



中远海运发展股份有限公司
COSCO SHIPPING DEVELOPMENT CO.,LTD.

2016 Corporate Social Responsibility Report

FULFILLING OUR RESPONSIBILITY FOR FURTHER DEVELOPMENT



About This Report

Overview

This report is the first COSCO SHIPPING Development Co., Ltd. (COSCO SHIPPING DEV) CSR report released to stakeholders following the company's corporate restructuring (formerly China Shipping Container Lines Company Limited). It discloses information about the opportunities and challenges that we face in pursuit of sustainable development, our integration of CSR into our corporate management structure, and the efforts we have made towards achieving our sustainability objectives.

Reporting Period

The timeframe for the activities mentioned in the report is 1 January to 31 December 2016, though some content may extend beyond the stated timeframe when necessary, and will be highlighted accordingly.

Scope of the Report

Content and information in this report covers COSCO SHIPPING DEV business activities and the business activities of our subsidiary companies. In some instances content will cover information related to the former China Shipping Container Lines Company, China COSCO Shipping Corporation Limited, and the China Shipping (Group) Company.

Reporting Cycle

This report is published annually.

Compilation Conformance

This report is prepared in accordance with the *environmental, social and governance reporting guide* of Hong Kong Stock Exchange and *Sustainability Reporting Guidelines (G4)* of the Global Reporting Initiative (GRI) and the *guide for business action on the SDGs*.

Data Resource

Information and data in this report are derived from internal documents and statistical information from COSCO SHIPPING DEV.

Reference

For convenience and readability, COSCO Shipping Development Company Limited in this report is referred to as "COSCO SHIPPING DEV", "the Company" or "we"; "CSCL" refers to the former China Shipping Container Lines Company Limited; "COSCO SHIPPING" refers to China COSCO Shipping Corporation Limited; "COSCO SHIPPING LEASING" refers to COSCO Shipping Leasing Company Limited; "Florens" refers to Florens International Limited; "Shanghai Universal" refers to Shanghai Universal Logistics Equipment Company Limited; "DFIC Lianyungang", "DFIC Guangzhou", and "DFIC Jinzhou" respectively refer to Dong Fang International Container (Lianyungang) Company Limited, Dong Fang International Container (Guangzhou) Company Limited, and Dong Fang International Container (Jinzhou) Company Limited, three subsidiaries to Shanghai Universal Logistics Equipment Company Limited.

Access to This Report

This report is published in Simplified Chinese, Traditional Chinese, and English. If discrepancies exist between the Chinese and English versions, the Simplified Chinese version shall prevail. You can download an electronic version from the official COSCO SHIPPING DEV Website: www.cscl.com.cn

If you need a printed version of this report or have any suggestions about the report, please contact us.

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Address from Chairman of the Board

"The present from the past is incubating a great future." We are in an age of reform, a new stage of the world's and China's development. People call for reform, participate in reform, witness reform, and press ahead with reform. In 2016, "integration" was the key note of the shipping industry. Now a new chapter has been opened in the shipping industry. In this complex and fast-changing world, COSCO SHIPPING DEV is determined to change the world through finance.

Competitive new developments

2016 was an extraordinary year for COSCO SHIPPING DEV, ushering in a new phase in our development. In 2016, we began a major asset restructuring, completing our strategic transformation from a container liner operator to a comprehensive financial service platform that offers shipping-related finance. We also changed our name to COSCO SHIPPING DEV and embedded COSCO SHIPPING's "6+1" development strategy into our shipping-related financial services, effectively kick-starting a new stage of our development.

Throughout our corporate transformation, we forged ahead with efforts to bring prosperity to the shipping industrial chain by expanding our container manufacturing and leasing operations, and our ship leasing and comprehensive financial services. We developed our financing and leasing business for use in the medical service, education, energy, industry and information sectors, and committed COSCO SHIPPING DEV to building an investment platform that will unblock the channels that exist between asset and capital management, and integrating production and finance, as well the channels that exist between financing and financial services. We did this to create a brand-new financial service platform.

Supporting new strategies

COSCO SHIPPING DEV understands that sustainable development is the cornerstone of a company's survival and a bulwark for competitiveness, and we are making great efforts to deliver on our sustainable development commitments. Our current approach not only confirms our position as a responsible corporate citizen, but also substantially benefits our company.

In line with the principles of sustainable development, we are developing industry clusters for leasing, investment, insurance, and banking. We are committed to building our core competitiveness through our fulfillment of social responsibility practices. This includes the continuous development of financial products and services that meet social demands. We also contribute to social

development and maximize social values through our responsible business practices.

Diversified new practices

We carry out social responsibility practices that serve the nation and society. We create value for stakeholders through our coordinated economic, social, and environmental development.

COSCO SHIPPING DEV provides diversified products that contribute to the growth of the company and serve national strategies such as "the Belt and Road" initiative, "Marine Power" and the "Made in China 2025" plan. We offer financing and leasing services to enterprises, and contribute financial support to the growth of the real economy in order to minimize financial challenges. We manufacture green containers and support the development of clean energies, such as photovoltaic energy, hydropower, and wind power. We do this through effective financial resource allocation. We provide assistance to schools and medical institutions, distributing educational resources fairly and providing easier access to medical services. We also help with community development, carrying out targeted poverty alleviation measures and voluntary services. We always put people first, encouraging the diversity of our staff, and providing employees with a platform to help them realize their personal values.

Creating a new future

A new journey is filled with new dreams. COSCO SHIPPING DEV will continue to focus on social responsibility practices that support long-term and stable growth. As a listed financial company affiliated to COSCO SHIPPING, we will continue to pursue a sustainable business model that is guided by social demands and we will work to improve our business operations in order to become a world-leading shipping-related financial enterprise. We have a responsible global vision, and we will continue to draw on our corporate advantages to promote the development of industries that are in the national interest and that benefits people's livelihoods. COSCO SHIPPING DEV will improve how we communicate and cooperate with stakeholders and create and share the value of sustainable development together.

Sun Yueying

Chairman, COSCO SHIPPING DEV

Address from CEO

2016 marked the beginning of our new journey. Guided by the mission entrusted to us by COSCO SHIPPING and bearing in mind that "with glorious mission comes great responsibility", we will face market disruption and the restructuring and reform of our company in an enthusiastic, proactive, and innovative manner. We will continue to emphasize social responsibility management as we pursue sustainability in partnership with the society.

We are an essential part of COSCO SHIPPING's "6+1" strategy, and will continue to promote the orderly development of financial services to highlight the synergistic effects that exist. As a financial service provider we contribute to the real economy by properly allocating financial resources. Our rich experience in the container and liner business has deepened our understanding of the shipping industry and how we can positively impact the shipping industrial chain through our shipping-related financial services. We support new businesses and provide financing and leasing services that contribute to the growth of micro, small and medium-sized enterprises (MSMEs).

COSCO SHIPPING DEV and its subsidiary companies focus on supporting economic growth and increasing social happiness. COSCO SHIPPING LEASING, for example, uses its financial and leasing services to help the education and medical sectors, and provides assistance to schools in less-developed central and western regions or remote locations. These efforts help narrow the gap between urban and rural education and encourage the fair distribution of educational resources. COSCO SHIPPING LEASING also offers services to private medical institutions, particularly those in remote areas or small counties, to create fair and easier access to better healthcare services for the public.

At the beginning of COSCO SHIPPING DEV's formation, we analyzed the relationship between our operations and the environment. Our research gave us insight into environmental protection and, as a result, we established and subsequently improved our environment management system. We urge all direct subsidiary companies to carry out environment management practices that fit their business model. We provide financial support to photovoltaic, hydropower, wind power, and other clean energy enterprises, and cooperate on environmental protection initiatives with our partners in the container manufacturing industry to contribute to environmental sustainability.

Effective talent acquisition is an important part of our success in the financial industry. Through our market-based open recruitment process, our professional manager system, and our sound

compensation system, COSCO SHIPPING DEV strives to create a professional team that has strong entrepreneurial characteristics. We do this to meet our new strategic talent acquisition goals. We also support and assist employees' in their career development plans and work-life goals by encouraging them to participate in activities that contribute to their personal growth and the growth of the company.

While we remain clearly focused on achieving our 2017 goals, we are always looking to the future. We understand that we will face new challenges in the future, but we also appreciate that these challenges will present new opportunities. For us, persistence is the key to navigating an ever-changing world, and our determination will help us face up to our competition. COSCO SHIPPING DEV's bright future lies in our ability to reform and innovate, in the persistence of employees, and in the support and assistance we receive from society. We look forward to joining hands with all our partners to create a beautiful and sustainable future.

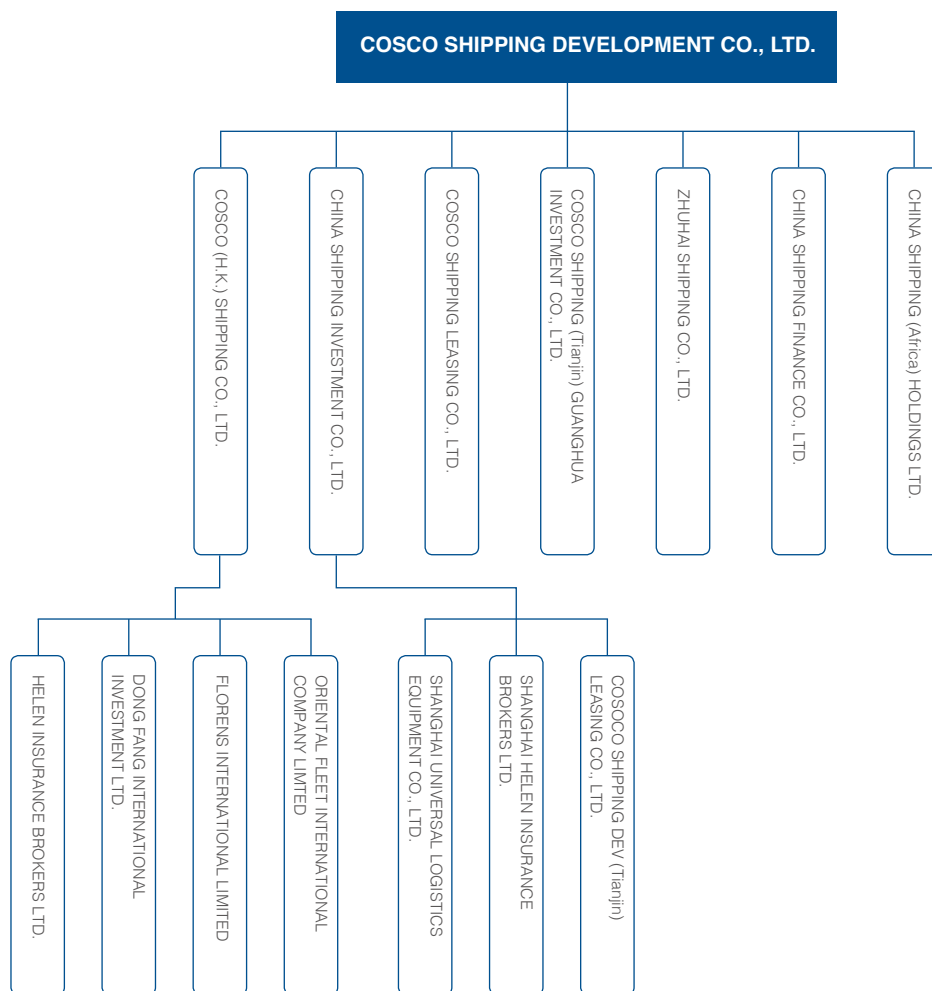
Wang Daxiong

The executive director and the chief executive officer, COSCO SHIPPING DEV

About Us

COSCO Shipping Development Company Limited (formerly China Shipping Container Lines Company Limited) is a specialized corporation affiliated to China COSCO Shipping Corporation Limited. The company was established in 1997 and has headquarters in Shanghai, China. Its major business operations cover comprehensive supply chain financial services. It is listed both in Hong Kong and Shanghai. The registered capital of COSCO SHIPPING DEV is 11.68 billion yuan.

On 1 February 2016, following approval from shareholders at the general meeting, CSCL began a major asset restructuring, transforming the company from a container liner operator to a comprehensive financial service platform for shipping-related finance. The new focus of the company is on leasing ships, containers and non-shipping entities and products. In addition, as a shipping-related financial service provider, we integrate premium resources, utilizing our advantages in the shipping industry to promote the development of multiple financial services in order to build COSCO SHIPPING DEV into the leading financial service provider both in China and the world.



COSCO SHIPPING DEV's organizational structure

Responsibility Performance

Indicator		2016
Economic value	Total revenue (10,000 yuan)	1,563,633.36
	Profit (10,000 yuan)	36,859.22
	Total tax (10,000 yuan)	9,260.77
Employee care	Number of employees(including the Contracts)	6,538
	Training hours per person (hour)	18.1
Environmental protection	CO ₂ emission (ton)	18,458
	Hazardous waste discharged/treated (ton)	1,046.27
	Non-hazardous waste discharged/treated (ton)	2,791.11
	Lubricant consumption (ton)	6,080
	Fresh water consumption (ton)	233,657
	Electricity consumption (10,000 kWh)	38.2
Community development	Total investment in targeted poverty alleviation over the years (10,000 yuan)	296

Note:

"Training hours per person" refers to data from COSCO SHIPPING LEASING;

"Hazardous waste discharged/treated" and "non-hazardous waste discharged/treated" refer to the aggregated data of DFIC Guangzhou, DFIC Lianyungang, and DFIC Jinzhou;


"Lubricant consumption" shows the lubricant consumed by COSCO SHIPPING DEV's self-owned ships (excluding overseas ships managed by China Shipping International Ship Management Co., Ltd.);

"Fresh water consumption" refers to the fresh water consumed by COSCO SHIPPING DEV's self-owned ships (excluding overseas ships managed by China Shipping International Ship Management Co., Ltd.);

"Electricity consumption" refers to the electricity consumed by COSCO SHIPPING DEV headquarters;

"CO₂ emission" is calculated according to the lubricant consumption and related coefficients.



A nighttime photograph of a cityscape viewed through the arch of a bridge. The bridge's structure is illuminated from below, casting a warm yellow glow. In the background, several skyscrapers are lit up, with one prominent building on the left showing a grid of lights. The sky is dark blue. The overall scene is a blend of urban architecture and infrastructure.

Laying a solid foundation - building a path for value creation

In the context of multi-polarization and globalization, it is imperative that countries and enterprises grasp global trends and adapt to a world in flux with a global vision. COSCO SHIPPING DEV acts according to current trends by steadfastly pursuing its sustainability objectives, strategically adjusting the company when necessary, and exploring new ways to create economic, social, and environmental value for its stakeholders.

- ▶ Background to sustainable development
- ▶ Our strategies

Background to sustainable development

The global shipping industry has undergone deep structural changes in recent years. The shipping market has experienced a shipping cycle downturn, larger ships are now more commonplace in the industry, and alliances between shipping enterprises have become normalized. These changes have pushed forward industrial integration and centralization.

In September 2015, the CPC Central Committee and the State Council jointly issued a guideline to deepen reforms to state-owned enterprises (SOEs), encouraging them to form capital-based alliances with other SOEs or non-SOEs to make up for possible disadvantages by learning from each other. This is a new theoretical approach to the integration and development of shipping enterprises. Other strategies being used to propel the shipping industry forward and usher in new opportunities for growth include the "Belt and Road" initiative and the "Maritime Power" strategy.

The shipping industry is a typically capital-intensive industry; it faces new opportunities as well as challenges. The "blood" for the industry's development is shipping-related finance. This needs improvement in China. The Construction Plan for the Shanghai International Shipping Center, which was published by the Shanghai Municipal Government in its 13th Five-Year Plan, states that "developing shipping-related finance" is among the ten major tasks that must be explored between 2016-2020. The domestic shipping market also needs—in addition to bank loans—new financing channels and mechanisms if it is to successfully confront challenges that come from future downturns in the shipping market.

The new financial industry sector comprises financing and leasing-assets, trading and technological innovation. The financing and leasing sector provides a number of financial solutions and an abundant supply of capital to the shipping industry. It promotes the development of shipping-related finance and plays an important role in the field of innovation, which helps facilitate upgrades to the industry. It also provides financing channels for MSMEs, and contributes to the real economy. In recent years, both the state and local governments have issued policies that support the future growth of the financing and leasing business.



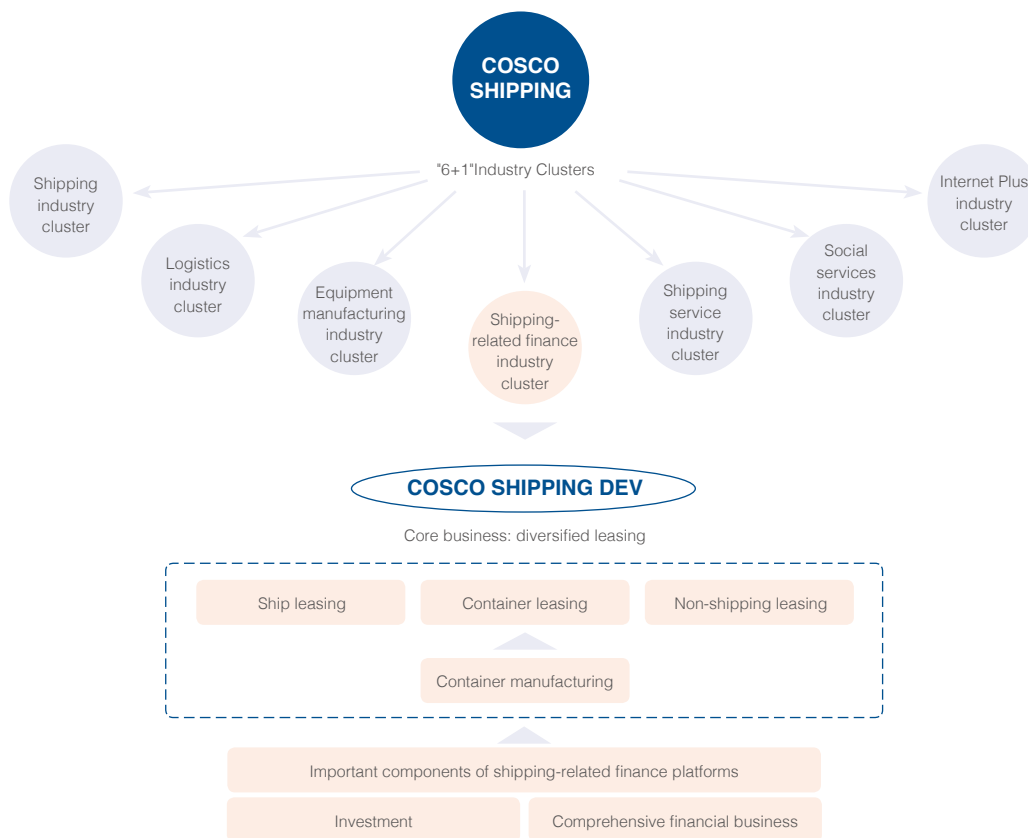
Our strategies

In terms of opportunities and challenges, on 18 February 2016, China Ocean Shipping (Group) Company and China Shipping (Group) Company were incorporated into the COSCO SHIPPING. As a result, COSCO SHIPPING established an innovative "6+1" industry cluster model covering shipping, logistics, shipping-related finance, equipment manufacturing, shipping services, social services, and businesses related to "Internet Plus" that are based on an innovative business model that is expected to integrate parts of the shipping industry and build a world leading comprehensive logistics and supply chain service provider.

Strategic transformation

Following the strategic restructuring of CSCL, the company was transformed from a container liner operator to an comprehensive financial service platform for shipping-related finance with a focus on the leasing of ships, containers and non-shipping products and services. On 8 September 2016, CSCL changed its name to COSCO Shipping Development Company Limited (COSCO SHIPPING DEV).

COSCO SHIPPING DEV utilizes its business advantages in shipping-related logistics to integrate supply chain resources. We develop industry clusters for leasing, investment, insurance, and banking. Our operations are market-based. Our competitive advantages and global vision allow us to provide a "one-stop" financial service platform that integrates shipping with financing, finance, and promotes the coordinated development of multiple business channels.



Strategic transformation of COSCO SHIPPING DEV

Contributing to economic and social development

Our business covers three primary areas, diversified leasing, investment and comprehensive financial services. Through our allocation of financial resources, we meet the demands of social development, promote national economic development, and improve public services. We tackle challenges of economy, society and environment by allocating our resources in a productive and practical way that grows and develops the company.



Ship leasing

To deal with adjustment periods and downturns in the shipping market, large-scale shipping enterprises around the world are accelerating their use of larger ships and are making structural adjustment to their fleets. High capital expenditure and increasingly difficult financing and high financial costs are impacting the survival of shipping enterprises. In recent years, we have witnessed a sharp rise in the number and scale of ship-related financing and leasing businesses. This growth is helping accumulate power for the coming "winter". To this end, the Shanghai International Shipping Center is calling for the further development of the entire shipping-related industry.

COSCO SHIPPING DEV provides "one-stop" financing and leasing services for container ships, dry bulk carriers, and other types of ships. Our goal is to diversify the financing mechanisms for shipping enterprises to help them allocate cash flows and reduce financial burdens so as to facilitate the growth of enterprises and the industry.

In the future, COSCO SHIPPING DEV will invest in common and mainstream ships that meet contemporary market demands. We will also develop niche markets for live animal carriers, chemical carriers, plastic particle carriers and asphalt carriers. Our new special fleet will have distinct features that meet the industry's development needs. They will also contribute to the construction of Shanghai International Shipping Center.

Container leasing and manufacturing

Containers are the primary means of transporting global freight. From the global logistics perspective, the global economy, international trade, shipping and the container business form a closely connected industrial chain. To this end, the shipping and container business is a conduit of international economic exchange and trade, and a contributor to global trade, economic growth, and economic globalization.

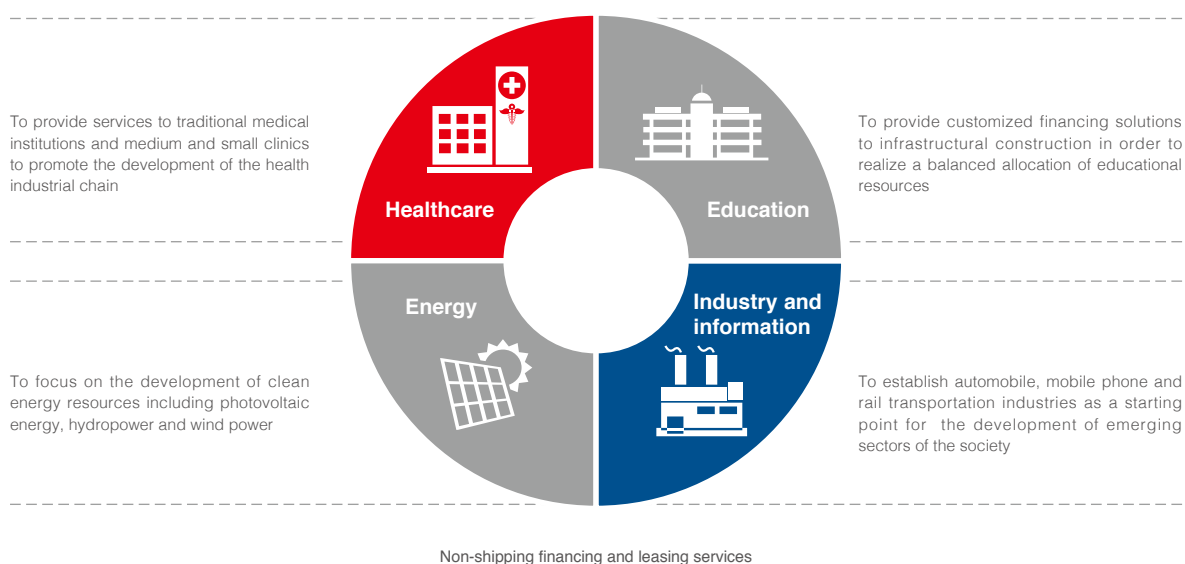
Using our advantages in geography, our customer base, logistics, and our collaboration with manufacturing and container loading enterprises, we have expanded our container manufacturing business, developing a range of container leasing and trading services that satisfy the global supply chain's demands, promote international logistics transportation and trade, and support Chinese enterprises to "go out". We firmly believe that are efforts which have built a solid foundation for the development of national economy.

In the future, we will formalize our business collaborations and stabilize our container inventory to enhance our role as an industrial leader. We will replace retired and expired containers and build a special container business to ensure our competitiveness and serve the growth of modern logistics and international trade.

Non-shipping leasing

In addition to social development, the public is keen to see how we can help improve education, medical care and the environment. For us, innovation plays a key role in driving the development agenda forward and supporting China's growth. We provide diversified financing and leasing services that support the development of medical care, education, energy, and innovation.

Our approach to innovation and the way that we control risks drives our financing and leasing services forward for small and medium-sized enterprises. Our approach also contributes to non-shipping financing and leasing services for medical care, education, energy and innovation that improves people's livelihoods. We promote clean energy, directing enterprises towards "Made in China" upgrades that support China's real economy.



In the future, COSCO SHIPPING DEV plans to cultivate new medical care, education, energy and innovation businesses. By focusing on services that help MSMEs as well as other projects, and pursuing market-based, specialized, and differentiated growth, we will develop niche markets that accelerate business innovation, improve people's livelihoods, protect the environment, and support new businesses.

Investment and comprehensive financial services

Finance plays an important role in the allocation of resources and in strategic economic adjustments and directly impacts economic and social development. We believe that the efficient integration of industry and finance will maximize resource allocation and positively influence growth in the real economy.

COSCO SHIPPING DEV pays high attention on its business layout in the financial investment area, and on building the financial platform. The management manages the company, gathers external funds, brings the superiority of synergistic effect into full play, and promotes the financial-industrial combination by establishing foundations, such as the "Yuanhai Zhongyuan logistics industrial development foundation". Moreover, the Company has made some financial investment for medium or long term returns, while catalysing the development of its own financial services.

We stand at a new starting juncture in our corporate development and are confident that we can provide products and services that meet the demands of the society. We will continue developing our core competitiveness and cooperate with stakeholders to create greater value.





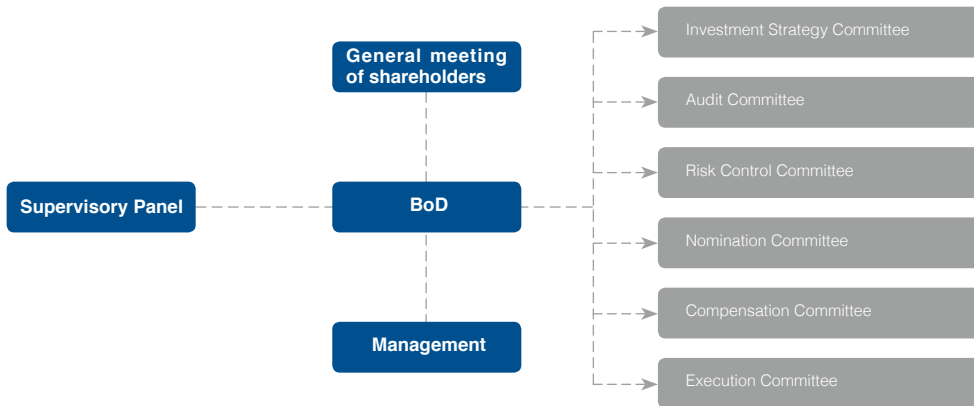
Following proper corporate values - Cultivating responsible corporate governance

We understand that there is no shortcut to corporate governance and that the creation of corporate value is dependent on the implementation of a responsible management system. We consider the cultivation of our corporate governance system to be the foundation for our sustainable development.

- ▶ Corporate governance
- ▶ Investor relations
- ▶ Compliance and anti-corruption
- ▶ Risk management
- ▶ Responsibility management

Corporate governance

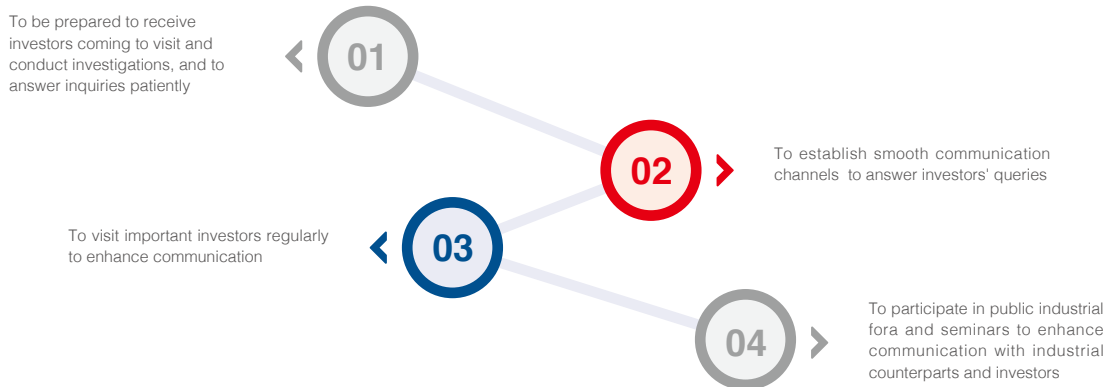
At COSCO SHIPPING DEV, we have developed a standard governance structure that outlines clearly defined power and responsibilities for the board of directors, the supervisory panel and management. In 2016, in addition to restructuring the company, we reviewed our entire corporate system and management process to improve our corporate governance mechanism.



COSCO SHIPPING DEV's corporate governance structure

Investor relations

We have standardized our approach to investor relations management and have formulated the *Regulations of Investor Relations Management*, the *Regulations of Information Disclosure*, and other supporting systems. We have built a platform to facilitate our long-term, stable and harmonious interaction with investors. In terms of disclosing information about compliance conformance, we maintain the authenticity, accuracy, completeness, timeliness and fairness of the information that we disclose, and, as a result, received a Level-A rating in the Assessment of Listed Companies' Information Disclosure.



Channels for communicating with investors

Compliance and anti-corruption

COSCO SHIPPING DEV strictly abides by all laws and regulations including, for example, the *Interim Provisions on Banning Commercial Bribery* and the *Rules on Integrity of Executives of State-Owned Enterprises*. We have established special anti-corruption requirements for financial enterprises. This is an essential part of our compliance and anti-corruption management system. We formulated the *Guidelines on Leader's Commitment to Anti-Corruption*, and the *Provisions on the Accountability Mechanism for Leaders*, for example, to better regulate our governance mechanism. In 2016, COSCO SHIPPING DEV had no instances of corruption or disciplinary violations in the company.

Based on standard corporate rules and regulations, COSCO SHIPPING DEV has taken steps to cultivate and improve the anti-corruption culture inside the company. We require management to sign a responsibility statement and commitment letter, and hold discussions with managers before they fill a position in order to ensure their awareness on the importance of compliance and anti-corruption. We hold an education month that focuses on anti-corruption activities annually. The event include lectures, training sessions, field investigations and writing contests that aim at enhancing employees' awareness of integrity. In September 2016, we organized a seminar on the topic of "Discussion of Risks for Integrity" which allowed participants to talk about corruption risks in a structured format and then brainstorm real corruption cases before offering practical solutions to prevent them from occurring in the future.



COSCO SHIPPING DEV employees attending the bribery trial of a former executive of a bank in Shanghai in Pudong People's Court

To ensure our compliance and anti-corruption communication channels remain unblocked, we conduct inspections in accordance with the *Regulations of Discipline Inspection, Supervision, Complaints and Whistle-Blowing of COSCO SHIPPING*. We have also set up complaint mailboxes, hotlines and online platforms to handle complaints. We regularly summarize the information we receive, and we give feedback to all received complaints.

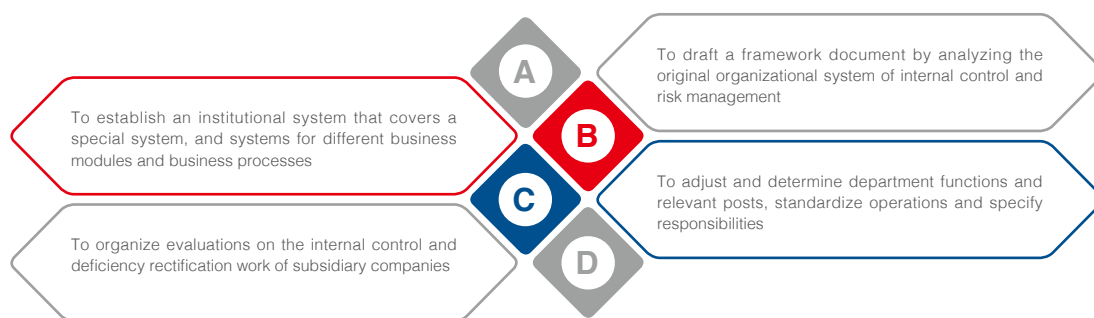
Risk management

COSCO SHIPPING DEV has a tradition of upholding stable and prudent principles in its approach to risk management. We have established a risk management system to face challenges from market disruptions and operational risks and we make regular improvements to safeguard our implementation of corporate strategies and sustainable development.

Improving the risk management system

In addition to re-evaluating our strategic goals, we have adjusted our operational risk prevention and control processes. In 2016, we advanced our scientific risk management system, and formulated a top-level design for our strategic risk management procedures. In terms of effective risk management, we guarantee the smooth

progress of our business activities and our sustainable corporate development, and we actively urge our subsidiaries to establish a risk management system that meets the circumstances of their own business.



Advancing our risk management system

Strengthening risk identification

In 2016, COSCO SHIPPING DEV carried out a comprehensive risk assessment, identifying ten major risks for 2017 after an assessment of each business sector was conducted. We identified future business development strategies and offered predictions on the external economic environment for 2017. We also compiled risk assessment reports. In accordance with market fluctuations, we put an emphasis on our customers' credit ratings. We also enhanced our in-process management, dynamic evaluations, and how we share information with customers and partners to improve the foreseeability of risk management.

We emphasize risk identification and prevention to ensure the security and privacy of our customer information. In 2016, we set up a Privacy Committee and a Leading Group that are responsible for cryptography and network security. Following a series of special privacy protection sessions, we clarified our position on safeguarding information and established an information security system, making improvements to our internet security technology in order to protect company and customer information.

Focusing on training and exchanges

In order to improve our approach to professional risk management in shipping-related finance and to deepen our understanding of the "risk management at hand" concept among our employees, COSCO SHIPPING DEV invited experienced professional third-party organizations to train staff on hotspot financial issues. Our employees also participated in training sessions and seminars held by COSCO SHIPPING and external institutions, to enhance how the company communicates risk management to other enterprises in the industry.

Since our restructuring, COSCO SHIPPING DEV is pursuing a unique "shipping + finance" business model. Although COSCO SHIPPING has established a good anti-risk capabilities through its resources integration and industrial clusters for diversified leasing, investment and comprehensive financial service, it still needs to build a comprehensive risk management system and improve its risk prevention measures by improving its top-level design, organizational construction and risk culture.

Responsibility management

Corporate social responsibility is something that all modern enterprises must now fulfill. COSCO SHIPPING DEV embeds CSR into every aspect of our operations, making sustainable development part of the DNA of our corporate management structure, and identifying and responding to social and economic issues as part of our responsibility management process.

We are committed to setting up a social responsibility management committee, which, within the context of COSCO SHIPPING's sustainable development framework, will be responsible for setting goals and planning corporate social responsibility activities that embody the distinct characteristics of our company. The framework will establish full-time social responsibility posts that arrange issues related to our social responsibility management and practices, and establish a social responsibility management committee and mechanism responsible for communicating with specific business units and functional departments to ensure CSR is integrated into all business processes and daily operations.



The social responsibility management model of COSCO SHIPPING DEV

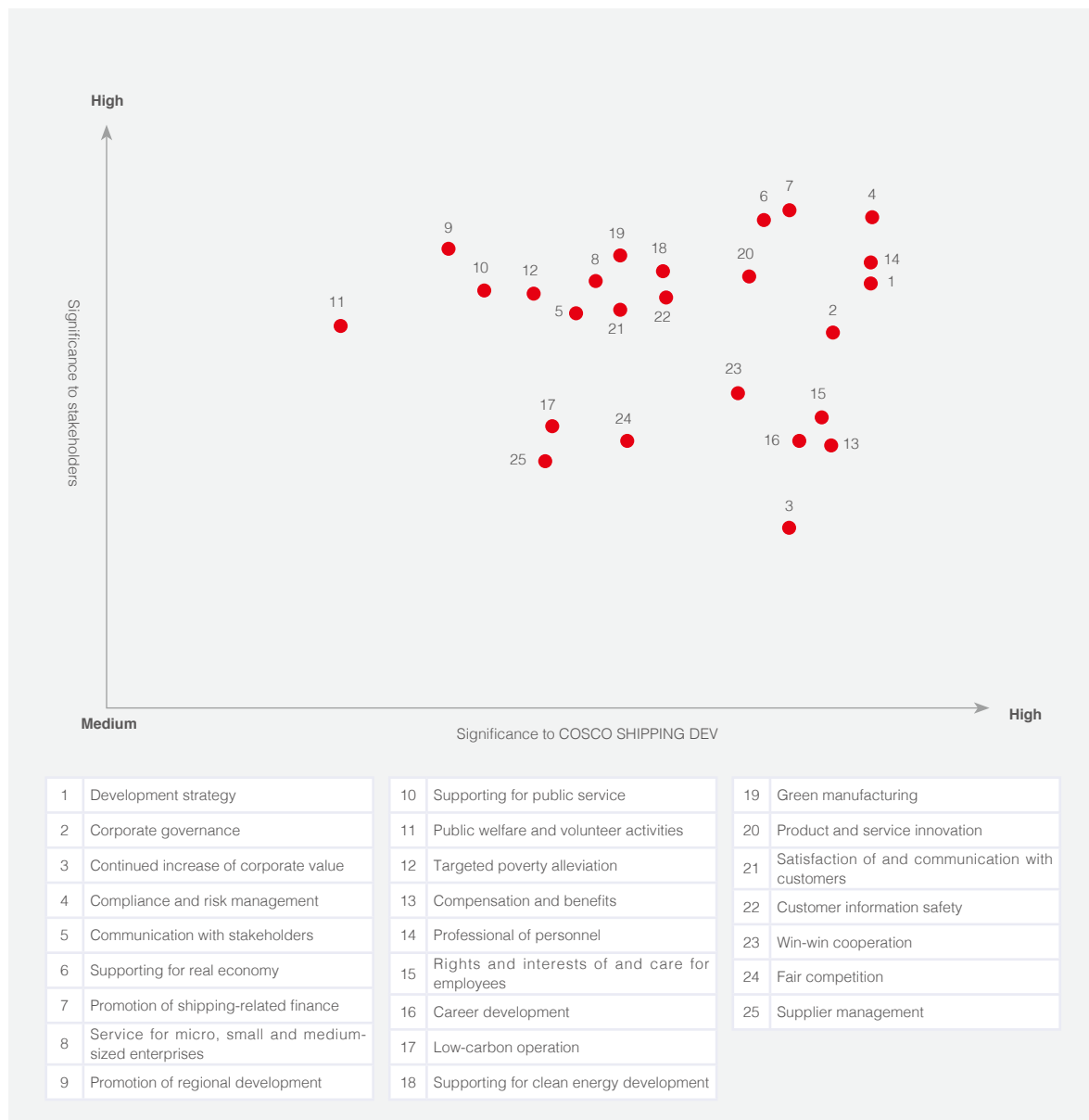
Identification of and communication with stakeholders

Stakeholders	Core demands	Communication and responses
Government/regulatory institution	Serving the implementation of national strategy Serving local economic and social development Compliant operation Fair competition	Official document exchange, information disclosure, policy implementation, inspection and communication
Shareholders/investors	Good business performance Good corporate governance Risk control Realization of corporate development strategy Adequate information disclosure	Shareholders' general meeting, performance report, road show, communication with investors
Customers	Efficient product Quality service Guaranteed information safety	Investigation of customers' demand, official website, WeChat
Partners	Win-win cooperation Industrial development through joint hands	Exchange and visit, industry forum
Employees	Guarantee of rights and interests Good prospect for career development Comfortable working environment	Cultural construction, congress of workers and staff, training and activities carried out among employees
Community and the public	Practice of charity Serving community development	Voluntary service, public benefit activities, targeted poverty alleviation
Environment	Systematic environmental management Supporting green industry development	Environmental policy, green investment

On 15 August 2016, the *Opinions of the General Office of the People's Government of Shanghai Municipality on Accelerating the Development of Financial Leasing Industry* (hereinafter referred to as *Opinions*) was published. COSCO SHIPPING LEASING took part in a drafting symposium for the *Opinions* organized by the Shanghai Municipal Commission of Commerce, contributing several proposals including "increasing the number of companies that provide single ships for special purposes", "actively exploring new ways to improve the registration system of ship financing leasing" and "supporting leasing companies to file for real estate mortgage registration according to law". Each of the proposals from COSCO SHIPPING LEASING were adopted.

Identification and analysis of material issues

This is the first social responsibility report released by COSCO SHIPPING DEV following our strategic transformation. To fully understand the expectations of our stakeholders, we analyzed 37 catalogues of material topics concerning social responsibility, referencing domestic and international standards and guidelines on CSR and analyzing macro-economic policies and industry trends. We also issued a questionnaire and conducted interviews with stakeholders including employees, customers, and suppliers, prioritizing our ranking of the results in terms of their importance to stakeholders, and their importance to our company. Following an exhaustive analysis of the results, we selected 25 material issues that we deemed to hold the greatest significance to both our stakeholders and COSCO SHIPPING DEV.



Material issues of COSCO SHIPPING DEV





Forging ahead - Contributing to sustainable social development

COSCO SHIPPING DEV is committed to pursuing sustainable development and aims at achieving our objectives through the efficient allocation of financial resources that support the real economy, improve people's livelihoods, and increase the use of clean energy. We take these steps to promote the harmonious development of the economy, society and environment and to create a better future.

- ▶ Escorting real economy
- ▶ Spreading happiness among society
- ▶ Being kind to the ecological environment

Escorting real economy

COSCO SHIPPING DEV, with its integrated financial resources, provides diversified financial services to the shipping industry, emerging industries, and MSMEs. We help enterprises with financial difficulties and serve the real economy to the greatest extent possible by meaningfully contributing to and upgrading the Chinese economy.



SDGs link:

Promote inclusive and sustainable economic growth, employment and decent work for all.



Promoting prosperity in the shipping industry

The shipping industry is characterized by its large freight volume and long transportation distances; it is the most important transportation channel in international trade, playing a significant role in reinforcing and deepening the opening-up and development of the national economy. COSCO SHIPPING DEV, drawing on our ship leasing business, aims at expanding our services to the shipping industrial chain to grow and develop the shipping industry. We will do this through diversified measures that include port and pier construction, container manufacturing and container leasing.



Containers are the bedrock to smooth shipping logistics. Upholding the tenet of "quality first", COSCO SHIPPING DEV has enacted rules and regulations such as the *Quality Information Feedback System* and *Inspection Specifications and Standards of Containers* to provide basic quality guarantees for our containers. We have improved our technological innovation management system and regularly implement technological innovation activities. We have also organized industry-university research projects in cooperation with universities and colleges. By introducing robots and improving our technology, we are improving our manufacturing efficiency. We continue to innovate our product line, and are developing new products such as shipping container homes to meet the specific demands of our customers. In 2016, DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou were accredited as "National Hi-Tech Enterprises".



Our management information system covers the life cycle of our container leasing business, allowing us to access real-time information on our containers anywhere in the world, conduct stock analysis, and evaluate the rationality of stock yards. The optimized allocation of these containers reduces shipping costs for our customers. We regularly make improvements to our e-services to provide customers with access to information including container returning information, damage reports and transaction applications for secondary containers through websites, APP on cellphones and so forth. This has significantly improved our customer experience rating.

Ship leasing is an effective tool for revitalizing assets among shipping enterprises and alleviating financial pressure. We provide leasing services for large container ships and bulk carriers, and also for small and medium-sized container ships, chemical carriers LNG-powered multi-purpose ships and special ships that assist large, medium and small-sized shipping enterprises.

Newly built containers		Total scale of containers for leasing	
218,954 TEU		3.70 million TEU	
Average occupancy rate of containers	Number of ports covered by stock yards	Total number of stock yards	
95.96 %	173	320	
Number of container ship		Total shipping capacity	
102		737,000 TEU	

Stimulating the development of emerging industries

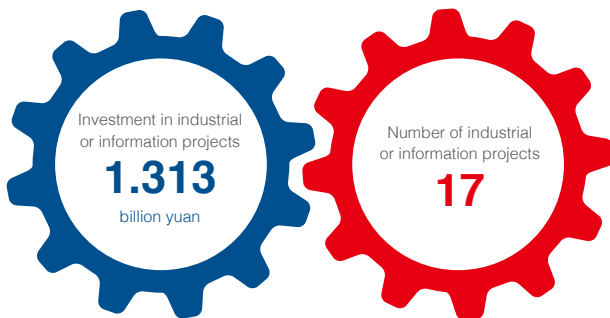
Emerging industries such as new-energy automobiles, nuclear power, and rail transportation have developed rapidly in recent years. This has resulted in an increasing need for financial support. Financing leasing helps emerging industries improve manufacturing levels and productivity, which helps construct a clean and safe industrial system with advanced technology and that provides added value for stakeholders.

Based on the industrial ecosystem services concept and using financial leasing as the bridge between financial services and the industry, COSCO SHIPPING DEV focuses on high-end equipment manufacturing in the automobile, electrical equipment and electronic information industries. We provide upstream and downstream sectors with diversified financing leasing services. Our approach supports technological development and research that examine how emerging industries can improve their capacity for independent innovation.



SDGs link:

Build resilient infrastructure, promote sustainable industrialization and foster innovation.



An overview of financial leasing business in the industry and information fields



Helping enterprises evolve from "manufacturing" to "smart manufacturing"

Janus (Dongguan) Precision Components Co., Ltd. (hereinafter "Janus Precision"), is a domestic supplier of precision components for customer electronics and related services that meet the demand for intelligent precision machinery equipment and high-end numerically-controlled machine tools. In July 2015, Janus Precision was listed as one of the first 46 pilot demonstration enterprises for intelligent manufacturing by the Ministry of Industry and Information Technology of China.

COSCO SHIPPING LEASING helped Janus Precision through direct financial leasing for newly bought equipment and leasebacks for owned assets. The financing helped Janus Precision implement intelligent equipment such as a numerically-controlled machinery center, which improved productivity and capacity, and accelerated upgrades to products and manufacturing, which transformed the company from a consumer electronics enterprise to a smart manufacturing company.



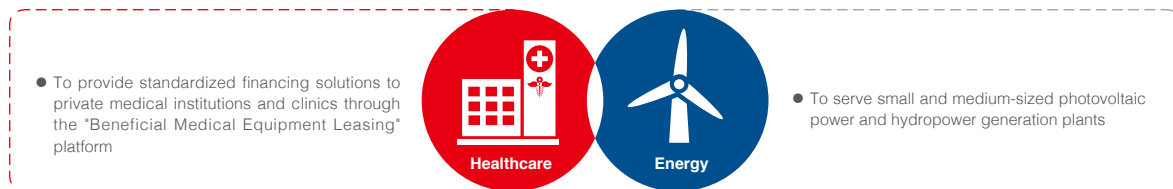
Production site of Janus Precision



Supporting the growth of MSMEs

Micro, small and medium enterprise (MSMEs), drive national economic development and play a substantial role in increasing employment opportunities and promoting innovation. Financial leasing is an innovative way of financing MSMEs because it allows them to acquire much needed equipment for medium and long term investments without using huge amounts of money. This approach can provide a company with better technical equipment which directly influences product quality and accelerates development.

COSCO SHIPPING LEASING is expanding its financing channels for MSMEs in different industries, including the energy and medical treatment sectors. The expansion provides products and services to MSMEs which supports equipment upgrades and technical transformations that improve core competitiveness.



Serving MSMEs in different industries



"Beneficial medical lease" enabling the faster development of medical institutions

Current health care reforms are guided by a hierarchical medical system which allows physicians to practice medicine at more than one medical facility. This has resulted in a number of small, private hospitals and clinics being established. Many of these medical institutions face capital shortages in the early stages of their development.

Based on financial demands, COSCO SHIPPING LEASING is offering a "beneficial medical lease" service pattern that allows the lessee (hospitals, clinics, etc.) to obtain an amount of not more than 1.2 million yuan through financing with a repayment period of two to three years so long as the amount is guaranteed by a medical practitioner (not more than 60 years old). The flexibility and convenience of the approach makes it possible for self-employed physicians' who operate multi-spot practices to reduce risks, meet the financing requirements of medical institutions, and facilitate a period of rapid growth.

Spreading happiness among society

The continued and balanced allocation of public resources and coordinated regional development significantly contribute to sustainable development. We firmly believe in serving the national interest and will continue to support measures that improve people's livelihoods (in the educational and medical field) through financial leasing and targeted poverty alleviation measures. We will continue to encourage employees to participate in voluntary activities that contribute to social harmony.

Supporting the development of public services

Education is both a cornerstone of national rejuvenation and social progress, and a tool for cultivating the all-round development of humanity. In addition to wanting social and economic development, the public now places a higher demand on balanced development in the fields of education and high-quality education. As such, COSCO SHIPPING DEV focuses on schools in rural and remote impoverished areas and on special education schools and has customized flexible financial leasing plans to help these schools receive many needed resources such as instruments, books and dormitories. We do this to narrow the gap between rural and urban education in different regions, and to promote the equalization of educational resources.



SDGs link:

Ensure inclusive and quality education for all and promote lifelong learning.

Focusing on areas with less developed education

To focus on education projects in rural and remote impoverished areas where education is less developed

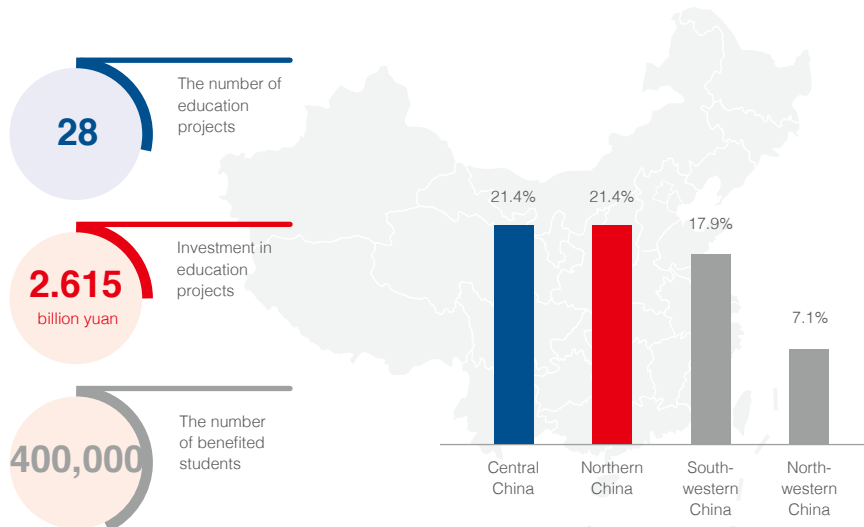
Paying attention to special education institutions

To pay attention to special education institutions such as schools for left-behind children and hearing-impaired

Customizing leasing plans through financing

To customize rational and flexible leasing plans through financing according to actual demand of schools

Promoting the equal allocation of educational resources

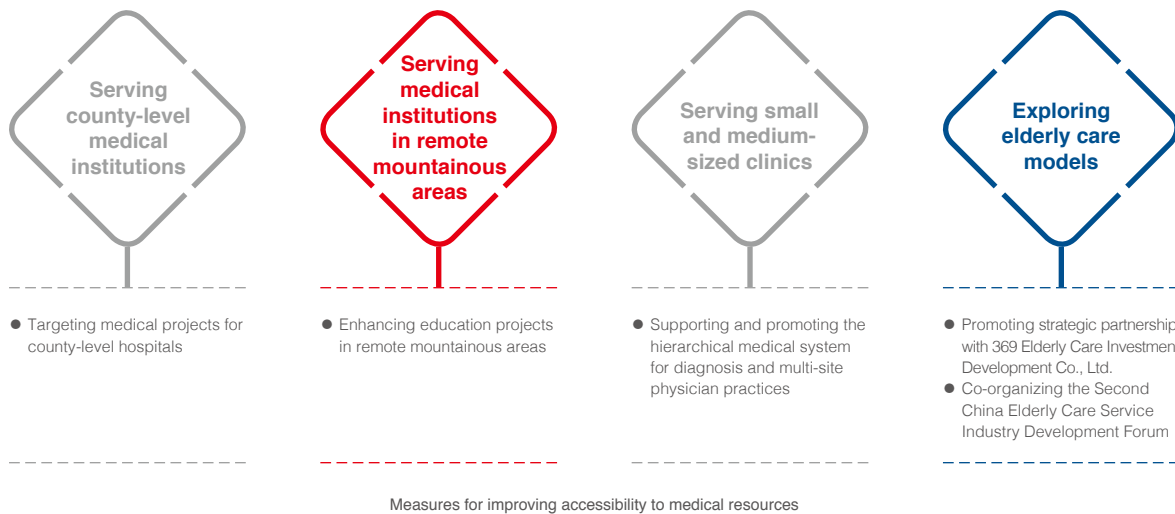


An overview of education projects and the distribution of projects in remote regions

"No healthiness for all Chinese citizens, no well-off society for the whole country". Health is a linchpin to social and economic development and a common goal for society. We provide equipment, medical materials, and financial leasing solutions for pharmaceutical procurement and other related items that aid hospitals, pharmaceutical enterprises, health-related service institutions, and medical facility suppliers. We serve private medical institutions and facilities in remote areas and explore innovative models for elderly care in order to create health system that is fair, accessible and exceptional.



SDGs link:
Ensure healthy lives and promote well-being for all at all ages



Number of medical projects	Number of beneficiaries	The rate of covering county-level medical institutions among medical projects	The rate of covering remote mountainous medical institutions among medical projects
98	50 million	100%	100%
	Number of "Beneficial Medical Equipment Leasing" projects	Investment in "Beneficial Medical Equipment Leasing" projects	
	10	11.277 million yuan	

An overview of medical projects



Helping Peng'an County improve its medical treatment

Peng'an County, located in the northeast of Sichuan province and the middle reach of the Jialing River, is home to 171 poor villages with more than 60,000 people living below the poverty line. The level of medical treatment in the region is quite low, so to meet the demand of ever-increasing patients and criteria for hospital qualification reviews, a hospital in Peng'an County needs to increase the size of its inpatient building and the raise number of available sick beds. COSCO SHIPPING LEASING contributed 45 million yuan to help with construction efforts to improve the facilities, and facilitate upgrades to the medical treatment available at Peng'an County.

Conducting targeted poverty alleviation

Yongde County, situated near the southwest border of China, is one of the 73 poorest counties in Yunnan province. It is a typical agricultural county located in a mountainous region with inconvenient transportation, weak industrial development and backwards economic and educational development. The county has more than 160 middle and primary schools, which, without sufficient educational resources and eligible teachers, are not able to provide proper education to local children.

1
NO
POVERTY

SDGs link:
End poverty in all its forms everywhere.

Since 2005 the former China Shipping (Group) Company (hereinafter the Group), has carried out fixed-point poverty alleviation in Yongde County, Yunnan province, to systematically boost education, promote industrial development and support infrastructure. In response to calls from the Group, subsidiary companies were encouraged to implement similar poverty alleviation measures. In 2006, the Group started building a sustainable poverty alleviation mechanism at corporate level to provide educational resources to schools and children in Yongde via donations, faculty support, and technical support.

Fund utilization

Formulating regulations and detailed rules for fund management, and determine responsibilities for fundraising, utilization and supervision



Coordinated deployment

Identifying a fundraising day and coordinate uniform action with subsidiary companies in accordance with poverty alleviation meetings and current education and knowledge

Everyday management

Establishing a volunteer service platform to normalize everyday management and communication

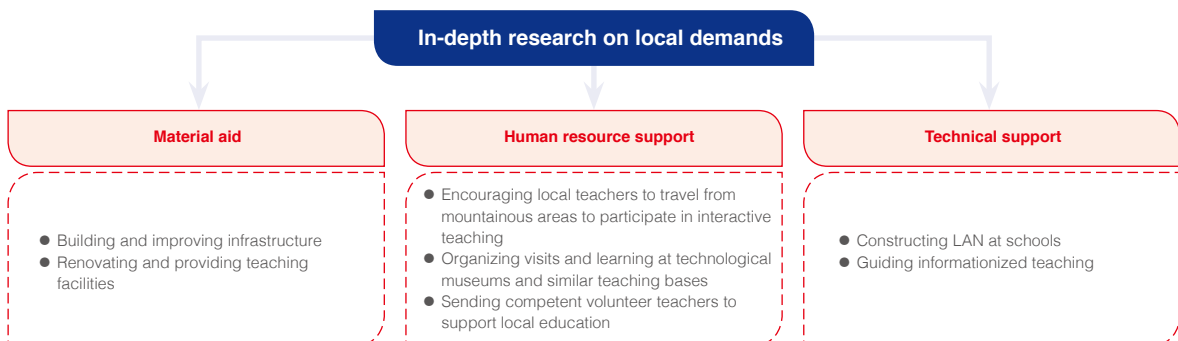


Personnel arrangement

Setting up a mechanism for volunteer teaching to guarantee sustainable human resources

Sustainable poverty alleviation through COSCO SHIPPING DEV's educational development mechanism

Poverty alleviation through education and knowledge cannot be achieved in a single day. To this extent, it is about more than renovating schools, or writing numbers down on a paper. At COSCO SHIPPING DEV, our goal is to provide a higher standard of living for children by creating better educational opportunities and providing better resources. In the early days of poverty alleviation in Yongde, we went deep into the mountains, investigated the local education situation, and felt the curiosity of children for the outside world. Then, after identifying their needs, we offered specific educational resources including materials, teachers, and technology for local schools and educational institutions.



COSCO SHIPPING DEV measures for poverty alleviation through educational development in Yongde County

After nearly 12 years of persistent efforts, COSCO SHIPPING DEV significantly improved the living conditions for local children and enhanced their study habits. We also improved the teaching facilities in local schools and positively impacted local education. As of 2016, COSCO SHIPPING DEV and our subsidiary companies have provided 2.96 million yuan to help poverty alleviation efforts via educational development initiatives. We have also donated clothes, books, computers, and dispatched nine teachers in support of education and to serve local poverty alleviation measures.

Carrying out public welfare and voluntary activities

The growth and development of our company was not achieved without the support of society. For this reason, we are always open to sharing our achievements and we encourage our employees to participate in voluntary activities. We encourage our subsidiary companies to take part in development programs that benefit local communities, too. To this end, they are expected to conduct activities that showcase their loving care for vulnerable groups and their efforts contributing to local community development



A childcare activity by DFIC Jinzhou



Serving the development of Hong Kong's welfare institutions

The Community Chest of Hong Kong, founded in 1968, is a non-governmental and non-profit charity organization that provides assistance to more than 150 social welfare institutions in Hong Kong, facilitating improvements to services such as elderly care, medical treatment, and healthcare by holding fundraising events. Since 2009, Florens has participated in the "Walk for Millions" event for nine straight years, and continues to serve local welfare institutions and community development. The charity also takes part in local activities that are carried out by public welfare organizations and integrates public welfare resources from its staff.



Florens employees participated in the fund raising activity of Walk for Millions organized by the Community Chest of Hong Kong

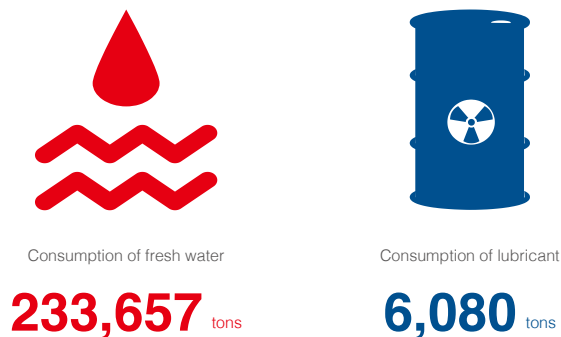
Being kind to the ecological environment

Going "green" is recognized and widely understood as an essential part of sustainable development. The concept gained particular traction in 2016, when important international agreements such as *The 2030 Agenda for Sustainable Development* and *Paris Agreement* were agreed to. COSCO SHIPPING DEV, after examining and analyzing the influence our operations had and continue to have on the environment, found a significant correlation between environmental protection and the growth of our corporate operations. To this end, we recognized the value of pursuing environmental protection initiatives through finance.

Constructing and optimizing our environment management system

Having transformed from a container transportation enterprise to a comprehensive financial service platform, COSCO SHIPPING DEV understands the need for a comprehensive environment management system. We strictly observe laws and regulations associated with environmental protection such as the *Environmental Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*. We urge business departments and subsidiary companies to formulate environment management systems that are commensurate with their business operations in order to mitigate their influence on the environment. In 2016, we invested 6.24 million yuan revamping our energy-saving technology.

To treat waste gas, wastewater and waste residues (the "three wastes"), we formulated the *Garbage Management Plan on Ships*, the *Regulations on the Disposal of Oily Sewage and Residual Oil in Cabins*, the *Regulations on the Disposal of Domestic Sewage* and the *Ballast Water Management Plan on Ships* for our ship leasing business. In terms of container manufacturing, we formulated the *Regulations on Waste Gas Discharge Management*, the *Regulations on Waste Water Discharge Management* and the *Regulations on the Prevention and Control of Environmental Pollution by Solid Waste* for a more targeted approach to our management of waste discharge. We also formulated corresponding energy-saving and emission reduction systems for the production department. For example, Shanghai Universal created the *Energy-Saving and Emission Reduction Management System* to improve the companies resource utilization rate. To reduce its underlying influence on the environment, Shanghai Universal also enacted the *Emergency Plan for Environmental Pollution Accidents* to handle potential risks in advance.



Resource and energy consumption of ships managed by the Company (excluding overseas ships managed by China Shipping International Ship Management Co., Ltd.)

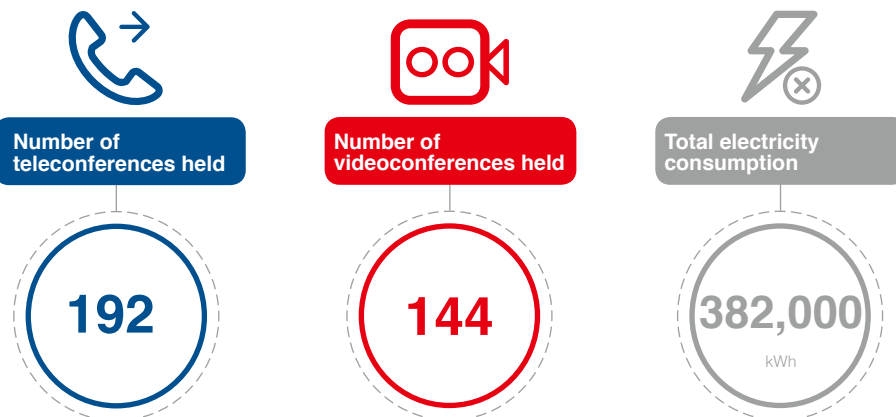
Note: After strategic transformation, fuel consumption is managed by the lessee itself, so COSCO SHIPPING DEV is no longer able to analyze related statistics.

Boosting green office performance

COSCO SHIPPING DEV has established a recognition mechanism for green office performance to analyze environmental factors and pollutants associated with running our green office spaces, and to identify their impact on, for example, the atmosphere and energy use. We also assess various control systems and have put measures in place to mitigate all negative impacts.

No.	Procedure/ Activity/ Service	Environmental factors	Tense	Status	Emission		Environmental impact	Regulation	Importance evaluation					Control measure
					Major substance	Quantity			Frequency of occurrence	Scale of impact	Extent of impact	Chance of restoration	Importance	
Office														
1	Office work	Fire and fire fighting	Present	Emergent	Hazardous gases	Large	Atmosphere	√					Y	MP0811 Emergency Response Procedures
2	Duplicating/ printing	Disposal of cartridges/ toner cartridges	Present	Normal	Waste	Small	Waste		2	2	2	1	N	WS-EOD-05 Regulation on Workplace Waste Disposal
3	Duplicating/ printing	Electricity consumption	Present	Normal	Electricity	Small	Energy		5	2	2	1	N	WS-EOD-08 Regulation on Workplace Energy Conservation
4	Stationery	Waste disposal	Present	Normal	Used paper/ plastic/glass	Large	Waste		5	2	2	1	N	WS-EOD-05 Regulation on Workplace Waste Disposal
5	Dry cells	Disposal of used cells	Present	Normal	Toxic substances	Small	Waste		2	2	2	1	N	WS-EOD-05 Regulation on Workplace Waste Disposal
6	Office lighting	Electricity consumption	Present	Normal	Energy consumption	Large	Energy		5	2	2	1	N	WS-EOD-08 Regulation on Workplace Energy Conservation
7	Lights	Disposal of used lights	Present	Normal	Glass/toxic particles	Small	Waste		2	2	2	1	N	WS-EOD-05 Regulation on Workplace Waste Disposal
8	Computers	Disposal of broken computers	Present	Normal	Components	Small	Waste		2	2	2	1	N	WS-EOD-05 Regulation on Workplace Waste Disposal
9	Central conditioning system	Waste of energy	Present	Normal	Energy consumption	Large	Energy		5	2	2	4	N	WS-EOD-08 Regulation on Workplace Energy Conservation
Vehicles														
10	Vehicle use	Emission of waste gases	Present	Normal	Vehicle exhaust	Small	Atmosphere		5	2	2	1	N	WS-EOD-10 Regulation on Divers of Vehicles of Government Authorities
11	Vehicle maintenance	Disposal of fuel-containing waste	Present	Normal	Fuel-contaminated waste	Small	Waste		3	2	2	1	N	WS-EOD-09 Regulations on Vehicles for Business

Recognition mechanism for green office performance of COSCO SHIPPING DEV



Green office performance in the headquarters of COSCO SHIPPING DEV

Supporting the development of clean energy

Clean energy represents a pivot towards a new form energy structure and will likely shift to the economic structure of the energy industry. The importance of combating climate change is almost universally accepted globally. COSCO SHIPPING DEV continues to pay close attention to clean energy including photovoltaic power, hydropower and wind power. We serve leaders and MSMEs in the clean energy sector by providing professional financial leasing solutions that meet the ever-increasing demands for energy and promote harmonious economic growth and a healthy environment.



SDGs link:

Ensure access to affordable, reliable, sustainable and modern energy for all



3.917 billion yuan

Total investment in clean energy projects



22

Number of clean energy projects

An overview of COSCO SHIPPING DEV's clean energy projects



Helping Sangri County press forward

Sangri County, situated in the southeast of the Tibet Autonomous Region, enjoys no fewer than 10 hours of daily sunshine. The region boasts one of the longest sunshine durations in China, giving it an exceptional natural advantage in terms of developing and utilizing solar energy resources.

COSCO SHIPPING LEASING contributed 88 million yuan to support and further develop the capacity of local photovoltaic power generation plant, giving local residents in Tibet the convenience of local clean energy. The support significantly contributed to environmental protection in the region and promoted green development in Tibet.



SDGs link:

Ensure sustainable consumption and production patterns

DFIC Jinzhou at the Shanghai International Green Architecture and Construction Materials Expo 2016



Advancing the manufacturing of green containers

In 2016, the Guidelines on the *Implementation of Green Manufacturing Projects (2016-2020)* jointly issued by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance and Ministry of Science and Technology of the People's Republic of China highlighted the resources restraints and environmental problems that negatively impact global sustainable development. COSCO SHIPPING DEV has always attached importance to resource savings and environmental protection in China, though the manufacturing industry, which is the foundation of economic development, is in dire need of developing a green manufacturing system to improve its international reputation and green competitiveness.

We are aggressively promoting our green manufacturing plans. We continue to improve our green production technology and our treatment of the "three wastes", and we have expanded our approach to energy use to reduce our impact on the environment. We encourage our suppliers to implement environmental protection measures. For instance, in *Florens Sub-contractors and Suppliers Management and Review*, a number of specific anti-pollution requirements have been presented to decrease the impact of the industrial chain on the environment. In 2016, DFIC Guangzhou was accredited as an engineering and technological research center of green steel containers in Guangdong.



Jointly promoting the treatment of VOCs generated in the container industry

When manufacturing shipping containers, a large amount of volatile organic compounds (VOCs) are generated. Treating VOCs is a huge challenge for container manufacturers. As a result, the China Container Industry Association (CCIA) organized and formulated a self-discipline pact on the treatment of VOCs. As a member of CCIA, Shanghai Universal participated in the formulation of the pact. On 22 March 2016, the "CCIA Press Conference on the Green Environmental Protection Act and the Signing Ceremony of Self-Discipline Pact On VOCs Treatment" were held in Shanghai. As a member of CCIA, Shanghai Universal and its peers abide by the pact and "go hand in hand with the common commitment". By using new types of environmentally friendly coating in different regions and within a specific time we hope to encourage an industry-wide decrease in VOCs emissions by the end of 2017. To date, DFIC Guangzhou has taken a leading role reforming its production line, achieving an 80% decrease in VOCs emissions following its adoption waterborne paints to its production techniques.

Improving the energy efficiency utilization rate and reducing emissions into the environment

DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou implemented a series of energy saving and cost-reduction measures to improve their energy utilization rates and meet their low-carbon goals. They will do this by recycling waste heat generated by air compressors, adopting inverter welding machines, and introducing LED lights to their factories. In terms of fuel consumption, diesel-powered fork lift trucks were replaced with electric trucks, which substantially reduced diesel consumption.



COSCO SHIPPING DEV has a well-established tradition of controlling our "three wastes" discharges as well as associated with environmental pollution, including dust and noise. We urge factories to formulate measures that reduce the impact of emissions on the environment. DFIC Lianyungang recycles spraying-paint wastewater, has built a specific waste warehouse for hazardous waste, transfers non-hazardous/hazardous wastes to qualified companies approved by the environmental protection bureau for concentrated disposal, and recycles industrial waste for treatment instead of discharging it.

Amount of non-hazardous waste discharged/treatment ratio



Amount of hazardous waste discharged/treatment ratio



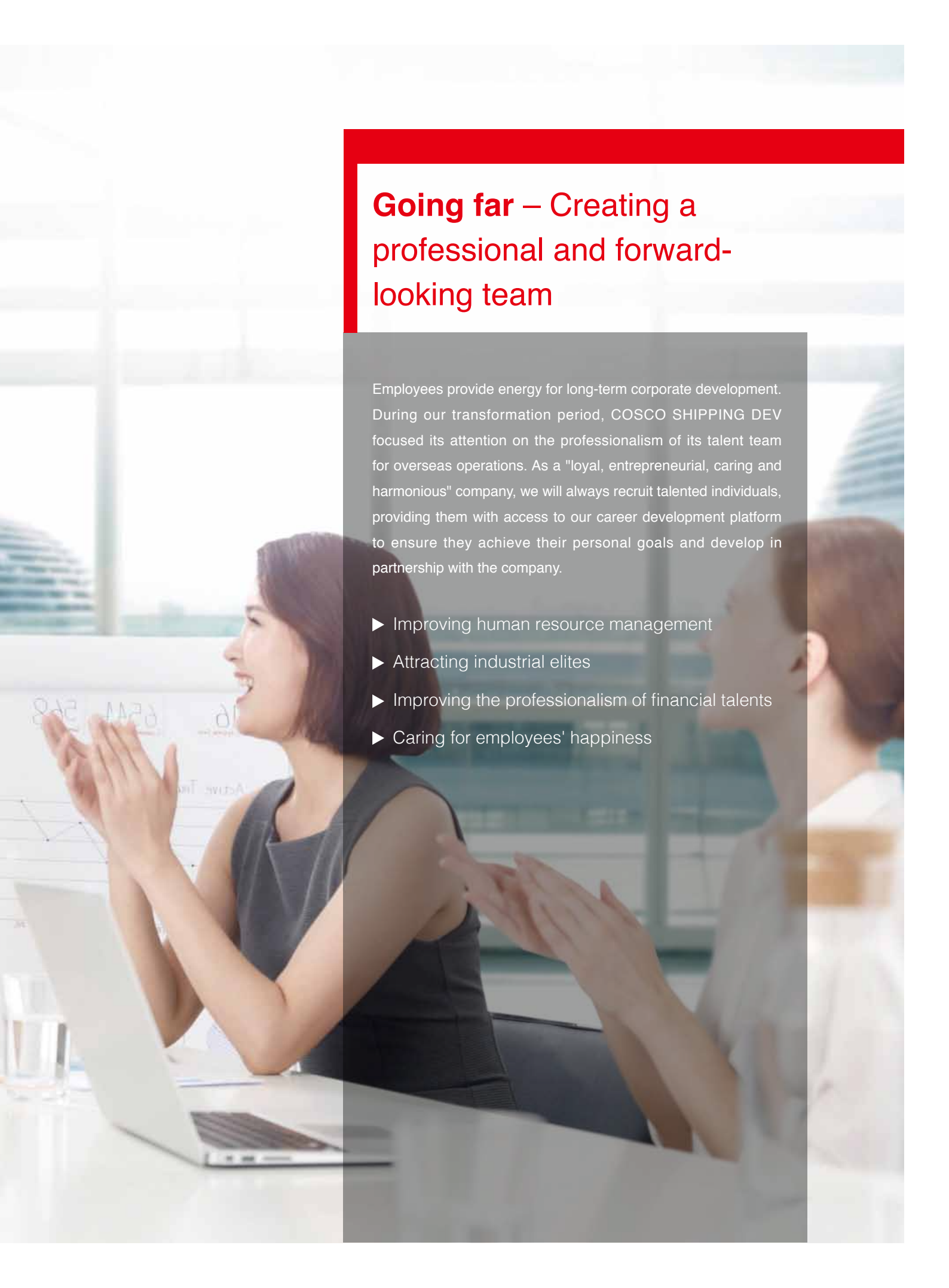
The discharge and processing rate of non-hazardous/hazardous waste of DFIC Guangzhou, DFIC Lianyungang, and DFIC Jinzhou



Reducing environmental impacts and beautifying the surrounding area of factory

Afforestation has a number of positive ancillary effects such as increased shade, dust prevention, pollution reductions and the mitigation of noise pollution from traffic, all of which contribute to environmental protection. DFIC Guangzhou, a subsidiary of COSCO SHIPPING DEV, has made environmental improvements to the front area of its plant, the production area, and the production area lying on both sides of nearby roads. The company has installed isolation belts around the plant to filter and purify welding dust, reduce mechanical noise, and mitigate gas pollution so as to maintain a good natural environment around the plant.



A woman in a grey dress is clapping in a meeting room. She is sitting at a table with a laptop. In the background, there is a whiteboard with some diagrams and charts. The room has large windows with a view of a city.

Going far – Creating a professional and forward-looking team

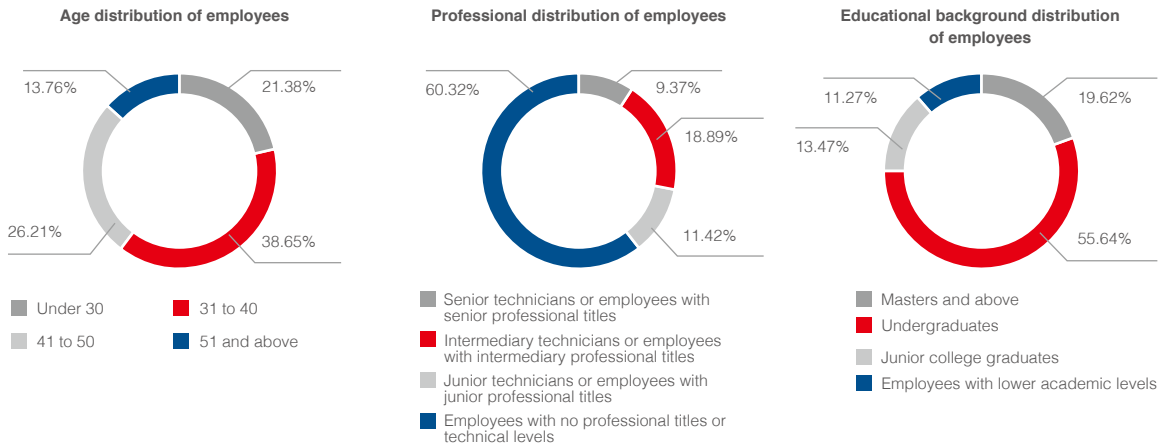
Employees provide energy for long-term corporate development. During our transformation period, COSCO SHIPPING DEV focused its attention on the professionalism of its talent team for overseas operations. As a "loyal, entrepreneurial, caring and harmonious" company, we will always recruit talented individuals, providing them with access to our career development platform to ensure they achieve their personal goals and develop in partnership with the company.

- ▶ Improving human resource management
- ▶ Attracting industrial elites
- ▶ Improving the professionalism of financial talents
- ▶ Caring for employees' happiness



SDGs link:

Promote continual, inclusive and sustainable economic growth, guarantee abundant productive employment, and provide decent jobs for all employees



The distribution of employees that have signed a labor contract with COSCO SHIPPING DEV in 2016

Improving human resource management

To protect the rights and interests of our employees, COSCO SHIPPING DEV abides by all laws and regulations including the *Labor Law* and the *Labor Contract Law of the PRC*. To meet the demands of the COSCO SHIPPING DEV's strategic transformation, COSCO SHIPPING DEV and its subsidiary companies have established a human resource management system. COSCO SHIPPING LEASING has also stipulated regulations including the *Recruitment and Employment Regulation of COSCO SHIPPING LEASING*, *Attendance and Holiday Regulation of COSCO SHIPPING LEASING*, while Florens has standardized human resource management modules for employment, compensation and holidays. In 2016, COSCO SHIPPING DEV signed labor contracts with all employees and ensured all staff were covered by social insurance.

COSCO SHIPPING DEV tries to absorb experienced and talented staff by focusing on optimizing its talent structure and improving its employee training system. We also regularly enhance our approach to human resource pool management. These efforts help us build a talented team that will meet the demands of modern corporate development.



Attracting advanced talents

Promoting a professional manager system to create an elite team



Cultivating backbone forces

Improving the training and promotion systems to unblock channels career development

Measures for talent structure optimization



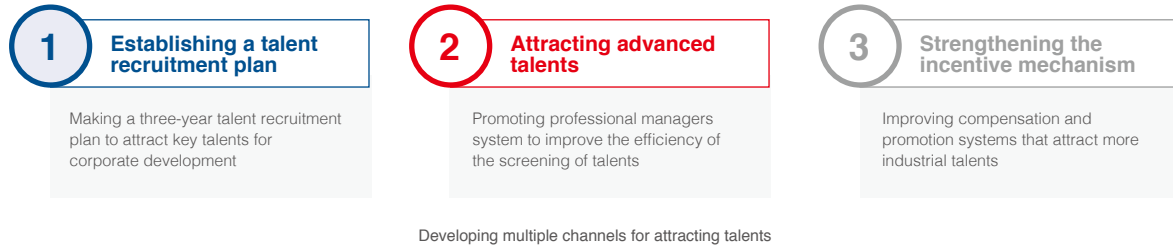
Consolidating the talent pool

Establishing an internship system to enlarge the talents pool

With a special attention to employees' occupational health, COSCO SHIPPING DEV and its subordinates have formulated Occupational Safety Management System, Management System for Injuries during Work and Regulation on Occupational Diseases Prevention and Control, and established a medical and health care management system to protect employees' occupational health in the whole process. Except for financial services, the Company properly manages the health and safety of crew members dispatched to leased ships in order to guarantee their safety. In 2016, we passed the annual "4-in-1" comprehensive management system appraisal and were certified by the China Classification Society (CCS). The appraisal covers quality control, the environment, occupational health and safety and energy management.

Attracting industrial elites

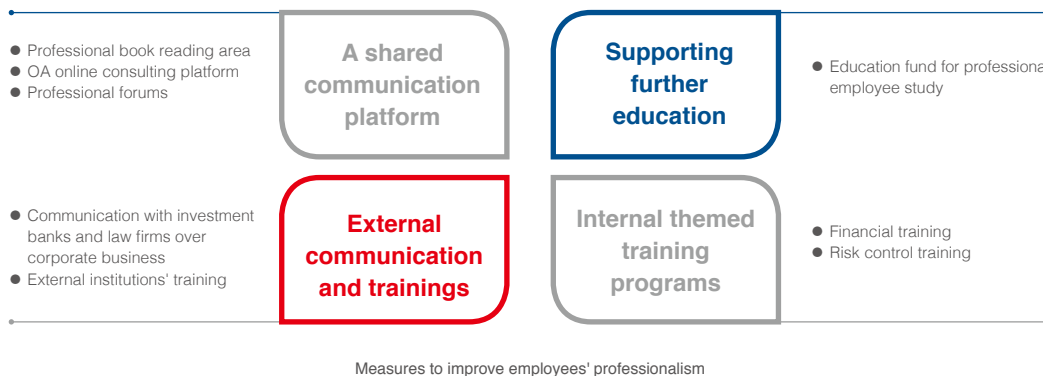
Talent is a huge contributor to our success in the financial industry. We place a high demand on discovering experienced financial talents, and have drawn up a recruitment plan that enables us to hire more industrial elites. We have improved our incentive mechanism and created a professional platform that aims at aiding the development of our staff and helping us absorb more industry elites.



In 2017, COSCO SHIPPING DEV will continue to improve our recruitment and employment system by expanding our demand for talented staff. We will make steady improvements to our professional manager system, and we will establish a professional recruitment and incentive mechanism. By doing this we will put a higher priority on salary distribution for corporate talents. COSCO SHIPPING DEV expects to hire more industry elites via our scientific recruitment system and attractive incentive measures.

Improving the professionalism of financial talents

COSCO SHIPPING DEV has established a multilevel and diverse training system to prepare for future transition periods. We have introduced the Employee Training Management System and have organized training programs and company-level communications events at our headquarters and in all subsidiary companies. We will continue to use external training resources to comprehensively and professionally broaden the horizon for our employees.



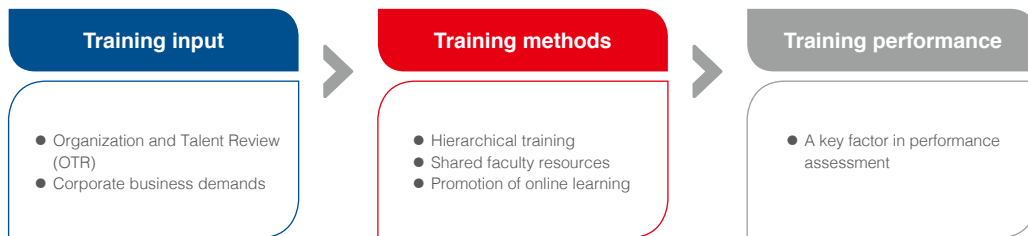
 **Improving professionalism through collaboration with external institutions**

In November 2016, COSCO SHIPPING DEV invited PricewaterhouseCoopers China (PwC China) to train employees on financial risk management. PwC China introduced the tenets of risk management during the training program and encouraged participants to discuss how to establish a risk management system. The training was a huge success, raising employees' knowledge, improving their understanding of common risks, and showing those in attendance how to establish a practical risk management system. The program also raised the professionalism of our employees.



Employee training at COSCO SHIPPING LEASING in 2016

Enhancing the professionalism of our employees is a long-term goal at COSCO SHIPPING DEV. In 2017, we will establish external specialist and consultancy pools to provide timely information and insight into the financial market. This will allow us to accurately anticipate market trends and increase our sensitivity to financial matters. We will also establish a financial risk control training platform and a comprehensive training system for our employees. By teaching our employees targeted skills that focus on the demands of the business we can make up for inherent weaknesses and raise the level professionalism in our staff. We also plan to create a more professional and competitive talent team and will regularly give employees the opportunity to rotate positions at the departmental level. This will give our employees a more comprehensive understanding of all aspects of work and improve teamwork throughout the company.



Phases to our risk control training system



Caring for employees' happiness

COSCO SHIPPING DEV works hard to facilitate a balanced work-life for our employees. We try to create harmonious and welcoming environment at work and are committed to care to our employees through out actions. We assist employees in need, respect female rights and interests, and take every opportunity to enrich the lives of our employees.

Caring for special employees

We pay special attention to the challenges that our employees face in their daily lives. We provide targeted assistance to improve the overall well-being of employees who are injured during work, as well as for those who face financial difficulty sending their children to school, or female employees who face unique challenges.



Home visits

- Visiting families of employees injured during work or those facing financial difficulty
- Sending warmth to families of employees with critical diseases
- Assisting families of employees hit by disasters



Caring for female employees

- Health examinations
- Reading experience sharing
- Etiquette training



Supporting for education

- Helping migrant workers send their children to school
- Helping families with financial difficulties send their children to school

Employee care measures



Extending love to the family of employees

In November of 2016, Dong Fang International Container (Guangzhou) Co., Ltd. established the "Dong Fang Route" and visited the homes of many of its employees. Performing the activity required 4,000 kilometers in total travel to seven villages in five towns from three counties or cities in Yunnan province, and seven cities in Guangdong province. However, the event was a huge success, bringing warmth to employees and deepening the company's understanding of the conditions that families face. The event is expected to enhance the care that Dong Fang International Container (Guangzhou) Co., Ltd. offers in the future.

Enriching employees' life

In addition to focusing on career development, COSCO SHIPPING DEV pays attention to the work-life balance of our employees and take steps to ensure they maintain good physical and mental health. To enrich employees' lives in their spare time, we organize jogging and climbing activities for exercise, and host an oriental culture and art festival as well as speech contests to cultivate the creativity of our employees. We also organize skills contests to showcase talent and raise employee satisfaction in an entertaining atmosphere.



Cultural and artistic performances



Sports activities



Puzzles and games



Skill competition

Selected culture and art activities of COSCO SHIPPING DEV employees

2020 Outlook

Responsible vision

Integrating social responsibility into the corporate vision to fully tap into the company's value and potential. From the perspective of social value creation, the company shall exploit its advantages in the market and consider the overall economic and social development picture in order to come up with solutions to social problems in collaboration with stakeholders, and to better serve national economic development and contribute to the construction of a harmonious society.

Responsibility management

Integrating social responsibility into corporate management to form a new management model. The company shall integrate social responsibility into its strategy management, investment management, human resource management and risk management and change its management goal from maximizing corporate profits to maximizing comprehensive value. The management scope shall be expanded to include the external and natural environment, and the goal of management should be changed from optimizing corporate resource allocation to improving the better allocation of social resources.

Responsible practice

Integrating social responsibility into daily operations and carry out social responsibility practices. With a comprehensive consideration of social and environmental factors as well as the requirements of sustainable development, the company shall expand its social responsibility efforts to cover all economic, social and environmental fields. Treating every stakeholder in a responsible manner, the company shall ensure social responsibility is practiced by everyone at COSCO SHIPPING

Responsibility team

Spreading the concept of social responsibility among all employees to create a responsible team. The company shall actively fulfill its responsibility to employees and enhance their awareness of social responsibility. By elaborating and detailing social responsibility requirements, the company shall enhance employees' recognition and understanding of the relationship between the posts they hold and the corresponding responsibility they should undertake. Employees shall transform what they do in the company into social contributions and comprehensive value, which will improve employees' ability to create value.



HK-ESG Index

Indicator	Page	Description
Environmental		
Aspect A1- Emissions		
General Disclosure- Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P30, P35	
KPI A1.1- The types of emissions and respective emissions data.	/	No statistics for now
KPI A1.2- Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P5	
KPI A1.3- Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P35	
KPI A1.4- Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P35	
KPI A1.5- Description of measures to mitigate emissions and results achieved.	P31, P34	
KPI A1.6- Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P35	
Aspect A2- Use of Resources		
General Disclosure- Policies on the efficient use of resources, including energy, water and other raw materials.	P30	
KPI A2.1- Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P5, P30	
KPI A2.2- Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P30	
KPI A2.3- Description of energy use efficiency initiatives and results achieved.	P31, P34	
KPI A2.4- Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	/	No statistics for now
KPI A2.5- Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	/	N/A
Aspect A3- The Environment and Natural Resources		
General Disclosure- Policies on minimising the issuer's significant impact on the environment and natural resources.	P30	
KPI 3.1- Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P30-35	
Social		
Employment and Labour Practices		
Aspect B1- Employment		
General Disclosure- Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P38	
KPI B1.1- Total workforce by gender, employment type, age group and geographical region.	P38	
KPI B1.2- Employee turnover rate by gender, age group and geographical region.	/	No statistics for now
Aspect B2- Health and Safety		
General Disclosure- Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	P38	
KPI B2.1- Number and rate of work-related fatalities.	/	No statistics for now

Indicator	Page	Description
KPI B2.2- Lost days due to work injury.	/	No statistics for now
KPI B2.3- Description of occupational health and safety measures adopted, how they are implemented and monitored.	P38	
Aspect B3- Development and Training		
General Disclosure- Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P39	
KPI B3.1- The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	/	No statistics for now
KPI B3.2- The average training hours completed per employee by gender and employee category.	P39	
Aspect B4- Labour Standards		
General Disclosure- Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labour.	P38	
KPI B4.1- Description of measures to review employment practices to avoid child and forced labour.	P38	
KPI B4.2- Description of steps taken to eliminate such practices when discovered.	/	No violation
Operating Practices		
Aspect B5- Supply Chain Management		
General Disclosure- Policies on managing environmental and social risks of the supply chain.	P33	
KPI B5.1- Number of suppliers by geographical region.	/	No statistics for now
KPI B5.2- Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	/	No statistics for now
Aspect B6- Product Responsibility		
General Disclosure- Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P16/P22	
KPI B6.1- Percentage of total products sold or shipped subject to recalls for safety and health reasons.	/	N/A
KPI B6.2- Number of products and service related complaints received and how they are dealt with.	/	No statistics for now
KPI B6.3- Description of practices relating to observing and protecting intellectual property rights.	/	No statistics for now
KPI B6.4- Description of quality assurance process and recall procedures.	/	N/A
KPI B6.5- Description of consumer data protection and privacy policies, how they are implemented and monitored.	P16	
Aspect B7- Anti-corruption		
General Disclosure- Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	P15	
KPI B7.1- Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	/	No statistics for now
KPI B7.2- Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P15	
Community		
Aspect B8- Community Investment		
General Disclosure- Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P28	
KPI B8.1- Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P28-29	
KPI B8.2- Resources contributed (e.g. money or time) to the focus area.	P28-29	

GRI G4 Index

Indicator	Page	Description
Strategy Analysis		
G4-1 Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	P2-3	
G4-2 Provide a description of key impacts, risks, and opportunities	P2-3,P8	
Organizational Profile		
G4-3 Report the name of the organization	P4	
G4-4 Report the primary brands, products, and services	P4	
G4-5 Report the location of the organization's headquarters	P4	
G4-6 Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	P4	
G4-7 Report the nature of ownership and legal form	P4	
G4-8 Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	P4	
G4-9 Report the scale of the organization	P4-5	
G4-10 Report the total number of employees by employment contract and gender	P38	
G4-11 Report the percentage of total employees covered by collective bargaining agreements	P38	
G4-12 Describe the organization's supply chain	P33	
G4-13 Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	P9-11	
G4-14 Report whether and how the precautionary approach or principle is addressed by the organization	P16	
G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	P34	
G4-16 List memberships of associations (such as industry associations) and national or international advocacy organizations	P18,P34	
Identified Materials Aspects And Boundaries		
G4-17 a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	P4-5,P28-31,P35,P38,P40	
G4-18 a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content	P17-19	
G4-19 List all the material Aspects identified in the process for defining report content	P19	
G4-20 For each material Aspect, report the Aspect Boundary within the organization	P28-31,P35,P38,P40	
G4-21 For each material Aspect, report the Aspect Boundary outside the organization	P24-25,P28-29	
G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	/	No restatement
G4-23 Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	P1	

Indicator	Page	Description
Stakeholder Engagement		
G4-24 Provide a list of stakeholder groups engaged by the organization	P18	
G4-25 Report the basis for identification and selection of stakeholders with whom to engage	P17-18	
G4-26 Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	P17-18	
G4-27 Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	P17-18	
Report Profile		
G4-28 Reporting period (such as fiscal or calendar year) for information provided	P1	
G4-29 Date of most recent previous report (if any)	/	The first report
G4-30 Reporting cycle (such as annual, biennial)	P1	
G4-31 Provide the contact point for questions regarding the report or its contents	P1	
G4-32 Report the 'in accordance' option the organization has chosen	P46	
G4-33 Report the organization's policy and current practice with regard to seeking external assurance for the report	/	No external assurance
Governance		
G4-34 Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision making on economic, environmental and social impacts	P14	
Ethics and Integrity		
G4-56 Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	P15	
Economic		
G4-DMA Generic Disclosures on Management Approach	P22-25	
Aspect: Economic Performance		
G4-EC1 Direct economic value generated and distributed	P5	
Aspect: Indirect Economic Impacts		
G4-EC7 Development and impact of infrastructure investments and services supported	P22-25	
G4-EC8 Significant indirect economic impacts, including the extent of impacts	P22-25	
Environmental		
G4-DMA Generic Disclosures on Management Approach	P30-35	
Aspect: Materials		
G4-EN1 Materials used by weight or volume	P30-31	
Aspect: Energy		
G4-EN3 Energy consumption within the organization	P30	
Aspect: Water		
G4-EN8 Total water withdrawal by source	P30	
Aspect: Emission		
G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	P5	

Indicator	Page	Description
Aspect: Effluent and Waste		
G4-EN23 Total weight of waste by type and disposal method	P5,P35	
Aspect: Products and Services		
G4-EN27 Extent of impact mitigation of environmental impacts of products and services	P30-35	
Labor Practice and Decent Work		
G4-DMA Generic Disclosures on Management Approach	P38	
Aspect: Employment		
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	P38	
Aspect: Occupational Health and Safety		
G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	P38	
Aspect: Training and Education		
G4-LA9 Average hours of training per year per employee by gender, and by employee category	P5, P40	
G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P39-40	
Aspect: Diversity and Equal Opportunity		
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	P38	
Society		
G4-DMA Generic Disclosures on Management Approach	P15	
Aspect: Anti-corruption		
G4-SO4 Communication and training on anti-corruption policies and procedures	P15	
G4-SO5 Confirmed incidents of corruption and actions taken	P15	
Product Responsibility		
G4-DMA Generic Disclosures on Management Approach	P22-35	
Aspect: Customer Privacy		
G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	P16	No complaint about customer privacy

Reader feedback

COSCO SHIPPING DEV welcomes your comments and suggestions, and will carefully listen to and study your feedback when preparing future social responsibility reports. Your input is important and will help us continue to promote and improve our corporate social responsibility management and practices. Please complete the form below and send it to us via mail or fax. Thank you very much!

Your contact information:

Name: _____ Organization: _____

Tel: _____ E-mail: _____

1. What is your overall rating of COSCO SHIPPING DEV's fulfillment of social responsibility?
 Excellent Very good Good Bad
2. What is your overall rating of this report?
 Excellent Very good Good Bad
3. What is your rating of COSCO SHIPPING DEV's communication with stakeholders?
 Excellent Very good Good Bad
4. What is your rating of COSCO SHIPPING DEV's corporate administration?
 Excellent Very good Good Bad
5. What is your rating of COSCO SHIPPING DEV's efforts in supporting the real economy?
 Excellent Very good Good Bad
6. What is your rating of COSCO SHIPPING DEV's performance in spreading happiness among society?
 Excellent Very good Good Bad
7. What is your rating of COSCO SHIPPING DEV's performance in improving the ecological environment?
 Excellent Very good Good Bad
8. What is your rating of COSCO SHIPPING DEV's performance in creating talent teams?
 Excellent Very good Good Bad
9. Do you think the layout and design of the report are convenient for your reading?
 Yes No
10. What information that concerns you is not disclosed in the report?

-
11. Do you have any other comments on COSCO SHIPPING DEV's fulfillment of social responsibility or any additional comments about this report?
-

 The report is printed on environmentally friendly paper

