

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COSCO International practises the philosophy of corporate social responsibility of COSCO Group, abides by the scientific development of people-orientation and pursues comprehensive, coordinative and sustainable development. COSCO International takes its responsibilities with respect to workplace quality, environmental protection, operating practices and community involvement as an integral part of the Company's development strategies, operations and management. The existing internal policies, rules and regulations of COSCO International, such as Staff Code of Conduct (the "Staff Code") and Whistleblowing Policy provide guidances on our operations.

## REPORTING FRAMEWORK AND SCOPE

This report aims to review the performance and achievements of COSCO International's implementation of social responsibility strategies in 2015 and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

The scope of this report covers workplace quality, environmental protection, operating practices and community involvement that enhance our job fulfillment, reduce our environmental impact, reinforce our class-leading safety culture and mitigate safety and environmental risks and promote responsible engagement in the community where we operate. For the governance aspect, please refer to the Corporate Governance Report in this annual report. Among the segments of shipping services of COSCO International, certain key performance indicators from the coatings segment are relatively important. In this report, we focus on reporting the operations of head office and the business units of the core business of shipping services, especially the coating manufacturing enterprises.

## MATERIALITY ASSESSMENT

The determination of the content of this report is based on a materiality assessment and a review of stakeholders' concerns which includes the processes of a) identifying the sustainability issues and stakeholders; b) determining and prioritising the reporting issues; c) preparing the reporting issues and validating the report; and d) reviewing and addressing stakeholders' expectation.



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### Materiality Matrix

Impact on Stakeholders	High	<b>Areas identified as relevant for discussion:</b> Waste management Operating practices Community involvement Anti-corruption	<b>Areas identified as critical for disclosure:</b> Product responsibility Emissions Energy efficiency Reduction of sewage and pollutant emission Health and safety
	Low-to-Medium	<b>Areas identified as not material for disclosure:</b> Other outputs	<b>Areas identified as relevant for discussion:</b> Energy consumption Go green and environmental protection Employment standards Development and training Working conditions
		Low-to-Medium	High
		Relevance to the Group	

### Stakeholder Engagement

The stakeholders of COSCO International include Shareholders, institutional investors, customers, employees, regulators/government bodies, suppliers, business partners, bankers and industry practitioners.

COSCO International strives for mutual-benefits and joint development with customers, employees, Shareholders and other stakeholders, and tries to benefit the community with our development achievements. Therefore, stakeholder engagement is an integral part of the Company's business development and commitment to corporate social responsibility.

Recognising the necessity to build trust and productive relationships with our stakeholders, we interact regularly with them through various communication channels. During the year, Q&A session had been provided to the Shareholders to raise their concern at the 2015 annual general meeting of the Company. Besides, the Company maintained two-way communications with Shareholders, potential investors and sell-side analysts by holding results announcement press conferences, analyst meetings, post-results roadshows, annual general meeting, and organising or participating in investors' conferences or industry forums held by securities firms, one-on-one meetings and responding to email inquiries, so as to enable Shareholders and investors to understand the latest developments and future direction of the Company. In addition to day-to-day contact with customers, we arranged regular visits to key customers who provide valuable opinions about our operations and ways we can improve. Internally, employees raised their concerns through two-way appraisal.



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## WORKPLACE QUALITY

## Working Conditions

COSCO International believes that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. We are committed to providing a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits, such as healthcare benefits, education and training allowances. In order to encourage employees feedback and free expression of ideas on different aspects of workplace, such as employee benefits and communication channels, COSCO International has conducted survey to collect employees' opinions that are therefore taken into consideration when management formulates employee caring programmes.

The Group strictly complies with the rules and regulations of the Company, such as Staff Code, and the labour legislations and the relevant guidelines in different areas where the businesses situated. In Hong Kong, we complied with all applicable rules and regulations such as the "Minimum Wage Ordinance", the "Sex Discrimination Ordinance", the "Race Discrimination Ordinance" and the "Disability Discrimination Ordinance" etc.. In the PRC, we complied with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and "Law of the People's Republic of China on the Protection of Disabled Persons" etc.. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

As at 31st December 2015, the Group had a total of 969 (2014: 835) employees, all of them are permanent full-time employees.

Details of workforce of the Group are as follows:

	As at 31st December	
	2015	2014
<b>Total No. of Employees</b>	<b>969</b>	835
By gender		
Male	<b>784</b>	650
Female	<b>185</b>	185
By region		
Hong Kong	<b>102</b>	100
The PRC	<b>829</b>	700
Outside Hong Kong and the PRC <sup>(note)</sup>	<b>38</b>	35
By age group		
Below 30	<b>200</b>	171
30 to 50	<b>684</b>	589
Over 50	<b>85</b>	75
<b>Employee Turnover Rate (%)</b>	<b>8%</b>	8%
By gender		
Male	<b>7%</b>	7%
Female	<b>15%</b>	13%
By region		
Hong Kong	<b>22%</b>	19%
The PRC	<b>6%</b>	6%
Outside Hong Kong and the PRC <sup>(note)</sup>	<b>24%</b>	20%
By age group		
Below 30	<b>10%</b>	9%
30 to 50	<b>8%</b>	8%
Over 50	<b>4%</b>	4%

note: The figures refer to employees stationed in Japan, Singapore, Germany and the United States.

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### Health and Safety

COSCO International is an investment holding company and the nature of our daily operations means that we have a relatively low safety risk profile. The Company has equipped its office with suitable fire-fighting facilities like fire extinguishers. Designated staff would conduct inspection from time to time so as to ensure the exit passageway clear and unblocked. In addition, we organise fire drills from time to time. COSCO Kansai Companies, being non-wholly owned subsidiaries of the Company, and Jotun COSCO, being a joint venture of the Company, engaging in the production of inflammable and explosive coating chemical products in China Mainland, COSCO International strongly believes that ensuring stable and safety production is the most important social responsibility to its shareholders, employees and the community where it situates. Therefore, the Group has always regarded ensuring safety and stable production as one of the priorities in corporate management. All the coating enterprises have set up their own safety management system, and strictly adhered to the relevant rules such as the “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases”, the “Law of the People’s Republic of China on Work Safety” and the “Fire Protection Law of the People’s Republic of China”.

The Safety Committee of the Company was set up in 2006, with the mission of “Safety First, and Precaution is Crucial with Comprehensive Management”. It performs unified guidance, inspection, assessment, supervision, education and promotion of safety production of the subsidiaries in accordance with the “Law of the People’s Republic of China on Work Safety”, relevant laws and regulations of the local governments of the PRC, industry standards and the relevant safety management regulations of Hong Kong. The safety management work of each subsidiary is comprehensively regulated and managed, and the employees of all levels gain heightened awareness in occupational safety and health through the establishment of a normalised and standardised management system as well as the construction of a corporate culture of Health, Safety and Environment (HSE). During the year, the Company was not aware of any material non-compliance of relevant standards, rules and regulations.

COSCO International firmly adheres to “Absolute Safety with Three Zeros” as the general objective of the safety management. “Absolute Safety” refers to the safety of overall production environment be ensured and “Three Zeros” refers to zero number of reports in accident, injury and pollution be ensured. The coating manufacturing subsidiaries of COSCO International had obtained Quality Management System Certification (ISO9001), Occupational Health and Safety Assessment Series Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) formulated by the International Organisation for Standardisation (“ISO”) and they were certified, thus effectively guaranteeing the establishment of a healthy, safe and stable working environment. Daily operations are inspected by relevant department, according to the occupational health and safety requirements of the respective company. Any non-compliance will also be identified and rectified on a timely basis.



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In 2015, there was no work-related fatalities (2014: nil) nor work injury cases (2014: nil). During the year, the Group did not record any significant incident in relation to production safety so that safe and stable production was ensured.

During 2015, the Group adopted various safety and health measures as follows:

Safety measures adopted	Work implemented and monitored in 2015
<p>1. Full-range hidden hazards rectification in various forms on multi-levels by means of “Three Inspections”:</p> <ul style="list-style-type: none"> <li>○ self inspection</li> <li>○ wide inspection</li> <li>○ supervisory inspection</li> </ul>	<ul style="list-style-type: none"> <li>○ To take precautions at an early stage, the Group carried out safety inspections of each operating unit regularly and irregularly so as to track the hidden hazards and make rectifications accordingly.</li> <li>○ COSCO Kansai Companies launched three activities, namely “Safety Self-assessment Campaign”, “I Am Safety Supervisor Campaign” and “Dangerous Experience and Hidden Hazard Report Campaign”. During the year, COSCO Kansai Companies implemented various safety checks for 171 times (2014: 158 times), found 1,183 (2014: 1,363) hidden hazards, all of which have been rectified.</li> </ul>
<p>2. Increased the number of unannounced emergency drills and raised the number of examination and renewal of the contingency equipment</p>	<ul style="list-style-type: none"> <li>○ Safety Committee conducted a total of 22 (2014: 27) on-site safety inspections in the Group.</li> <li>○ Coating manufacturing subsidiaries of COSCO International held a total of 20 (2014: 23) large-scale comprehensive and special emergency drills with 914 attendances (2014: 1,216 attendances).</li> </ul>
<p>3. Promotion and education on occupational safety and health</p>	<ul style="list-style-type: none"> <li>○ Set different safety and health training goals for different safety management tasks and organised a variety of training activities.</li> </ul>

In addition, Jotun COSCO has adopted fundamental measures on occupational health and safety. For engineering control, it has taken considerations of and implemented production facilities with relatively high level of occupational health protection at the stage of plant design. For individual protection, it has equipped its employees with labour protection appliances of relevant level based on exposure hazards of different jobs. Safety Committee also conducted 2 (2014: 2) on-site safety inspections in the plant of Jotun COSCO during the year.

### Development and Training

COSCO International places strong emphasis on the career development of individual employees. Employees are encouraged to keep abreast of the changing world and pursue continuing education, so as to cope with the rapidly changing society and meet the evolving corporate development needs. The Group encourages and subsidises its employees to participate in individual continuing education programs which are related to their job duties, with a view to strengthening the professional career training of its staff teams, promoting professional expertise of management teams and stimulating the potential abilities of employees. In addition, in order to enable new staff to fit into the Company and comprehend the company policy and corporate culture as soon as possible, the Group provides basic orientation training for all the new staff. On-site study will be arranged for new staff in the business department of relevant subsidiary of the Company so as to enhance their theoretical knowledge and professional quality for better job done.



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During the year, the Company also organised working seminars or meetings in relation to business development, thus increasing the opportunities for the different levels of staff and professionals from different regions to exchange and explore issues through active discussion of and expression of views, thereby achieving a better result for exchange and learning from each other during trainings. In addition, the Group's employees also attended seminars held by professional bodies from time to time to enrich their business knowledge. Frontline sales staff would also enhance their skills through sales technique training. In future, the Company will continue to enhance the quality of the management staff and provide more advancement opportunities through systematic training management to motivate each employee to grow together with COSCO International.

Training records of the employees of the Group are as follows:

	For the year ended 31st December	
	2015	2014
<b>Total no. of training hours received</b>	<b>18,621 hours</b>	17,905 hours
Average no. of training hours per employee/rate of employees trained by employee category		
Senior	<b>24 hours/82%</b>	20 hours/81%
Middle-level	<b>28 hours/84%</b>	25 hours/90%
General	<b>15 hours/64%</b>	20 hours/83%
Average no. of training hours per employee/rate of employees trained by gender category		
Male	<b>13 hours/64%</b>	17 hours/82%
Female	<b>35 hours/82%</b>	38 hours/94%

### Employment Standards

The Company has a set of comprehensive human resources management policy set out in rules and regulations of the Company to support everything we do in regard to human resources. The policies include recruitment, appraisal, training and benefits, such as subsidy of annual subscription fee for professional bodies to which the employees belong. In addition, our subsidiaries also have their respective entry administrative regulations. The Group has always strictly observed the relevant legislations of different regions regarding the equal employment opportunities, child labour and forced labour.

COSCO International abides by the employment regulations, relevant policies and guidances of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" and the "Occupational Safety and Health Ordinance", etc. in Hong Kong; and the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Disabled Persons" etc. in the PRC. As such, the Company can ensure the employees' enjoyment of human rights and the effective prevention of the phenomenon of child labour or forced labour.



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The Company has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices, including but not limited to compensation and remuneration, recruitment, working hours, equal opportunity, health and safety, child labour and forced labour.

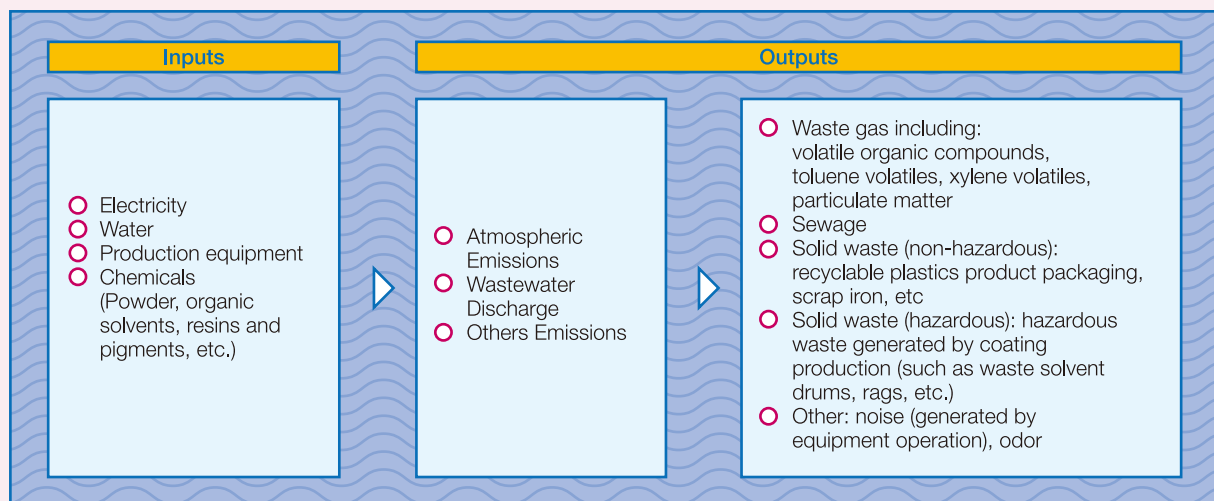
### ENVIRONMENTAL PROTECTION

The Group is committed to promoting green operation and actively implementing energy saving, emission reduction and recycling. Especially, the coating manufacturing subsidiaries of the Company have strictly implemented the various systems and management measures stated in the Environmental Management System Certification formulated by ISO, and developed new technologies and skills for the promotion of energy saving and emission reduction, in order to minimise the environmental damage caused during the production process. Internally, we encourage our employees to adopt environmentally responsible behaviour and continue to improve our environmental management practices and measures to reduce the use of other resources, minimise wastage and increase recycling.

The coating manufacturing subsidiaries of the Company strictly comply with the laws and regulations in the PRC, including but not limited to the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Environmental Protection Law of the People's Republic of China" and the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste", as well as different local rules and standards in the PRC in respect of prevention and control of environment pollution by discarded dangerous chemicals, standard of air pollutants and integrated wastewater discharge standard. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

### Emissions

The coating manufacturing subsidiaries of the Company require the following inputs in the operation and production of coatings, the outputs that have an impact on the environment are listed below:



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### Types of emissions and respective emissions data of coating manufacturing subsidiaries of the Company

	Unit	2015	2014
Sewage	metric tons	<b>43,873</b>	27,046
Waste gas:	metric tons	<b>1.63</b>	2.43
Volatile Organic Compound ("VOC") and Benzene	metric tons	<b>0.18</b>	0.01
Toluene	metric tons	<b>0.18</b>	0.28
Xylene	metric tons	<b>0.26</b>	0.58
Particulate matter	metric tons	<b>1.01</b>	1.56
Solid waste (Hazardous)	metric tons	<b>1,165</b>	1,788
Solid waste (Non-hazardous)	metric tons	<b>101</b>	97

### Greenhouse gas ("GHG") emissions data of the Group

	2015	2014
Total GHG emissions (Scope 1 and 2) (metric tons)	<b>4,098</b>	4,450
Total GHG emissions (Scope 1 and 2) per floor area (metric tons/m <sup>2</sup> )	<b>0.14</b>	0.18
Total GHG emissions (Scope 1 and 2) per employee (metric tons/employee)	<b>4.23</b>	5.33
Total GHG emissions (Scope 1, 2 and 3) (metric tons)	<b>4,447</b>	4,821
Total GHG emissions (Scope 1, 2 and 3) per floor area (metric tons/m <sup>2</sup> )	<b>0.15</b>	0.20
Total GHG emissions (Scope 1, 2 and 3) per employee (metric tons/employee)	<b>4.59</b>	5.77
Direct emissions (Scope 1) (metric tons)		
Petrol <sup>note 2</sup>	<b>220.29</b>	288.62
Diesel <sup>note 2</sup>	<b>230.95</b>	221.61
Indirect emissions (Scope 2) (metric tons)		
Electricity <sup>note 3</sup>	<b>3,647</b>	3,940
Indirect emissions (Scope 3) (metric tons)		
Business travel <sup>note 4</sup>	<b>188.54</b>	214.83
Paper consumption	<b>160.02</b>	155.59

notes:

1. GHG emissions data is presented in carbon dioxide equivalent.
2. Emissions data relating to petrol and diesel are arising from company vehicles.
3. As disclosed in note 2. under the section headed "Energy Consumption" of this report, emission data relating to electricity excludes COSCOSHIP Beijing Company Limited.
4. Business travel refers to business travel by air. Emission data relating to air travel was largely based on the International Civil Aviation Organisation Carbon Emissions Calculator. Such emission data relating to business travel excludes COSCO Kansai Companies.
5. The intensity is calculated based on the total floor area (plants and offices) and total number of employees of the Group.

During the year, total packaging materials used for coatings by COSCO Kansai Companies were approximately 3,869 tonnes (2014: approximately 4,776 tonnes).





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### Reduction of Sewage and Pollutant Emission

During the year, the environmental management measures on emission reduction and sewage reduction implemented by coating manufacturing subsidiaries of the Company were as follows:

- Cleaned the environmentally friendly sewage treatment sedimentation tank on a regular basis, inspected the condition of water pump and aeration tank and made corresponding records, and enhanced the management on sewage treatment in order to meet the sewage discharge requirements of environmental protection department.
- Used pipelines, central ventilation system and dust filtration equipment to reduce waste.
- Promoted proactively the replacement of solvent coatings by water based coatings to reduce the emission of VOC.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, water and electricity in order to avoid resources wastage.
- Strengthened the management and supervision of on-site operation to reduce waste.
- Adopted measures to increase the utilisation of waste and packing materials, including replacing the small packages by large packages.

### Waste Management

The Group is dedicated to managing waste in a responsible way and strives to optimise the use of resources. Hazardous wastes like discharge from waste and waste gas treatment facilities and waste equipment cleaning solvents as well as wastes from workshops and research and development laboratories, etc., are delivered to qualified units for processing. Non-hazardous wastes like some waste bags, clips, papers, etc., are recycled by qualified units for reuse. General garbage is cleaned by the sanitation department regularly.

During the year, the coating manufacturing subsidiaries of the Company adopted the following waste reduction initiatives:

- Strengthened staff's awareness and knowledge about hazardous wastes and treatment of hazardous wastes through training workshops.
- Enhanced hazardous wastes collection and storage management.
- Advanced production operations management, to ensure smooth production and reduce the generation of hazardous wastes.

During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations and had no significant incident record of environmental pollution.

### Energy Efficiency

The Company considers that "Energy" is one of the sustainability priorities, and improvement of the energy efficiency of operations will not only ensure improved environmental outcomes, but also reduce cost and improve operational efficiency in the long-term.

The Group held diversified trainings and education activities through cooperation with different environmental protection organisations to raise its employees' awareness of environmental conservation, enhance the application and knowledge of energy saving and emission reduction, energy efficiency, thereby further establishing a corporate culture of low-carbon office. COSCO International launched environment-friendly campaign of "Saving a drop of water, a kilowatt of power and a piece of paper" by encouraging staff to reduce office consumables such as printing papers; to save energy by turning off the computers or electrical appliances and equipments when not in use, using energy efficient bulbs, and adjusting the air conditioning temperature to 25°C at office, so as to build up conservation awareness among all staff and save energy.



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In addition, COSCO Kansai Companies adopted the following energy saving measures in daily operation during the year:

- Launched Total Productive Maintenance (“TPM”) campaign for all staff, organising regular TPM training for staff in workshops to enhance staff’s awareness on regulated operation of equipment so as to reduce equipment failure and impairment, improve operation efficiency and ensure the safe operation of equipment.
- Replaced old lighting with highly energy efficient light-emitting diode (“LED”) lights. This measure not only increases the brightness but also reduces electricity consumption and saves energy. On average, one LED light can save up to 150 kWh per year.
- Through the promotion activities of energy savings by the channels of network, billboards, television in canteens, employees can better understand the significance of energy saving. In addition, a number of energy conservation promotional banners and posters were post up in various places to remind workers. Through catchy slogan and posters, everyone paid high attention to environmental protection and resource conservation.
- Strengthened energy conservation training and education. During the off season, the companies organised trainings on the knowledge of energy conservation and hazardous waste, to improve the awareness of energy conservation and the waste disposal specification.
- Utilised new technology and process to reduce energy consumption.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, water and electricity in order to avoid resources wastage; further reinforced publicity and education through posting small stickers about saving electricity beside the switches of the meeting rooms and office etc.; regulated the temperature of air-conditions to be not lower than 26°C in summer and not higher than 20°C in winter; carried out patrol inspection by the logistics department to further ensure that the electrical equipments in public area are powered off on a timely basis; upgraded the water heating system in bathroom with time-to-temperature linkage function, which sets up the time of heating according to the user number and water consumption and heats up automatically during the electricity slack hours at night; and further specified the working schedule of production equipment in workshop like sanders and sanding blenders as per our standard production accessions.

### Energy Consumption

The following is energy consumption of the Group by type:

	2015	2014
Total water consumption (metric tons) <sup>note 1</sup>	<b>95,936</b>	61,687
Total water consumption per floor area (metric tons/m <sup>2</sup> ) <sup>note 1</sup>	<b>4.03</b>	3.34
Total electricity consumption (kilowatt hour) <sup>note 2</sup>	<b>3,973,025</b>	4,355,372
Total electricity consumption per floor area (kilowatt hour/m <sup>2</sup> ) <sup>note 2</sup>	<b>135.90</b>	182.49
Total electricity consumption per employee (kilowatt hour/employee) <sup>note 2</sup>	<b>4,195.38</b>	5,357.16
Total natural gas consumption (metric tons) <sup>note 3</sup>	<b>0</b>	4

notes:

1. As the water supply of the members of the Group (except for COSCO Kansai Companies and SZ COSCO Insurance Brokers) is controlled by the respective property management office or landlord of the office premises and provision of sub-meters for the units occupied by them are not available, the amount of water consumed by the Group other than COSCO Kansai Companies and SZ COSCO Insurance Brokers is not available. Therefore, the intensity for water consumption is calculated based on the floor area (plants and offices) of those members of the Group having water consumption data.



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2. As the electricity supply of COSCOSHIP Beijing Company Limited, a subsidiary of the Company, is controlled by the property management office or landlord of the office premises and provision of sub-meter for the unit occupied by COSCOSHIP Beijing Company Limited is not available, the amount of electricity consumed by COSCOSHIP Beijing Company Limited is not available. Therefore, the intensity for electricity consumption is calculated based on the floor area (plants and offices) and number of employees of those members of the Group having electricity consumption data.
3. Only COSCO Kansai (Shanghai) consumed natural gas in 2014 and there is no natural gas consumption of the Group during 2015.

### Go Green and Environmental Protection

#### *Development and Promotion of Green Coating Products*

In respect of the promotion of green coating, COSCO Kansai Companies and Jotun COSCO have made great efforts in the research and development and promotion of green coatings for years. COSCO Kansai Companies actively shifted its focus from price competition in a homogeneous product to gaining leadership by differentiated technologies, enhanced their technical research and development work, increased their technology reserves, as well as improved their innovative capability and their ability for applying new technology. Among their products, the fluorocarbon coatings for wind turbine tower with a 20-year ultra-long anti-corrosion period and the high performance anti-frozen coatings for wind turbine blade developed by COSCO Kansai Companies have become the leading products for coating upgrade in marine wind turbine and specific coating areas. In 2015, both the fluorocarbon coatings for wind turbine tower with ultra-long anti-corrosion period and the trial coating in respect of high performance water-based container coatings delivered satisfactory performance and won customers' trust. The newly developed water-based trailer coatings have been successfully launched and the marketing promotion effort is expected to increase. COSCO Kansai Companies have successfully developed and introduced water-based primer for use in light steel structure, with a plan to promote the application of this product in 2016.

In 2015, Jotun COSCO continued to enhance the promotion of Hull Performance Solution and the high performance anti-fouling coating, Sea Quantum X200. As such product can lessen the roughness of the vessel body, enhancing saving energy and accelerating the speed. Theoretically, it can save up to 13.2% fuel consumption, as compared with market average level, which greatly reduces the fuel cost of shipowners and reduces emission of greenhouse gases. During the year, the Sea Quantum X200 anti-fouling coatings were successfully applied in several new build very large crude carriers and container vessels. Hull Performance Solution of Jotun COSCO has gained increasing recognition from the industry.

#### *Promotion and Implementation of Green Coating Standards*

Green coating is an important component in the development of green shipping. The Company actively promotes the development of green coating in an effort to protect the global climate. With its professional experiences and techniques in developing and using green coatings over the years, Jotun COSCO participated in formulation of international standard, namely the "Anti-fouling and Anti-rusting System for Vessel Body" which has been issued and the formulation of another one, namely "ISO 19030: Measurement of changes in hull and propeller performance" led by Jotun COSCO will also be launched. Such efforts of Jotun COSCO can maintain the effective and sustainable development of shipping enterprises. Jotun COSCO has actively developed products with high solid content and low VOC in order to reduce VOC emissions.

## OPERATING PRACTICES

Being a responsible enterprise, COSCO International seeks to understand the customers and their business and adheres to trading practices that comply fully with local and international law. Staff are required to observe internal and external codes of conduct prohibiting bribery, fraud, competitive behavior and corruption. As the reputation of the Company and the quality of products are extremely important, the Group therefore emphasises that purchases must be made from suppliers after going through internal selection.



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### Supply Chain Management

Suppliers management measures govern the engagement of suppliers. The Group implements supplier management in accordance with internal guidance. Suppliers are chosen according to screening and evaluation procedures among the suppliers, based on the quality as well as price. In addition, to ensure supplier capability in quality assurance, safety and other aspects of environmental management, field investigation will be conducted on their production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the selection by the Group.

The Group strictly implements supplier management. All suppliers will be assessed with criteria specified by the Company for this purpose, through which we will evaluate new suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and discipline. The information and relevant qualification documents in relation to the suppliers are updated annually.

Number of suppliers of the Group by geographical region are as follows:

Year	China Mainland	Hong Kong	Other Countries
2015	791	122	765
2014	865	122	768

### Product Responsibility

The Group is committed to providing quality, health and safety products and services to its customers in accordance with the applicable local and international laws. COSCO Kansai Companies were registered as dangerous chemical production enterprises pursuant to the relevant rules and regulations of the PRC. Unified classification and format of product safety technical manual and safety label according to the relevant requirements of State Administration of Work Safety are used. In addition, COSCO Kansai Companies strictly comply with the notice of "Implementation Plan For Reducing Lead Content in Coating of Container Industry" (集裝箱行業降低油漆鉛含量實施方案) issued by China Container Industry Association, GB9750-1998 Marks for the "Package of Coating Products" of the People's Republic of China, GB15258-2009 "General Rules for Preparation of Precautionary Label for Chemicals" and the "Product Quality Law of the People's Republic of China". During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

The Group continuously strives to provide customers with quality products and services, high attention is paid to complaints about products and services. Procedures for handling complaints are in place to deal with complaints in relation to the services and product. Specific person(s) is(are) responsible to investigate and take certain corrective measures to avoid such complaints in the future. During the year, the Group has received 12 (2014: 10) products and services related complaints and the companies concerned have made adjustment on the production methods and products and replacement of goods. All complaints have been properly handled and settled.

To ensure the product safety and quality, quality assurance process and recall procedures were established. In the production process, sampling and laboratory testing would be conducted regularly. Any product that fails to meet the standards would be classified as inferior-quality product for further investigation. Recalled products would be tested and in case the products meet with the standards, they would become stock, otherwise adjustments would be made. However, if the products fail to meet with the standard after adjustment, they would be destroyed. During the year, no products manufactured by the Group sold was subject to recalls for safety and health reasons (2014: nil).



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company attaches great importance to intellectual property. COSCO Kansai Companies have responsible departments specialising in maintenance and management of intellectual property, keeping proper communication with the State Intellectual Property Office of the PRC and conducting patent search for the existing product technology regularly so as to make good use of patent in product development.

In the daily operations in Hong Kong, personal data from the stakeholders of the Company is collected from time to time for different purposes. Personal data is collected only for lawful and relevant purposes and in accordance with Hong Kong Personal Data (Privacy) Ordinance. We ensure that personal and business information of our stakeholders is used in the proper context and exclusively for authorised business purpose, being accessible only to those staff who need to know. For the operations in the PRC, customer management measures are adopted and specific personnel is responsible for the maintenance of customer data in order to strictly protect consumers' data and privacy, which are traced in the customer satisfaction surveys.

### Anti-corruption

In order to ensure the Company's reputation be enhanced by the honest, loyal and ethical behaviours of staff, the Group has in place a formal Staff Code and Whistleblowing Policy. Staff Code serves as a clear and complete guideline to monitor the code of conduct of the employees of the Group during daily operations. Every year, the Group reviews the implementation status of the Staff Code within the Group through a self-inspection process by the Company and each of its subsidiaries, in order to ensure that the Staff Code had been thoroughly applied throughout the actual operations and management practices, so as to balance and safeguard the interests of the Group and the stakeholders and build up a long-term partnership. Whistleblowing Policy provides a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group. Employee who has a malpractice concern can inform the relevant designated superiors or take the complaint directly to the Chairman of the Audit Committee. Electronic reporting mailbox and a hotline were established, all reporting is treated as confidential and in a sensitive manner. The chairman of Audit Committee would review the complaint and decide how the investigation should proceed. In addition, the subsidiaries of the Company in China Mainland also developed relevant systems to prohibit commercial bribery, and strictly complied with relevant laws including the "Criminal Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China" and the "Bidding Law of the People's Republic of China". Each subsidiary attached importance to contract and strictly obliged the terms and strictly complied with relevant laws and requirements during the operating activities. Meanwhile, great importance was attached to the construction of prevention and punishment systems. In addition, the Group continued to advance its comprehensive risk management. On precautions, the Group focused on enhancing incorruptibility education, refining the procurement tender system and improving the system of selection and appointment of key staff, as well as implementing the key personnel rotation system. For the channel of whistleblowing, the reports were mainly delivered to the general manager's mailbox and the Internal Audit Department. On monitoring methods, there was routine audit by external professional institutions and internal special audit as well as daily review on systems. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations. Furthermore, there was no legal case regarding corrupt practices brought against COSCO International or its employees during 2015 (2014: nil).

Furthermore, the Group promotes corruption-free business and has from time to time arranged different levels of staff, ranging from top management to front-line staff, to participate in a series of business ethics seminars conducted by the Company and/or COSCO Hong Kong, with the aim of further enhancing the professional conduct and integrity management of its management team, promoting a management culture with high values of business ethics and incorruptibility and enhancing the staff's recognition and commitment to the Staff Code.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### COMMUNITY INVOLVEMENT

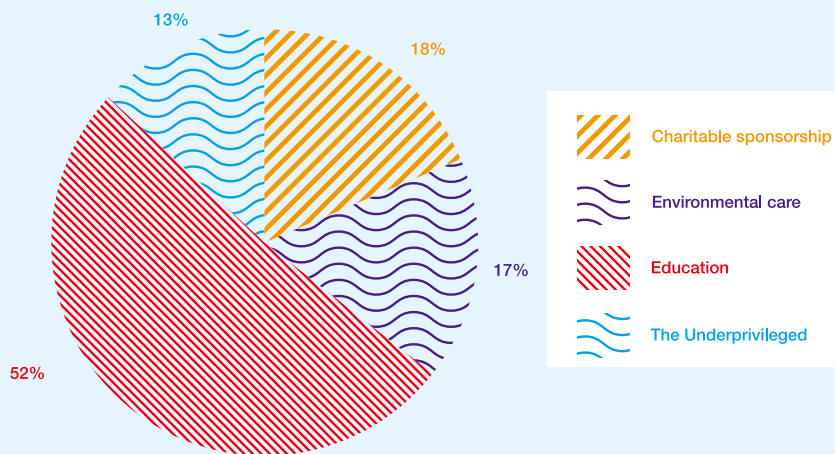
#### Community Investment

COSCO International is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders. Under the philosophy of “giving back to the community with what they get from the community”, COSCO International does not only endeavour to fulfill its obligations as a corporate citizen and proactively give back to the society, but also motivates its employees to participate in various social charitable activities, so that it can contribute to the country and the community, and provide more assistance to the people in need.

Since 2014, COSCO International has formulated a charitable donation policy. The donation policy is intended to provide a guideline for the Group in allocating the fund to the non-governmental organisations and other charitable bodies. It formalises the manner in which its philanthropic efforts are handled and to ensure its commitment to building partnerships in the communities in which the Company and its subsidiaries operate. In accordance with the policy, the Company would, in principle, set the charitable donation budget as about 0.1% of the profit attributable to the shareholders of the previous financial year for all direct donations and indirect expenses to all charitable events and related community services for the year. The actual amount of the charitable donation may be adjusted appropriately in line with the profit performance, and the actual charitable donation budget plan has to be submitted to the senior management for final approval every year.

During the year, the Group’s involvement in the community continued focusing on the areas of education, environmental care, and volunteer services for the underprivileged.

#### Breakdown of Allocation of Charitable Donations in 2015



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Education

#### ***Continuous Support to Education in Mountainous Areas in China Mainland***

COSCO International has continuously made donations to the students in mountainous areas to support them to continue their studies and change their lives with knowledge, and sponsored the annual large-scale fund-raising hiking activity of Sowers Action, a non-profit making charitable organisation, namely “Sowers Action Challenging 12 Hours Charity Marathon”. Every year, COSCO International encouraged and sponsored its staff to participate in the charitable hiking activity to raise fund.



In 2015, COSCO International sent 63 employees and their family members, totaling 16 teams, number of which hit record high, to participate in the fund raising activity of “Sowers Action Challenging 12 Hours 2015” charity marathon. This was the eighth consecutive year that COSCO International supported and sponsored the event. All participating teams completed the 12km race of run for education within the designated time, in which COSCO International’s employee won the champion in the Individual Men Senior Team, and 3 Open Teams received one Merit Silver medal and two Merit Bronze medals respectively. The results exceeded our expectation.

### Environmental Care

#### ***Partnering with Environmental Protection Bodies to Cultivate Green Awareness***

As a corporate member of WWF-Hong Kong, COSCO International always supports its conservation work for protecting the environment. In 2015, COSCO International, with its headquarters in Hong Kong, supported the WWF-Hong Kong’s annual eco-event, Earth Hour, to show our commitment to save the planet by turning off all non-essential lights. Moreover, the Company participated in WWF-Hong Kong’s Ho Hai Wan coral and marine life visit activity. By learning more about the rich coral and fish in Hong Kong, the Company’s employees and their families were able to know the importance of caring for marine life and foster sustainable life awareness.



Every year, the Company co-operates with the non-profit organisation, Christian Action, to organise the “Green Collection Day” programme to encourage the employees to reduce waste by donating recycled items for the people in need. In 2015, a total of 332 kilograms of clothes, toys, electrical appliances and others were donated. The donated items were sent to those families newly migrated to Hong Kong, ethnic minorities, and the orphans and disabled children in Qinghai province, China, or sold for charity to finance various charitable services of Christian Action.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Volunteer Services for the Underprivileged

To show our care for the underprivileged and our commitment to contribute to society, COSCO International has launched volunteer services since 2011. In the past few years, the Company has stepped up various efforts to improve volunteer services policy by formation of a volunteer team in Hong Kong with a team slogan of “Our Passion to Serve”, and launching of a volunteer holiday policy to encourage its staff to participate in volunteer services. All Hong Kong staff who has participated in volunteer services organised or referred by the Company for over 8 hours in a year will be entitled to a half-day paid leave. For volunteer services, our service targets are mainly the underprivileged including the elderly living alone or in poverty, and the low-income families. The Company has partnered with non-profit organisations such as Neighbourhood Advice-Action Council and the Christian Action to organise various types of volunteer activities, like home visits, outdoor visits and farm workshop, etc., and provide direct subsidy to the people in need.



In 2015, COSCO International’s volunteer team has paid home visits during winter, festive seasons like Dragon Boat Festival and Mid-autumn Festival to the senior citizens who live alone. A total of 69 senior citizens living alone were successfully visited while the Company sponsored the gifts to show care. Furthermore, the Company’s volunteer team accompanied with 35 children aged from 5 to 13 to go to organic farm in Yuen Long, to learn using natural resources to make recycled products and organic food with their own hands, so as to help the children foster awareness on cherishing things and environmental protection.

In 2015, the number of volunteers participating in volunteer services amounted to 69 attendances while 344 volunteer hours were recorded. A total of 104 persons benefited from the above activities, reflecting that COSCO International’s spirit of social responsibility in active community services and caring for the underprivileged.

	Year ended 31st December	
	2015	2014
<b>Community Investment</b>		
Corporate charitable donations & sponsorships (HK\$)	270,000	230,000
<b>Volunteer Participation</b>		
Number of attendance	69	38
Service hours	344	236
<b>Beneficiaries</b>		
Number of beneficiaries	104	48

