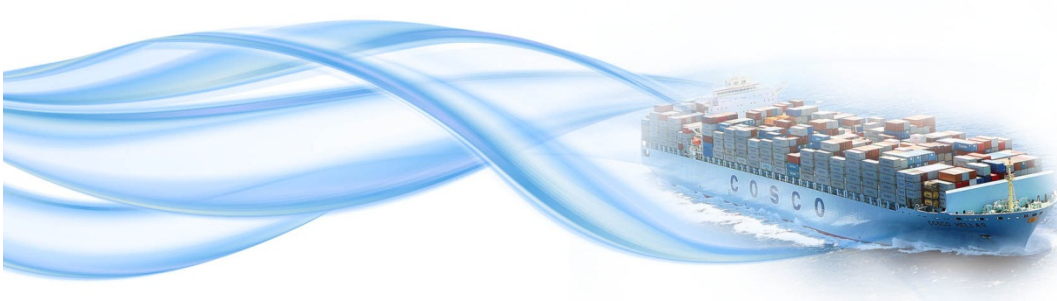
航运 Shipping

码头 Terminal

仓储 Warehouse

运输物流 Transportation & logistics

用户 Users



中远物流 COSCO Logistics
 中远太平洋 COSCO Pacific
 4家运输公司 Four shipping companies
 中远太平洋 COSCO Pacific
 中远物流 COSCO Logistics
 门到门 Door to door

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

Part III Basic Profiles of COSCO Group's Subsidiaries

In 2014, 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.



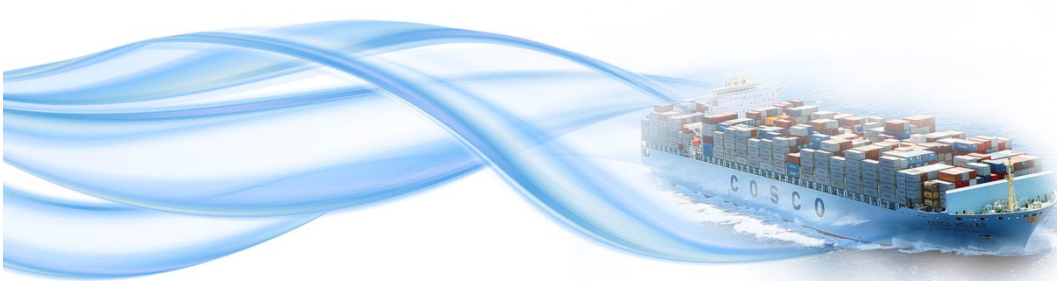
Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB55.996 billion	Employee number: 13,047
Business revenue: RMB47.742 billion	
Main businesses: International and domestic maritime container transport	
Subsidiaries: COSCON owns 19 fully-owned and joint 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: RMB36.738 billion	Employee number: 13,264
Business revenue: RMB1.25 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 and bulk cargo transport enterprises affiliated to China COSCO.



dry

Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB13.483 billion	Employee number: 5691
Business revenue: RMB3.169 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: RMB17.956 billion	Employee number: 2,029
Business revenue: RMB8.909 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.



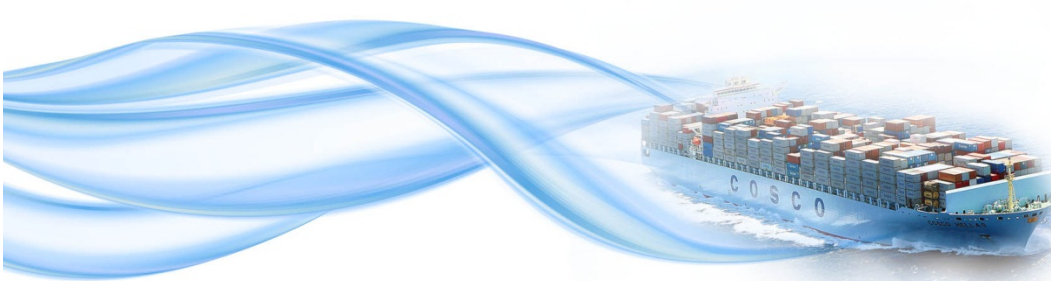
Nature: Limited liability company	Investment proportion: 100% (held by China COSCO)
Total assets: RMB4.942 billion	Employee number: 4090
Business revenue: RMB1.702 billion	
Main businesses: Dry and bulk cargo transport	
Subsidiaries: COSCO Qingdao owns 15 fully-owned and shareholding land-based companies 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: RMB18.506 billion	Employee number: 5,104
Business revenue: RMB7.755 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.



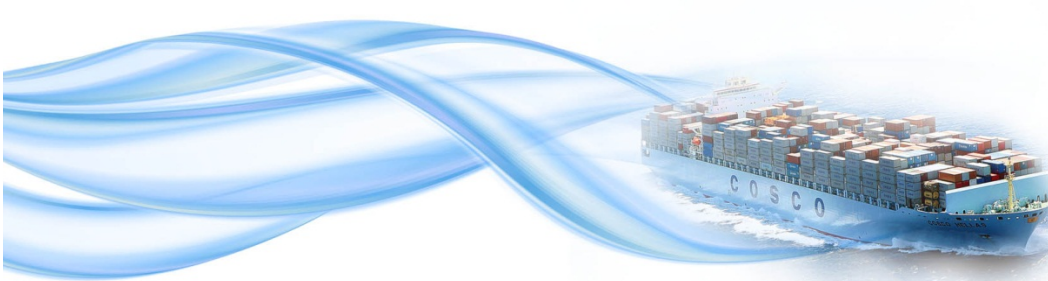
Nature: State-owned company	Investment proportion: 100%
Total assets: RMB15.192 billion	Employee number: 3,094
Business revenue: RMB4.127 billion	
Main businesses: Liquid bulk cargo transport business, with a focus on oil tanker	
Subsidiaries: COSCO Dalian has 15 land-based subsidiaries, of which, 4 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: RMB979 million	Employee number: 217



Business revenue: RMB328 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: RMB4.282 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: RMB46.547 billion	Employee number: 3,377
Business revenue: RMB5.405 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 123 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: 9,064
Business revenue: RMB17.2 billion	
Main businesses: Construction, refitting and reparation of large vessels and ocean engineering projects.	
Subsidiaries: Six large shipbuilding enterprises in Dalian, Zhoushan, Nantong, Qidong, Guangdong, Shanghai 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: RMB13.562 billion	Employee number: 5,163
Business revenue: RMB8.049 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: RMB5.1 billion	Employee number: 360
Business revenue: RMB8.7 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.	

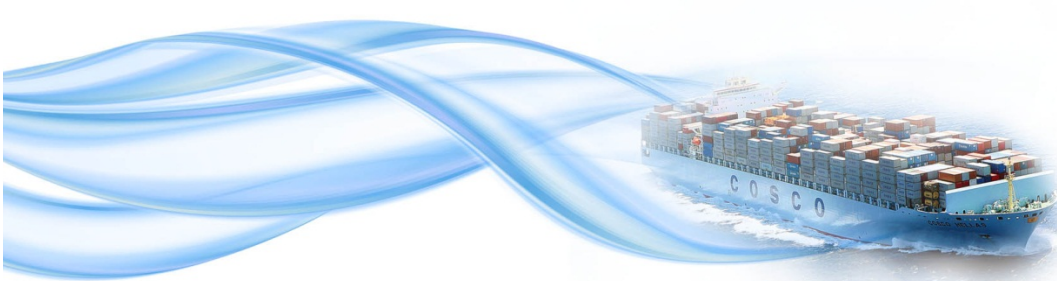
15. Hainan COSCO Boao Co., Ltd

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: RMB1.799 billion	Employee number: 1313
Business revenue: RMB161 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 meetings for companies home and abroad.

16. China Ocean Shipping Tally Company

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

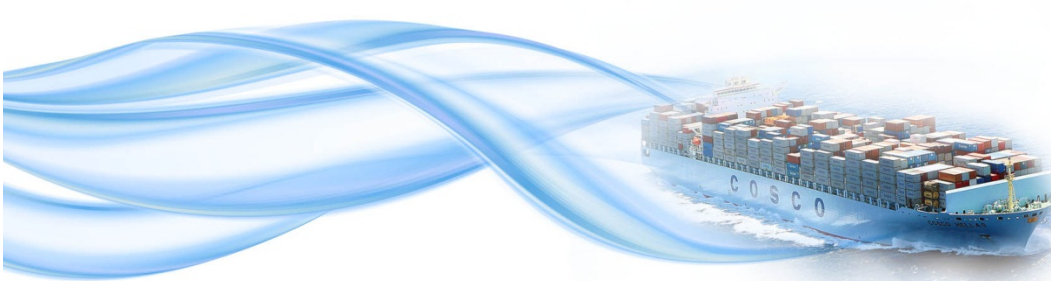


Nature: State-owned company	Investment proportion: 100%
Total assets: RMB558 million	Employee number: 301
Business revenue: RMB26.48 million	
Main businesses: Vessel tally business for international and domestic shipping lines; container loading and unloading tally business; cargo measurement; ship water 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: RMB55.70 million	Employee number: 1,671
Business revenue: RMB71.81 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.	
<p>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.</p>	

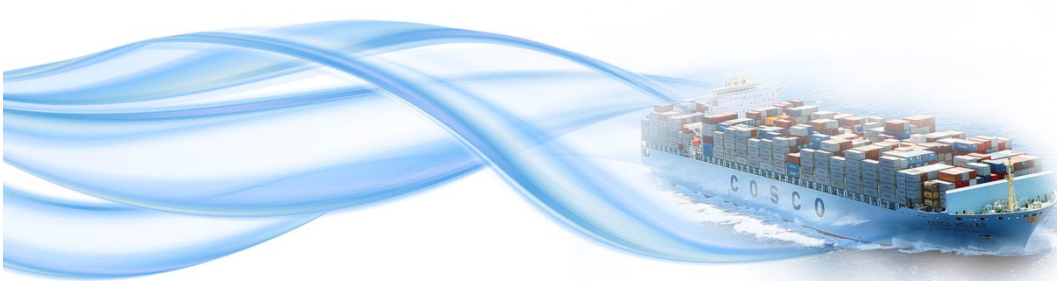
18. COSCO Finance Co., Ltd

COSCO Finance Co., Ltd (COSCO Finance) established in October 1993 is a non-banking financial institute directly affiliated to COSCO Group headquarters. It is formerly the finance company of COSCO



Group. Approved by the People's Bank of China, it conducted capital increase and system reform and transformed into a limited liability company from a fully-owned subsidiary of COSCO Group headquarters in September 1999. With the approval of the China Banking Regulatory Commission, it increased its share capital again in December 2005 and December 2011 respectively. Currently, the company was jointly invested and held by COSCO Group headquarters and 13 member units.

Nature: Limited liability company	Investment proportion: 43.12%
Total assets: RMB28.573 billion	Employee number: 115
Business revenue: RMB919 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	
<p>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.</p>	



V. Overseas companies

19. 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.

20. COSCO America Co., Ltd

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

21. 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.

22. 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.

23. 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.

24. COSCO Japan Co., Ltd

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

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

25. 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.

26. 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.

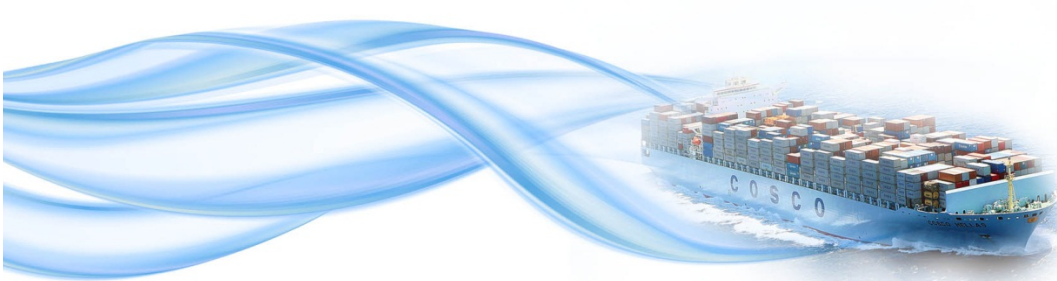
27. COSCO Africa (PTY) Ltd

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 2014

International and domestic awards received in 2014	
Award-winning time	Awards
Jan. 3	The project of application of high-efficient filtration and UV inactivation in Haidun ballast water treatment technology of COSCO Shipping Industry Company had distinguished itself and received the 2013 Second-class Scientific and Technological Progress Award of the Chinese Institute of Navigation.
Jan. 31	COSCON awarded the 2013 Excellent Supplier of Shanghai GM.
Feb. 17	COSCON awarded the FAW-Volkswagen Excellent Supplier Award again.
March 26	COSCON awarded the Green Gateway Partners Award of Seattle Port.
April 11	The Australia Pacific LNG Project (AP-LNG) of Shanghai COSCO Kawasaki Heavy Industries Steel Structure Co., Ltd awarded the Outstanding Contribution Award of Bechtel.
April 18	COSCO Bulk awarded the Second-class Award of 20th Tianjin Enterprise Management Modernization Innovation Award.
April 25	The project of “LNG ship liquid good operation training simulator” of COSCO Group, organized by Associated Professor Li Boyang from the Department of Electrical Engineering of Qingdao Ocean Shipping Mariners College, awarded the 2013 Second-class Scientific and Technological Award of China Institute of Navigation.
April 28	COSCO (H.K.) Shipping awarded the Excellent Award for Port State Inspection by the Hong Kong Marine Department.
May 1	Deng Jiapeng, captain from COSCO Bulk, Deng Ju, chief engineer of COSCO Bulk, and Wang Yinxiang, chief engineer of COSCO Shanghai affiliated to COSCON awarded the National May 1st Labor Medals.
May 6	Jiang Dezhi, a professor from Qingdao Ocean Shipping Mariners College, awarded the 4th Huangyanpei Vocational Education Outstanding Teacher Award.
June 6	COSCON awarded the 2013 Pudong New District Contribution Award for Service Trade.
June 13	COSCO Canada awarded the Blue Ring Award, the highest environmental protection award granted by Vancouver Port.
July 11	COSCO Pacific appraised as the Outstanding Terminal Enterprise in China for three successive years.
Oct. 22	COSCO Logistics awarded 2014 China Top 10 Logistics Enterprises, 2014 Best Logistics Enterprise for Social Responsibilities, and 2014 China Top 100 Logistics Enterprises for Brand Value, and Sun Jun, general manager of COSCO Logistics, awarded 2014 Best Character of Chinese Logistics Industry.
Oct. 28	COSCO Pacific received the “Outstanding Enterprise in Hong Kong” awarded by Economic Weekly, a financial magazine of Hong Kong for ten successive years.
Oct. 31	COSCO Logistics awarded the Cargo Safety Award, the only one for global supplying chain and logistics supplier, by Air Bus for zero safety accidents in six



	years.
Dec. 5	COSCO Pacific awarded the Best Corporate Management Award by the Hong Kong Institute of Certified Public Accountants.
Dec. 13	COSCON awarded the honorable title of China Top 10 Service Provider for Cold Chain Transportation.
Dec. 18	COSCON awarded the Liner Service Award of Australia-Northeast Asia Shipping Line by Lloyd's List.
Dec. 30	COSCO Pacific awarded the Best Corporate Governance Asia Award by the Corporate Governance Asia for eight successive years.
Dec. 30	COSCO Pacific awarded the Chinese Outstanding Enterprise Achievements Award by the Capital magazine for three successive years.

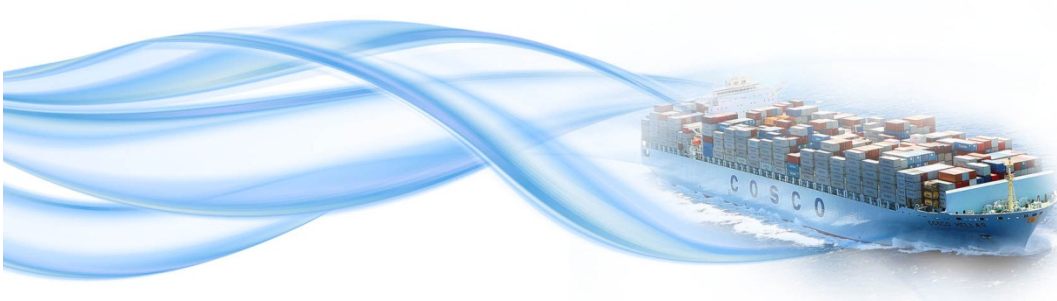
Part V General Information of the Report

This report is a comprehensive demonstration of performance and achievements of COSCO Group's implementation of social responsibility strategies in 2014, 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, 2015, COSCO Group Sustainability Report 2014 was released on official website of the Company.

I. Scope of the Report

1. Determining reporting scope in a scientific manner

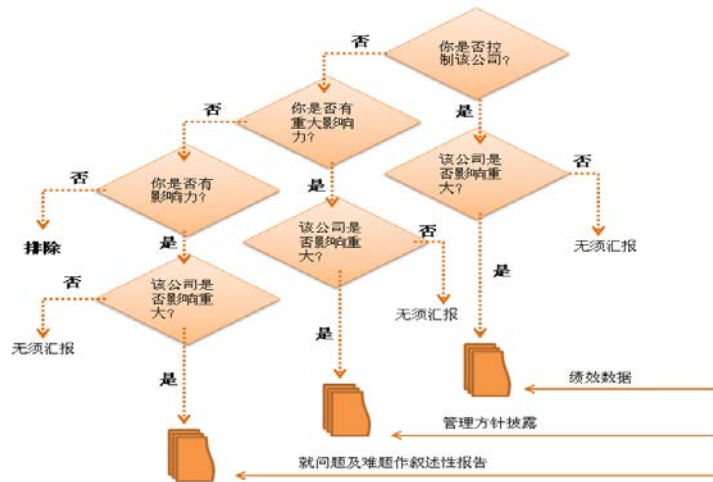
Contents of the COSCO Group Sustainability Report 2014 were improved based on the 2013 version. On the basis of the efforts to implement the Global Compact Sustainable Development Leadership Blueprint and perform social responsibilities scientifically based on COSCO Group's sustainability strategic planning, 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.



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



图：

是 Yes

否 No

排除 Eliminate

无须汇报 No need to report

你是否具有影响力? Do you have influences?

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

你是否控制该公司? Do you control the company?

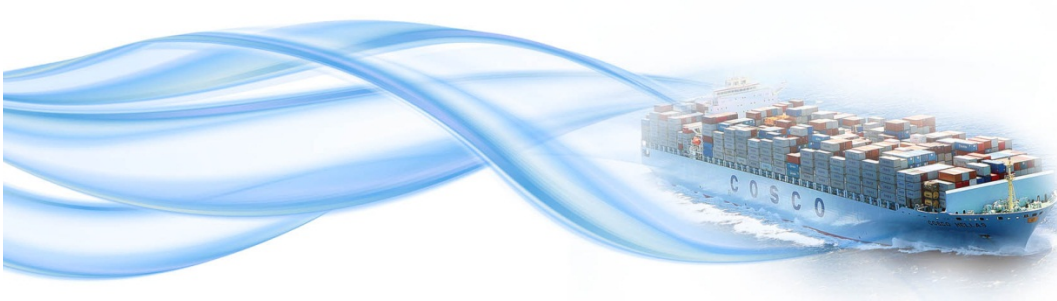
该公司是否影响重大? Does the company have great influences?

绩效数据 Performance data

管理方针披露 Management guidelines disclosure

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

The report is compiled in both Chinese and English and the Chinese version is the definitive version in audit of the report. The online version is available at official website of COSCO Group



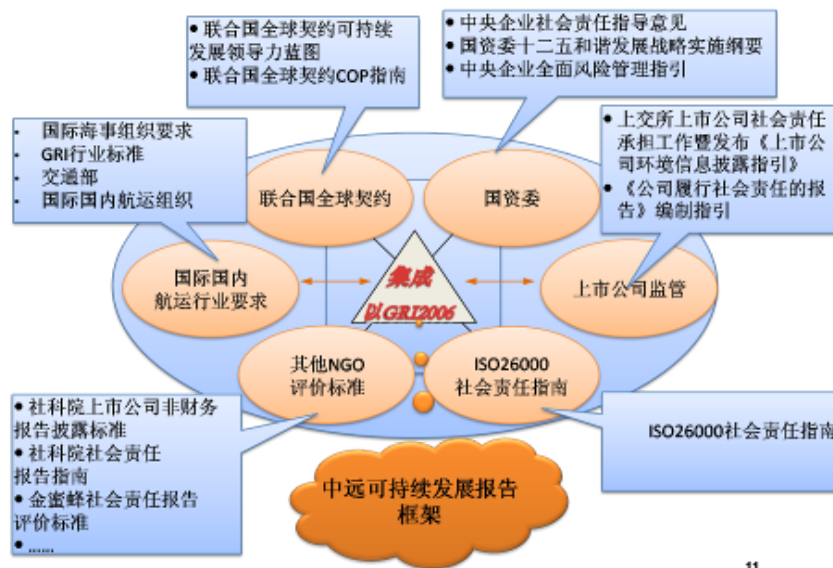
(<http://www.chinacosco.com>) -- The COSCO Group Sustainability Report. The COSCO Group Sustainability Report is edited according to the normal year. Unless specified, all information contained in the report refers to sustainability performance of COSCO Group in 2014.

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 2014 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 Basis for COSCO Group's Sustainability Reporting Framework

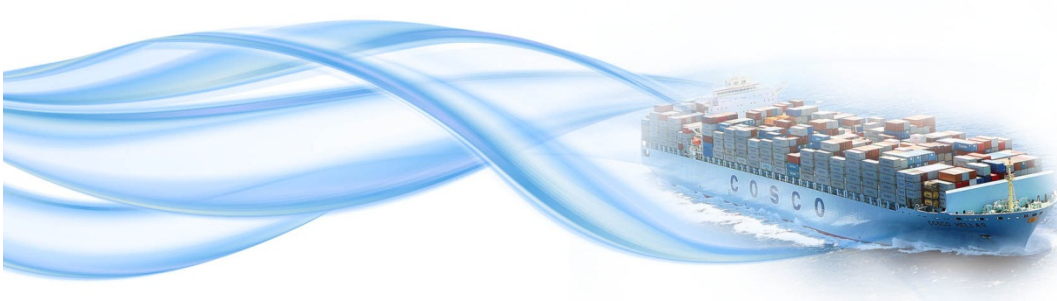


图：

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

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

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



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

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

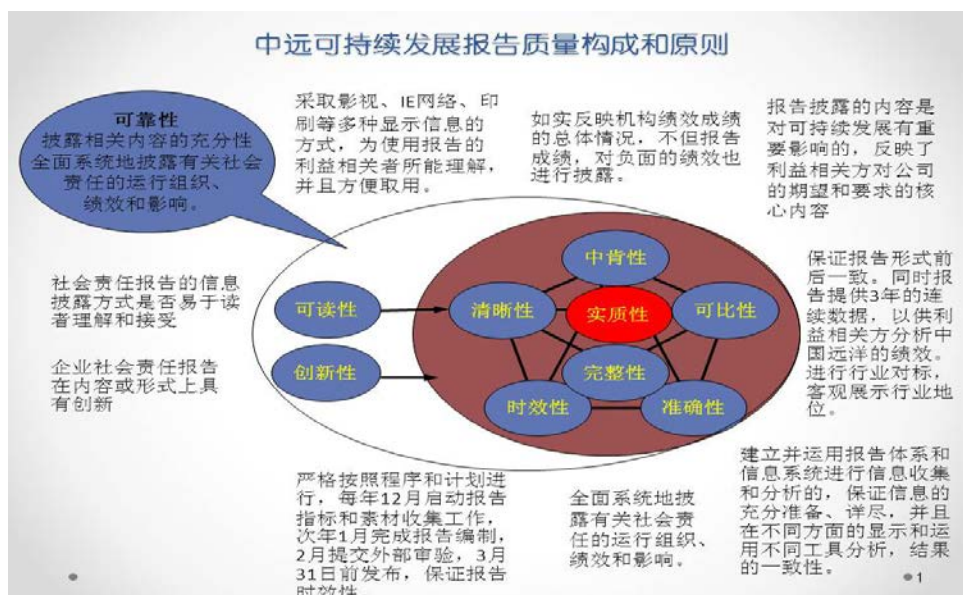
Notice of the Shanghai Stock Exchange on Promoting Social Responsibility Undertaking of Listed Companies and the Release of "Shanghai Stock Exchange's Guidance on Disclosure of Environmental Information by Listed Companies"
Guidance on Compilation of Report for Performance of Social Responsibilities.

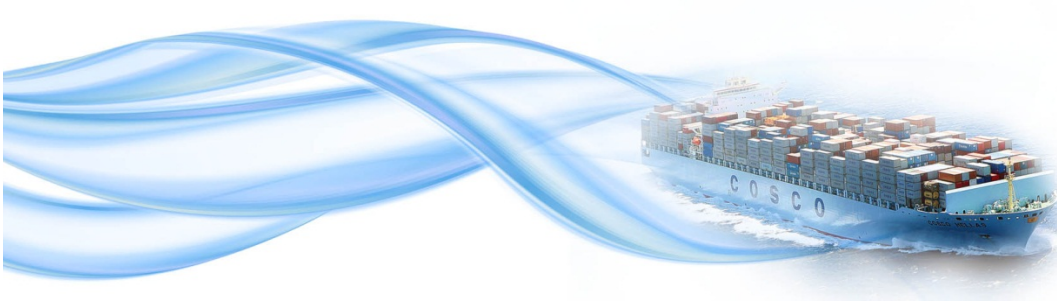
ISO26000 Guidance on Social Responsibility

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

COSCO Group's sustainability reporting framework

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.





图：

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

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

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

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

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

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

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

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

严格按照程序... Related procedures and plans are strictly followed. In December of each year, report indicator and material collection work are carried out. In January of next year, compilation of the report is completed. In February, the report is submitted for external audit. The report will be released before March 31 to ensure its timeliness.

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

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

可读性 Readability

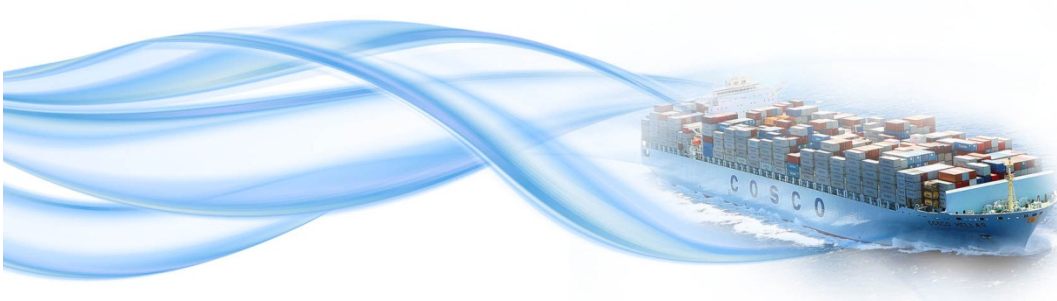
创新性 Innovation

清晰性 Clearness

中肯行 Pertinent

可比性 Comparability

准确性 Accuracy



时效性 Timeliness
实质性 Materiality
完整性 Integrity

III. Report Guarantee Methods

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

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

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

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

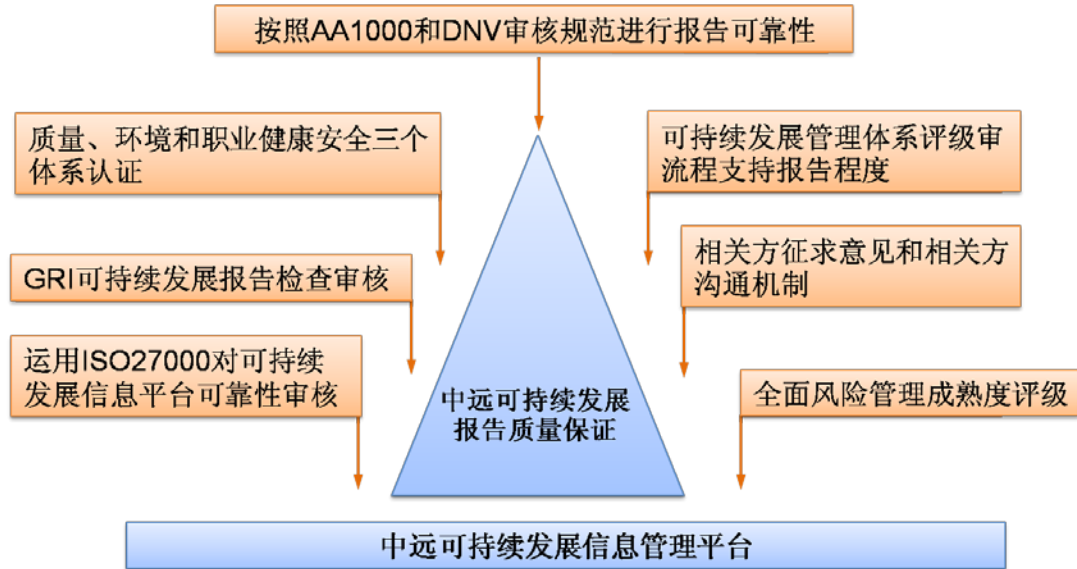
Early in 2008, COSCO Group developed the COSCO Group sustainability information management system and established information safety management system based on ISO27000 information safety management standards to ensure the authenticity, integration and accuracy of data in the report, and to improve the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

中远可持续发展报告保证体系



图：

Guarantee system of COSCO Sustainability Report
 AA1000 and DNV's audit criteria are followed to ensure reliability of the report
 Three system certifications of quality, environment and occupational safety
 GRI's inspection and audit on sustainability report
 Audit on reliability of sustainability information platform based ISO27000
 Quality guarantee of COSCO Group Sustainability Report
 COSCO Group Sustainability Information Management Platform
 Rating process on sustainability management system to support degree of report
 Soliciting opinions from and communication with stakeholders
 Rating on maturity of comprehensive risk management

IV. Self-rating of the Report

COSCO Group compiles the report in accordance with the indicators of GRI3.1 and improves the reporting contents in reference to contents and requirements of GRI4.0. The self-rating level of the report 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.

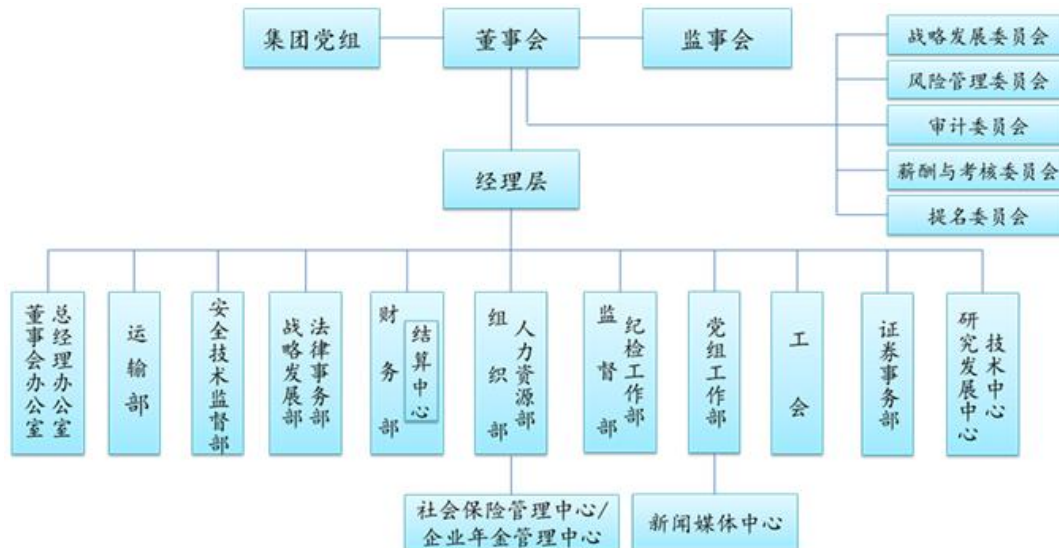
Governance structure of COSCO Group (please see the chart below) complies with the requirements for sustainable development. When making the decisions and supervising on topics that have significant economic, environmental and social influences, the Board of Directors and the Supervisory Board try to 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



图：

集团党组 Party Group of COSCO Group

董事会 Board of Directors

监事会 Supervisory Board

经理层 Management team

战略发展委员会 Strategic Development Committee

风险管理委员会 Risk Management Committee

审核委员会 Audit Committee

薪酬与考核委员会 Remuneration Committee

提名委员会 Nomination Committee

风控小组 Risk Control Team

董事会办公室/总经理办公室 Board Office/ General Manager's Office

运输部 Transportation Department

安全技术监督部 Safety & Technology Supervision Department

战略发展部/法律事务部 Strategy & Development Department/Legal Affairs Department

财务部 Finance Department

结算中心 Settlement Center

组织部/人力资源部 Organization Department / Human Resources Department

监督部/纪检工作部 Supervision Department /Disciplinary Inspection Department/

党组工作部 Party Group Work Department

公会 Trade union

证券事务部 Securities Affairs Office

研究发展中心/技术中心 Research & Development Center/Technical Center

社会保险管理中心/企业年金管理中心 Social Insurance Management Center/Corporate Annuity Management Center

新闻媒体中心 Media Center

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).

At the beginning of 2014, the nine members of COSCO Group's Board of Directors are as follows: Chairman Ma Zehua and directors Li Yunpeng, Song Dawei, Ye Daji (external director), He Qingyuan (external director), Chen Geng (external director), Zhong Ruiming (external director), Xu Liejun (external director) and Fu Xiangyang (staff director).

In accordance with the uniform deployment of CPC Central Committee and the notice of SASAC, Song Dawei, head of the Disciplinary Inspection Team of COSCO Group, didn't work as director of COSCO Group any more since June 2014 and focused his efforts on disciplinary inspection work. By the end of 2014, COSCO Group's Board of Directors has a total of eight members, namely Chairman Ma Zehua and directors Li Yunpeng, 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	
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	Be responsible for draft of operational performance evaluation methods and

Committee	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 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	
Deputy General Manager Wang Yuhang	Be responsible for safety production, shipbuilding and ship-repairing and seaman management work	
Deputy General Manager Wan Min	Be responsible for promotion and implementation of 2020 Development Strategies of the Group	
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	
Technical Director Xu Kai	Be responsible for technical management work of ships	

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 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.
2	COSCO Group Safety Production Committee	Being responsible for safety management work.
3	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.
4	COSCO Group Leading Group and Office for Energy-conservation and Emission Reduction	Being responsible for leading the energy conservation and emission reduction work

	Work	of COSCO's entire system and supervising the work of the Energy Conservation Office.
5	COSCO Group Scientific and Technological Committee	Being responsible for scientific and technological work of COSCO Group.
6	COSCO Group Leading Group and Working Team for Management Innovation	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.
7	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.
8	COSCO Group Leading Group for Tibet-assistance and Poverty-Alleviation Work	Being responsible for organization of Tibet-assistance and poverty-alleviation work.
9	COSCO Group Leading Group and Working Team for Foreign-related Emergency Response Work	Being responsible for emergency response of foreign-related accidents.
10	COSCO Group Leading Group and Working Group for Ship Anti-pirate Work	Being responsible for anti-pirate work of ships.
11	COSCO Group Leading Group for Legal Work	Being responsible for legal work of COSCO Group.
12	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.
13	COSCO Group Supervision and Inspection Team for Openness of Enterprise Affairs	Being responsible for promotion of openness of enterprise affairs.
14	COSCO Group Leading Group and Working Group for Emergency Response of Public Security Events Such as Defense of Terrorist Attacks, Security Defense, Maintenance of Stability and Comprehensive Management	Be responsible for anti-terrorist attacks, security defense, maintenance of stability and social public order management and staff safety work, and emergency response of public security events.

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

1. Staff evaluation

In 2014, a total of 292 employees of COSCO Group headquarters should attend the evaluation, with the actual number of employees attending the evaluation reached 292. 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 2014 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 2014, the group organized the directly affiliated institutions and related departments (centers) under the headquarters to summarize the training work in 2013 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.



图：

社会 Society

股东 Shareholders

人权 Human right

员工 Staff

客户 Customers

环境 Environment

伙伴 Partners

经济 Economy

实施精益管理持续创新 Implementing lean management and continuous innovation

专注沟通合作全球视野 Focusing on communication and cooperation with global vision

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

Part II Main Policies and Management Systems

With risk management and internal control as the basis for its healthy development, COSCO Group further integrates the policies, systems and procedures to ensure normal progress of all activities of the enterprise, asset safety and fulfillment of operating targets.

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

COSCO Group started to establish its management system since 2005, and formed a set of internal control management system based on risks and Global Compact with 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.

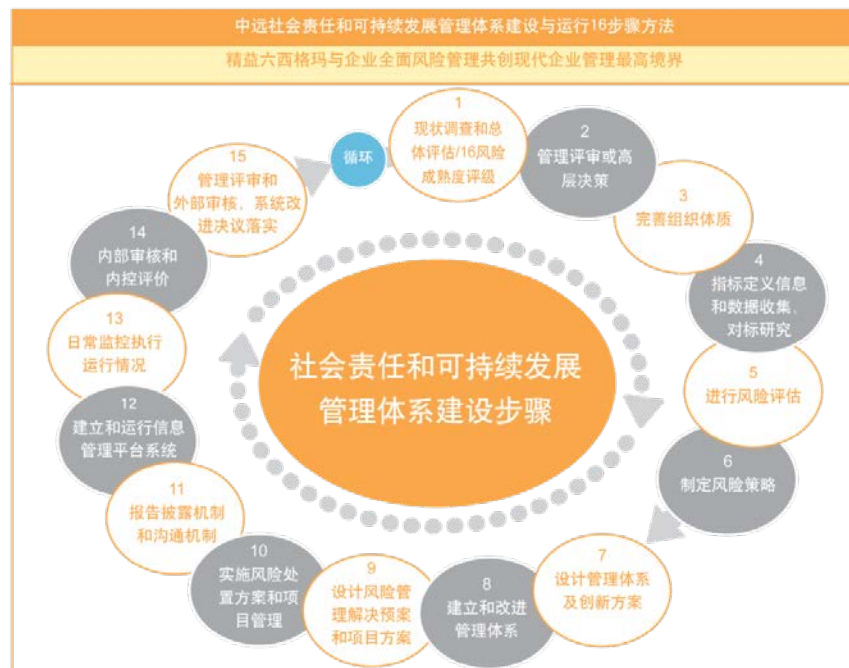
COSCO Group's objectives for establishment and implementation of internal control are as follows:

1. Provide reasonable guarantee for smooth fulfillment of the strategic objectives with a focus on intermediate and long-term strategic objectives of the company and by building internal control and comprehensive risk management system.
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 through continuous risk management and internal control inspection to prevent against asset losses and ensure value increase, safety and integration of the assets.
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 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 and reduce operation costs. The subsidiaries bring the decision-making, production and management into related procedures of the management system for control. COSCO Group cleared its management procedures in a comprehensive manner, promoted internal control and professional risk management, controlled the decision-making and elevated the risk prevention and control ability.

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

All subsidiaries of COSCO Group continued to apply 16-step method to bring the sustainability indicators in to related production, operation and management decision-making processes, and formed indicator-based sustainability management system. In the meantime, they also enhanced the management of processes and procedures, standardized the corporate social responsibility behaviors and established COSCO Group's sustainability management system.



图：

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

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

1. Current situation investigation and overall evaluation/16. Ratings on risk maturity degree
2. Management review or decision-making of top executives
3. Complete organizational system
4. Indicator definition information and data collection, benchmarking research
5. Risk evaluation
6. Formulation of risk strategies

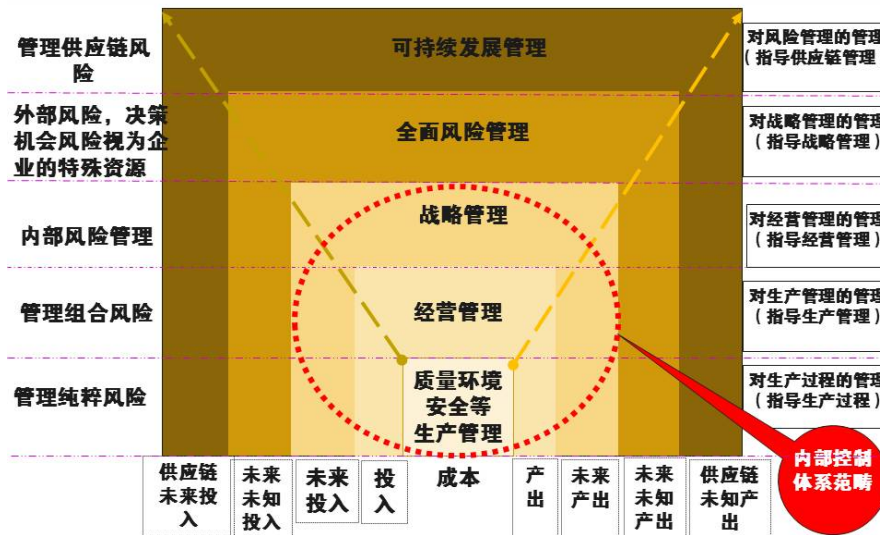
7. Design of management system and innovation plans
8. Establishment and improvement of management system
9. Design of risk management solution and project plan
10. Implementation of risk disposal solution and project management
11. Report disclosure mechanism and communications mechanism
12. Establishment and operation of information management platform
13. Implementation and operation of daily monitoring
14. Internal audit and internal control evaluation
15. Management review, external audit, system improvement and implementation of resolution

Recycle

Steps for Construction of Social Responsibility and Sustainability Management System

COSCO Group carried out related work in four stages, namely internal control diagnosis and evaluation, internal control system building, internal control evaluation and monitoring and internal control integration. Each year, it will inspect and evaluate the internal control situations of the headquarters and its subsidiaries in accordance with the Enterprise Internal Control Standards and related guidelines jointly related by the Ministry of Finance and other five ministries and commissions.


中远可持续发展管理体系控制风险范围



III. Internal Control and Comprehensive Risk Management Situations in 2014

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 2014, COSCO Group mainly did following work:

- 1. Enhancing top-level design and strengthening risk control and constrain mechanism.** In accordance with the working ideas of “strengthening the basis, doing a better job in top-level design, and being trust-seeking and practical”, COSCO Group formulated the risk control working plans, specified the overall framework for risk control work, emphasized on match of annual working plans and planning, and guided subsidiaries to promote the risk control work in an orderly and standard manner. In the meantime, it enhanced incentive and constrain mechanism, formulated and released the COSCO Group’s Evaluation Methods on Risk Management and Internal Control (Interim), and brought the work to letter of responsibility for annual operating performance of its subsidiaries, so as to promote the continuous elevation of internal control and risk management work.
- 2. Strengthening concept promotion and training, and promoting building of risk control organizations and talent team.** COSCO Group established the leading group and working group for internal control and risk management to form three clearer defense lines for risk management work. In the meantime, COSCO Group exerted great efforts to promote the building of risk control organizations and talent team of its subsidiaries, and made active progresses.
- 3. Carrying our risk assessment steadily and exploring special risk management actively.** In 2014, all functional departments of the headquarters have taken part in the risk assessment work. In response to the top 10 assessment risks, the risk assessment working groups organized related functional departments to formulate corresponding strategies and measures, and compiled the COSCO Group



Comprehensive Risk Management Report 2014, which received high praises from supervisory institutions such as SASAC and the external directors. With respect to special risk management, COSCO Group deepened the special risk management projects such as quantitative analysis on ship investment risks and legal risk management in 2014, and promoted the combination of special risk management with business operation and management.

4. Adjusting the ideas, transforming the methods and trying to elevate the quality of internal control assessment. In 2014, COSCO Group determined the assessment principles of “emphasizing the focuses and paying attention to comprehensive development”, and highlighted the management of entire assessment processes. In the initial stage, selecting the assessment units and scope carefully. In implementation stage, organizing the assessment work carefully and strengthening the three-party linkage of group headquarters, assessing units and external consulting institutions. After the completion of on-site assessment, special attention should be paid to defect rectification and tracking, and promote the formation of closed loop management mechanism of “finding issues, analyzing issues and solving the issues”.

5. Laying a solid foundation and promoting the building of risk control system of its subsidiaries steadily. COSCO Group formulated the rules and regulations such as COSCO Group Internal Control and Comprehensive Risk Management Manual, COSCO Group Internal Control and Comprehensive Risk Management System and COSCO Group Internal Control Assessment Working System to enhance the experiences and achievements of risk management work. In the meantime, it accelerated the system building work and gradually expanded the system coverage. The group made ceaseless efforts to promote the internal control and building of risk management system of second-tier units, and encouraged qualified second-tier units to promote system building work of their subsidiaries.

6. Enhancing research of risk control theories, methods and tools and trying to develop risk control management information system. In 2014, COSCO Group formulated the risk management information system development and promotion plans in combination with the practical operation and management situations, explored suitable methods for risk control informationization construction and promotion, and laid a solid foundation for promotion of informationization in large scope.

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.

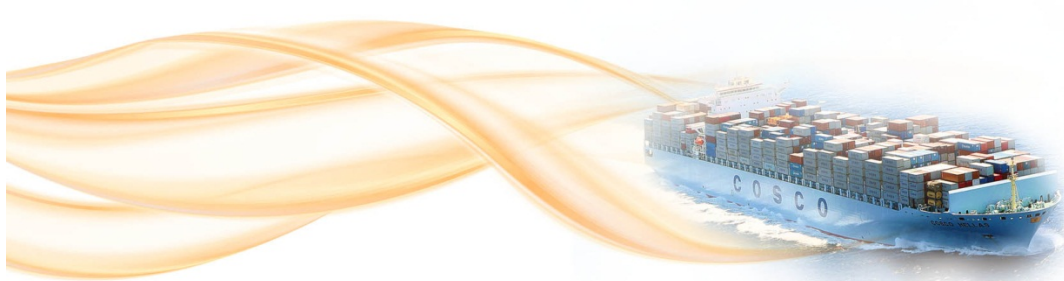
VI. Management System Certifications Obtained by the Subsidiaries

In June 2014, 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.



Serial No.	Certification Institutes and Certificates	Company
1	Quality management system certificate issued by CSS Quality Assurance Company according to ISO9000:2008 quality management system standards	COSCO Group, COSCON, COSCO Bulk, COSCO Qingdao, COSCO (H.K.) Shipping, COSCO Shipyard, CHIMBUSCO, Hainan COSCO Boao, COSCO Ocean Shipping Tally Company, COSCO Manning
2	Environment management system certificate issued by CSS Quality Assurance Company according to ISO14000:2004 environment management system standards	COSCO Group, COSCON, COSCO Bulk, COSCO Qingdao, COSCO (H.K.) Shipping, COSCO Shipyard, CHIMBUSCO, Hainan COSCO Boao, COSCO Ocean Shipping Tally Company, COSCO Manning
3	Occupational health and safety management system certificate issued by CSS Quality Assurance Company according to OHSAS18001:2007 occupational health and safety management system standards	COSCO Group, COSCON, COSCO Bulk, COSCO Qingdao, COSCO (H.K.) Shipping, COSCO Shipyard, CHIMBUSCO, Hainan COSCO Boao, COSCO Ocean Shipping Tally Company, COSCO Manning
4	Compliance certificate issued by CSS according to ISM rules under the authorization of the Maritime Safety Administration of the People's Republic of China and Flag State Government	COSCO Bulk, COSCO Qingdao and COSCO (H.K.) Shipping
5	Quality management system certificate issued by British Standards Institute according to ISO9001:2008 quality management system standards	COSCO Logistics
6	Environment Management system certificate issued by British Standards Institute according to ISO14000:2004 environment management system standards	COSCO Logistics
7	Occupational health and safety management system certificate issued by British Standards Institute according to OHSAS18001:2007 occupational health and safety management system standards	COSCO Logistics
8	Quality management system certificate issued by DNV according to ISO9001:2008 quality management system standards	COSCO Shipbuilding
9	Environment management system certificate issued by DNV according to ISO14001:2004 environment management system standard	COSCO Shipbuilding
10	Occupational health and safety	COSCO Shipbuilding



	<p>management system issued by DNV according to OHSAS18001:2007 occupational health and safety management system standards</p>	
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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 2014, COSCO Group organized a joint audit team comprising of experts of DNV, UN Global Compact and internal auditors of the group to evaluate the effectiveness of sustainability management systems of COSCON, COSCO Dalian and COSCO Shipping. The joint audit team audited the management system, sustainability report and sustainability information system in accordance with the audit plans, and submitted the issues found to respective companies for rectification.

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 UN Global Compact Implementation Guideline, 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, the Notice of Shanghai Stock Exchange on Enhancing the Social Responsibility Undertaking Work of Listed Companies and the Release of the Shanghai Stock Exchange's Guidance on Disclosure of Environmental Information of Listed Companies, the Guidance on Compilation of Report on Performance of Social Responsibilities, the Guidance of Hong Kong Stock Exchange on Environmental, Social and Management Report, and ISO26000 Social Responsibility Guidelines,

I. Responsibility Strategies

Obligation of COSCO Group is to create value for the customers and the society. COSCO Group has performed its corporate social responsibility with people as the focus, market as the guidance, technology as the measure, and benefits as the center, and insisted on the two driving impetus of production operation and capital operation. It tried to enlarge international shipping business, actively expand terminal industry, and cultivate container leasing business, so as to promote the transformation from a comprehensive shipping enterprise to a leading goat in shipping logistics cluster, from transnational operation into transnational company and global company, and realize the better, faster and sustainable development targets.

(I) Responsibility Model

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

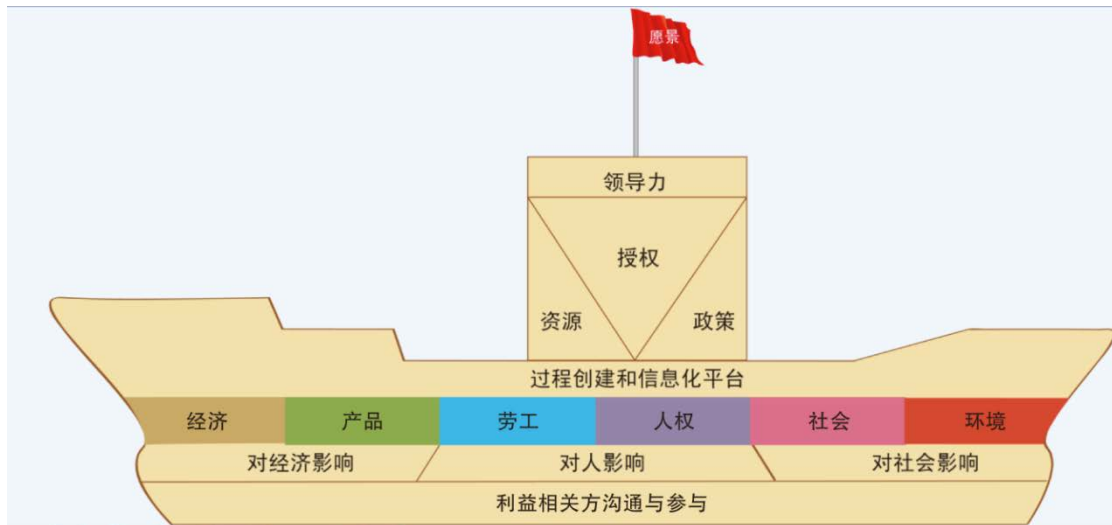


图:

领导力 Leadership

授权 Authorization

资源 Resources

政策 Policies

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

经济 Economy

环境 Environment

产品 Product

劳工 Labor

人权 Human rights

经济 Economy

对经济影响 Influence on economy

对人影响 Influence on people

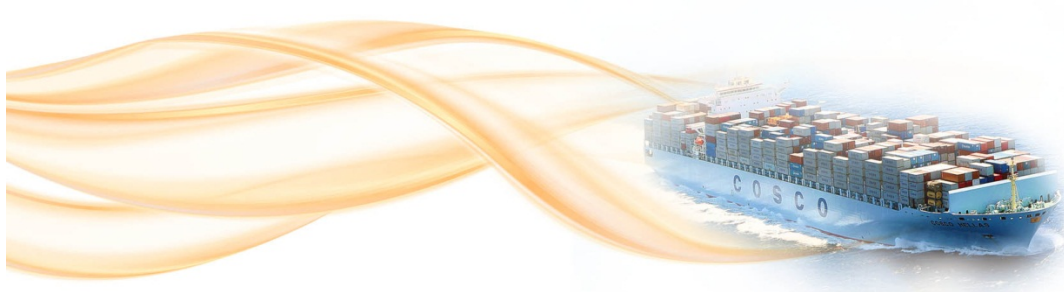
对社会影响 Influence on society

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

▲ Model analysis:

COSCO Group likes a huge vessel navigating in the ocean comprising of different stakeholders. 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.

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 promotes managerial innovation, re-creates the work flow with the methods of social responsibility risk management, establishes sustainability management system and process to lay a solid foundation for the comprehensive implementation of the Global Compact.

COSCO Group fulfills social responsibility, carries out the scientific outlook on development and launches 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 makes 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 makes 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.

(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. It tries to play as a model and leader, undertakes the due political responsibilities of a central SOE and the obligation to establish a harmonious society.

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. Therefore, it promotes the ten principles in the entire system.

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. 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.

(III) Responsibility Principles

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



behaviors	insisting on the principle of respect the law.	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 Theme

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. It pays special attention on topics such as organization and governance, human rights, labor practice, fair operation, consumer issue, social participation and development.

(V) Strategic Action

In order to fulfill the strategic objectives for sustainable development, COSCO Group took actions actively to implement the management and supervision mechanism for social responsibility planning to cope with the challenges from various parties.

In terms of strategies, it applies six-sigma strategic map to decompose its development strategies to ensure the implementation of its middle and long-term development strategies. With respect to management and participation of stakeholders, it strengthened the company governance, promoted the integration of sustainable development concepts with organization and management, enhanced building of internal control, building of sustainability information system and management of legal affairs. In terms of economy, it made assessment and continuous improvement on decision-making processes through post-assessment after decision-making, internal audit of management system and management assessment. It implemented daily and annual assessments by establishing the indicator systems such as annual operating targets, balance score card and performance indicators. Supervision departments of COSCO Group headquarters and its subsidiaries were organized to carry out audit on operating performance and supervision on benefits. In terms of environment, it enhanced the supervision of environmental protection behaviors through environmental management system and overseas outlets. In terms of products, it supervised and verified the product and service responsibilities through daily and annual internal, second-party and third-party supervision, audit and evaluation mechanism. In terms of labor, it made use of inspection, audit and review of management and implementation of safety supervisor system to accept supervision of employees to supervise and inspect the occupational health and safety production of the company. In terms of human rights, it managed the implementation of human rights by making use of workers' congress, democratic management supervision, safety production supervision and labor safety supervision mechanisms. In terms of society, it listed anti-corruption, anti-bribery and anti-monopolization requirements into daily evaluation of employees and annual evaluation of management team. Supervision and disciplinary inspection departments of related companies supervised and inspected the implementation of related rules and regulations, and put forward rectification measures for issues found.

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 2014, the promotion of Global Compact was listed as formal duties of a total of 478 staff from COSCO Group headquarters and companies implementing Global Compact.

Year	2010	2011	2012	2013	2014
Number of persons	473	473	475	475	478

(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 enhance 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. Over 1,000 promoters have taken part in relate work.

In 2014, COSCO Group established the sustainability report compilation team comprising of 34 persons, of which, a core team comprising of 26 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 12 days.

Year	2010	2011	2012	2013	2014
Compilation team	36	38	34	31	34
Core team	28	27	26	23	26
Concentrated working days the compilation team	13	14	18	14	12
Working hours	3,744	4,256	4,896	3,472	3,264

(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 2014, 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 2014, COSCO Group organized three special trainings and nine 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, as a global shipping company, has paid close attention to honesty building and cultivation of ethnics. Corporate spirits of the group pragmatism and coordination.

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 2014 total expenditure of COSCO Group for Global Compact and sustainability reached RMB710,000.

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.

COSCO Group headquarters and subsidiaries have promoted the meaning and basic requirements of Global Compact and sustainability via their internet websites and electronic magazines.

Year	2010	2011	2012	2013	2014
Number of training classes	10	16	14	14	16
Number of persons trained	1,230	1,326	1,204	1,264	1,326
Total training hours	9,840	10,608	9,632	10,112	10,608

2. Social Responsibility Risk Management

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

(II) Responsibility Performance Evaluation

1. Social Responsibility Indicator System

COSCO Group has established sustainability indicators system, which was improved after evaluation on yearly basis. Since the establishment of COSCO Group sustainability indicator system in 2005, it improved the indicator system after annual evaluation and realized quantization of the report. After many years of improvement, it has segmented the original 250 indicators to existing 789 indicators.

Year	2010	2011	2012	2013	2014
Number of indicators	793	789	789	789	789
System building	System integration	System optimization	Management elevation	Continuous management elevation	System upgrade

Improvement focuses	Indicator optimization	Indicator convergence	Indicator analysis	Indicator improvement	Indicator adjustment
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2. Social Responsibility Examination and Evaluation

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.

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.

(II) Compilation and Release of Sustainability Report

COSCO Group has established sustainability indicator, sustainability reporting mechanism, and standard processes and procedures for compilation and review of sustainability report in a scientific manner. It has automatically organized and supervised 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 before the end of June of each year after 18 steps of strict reviews and improvements. In 2014, COSCO Group cautiously released its sustainability report online.

(III) Internal Communication on Social Responsibility

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

social responsibility. The sustainability report and sustainability information platform are main carriers for communication.

(IV) Construction of Social Responsibility Website and System

Special online column for sustainability is an important window for information disclosure of an enterprise. COSCO Group has opened sustainability online column in its official website for disclosure of social responsibility-related information and communication on social responsibility.

In order to collect more feedbacks of stakeholders on sustainability of the company, improve the communications efficiency and widen the information channel, COSCO Group opened the special column for sustainability since 2010 to showcase the contribution made by the group in performance of UN Global Compact, and objectively release social responsibility practice and action. For more information, please visit <http://www.chinacosco.com>.

(V) Improving Transparency of Social Responsibility

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

1. Compile the report in accordance with requirements of GRI4.0 Guidance and ISO26000 Social Responsibility Guidelines and follow the information disclosure requirements of international organizations and SASAC.
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. 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.

Part V Legal Affairs Management

As a leader in domestic shipping industry, COSCO Group has always been law-abiding. It has focused on proactive prevention, made ceaseless efforts to enhance the control ability during events, and promoted the building of solving mechanism after events in an active and proper manner. Main works done by the group include:

- (I) Doing a better job in “three improvements and two elevations” and forming a complete chain for prevention of legal risks of the group.
- (II) Strengthening building of talent team, and promoting the fulfillment of the target of 80% full-time legal advisors and 80% certificate-holding legal advisors.
- (III) Improving legal risk prevention mechanism, identifying the legal risks of entire system, and building legal risks system with specific targets.
- (IV) Improving mechanism of legal work with the improvement of building of rules and regulations as the basis.



- (V) Striving for disposal of key disputes and protecting legal rights and interests of the company.
- (VI) Strengthening trademark management work and elevating the advantages of COSCO brand.
- (VII) Enhancing legal research and law popularization work in a steady manner, and promoting building of legal culture of the group.

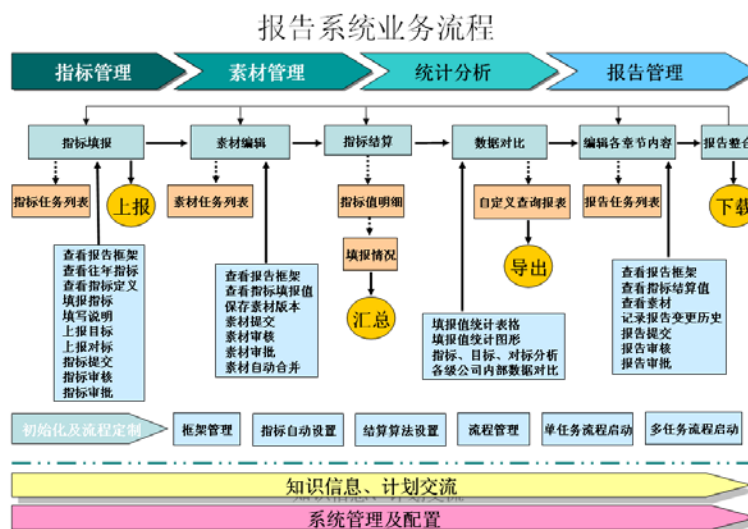
In accordance with the requirements of new five-year planning on legal work of central SOEs of State Council and SASAC, COSCO Group formulated and released the COSCO Group's Implementation Plans for New Five-year Planning on Legal Work (hereinafter referred to as the Implementation Plans). In accordance with the working plans, COSCO Group further optimized the overall working ideas for corporate legal work in next five years. The general requirements are: focusing on one core target, strengthening building of two legal talent teams, creating three legal control measures, building up two legal risk defense lines and providing more solid legal guarantees for healthy development of the enterprise.

In 2014, 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 built up a sustainability management platform by making use of modernized IT and network measures. The system realizes related functions such as indicator collection, indicator review and materials filling, framework maintenance and report review. 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.



图：

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



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

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. Social Responsibility Management Elevation Work

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.

COSCO Group pays close attention to the seven sustainability topics, namely employment, energy, city, grain, water, ocean and disaster relief put forward at the Rio+20 Summit, brings into full play its advantages and actively solves issues in aforesaid sectors.

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 2014, 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. Cooperation and Collective Action

At the World Shipping (China) Summit 2009, COSCO Group made Qingdao Declaration to promote sustainable development of shipping industry. In 2014, COSCO Group continued to promote Qingdao Declaration, lowered the speed of ships, further reduced the fuel consumption and carbon dioxide emission, performed its corporate social responsibilities with practical action, and tried to expand such action to entire shipping circle.

In order to promote the healthy development of port and shipping industries and world economy, and lower the influence of economic development on the nature and the environment, COSCO Group continued to promote the construction of intelligent port and environment-friendly port, develop low-carbon logistics, and implement the Guangzhou Declaration released by ten port suppliers home and abroad such as Hamburg Port, Long Beach Port and Shanghai Port under the mobilization of COSCO Group at World Shipping (China) Summit 2010.

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 2014.

(III) Golden Bee CSR Honor Roll

CSR has developed rapidly in China. Release of CSR report has become the common choice of the enterprise to perform social responsibilities and promote good communications with stakeholders. Over the years, Golden Bee has been closely tied to CSR, and enjoyed high reputation in international and domestic CSR sectors. It focused on encouragement, assistance, cultivation and promotion, and has never stopped the efforts to promote CSR development in China. Golden Bee CSR Honor Roll has found and encouraged excellent CSR reports four seven successive years. Till now, it has evaluated 7,814 reports accumulatively, and granted different awards to over 205 enterprises, bringing great impetus and pursuit for elevation of quality level of CSR report of Chinese enterprises.

Since 2009, WTO Tribune carried out CSR report collection and evaluation activity in worldwide scope, exerted great efforts to promote and encourage enterprises to release CSR report, and organized appraisal of Golden Bee CSR Honor Roll to provide a comprehensive and professional platform for release of excellent CSR reports and enterprises and offer reference for people who compile CSR reports.

In 2014, a total of 53 excellent CSR reports distinguished from 2,240 reports, becoming the Golden Bee CSR Reports.

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

COSCO Group identifies and selects stakeholders based on their sustainability risks and the influence on COSCO Group, and finds the key indicators of stakeholders with risk evaluation methods to ensure the identification, communications and use of information of COSCO Group's 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 investors)	Issuance and implementation of documents; participation in conferences and fulfillment of sprints conveyed at the conferences, periodical reports, daily communication with authorities,	Continuously improve its profitability and key competitiveness so as to keep and increase value of state-owned assets	Requirements on comprehensive risk management, enterprise sustainability, corporate social reliability report, and construction of resource-saving enterprise as well as related evaluation indicators	Profit, capital return ratio, rate for value keeping and increase of state-owned assets, total debts, asset-liability ratio, owners' equity



	reports and visits			
Social public shareholders (Shareholders of all listed companies of COSCO Group)	Annual reports, shareholders' conference, written notice for shareholders, daily communication via telephone	Continuously improve company's value and market value, decrease enterprise risk, ensure enterprise' sustainability	Public disclosure of important company information, opportunities for equal participation, protection of shareholders' interests	Market value; listed companies' reward ratio; minority shareholders' rights and interests; number of listed companies
Strategic partners (juridical persons signing agreements with COSCO on strategic cooperation, joint operation and joint venture)	Contract implementation; regular meetings; meetings of top management; file and mail transfer, daily communications	Constantly improve profitability in strategic cooperation sector and ensure common interest of strategic partners	Information and resource sharing, management innovation, win-win cooperation	Sales revenues, return rate of capital, market occupancy
Clients (direct clients purchasing any product or services of COSCO Group)	Client conference, suggestion collection, daily communications with sales representatives	Provide high-quality products and services at reasonable prices, make continuous improvement	Responding speed, individualized services for clients, service quality	Customer satisfaction, comprehensive on-time ratio
Subsidiaries (COSCO Group's wholly owned, joint venture, joint operation, and cooperative companies)	Work meeting, opinions collection, communication with top executives, daily business mails and phone calls	Provide accurate decision-making and scientific management, continuously improve management level and efficiency	Market command capability, high-efficiency decision-making, transparent and democratic management, capital guarantee and turnover	Profit, sales revenue, carrying capacity and turnover capacity, return rate on capital, debt ratio
All members in organizational structure of the company	Rational suggestions, president's mailbox, conference, opinions collection and exchanges	Continuously improve company's profitability and sustainability ability, provide more welfare and promotion opportunities to employees	Career development, opportunity, treatment, graceful and confident working environment	Employees' satisfaction, employee loyalty, job-hopping ratio, investment to employee training
Suppliers (suppliers and sub-contractors including ship agency, freight forwarding, classification society, service provider, consulting companies,	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



certification and auditing units, etc)				
Financial and insurance units of bond owners	Contract negotiation, regular visits, daily exchanges of business personnel	Operate stably to ensure timely payment and prevent risks	Timely payment, reduction of risky events	
Trade unions (Trade unions in China and in places where it operates)	Speaking rights on important company decisions, collective negotiation, trade union representatives in periodical communication with contacts, staff representative conference	Respect labor rights, comply with requirements of trade unions, maintain legal rights and interests of employees	Respects to staff's rights and interests, complying with requirements on democratic management and transparent company affairs	Percentage of employees joining the trade union, number of trade unions in subsidiaries set by group trade union, signing collective contracts, employee participation ratio
Community (in China and business locations)	Signing contract on joint civilized construction, joint program 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 2014, COSCO Group entered into strategic partnership agreements with governmental units, VIP customers and suppliers such as Greek National Railway Company, Zchi Shipbuilding, Wugang Group, Sinosteel, CSIC and Qingdao Port Group to enhance the cooperation and seek for mutual development.

On June 20, 2014, Ma Zehua, Chairman of COSCO Group, attended the Sino-Greece Ocean Industry Cooperation Forum held in Athens, Greece, and delivered a speech. In his speech, Chairman Ma said that COSCO Group hopes to keep long-term favorable cooperation relationships with Greece. In the future cooperation, COSCO Group will promote the business development of Greece to a new stage under the principles of mutual benefits, and make more contributions to Sino-Greece friendship and cooperation.

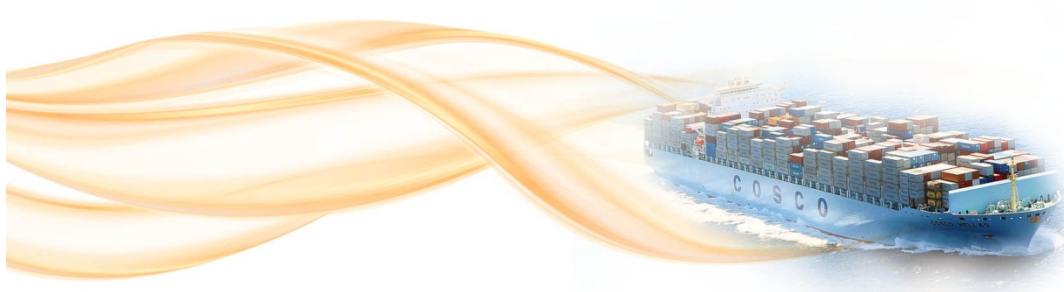
On Sept. 12, 2014, China COSCO Bulk affiliated to COSCO Group signed a cooperation framework agreement with Vale in Beijing. According to the agreement, Vale will offer 25-year iron ore transportation contract for China COSCO Bulk, and China COSCO Bulk will customize 10 large-sized sand carriers for Vale and acquire four large-sized sand carriers from Vale.

(II) Social Responsibility Management within the Supply Chain

COSCO Group makes active 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 2014, COSCO Group further deepened the energy conservation and emission reduction work. It paid close attention to energy conservation, emission reduction and environmental protection work, transformed the 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 the practical achievements, and promoted environment-friendly and sustainable development of COSCO Group.



COSCO Group implemented the requirements of principles of UN Global Compact, fulfilled its commitment to the society, actively built up a resource-conservative and environment-friendly enterprise that protects the environment and the ocean, promoted sustainable development of the enterprise, and promoted energy conservation and emission reduction work continuously and realized energy conservation by management by effective reduction of oil consumption and emission, implementation of energy conservation responsibilities and all-staff participation.

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

COSCO Group 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.

(V) Exchanges with Research Institutes, Colleagues and Universities

On the morning of Sept. 11, 2014, Chairman Ma Zehua met with Zheng Shaonan, party committee secretary, and Sun Yuqing, president of Dalian Maritime University at Beijing Ocean Plaza. Both sides exchanged opinions on talent cultivation, technological R&D, green shipping and sustainable development.

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.



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

With the development target of “maximizing the corporate benefits, corporate value and equities of shareholders, and bringing maximum returns to the shareholders, the society and the environment”, COSCO Group is based on Chinese market and targets at global market, constantly elevates the corporate value through optimization of resource allocation, enhances the comprehensive competency of shipping, logistics, shipbuilding & ship-repairing and related businesses, and keeps sustainable development of the group. On the basis of ISO9000 management system and in accordance with the requirements of five ministries and commissions, COSCO Group established corporate internal control system, implemented comprehensive risk management system and controlled decision-making and operation risks in 2014. It also promoted lean management, optimized business processes and reduced operating costs.

COSCO Group set up a special institution for implementation of management system, which is responsible for decomposition of annual targets, formulation, management, evaluation and supervision of production and operation targets, and ensured smooth completion and orderly promotion of annual targets. Related second-tier companies further decomposed the targets set by COSCO Group, segmented the indicators, and assigned special responsible person to conduct regular evaluation and ensure the completion of various indicators.

In order to ensure the smooth fulfillment of various indicators, COSCO Group gradually established a set of complete and effective performance evaluation system, risk control system and supervision & management system, took various measures such as pre-event investigation, in-event tracking and after-event evaluation to elevate the accuracy, timeliness, scientific level and effectiveness of performance management, risk control and management, and supervision & management mechanisms, powering sustainability of the enterprise.

In order to adapt to new requirements of the era, COSCO Group constantly enriched the internal and external meaning of the management system in accordance with the requirements of Global Compact and sustainability management system. By the end of 2014, COSCO Group and its subsidiaries have established a set of complete and standard comprehensive management system, and further elevated the quality, environment, occupational health and safety management systems through certification.

COSCO Group paid close attention to management of stakeholders, systematically identified and evaluated various risks of the company (interest risk, operating risk, financial risk, etc.), and took effective control measures to avoid and lower the influences of various risks. Its controlling listed companies established the communications channels with stakeholders via company websites, sustainability information system and annual report, and timely announced or disclosed the information cared by stakeholders.

In 2014, COSCO Group continued to promote management elevation comprehensive in the entire system. In accordance with the requirements of SASAC of “not reducing the rectification measures, not reducing the resource input to solve the issues, not lowering the anticipated working targets of special elevation work, not lowering the check and acceptance standards of rectification measures, and not loosening the responsibility evaluation of special elevation work”, COSCO Group enhanced the on-site management, staggered evaluation and supervision of its subsidiaries, and constantly elevated the management effectiveness, efficiency and benefits.

1. Supervision on management elevation

(1) Carrying out survey and visit, and laying a good foundation for special elevation

Leaders of COSCO Group led delegations to conduct survey and investigation on work such as collaborative operation and development, comprehensive risk management and internal control building, comprehensive budget management, investment management, corporate culture building and management informationization of its second-tier units, and solicited opinions and suggestions on further establishment and improvement of related systems and elevation of efficiency.

(2) Implementing on-site inspection and promoting management elevation work in practical

COSCO Group organized internal control inspection and rectification of internal assessment on the headquarters and related subsidiaries, carried out special inspection on procurement and supplier management as well as one-to-one meetings, requiring the companies being inspected to feed back the rectification situations in written form. In 2014, leaders of the group also led delegations to conduct on-site inspection on initial management elevation activities of related regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Dalian and Xiamen. These efforts not only promoted the management elevation work of grassroots units effectively, and delivered pressure of the group to grassroots units.

(3) Establishing reporting system and tracking and supervising the implementation of grassroots units

COSCO Group established the reporting system for management elevation work, required all departments of the group and its subsidiaries to report the progresses of elevation and rectification work of group and second-tier units for every two months, announced the progresses of key issues of the system in the entire system through news brief and reports, and promoted and exchanged the experiences and highlights of its subsidiaries. All functional departments of COSCO Group headquarters did a better job in tracking of progresses of special elevation work, and related subsidiaries were required to report the completion progress of the work, issues existed as well as opinions and suggestions on regular basis.

(4) Promoting informationization construction, and elevating evaluation, monitoring and examination accuracy

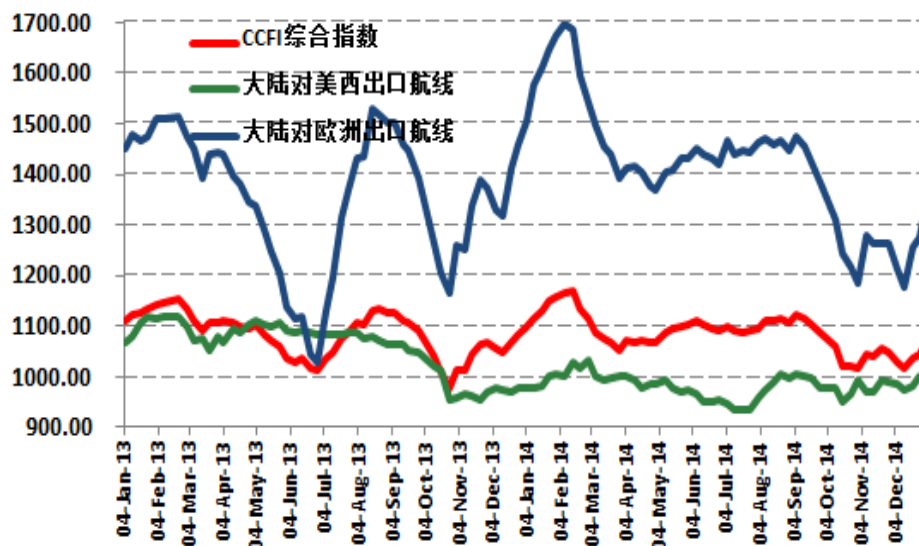
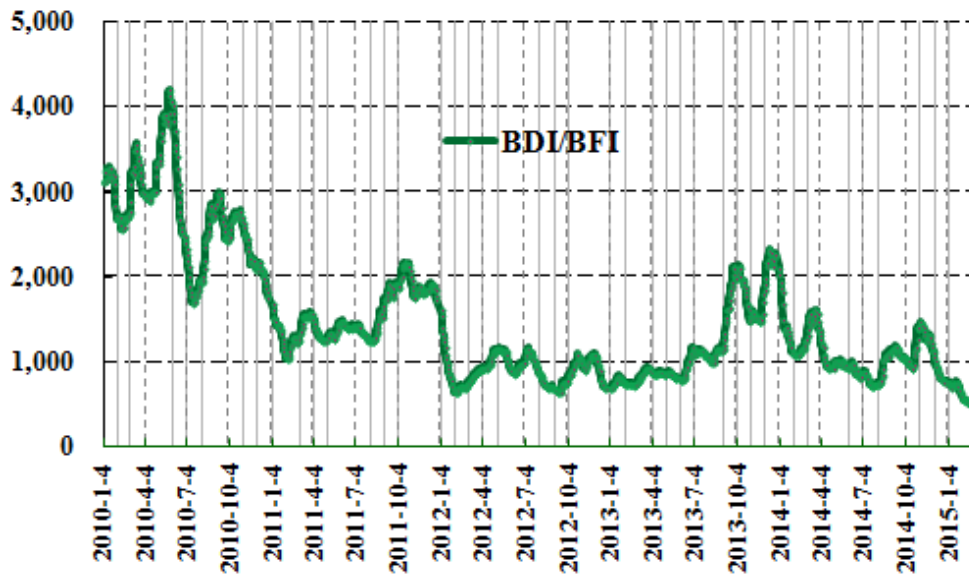
COSCO Group formulated and released the Safety Production Performance Evaluation Methods (EVA-SMSA), realizing online self-assessment, evaluation and examining through information technology. In the meantime, it developed energy statistics and monitoring system and put into trial operation, enhancing the control on energy conservation and emission reduction of entire system.

II. Performance Indicators

(I) Economic performance

In 2014, world economy recovered slowly, domestic economic growth slowed down, the imbalance of supplies and demands of international shipping industry has no substantial improvement, and freight rate of shipping market was at low level. Affected by factors such as accelerated operation of large-sized container ships, depression of overall demands and intensified competition of liner industry, rebound of freight rate of international container shipping market was weak. Dry and bulk shipping market was in depression. Average figure of BDI was 1,105 points, down 8.3% compared with the previous year. In the meantime, operating costs of shipping industry increased continuously due to rigorous growth of port and navigation fees. Although international crude oil price saw sharp decrease in the fourth quarter, its influence on annual performance was limited. Shipping enterprises still faced great operation pressure.

Development trends of BDI and CCFI in recent years are as follows:



In face of domestic trouble and foreign invasion, COSCO Group enhanced marketing strength and increased the income on one hand, and strengthened the lean management and adopted various measures to increase the income, reduce the expenditure on the other hand. In 2014, COSCO Group successfully made up deficits and got surplus, achieving satisfactory operating performance.

In the Rankings of Global 500 Enterprises released by Fortune magazine on July 21, 2015, COSCO Group ranked the 432th place with the operating revenue of USD27.483 billion.

1. Direct Value Created

In 2014, total shipping volume of COSCO Group reached 396.1789 million tons, with the freight turnover of 1710.724 billion ton·sea miles. It ranked the sixth place in the world for container carrying capacity. COSCO Pacific is one of the renowned terminal operators and fourth largest container leasing company in the world. It also took a lead in domestic market for logistics and ship-building & ship-repairing business.

In 2014, COSCO Group realized the operating revenue of RMB169.3357468 billion. The table below shows operating revenue of the group since 2009.

Indicator/Year	2009	2010	2011	2012	2013	2014
Operating revenue (RMB100 million)	1,188	1,642	1,862	1,813	1,648	1,693

Transportation-related Indicators
Fleet size

Self-owned fleet size							
Ships	Indicators	2009	2010	2011	2012	2013	2014
Container ships	Number of ships	92	101	100	105	109	91
	Capacity (10,000 TEU)	31.54	35.91	35.87	39.46	46.83	46.4
Dry and bulk carriers	Number of ships	238	245	249	237	216	186
	Capacity (10,000 DWT)	1,745	1,882.16	1,997.28	1,970	1,853.67	1,692.03
Oil tankers	Number of ships	25	29	31	32	29	29
	Capacity (10,000 DWT)	382	463	522	552	539.56	563.75
Other liquid bulk carriers	Number of ships	18	19	15	15	14	15
	Capacity (10,000 DWT)	9.26	10	8.5	8.5	8.19	8.4
General cargo ships	Number of ships	74	73	68	75	63	51
	Capacity (10,000 DWT)	143	157.16	153.04	174.18	154.18	131.31
Other ships	Number of ships	15	14	18	22	27	32
	Capacity (10,000 DWT)	21.35	22.91	41.63	49.21	62.06	74.21
Total of self-owned ships	Number of ships	462	481	481	486	458	404
	Capacity (10,000 DWT)	2,720	3,007	3,194	3,263	3,201	3,036

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

Leased fleet size							
Ships	Indicators	2009	2010	2011	2012	2013	2014
Container ships	Number of ships	54	49	57	69	79	89
	Capacity (10,000 TEU)	24.56	25.5	30.93	36.24	40.99	41.92
Dry and bulk carriers	Number of ships	236	238	160	131	118	86
	Capacity (10,000 DWT)	2,094	2,166	1,598	1,266	1,037	742
Oil tankers	Number of ships	6	8	10	8	9	9
	Capacity (10,000 DWT)	171	239	298	236	268	268
Other liquid	Number of ships	2	1	4	4	5	3



bulk carriers	Capacity (10,000 DWT)	1.23	0.62	2.95	3.73	4.32	3.14
General cargo ships	Number of ships	6	16	23	28	16	50
	Capacity (10,000 DWT)	18	50	59	102	41.83	188.74
Other ships	Number of ships	4	6	8	13	10	8
	Capacity (10,000 DWT)	4.58	6.84	11.28	23.41	18.9	16.92
Total of self-owned ships	Number of ships	308	318	262	253	237	245
	Capacity (10,000 DWT)	2,313	2,771	2,338	2,063	1,862	1,725

Total fleet size controlled							
Ships	Indicators	2009	2010	2011	2012	2013	2014
Container ships	Number of ships	146	150	157	174	188	180
	Capacity (10,000 TEU)	56.1	61.41	66.8	75.70	87.81	88.32
Dry and bulk carriers	Number of ships	474	483	409	368	334	272
	Capacity (10,000 DWT)	3,838	4,049	3,596	3,237	2,891	2,434
Oil tankers	Number of ships	31	37	41	40	38	38
	Capacity (10,000 DWT)	553	702	821	789	808	832
Other liquid bulk carriers	Number of ships	20	20	19	19	19	18
	Capacity (10,000 DWT)	10.5	10.62	11.45	12.23	12.51	11.54
General cargo ships	Number of ships	80	89	91	103	79	101
	Capacity (10,000 DWT)	161	207	212	276	196	320
Other ships	Number of ships	19	20	26	35	37	40
	Capacity (10,000 DWT)	4.58	29.75	52.91	72.62	80.96	91.13
Total of self-owned ships	Number of ships	770	799	743	739	695	649
	Capacity (10,000 DWT)	5,033	5,778	5,532	5,326	5,063	4,762.58

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	149	112	136	7

Transportation production and related indicators

Indicator/Year	2009	2010	2011	2012	2013	2014
Freight volume (10,000 tons)	40,979	43,582	44,176	42,679	42,067	39,617
Freight turnover (100 million ton·sea mile)	19,626	21,088	20,817	19,884	18,264	17,107
Average age of self-owned ships (years)	14	13.27	13.06	12.78	11.59	10.35

2. Operational Costs

In 2014, COSCO Group took comprehensive budget management as the focus and strengthened the rigorous implementation concept of cost budget. It continued to promote the “Lean Management”, strengthened quota and benchmarking management, and improved cost control work from the origin and all sectors. Main measures taken are as follows:

- (1) Continue to enhance fuel cost control. Through measures such as low-speed navigation and concentrated procurement of fuel, COSCON reduced its annual fuel consumption volume by 8.3% and fuel cost by 15.0% despite of year-on-year growth of carrying capacity and cargo shipping volume. China COSCO Bulk reduced its fuel cost by RMB616.99 million or 17.87% year-on-year. COSCO Shipping carried out the work to lower the speed and reduce the mission in a comprehensive manner, actively promoted the single-ship and single-voyage energy consumption evaluation mechanism, and elevated the energy consumption management level of ships. In the whole year, it saved 53150,5 tons of fuels, about RMB193.32 million, and realized the fuel consumption per unit of turnover volume of 6.348kg/kt·sea mile, down 4.04% compared with same period of last year.
- (2) Continue to promote reduction of rents of dry and bulk carriers with high rents. China COSCO Bulk insisted dynamic tracking management to further reduce the number of leased ships, reducing the ship leasing fee by RMB1.601 billion and 30.6% 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. More than 80% RTG equipment of COSCO Pacific completed the transformation from fuel to electricity, reducing the fuel consumption by over 540 tons or 25% year-on-year compared with 2013.

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, and 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 to protect basic rights and interests of employees.

In 2014, 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 2014, COSCO Group had made up deficits and got surplus, with the net profits totaled RMB5.066 billion.

Indicator/Year	2009	2010	2011	2012	2013	2014
Total profits (RMB10,000)	111,061	1,632,631	-371,703	-331,475	-241,289	506,562.07

In face of depressing shipping market, domestic and overseas listed companies of COSCO Group further established and improved their internal control system in 2014, 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.

▲ On June 20, 2014, COSCO Pacific awarded the Most Outstanding Chinese Terminal Enterprise for three successive years in the appraisal of 9th Capital China Outstanding Enterprise Achievement Award organized by the Capital Magazine.

▲ On Oct. 24, 2014, COSCO International awarded the Asia Corporate Governance Model Award, the highest award in the appraisal of 10th Asia Best Corporate Governance Award organized by Asian Corporate Governance, the most authoritative corporate governance magazine in Asia. It was the second successive year for COSCO International to receive such award, showing that the company has taken a lead in Asia for corporate governance level.

▲ COSCO Shipping awarded the honorable title of Top 3 General Cargo Company of 11th China Cargo Shipping Awards. It was the third successive year for COSCO Shipping to win such award. The award is an authoritative award of cargo shipping industry appraised by China Shipping Weekly under the guidance of China Communications and Transportation Association, and is regarded as Oscar Award of cargo shipping industry.

Indicators of Listed Companies under COSCO Group (As of Dec. 31, 2014)

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	628.73	52.8%	331.97	1.5%	/	/	0.0355
COSCO Pacific	Hong Kong	USD4.1783 billion	44.54% (China COSCO)	RMB11.3875 billion	5.9%	Interim figure for 2014: USD59,245,000 Figure at the end of 2014: USD58,456,000	1.988 cents	10.01 cents
COSCO International	Hong Kong	RMB3.876 billion	64.3%	RMB2.492 billion	4.72%	RMB201 million	RMB0.08	RMB0.189
COSCO Investment	Singapore	SGD1.254 billion	53.35%	RMB3.1 billion	1.5%	11,196,000	SGD0.005	SGD0.0093
COSCO Shipping	Shanghai	RMB13.524 billion	51.13%	RMB6.915 billion	3.04%	RMB33 million	RMB0.02	RMB0.117

5. Payment to the Government

In 2014, COSCO Group paid RMB3.483 billion of taxes to the government, up 17.82% year-on-year.

Indicator/Year	2009	2010	2011	2012	2013	2014
Total tax paid (RMB10,000)	344,384	465,430	420,351	353,781	295,625	348,313

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.

Indicator/Year	2009	2010	2011	2012	2013	2014
Investment funds provided for social projects (RMB10,000)	2,208	7,198	3,900	2,398	3,362	3,178

Main projects of COSCO Charity Foundation cover education aid, medical aid, disaster relief, poverty-relief and environmental protection sectors. In 2014, COSCO Group implemented 30 public welfare and charity projects through COSCO Charity Foundation, and donated RMB31.78 million of capitals.

2. Influences of Climate Changes

The global environment issues caused by climate changes have gradually raised concerns of all circles of the world. For COSCO Group, climate changes bring following safety risks and financial influences:

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.

In order to cope with influence of climate changes, international community and port states formulated new conventions, rules and regulations, bringing new financial risks to COSCO Group.

2. Financial Influences of Climate Changes

In order to prevent and fight against the possible damages caused by typhoons, COSCO Group input more human resources and materials into the organization establishment, shore-based shifts, command and coordination. Typhoons also led to the increase in the sailing time and distance as well as the delay in the schedules. In 2014, a total of 83 tropical cyclones (including TD) were generated worldwide, down 18 compared with 2013, affecting 336 ships (times) of CSOCO Group.

Year	2009	2010	2011	2012	2013	2014
Number of tropical cyclones (TD)	105	87	86	92	101	83
Number of ships affected (number of ships)	342	433	459	918	653	336

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 2014, COSCO Group adopted 284,900 tons of low-Sulfur fuel in a bid to satisfy the requirements of MARPOL Appendix VI and reduce emission of ships. This resulted in increase of costs by RMB90.88 million. In the past six years since 2009, cost of the group had increased by RMB326.17 million due to the use of low-sulfur fuel.

Year	2009	2010	2011	2012	2013	2014
1.5% <i>m/m</i> fuel consumption volume (ton)	79,474	110,475	106, 278	187,900	312,900	284,900
Cost increased for using 1.5% <i>m/m</i> fuel (RMB10,000)	2,848	1,818	2,944	5,927	9,992	9,088

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.

3. Emission reduction and benefit increase, and opening of shipping lane to the North Pole

COSCO Shipping launched "Seal Project" to open the shipping lane to the North Pole and develop a more economical shipping line from China to West and North Europe. The shipping line is shortened by 46% compared with regular shipping line, and can realize the emission reduction and benefit increase effectively, thus receiving high praises from shipping circle.

3. Fixed Welfare Plans

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 2014, total number of retired employees of the group reached 34,727. (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
2014	1,422	34,727

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.

4. Key Financial Supports Provided by the Government

The “special project for refitting of energy conservation technologies of operating (constructing) ships” submitted by COSCON and China COSCO Bulk received RMB10 million special capital and RMB8.5 million of bonus for energy conservation and emission reduction from the Ministry of Transport.

The “Seal Project” and “Slide Valve Sprayer Project” of COSCO Shipping received RMB5 million of special capital for energy conservation and emission reduction of the Ministry of Transport.

(II) Market Performance

1. 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.

2. Employing Staff and Senior Managers from Local Communities

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 2014, COSCO Group has employed 4,679 foreign employees, accounting for 6.18% of the total.

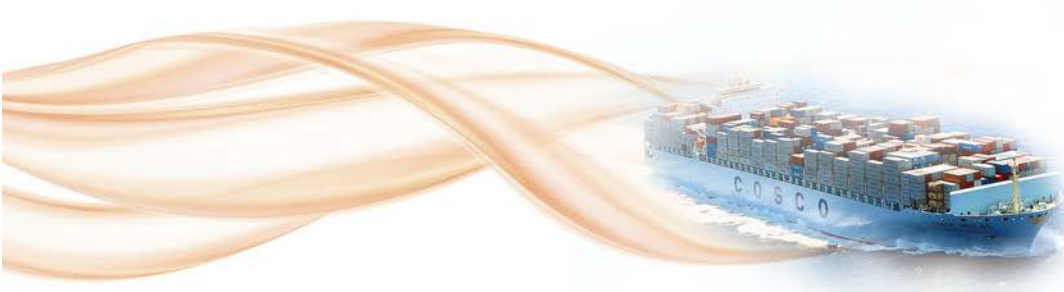
Number of Foreign Employees Recruited by COSCO Group since 2009

Year	2009	2010	2011	2012	2013	2014
Number of foreign employees (persons)	4,207	4,023	4,173	4,329	4,319	4,679

(III) Indirect Economic Influences

1. Infrastructure Investment and Supporting Service

(1) Establishment of Qingdao Ocean Shipping Mariners College



COSCO Group invested and established Qingdao Ocean Shipping Mariners College in 1976. After that, it invested capitals on annual basis for operation and development of the college. Since its establishment, the college has cultivated more than 50,000 talents, 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) Implementation of “Out-going” Strategy

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

In accordance with the development trends of international shipping industry and the “out-going” strategy of the country, COSCO Group integrated and optimized overseas resources, and implemented the operation and management mode of “professional operation and regional management”.

By the end of 2014, the total assets of outbound companies of COSCO Group reached USD196.549 billion. In 2014, operating revenue of outbound companies reached USD112.193 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 are listed in Singapore.

(2) Enhance strategic cooperation and elevate international competitiveness.

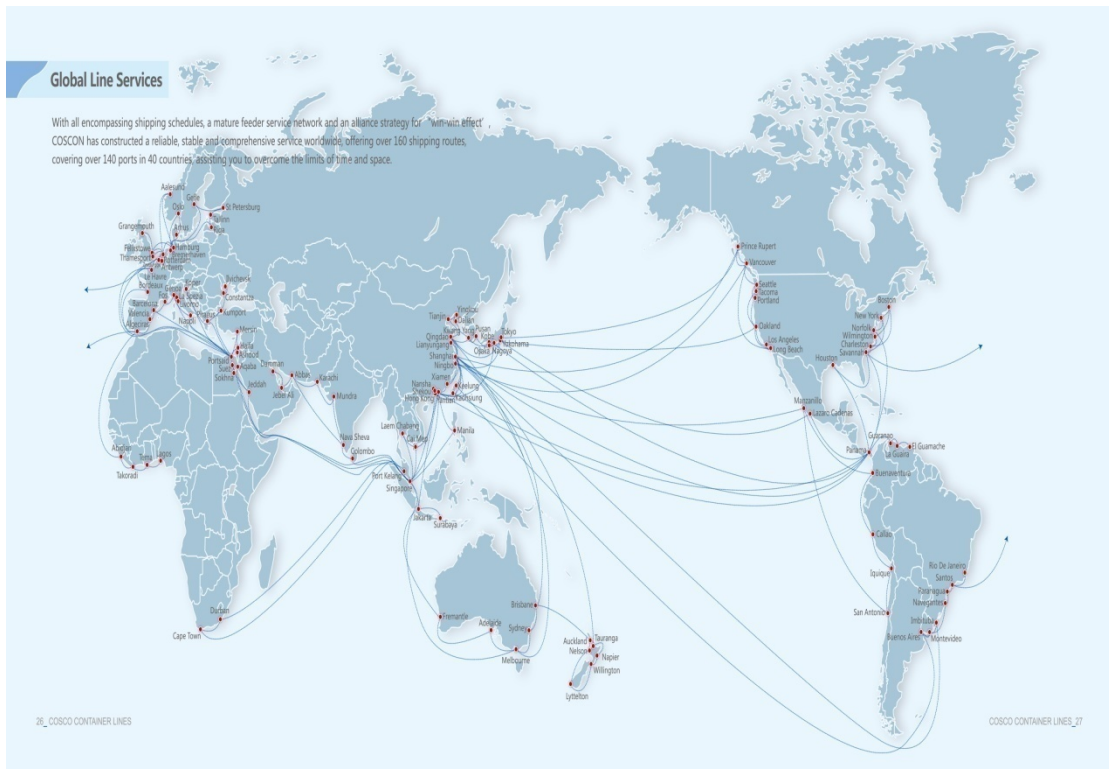
On March 1, 2014, COSCON, K-Line, Yangming Shipping, Hanjin Shipping and Evergreen Shipping joined hands to establish CKYHE Shipping Alliance, which replaced CHYH. According to the plans, the new alliance will partner on six Asia/Europe shipping lines and four Asia/Mediterranean Sea shipping lines since mid April. Formation of the new alliance not only improves the service ability and service quality of CKYHE, but also elevates its competitiveness and influence in global liner industry to a new height.

(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) Cooperate with construction of “one belt and one road”. Container and railway transportation network of Piraeus Terminal, Greek has primarily formed, becoming the new highlight of terminal business.

Chinese Government appeals for construction of “one belt and one road”, which aims to realize inter-connection of Asia, Europe and Africa continents and surrounding oceans, establish and enhance the interconnecting partnership of different countries along the coast, and realize diversified, democratic, balanced and sustainable development of coastal countries. COSCO Group cooperated with Chinese Government in construction of “one belt and one road”, invested into container and railway transportation network of Piraeus, Greek and offered high quality and all-directional services for the customers.



Container liner routes of COSCO Group

Construction of global sea-rail intermodal service network is an important part of door-to-door comprehensive logistics solution offered by COSCO Group for its customers, and also an important measure for traditional shipping enterprise to realize service mode innovation. The Sino-Europe sea-road express line starts from Piraeus Port, Greece in the south and reaches Budapest, Hungary in the North after passing Skopje in Macedonia and Belgrade in Serbia. The new shipping line has become the most price-worthy intermodal shipping network from China to Europe. Compared with traditional shipping mode, the sea-rail intermodal service mode shortens the delivery time of cargos from China to Europe by 7 to 11 days.



Piraeus Port of COSCO Group in Greece opens Sino-Europe sea-road express line

Piraeus Port is the intersection point of land and sea routes of “one belt and one road”, and also an important hub for Sino-Europe sea-road express line. It is the largest port in Greece and is one of the basic ports nearest to Suez and Gibraltar axle. Transshipment at the port enables connection of Northwest Europe, Mediterranean Sea-Far East trunk lines to branch lines in Mediterranean Sea, Black Sea, West Africa, North Africa and Adriatic in the fastest and most economical manner. Piraeus Port is also the bridgehead to South Europe and Balkan, where cargos can enter and exit the new emerging markets in the east of Mediterranean Sea conveniently.

In 2008, COSCO Pacific obtained 35 years of concession of #2 and #3 container terminals of Piraeus Port through market competition. The terminal project extends its shipping industrial chain and enhances its global competitiveness. On June 2, 2010, COSCO Group took over Piraeus Port. In 2011, the port made up deficits and got surplus. In 2014, total container throughput of PCT reached over three million TEUs, up 18.5% year-on-year, setting a new historical high. On Dec. 20, 2014, the Greek Parliament approved the Friendly Negotiation Agreement of Piraeus Port, namely Euro230 million-worth expansion plans of PCT.

The Piraeus Port Project of COSCO Group attracted great attention of two governments. On Nov. 25, 2008, President Hu Jintao and Greek Prime Minister Karamanlis witnessed the signing of concession agreements of #2 and #3 terminals of the port. State Council Premier Li Keqiang visited Piraeus Port by himself in June 2014, and entered into agreement for construction of “Sino-Europe land-sea express line” starting from Piraeus Port during his visit to Europe in December. On Jan. 22, 2015, the inauguration ceremony for expansion of #e terminal of Piraeus Port was held. Premier Li Keqiang sent a letter of congratulations, in which, he appraised Piraeus Port as a model for port cooperation. He also hoped that both sides could join hands to construct Piraeus Port into a first-tier port in Mediterranean Sea and an important regional hub, speed up the construction of Sino-Europe land-sea express line on this basis, promote the cooperation of two countries continuous and benefit the two countries and the people. Greek Prime Minister Samaras attended the event by himself and gave high praises to rapid development of PCT in Greek. He said that the project is one of the most important projects of Greek in past decade, and will bring new employment opportunities to Greek people. The project will further improve the infrastructure of Greek, promote construction of Piraeus into an important portal in Europe on the New Silk Road, and greatly promote the Greek economy.



Premier Li Keqiang visits Piraeus Port of COSCO Group in Greek.

(5) Purchase of equities Gaoming Port of Yangming Shipping in partnership with China Shipping Terminal and China Merchants International

On March 13, 2014, COSCO Pacific entered into agreement with Hutchison Port and China Shipping Terminal (H.K.) for purchase of 40% stake in Asia Container Terminals. China Shipping Terminal will purchase 20% stake in the company. Asia Container Terminal is in the west of #8 container terminal in Kwai Chung, Hong Kong, and is in adjacent with container terminal of COSCO International in the east of Hong Kong #8 terminal. The two terminals have a total of 1,380 meters of coastlines. The project will power the construction of a competitive platform, elevate the flexibility, efficiency and collaboration effects of port operation, and offer more complete and high-efficient terminal service for customers.

2. Public Services

Besides economic value created and distributed, COSCO Group also paid special attention to investments for public welfare. The ship and shore-based employees of COSCO Group had carried forward the international humanistic spirits. At the critical time when life and property safety of other ships and persons are seriously threatened, they held human-oriented spirits and tried to lend a helping hand, showing excellent occupational quality and the high ethics of COSCO Group's seafarers.

▲ On March 8, 2015, Malaysia Airlines MH370 flight got lost. After receiving the order from China Offshore Search & Rescue Center, Chairman Ma Zehua immediately made an order, requiring all ships of COSCO Group navigating near the sea area to carry out search & rescue following the directions of related institutions. At 8:30 on March 9, Taishunhai Liner of COSCO reached the designated sea area at the earliest time and conducted search and rescue. Moreover, four ships of COSCO Group were waiting for orders at the surrounding sea area to carry out search and rescue.

▲ On May 16, 2014, COSCO Group dispatched five captains to complete the urgent tasks to take the Chinese in Vietnam back. These five captains went to Wuzhishan, Tongguling, Baishiling, Zijing #12 and Yuehaitie #4 ships, played their role in ship navigation, entry and exit of ports and organization of evacuation, successfully completed their tasks and received high praises from the Ministry of Transport.

▲ At 00:35 on Nov. 8, 2014 of local time, Funingwan Liner of COSCO Shipping received the call for aid from the US Coast Guard when navigating from Saint Rose in US to Saint John's Port in Caribbean. The ship navigated to the designated area immediately after receiving the order, and successfully rescued a sail boat named Mahler who lost its power with the assistant of the US Coast Guard and dragged the sail boat to safe area in the port.

▲ On Jan. 12, 2015, Xinfahai Liner of COSCO Bulk received the information from AUS RCC when reaching the sea area near Australia. It is said that THOR COMMANDER, a merchant ship of Antigua lost its power completely and was drifting to the Great Barrier Reef and may ran aground on the rocks. After receiving the information, Xinfahai Liner changed its sailing router and went to the sea area immediately to drag the merchant ship to safe sea area together with AUS RCC, completing the rescue task successfully.



Left: Xinfahai Liner sails to the disastrous merchant ship.

Right: Xinfahai Liner sends leading cables to the merchant ship.

▲ In March 2014, Qinyou #8 oil tanker of CHIMBUSCO Hebei Branch received a phone call from the company when navigating at the #1 bulk cargo anchoring place of Jingtang Port, and was required to go to Huaheng 169 liner at the #1 anchoring place to send a seaman suffering from calculus of kidney to the port for treatment at the hospital. Captain of Qinyou #8 contacted related person of Jingtang Port to complete related procedures, and changed the navigation direction to Huheng 169 liner, completing the task at the fastest speed.

▲ Florens affiliated to COSCO Pacific donated four 20-foot retired containers to International public welfare organization INCLUDED to support the public welfare activities organized by the latter.

3. Key Indirect Economic Influences

(1) Invest into Scientific R&D and Promote Economic Development

COSCO Group pays close attention to building of self-innovation ability, makes special efforts to construct an innovative enterprise, insists on focusing the business demands of scientific projects, and carries out R&D on topics such as technical application, high-tech ships, ocean shipping and ship auxiliary equipment, intelligent terminal, information system, and software topics centering on main businesses such as shipping, logistics, shipbuilding and ship-repairing, and terminal businesses. COSCO Group has formed the innovation system centering on National Technical Center, focused on the national scientific research projects and formation of national standards, 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 2014, COSCO Group carried out 509 technological projects, with the R&D investment of RMB986.468 million.

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

Indicator/Year	2009	2010	2011	2012	2013	2014
Expenses on scientific and technological activities (RMB10,000)	74,867	98,912	127,907	62,194	78,064	98,646
Total number of scientific and technological projects	329	341	332	232	396	509
Number of foreign cooperation projects	33	61	86	81	108	138
Number of scientific and technological awards received	1	2	1	3	1	14 (one national projects and 13 provincial and ministerial projects)

▲ In 2014, the group applied 192 patents and was granted 82 patents, including 24 invention patents. By the end of 2014, COSCO Group has 213 patents and 65 software copyrights.

▲ The “floating drilling and oil storage platform navigation and connection methods”, a core patent technology independently developed by COSCO Shipyard Nantong, received the 16th China Golden Award for Patent, the highest award granted for granted patents in China. The technology was recognized by WIPO and represented the highest level of self-innovation of China.

▲ The “research and application of key technologies for transportation of large-sized cargos” independently developed by COSCO Logistics, the “research on ship power station monitoring & analysis expert system” and “functional development and malfunction diagnosis of ship engine electric control training system” of COSCO Ocean Shipping Mariners College, and “operating system for best cargo oil heating system” developed by COSCO Dalian received first-class, second-class and third-class scientific and technological awards of the China Institute of Navigation. The award is the only technological award in Chinese shipping industry, and represents the latest achievements of shipping industry in scientific research, technical innovation and development, promote and application of technological achievements and industrialization of high and new technologies.

(2) Informationization Construction

In order to better participate in transformation and upgrade of the enterprise, COSCO Group undertook the challenges on economic globalization and global informationization, promoted the implementation of five-year informationization planning and enhanced the supports of informationization to competitiveness of enterprises. Main shipping, logistics, shipbuilding & ship-repairing enterprises of COSCO Group all introduced office automation system, invested for development or introduction of information system based on business nature of the enterprise, elevated the working efficiency and realized information sharing. All shipping companies invested for construction of ship- and shore-based electronic information communications platform, including engine information system, shipping management system and ship-shore Chinese-language email system. COSCO Logistics and COSCON established customer service information system. COSCO Shipyard

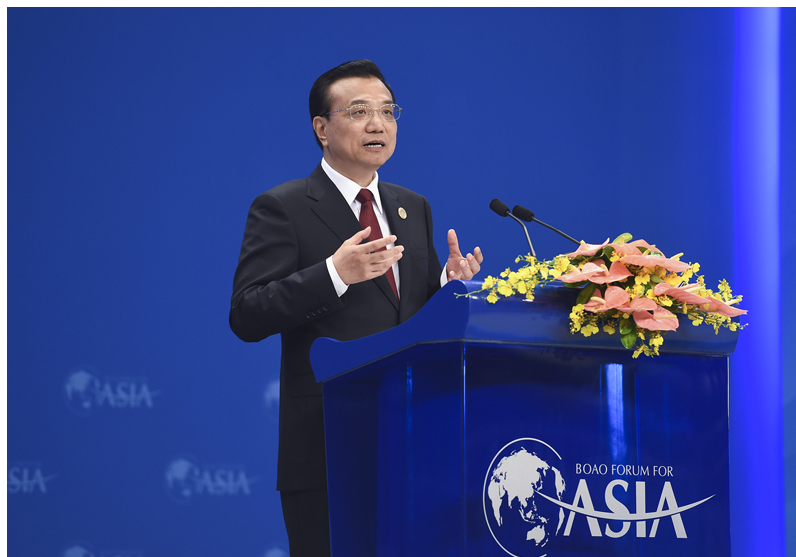
established ACD production and management platform, introduced internationally advanced design software such as Inteliship, Tribon and Napa, implemented ERP system, and carried out shipbuilding virtualization R&D work.

In 2014, the Stage I of PC audit pilot project was completed and started trial operation, realizing the combination of manual and computer-based diagnosis, the combination of remote and on-site audits, the combination of quantitative and qualitative analysis, and the combination of static and dynamic management, further elevating the daily audit supervision & management quality and efficiency.

(3) Support Boao Forum for Asia

The Boao Forum for Asia the first forum organization similar to Davos world economic forum initiated in February 2001 under the advocate of Australia former prime minister, Japanese former prime minister and Philippines former president. The forum provides a high-level dialogue platform for governments, enterprises, experts and scholars of countries and regions in Asia, and serves for increasing economic cooperation between members and members and non-members. By the end of 2014, the forum has been held for 12 times successfully.

The Boao Forum for Asia 2014 was held in Boao on April 8 to April 11. State Council Premier Li Keqiang attended the opening ceremony and delivered a keynote speech. A total of 3,000 persons including leaders of countries and regions in five continents, responsible persons of international organizations, persons from political, industrial and commercial circles as well as experts and scholars attended the event. Me Zehua, Chairman of COSCO Group, and Sun Yueying, chief accountant of the group, attended the opening ceremony and the activities held during the forum.



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, providing supports and guarantees for the forum.

(4) Organize the World Shipping (China) Summit

On Nov. 5 to Nov. 7, 2014, the World Shipping (China) Summit 2014 jointly organized by COSCO Group, Drewry, Maritime China magazine and JOC was held in Chongqing. More than 700 industrial elites, experts and scholars from international organizations, shipping, shipbuilding, port, trade and financial sectors had

in-depth discussions on hot topics of the industry under the theme of “creating new normal for win-win cooperation”. The summit was held under the background that shipping market was in depression continuously, growth of demands slowed down greatly, and sustainable development of shipping and port industry faced obstacles. COSCO Group Chairman Ma Zehua and President Li Yunpeng attended the event and delivered keynote speeches.



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.

(IV) Procurement Behaviors

1. 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.

Procurement, Supplier and Supply Chain Management

COSCO Group and its subsidiaries established and improved procurement and supplier management system, including clearly-layered organizational system, mechanism and evaluation system. The system enables the group to gain supplying resources in a safe, economical and timely manner, and satisfies the procurement and supplier management demands under modern supply chain environment. In 2014, COSCO Group continued to promote supplier and procurement management elevation work among its subsidiaries in accordance with the targets and requirements of SASAC to establish “centralized, high-efficient and transparent” procurement

management system. It made constant efforts to improve the supplier management & organization system and control system, promote concentrated, electronic and green procurement, strictly enhanced the procurement supervision mechanism and achieved satisfactory results.

In 2014, COSCO Group received two awards of HP Global Supplying Chain Summit, including Chongqing Partner in Excellence Award and Innovative Logistics Supplier of the Year. The two awards aim to award COSCO Group for its outstanding contribution to electronic product export business of HP Chongqing and HP's Piraeus Port Project.



“重庆战略伙伴杰出贡献奖” “年度物流供应商创新大奖”

At the 2013 Shanghai GM Suppliers Conference held in January 2013, COSCON distinguished itself among more than 200 suppliers and received Shanghai GM 2013 Excellent Supplier Award for its excellent service and outstanding contribution to Shanghai GM in terms of logistics service.

On June 26, COSCO Shipyard (Qidong) was included in the list of contractor candidates of Shell, which is famous for its strictest management evaluation process, and had the qualifications to offer platform building, module creation, installation and debugging services for Shell, becoming the only Chinese shipyard that passes the certification. Later, COSCO Shipyard Dalian also passed HSSE certification of Total, world's largest petrochemical company, and became a qualified supplier of Total.

3. Responsible Investment and Creation of Employment Opportunities

COSCO Group tries to create employment opportunities through responsible investment. For details of the employment opportunities created by the group, please refer to Part C Management Approaches and Performance Indicators, Part IV Labor Performance Indicators and Keynote Speeches, Employee Structure.



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

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. 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.

In 2014, 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 in a steady manner to ensure completion of energy-conservation and emission reduction targets for 12th Five-year Plan period.

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.

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 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.

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.

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.

II. Performance Indicators

(I) Materials

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. Sustainable 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.

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. Its subsidiaries set quota for the consumption of spare parts and materials for each vessel, and conducted assessment on a regular basis. The results of the assessments are directly related to the company's performance, so that raw materials can be conserved. Meanwhile, the group required vessels to enhance the service life of vessel auxiliary materials and binding backers, reduce the use of timber and improve replacement rate. COSCO 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 2014.

COSCO Group and its subsidiaries insisted on office automation and used digital management platform in document and material processing, so as to realize paperless office and reduce the paper consumption as much as possible. It has focused on resource recycling and comprehensive utilization, and appealed all its subsidiaries to enhance their efforts in energy conservation and waste recycling, and 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.

Raw Material Consumption of COSCO Group in Recent Years

Indicator/Year	2010	2011	2012	2013	2014
Steel structure engineering volume in ship repairing (ton)	161,858	93,283	74,673	25,917	25,917
Steel consumption in shipbuilding business (ton)	311,200	308,000	270,200	316,200	361,160
Steel utilization rate in shipbuilding business	92.18%	90.06%	92%	92.22%	92.30%
Steel consumption of COSCO Shipyard in shipbuilding business (ton)	181,649	551,887	205,600	162,553	205,573
Total raw material consumption (ton)	654,707	915,370	551,887	504,670	551,887



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.

(II) Energy

As an enterprise with fuel as the main energy, COSCO Group has made great efforts on fuel conservation work in recent years and has achieved significant results to protect the environment, save the energy and reduce the emission. Its per unit energy consumption has reduced continuously. In 2014, it consumed over 4.46 million tons of fuels and 33,118 tons of lubricant oils.

Total Energy Consumption of COSCO Group in Recent Years

Indicator/Year	2010	2011	2012	2013	2014
Total energy consumption (10,000 tons of standard coals)	688.62	753.75	779.3	707.3	637.1

(1) Direct Energy Consumption (unit consumption)

Direct Energy Consumption of COSCO Group in Recent Years

Indicator/Year	2010	2011	2012	2013	2014
Unit fuel consumption (kg/kt·sea mile)	4.12	4.07	3.96	3.84	3.54
Total fuel consumption of ships (ton)	460	513.6	531.1	482.5	446.0
Total gasoline consumption of vehicles (ton)	2,505	2,567	3,163	2,950	4,197
Total diesel consumption of motor diesel (ton)	8,496	8,980	16,845	16,747	29,997

(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.

COSCO Shipping actively energy consumption measures and achieved satisfactory results. Firstly, Seal Project opens the shipping lane to the North Pole, about 46% shorter compared with regular shipping lines. If calculated by the annual operating days of Yongsheng and Dacuiyun liners are 200 days, this can reduce the energy consumption by 11661.17 tons of standard coal each year. Secondly, it completed the slide valve sprayer project, saving the annual energy consumption by 5289.66 tons of standard coal. These projects received RMB5 million of special capitals from the Ministry of Transport.

A. Energy Conservation Management

COSCO Group applied lean management measures to carry out energy conservation activities. Its subsidiaries insisted on management of ship fuel consumption process, timely calculated the ship fuel consumption, and



guided ships to reduce fuel consumption. It clearly assigned the responsible person for fuel consumption work, and listed fuel consumption into performance evaluation indicators. It also formulated complete management measures and developed ship fuel consumption information management platform. It analyzed the fuel consumption in ship operation process through information system, tracked and compared the fuel and lubricant oil consumption volumes of various ships, formulated quota for ship fuel consumption in a scientific and reasonable manner, and effectively controlled the fuel consumption of ships. In 2014, annual fuel consumption of ships of COSCO Group totaled 4.46 million tons, and the unit fuel consumption was 3.54kg/kt-seamile, down 7.81% year-on-year. The lubricant oil consumption was 33,118 tons, a reduction of 5,934 tons compared with 2013.

Fuel Consumption per 1000 Ton·Sea Mile by Ship Types

Indicator/Year	2010	2011	2012	2013	2014
Container ship Kg/1000ton·sea mile	7.3	7.29	6.70	6.04	5.07
Bulk ship Kg/1000ton·sea mile	2.47	2.48	2.39	2.29	2.27
Oil carrier Kg/1000ton·sea mile	2.07	2.15	1.96	1.78	1.72
General cargo ship Kg/1000ton·sea mile	5.63	5.61	5.60	5.17	4.89

COSCON awarded the first “green certificate” for energy management of Chinese shipping industry. COSCON has built energy management system actively, passed the review and certification of energy management system jointly organized by DNV and CCS, and gained the first “green certificate” for energy management of China. This marks that COSCON has reached a new height for low-carbon emission of shipping industry, and became a global leader in green shipping industry.

B. 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.

Contract energy management is the new energy conservation idea based on market situations to pay all costs of energy conservation projects with reduced energy costs. COSCO Shipping took the electric control oil injection cylinder as the pilot project, Wuhan Sailinde Ship Technology Co., Ltd as cooperation unit and launched contract energy management service solutions. According to the contract, payment will be made in three years. Sailinde promised to reduce the oil consumption by no less than 30% after refitting of electric oil injection system within the three years of payment period. Otherwise, it will only charge for the actual reduction of oil consumption fee. After installation of electric control oil injection cylinder at Jinguangling and Jinyuanling, Sailinde offered systematic training on use and maintenance of the system. Since installation of the equipment, the operation situations were good, and the two ships had reduced the cylinder oil by 2,000 per year.

Total Lubricant Oil Consumption of COSCO Group in Recent Years

Indicator/Year	2010	2011	2012	2013	2014
Total consumption of lubricant oils (ton)	49,571.46	47,425.47	44,482.38	39,052.38	33,118

C. 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 2014, it continued to eliminate 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.

In 2014, COSCO Group continued to adopt the measures to lower the navigation speed while ensuring the safety and achieved favorable results. By lowering the navigation speed, optimizing the shipping lines and carrying out rectification on energy conservation technologies, container fleet of COSCO Group achieved significant energy conservation and emission reduction results. In January to December, the average carrying capacity of the fleet was increased by 7.65% year-on-year compared with same period of previous year. The total fuel consumption had reduced by 7.16% year-on-year to 2.4389 million tons. The oil consumption of single-container carrying capacity had dropped by 13.76% year-on-year. If calculated by the decrease rate of oil consumption of single-container carrying capacity as par the increased carrying capacity, the oil consumption of the company had reduced 3.891 million compared with same period of the previous year. Bulk fleet of COSCO Group actively promoted the low-speed navigation of ships. It determined different running speed and oil consumption based on voyages and engine types of ships through carefully research and comparable analysis. In January to December 2012, it saved fuel consumption by 1.328 million tons accumulatively through low-speed navigation and energy-conservation technical reform. Oil tanker fleet of COSCO Group saved 88,700 tons of fuel in the whole year, and general cargo fleet of COSCO Group saved 53,200 tons of fuels.

In 2014, COSCO Group saved 665,200 tons of fuel through low-speed navigation, optimization of shipping lines and reform of energy conservation technologies, reduced carbon dioxide emissions by 2.0688 million tons, the sulfur dioxide emission by 33,900 tons and nitrogen dioxide by 57,900 tons.

B. 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.

China COSCO Bulk carried out Penglong Liner 860 “Wind Wing Ship” Project. Based on ship survey report of Research Project of Large Ocean Ship – Wind Wing Diesel Engine Hybrid Power Low-carbon Control Technology, a national 863 program, Penglong Liner installed wings at COSCO Nantong Shipyard on Dec. 17, 2014. On Dec. 28, the installation was completed and debugging was made. According to the plans, the project will be concluded at the end of 2014 or early 2015.



With the installation of solar energy PV system at Tengfei Liner of COSCO Group and the completion of debugging of offline power generation system on March 22, it successfully transformed solar energy into electricity power, and lightened LED lights of 12 decks of the ship with converter. This marks that the project of “application of solar energy on large-sized ro-ro ship achieved staggered results, marks the settlement of first solar energy-powered ship at COSCO Group, and marks the primary construction of world’s largest solar energy offline PV system of ship at COSCO Group. According to predictions, PV solar energy cell can reach the full load within five hours, which can offer ceaseless lighting of cabins for 24 hours. This equals to the electricity power generated by 0.38 tons of diesel. The practical operation proves that the system can generate 36kwh of electricity and saves the energy by 1614.9 kg of standard coal each year.



The third generation of offshore wind power installation ship “Donganji No.2” of Nantong COSCO Shipyard affiliated to COSCO Shipyard delivered successfully. The ship is the most advanced and highly automated special ocean engineering ship that integrates functions of large-sized windmill component transportation, crane and installation. COSCO Shipyard enjoys the independent intellectual property right for production design and detailed design of the ship, filling the blankness of domestic market.





(4) Measures and Achievements to Reduce Indirect Energy Consumption

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 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.

Table of Total Electricity Consumption

Indicator/Year	2010	2011	2012	2013	2014
Total electricity consumption (kwh)	515,012,175	491,218,323	519,829,499	561,447,645	471,643,945
Electricity consumption at offices (kwh)	32,169,786	27,543,604	30,077,251	32,654,881	28,899,704

(III) 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 Year

Indicator/Year	2010	2011	2012	2013	2014
Total water consumption (m ³)	5,914,554	6,412,906	5,553,337	5,576,485	4,423,463
Sea water desalination volume (m ³)	612,569	627,642	680,384	717,879	577,459
Underground water consumption (m ³)	48,925	34,115	36,650	34,800	25,000
Consumption of water from water supply system (m ³)	2,537,016	4,975,407	5,039,529	4,159,776	3,821,004

(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.

(IV) Bio-diversity

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

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

■ Ballast water treatment

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

Blue Ocean Shield (BOS) is a modularized ballast water treatment system jointly developed by COSCO Shipbuilding Industries and Tsinghua University. It also features the filtration and ultraviolet sterilization functions, and is the first ballast water management system in China installed and used in operating ships. It was mainly operated by COSCO Shipyard Technology affiliated to COSCO Shipbuilding Industries and passed the review of NK and received the certificate. BOS awarded the second-class scientific and technological progress award of China Shipping Society and is the ocean ship ballast water treatment technology approved by IMO and regulatory departments of China.



(V) Exhaust Gas Emission

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 2014, 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.

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 2014, 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. COSCON has tracked the market constantly, hoping to find a substitute solution to save the costs. For instance, EGC scrubber is one of the solutions it has been tracking.

Table for Total Emissions

Indicator/year	2010	2011	2012	2013	2014
Carbon dioxide (CO ₂) (ton)	14,295,360	15,973,336	16,518,721	15,004,826	13,869,900
Nitric oxide (ton)	399,902	446,842	462,099	419,749	388,000
Sulfur oxide (ton)	275,794	308,167	270,885	246,059	227,448

Emissions per Unit Turnover Volume

Indicator/year	2010	2011	2012	2013	2014
Carbon dioxide (CO ₂) (kilogram/thousand ton per sea mile)	12.82	12.64	12.33	11.94	11.02
Nitric oxide (NO _x) (kilogram/thousand ton per sea mile)	0.36	0.35	0.34	0.33	0.31
Sulfur oxide (Sox) (kilogram/thousand ton per sea mile)	0.25	0.24	0.20	0.20	0.18

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

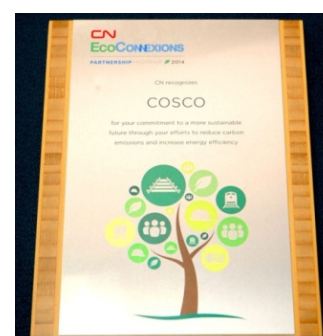
In 2014, COSCO Group actively reduced the fuel consumption, optimized the sea route design and strengthened the technical reconstruction of high-power devices to reduce greenhouse gas emission, and effectively controlled the growth rate of greenhouse gas emission of ships.

2. COSCON Awarded Green Channel Partner Award by Seattle Port

The Green Channel Partner Award of Seattle Port aims to appraise the liners and container ships calling at the port for their achievements in comprehensive environmental protection. Naming of the award is regarded as the praise to green offshore channel that connects Asia and central belt in America. The minimum requirement of Channel Partner Award is that shipping companies shall attend the clean fuel plans of ports or use electricity of the shore. COSCON received high scores for adopting strict low-sulfur fuel standards in terms of air and energy.

3. COSCON Received Environmental Protection Award from VIA Rail Canada

On Nov. 25, 2014, COSCO received the CN EcoConnection Award from the VIA Rail Canada. The award aims to reward the efforts made by COSCO Group in environmental protection and sustainability work. In the letter, Ruest, COO of VIA Rail Canada, expressed praises and recognition to COSCO Group for its efforts to reduce carbon emission and elevate energy utilization efficiency, and said that “our ultimate target is to enable enterprises to learn from each other and make efforts for a sustainable future together”.





4. COSCO Canada Awarded the Blue Ring Award, the Highest Award for Environmental Protection

COSCO Canada recently received the Blue Ring Award, the highest award for environmental protection granted by Vancouver Port. The award is granted by the port for shipping companies who made outstanding achievements in environmental protection work of ships. The award proves the outstanding contributions made by COSCO Canada to local community in environmental protection of shipping industry, including use of low-sulfur oil, participation in EcoAction environmental protection action plan, and adoption of a series of environmental protection technologies and management measures.



(VI) Sewage and Waste

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 2014, 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	2010	2011	2012	2013	2014
Oil residues discharged to the sea (ton)	0	0	0	0	0
Ship pollution discharge and shore-returning volume (ton)	42,325	100,966	110,825	22,131	104,462

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 2014, 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	2010	2011	2012	2013	2014
Solid waste (including tarpaulin, plastics) (ton)	10,775	11,178.9	10,368.4	8,331	7,443.8
Disposal volume of industrial waste of ships (including garbage, sump oil, oil residue) (ton)	280,052	280,055	280,382	300,397	281,592
Total volume of waste recycled (ton)	51,309	51,719	51,046.38	72,670.3	66,836.7
Total volume of waste incinerated (ton)	5,978	4,870	4,674.37	8,916.03	7,527.1

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". The Safety Supervision Department of COSCO Group inspected on the notice and measures on noise pollution prevention and control of cabins on annual basis, and all ships of the group have complied with the regulations of the laws.

(VII) 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.

■ Research on use of green and environment-friendly ships

In order to keep the fleet scale and total carrying capacity of China COSCO Bulk, and effectively improve the fleet structure, China COSCO Bulk focused on development trends of low-carbon energy-conservation industry and demands of cargo-owners, seized the market opportunities, made full use of the supporting industrial policies of the nation on shipping industry, and ordered a batch of new environment-friendly and energy-conservative ships. Delivery of new ships will greatly optimize the fleet structure and reduce the fuel



consumption. So far, agreements for building of 38 ships had been signed, including eight 640,000-ton bulk carriers of Huangpu Shipyard, four 180K and 40K ships of Xingang Plant respectively, two 78K bulk carriers of Jiangnan Plant, 14 38K, 64K and 82K bulk carriers of Chengxi Plant, two 38.5K bulk carriers of Shanhaiguan, four 206K bulk carriers of North Sea Shipyard. It is predicted that eight new ships will put into operation in 2015.

■ Ship Retirement

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

In 2014, COSCO Group continued to implement related requirements of the Ministry of Communications to put the ships reaching the retirement age out of commission. In the meantime, ships not reaching the retirement age, but were in a poor state and were considered as not suitable to ocean shipping were also put out of commission. The retired ships of COSCO Group were sold in two ways, i.e. operational ships and waste steel ships, which were sold to shipping companies with operational qualifications and to qualified ship scrapping companies respectively, so as to avoid the environmental influences. For ships sold to qualified ship scrapping companies, COSCO Group required the scrapping companies to made commitment on the contract in terms of qualifications, establishment and operation of environment management systems and main purposes after scrapping, ensuring the scrapping of ships the premise of environmental protection and thus reducing the impacts to the environment to minimum extents. In January to December 2014, it eliminated a total of 72 old ships, with the total carrying capacity of 3.521 million tons.

Table of Retired Ships of COSCO Group in Recent Years

Indicator/year	2010	2011	2012	2013	2014
Number of retired ships	24	20	24	56	72
Tonnage of retired vessels (ton)	280,934	294,235	884,285	2,194,700	3,521,000

■ Implementing environmental policies and enhancing proactive management

In the initial shipbuilding stage, COSCON has taken the energy conservation and emission reduction as an important factor. It took following measures to ensure that the newly-built ships can satisfy the most advanced energy-efficiency standards: In ship design stage, it applied CFD analysis and ship model experiment to optimize ship line, and reduce the propulsion power needed. It also adopted many energy-conservation devices to further elevate the propulsion efficiency and lower the power needed. S or G-typed energy-conservation engines are also adopted to take various technologies such as PLT, LLT, EGB, HPT and new oil injection cylinder to lower the unit oil consumption of engine during operation.

(VIII) Law Compliance

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 2014, no incident or punishment ever occurred relating to environmental protection.

(IX) 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 videoconferences as many as possible to reduce exhaust gas emissions and energy consumption of traffic tools.

Indicator/year	2010	2011	2012	2013	2014
Travelling expense saved by holding videoconferences (RMB10,000)	2,677.18	419.04	3,683.41	3,760.26	2,581.80

■Transportation of Dangerous Goods

COSCO Group implements a three-level management model, namely macro-level, operational level, and onsite level, for the transportation of dangerous chemicals and other goods. It acts in strict accordance to the International Maritime Dangerous Goods Code (IMDG). 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. Road transportation of dangerous goods: (1) In response to the special characteristics of chemical logistics sector, COSCO Chemical has formed a professional management system, and ensured risk control in logistical process of chemical products through well-trained professional talent team, qualified facilities and equipment, reasonable process control (laws and regulations, environment and product) and complete emergency response proposals. (2) In terms of emergency response management, it joined hands with Fengxian District, Shanghai to carry out emergency response rehearsal on regular basis as well as fire-fighting rehearsal, packaging bucket leakage filling rehearsal and liquid ER rehearsal. It also formed interlinkage with firefighting resources of the society and achieved good results. (3) Special attention was paid to dynamic supervision and control of large transportation vehicles. Each transport vehicle is equipped with two GPS systems, enabling the company to monitor the status of vehicles in a real-time and dynamic manner, and ensured the running of vehicles in accordance with the rules and planned routes. In the future, it will cooperate with professional companies to enhance the real time and dynamic supervision of behaviors of pilots in accordance with video monitoring dynamic system.

In 2014, the group has no accidents in transportation of dangerous goods.

(X) Overview

While creating the atmosphere of safety production and environmental protection, establishing the environment-friendly development concept, 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 2014, 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	2010	2011	2012	2013	2014
Total expense for environmental protection (RMB10,000)	12,562.86	10,596	6,760.44	12,892.49	14,422.53
Total investment for environmental protection (RMB10,000)	3,936.42	5,105.76	4,968.80	10,387.7	16,587.99

Statistics of Main Expenses for Environmental Protection

Indicator/Year	2010	2011	2012	2013	2014
Expense for waste disposal (RMB10,000)	1,568.86	615.54	942.05	908.98	1,143.58
Expense for environmental liability insurance (RMB10,000)	10,203.91	8,350.10	9,321.67	7,443.14	5,319.39
Expense for external environmental management service (RMB10,000)	101	63.75	72.95	130.72	297.01
Expense for personnel engaged in comprehensive environmental management activities (RMB10,000)	300.1	225.14	210.2	376.32	400.82
Waste disposal, emission disposal and remedy costs (RMB10,000)	651.22	329.78	324.26	533.472	713.66

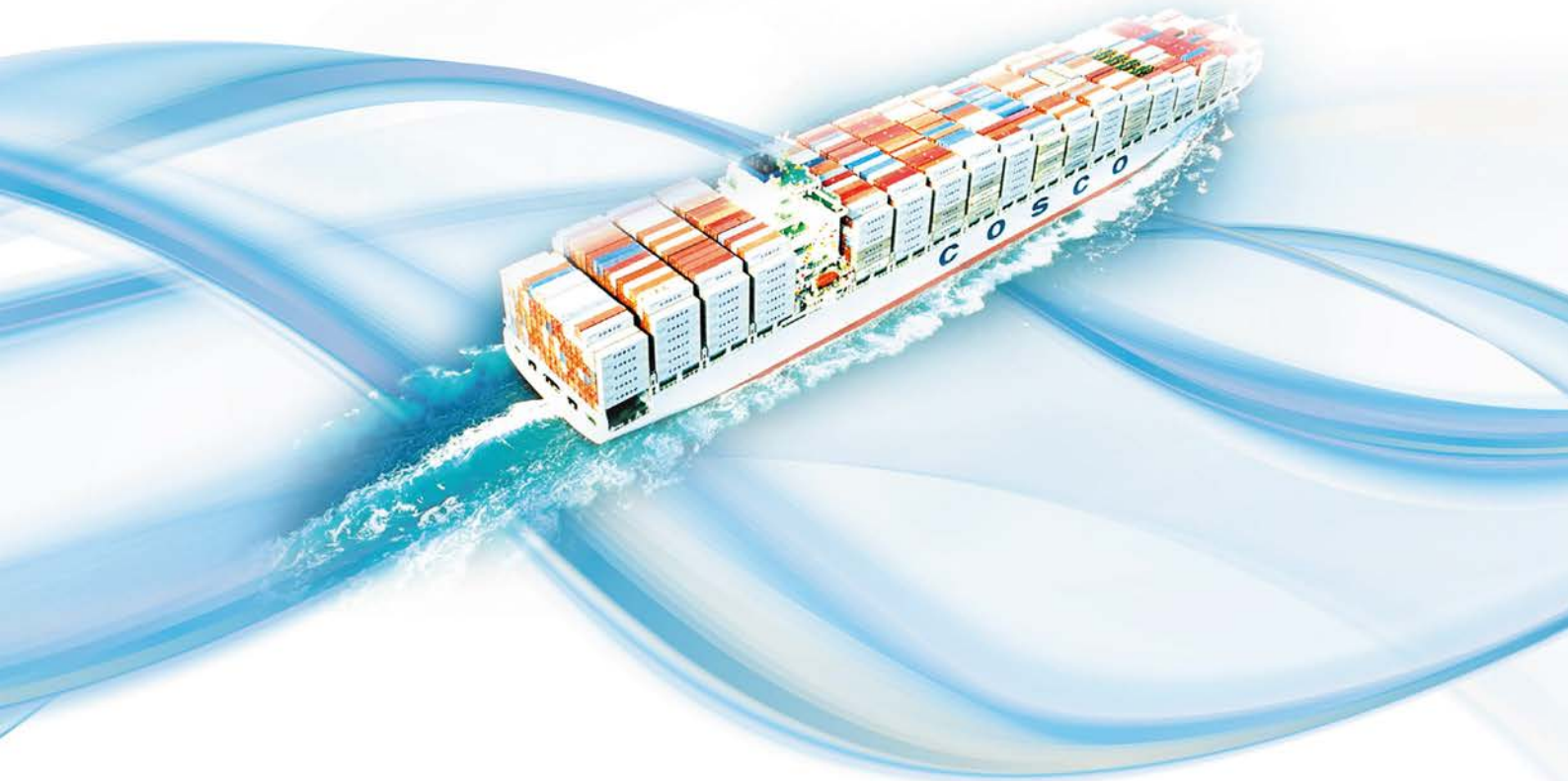
(XI) Environmental Issue Appealing Mechanism

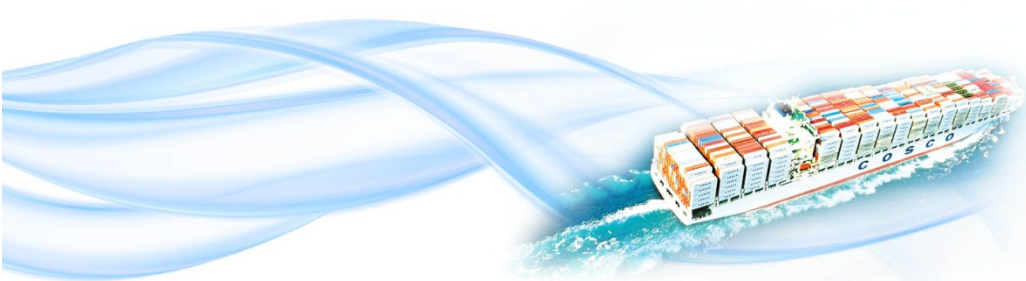
In 2014, COSCO Group faced no appeals on environmental issues from external units.



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

COSCO Group and its affiliated shipping, logistics and terminal companies voluntarily shoulder their due responsibilities in product life cycle and whole service providing process. They established and implemented the sustainability management system and comprehensive risk management system, and applied system-wide and uniform procedures for document control, training management and internal control to fulfill the requirements regarding to shipping, logistics and related products and services. Offices for sustainability committees or regulatory departments were set up to be responsible for effective operation and control of quality, environment, occupational health and social responsibility management systems

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. The company exerts great efforts build honesty culture and promotes its products and services in honest and faithful manner by following the marketing rules of the group. It pays special attention to credit management, makes constant efforts to establish and improve the credit management system, and control and reduce the risks of accounts receivables. In order to adapt to the management requirements under new situations, the company establishes coordinative, mutual-beneficiary, long-term and stable cooperation relationships with the suppliers to promote the implementation of procurement and supplier management system in the system and ensure the stability and high-efficient operation of supplying chain system.

The company supervised and checked the product and service liability relating activities through annual internal audit, second-party supervision and audit, third party certification and audit, as well as daily and annual evaluation. Related companies have established and implemented the management systems in accordance with the Quality Management Standards (ISO9000) and international/domestic safety management regulations (ISM CODE/NSM CODE) (Please refer to "B Certifications of Management Systems of Related Companies").

II. Performance Indicators

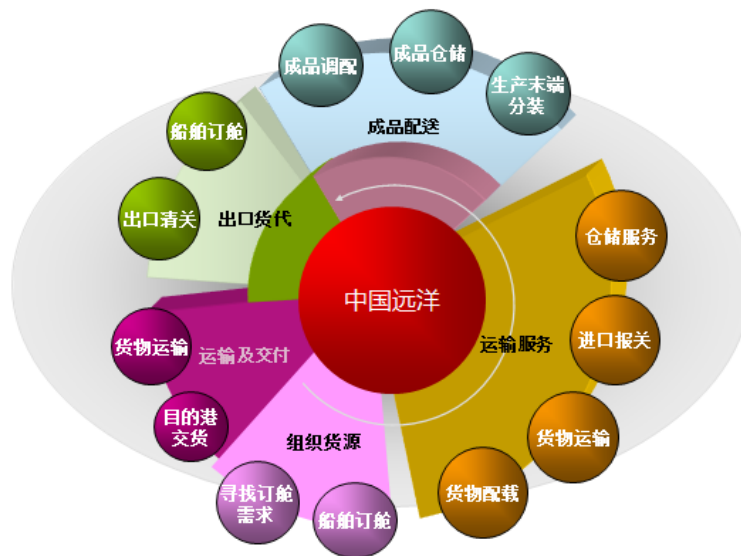
COSCO Group, as a transnational corporate group with shipping, logistics and terminal, and shipbuilding as the main business, offers container shipping, bulk and dry shipping, oil tanker shipping, logistics, terminal, container leasing, cargo agency and ship agency services for entire value chain of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

“分销一体化物流”流程图



图：

分销一体化流程图 Chart of distribution integration processes

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

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

“全程物流一体化”流程图

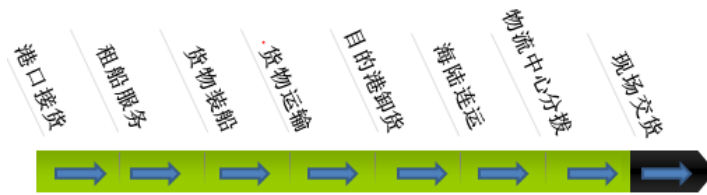


图:

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

港口接货 Cargo receiving at port

租船服务 Ship leasing service

货物装船 Cargo loading

货物运输 Cargo shipping

目的港卸货 Unloading at destination port

海陆联运 Sea-land transportation

物流中心分拨 Distribution at logistics center

现场交货 On-site cargo delivery

Chart for Container Transportation Processes

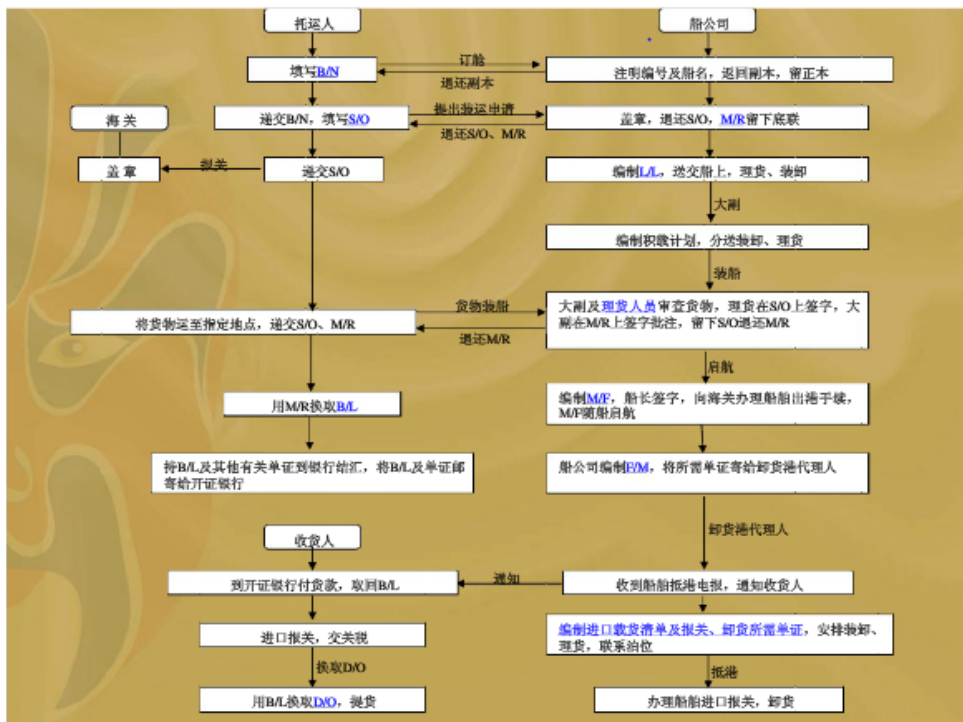
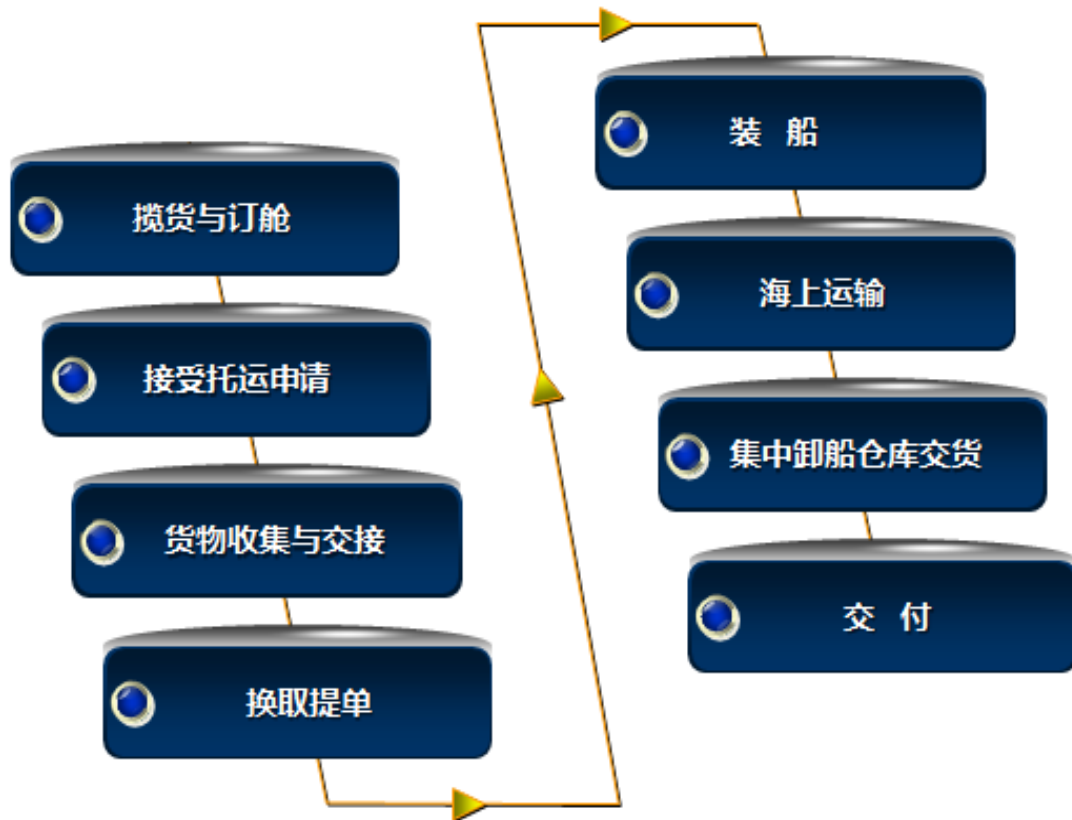




Chart for Bulk and General Cargo Transportation Processes



图：

揽货与订舱 Cargo canvassing and cabin booking

接受托运申请 Accepting transportation order

货物收集与交接 Cargo collection and takeover

提取提单 Forming bill of landing

装船 Loading

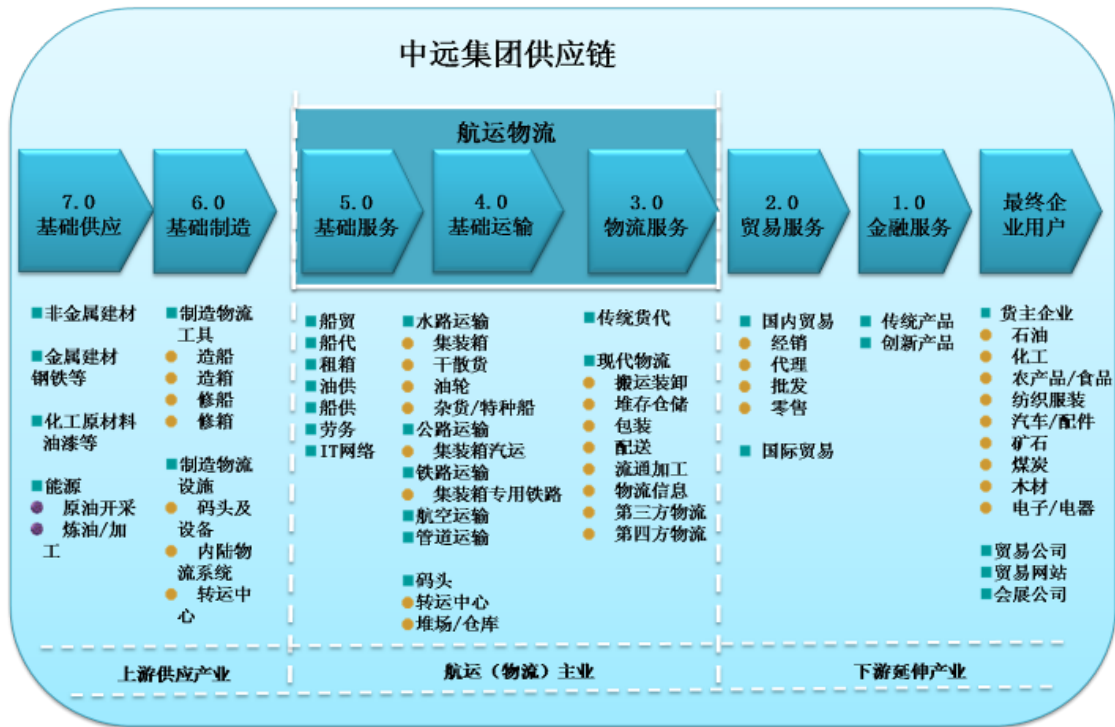
海上运输 Ocean shipping

集中卸船仓库交货 Concentrated unload and delivery to warehouse

交付 Delivery

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.

中远集团供应链



图：

中远集团供应链 COSCO Group's supply chain

航运物流 Shipping & logistics

基础供应 Basic supply

基础制造 Basic manufacturing

基础服务 Basic service

基础运输 Basic transportation

物流服务 Logistics service

贸易服务 Trade service

金融服务 Financial service

最终企业用户 Corporate users

非金属建材 Non-metal materials

金属建材钢铁等 Metal materials such as iron & steel

化工原材料油漆等 Chemical materials such as paint

能源 Energy

原油开采 Crude oil exploitation

炼油/加工 Refinery/processing

制造业物流工具 Logistics tool of manufacturing industry

造船 Shipbuilding

造箱 Container manufacturing

修船 Ship-repairing

修箱 Container-repairing

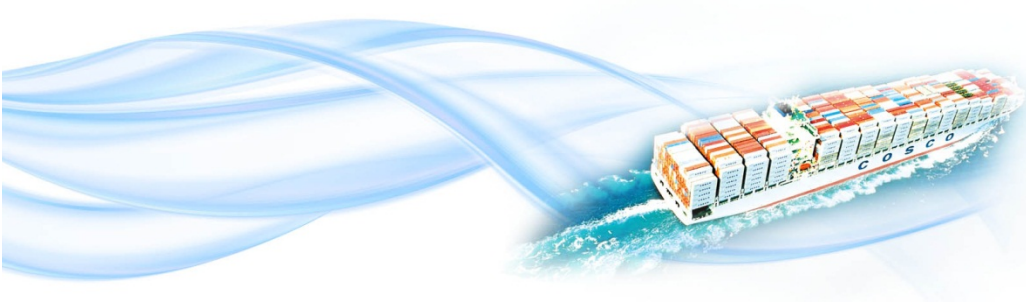
制造物流设施 Manufacturing and logistics facilities

码头及设备 Terminal and equipment

内陆物流系统 Inland logistics system



转运中心 Transshipment center
上游供应产业 Supplying industries in the upper stream
船贸 Ship trade
船代 Ship agent
租箱 Container leasing
油供 Oil supply
船供 Ship supply
劳务 Labor
IT 网络 IT network
水路运输 Water transport
集装箱 Container
干散货 Dry and bulk cargo
油轮 Oil tanker
杂货/特种船 General/special ships
公路运输 Highway transportation
集装箱汽运 Container truck transportation
铁路运输 Railway transportation
集装箱专用铁路 Special railway for containers
航空运输 Air transportation
管道运输 Pipeline transportation
码头 Terminal
转运中心 Transshipment center
堆场/仓库 Yard/warehouse
传统货代 Traditional cargo agent
现代物流 Modern logistics
搬运装卸 Transportation, loading/unloading
堆存仓储 Piling warehouse
包装 Packaging
配送 Delivery
流通加工 Circulation and processing
物流信息 Logistics information
第三方物流 Third party logistics
第四方物流 Fourth party logistics
航运（物流）主业 Shipping (logistics) business
国内贸易 Domestic trade
经销 Marketing
代理 Agent
批发 Wholesale
零售 Retail
国际贸易 International trade
传统产品 Traditional products
创新产品 Innovative products
货主企业 Cargo-owners
石油 Petroleum
化工 Chemical products



农产品/食品 Agricultural products/foods
纺织服装 Textiles and garments
汽车/配件 Autos/accessories
矿石 Ores
煤炭 Coal
木材 Timber
电子/电器 Electronics/Electric appliances
贸易公司 Trade companies
贸易网站 Trade websites
会展公司 Exhibition companies
下游延伸产业 Industries in lower reach

In 2014, COSCO Group and its subsidiaries systematically classified and identified all products and services involved in its sustainability report again, comprehensively evaluated the influences of products and services on health and safety in entire life cycle, took active actions based on the appraisal results, and completed the production and operation indicators successfully while ensuring safety, health and environmental protection.

(I) Health and Safety of Customers

COSCO Group has paid close attention to health and safety of consumers. In all sectors of products' life cycle, it fully evaluates and considers the matters related to customers' health and safety, enhances safety management in service process and ensures that product safety of COSCO Group is under control. 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 to meet the needs of customers. Before transporting the cargos, all shipping 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, fulfilling customers' logistics and transportation demands very efficiently and safely.

COSCO Group pays close attention to safety production work. In June 2014, it organized "safety production month" activity themed on "cargo transportation safety" and "caring seafarers" in the entire group. Under the uniform deployment of COSCO Group, COSCON, China COSCO Bulk, COSCO Pacific, COSCO Logistics, COSCO Shipyard, and COSCO Shipbuilding carried out various safety activities based on their own characteristics.

In 2014, COSCO Group and its subsidiaries carried out various emergency response rehearsals to enhance the protection over personal safety and customers' property under emergent situations. In July, COSCO Group, CHIMBUSCO and CHIMBUSCO Lianyungang jointly organized the emergency response rehearsal of ship oil leakage events. COSCON organized the ship-shore joint rehearsal of accidental events when transporting dangerous goods in 2014. On June 13 to June 17, China COSCO Bulk worked together with COSCO (H.K.) Shipping and its Hongyu Liner of, and COSCO Bulk and its New Liulinhai Liner to organize the ship-shore anti-pirate rehearsal. The emergency-response rehearsal inspects the emergency response ability and events when dealing with accidental events, and further elevates the safety risk prevention awareness of employees.



Oil tanker and oil cabin emergency-response rehearsal of COSCO Shipyard.



Ship-shore joint rehearsal on oil leakage of ships organized by COSCO Shipyard.

In 2014, COSCO Group received no complaints or fines with regard to influences of its products and services on health and safety.

(II) Product and Service Logo

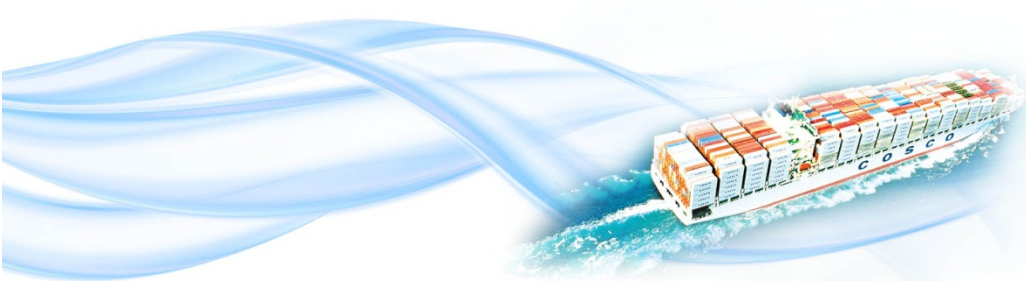
1. Fair Information Disclosure

COSCO Group has been dedicated to provide high-quality shipping and logistics services for global customers and strictly controlled the cargo transportation quality by carrying out lean management, and conducting supervision and control strictly. In order to ensure that its customers can access to information of selected products and services in a timely, accurately and effectively manner, 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.

During cargo canvassing in 2014, COSCON offered information such as liner schedules and loading volume faithfully via its website and e-commerce platform, and strictly prohibits its agencies or cooperation institutions to offer unfaithful information.

2. Fair contract-related practice

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 2014, the group strictly implemented the service contract, tried to elevate the contract performance quality and elevated the satisfaction of domestic and overseas customers.

3. Product and service innovation

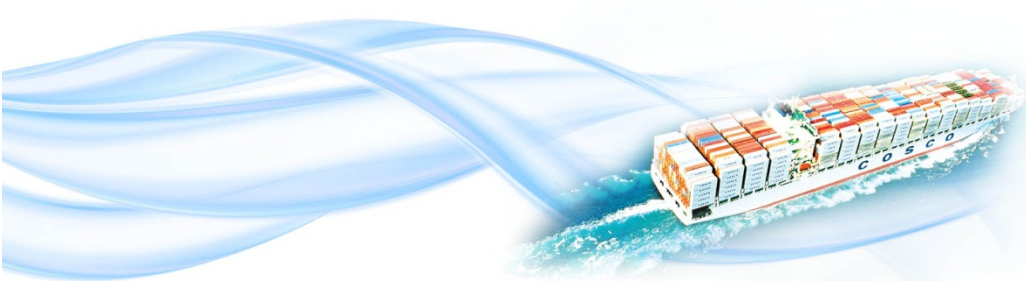
COSCO Group has been dedicated to all-directional innovation and improvement of products and services to satisfy the ever-changing demands of customers. By conducting cautious market survey, it brought into fully play the advantages of core technical talents, offered safe and reliable organization and system guarantees, strictly controlled the development and improvement process of products and services, and ensured efficiency and quality. In 2014, 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.



In 2014, COSCON launched “Pan-Asia Shipping e-Commerce Platform” based on Pan-Asia shipping trade, marking another breakthrough in development of e-commerce business. The platform adopts O2O online operation mode to realize the service mode under which cabin-booking, payment, inquiry, subscription and tracking are completed online, and offline operation is completed by service team of the group. The platform mainly aims to offer whole-processed online service for SMEs, and will help Pan-Asia Company to build up whole-processed value-added transportation service and to cover entire domestic trade market. In the meantime, the company launched “Pan-Asia e-Commerce” cargo insurance service to cooperate with the sales promotion activity of the company.



“Pan-Asia Shipping e-Commerce” business platform



In 2014, COSCO Group seized the opportunities of the nation to develop trans-boundary e-commerce. Its subsidiary Guangzhou Zhongong became one of the first batch of enterprises that gained the qualification for pilot project of trans-boundary e-commerce logistics service of Guangzhou. It has built up trans-boundary whole-processed e-commerce logistics service platform based on global network resources and supply chain management experience of COSCO Group, playing an important role in promoting the development of trans-boundary e-commerce industry.



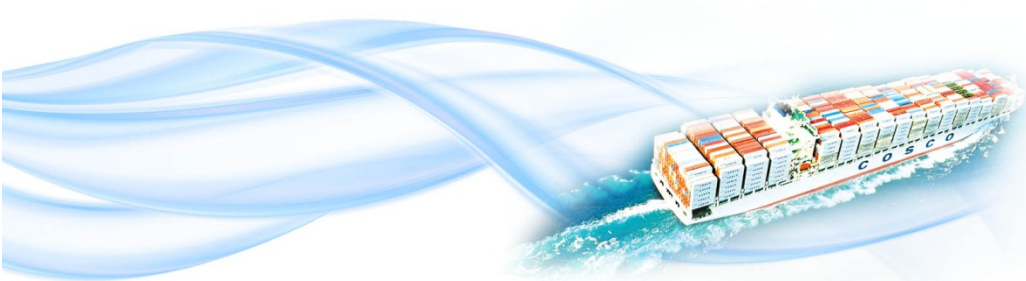
In April 2014, Ningbo Branch of LCL Business Unit of COSCO International Freight, in partnership with COSCO Logistics South Africa, successfully opened the direct LCL shipping line from Ningbo to Durban based on sufficient market survey and investigation, and gained preferential de-vanning charge and pre-clearance service at destination ports. The direct LCL shipping line features the advantages of third country transshipment, and offers great convenience for other companies of the group in terms of transshipment port service in Africa.

On July 31, COSCO Star ro-ro ship of COSCO Xiamen transported the first batch of parcels to Xiamen through ocean shipping. This marks that cross-strait express shipping service has entered trial operation stage and plays an active role in promoting development of Xiamen Free-trade Zone. The business expands the logistics channels and greatly lowers the costs and increases the transportation volume.



4. Product & Equipment R&D Inputs and Achievements

COSCO Group pays close attention to R&D and investment for products, technologies and equipment, and carries out R&D on ship technologies, auxiliary equipment and information system focusing on the main business. The group pays special attention to investment on green and environment-friendly products, and tries its best to protect the environment and health of consumers. By the end of 2014, COSCO Group gained nine national patents and 22 computing software copyrights. Of which, six software copyrights including international cargo management system, urban logistics comprehensive management platform, S-OEI, EDI, and COSCO Information Web App development demands management software were gained in 2014.

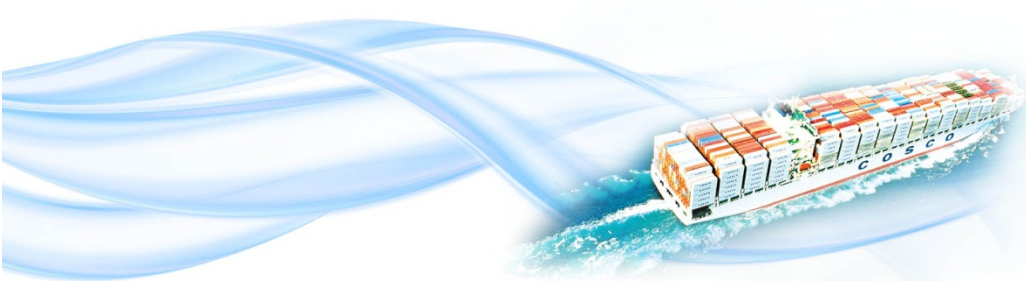


COSCO Group and Wuhan University of Technology jointly shouldered the responsibility for scientific research project of high-tech ships – Research on Application of Solar Energy in Large-sized Ro-ro Ships. After three years of research and development, the equipment was successfully installed on ships. On March 22, COSCO Tengfei Liner successfully installed China’s first and world’s largest solar energy PV system, generating important demonstration role and economic application value in promoting energy conservation and emission reduction of the industry.



COSCO Pacific Xiamen joined hands with Shanghai Zhenhua Heavy Industries to develop the National 863 Project – “Container Automation Terminal Equipment and Demonstration”. On Dec. 19, 2014, Stage I of Xiamen Yuanhai Automatic Terminal started trial production. The project, after stable operation, will become the world’s leading and China’s first automatic terminal. The terminal has the annual designed throughput of 700,000 TEUs, and its production capacity is 20% higher compared with traditional terminals. The project can satisfy the operation demands of 150,000-ton or 13500-TEU container ships.

In June 2014, the R&D project of elevating system of self-elevating drilling platform passed the acceptance check of the MIIT, marking that the group has become the first one in the industry that seizes the key technology of elevating system of self-elevating drilling platform. On July 17, Kaixuan No.1, the most advanced self-elevating drilling platform designed and built by COSCO Shipyard was delivered successfully. The “drilling and oil storage platform operation and connection methods” received the 16th China Patent Golden Award.



The scientific research project of “key technologies for transportation of large cargos” developed by COSCO Logistics passed the scientific and technological achievement appraisal of China Institute of Navigation on July 17, 2014. The project received 14 national patents and PC software copyrights of the nation. The system and methods for rolling and loading of large cargos on ships solve the key technologies for road and sea transportation of large cargos and received national invention patent.

5. Product quality management and high-quality service

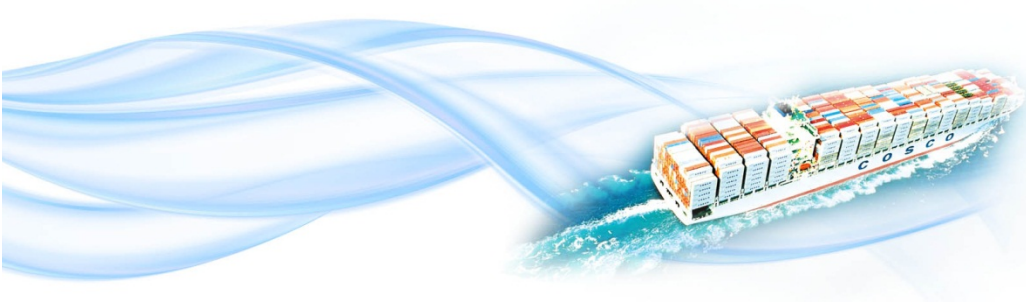
COSCO Group paid close attention to product and service quality to ensure that its services and products can satisfy the requirements of customers and laws and regulations in terms of applicability, reliability and safety. In accordance with requirements of 2011-2020 Outlines for Quality Development, 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 2014, Shanghai Pudong Terminal and Ningbo Yuandong Terminal affiliated to COSCON, COSCO Bulk, COSCO Qingdao and COSCO Pacific passed the acceptance check of Grade I of National Safety Production Standards, and obtained the certificates for safety production standards for traffic and transportation enterprises issued by the Ministry of Transport.

In 2014, COSCO Shipyard Dalian, COSCO Shipyard Guangdong and COSCO Shipyard Zhoushan affiliated to COSCO Shipyard were included in the first batch and second batch of “white list” of shipping industry released by the Ministry of Transport.

In 2014, Shanghai COSCO Kawasaki received the honorable of AAA Recommended Brand of Chinese Building Steel Structure Industry, marking further elevation of the leading position and brand image of Shanghai COSCO Kawasaki.

In October 2014, COSCO Logistics & Warehouse received the honorable title of 2014 China Advanced



Logistics Enterprise at the awarding ceremony jointly organized by eight national industrial associations, showing the overall competitiveness and quality of the company.



COSCO Logistics & Warehouse received the honorable title of 2014 China Advanced Logistics Enterprise.

6. 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.

7. Customer Satisfaction

COSCO Group has established effective CRM system. 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.

In 2014, COSCON carried out customer satisfaction survey. It hired a third party assessment institute to conduct a survey on satisfaction degree of hundreds of customers with different shipping volume based on national standards and international CSI evaluation model and methods. After appraisal, it was found that total customer satisfaction of COSCON was 84.25, which was stable year-on-year. The company also formulated specific measures to make improvement based on assessment results and the opinions and suggestions offered by the customers.



Customer satisfaction index of COSCON

Evaluation items	Survey results					Comprehensive scores (2014)	Comprehensive scores (2013)
	Very satisfied (%)	Satisfied (%)	Common (%)	Dissatisfied (%)	Very dissatisfied (%)		
Coverage of shipping line	25.16	63.38	10.76	0.13	0.13	82.76	82.66
Ship schedule frequency	23.40	60.70	14.52	10.01	0.13	77.88	82.35
On-time ratio of ships	24.53	56.82	17.02	1.25	0.25	80.85	82.33
Supplying of ship cabin	22.40	53.32	20.65	3.00	0.63	78.77	81.28
Delivery time of shipping route	22.40	56.32	18.27	2.13	0.38	79.74	81.11
Cabin-booking smooth degree and feedback speed	33.79	57.95	7.63	0.38	0.13	85.01	84.64
Voluntary warning on errors/omissions of information of bills by service personnel	33.42	53.19	12.39	0.88	0.13	83.78	83.59
Timeliness and accuracy of issuance of bill of lading	35.04	55.94	7.63	0.38	0.38	85.13	84.97
Effective solution during cabin-packing	21.40	47.81	23.90	4.88	1.50	76.63	79.48
Cargo arrival notice and cargo placement operation	26.28	57.45	13.14	1.50	0.63	81.67	81.85
Customs declaration and inspection declaration services	26.66	50.94	13.77	1.00	0.25	82.19	83.42
Timeliness and accuracy of transshipment information	18.65	49.56	22.03	5.63	1.75	75.93	78.43
Cabin guarantee rate of transshipment process	16.90	46.43	25.03	6.63	1.63	74.56	78.22
Timeliness of transshipment process	16.40	45.06	26.03	7.13	1.50	74.09	77.80
Emergency response of special circumstance during transshipment	19.52	46.93	23.28	5.63	7.51	72.70	79.46
Timeliness of transshipment service	18.52	46.81	22.28	5.63	1.25	76.03	79.13
Transshipment and delivery time of transshipment service	18.27	46.68	23.78	5.76	1.00	75.80	79.43
Coverage of transshipment service	19.90	50.94	18.77	5.51	0.25	77.77	80.16



Overall satisfaction of COSCON's extension service	19.77	61.33	14.52	0.75	0.25	80.62	81.61
Container dynamic tracing service	28.79	57.07	12.89	0.50	0.25	82.84	83.42
Free staking and use of containers	20.90	41.68	29.29	5.76	1.88	74.86	76.52
Empty container supplying ability	30.91	56.20	11.41	7.51	0.5	80.56	82.76
Reasonability for arrangement of container picking and returning sites	20.28	49.98	20.65	2.75	1.25	77.97	81.14
Credit period and credit amount	25.28	49.56	20.15	2.50	0.5	79.72	81.26
Overall freight level	16.02	45.68	32.92	3.25	1.38	74.45	74.62
Stability of overall freight rate policies	17.15	47.56	26.66	3.25	1.13	75.95	76.64
Timeliness for update of freight rate information	17.90	48.31	22.03	3.50	1.13	76.87	77.65

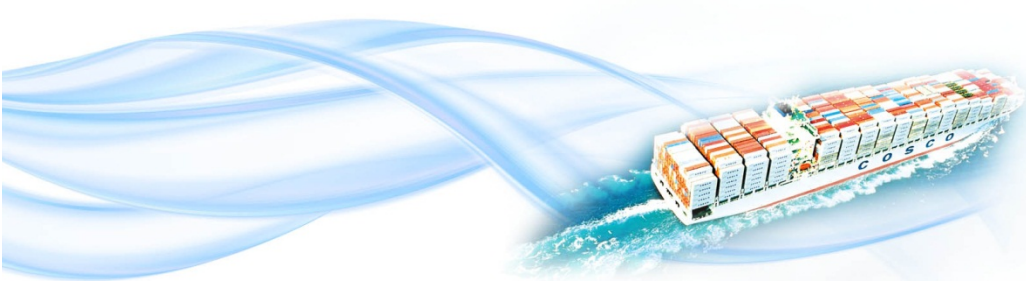
(III) Market Promotion

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. The group exerted great efforts to promote honesty marketing and operation, cultivated loyal customers in home and abroad, and tried to create more value for customers. It pays close attention to introduction of business knowledge for customers, tried to help customers to know their rights and responsibilities, and helped the customers to make more reasonable purchase decisions. All subsidiaries strictly implemented the information disclosure responsibility system, carefully reviewed the advertising materials and information released publicly, abided by anti-monopolization rules and regulations of different countries and protected rights and interests of customers and stakeholders.

In 2014, COSCO Group and its subsidiaries enhanced management of honest marketing, established and improved related rules and regulations, and implement the honesty rules in all sectors of marketing activities. China COSCO Bulk formulated and released the Marketing Channel Management Rules (Trial) to standardize the selection, use and review of marketing channels, and further elevate the management quality and level of marketing channels. COSCO Network Beijing and Deloitte have deepened the reform on marketing management, formulated the Project Management Processes, the Project Management Methods and All-staff Marketing Management Methods to further implement the marketing service mechanism for customers and elevate the customer service experience.

In 2014, front-tier units of COSCON at different ports communicated with customers actively in forms of interactive training and advertisement promotion to promote the use of Pan-Asia platform among domestic trade customers. COSFRE Qingdao held a COSCO EB e-Commerce Training Fair for customers of Japanese shipping lines, showing the usage of the system to 18 customers. COSFRE Xiamen promoted on application of online booking system via website and Wechat, increasing the transaction volume significantly.

On April 3, COSCO Shipping held the 4th Global Special Cargo Marketing Conference in Guangzhou to



introduce the excellent cargo shipping ability of COSCO Shipping and granted the 2013 Marketing Network Contribution Award and Foreign Labor Model Award to collectives and individuals who made outstanding contributions in the previous year. A total of 160 representatives from 100 partners of COSCO Shipping attended the event, setting a new historical record for number of customers attended.

On Dec. 19, COSCO Pacific held the promotional fair for customers in Xiamen, and invited world's top 20 shipping companies and 72 domestic trade ship-owners to attend the fair. At the event, COSCO Pacific introduced its terminal, container leasing and PCT businesses and expressed the sincere appreciation to all partners. Customers gave feedbacks on the products and expressed the willingness and confidence to further enhance the win-win cooperation.

(IV) Customer Privacy

COSCO Group established necessary mechanism and system to avoid infringement and disclosure of users' privacy. The group implemented ISO17799 information security management system and formulated information security management procedures. It also established COSCO Group Confidentiality Committee to be responsible for the confidentially work, and signed confidentiality agreement with employees. All subsidiaries signed confidentiality agreement with customers, promising to keep user information and contract articles as confidential, and properly manage the information of customers and all stakeholders. Besides employees, authorized agents of the customer, partners and subsidiaries, the group promises not to share the customer information with others and not to disclose or sell information of customers or potential customers.

(V) Law-compliance

COSCO Group insisted on legal operation and tried to protect legal rights and interests of customers and consumers. The company established legal advisor system and legal information system platform. All subsidiaries improved the settling of legal affairs management departments and system management departments, dynamically tracked the product and service-related laws and regulations, and strictly implemented the compulsive rules and regulations. Each year, the shareholder will hire external legal institution to evaluate the law-compliance of production and operation activities, and hire renowned auditing firms to conduct an audit on the company. The evaluation and auditing results are submitted to the board meeting for review, and improvements were made.

In 2014, COSCO Group received no fines due to violation of related laws and regulations in terms of product and service liability.



劳工实践绩效指标和主题报告

LABOR RELATION PERFORMANCE INDICATOR AND THEME REPORT





Part IV Labor Relation Performance and Keynote Report

I. Management Approaches

In a bid to ensure occupational health and safety of employees, and create harmonious labor relationships, COSCO Group starts from sustainable development strategies, establishes the entrepreneur team, professional technical talent team, operation & management talent team and seafarers' team suitable to requirements of its development strategies.

Based on related laws, rules and regulations home and abroad, COSCO Group stipulates on staff employment, management and use, as well as occupational healthy, labor safety, and welfare policies to provide solid policy basis and system guarantee for construction of harmonious COSCO. It establishes and improves the Articles of Associations of the Trade Union, sets up the Female Worker Committee, establishes CSIS and creates and implements the occupational health and safety management system.

It protects legal rights and interests of seafarers, establishes harmonious labor relationships and ensures "decent work and life" of seafarers. All shipping units of COSCO Group actively perform the responsibilities and obligations specified in the Maritime Labor Convention 2006 to ensure health and safety of employees, and ensure that the onboard working environment is favorable for occupational health and safety of seafarers.

It formulates training plans based on strategic development planning and annual targets of the enterprise, creates workers meeting, general manager's mail box, letter and visit system and democratic meeting to solicit opinions, and holds symposiums on regular basis to promote overall development of human resources.

COSCO Group pays close attention to career development of employees, and coordinates the occupational development demands of employees with development planning of enterprises. It promotes the mutual progress of employees and enterprise by establishing fair, just and transparent talent selection mechanism, offering diversified cultivation channels, encouraging employees to elevate its comprehensive ability and formatting and implementing employee career development planning.

COSCO Group supervises and guides occupational health and safety production of the company as well as establishment and implementation of related rules, regulations and systems through quarterly inspection on management system, internal audit and management assessment. It accepts supervision of the public and employees on performance of related rules and regulations through openness of company affairs and workers congress meeting systems.

COSCO Group insists on "putting people first and promoting development of the enterprise with talents", places employees at an important position for its development, actively undertakes the social responsibilities to the employees, and focuses on interests of employees. With emphasis of main body responsibilities for safety production as the main line, effective prevention of significant events and effective control of common accidents and small accidents as the target, shipping safety, anti-pirate and prevention of work-related injuries as the focus, it formulates and adopts effective prevention and protection measures to ensure health and safety of employees.

II. Performance Indicators

(I) 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	2011	2012	2013	2014
Total number of staff	72,897	74,909	74,312	75,675
Number of self-owned seafarers	21,237	22,092	21,777	21,062
Number of land-based staff in China	47,069	48,065	47,797	49,511
Number of staff working abroad	418	423	419	423
Number of foreign staff	4,173	4,329	4,319	4,679
Proportion of foreign staff	5.72%	5.78%	5.81%	6.18%

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 2014, four staff had resigned from the company and the employee turnover rate was 1.4%.

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, and establishes complementary medical care issuance and traffic accidental insurance for all its employees, to ensure legal rights and interests of 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

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 2014, number of cadres who attended the position competition reached one person, and public notice on appointment of 15 cadres was released.

6. Seafarer Management

Statistics for Number of Seafarers of COSCO Group

Indicator/Year	2010	2011	2012	2013	2014
Self-owned seafarers	22,035	21,237	22,092	21,777	28,998
Cooperative seafarers	12,288	12,183	12,893	12,877	12,598

COSCO Group eyes on ensuring the life and health of employees, makes constantly efforts to improve the knowledge level and emergency response ability of employees, and tries to cultivate professional shipping talents with strong theoretic ability and comprehensive business quality. In response to the feature that distribution of employees has “more points, long line and is comprehensive”, shipping companies of COSCO Group explore new network management methods of seafarers actively, and organically integrate the online management of seafarers with realistic management, so as to enhance the sharing of seafarer management information and elevating the working quality and efficiency.

In September 2014, COSCO Qingdao held the 2014 3rd Regular Meeting of Captains, Commissars and Chief Engineers and Training Class on Comprehensive Quality. A total of 46 seafarers, commissars and chief engineers from frontier ships attended the training and exchanged opinions on duty performance. By learning from each other and exchanging opinions, they have elevated their working ability, promoted the work of ships, deepened their friendship, and played an active role in safety transportation and production of ships.



In August 2014, Guangzhou Golden Bridge Management Institute for Cadres affiliated to COSCO Shipping held a three-day order-based training of senior seafarers. A total of 25 captains from frontier ships attended the training. The training pays close attention to demands of enterprises, features increased pertinence and elevates the working level of seafarers. In the meantime, it also elevates the psychological quality and ability of trainees to cope with urgent situations through interaction and exchange.

7. Management of Migrant Workers

Number of Contracted Migrant Workers Used by COSCO Group

Indicator/Year	2010	2011	2012	2013	2014
Number of migrant workers	42,514	34,937	32,493	42,326	44,093



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. COSCO Group always attached importance to the training of migrant workers, develops scientific, realistic safety education and training measures and systems. COSCO Group 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 promote the stability and harmony of migrant worker team.

COSCO Group establishes safety management mechanism of migrant workers to protect personal safety of migrant workers. It establishes life-related service mechanism to ensure basic life of migrant workers. It also invests for and constructs libraries, staff activity centers and over 100 cultural and sports venues to enrich cultural and entertainment life of migrant workers. Awarding and promotion mechanism were also established to offer promotion opportunities for migrant workers through skills competitions and other activities.

COSCO Shipyard has more than 40,000 migrant workers. It requires its affiliated enterprises to enhance the management of contractors and solve the delayed payment of salaries of migrant workers. The trade union widens the democratic management channels, creates harmonious labor relationships, and improves right protection mechanism. With an aim to care people's livelihood and the employees, COSCO Shipyard Zhoushan establishes staff right protection center to accept visited migrant workers.

(II) 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 healthy development of the enterprise. Efforts have been made to enhance construction of the trade union and enhance the cohesion and influence of trade union.

Indicator/year	2010	2011	2012	2013	2014
Proportion of staff joining the trade unions (%)	99.84	99.73	99.86	99.88	99.90
Number of second-tier trade unions under the trade union of COSCO	15	16	14	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)	1,251	1,401	1,237	1,536	556
Number of information personnel of trade unions (persons)	333	689	264	189	224



Number of information released by information personnel of trade unions*	2,693 times	1,453 times	195 times	133 times	102 times
Time limit for pre-announcement of key events*	14-30 days	14-30 days	14-30 天 days	14-30 days	14-30 days
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.

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. In 2014, 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 various forms such as the Worker's Congress, General Manager's Mailbox, letter and visit, and symposiums. 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.

Since 2006, COSCO Xiamen reported the major personal events of members of management team to the workers congress or all employees, and made active explorations on information transparency of management team and enhancement of democratic supervision on management team. After many years of practice and improvement, COSCO Xiamen's reporting system of major personal events of management team became a standard and system, and the company has established a relatively complete and orderly report and disclosure system.

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%.



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.

Companies affiliated to COSCO Shipyard followed the requirements of upper level and solicited opinions regarding "four styles issue" in an in-depth manner. Dalian COSCO KHI launched the activities to organize leaders and cadres to visit the grassroots to have "face-to-face" exchange with employees. It collected opinions of the public through various forms such as opening opinion box, carrying questionnaire investigation and soliciting reasonable opinions, and required related departments to investigate and carry out rectification on issues put forward by employees.

In September 2014, Dalian COSCO KHI carried out the quality month activity themed on "enhancing quality management and elevating the production quality and shipbuilding ability synchronously" through solicitation of reasonable suggestions. This elevated the quality awareness of employees, and created the cultural atmosphere that everybody knows, pays special attention to and takes actions quality issue.

Collection and adoption of reasonable suggestions		
Year	Number of suggestions collected	Number of suggestions adopted
2011	1,520	382
2012	3,163	700
2013	5946	678
2014	3112	1176

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 and cohesion of employees on the enterprise, and promote the mutual growth of the enterprise and the employees, companies affiliated to COSCO Group organized staff satisfaction survey among employees.

Subsidiaries of COSCO Group carry out staff satisfaction survey in following forms: Firstly, the group will organize assessment on management team at the democratic living meeting of top executives; Secondly, representatives of the staff will be organized to make democratic evaluation on management team at the workers congress; Thirdly, functional departments will organize questionnaire investigation.

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 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 2014, COSCO Group should make prior notification on appointment of 623 cadres. The actual number of cadres subject to prior notification was 623 and the prior-notification rate reached 100%.

(III) Occupational Health and Safety

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.

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.

Companies affiliated to COSCO Group actively promoted safety standardization building and certification of traffic enterprise. COSCO Bulk made constant efforts to enhance safety management basis, and elevate safety management level continuously. In 2014, it passed the pre-evaluation and formal evaluation on safety production standardization of CCS, and gained 964 scores, receiving the qualification certificates for safety production standardization of first-level traffic and transportation enterprises issued by the Ministry of Transport.

By the end of 2014, a total of 10 companies affiliated to COSCON Group received the qualification certificates for safety production standardization of first-level traffic and transportation enterprises issued by the Ministry of Transport, of which, seven companies received first-level certificate, one received second-level certificate and two companies received third-level certificate.

2. Planning and Deployment of Safety and Occupational Health Work

COSCO Group has attached great importance to safety and occupational health work. At the 2014 videoconference on safety production work, it determines eight focuses of safety work to ensure and promote safety production and harmonious development of entire system: Firstly, promote building of safety culture of COSCO Group continuously, and enhance the soft strength for safety development of the enterprise; Secondly, enhance the “red line awareness” continuously, and implement the “joint responsibilities of party and political departments and double responsibilities of one post”; Thirdly, implement safety risk evaluation continuously and deepen the inspection of potential risks; Fourthly, strengthen the shore-based tracing and guidance, establish ship-shore mutual-trust mechanism and ensure safety in anti-collision, anti-pirate and anti-typhoon activities; Fifthly, improve the long-term safety mechanism continuously, improve the safety management organizational structure, and strengthen the building of two teams; Sixthly, increase the input to educational and training activities and enhance safety education and training work; Seventhly, implement technical guarantee measures continuously and enhance the basic work for engine management; Eighthly, improve the self-evaluation system for safety management continuously, enhance the safety performance evaluation and promote the compliance of safety disciplines; Ninthly, enhance the emergency response management work continuously, promote the building of “up-to-down and inter-linkage” system and elevate the emergency response ability.

3. Overview of Safety and Occupational Health Work

Under the guidance of the spirits conveyed at the 3rd Plenary Session of the 18th Central Committee of the CPC, COSCO Group took the national safety production laws and regulations and international maritime conventions as the basis, the effective prevention of significant safety events and effectively control common safety accidents at the target, the “safe vehicle and safe ship” activity as the theme, the “all-staff safety and safety

confirmation” as the pusher, and the protection of maritime damages, ship-hijacking, engine damage, pollution and work-related injuries as the focuses, constantly innovated on safety management measures, deepened the dynamic safety inspection, improved safety education and training, kept stability of general safety production situations of COSCO Group and promoted the building of long-term safety management mechanism of the entire 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 2014, 78 work-related injury cases were taken place in COSCO Group, resulting in death of four persons, loss of two persons, serious injury of one person, slight injuries of 85 persons. Compared with 2013, the total number of accidents and the number of persons with heavy injuries had no increase and the death toll had increased by one.

Statistical Table of Labor Safety Accidents of COSCO Group					
Items/Year	2010	2011	2012	2013	2014
Number of human injuries	96	53	77	78	78
Work-related death toll	0	2	4	3	4
Death rate for safety accidents per 1,000 persons	0	0.029	0.051	0.040	0.048
Number of persons with work-related injuries	96	52	78	78	86
Loss of working time	21,683	18,269	12,526	20,015	26,123
Lost Time Injury ‰	1.49	1.23	0.84	1.37	1.32
Loss of working time caused by accidents	173,464	146,152	116,859	160,120	209,584

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 2014, altogether six marine accidents occurred, including four common accidents, two minor accidents, no fatal accident, two engine accidents (all common accidents), and no pollution accident.



Statistics of maritime accidents of COSCO Group					
Year	Crucial	Serious	Common	Small	Total
2010	1	0	0	3	4
2011	0	1	0	0	1
2012	0	0	1	1	2
2013	1	0	0	3	4
2014	0	0	6	2	8

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 Measures of Safety and Occupational Health Work

- (1) Promote building of safety culture of COSCO Group continuously

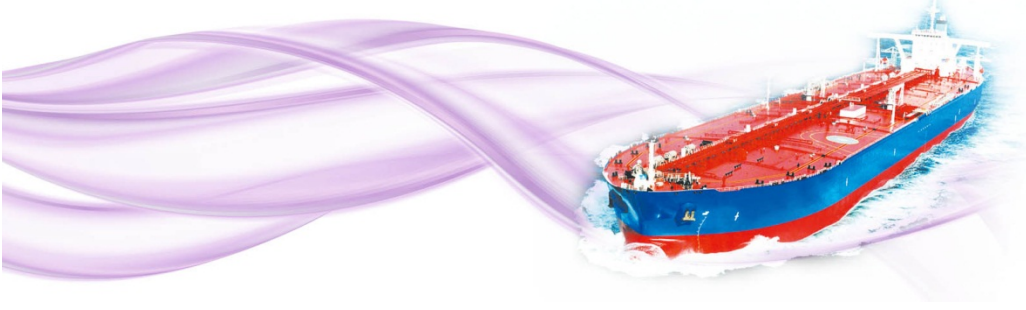
COSCO Group exerts great efforts to promote the implementation of safety development strategies, forms the situations of “integrating common understanding, making concerted efforts and forming cohesive force” in the entire system through safety culture building, and ensures continuity and stability of safety situations of the group.

- (2) Enhance the “red line awareness”, implement the “joint responsibilities of party and the political units and double responsibilities of one post”, and improve safety management mechanism.

In accordance with the general requirements of General Secretary Xi that “we can’t achieve development at the cost of life”, COSCO Group builds up the “red line awareness and responsibility awareness” for safety production in the system, requires all units to perform their responsibilities and insist on the “bottom line”. It implements the requirements of “joint responsibilities of party and the political units and double responsibilities of one post”, and revises the Investigation Methods of Safety Production Responsibilities. All units have established and improved the Investigation Methods of Safety Production Responsibilities and the auxiliary systems of their respective units. The safety responsibilities of leaders, managers and operators in accidents will be strictly investigated.

- (3) Improve the long-term safety mechanism continuously and enhance the building of two teams for safety management

With the scientific planning and management of seamen team as the focus, COSCO Group promotes the building of seaman management team, improve the research mechanism on seamen management work, and further enhance the configuration and integration of seamen resources. It implements the system for safety director of enterprise in a comprehensive manner, selects excellent professional managers to enlarge its safety supervision team, improves the appraisal system of advanced enterprises and individuals in safety production, emphasizes the position of safety management in management of the enterprise and highlights the roles of advanced individuals in working and leading posts.



(4) Innovate on safety education measures continuously and strengthen the safety education and training work

The group continued to enhance the training of decision-makers, managers and operators, improved the overall ideas and targets for safety education and training work, and formulated the Management Methods for Safety Education and Training. In order to elevate the position and role of safety training in enterprise, the group continued to strengthen the on-board training of ships, promoted the installation and promotion of SETT system (seaman on-board safety education and training examination system), and organized seven special trainings namely “video training conference to cope with new PSC inspection mechanism”, “video training on coastal navigation environment and safety measure research” and “vide conference for safety work for transportation of special cargos”. In the meantime, it expanded foreign exchanges actively and organized on-site exchange activity with CNOOC.

(5) Constantly improve the safety management self-evaluation system, enhance the evaluation of safety performance and promote the compliance of safety-related disciplines

The group constantly promoted the implementation of “Safety Management Self-evaluation System” (SMSA) in strict compliance with the requirements of COSCO Group Safety Production Performance Evaluation Methods, further improved the safety management measures and approaches, and improved the performance evaluation standards. It strengthened the clearance of system and mechanism, established the punishment mechanism, and brought into full play the role of evaluation in safety management work. It rectified the disciplines, changed the working system and further ensured the navigation safety of ships.

(6) Implementing safety risk control continuously and deepening the inspection and regulation of potential risks

COSCO Group has focused on safety risk evaluation, made ceaseless efforts to find, control and regulate the risk source, weaknesses in safety management, and elevated the safety level of enterprises. In 2014, it carried out special rectification on shipping safety, such as Safety Production Month and “six inspections and six promotions”. Besides, studying and helping activities were organized in and out the system, the construction of safety management regulations and standards have been deepened, and projects such as “clear at one glance, all-staff safety and safety confirmation” were carried out. Safety supervision on operation sites was enhanced, and three illegal behaviors were inspected strictly. The safety risk deposit and punishment and reporting systems of sub-contractors were implemented. Overseas subsidiaries further specified the safety responsibility, enhanced the safety supervision and management, elevate the safety production standards, and prevented against death and injuries of the public.

(7) Enhancing the shore-based tracking and guidance and establish mutual-trust and mutual-aid mechanism of ship and shore-based units

Efforts have been made to enhance the shore-based tracking and guidance and elevate the safety management and control ability. All shipping companies formulated the shore-based guiding system based on the Guiding Opinions to Enhance the Supervision and Management of Shore-based Units on Safety of Ships, established and improved the guiding mechanism, and brought it into safety management system. They have enhanced the research on working mechanism of ship management team, reduced the blankness of management between departments and persons. Supervision and guidance on joint venture and joint operation enterprises and shore-based units with ships had been enhanced to avoid any management blankness.

Improve the mechanism and effective promote the “production safety through science and technology”. In 2014, COSCO Group enhanced the management and sampling inspection on STV, improved EVA-SMSA self-evaluation system, promoted development of SRSA, a self-evaluation system on safety risks of ships, regulated driving disciplines and improved driving style, prevented collision of ships and ensured navigation



safety.

Emphasize the focus and cope with non-traditional safety threats actively. In 2014, the group enhanced the anti-pirate work in key sea areas, and safety and security defense work in special period, such as the two sessions, Boao Forum for Asia, Conference on Interaction and Confidence-Building Measures in Asia and APEC. It promoted the establishment of COSCO Group Emergency Response Management Committee and Office, and organized the special symposium on anti-terrorist work. All shipping companies continued to implement the regulations of “two musts”, enhanced the five mechanisms for anti-pirate work of ships, improved the construction of safety cabins and installation of anti-pirate devices of ships, prevent against boarding of privates and hijacking events strictly. Ships of COSCO Group accepted 943 ISPS inspections at ports home and abroad, and the passing rate reached 100%.

In 2014, COSCO Group successfully fought against privates, ensuring the safety of seamen and ships effectively.

Indicator/Year	2011	2012	2013	2014
Number of pirate attacks and harassment	7	0	0	0
Number of pirate attacks blocked successfully	7	0	0	0
Pirate attack blocking rate	100%	0	0	100%

On Sept. 26, 2014, Xinfahai Liner of COSCO Bulk navigated from Singapore to Caofeidian Port, China. When passing Anambas Islands, the liner was chased by two yachts of pirates. The personnel who was on duty rang the alarm immediately. In less than two minutes, all seamen had been well prepared at the decks to fight against pirates. The yachts of pirates were only 15 meters to the liner. After bravery attack of all seamen, the pirates were defeated, and Xinfahai Liner left the dangerous sea area safely.

CPSCP Group enhanced the work to prevent disastrous weather. Sticking to the “16-word guidelines” and the working principles of “focusing on prevention”, it enhanced the tracking and guidance on ships in special weather and poor situations. With respect to transportation of special cargos such as nickel mine, flammable and dangerous goods, it strictly monitored the transportation process and control the risks. The shore-based units followed the working guidelines of “active prevention, implementation of responsibilities, coping with the issues with advantages, stopping construction at appropriate time and responding to the emergent situations”, and ensured the success of anti-typhoon work of shore-based units. In 2014, the successful rate of anti-typhoon work of related units reached 100%.

In September 2014, #15 typhoon “Seagull” formed. After detecting that its route and intensity will bring great influence to ship and grassroots units of CHIMBUSCO Guangzhou, the company made arrangement for anti-typhoon work ahead of time, organized the special meeting on anti-typhoon work, traced the trends of typhoon and ships, adopted pertinent measures based on situations of each ship, and arranged ships to anchor at anchoring place timely. The anti-typhoon offices and all units have enhanced the safeguard of typhoon, enhanced the implementation of anti-typhoon measures and ensured the successful defense of “Seagull” typhoon.

(8) Implementing technical guarantee measures continuously and enhancing engine management work

COSCO Group strictly implemented the COSCO Group Management Methods of Old Transportation Ships,



enhanced the management of engine safety of old ships, paid close attention to new PSC inspection mechanism, designated special person to be responsible for researching and guiding of inspection work of ships, paid special attention to anti-pollution work of ships, and enhanced the safety management and technical safety guarantee of retired ships in adjustment of fleet structure. It managed and controlled the engine fees by doing a better job in ship reparation work and concentrated procurement of spare parts. It enhanced the construction of basic database of engine management and the technical supports of ship- and shore-based units to ships and elevated the engine management level. It actively promoted the application of new energy conservation and emission reduction technologies and equipment, and tried to reduce fuel costs and related operating costs. Through scientific investment behaviors, it have enhanced the system maintenance work and inspection and elimination of potential risks of equipment of ships, constantly elevated the ability to cope with inspection of port states, propelled the ships to implement the responsibility system and avoided detainment of ships during PSC inspection.

It made constant efforts to promote the performance of Maritime Labor Conventions to ensure the rights and interests of seamen. As the agreement countries paid more and more attention on Maritime Labor Conventions, the inspection of port stations becomes stricter and stricter. COSCO Group had done a lot a work in performance of the conventions, enhanced the training on duty performance, increased the basic investments, elevated the treatment of seamen and improved the living and working environment of seamen. In the port state inspections in 2014, no ship detainment occurred due to performance of maritime labor conventions at port states, and there were no complaints from seamen.

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
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%
2014	756	3	0.40%	585	77.38%

(9) Enhancing emergency response management and elevating the emergency response ability, and promoting the building of “inter-linkage system throughout the enterprise”.

By implementing the Notice of State Council General Office on Issuance of the Management Methods of Emergency Response Proposals (No. 101 document issued by State Council General Office in 2013) and the Interim Rules on Emergency Response Management of Central Enterprises (Nov. 31 document issued by SASAC), the group has enhanced and improved the warning mechanism and emergency response working mechanism. It has set up special institutions for emergency response management, segmented the emergency response proposals, specified the work division and enhanced the collaborative cooperation. It has brought the emergency response management system into the comprehensive management system of the company, formulated corrective and preventive measures and emergency response plans for important source of dangers identified and accidental safety production events that may occur, and improved emergency response proposal system and elevated the emergency response management level through emergency response rehearsals and appraisal of upper level. It has enhanced the training and rehearsal to elevate the emergency response commanding ability of regulatory departments and self-rescue and mutual-rescue ability of operator, and ensured the launch of emergency response plans in emergent situations. It also enhanced the inter-linkage of

enterprise and political department and enhanced the connection with emergency response proposals of local governments.

In 2014, COSCO Group and its subsidiaries organized a total of 10 emergency response rehearsals.

On Oct. 25, 2014 of local time in Chile, Tianshenghai Liner of COSCO Qingdao jointly organized a ship and shore-based joint rehearsal to cope with Ebola virus together with governmental organs of Chile when anchoring at Caldera, Chile. The rehearsal mainly aims to improve the self-protection ability of emergency response persons, disposal and transshipment of suspected patients, and disposal of protective dresses.



In order to enhance the self-protection ability of employees in accidental events and elevated their firefighting awareness, COSCO Shipyards carried out the safety education & training and firefighting rehearsal on June 27, 2014. They organized employees to watch safety educational video “Red Line of Life”, carried out training on fire-extinguishing knowledge and organized firefighting and fire-extinguishing rehearsal on-site.

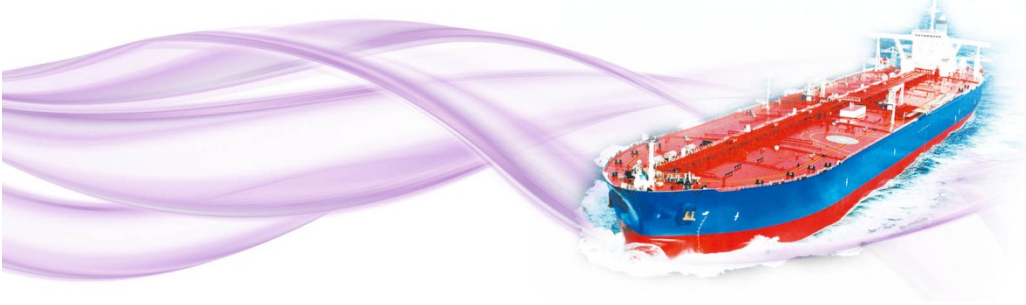
5. Employee’s Health and Disease Prevention

COSCO Group is a transnational enterprise with shipping as the main business. The industry it engaged in is a highly dangerous industry whose safety production is strictly controlled by the government. 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. COSCO Group and its subsidiaries formulated the Special Plan for Public Health Emergencies in accordance with related laws and regulations of the nation. All shipping companies have set up specialized medical institutions to provide medical assistance, medical aid, medical services and medicines for ships and seafarers, and to be 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%.

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 to them.

7. Labor Competition

In 2014, COSCO Group continued to organize the activity of "Safety is around me; Reducing cost and increasing efficiency start from me" to promote the themed promotional activity of “Chinese Dream and Beauty of Work” organized by the All-China Federation of Trade Unions. It further enriched the contents,



innovated on forms of activities, and mobilized all-staff participation by applying safety concepts and lean ideologies, maximizing the economical and social benefits.



In May 2014, COSCO Qingdao held the 2014 1st Session of Senior Seamen Skills Competition. Participating seafarers further summarized the competition experience and carried forward the spirits to compete for excellence.



On Sept. 26, 2014, the 3rd Guangdong Province Golden Anchor Cup Seamen Skills Competition was held. COSCO Shipping received the first place for total scores in the competition.

7. 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 to offer psychological health services for seafarers. 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.

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 2014, COSCO Group built up 108 seamen family member liaison stations.

In May 2014, Jiaxintong seamen family member liaison system was put into use at ships of COSCO Bulk, setting up an email communication platform between seamen and their family members and friends. The use of Jiaxintong system alleviated the communication difficulty of seamen and their family members during navigation period, and has active meaning for promoting worry-free work and life of seamen and constructing stable seamen team.



On Aug. 8, 2014, the first seamen family member liaison center of COSCO Xiamen was established. The liaison center further deepened the service for seamen and their family members, built up a platform to care seamen and their family members and promoted the harmony and stability of seamen team and their families.

8. 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.

(IV) Training and Education

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.

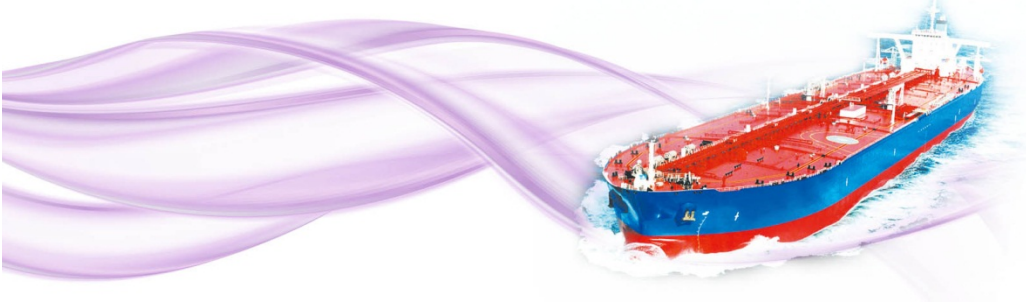
Indicator/Year		2010	2011	2012	2013	2014
Total training hours of each category of employees	Top management	12,468	1,416	2,072	3,000	482
	Middle management	70,328	3,304	11,543	10,504	10,208
	Grassroots	281,313	11,480	21,560	19,824	19,712



	Technicians	210,985	307,769	—	543,008	530,256
Average training hours of each category of employees	Top management	83.9	141.6	207.2	300	48.2
	Middle management	69.1	72.1	74.95	68.21	67.16
	Grassroots	43.9	72.1	70.69	62.73	65.49
	Technicians	42.5	40.03	—	38.78	37.86
Total inputs for employee training (RMB)		41,796,606	41,796,606	3,390,000	3,045,358	38,505,489
Training hours in public expense		804,354	804,354	739,670	5,008	1,042,701
“Three 300s” talent training program (persons/times)		510	521	397	123	686
Training before retirement (persons/times)		400	124	2	8	24
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 team		354	374	369	363	410
Number of participants of quality management team		2,832	2,968	2,879	2,382	2,246

1. All-staff Training

COSCO Group pays close attention to quality elevation and personnel development of the staff. 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. In 2014, staff training was offered for 176,752 persons (times).

COSCO Shipping established all-staff life-long education and training system, established the training and operation mode of "uniform leadership, coordinative planning, classified guidance and layer-by-layer implementation", formulated annual training plans and personalized training plans for employees based in basic skills, interests and demands of employees, and evaluated the training effects on irregular basis. In 2014, a total of 13 internal training classes were organized, with 1948 persons trained and the total training time of 17147 hours, about 39 hours per person.



2. 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 further elevate the business quality of marketing personnel, China COSCO Bulk held the 2014 1st Session Modern Marketing Management Class at Advanced Education Institute of Tsinghua University in May 2014. A total of marketing management personnel from China COSCO Bulk headquarters, COSCO Bulk, COSCO Qingdao and COSCO (H.K.) Shipping/COSCO Shenzhen attended the training.



In order to enhance the building of financial talent team of COSCO Logistics and better cultivate multiple-disciplinary and specialized financial talents for logistics system, COSCO Logistics held the 2014 1st Session of Financial Personnel of Logistics System in Xiamen in January 2015. A total of 30 medium and senior financial management personnel in the system attended the training.

3. "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.

4. 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.

In 2014, COSCO Shipping organized a total of 246 seamen training classes, with 7,076 persons trained. Of which, a total of 168 duty-performance trainings were held, with 3040 persons trained. These trainings cover 18 special topics including analysis of maritime loss accidents, emergency response and driving console resource management, new direction of PSC inspection, analysis of typical cases, important good transportation technology and management of cargo transport safety.



5. 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 related laws and regulations of the country. It carried out the labor protection supervision and inspection work, enhanced the consciousness of participation and protection in accordance with laws, and performed the obligations of the Trade union in labor protection supervision and inspection work. By organizing systematic training on labor protection and supervision, and organizing the studying activities to learn the labor protection and safety protection laws and regulations, the labor protection supervision and inspection regulations of the trade union as well as knowledge about work-related injury report, investigation and disposal, safety technologies, and labor protection supervision and inspection of the trade union, it tried to elevate the labor protection knowledge level and the supervision ability of the public, adjust and improve the knowledge structure on labor protection of cadres of the trade union, continuously elevate the working level and business ability, cultivate a high-quality team in charge of labor protection work for the trade union, and better protect the life safety and physical health of the staff. In 2014, the number of labor protection and supervision inspectors of the trade unions of COSCO system reached 1,743.

6. Effective Training, Evaluation and Incentive Mechanism

COSCO Group’s effective training and evaluation incentive mechanism stimulated the staff’s learning enthusiasm and motivation, brought into the incentive role on employees and create good atmosphere and environment for studying and growth of employees.

In order to further elevate the passenger transport service quality, COSCO Star organized the meal service team of the Passenger Transport Department to offer special training and practice activity in November 2014.



(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 (foreign staff) 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 20 directors, supervisors and top executives, of which, three are females, accounting for 15%. None of them are foreign employees. The group has gradually formed a cadres’ team with complete majors, reasonable structure and excellent quality.

Indicator/Year	2010	2011	2012	2013	2014
Proportion of female top executives and managers	15.15%	17.95%	14.29%	19.04%	20%
Proportion of top executives and managers below 40	23.08%	12.82%	4.76%	7.14%	0
Proportion of female top executives at second-tier companies	7.75%	5.43%	8.19%	7.3%	8.91%
Proportion of top executives below 40 at second-tier companies	1.55%	0.78%	0.82%	0.82%	0

(VI) Equal Payment for Males and Females

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.

(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 to protect labor rights and interests of the staff through systems such as equal negotiation and collective contract, and prevent against any behaviors infringing labor rights and interests of the staff. It also promoted the harmonious labor relations between the enterprise and the staff and kept sustainable development of the enterprise through effective social dialogue system.



In April 2014, COSCO Qingdao awarded the 2013 A-class Unit for HR and Social Guarantee Honesty Level by the Department of Human Resources and Social Guarantee of Shandong Province.

In July 2014, COSCO Xiamen held the signing ceremony of collective contract of COSCO Xiamen. Yuan Xiaoyu, deputy general manager of COSCO Xiamen, and Wu Renze, chairman of trade union signed the agreement on behalf of the enterprise and the employees. All staff of COSCO Xiamen attended the signing ceremony and witnessed the signing of Collective Agreement and the Special Collective Agreement on Special Protection of Female Employees.

(VIII) appealing Mechanism of Labor Issues

In 2014, COSCO Group didn't receive any appeals on labor issues.



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

COSCO Group implements and acts in the scientific outlook of development, sticks to the target of “constructing a century-old COSCO Group”, strictly abides by national laws, rules and regulations as well as laws and regulations applicable to the Company in terms of investment & procurement behaviors, non-discrimination, collective negotiation, child labor prohibition, prohibition of compulsive and forced labor, security defense work, cultural rights of employees and rights of local employees, abides by and implements the international conventions, international labor standards and other applicable industrial standards endorsed by the Chinese Government. It carefully implements the Opinions of State Council on Solving the Issues Relating to Migrant Workers and does a better job in work related to migrant workers. It actively promotes the signing of collective contracts and the special collective agreement on labor protection of female employees to ensure legal rights and interests of enterprise and the employees and to keep stable and harmonious labor relations. It formulates the Procedures on Openness of Company Affairs and the Interim Rules on Openness of Company Affairs of COSCO (COSCO Group) Headquarters, improves workers’ congress system and promotes democratic management to provide policy supports for establishment of a harmonious enterprise. Various trainings are organized to enhance the human right awareness and right protection consciousness of employees, and special training on respect of human rights for related persons. All levels of trade unions of COSCO Group are public organizations organized by employees voluntarily. While keeping the overall rights and interests of the enterprise, the trade unions carry out work independently in accordance with the Law of Trade Union of the People’s Republic of China and the Articles of Associations of Trade Union, and perform their obligations to represent and protect the legal rights and interests of employees by establishing democratic management, safety production supervision and labor safety supervision mechanisms.

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) Investment

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 consideration 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 Guidance on Responsible Commercial Practices in Conflict-influenced and High-risk Regions, 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. It specifies human rights provisions in its procurement contracts, setting up terms for labor rights, wages, working hours, labor insurance and welfare, etc, and exerting influence on suppliers to ensure labor rights.

COSCO Group and its subsidiaries standardized the use of standard contract in procurement process. The contract includes human right requirements.

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 2014, it received no complaints regarding human right.

4. Human Right-related Trainings

COSCO Group carries out human right-related trainings and educations in investment and procurement activities to improve the human right situation of its suppliers.

In combination with the themed activity of "protecting life of seamen and undertaking due diligence" organized by COSCO Group, the group further enhances the safety awareness, responsibility awareness and protection awareness of seamen through training and competition, firmly establishes the working concept of "being safe", and enhancing the inspection and guidance on labor protection work of seamen.

On Oct. 29, 2014, the Trade Union of Qingdao Ocean Shipping Mariners College attended the pre-post training of new employees, and introduced the Trade Union law and the birth control policies.

In order to enhance the training of trade union cadres and the supervisor and inspectors of labor protection of ships, COSCO Shenzhen organized cadres of trade union to attend six female workers, financial and information training, and guided ships to carry out 418 sessions of trainings for labor protection supervisors and inspectors, training 1555 persons (times).

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 welfare 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.



First-tier Risk	Second-tier risk	Third-tier risk	Fourth-tier risk	Fifth-tier risk	Risk events
					<p>There are no complaining channels for sexual harassment and copyright infringement events, bringing negative influences on social responsibility.</p> <p>Poor quality of managers leads to sexual harassment of staff at work.</p> <p>The company has no measures to prevent and control sexual harassment due to lack of rules, regulations and procedures to avoid sexual harassment.</p> <p>Investigation on facts of sexual harassment events meets obstacles due to lack of strict rules and regulations.</p> <p>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.</p> <p>Different standards are adopted for male and female employees when dealing with sexual harassment events, and sex discrimination exists.</p> <p>Sexual harassment of colleges appears due to poor quality of employees.</p> <p>Sexual harassment events occur due to wearing of exposed dresses in summer.</p> <p>The trade union fails to deal with the sexual harassment events timely, resulting on bad social influences.</p> <p>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.</p> <p>The labor utilization system of subsidiaries is not strict, causing forced labor events.</p> <p>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.</p> <p>Occurrence of psychological disease due to huge psychological pressure from the sexual harasser colleagues, and families.</p> <p>Revenge by the sexual harasser due to refusal of sexual harassment, forging of evidences for serious violation of principles and forced dismissal.</p> <p>Further obscene or rage due to acceptance of sexual harassment, and cause of reproductive</p>
Social responsibility					
	Human right risk				
		Discrimination risk			
			Risk for guarantee of rights and interests of women		
				Sexual harassment risk	



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

COSCO Group formulates non-discrimination policies and systems in strict accordance with international conventions, laws and regulations 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.

In 2014, 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.

COSCO Group takes human resource as its prior resource, pays special attention to scientific development of employee team, and determines staff recruitment strategies based on its development strategies. All subsidiaries select talents based on their operation and development demands and under the principle of "fairness, justice and transparency", use talents based on their ability, recruit employees in an orderly manner, and elevate the quality of employee team continuously. The group pays attention to career development demands of employees, establishes talent selection and recruitment mechanism, offers equal exchange platform and occupational training opportunities for employees, and encourages employees to attend academic, degree and technical title trainings at their spare time.

2. Gender Equality and Women Workers' Committee

In regard to respecting and safeguarding the legal rights and special interests of women workers, COSCO Group conforms to related provisions in the Labor Law, establishes the women workers' committee to supervise protection of rights and interests of female workers, and tries to ensure equal development opportunities of them.

The Women Workers' Committee under the group's trade union has its own cadres. It holds symposiums of female workers on a regular basis to hear requirements and opinions of women workers, and ensure physical and psychological health of them. The Women Workers' Committee protects legal rights and interests of women workers in accordance with the Law for Protection of Special Rights and Interests of Female Workers. The Special Collective Contract for Protection of Special Rights of Female Workers was signed to stipulate the welfares of female employees in marriage, pregnancy, child-birthing, feeding, elevation, promotion and appraisal of technical titles, ensuring equality of male and female employees and protecting rights and interests of female employees.



In January 2014, COSCO Group held the 2nd Session of 5th Workers' Congress, where the Special Collective Agreement on Labor Protection of Female Employees was reviewed and signed. All levels of trade unions of COSCO Group promoted the implementation of Special Rules on Labor Protection of Female Employees and the Special Collective Agreement on Labor Protection of Female Employees, offered special allowance for female employees, and organized various activities to care the female employees. These efforts had activated the confidence and determination of all female employees to work hard at their own posts and contribute to the group.



The trade union of COSCO Shipyard organized the re-election work to further improve the building of female worker committee. The new chairman of female worker committee and two members of the committee were elected. Besides, responsible persons of female worker committees of subsidiaries were updated. The Special Collective Agreement on Labor Protection of Female Employees of COSCO Shipyard was revised to further ensure and protect labor protection and special rights of female employees. The new collective agreement was reviewed, approved and signed at the first meetings of 3rd double congresses.

COSCO Qingdao organized a lecture on nutritive breakfast for female employees. Special column was opened in internal website of the company to show glamour of female employees, and 30 female models of COSCO Qingdao were appraised and awarded.

COSCO Shipbuilding Industries promoted the protection of rights and interests of female employees and youth employees actively, and brought into full play the voluntariness, activeness and creativeness of employees. The trade union organized female employees to attend various activities, such as training on healthcare knowledge, "caring Zijin Mountain environmental-protection activity", female employees "handcraft work collection activity" and workplace etiquette activity.





图：

女工委员会工作机制 Working mechanism of women workers' committee

各级公司设立专兼职女工委员 Companies at all levels set up full-time and part-time employees for women workers' work

女工座谈会 Symposium for women workers

定期召开 Held regularly

听取意见 Listen to opinions

听取要求 Listen to requirements

维护身心健康 Keep physical and mental health

贯彻法律法规 Implement laws and regulations

劳动法 Labor Law

女职工特殊保障法 Special Law for Protection of Female Workers

维护女职工权利 Protecting rights and interests of female workers

女职工特殊集体合同 Special collective contract for female workers

结婚 Marriage

怀孕、生育、哺乳 Pregnancy, childbirth and breeding

提职、晋升 Promotion

评定专业技术职称 Evaluation of professional title

享受其他福利 Other welfares enjoyed

男女平等 Gender equality

确保女工权益 Ensuring rights and interests of female workers

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, 2014, COSCO Group enhanced the publicity of HIV/AIDS prevention knowledge through various channels.

4. Prevention and Control of Family Violence

Family violence is a worldwide issue and has its universality. Any populations, whatever in developed or developing countries, whatever their race, class, religious belief, cultural tradition, careers or knowledge level, have family violence issues. Existence of family violence seriously destroys the stability of family relationships and is an important factor that results in instability of the society. To avoid such issue, cares of enterprises are needed expect for prevention of laws and social environment. COSCO Group not only cares about work and healthy development of its employees, but also pays special attention to harmony of employees' families, cares family members of its employees through various ways and carries out various activities to enhance the human right protection consciousness of employees and harmony of their family.

5. Avoidance of Sexual Harassment

Sexual harassment is a kind of discrimination and includes misuse of rights and powers to humiliate, threat, frighten, control, compress and invade others in working venues and other public venues. COSCO Group formulates Special Regulations on Protection of Female Employees to prevent and control the sexual harassment, and prohibit occurrence of sexual harassment.

(III) Freedom of Association and Collective Negotiation

1. 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 and promoted system reform of the enterprise.

On Jan. 9 to Jan. 10, 2014, COSCO Group held the 2nd Session of 5th Workers Congress and 2014 working conference in form of videoconference and on-site meeting in Shanghai. Leaders of SASAC, Supervisory Board of State Council in COSCO Group, and the National Committee of the Chinese Seaman & Construction Workers Union, leaders of COSCO Group, responsible persons of second-tier units and representatives of workers' congress attended the event at the main meeting venue. At the event, the working reports titled "Acting in the Spirits Conveyed at the 3rd Plenary Meeting of 18th NPC and Promoting Healthy Development of the Enterprise through Reform and Innovation", and "Seeking for New Situations in Stable Development and Realizing Development through Reform and Innovation". Besides, the COSCO Group Financial Report, COSCO Group Working Report on Enterprise Annuity, the Working Report of Board of Directors and the Brief Introduction to COSCO Charity Foundation were listened and reviewed. At the event, participants had group discussions on the report and new COSCO Group Collective Agreement and COSCO Group Special Collective Agreement on Protection of Rights and Interests of Female Employees. Opinions and suggestions on cost

reduction, benefit increase and promotion of sustainable development of the enterprise were put forward. At the event, signing ceremony of collective agreement was held, and the responsibility letter for double civilization was signed and released.



Table for Holding of Workers' Congresses by Second-tier Direct Subsidiaries of COSCO Group in 2014

Serials No.	Company	Meeting Time	Main Topics
1	COSCO Shipping	2014.1.14	Listen to and review the General Manager's Work Report; Listen to the Party Committee's Work Report, Safety Production Work Report and the Work Report on Proposal of Employees; The Collective Agreement and Special Collective Agreement on Protection of Rights and Interests of Female Employees were signed; Democratic evaluation on members of management team of the company was made; Advanced individuals were appraised.
2	COSCON	2014.1.20	Listen to and review the General Manager's Work Report; Review the Report Regarding Rights and Interests of Employees; Discuss and Review the Draft Version of Articles of Associations of COSCON Employee Medical Aid Committee, Draft Version of Operation Methods of COSCON Employee Medical Aid Committee and the draft list of employees' representatives for 9 th collective negotiation; democratic evaluation of cadres.
3	China COSCO Bulk	2014.1.17	Listen to and review the General Manager's Work Report, 2013 Financial Report, 2013 Report on Use of Reception Fee and 2013 Report on Use of Welfare Fee; Listen to the Party Committee's Work Report and Safety Work Report; Review the 2013 Report on Employee Education and Training and Resolutions of China COSCO Bulk 2nd Session of 1st Workers' Congress.
4	CHIMBUSCO	2014.2.18	Listen to and review the General Manager's Work Report;



			Listen to and discuss the Party Committee's Work Report; Review and approve the Work Report of Trade Union; Listen to the report on collection of proposals of employees' representatives and the report on use of expenditures of trade union; Make democratic evaluation on management team.
5	COSCO Xiamen	2014.1.23	Listen to and review the General Manager's Work Report, 2013 Financial Report, 2013 Report on Use of Reception Fee and Report on Collection and Implementation of Proposals; Make democratic evaluation on management team; Release the 2014 Letter of Assignment for Double Civilization Construction; Award 2013 Advanced Ships, Advanced Units and Advanced Individuals.
6	COSCO Shipyard	2014.1.13	Listen to and review the General Manager's Work Report, the Report on Work Related to Proposals of Employees' Representatives, Report on Management and Use of Charity Foundation of COSCO Shipyard in 2013, Report on Performance of Collective Agreement and Special Agreement of COSCO Shipyard; Review the Proposals on Collective Agreement on Salaries of COSCO Shipyard and Special Collection Agreement on Special Protection of Rights and Interests of Female Employees of COSCO Shipyard.
7	Chinese-Polish Joint Stock Shipping	2014.1.17	Listen to and review the General Manager's Work Report, 2013 Collective Agreement, the Report on Performance of Special Collective Agreement on Protection of Rights and Interests of Female Employees; Listen to the 2013 Work Report of Trade Union; Make democratic review and evaluation on management team; Award advanced individuals.
8	COSCO Shipbuilding Industries	2014.1.11	Review and approve the General Manager's Work Report, the Working Report of the Trade Union, the Report on Financial Situations, Detailed Rules of Workers' Congress of COSCO Shipyard; Listen to the Work Report of Party Committee; Renew the Collective Agreement; Make democratic evaluation on management team of the Company.
9	COSCO Logistics	2014.1	Perform the main obligations to review important decisions and make democratic evaluation on leaders and cadres; The trade union put forward the overall working plans in the next two years starting from the development of COSCO Logistics.
10	Hainan Boao	2014.7.22	Listen to and review the General Manager's Work Report, the Work Report of Trade Union, the Report on Use of Financial Settlement, Welfare Fee and Reception Fee; Listen to the Work Report of Party Committee; Make democratic evaluation on management team of the company; Award advanced individuals.

2. Collective Contract and Collective Negotiation

At the 2nd Session of 5th Workers' Congress held in January 2014, COSCO Group held a signing ceremony of collective agreement with a valid period of two years. All member companies have signed the collective agreement.

The Trade Union of COSCO Shipbuilding Industries attended the making of decisions closely related to rights and interests of employees. Starting from the prospective to representing the rights and interests of employees, it enhanced the communication and coordination with the company, and voluntarily attended the research and decision-making on issues closely related to rights and interests of employees such as salary and welfare, labor safety and social insurance. In the meantime, it played the coordination and communication role of trade union in settlement of labor disputes. Related enterprises have established and improved the organizations for coordination of labor disputes, increased the involvement in origins related to harmonious labor relationships, and attended the coordination and disposal of work-related injuries and family disputes.

The trade union of Shanghai COSCO Kawasaki had coordinated with the administrative department of the company to increase the payment of extra working time of employees by more than 30%. Besides, it also added the articles regarding labor guarantee and welfare to the Collective Agreement. The collective agreement closely ties the rights and interests of the enterprise and the employees, mobilized the voluntariness of employees to participate in construction of the enterprise, and enhanced the cohesion of employees' team.

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.

Qingdao Ocean Shipping Mariners College revised the Management Methods of Transparent College Affairs, making the work more standard and ensuring effective implementation of the work. It also elevated the openness and transparency of college affairs through real-time supervision.

The trade union of CHIMBUSCO had revised and released the Interim Management Methods on Transparent Company Affairs of CHIMBUSCO, specifying the organization structure, principles and contents, main forms, evaluation, responsibility department, as well as detailed contents, forms and times of the work.

All levels of trade unions of COSCO Logistics further enhanced the democratic management work, standardize the working procedures of workers' congress, elevated the quality of documents, organization and proposal work. Active efforts have been made to promote the communications between chairman of the trade union and workers' representatives, and enable them to have symposiums with representatives of employees. Special public mailbox was opened to collect opinions and suggestions of employees. The Reception Day of Chairman of Trade Union was organized to facilitate interaction and exchanges of frontier employees and regional companies through wechat of the enterprise.

In 2014, 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	2010	2011	2012	2013	2014
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) Child Labor

The employment of child labor and/or young workers in dangerous work is strictly forbidden by COSCO Group, as this is the requirement in the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Office and the related guidelines of the organizations for economic cooperation and development. The possible risks of child labor are assessed, and measures to eliminate child labor are formulated according to the definition of child labor and young labor in the Convention No. 138 of the International Labor Office.

When engaged in shipbuilding and related work abroad, responsible persons of the ships, on behalf of the company, will confirm the suspected employment of child labor and young labor, discuss the matters with utmost seriousness and solve them properly if any illegal acts are confirmed.

COSCO Group headquarters and all its subsidiaries recruit employees in accordance with the management rules, and comply with international laws as well as the Labor Law of China. Complete procedures for employment and recruitment are established to prevent the employment of child labor and young labor. Strict recruitment rules and promotion procedures regarding the employment of ship crew are established to make sure that no child or young person will be employed. As for the rural migrant workers, COSCO Group clarifies all the duties and obligations with the signing of related contracts, restricts the contracted companies and labor companies responsible for the migrant workers, penalizes them according to the clauses in the contracts and reports to local labor management departments once child labor and young labor are found to be illegally employed.

In 2014, COSCO Group didn't use any child labors.

(V) 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 2014, COSCO Group received no complaints or appeals with regard to forced or compulsory labor.

(VI) Security Defense Measures

COSCO Group organizes training programs for the third-party security guards, on the use of force and firearms in particular, enhances education about human rights to prevent any harm to the company's prestige or risk of lawsuit resulted from inappropriate behavior or measures. Meanwhile, the security guards are made aware of COSCO Group's expectation with regard to human rights performance.

The security personnel of COSCO Group include the land-based security guards and the ship-based security guards. Some of the Group's land-based subsidiaries recruit security guards directly or from security service companies. The guards are formally trained and given related certificates before going on their duty. Other subsidiaries use their own employees as security guards. The security guards are trained in human rights and related knowledge by the COSCO subsidiaries or by the entrusted security service companies. Administrative provisions with regard to human rights are listed in the employment agreements with the security service companies, and the latter's work are supervised and evaluated.

The security of the ships is managed jointly by the security force on the ships and from the companies. Institutionalized management is carried out strictly according to the national laws and regulations, as well as the requirements of the international security rules. The management methods for shore bases and the security plans for ships are formulated, and the responsible security guards are trained and approved by the Maritime Administration of the Ministry of Communications. The training includes contents about human rights and the prevention of human rights violation, and so on.

In 2014, COSCO Group reported no incident of human right violation by the security guards.

(VII) Rights and Interests of Indigenous Residents

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 2014, no complaint has been filed with regard to the infringement of the rights of the indigenous people.

(VIII) Economic, Social and Cultural Rights

As an enterprise of the socialist country, COSCO Group actively supports and practices the International Covenant on Economic, Social and Cultural Rights and implements the protection of economic, social and cultural rights in an effective and comprehensive manner.

1. Cultural & Sports Associations and Cultural Life of the Employees

COSCO Group pays attention to physical and psychological health of employees, cares the employees through various ways, and enriches cultural life of employees by constructing the Home of Employees.



Hainan COSCO Boao makes active efforts to establish the Home of Employees. The indoor venues of Home of Employees such as Kara Ok, table tennis and billboard have been put into use at the dormitory of employees. These facilities together with basketball ground, badminton court, football ground have formed a complete range of facilities for cultural and sports life of the public.

The trade union of COSCO Logistics has been dedicated to bringing into full play the role of new media in cultural building of enterprise, and tried to build up the online cultural paradise for employees of COSCO Logistics. A series of interesting activities themed on “Gathering the Dream, Sharing the Happiness” were organized to guide employees to enjoy the pleasure of collaboration.



Qingdao Ocean Shipping Mariners College actively encouraged all teachers and staffs to attend spots activities and carried out the cultural and sports activity themed on “Happy Bodybuilding and Happy Working”.

2. Cares for Employees

COSCO Group pays attention to physical and psychological health of its employees and cares its employees from various ways.

(1) Legal and System Guarantee

In order to protect legal rights and interest of the staff and ensure their physical and psychological health, COSCO Group signs related agreements with the trade union, such as Collective Contract, Special Collective Contract on Protection of Special Rights and Interests of Female Workers and Special Collective Contract on Labor Safety and Health.

Chapter IV “Working Hours, Rest and Vacation” in the Collective Contract contains regulations on working hours, vacation system to be enjoyed, extension of working hours, and rights to refuse behaviors that may damage physical health of the staff; Chapter V “Labor Safety and Health” contains regulations on establishment and improvement of responsibility system for labor safety, compliance with related national regulations on safety in terms of workplace and facilities, labor protection, physical inspection and recuperation, prohibition of forced dangerous operation regardless of laws and regulations, special protection for female workers and



disposal of work-related injuries. The Special Collective Contract on Labor Safety and Health includes detailed regulations on aspects such as safety liability safety involving labor safety and health of the staff, labor conditions and safety technical measures, storage, transport and management of dangerous chemicals, safety operation procedures, safety training, occupational health and labor protection, disposal of work-related injuries, safety emergency-response plan and use of special equipment.

COSCO Group offers sufficient annual paid leave for its staff in accordance with related national laws and regulations, such as the Labor Law, and arranges vacation time of each staff based on working situations and personal application, ensuring normal rest and recuperation leave of them. Trade unions at all levels organize recuperation activities under the principle of “caring physical and psychological healthy of the staff and serving for work of the enterprise”, which promotes COSCO Group headquarters’ implementation of annual leave system and makes better arrangement for rest and recuperation of cadres and staff, and provides a platform for implementation of annual paid leave system.

(2) Cares for work and 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 2014. It required all levels of trade unions to pay attention to the activity and serve for employees faithfully.

In response to the payment of large-sum medical fee of employees, COSCON plans to set up the Employee Mutual Medical Aid Association to bring the excellent traditions of Chinese nation and enable the employees to feel the warmth of COSCON, as the big family.

COSCO Shipping established the COSCO Shipping Seamen Service Center to serve for seamen and enable them to feel the family warmth. Vegetables and fruits were sent for 142 long-distance voyages of ships, receiving high praises from the seaman.

(3) Care for health of employees

On Jan. 20, 2014, the 3rd Session of 9th Workers Congress of COSCON was held, at which, the Articles of Associations for Employee Mutual Medical Aid Association of COSCON and the Operation Methods of Employee Mutual Medical Aid Association of COSCON were reviewed and approved. The management committee was established and the mutual medical-aid foundation was established to help employees solve their issues.

3. Cares for Seamen’s Families

COSCO Group focuses on caring family members of employees to solve worries of seamen. It established 248 contact stations for the families of seafarers through which the companies could learn about the families’ needs and provide timely assistance. It also reimburses some medical fees for children of employees, offers subsidies of single child on the Children’s Day, gives half day of vocation on the Children’s Day, showing the cares of the group on minor children of seamen.

During the New Year and Spring Festival of 2014, 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 aided 3791 employees who are in difficulties, offered RMB2.8345 million of condolence fee and gifts, and visited 110 ships.



Chairman Ma Zehua condoles retired cadres.



President Li Yunpeng condoles frontier employees.

The trade union of Nantong Dishu carried out a donation activity themed on “fulfilling one dream with one yuan” to help children of employees who were in difficulties to complete their education.

(IX) Assessment

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.



(X) Assessment on Human Right Performance of Suppliers

COSCO Group pays special attention to evaluate the human right performance of suppliers to ensure that its suppliers have no behaviors to infringing others' human rights in operation and management process and ensure the legal rights and interests of employees.

(XI) Appealing Mechanism of Human Right Issues

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.



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 Objectives

COSCO Group commits itself to the fulfillment of social responsibilities, and shoulders its responsibilities as a global citizen. The group strives to maintain good relations with the local communities and promote prosperity of the community. The group makes continuous efforts to construct the comprehensive corruption penalty and prevention system. It respects and protects intellectual property right, strives to promote a fair, just and open market environment and fights against industrial monopolization with determination.

COSCO Group requires all its subsidiaries to undertake their corporate social responsibilities in the local communities and 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 subsidiaries have formulated the implementation plans and rules based on the Implementation Opinions and carry out anti-corruption, anti-bribe and anti-monopolization work in an effective manner. The group sticks to the principles of “honesty and fairness”, tries to keep the market order with free and fair competition, insists on win-win cooperation and protects rights and interests of cargo owners and stakeholders. The group requires its subsidiaries to include the anti-corruption, anti-bribe and anti-monopolization work into the daily evaluation of employees and annual evaluation of the top executives.

In order to better support the performance of social responsibility, all subsidiaries of COSCO Group established workers' congress to realize democratic management. They set up sustainability committee and administrative management department to keep the favorable partnership relationships with the communities. They also set up the supervision and disciplinary inspection offices for anti-corruption work, and the administrative offices such as the general manager's office for daily meeting, reception and affairs of the company. The marketing or sales departments of the subsidiaries are responsible for implementation of national and international policies, rules and regulations regarding anti-monopolization and anti-unfair competition.

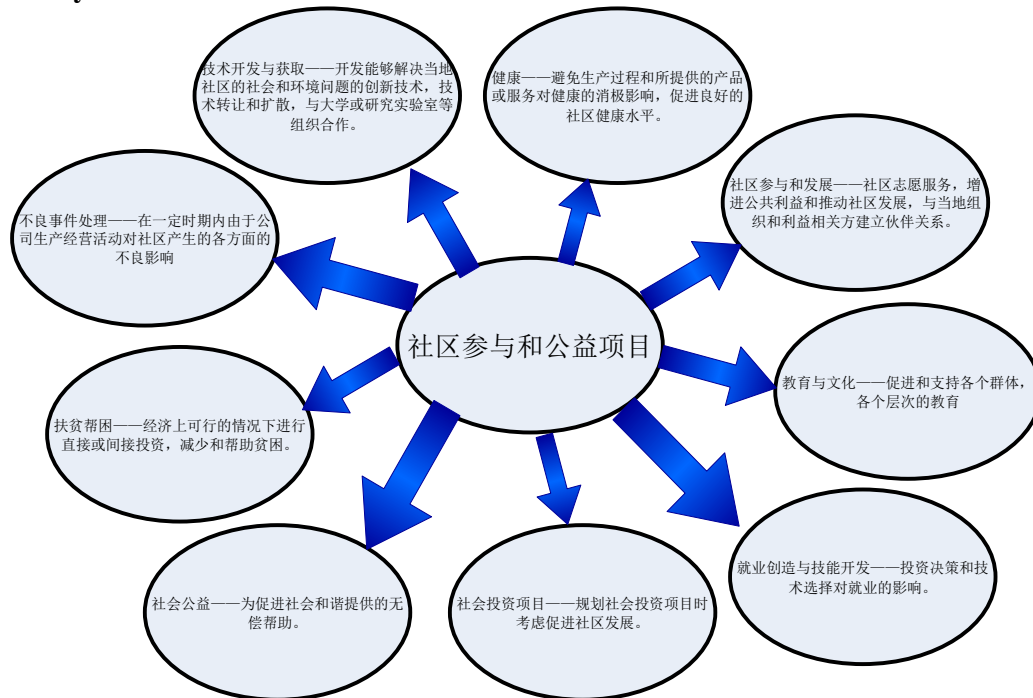
COSCO Group has been dedicated to promoting the social responsibility concept and culture throughout the company in an effective manner through training and communication of employees, introduced the concept and culture to the visiting guests, brought the community building, anti-corruption, anti-monopolization and law-compliance work into the training plans, and organized training and education in an organic, multiple-formed and multiple-layered manner.

COSCO Group insists on operating in a legal manner, strictly abides by international conventions, laws, rules and regulations as well as local laws, rules and regulations (industry and commercial, environmental and security laws), tries to do things in accordance with the laws, and forms the favorable atmosphere of studying, knowing, abiding by and using the laws.

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. Local Community



1. Community Involvement and Development

COSCO Group kept close cooperation relationships with stakeholders in the community. The stakeholders in the community include governmental departments, military units, non-profitable organizations and non-governmental organizations. It 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. 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.

On Oct. 22 to Oct. 24, 2014, Tang Haiqing, a staff of the Engineering Department of COSCO Logistics Qingdao, went to Jinan to donate hematopoietic stem cells for an acute leukemia sufferer, becoming the 53rd non-hematological donator of hematopoietic stem cells in Qingdao, and also the first employee of COSCO Qingdao who donates the hematopoietic stem cells. Tang Haiqing hoped that more and more people could join the China Marrow Donor Program to make their own contributions and share the oasis of life with more patients.





2. Education and Culture

By helping communities to alleviate poverty through knowledge and technology, COSCO Group has promoted the educational development and cultural quality elevation of the communities, and provided a strong guarantee for spiritual civilization construction.

In recent years, COSCO Group cooperated with the “Education for China” project team of UNESCO, and conducted a survey on teacher force at elementary and middle schools in Anhua County. With the sponsorship of COSCO Charity Foundation, the project team will dispatch 15 excellent teachers to remote schools in the county, so as to improve the educational level of remote area. So far, a total of 13 teachers have assumed their posts.

On the basis of Yunnan Lincang Education-aid Project and Scholarship Program, “Navigation • Dream” carried out the “Education for China” education-aid project to dispatch teachers to Hunan in 2014. The 2nd Lincang “Charity Foundation Cup” Calligraphic and Drawing Competition for Elementary School Students was held, receiving good social effects and echoes. Besides the Yunnan Lincang Education Aid Program, the 8th Session of “Navigation • Dream” program provided 4670 student desks and tables, 409 teachers’ desks and tables, 376 dining tables and desks, 1216 beds and 194 teaching desks for 28 schools in local place, improving the studying, living and dining conditions of students and working conditions of teachers.

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.

In 2014, COSCO Shipping recruited a total of 103 persons from graduates of maritime schools including 79 self-owned seafarers and 24 staff of organs, performing the due obligations and responsibilities of corporate citizen in employment of college students.

4. Social Investment Projects

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. COSCO Group paid special attention to the role of community in supporting development of the enterprise, actively enhanced the cooperation with local communities, tried to create wealth for the communities, and promoted development of the community. All subsidiaries paid taxes in full amount of on-time, insisted on local procurement, created employment opportunities for the community, helped local residents to elevate the employment ability, so as to power development of local communities.

On Jan. 24, 2014, Qingdao Municipal People’s Government held the press conference for 2013 Qingdao Top 50 Local Taxpayers and COSCO Qingdao received the honorable title of 2013 Top 50 Taxpayer.





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.

At 00:35 on Nov. 8, 2014 of local time, COSCO Funingwan Liner of COSCO Shipping was navigating from Saint Rose Port in U.S. to Saint John's Port in Caribbean Sea by the planned shipping route. On the way, it received the call of United States Coast Guard. Funingwan Liner navigated to the disastrous area under the guidance of United States Coast Guard, and saved a sailing boat called Mahler under the assistance of the United States Coast Guard. At that time, the boat had lost its power, and the sea area has bad weather conditions, the boat may sink at any time. It was lucky that Funingwan Liner reached the disastrous area on-time and dragged the boat to safe port.

In 2014, a total of 1,366 volunteers of COSCO Group participated in various social and community activities as volunteers, which had created good social effects.

6. Helping Those in Poverty and Difficulties

Helping the poor is a traditional virtue of Chinese nation, and also an excellent tradition of COSCO Group. All subsidiaries of the Group use various means to participate in social and community activities and to faithfully fulfill their corporate social responsibilities.

In June 2014, COSCO Bulk, when promoting the "Navigation · Self-strengthening" Program, helped Chen Jun, a seaman who was in difficulty, to gain RMB100,00 of non-interest poverty-aid loan from Gaomi Municipal People's Government of Shandong Province. The loan was used for New Hope Anglo-American Culture Training Center, helping the center to expand the scale, improving the teaching conditions and elevating the teaching quality. In the meantime, it also tried to encourage all parties of the society to care and help the seaman who are in difficulties. Now, a total of four summer English training classes have been offered, with 150 students recruited. Chen Jun's cautious and careful teaching style received high praises from parents and students.




On June 4, the graduation work of Gu Chen, a daughter of a seaman who is in difficulty of the company debuted at the 2014 Graduation Work Exhibition of Tianjin Academy of Fine Arts. Gu was the 58th child of seaman who is in difficulty that completed the college education with sponsorship of the company. By the end of 2014, the company has offered RMB738,400 capitals, sponsoring 575 children who are in difficulty.

COSCO Shipyard Zhoushan insisted on aiding children of migrant workers. In 2014, a total of 16 volunteers joined the training station to help over 30 children of migrant workers.

The Communist Youth League Committee of COSCO Shipyard Nantong/Qidong COSCO Ocean Engineering held a donation activity themed on "joining hands with poverty-stricken mountainous areas and sending warmth for them". The activity aims to help minority





nationalities in Lugu Lake, Dali, Yunnan Province and the Lepriasis Village in Qidong Binhai Industrial Park. A total of 500 winter coats for children, 430 coats for adults, 20 toys for children and 50 books were raised. Nantong TV Station also made on-site report on the event.

7. Disposal of Adverse Events

In 2014, all subsidiaries of COSCO Group have neither caused any adverse events in local communities nor received any complaints on pollution to the communities.

8. Technical Development and Possession

COSCO Group pays close attention to technical supports for community development, and has used its own advantages to provide technical supports and services for development of local communities.

9. Health

COSCO Group took health as the basic right of people, supported the bodybuilding center for local residents, promoted AIDS protection and control and regulations on smoking prohibition in public venues, prevention and treatment of epidemic disease, and paid close attention to physical and psychological health of residents in local communities.

(II) Anti-corruption and Anti-commercial Bribery

1. Overall Planning and Deployment

Since 2014, 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 focused on the targets and working requirements of made at the 2014 work conference of COSCO Group, promoted the reform of supervision system and innovation of related methods in an in-depth manner, promoted key works such as supervision & inspection, vertical supervision, dealing of letter and visit cases, computing audit pilot project and joint construction of inspection units and enterprises to prevent against job-related crimes, and achieved good results in party's work style building and anti-corruption work.

2. Implementing the Spirits Conveyed in Eight Regulations of CPC Central Committee

With the mass line educational practice as the opportunity, the group carefully inspected the issues, focused on rectification of working style, and achieved new results in working style building work. It helped the party group to formulate working plans, coordinated with related functional departments to conduct special rectification on four significant issues, strictly control the expenditures of business trip, business vehicle and business treatment, and strictly control the management of duty performance treatment and business expenditure of corporate responsible persons. Notices were made at critical time to put forward the requirements on anti-corruption, and strictly prohibit the delivery of holiday gifts, which violate the spirits conveyed in eight regulations of CPC Central Committee. In response to the potential issues regarding four working styles, it timely talked with, educated and warned the persons involved, promoted the timely rectification of issues existed and promoted the establishment of normal and long-term mechanism for party style building work.



3. Deepening the Building of Punishment and Anti-corruption Systems

With the implementation of responsibility system for improving party's work style and building a clean government as the focus and the systematic prevention and control as the guarantee, it enhanced the investigation of responsibilities on supervision and disciplinary inspection work, strengthened the prevention of duty crime, propelled all levels of party groups to perform their main role in building of party's work style and anti-corruption work, all levels of disciplinary inspection committees to assist the party to perform supervision responsibilities, all levels of leaders and managers to perform "double responsibilities at one post", integrated the punishment and prevention system into operation and management, internal control and comprehensive risk management systems, and carried out anti-corruption and risk prevention work actively.

4. Promoting the Reform of Vertical Supervision System Steadily

The Plans for Reform of Vertical Supervision System of COSCO Group were formulated to specify the guiding ideas, basic principles and working objectives of vertical supervision, determine the step-by-step arrangement of audit work, specify the duties of supervision department and audit department of the group, and the organization and implementation procedures of audit project. It determined the selection, training, use and evaluation of employees of the audit department and the business management authorities. All direct affiliates also refer to experience of vertical supervision work based on practical situations of their enterprises, innovatively applied vertical supervision methods to carry out supervision work. It effectively integrated the internal audit and supervision resources and constantly elevated the efficiency and level of anti-corruption work.

5. Staggered Achievements Made in Computer Audit Pilot Project.

The group did a better job in promotion, application, improvement, deepening and summary of the project. It formulated detailed data collection plans and data collection procedures, and determined the inter-linkage data collection and treatment mechanism; It designed and built database and data market, constructed automatic data input interface, online data reporting platform and systematic data management module, developed core functions such as monthly data remote reporting system, online verification and automation input functions of OLAS system, and made breakthrough in terms of data collection, application and management. It improved the application functions such as analysis and warning, issue collection, and audit and analytical report, and built and improved the core modules such as capital and cost. Special training was offered for functions, usage and demands of OLAS1 system, and four pilot units were arranged for pilot project of data collection and reporting work.

6. Doing a better job in letter and visit work and inspection of cases.

The group enhanced the basic work such as acceptance, handling and review of letter and visit, strengthened the guidance on letter and visit work of direct affiliates, enhanced the preliminary review of important letter and visit cases, promoted the inspection and handling of related issues through communication and coordination, and inspected the significant issues that violate the spirits conveyed in eight regulations of CPC Central Committee and the detailed measures of the group. It focused on inspection of negligence, bribery and corruption cases, and strengthened the handling of commercial bribery cases. In the whole year, it received 141 letters and visits, handled 24 cases, solved 19 cases, with the settlement rate of 79.17%. A total of five cases were handled, and all of the cases have been completed. Two persons were sentenced into prison, while three persons expelled from the party.

7. Strengthening the Supervision on Internal Audit of the Enterprise.

COSCO Group made constant efforts to enhance the supervision of audit work, and played the role of audit work in finding the issue, unveiling the risk and propelling the rectification. In the whole year, it conducted



18,002 times of internal audits, finding 1778 issues. A total of 1828 rectification suggestions were put forward, and 147 regulations were improved, saving RMB3.6839 million of losses, increasing the revenue and saving the expenditure by RMB155.5731 million. It insisted on “making corrections during the audit” and cooperated with the National Audit Administration in the audit work. Firstly, enhance the cost control, explore the potential and increase the benefits, and promote the cost management and cost reduction through cost control audit, engineering construction and shipbuilding and ship-repairing fee. Secondly, focus on risk prevention and control. It conducted designation audit, hiring audit firms for key engineering projects, and carried out the marketing and customer risk management audit. Thirdly, it tried to standardize the management, and attended the audit of asset disposal, shipbuilding and appraisal of important investment projects. If completed the special audit on financial settlement and financial notes of 12 domestic and foreign enterprises in the previous year.

8. Promoting the Supervision, Inspection and Efficiency Monitoring Work in a Steady Manner.

It formulated the annual supervision, inspection and efficiency monitoring work, guided related units to carry out supervision on cargo damage and difference in shipping, fuel cost management and control, material procurement management, business outsourcing management and supplier management. It inspected on the implementation of eight regulations of CPC Central Committee, the responsibility system for building of party’s work style and construction of a clean government, implementation of “three important and one significant” decision-making systems, anti-corruption risk prevention and control, and prevention of commercial bribery. Rectification was made on issues found in the inspection tour, related functional departments were coordinated to conduct supervision and evaluation, and the suggestions were given to the units being inspected in written form. In 2014, a total of 345 supervisions were made in the entire system, with 269 issues found. A total of 317 rectification opinions were given, and 214 issues were rectified. A total of 164 rules and regulations were improved, saving RMB4.311 million of losses and increasing the revenue and saving the expenditure by RMB17.7688 million.

9. Carrying out the anti-corruptive educational activity carefully.

Efforts have been made to carry out the work to prevent duty crime through construction of inspection units and enterprises. In accordance with the requirements of “full coverage and no dead angle, the work was carried out in 10 major regions including Beijing, Guangzhou, Shanghai and Dalian. The anti-corruption month activity themed on “enhancing the building of work style and promoting clean working style”, and focused on “six ones”. So far, more than 12,800 cadres in the system have participated in the Q&A on non-corruptive employment knowledge. The “10 prohibitions” special rectification and commitment activity was carried out in accordance with the uniform deployment of the party group. The non-corruptive employment awareness of all levels of party members and business elites was further elevated.

10. Elevating the ability of disciplinary inspectors and supervisors.

The group implemented the requirements of the upper level on “three transformations”. Definite requirements have been put forward to part-time work of secretaries of disciplinary inspect committees of second-tier units, and the internal organization of supervision department was adjusted. Special attention has been paid to building of disciplinary inspection and audit teams, details measures have been formulated to enhance building of departments. Studying activities and survey and investigation were organized to elevate the comprehensive quality and duty-performance ability of employee team. Exchanges between disciplinary inspectors and supervisors were enhanced. Many business elites were selected from the system temporarily to join the audit team of the group, and professional technical elites were dispatched to supervision department to improve the knowledge structure of the department. Exchanges of secretaries of disciplinary inspection committees working in the same unit for relatively long time were organized to elevate the energies of the disciplinary inspection team. External training and studying were enhanced. Responsible persons or backbones of the supervision department of COSCO Group and the disciplinary inspection units of the subsidiaries were selected to attend

the trainings offered by the Disciplinary Inspection Committee of CPC Central Committee and the Disciplinary Inspection Committee of SASAC.

(III) Public Policies

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, and explored the way for sustainable development in overseas market.

Main activities attended by COSCO Group in 2014

Time	Situations of the activity
March 5 to March 13, 2014	COSCO Group Chairman Ma Zehua, as deputy of Shandong Province to the 12th NPC, attended the 2nd Session of 12th NPC, and attended the review of proposal.
June 20, 2014	Chairman Ma Zehua attended the Sino-Greece Ocean Cooperation Forum held in Athens, Greece and delivered a speech. He said that COSCO Group hopes to keep long-term and favorable relationships with Greece, and elevate its business development in Greek to a new level under the principle of mutual-beneficiary and win-win cooperation, and make greater contributions to the Sino-US friendship and cooperation.
July 14, 2014	Chairman Ma Zehua attended the Industrial and Commercial Forum of BRICS on behalf of the China Branch of BRICS Business Council, and delivered an opening speech. Chairman Ma said that the industrial and commercial circle of BRICS countries shall enhance mutual-trust, collaborative and win-win cooperation, and enhance cooperation in not only traditional resource-intensive industries, but also new emerging industries such as green energy, value-added trade and high-technology.
Oct. 10, 2014	COSCO Group President Li Yunpeng was invited to attend the 2014 Sino-Europe Hamburg Summit held in Hamburg, Germany, and delivered a keynote speech themed on "Win-win Cooperation and Interconnection Promote Sino-Europe Trade" together with Luxembourg prime minister at the opening ceremony. President Li said that COSCO Group is willing to take a leading role in logistics and shipping sectors, and provide whole-processed comprehensive logistics solution for Sino-Europe bilateral trade cooperation under the tenet of mutual benefits.
Nov. 5 to Nov. 7, 2014	Chairman Ma Zehua attended the World Shipping (China) Summit 2014, and delivered a keynote speech themed on "Strategic Consideration on Operation of Shipping Business under New Economic Normal". In his speech, Chairman Ma elaborated and analyzed the impacts of new economic normal on shipping industry



	and embodiment of new normal of shipping industry. He said that we shall promote joint-innovation of the industry and auxiliary innovation of the industry in face of new normal of economic and shipping circles, keep rational expansion and reasonable development.
Nov. 24, 2014	Chairman Ma Zehua attended the Financial Cooperation Meeting of Boao Forum for Asia held in Dubai, and delivered a speech in the first special discussion themed on “Financial Cooperation in Interconnection of Infrastructure in Asia”. Discussions were made on how to explore the potential of Asian capital market and promote construction of investment and financing platform of infrastructure in Asia, so as to realize the inter-connection of infrastructure in Asia and cooperation on energy supply.
Dec. 5, 2014	Chairman Ma Zehua attended the South Africa-China Business Forum held in Beijing World Trade Hotel as the Chinese chairman of BRICS Business Council and delivered a keynote speech. In his speech, he said that industrial and commercial circle of China and South Africa shall promote the cooperation in trade, infrastructure, finance and people-to-people exchange, and promote the continuous and healthy development of bilateral trade and investment under the principle of mutual-benefits.

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.

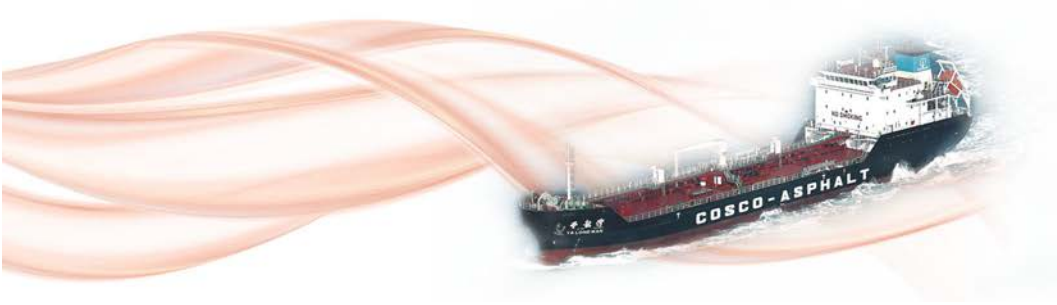
The orientation of products, services and prices of COSCO Group is high quality, high grade, high technology, low cost, low consumption; the sales promotion strategy of COSCO Group is to make innovations, produce quality goods and win reputations; the promise of marketing management and the principles 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 2014, COSCO Group didn't involve in any lawsuits due to anti-competition, anti-trust or anti-monopoly actions.

(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 2014, 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 2014, it continued to take the law popularization work as an important takes to enhance legal consciousness of employees and to elevate legal governance level, carried the legal promotion and education activity as well as Q&A activity in an in-depth manner, strengthened the enterprise legal system building, and enhanced the legal awareness of managers and employees.

(VI) Evaluation on Social Influences of Suppliers

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.

(VII) Appealing Mechanism on Social Influence Issues

In 2014, COSCO Group received no appeals regarding social influence issues.

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 2014 ('the Report') according to 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 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 during January to December, 2014, as presented in the Report.
- On-site verification at COSCON' Headquarter , and below subsidiaries:
 - COSCO Container Lines Co., Ltd.
 - COSCO Shipping Co., Ltd.
 - Dalian Ocean Shipping Company
- Interviews with external stakeholders - The representative from China Classification Society
- The verification is based on the requirement of VeriSustain, moderate level.
- Performance of GRI G3.1 core indicators revealed in the Report.
- DNV GL has not verified the financial data disclosed in the Report which had been audited by third party
- DNV GL has not found any important factor that would affect the verification.
- The verification to COSCO headquarter was conducted by DNV GL in June 2015, The verification to COSCO's subordinate companies mentioned before were conducted from August to November, 2014

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 in accordance with the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness.
- Adherence to the principles of reliability, Neutrality and Completeness.
- As part of the verification work, DNV GL also reviewed COSCO's data and management system, information collection process and control other than the information already revealed in the Report, such as,
- Examined and reviewed documents, data and other information made available to DNV GL by COSCO.
- On-site assessment of the key function departments in the COSCO Headquarters and three subordinate companies.
- Interviews with near 90 COSCO employees, including the management and responsible persons.
- 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 DNV GL VeriSustain Protocol. 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:

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 were revealed in 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, and reveal this key sustainable development performance information in a transparent way.

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' economic, social and environmental indicators and performance, the Report response the main stakeholders concerns.

If there is any inconsistency between the Chinese and English versions, the Chinese version will prevail.

ASSURANCE STATEMENT

Reliability: Acceptable. According to the requirements of moderate level of assurance, we find 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 followed GRI 3.1 to disclose the sustainability information of year 2014 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

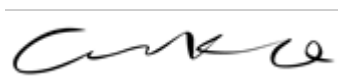
The following is an excerpt from the observations and opportunities reported back to the management of COSCO. However, these do not affect our conclusions on the Report, and they are generally in consistent with the management objectives already in place.

- It is suggested to disclose the achievement of the sustainability goal and promise setup in the year before.
- It is suggested to disclose more information of the improvement of the suppliers' sustainability performance.
- It is suggested to disclose the verification mechanism of the sustainability performance data.

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

Shanghai, China, July 2015