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Thank you for reading COSCO SHIPPING Development Sustainability Report 2023. We sincerely welcome your comments and suggestions, and will carefully review the feedback of every reader of this report. Your input is important and will help us continue to improve our social responsibility management and practices.

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COSCO SHIPPING Development Co., Ltd.
Sustainability Report

2023

*Gathering New Strength,
Sailing Together Towards the Future*

About This Report

Overview

This report is the eighth sustainability report for stakeholders. It discloses the opportunities and challenges faced by the Company in its pursuit of sustainable development as well as our efforts to enhance the economic, social and environmental value for stakeholders by weaving social responsibility into corporate management.

Reporting Period

This Report covers the period from January 1 to December 31, 2023, and includes additional information beyond the stated reporting period.

Scope

We have thoroughly considered the impact of our operations on the environment, society, and governance within COSCO SHIPPING Development, as well as the consolidated scope of our annual financial report, to determine what to include in this Report. This Report encompasses the business activities of COSCO SHIPPING Development and its directly affiliated entities. (The 100% stake in Helen Insurance Brokers Limited, owned by the Company's wholly-owned subsidiary, has been fully disposed of before the reporting date, and thus will not be included in this Report.) It also includes information pertaining to China COSCO SHIPPING Corporation Limited.

Reporting Cycle

This Report is published annually.

References

This Report is prepared in compliance with the *ESG Reporting Guide* issued by the Hong Kong Stock Exchange, the *Guidelines No. 1 for the Application of Self-regulatory Rules of Companies Listed on the Shanghai Stock Exchange—Standardized Operation* released by the Shanghai Stock Exchange, the *GRI Standards* developed by the Global Sustainability Standards Board (GSSB), and the *SDG Compass* by the United Nations.

Principles

The preparation of this Report adheres to the principles below:

Materiality: This Report reveals our process for identifying and evaluating key topics by using materiality analysis tools, and addresses the crucial aspects of sustainable development that stakeholders are concerned with.

Quantitative Analysis: Following the *ESG Reporting Guide* issued by the Hong Kong Stock Exchange and the *GRI Standards* developed by GSSB, this Report presents environmental and social performance data and details the calculation methods, ensuring that the key performance indicators are comparable, assessable, and verifiable.

Consistency: The disclosure and calculation methods used in this Report are, overall, consistent with those used in the 2022 report. Any modifications have been clearly explained within the document.

Data Source

Information and data in this Report comes from disclosures, internal documents and statistical information of COSCO SHIPPING Development.

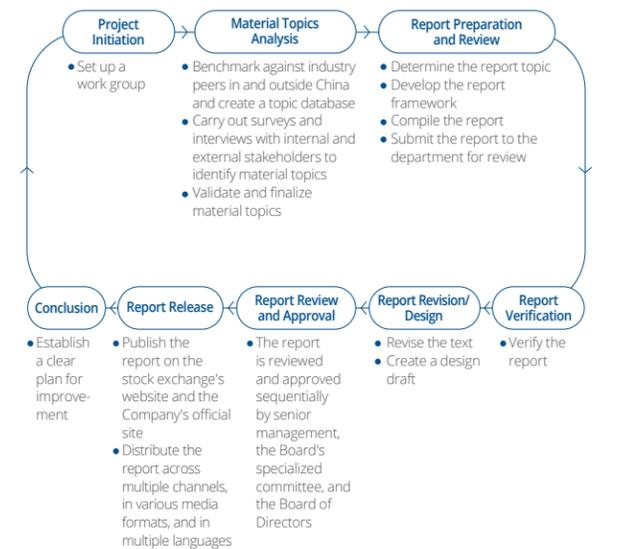
Abbreviations

For the purpose of this Report, COSCO SHIPPING Development Co., Ltd is referred to as "COSCO SHIPPING Development," "the Company" or "we"; China COSCO SHIPPING Corporation Limited is referred to as "COSCO SHIPPING Group" or "the Group"; "Florens" refers to Florens Asset Management Company Limited; "Shanghai Universal" refers to Shanghai Universal Logistics Equipment Co., Ltd.; "DFIC Lianyungang," "DFIC Guangzhou," "DFIC Jinzhou," "DFIC Qidong," "DFIC Ningbo" and "DFIC Qingdao" respectively refer to Dongfang International Container (Lianyungang) Co., Ltd., Dongfang International Container (Guangzhou) Co., Ltd., Dongfang International Container (Jinzhou) Co., Ltd., Dongfang International Container (Qidong) Co., Ltd., Dongfang International Container (Ningbo) Co., Ltd., and Dongfang International Container (Qingdao) Co., Ltd. under Shanghai Universal.

Reliability Assurance

The Company guarantees that this Report is free of any false records, misleading statements, or major omissions.

Report Compilation Process



Access to This Report

This Report is published in Simplified Chinese and English. For any discrepancies between the two versions, the Simplified Chinese version shall prevail. You can download an electronic version from our official website: <http://development.coscoshipping.com/>

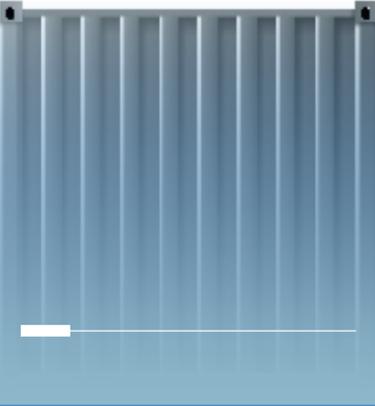
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Message from the Board of Directors

In 2023, the global geopolitical uncertainties and the declining momentum in economic and trade growth further exacerbated volatility in the shipping market. In response to international tensions and market challenges, the Company has steadfastly adhered to its original aspirations while embracing innovation. We have built up the momentum for high-quality development, bolstered our resilience for sustainable growth, and confidently faced new tests at the new stage.

Throughout the year, the Board of Directors has been concentrating on the Company's core responsibilities and business, reinforcing strategic direction and overseeing the comprehensive, high-quality development and safety of the Company. The management team has implemented strategies to high standards, efficiently carried out tasks, and accomplished significant reforms. All our employees have contributed their intelligence and strength, uniting with one heart and full effort, to unfold a splendid chapter of "Gathering New Strength, Sailing Together Towards the Future" in 2023.

In 2023, we continued to tap into the advantages of the industry and finance integration, vigorously exploring new opportunities in this area. We aligned closely with the pivotal trends of the shipping industry, firmly embraced our role in integrating industry and finance, and fully exploited the synergistic potential of the integrated "leasing-manufacturing-shipping" industrial chain. Internally, we strengthened the collaborative framework and strategy across production, finance, and investment. Externally, we actively explored new market opportunities, continuously enhancing our core competitiveness. Meanwhile, we upheld green and low-carbon development as a key approach to boost our core competitiveness in alignment with China's "dual carbon" strategy, creating new engines for future growth.

In 2023, we integrated environmental, social, and governance (ESG) principles seamlessly into our core strategy, management structure, corporate culture, business operations, and working philosophy. We

have continuously improved our governance capabilities, established transparent and efficient communication platforms, fortified our internal and external risk prevention mechanisms, and solidified the foundation for high-quality development. Committed to innovation, we have empowered our innovative endeavors with digital technologies, exploring new areas for development and gathering new drivers for high-quality growth. Embracing sustainable development, we have engaged in creating low-carbon products, established a green manufacturing system, and encouraged our industry partners to adopt eco-friendly practices. Adhering to a people-centered development philosophy, we have safeguarded employee rights and safety, and actively participated in rural revitalization and charitable undertakings. We are committed to fair competition and compliant operations, dedicated to delivering safer, greener, and more sustainable products and services. We collaborate with partners to foster industrial prosperity, ecological friendliness, and social harmony, and contribute to the advancement of the United Nations Sustainable Development Goals.

Entering a new chapter of history, COSCO SHIPPING Development is determined to fully implement the spirit of the 20th National Congress of the Communist Party of China, enhance our political acumen, uphold our strategic positioning, and maintain a steady yet progressive pace. With a commitment to integrity and innovation, we aim to advance solidly, further improve our industrial layout, enhance corporate governance, and increase operational efficiency, to fulfill our corporate mission with high standards. We will earnestly and steadily pursue high-quality development, continuing to build and improve our shipping and finance service system, optimizing our industry-finance integration service model, and working with all stakeholders for a sustainable future.

About Us

COSCO SHIPPING Development is a subsidiary of COSCO SHIPPING Group, specializing in shipping and financial operations, representing one of the Group's key businesses. Established in 1997 and headquartered in Shanghai, the People's Republic of China, the Company is publicly traded in both Hong Kong and Shanghai, with a registered capital of RMB 13.573 billion.

Dedicated to the core aspects of shipping, the Company focuses on container manufacturing, container leasing, and shipping leasing, underpinned by investment management to foster integrated growth in finance, investment, and production.

Container Manufacturing

The Company engages in the research, development, production, and sales of ISO dry containers, refrigerated containers, special containers, and containerized housing units. With an annual capacity exceeding 1.4 million TEUs, it ranks second globally. The Company emphasizes industrial collaboration, smart manufacturing, and diversified growth. While consolidating our dry container production and special and refrigerated container operations, we also explore smart and energy storage containers, and expand our range of container-related equipment.



Shipping Leasing

Our shipping leasing business focuses on the operational and finance leasing of container ships and dry bulk carriers, among other vessels, with shipping assets among the largest in the industry. By enhancing collaboration across leasing, manufacturing, trading, and transportation, and leveraging COSCO SHIPPING Group's full industry chain, the Company develops a "one-stop" business model, becoming a top ship-owning leasing company in China.

Container Leasing

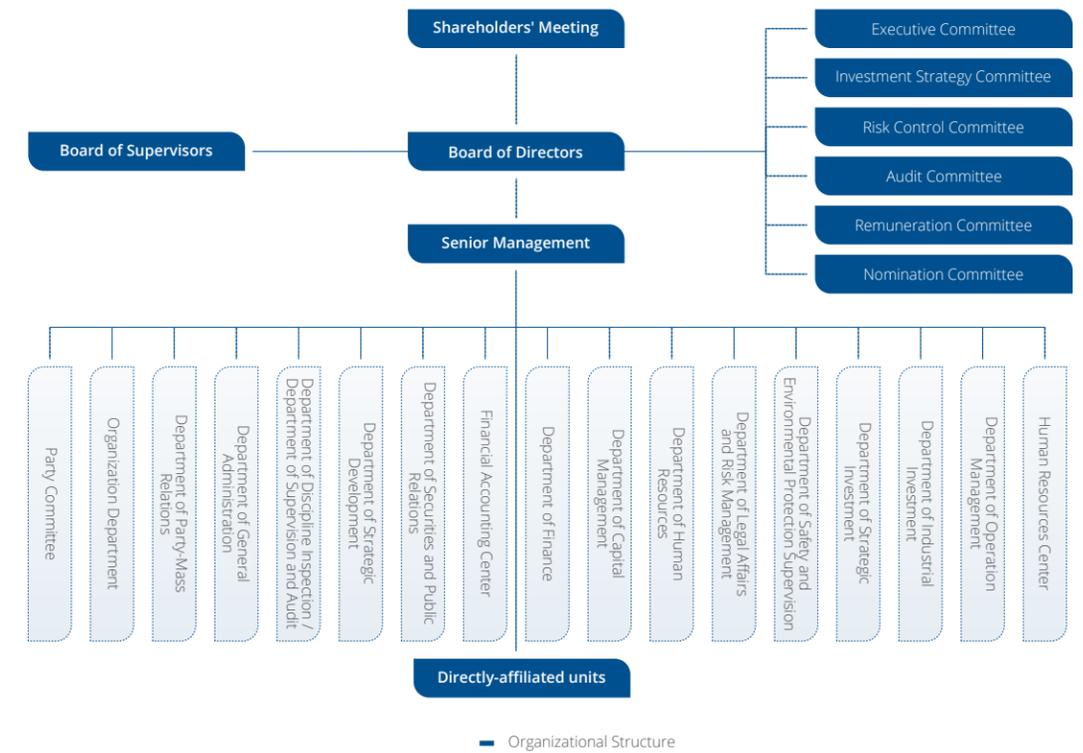
This segment primarily involves leasing and trading various container types, servicing over 170 major ports worldwide. Managing a container fleet surpassing 3.8 million TEUs, we are a global leader in container leasing, renowned for our superior leasing and manufacturing capability and influence in the sector.

Investment Management

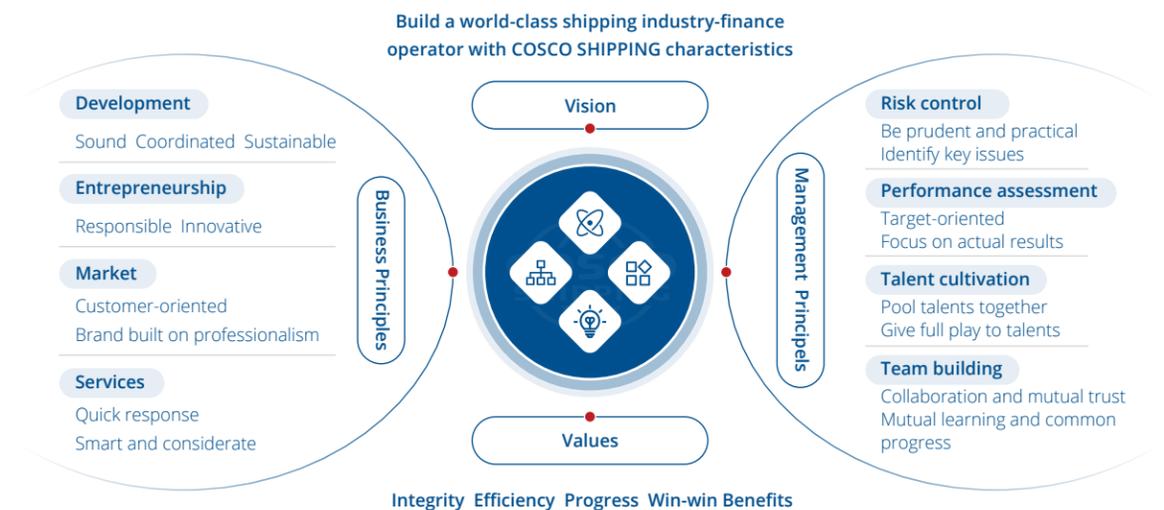
Centered around shipping, this segment aims to connect the industry and finance by using money as a bridge. Based on shipping, ports, and other logistics scenarios, it infuses expertise and capital into the maritime logistics industry to make it more digital, connected, and smarter, driving industry upgrades.

Indicator	2021	2022	2023
Container Production Capacity (in 10,000 TEUs)	144	144	144
Container Fleet (in 10,000 TEUs)	370	386	384
Container Ship Capacity (in 10,000 TEUs)	58.16	65.23	58.37
Bulk Carrier Capacity (in 10,000 DWT)	361.79	470.24	419.94
Special Ship Capacity (in 10,000 DWT)	18.55	41.02	64.98

Pursuing "Excellence and Pragmatism" and upholding the principles of "Integrity, Efficiency, Progress and Win-win cooperation," we use our distinct strengths in the shipping industry to increase the value of capital flows within the maritime logistics ecosystem. Our goal is to become a leading industry financial services provider with COSCO SHIPPING characteristics.



COSCO SHIPPING Development has developed a corporate culture of "Excellence and Pragmatism," aspiring to strive for the best in a practical and effective approach. In 2023, we carried out various activities to help employees fully embrace and practice this culture. These activities have greatly empowered the Company's growth and management by building a strong cultural and value-based foundation that drives faster and better progress.



Honors and Awards

2024.1

- DFIC Qingdao and DFIC Lianyungang were included in the 2023 Green Manufacturing List announced by the Ministry of Industry and Information Technology of China (MIIT).
- The world's first 700-TEU battery-powered container ship developed by COSCO SHIPPING Development was selected as one of the "Top 10 Assets of Central State-owned Enterprises of Vital Importance to China" in 2023.

2023.12

- DFIC Qidong's "Digital Design for Manufacturing Processes" initiative was recognized as a National Exemplary Scenario of Intelligent Manufacturing by the MIIT in 2023, and DFIC Jinzhou was recognized as a smart factory in Liaoning Province in 2023.
- COSCO SHIPPING Development was awarded the "Golden Bee 2023 Outstanding Corporate Social Responsibility Report • Evergreen Award."
- COSCO SHIPPING Development was included in "2023 Wind's Top 100 Chinese Listed Companies in ESG Best Practices."

2023.11

- COSCO SHIPPING Development won the "Award of Outstanding Contribution to Green and Low-Carbon Development" in the 17th Chinese Listed Companies Valuation.
- COSCO SHIPPING Development was honored with the 25th Golden Bull Award for Listed Companies - Golden Information Disclosure Award.

2023.10

- Florens Asset Management Company Limited, a subsidiary of COSCO SHIPPING Development, was awarded the prestigious "Good MPF Employer Award" by a regulatory body under the Government of the Hong Kong Special Administrative Region.

2023.9

- COSCO SHIPPING Development was honored with the "Typical Practice Cases for the Board of Directors of Listed Companies in 2023" by the China Association for Public Companies.
- COSCO SHIPPING Development was included in the "Central Enterprise ESG-Pioneer 100" index.
- The 2022-2023 information disclosure of COSCO SHIPPING Development received an A rating from the Shanghai Stock Exchange.
- COSCO SHIPPING Development was awarded the "Award of Outstanding Contribution to Pudong's Economy."

2023.8

- The project titled "Culture and Innovation Drive Low-carbon Development across the Entire Industry Chain," submitted by DFIC Qingdao, a subsidiary of COSCO SHIPPING Development, won the first prize in the "2023 Carbon Peak and Carbon Neutrality Innovation Project" awarded by China Association of Plant Engineering.

2023.6

- COSCO SHIPPING Development was included in S&P Global's "Sustainability Yearbook 2023 (China Edition)" and was awarded the title of "Most Progressive Enterprise in the Industry."

2023.5

- COSCO SHIPPING Development's 700-TEU electric container ship project won the "2022 Innovative Case Award for Shanghai Financial Leasing Industry."
- COSCO SHIPPING Development was rated AA grade in the ESG rating of the Wind China Valuation Index.

2023.4

- The iFlorens digital operation platform—"Digital Disposal Scenario of Decommissioned Containers" of Florens, a subsidiary of COSCO SHIPPING Development, won the second prize in the Professional Competition on Digital Scenario Innovation for State-owned Enterprises.
- DFIC Lianyungang and DFIC Qingdao, subsidiaries of COSCO SHIPPING Development, were honored as the "2022 National Safety Culture Construction Model Enterprises."

2023.3

- DFIC Jinzhou, a subsidiary of COSCO SHIPPING Development, was honored as a "National Green Factory" in 2022.

2023.1

- COSCO SHIPPING Development was awarded the Hong Kong Stock Industrial Best Practice Award, A-Share Best Practice Award and A-Share Industrial Best Practice Award for the year 2022 by Wind ESG.
- COSCO SHIPPING Development won the award in the "Green Growth" category of the UNIDO Global Call 2022.
- COSCO SHIPPING Development won the "Best Property Transaction Organization Award" from the Beijing Equity Exchange.



Striving for Excellence, Leading with Responsibility

We believe that the world is a global community with a shared future and that businesses can make a difference through responsible actions.



In 2023, global trade and economic growth slowed down, leading to periodic fluctuations in the shipping market. Despite these challenges, the digital, intelligent, and low-carbon transformation of the industry has created new opportunities for companies along the shipping industry chain. To navigate these opportunities and challenges, COSCO SHIPPING Development implements the concept of sustainability and leverages its advantages in industry-finance integration to empower the maritime logistics industry's high-quality development, create value for customers, and seek benefits for society.

01



Sustainability Management

In the capital-intensive shipping industry, a robust industry-finance service system plays a pivotal role in industry development. Recognizing this, COSCO SHIPPING Development has fully exploited the synergistic potential of the integrated "leasing-manufacturing-shipping" industry chain. Internally, we strengthen the collaborative framework and strategy across production, finance, and investment, while externally, we actively seek out new market opportunities. Together with partners, we strive to promote sustainable industry, social and global development.

Key performance highlights

COSCO SHIPPING Development was included in S&P Global's "Sustainability Yearbook 2023 (China Edition)" and was awarded the title of "Most Progressive Enterprise in the Industry," and was listed in the "Central Enterprise ESG-Pioneer 100" index published by China Social Responsibility 100 Forum under the guidance of the Social Responsibility Bureau of the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council. We also won the "Award of Outstanding Contribution to Green and Low-Carbon Development" in the 17th Chinese Listed Companies Valuation.

Background and Strategies for Sustainable Development

Since 2023, in response to new challenges, the shipping industry has been focusing on achieving high-quality growth by leveraging green, low-carbon, and smart technologies.

COSCO SHIPPING Development aligns closely with the pivotal trends of the shipping industry, firmly embracing our role in integrating industry and finance. By concentrating on core activities such as container manufacturing, container leasing, and shipping leasing, with investment management as a pillar, we meticulously plan the development of our major business areas. We aim to leverage the synergistic potential of our integrated "leasing-manufacturing-shipping" industry chain. Internally, we strengthen the collaborative framework and strategy across production, finance, and investment, while externally, we actively seek out new market opportunities. Our goal is to craft a market-driven, specialized, and internationally oriented operation that stands out as a world-class shipping-finance operator with COSCO SHIPPING characteristics.

In 2023, navigating a complex market and new opportunities, the Company set clear development goals, strengthened strategic direction, and actively planned for stable and high-quality growth. We were committed to fully upgrading to digital and smart technologies, moving towards green and low-carbon operations, and building a solid base for consistent progress. In container manufacturing, we have enhanced

technological innovation, improved the quality of our products and services, and boosted our capability for customized R&D and manufacturing. This enables us to broaden and deepen our reach in the special container market and strategically position ourselves in the realm of green, eco-friendly, and smart manufacturing. In container leasing, we have further diversified our leasing options, and used digital tools to enhance management efficiency and customer service. We have also built a unique advantage in integrating container leasing and manufacturing, thus extending our global service capabilities. In shipping leasing, we have refined our approach to integrating industry and finance, advanced green and low-carbon shipping initiatives, and given full play to our integrated "leasing-manufacturing, leasing-shipping" chain. Furthermore, we have amalgamated resources from the financial sector to capture opportunities throughout the lifecycle of shipping assets, from ordering, leasing, management to disposal. In investment management, we have optimized our financial services, with a sharper focus on shipping-finance integration, to foster new shipping technologies, industries, and green shipping initiatives, thereby upgrading our industrial structure.

Indicator	Unit	2023	2022	2021
Revenue	RMB million	15,533.247	25,419.063	37,118.371
Profit	RMB million	1,407.555	3,923.829	6,090.682

Note: The data in the table are based on H-share metrics.



Sustainability Philosophy and Management

We are committed to refining our sustainable development governance structure, systematically identifying and managing ESG risks, addressing concerns from the capital market, and integrating sustainable development principles with our overarching strategy, values, and business planning. We aim to achieve enduring sustainable growth by aligning corporate and societal values, thereby contributing to the high-quality development of the economy and society.

Board Statement

The COSCO SHIPPING Development Board of Directors oversees the Company's overall direction in ESG development and strategy formulation. It supervises and coordinates the management of ESG-related risks, acting as the supreme authority and decision-making body for ESG affairs. The Board is ultimately accountable for the Company's ESG strategies and disclosures. In 2023, the Board responded to changes in both internal and external environments by adjusting and prioritizing the material topics based on the Company's actual development needs. This Report discloses and tackles 16 material topics related to governance, economic, environmental, and social aspects, to address the needs of stakeholders. The assessment results of these material topics were endorsed by the signatures of all Board members.

In 2022, the Company set environmental goals, such as reducing greenhouse gas emissions, lowering pollutant discharges, and enhancing energy efficiency, along with social objectives like annual targets for workplace safety. Throughout 2023, the Board persistently monitored the progress towards these environmental and social goals, overseeing sustainable development activities associated with these goals and evaluating their fulfillment.

This Report thoroughly reveals the advancements and achievements in COSCO SHIPPING Development's sustainability efforts in 2023. In March 2024, the Company's Investment Strategy Committee reviewed and approved the Sustainable Development Report for 2023. Following the Board's examination, the Report was formally disclosed to the public on the evening of March 28. COSCO SHIPPING Development's Board of Directors and all its directors assure that this Report is free from any false information, misleading statements, or major omissions, and they accept individual and collective responsibility for its truthfulness, accuracy, and completeness.

Sustainability Organizational Structure

We have established sustainability management organizations to strengthen the overall leadership, coordination and promotion of sustainable development and improve our sustainability management. The Board of Directors is the highest authority over sustainability governance.



— Sustainability management organizational structure

The Investment Strategy Committee coordinates and guides the sustainability management organizations, analyzes and studies global political, social and environmental risks and opportunities that might affect the Company; supervises and manages sustainability strategies, relevant policies and ESG performance, and makes decisions on major matters concerning sustainable development. The said responsibilities have been written into the *Working Rules of the Investment Strategy Committee of the Board of Directors*.

The Sustainability Working Group, comprising departments of the headquarters and subsidiaries, manages sustainability practices and ESG performance indicators in accordance with the *Sustainability Management Policy* and the *ESG Index Management and Operation Manual*, and reports regularly on the work progress.

Sustainability Philosophy System

Our sustainability commitment: We will integrate the vision of sustainable development into our core corporate strategy, corporate culture and the way we work, uphold fair competition and compliance, and develop safer, greener and more sustainable products and services to foster industry prosperity, ecological conservation and social harmony.

Dimension	Our goal	SDGs
Economic	We will integrate the cargo flow, capital, information, and equipment resources related to maritime logistics, give full play to the advantages of the shipping industry, serve and empower the maritime logistics industry, and expand the value of the capital flow of the maritime logistics ecosystem, striving to build a world-class shipping industry-finance operator with COSCO SHIPPING characteristics.	1 无贫穷 8 体面工作和经济增长
Environmental	We will spare no effort to relieve the burden on the environment. We will continue to identify the environmental impacts of the industry chain, and guide upstream and downstream partners to boost the harmonious coexistence between enterprises and nature by promoting sustainable procurement, production and products.	7 经济适用的清洁能源 12 负责任的消费和生产 13 气候行动 14 水下生物 15 陆地生物
Social	We will address the fundamental needs of national, urban and social development, and make unremitting efforts to achieve higher levels of development and human well-being. We will actively participate in building sustainable cities and communities, and solve social problems in education, health care, environmental protection and infrastructure with our resources and expertise.	2 零饥饿 3 良好健康与福祉 4 优质教育 5 性别平等 6 清洁饮水和卫生设施 10 减少不平等 11 可持续城市和社区
Industry	With an international vision and forward-looking mind, we will carefully study the development trend of the industry, make strategic decisions conducive to long-term development, and share experience with business partners to promote the sustainable development of the maritime logistics industry.	9 产业、创新和基础设施 16 和平、正义与强大机构 17 促进目标实现的伙伴关系

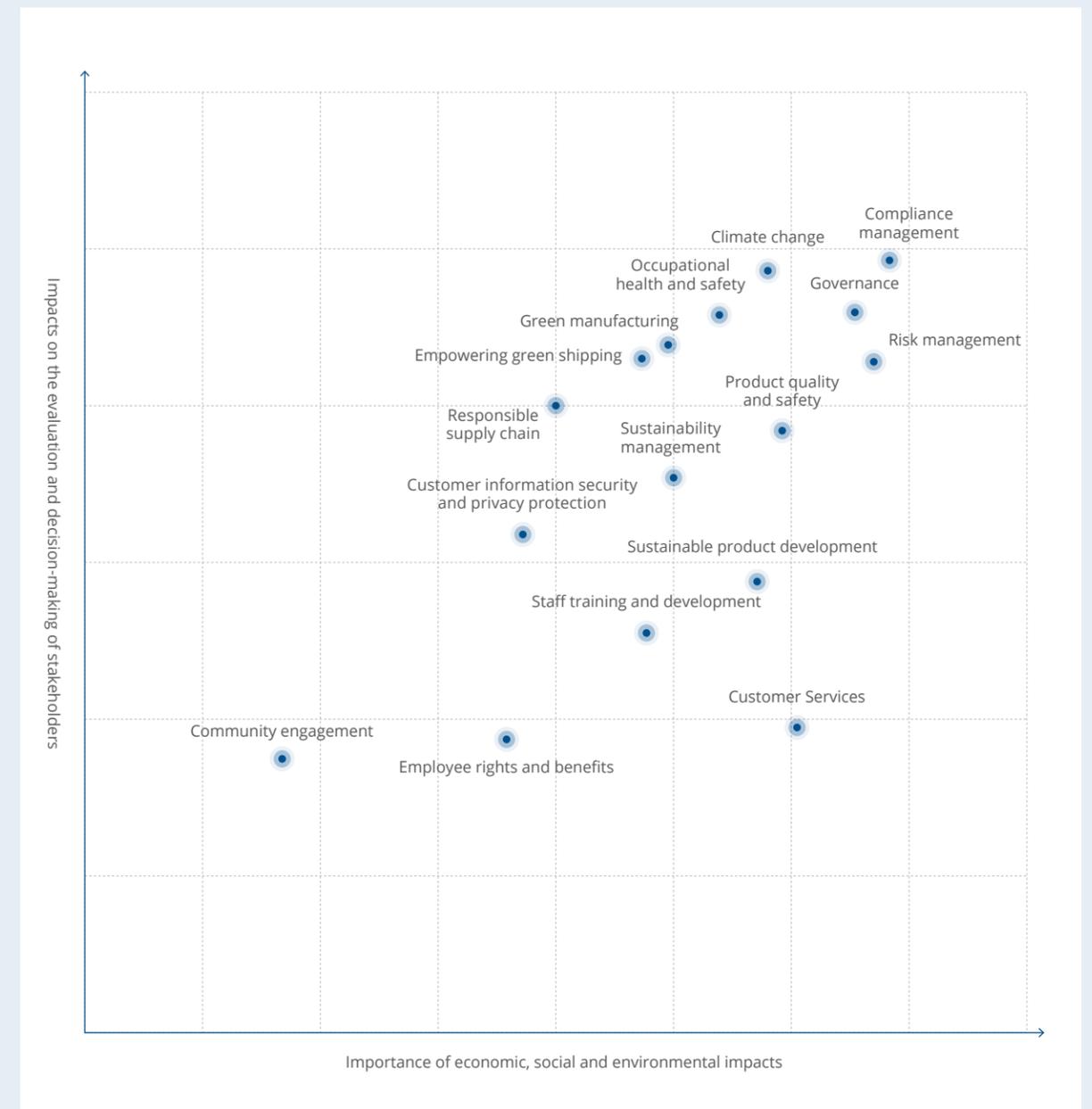
Stakeholder Communication

We monitor the impact of the Company's operations on all stakeholders, and strive to create value for them by identifying stakeholders, identifying their core demands, and clarifying the way of communication, so as to obtain the recognition and support of all parties.

Stakeholders	Core Demands	Communication and Responses
 Government/Regulatory bodies	<ul style="list-style-type: none"> Following national strategies Serving local economic and social development Compliant operation Fair competition 	Official correspondence, information disclosure, policy implementation, completion of assessment
 Stock exchanges/Investors	<ul style="list-style-type: none"> Good business performance Sound corporate governance Compliant operation Risk control Realization of corporate development strategy True, complete and timely information disclosure 	Company announcement, shareholders' meeting, performance conference, road show, communication with investors
 Customers	<ul style="list-style-type: none"> Efficient products Excellent services Information security 	Customer needs surveys, official website, WeChat, industry trade shows
 Partners	<ul style="list-style-type: none"> Win-win cooperation 	Exchange and visit, industry forum
 Employees	<ul style="list-style-type: none"> Sound protection of rights and interests Good prospect for career development Comfortable working environment 	Cultural development, workers' congress, employee training and activities
 Communities and the public	<ul style="list-style-type: none"> Engaging in charity Serving community development 	Volunteer service, public welfare activities, paring assistance
 Environment	<ul style="list-style-type: none"> Systematic environmental management Supporting green industry development 	Environmental policies, green investment
 Media	<ul style="list-style-type: none"> Responsible operation Excellent service Adequate information disclosure 	Press conference, media interview, new media interaction

Identification and Analysis of Material Topics

Since releasing our first social responsibility report in 2016, we have conducted two stakeholder surveys in 2016 and 2020 respectively to analyze the most material topics for the Company and stakeholders. In 2023, we reviewed the material topics and reassessed, analyzed and adjusted the material topics based on the macro policy and trend of global sustainable development, the important strategic directions of the Company, and the demands of stakeholders, so as to adapt to the sustainability trends and stakeholders' concerns.



Improving Governance

Observance of laws, regulations and business ethics is the red line that must not be crossed and the foundation of our sustainability management.



Ensuring sound operation is crucial for the Company's long-term growth. Upholding the concept of "excellence and pragmatism" and the core values of "integrity, efficiency, progress, win-win benefits," the Company continuously improves the corporate governance systems at both the headquarters and subsidiary levels. We have created a transparent and efficient communication platform, improved our internal and external risk prevention mechanisms, established an honest and self-disciplined workplace, and fully exerted our influence to rally stakeholders to jointly build a responsible business environment. By doing so, we strive to promote the sound development of the shipping industry chain.

02



Corporate Governance

We have implemented a sound governance structure with clearly defined powers and responsibilities, which includes the Shareholders' Meeting, the Board of Directors, the Board of Supervisors, and senior management. Each carries out its duties diligently to ensure the efficient operation and quality of the Board. Meanwhile, we prioritize understanding the needs of the market by establishing a transparent, comprehensive communication platform to manage investor relations and enhance investors' understanding of the Company. Through these efforts, we aim to protect the interests of our investors.

In 2023, we deployed and conducted our business activities in full compliance with the regulatory and operational directives issued by the SASAC and supervisory agencies for public companies. We were selected as one of the initial constituents for both the "CSI Guoxin Central-SOEs Shareholder Return Index" and the "CSI Guoxin Hong Kong Stock Connect Central-SOEs Dividend Index." Furthermore, our Board Secretary was awarded a 5A rating for the board secretaries of listed companies in 2023.

Implementing a stock option incentive scheme

We devised the *COSCO SHIPPING Development Stock Option Incentive Plan*, whereby stock options are awarded to directors, senior management, core management personnel, and key business personnel through the repurchase and targeted issuance of shares.

Improving the quality of corporate information disclosure

We efficiently completed and disclosed four periodic reports, and used press releases and short videos to present details of our performance in both text and visuals. This has made it easier for investors to understand our operations, thereby enhancing our recognition in the market.

Ensuring compliance with laws and regulations

We updated the *Working Rules of the Remuneration Committee of the Board of Directors* according to the 2023 revision of the *Hong Kong Exchanges and Clearing Limited Listing Rules*. The seamless alignment between our internal policies and regulatory requirements solidifies the foundation for our compliance with the rules for listed companies.

Fostering investor relations

We organized various performance briefing sessions, engaged in regular interactions with industry analysts, and proactively communicated with major shareholders and potential investors. We strengthened our investor relations by improving communication with small and medium investors and adopting a comprehensive strategy for investor relations management.

Enhancing the development of integrated media platforms

We enhanced our publicizing platforms, tapping into promotional materials that showcase our business strengths and brand image. We also refined our video publicity strategies to enhance the readability and reach of our publicity reports. Moreover, we improved the coordination of our external marketing efforts to amplify the impact of our independent brand. Furthermore, we regularly updated our official website to ensure compliance and optimal content presentation.

COSCO SHIPPING Development is constantly improving corporate governance

Key performance highlights

During the reporting period

We held

2 shareholder meetings
deliberating on 13 proposals

10 Board of Directors meetings
deliberating on 43 proposals

7 Supervisory Board meetings,
deliberating on 14 proposals

The Board's specialized committees convened as follows

the Audit Committee met 7 times
to discuss 8 proposals

the Executive Committee met 5 times
to discuss 5 proposals

the Investment Strategy Committee met
2 times to discuss 2 proposals

the Remuneration Committee met
3 times to discuss 3 proposals

the Risk Control Committee met 2 times
to discuss 4 proposals

the Nomination Committee met
2 times to discuss 2 proposals



We ensured the compliant and smooth functioning of our governance structures, achieving a seamless transition for the seventh Board of Directors and Supervisory Board. Adhering strictly to laws and regulations regarding the appointment and duties of directors, supervisors, and senior management, we diligently completed annual training for board members, supervisors, and senior management, engaging 25 participants in 8 training sessions in total.



We issued 39 temporary announcements in the A-share market and 128 documents (including overseas regulatory announcements) in the H-share market. We received the highest A-grade rating for information disclosure from the Shanghai Stock Exchange for 9 consecutive years and won the China Securities Journal's 2023 Golden Bull Award for Information Disclosure.



We addressed 96 investor queries through the SSE E-Interaction Platform and the SSE Roadshow Center. We distributed cash dividends, totaling RMB 1.178 billion, to shareholders for the fifth consecutive year. Due to stable investor returns and capital market performance, the Company was selected as part of the first group of constituents for the CSI Guoxin Central-SOEs Shareholder Return Index and the CSI Guoxin Hong Kong Stock Connect Central-SOEs Dividend Index.

Anti-corruption

We strictly abide by the *Interim Provisions on Banning Commercial Bribery*, *Rules on Integrity of Executives of State-owned Enterprises*, *Regulations on the Communist Party of China Disciplinary Action*, *Oversight Law of the People's Republic of China*, and *Implementation Rules for the Oversight Law of the People's Republic of China* as well as other regulations. By improving the anti-corruption mechanism and deepening anti-corruption audit, we incorporate anti-corruption into our corporate governance and business process, and strengthen the atmosphere of integrity to facilitate the sustainable development of the Company.

Intensifying Anti-corruption Efforts

COSCO SHIPPING Development has created an anti-corruption mechanism led by the Company's leadership and spearheaded by the Supervision and Audit Department. This mechanism is designed to continuously refine the anti-corruption system, enhance anti-corruption supervision, advance targeted governance measures, and cultivate a culture of integrity, all aimed at supporting the Company's healthy development.

Refining Management Mechanisms

We established a group to coordinate efforts in Party conduct, integrity building, and anti-corruption, strengthening the enforcement of integrity management responsibilities; developed tailored rules such as *Several Opinions on Anti-Commercial Bribery Work*; compiled the *Ten Questions and Answers on Systems Related to Business Hospitality*; issued the *Procedures for Implementing Party Disciplinary and Administrative Decisions of the Discipline Inspection Committee of COSCO SHIPPING Development* to govern conduct through systematic regulations. We have also designated "major disciplinary violations" as an indicator of operational risk monitoring, incorporating it into the Company's overall risk monitoring framework for routine assessment of business corruption risks and periodic risk evaluations.

Bolstering Integrity Supervision

We processed reports and allegations in accordance with the *Company's Regulations on Handling Reports and Allegations*, established a collaborative and checks-and-balances mechanism among reporting, supervisory inspection, investigation, and case management, and clarified the procedures, timelines and requirements for case handling. We ensured the confidentiality of the informants' identities (including their name, organization, and address) and the information provided, prohibiting the sharing of informant information with or notifying the reported organizations or individuals, and legally safeguarding informant data without disclosing their identities during investigations.

Implementing Special Rectification

We executed supervisory checks on reimbursements for hospitality expenses and construction projects, thoroughly analyzed prevalent and recurring issues, uncovered system flaws and operational weak links, offered specific corrective recommendations, and endeavored to build a sustainable mechanism for corruption risk prevention and control. This effort aims to create a transparent, law-abiding, fair, and equitable business environment.

Ensuring Rule Implementation

Following the *Procedures for Implementing Party Disciplinary and Administrative Decisions*, efforts are focused on ensuring compliance in several key areas: the announcement and delivery of disciplinary decisions; the archiving of documentation related to disciplinary decisions; adjustments to the disciplinary subjects' roles, grades, positions, salaries, and employment relations; the confiscation or restitution of financial gains from violations of discipline or law; rectification of improperly obtained professional titles, educational qualifications, awards, or certifications; evaluation of individuals under disciplinary action, including their assessment ratings and the rights of party members under observation. This approach aims to guarantee the timely, accurate implementation of disciplinary decisions, upholding the integrity and authority of the disciplinary process.

Fostering an Ethical Culture

Two educational lectures on *Fastening the First Anti-corruption Button* were organized for 209 young officials; a thematic class on "Strict Party Governance: Situation and Tasks" was offered for all supervisory officials within the system; an educational conference for mid-to-senior officials in units based in Hong Kong was held to reinforce discipline and legal awareness among enterprises outside the Chinese mainland; over 500 staffers and officials across the system were organized to view thematic educational films like *Zero Tolerance* and *Always Charge Ahead*, and *The Gambled Life* was produced as a cautionary tale to enhance the consciousness and conduct of integrity of self-discipline among employees.

Key performance highlights

During the reporting period

The Company recorded

1 incident of corruption or bribery

0 incidents of discrimination or harassment

0 incidents of customer privacy data breaches

0 incidents of conflict of interest

0 incidents of money laundering or insider trading

1 employee disciplined or dismissed for non-compliance with anti-corruption policies

- Anti-corruption training for directors included in annual training sessions organized by exchanges, listed companies associations, etc., reaching full coverage

- **852** regular employees (including management) received anti-corruption training

- Accounting for **51.2%** of the total regular workforce

- **1,812** temporary workers participated in anti-corruption training

- Representing **18.9%** of the total temporary workforce

- The code of conduct's applicability extended to **100%** of our subsidiaries



Intensifying Anti-corruption Efforts

We have developed a comprehensive, closed-loop system for auditing and correction operations. This system prevents and manages integrity-related risks and oversees the resolution of any issues found. We strictly follow the SASAC's guidelines for hiring audit firms for central SOEs, periodically selecting new auditors for annual financial statements through competitive negotiation and other processes, and comply with the approval procedures for publicly traded companies.

We have established an Audit Committee within the Board of Directors. This committee, consisting of directors experienced in auditing, finance, and banking, receives regular reports from internal and external auditors. Its role is to aid the Board in making well-informed decisions.

Intensified Audit Oversight
 Enhanced Accountability
 Issue Rectification
 Optimized Organizational Structure

We created a new supervisory framework by merging economic auditing with political oversight. This included conducting 9 economic responsibility audits on recent equity disposal projects to standardize procedures, and 18 audits on construction projects to ensure compliance. In addition, we carried out specialized inspections to monitor power usage of inspectors, reducing major risks. We also reviewed major annual activities and critical Board decisions to improve our operational standards.

We developed and issued the *Guidelines on the Management of Documentation Generated in Investment Responsibilities Investigations about Illegal Operations* to optimize the use of documentation. Also, we conducted investigations and enforced accountability for unauthorized overseas business activities and investments.

We identified widespread issues, compiled a list of confirmed issues, and instructed subordinate units to swiftly report on their corrective actions, ensuring a unified and thorough application of insights from supervisory activities. We also enhanced communication with the Group's audit department to analyze the root causes, implement corrective measures, and assess their effectiveness, thereby accelerating the resolution of previously identified audit issues.

We enhanced innovation in our audit management by creating a global audit division in Shanghai Universal. This division aims to facilitate a comprehensive, efficient audit and oversight system that enables effective coordination across various levels, with a focus on auditing and supervising key leaders and positions within major entities.

Key performance highlights

During the reporting period

The Company faced **0** corruption-related fines or settlements, had **1** person embroiled in integrity litigation, and resolved **1** lawsuit alleging corruption against the Company or its employees.

Risk Compliance

COSCO SHIPPING Development strictly complies with the *Guidelines for Comprehensive Risk Management of Central SOEs*, the *Basic Standards for Enterprise Internal Control*, the *Measures for Compliance Management of Central SOEs* and the *Interim Measures for Supervision and Administration of Financial Leasing Companies*. We have also studied, drawn on and applied internationally renowned risk management frameworks and the concepts and methodologies of guiding tools, including the ISO 31000 risk management standards, COSO's Enterprise Risk Management-Integrated Framework (2017), IRM and Basel II, to continuously improve our risk management system, enhance compliance management, foster a risk management culture, and build a strong risk management safety net for stable and orderly business operations.

Three-tiered Risk Prevention and Control

Risk management is a top priority for the Company. We have continuously improved our risk management system. This involves strengthening risk assessment and surveillance, refining risk management tools, and enhancing the international risk management framework to boost our risk management capacity in all aspects.

A Sound Risk Management Framework

We implemented a risk management framework that is overseen by the Board of Directors, led by the management team, and bolstered by dedicated risk management entities. This collaborative effort involves all key departments, covering every business unit and role to establish a "three lines of defense" strategy. This approach requires the Board, management, and all departments to support the Chief Risk Officer and risk management teams, ensuring they, as the "second line of defense," can perform their duties without facing unfair treatment.

Annual Risk Assessments

We analyzed global and domestic changes, macroeconomic conditions, and shipping market trends. Based on this analysis, we compiled the *2023 Risk Assessment and Response Report for the Industry-Finance Integration Platform* and submitted it to the Group. The report identifies five key risks faced by the Company in 2023, outlines the appropriate response actions to support risk management, and reviews last year's risk exposure indicators. It updates risk limits and monitoring metrics, adjusts risk response strategies, and enhances risk exposure management.

Strengthened Risk Monitoring and Tracking

We optimized the risk limits and monitoring indicators for 2023 for both the headquarters and subsidiaries, published the *2023 Risk Limits and Monitoring Indicators Plan for the Industry-Finance Integration Platform*, and maintained vigilant supervision of the implementation of these indicators. We developed a system including non-financial risk limits and monitoring indicators, conducted monthly sensitivity analysis of relevant indicators, and swiftly addressed any irregularities. We improved our customer alert system, introducing red, orange, and yellow levels for more precise monitoring and response, and dynamically assessed its effectiveness. We also diligently advanced the resolution of key risks, keeping a close track of projects with significant risk implications.

Standardized Market Risk Management

We formulated the *Trial Measures for Market Risk Management* to further standardize the management mechanisms, responsibilities, and requirements for handling market risks. We performed professional risk assessments before investments and drafted the *Mid-Year Market Risk Review and Outlook for 2023*. For the first time, we implemented post-investment management checks to enable timely risk assessments and self-audits, establishing a complete risk self-inspection cycle.

Optimized Risk Management Tools

We issued the *Notice on Further Standardizing Management of Business Project Restructuring/Extensions* and the *Notice on Optimizing Single Customer Credit Concentration Limit Management Mechanisms*. We developed the *Plan for Enhancing the Management of Credit Risks among "Tail-End Customers"* and made a proposal to optimize leverage management in leasing operations linked to financial liabilities. These efforts aim to optimize our risk management mechanisms and tools, ultimately strengthening our risk management capabilities.

Enhanced Management of Overseas Risks

We developed the *Overseas Risk Prevention and Control System Development Plan* to evaluate and prioritize the main risks faced by the Company in overseas markets, identify departments responsible for risk management, and establish protection mechanisms. This plan directs subsidiaries to develop their overseas risk management strategies based on their respective business characteristics, fostering a consistent overseas risk prevention and control system.

Promoted a Risk Culture

We strive for excellence in a pragmatic approach. Our culture emphasizes risk awareness, underscoring the need to be cautious and focused on essential elements. We stress the importance of adhering to risk management principles, keeping risk preferences consistent, monitoring critical risks, and enforcing thorough risk control. Through a "three lines of defense" risk management framework, and actions like issuing *Legal Compliance Briefs*, providing training, and conducting risk screenings, we aim to enhance our employees' risk awareness and strengthen our risk management culture.

Conducted ESG Risk Management

We have incorporated workplace safety and environmental risk monitoring indicators into our overall risk management framework. Based on the data regularly collected by the information system, we analyze and assess these indicators to effectively control and address risks, thus preventing them from escalating into more significant issues, such as credit and reputational risks.

Key Performance Highlights

In 2023, our Board of Directors was composed of 8 members, including 1 executive director, 3 non-executive directors, and 4 independent non-executive directors. 1 non-executive director possesses specialized risk management expertise.

Two Long-term Emerging Risks with the Greatest Impact on Enterprises' Future Operations

Category	Political and Policy Risk	Interest Rate Volatility Risk
Description and Impact	This risk is due to geopolitical factors such as the decoupling of supply chains and technology between major countries, political policies, military conflicts, economic trade protectionism, energy security, and ideological and belief divisions among regions. It may increase instability among suppliers and customers, raise production, operational, and financial costs for companies, heighten the risks in investment and business expansion in regions sensitive to these risks, and possibly result in international sanctions.	The Company may suffer substantial economic losses amid swift interest rate fluctuations if it fails to effectively track interest rate trends, use financial tools quickly and effectively to respond to changes, or maintain proper alignment between the interest benchmarks of assets and liabilities.
Mitigation Strategies	<ul style="list-style-type: none"> Enhance identification of risks associated with international sanctions and pre-investment due diligence for foreign investments. Gather updates on legal and policy changes in sensitive areas, strengthen monitoring and assessment of customers/suppliers, and continually evaluate the stability of business collaborations. Increase financial reserves and foreign exchange provisions to address liquidity and currency risks induced by geopolitical tensions. Implement and adhere to sanctions risk management protocols, incorporating risk identification and assessment into business operations, and increasing the frequency of sanctions risk evaluation. 	<ul style="list-style-type: none"> Tailor the funding term and interest rates on the financing side in line with the characteristics of the lending side activities, while comprehensively managing financing costs, assuming interest rate risk is manageable. Mainly use a matching policy of floating rates against floating rates and fixed rates against fixed rates for assets and liabilities to secure earnings. Closely monitor interest rate trends, keep an eye on critical financial metrics such as funding costs, and ensure adequate financial planning and backup arrangements.

Commitment to Compliant Operations

We manage our company in strict accordance with the law and ensure compliance in our operations. We continuously strengthen and enhance our compliance management by developing systems, consolidating achievements, managing potential risks, and disseminating information, all to ensure the Company operates in a stable and robust manner.

- Ongoing Enhancement of Compliance Management**

We revised the *Compliance Management Measures*, with a clear mandate for establishing a Chief Compliance Officer role, and reinforcing compliance rectification, evaluation, and accountability measures. We updated the *Compliance Manual* to mandate its use as an effective tool for compliance management across all departments and affiliated entities. We also reviewed the outcomes of the "Year of Enhanced Compliance Management," enhancing compliance audits for key projects and bolstering the promotion and training of compliance management to solidify the year's achievements.
- Comprehensive Improvement of System Management**

We executed the 2023 plan for system development and carried out targeted system improvements. We issued the *Notice on Further Strengthening System Management*, urging all departments and affiliated entities to enhance the development of systems, further refine the framework of rules and regulations, enforce the implementation of these systems, and enhance standardized management. We also maintained ongoing reviews and records of systems.
- Compliance Risk Assessment and Screening**

We conducted thorough risk assessments for the headquarters and subsidiaries, and compiled specialized reports. We identified and assessed anti-monopoly risks and enhanced the identification and prevention of anti-monopoly compliance risks. We identified risks of international sanctions among existing customers in all business sectors, and orchestrated comprehensive inspections through the compliance system. We issued the *Notice on Further Strengthening Sanction Compliance Management and Vigilantly Preventing Risks Related to Sanctions Against Russia*, requiring all departments and subsidiaries to strictly adhere to the sanctions compliance management system and all related management protocols.
- Rigorous Execution of Internal Control Evaluations**

We defined the scope of evaluations and conducted comprehensive evaluations on the design and operational effectiveness of internal controls, centering on elements such as internal environment, risk assessment, control activities, information and communication, and internal oversight. We engaged accounting firms to audit the effectiveness of internal control designs and operations, including risk management processes, as of a specified base date.
- Regular Updates on Policy and Legal Information**

We monitored and summarized policies from key regulatory bodies such as the State Council, SASAC, National Development and Reform Commission (NDRC), National Financial Regulatory Administration, China Securities Regulatory Commission (CSRC), and the State Administration for Market Regulation, and shared information about the policies and regulations that impact the Company and its subsidiaries based on the Company's business characteristics on the OA platform.

Key performance highlights

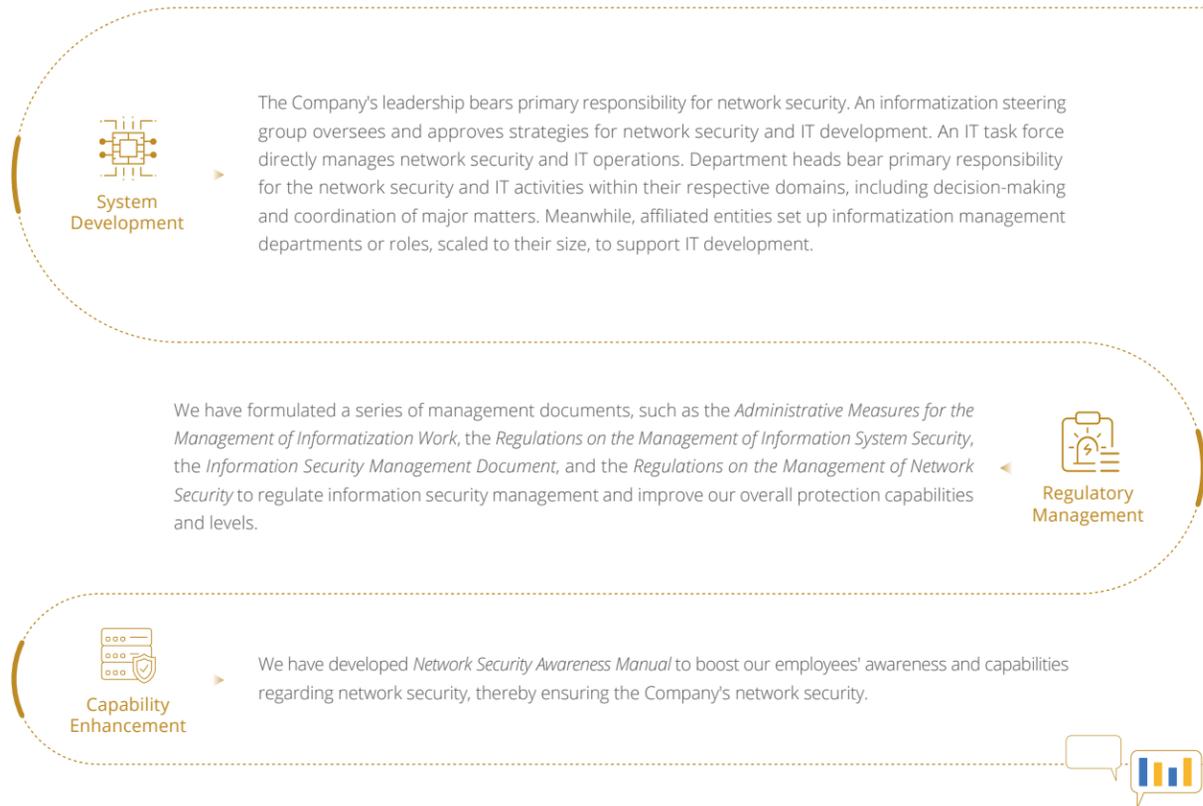
As of the end of the reporting period

- The Legal Compliance and Risk Management Committee met **6** times
- Reviewed **11** proposals such as the *2023 Risk Limit and Risk Monitoring Indicator Scheme for the Industry-finance Integration Platform* and the *2022 Annual Report on the Internal Control System of the Industry-finance Integration Platform*
- Heard **13** reports including the *Overseas Risk Prevention and Control System Development Plan for Affiliated Units of the Industry-finance Integration Platform*
- Ensured the effective execution of the Company's legal, compliance, and risk prevention efforts



Information Security: No Small Matter

Information security is our top priority. We have developed a robust information management system, setting a solid groundwork for our informatization and management initiatives. We have also created information security management protocols and enhanced our overall defensive mechanisms to ensure the secure and robust growth of our IT infrastructure.



Key Performance Highlights

During the reporting period

- All systems employed by the Company were equipped with emergency response and drill plans, with annual exercises conducted.
- The Group performed quarterly vulnerability assessments and penetration tests on operational systems.
- The Company's IT infrastructure and information security management system were audited by external auditors in the previous fiscal year, providing a solid foundation for our information security.
- The Company's information security management measures were effectively implemented, resulting in **0** incidents of customer privacy data breaches, **0** customers or employees affected by breaches of information security practices, **0** information security vulnerabilities, and **0** Level IV (minor) cybersecurity incidents. This ensures robust support for steady IT development of the Company.



Precision Management of Supply Chains

We have set up the Procurement and Supplier Management Committee to coordinate procurement and supplier management, and formulated the *Supplier Management Measures*, which comprehensively and systematically regulates the supplier evaluation, admission, regular audits and dynamic assessment mechanisms of the Company and its subsidiaries, to enhance our supply chain management. At the same time, we promoted CSR management along the supply chain, and supervised the environmental and safety performance of suppliers and subcontractors. Playing the guiding role in the value chain, we strive to contribute to the development of a responsible shipping industry chain.

Supplier Pre-qualification	<p>We implement a strict supplier pre-qualification system. All suppliers must be evaluated and only those qualified will be included in the supplier database. Suppliers with invalid qualifications, those involved in environmental or safety incidents, or those breaching anti-bribery terms of their contracts are strictly banned from our supplier database, unless they hold a monopoly.</p> <p>We adopt a zero-tolerance approach towards commercial bribery and similar acts by issuing the <i>Anti-Commercial Bribery Sample Clauses/Agreements</i>. The contract management mechanism emphasizes the inclusion of anti-commercial bribery clauses in commercial contracts to mitigate corruption risks. All suppliers must sign the <i>Supplier Anti-Commercial Bribery Commitment</i>, and those who violate the commitment will be banned from the supplier database.</p>
Procurement Compliance Management	<p>We streamlined and standardized procurement processes for goods and services, targeting key projects with meticulous methods to ensure efficiency, precision, and uniformity. This approach rigorously enforces the procurement team's protocols and supplier evaluations, ensuring an appropriate separation between the purchasing demands and processes, as well as between the management and execution of procurement activities. It also thoroughly defines the procurement management frameworks, policies, and procedures for subsidiaries, includes annual surveys, semi-annual data reviews, and work summaries, identifies procurement contacts, and ensures effective interdepartmental and inter-company communication.</p>
Regular Supplier Review	<p>We regularly evaluate suppliers using standards and methods tailored to various supplier types. Our assessments cover aspects such as basic qualifications, cost competitiveness, fulfillment performance, product quality, service quality, work efficiency, innovation, safety, environmental protection, and areas for improvement. Each procurement unit must annually rate suppliers from the previous year's database before the first quarter ends. We have also established a Supplier Evaluation Committee, consisting of procurement experts, buyers, and personnel from user departments, to provide grading recommendations based on the evaluation results.</p>
Supplier Grading and Management	<p>We integrate suppliers' environmental and social performances into the evaluation framework. Suppliers are graded annually into five categories: A, B, C, D, and E, and managed accordingly with specific measures. This strategy also enables dynamic quantitative assessments, grade adjustments, and a blacklist policy to enhance the precision and timeliness of supplier management.</p>
Supplier Responsibility Assessment	<p>Suppliers join our supplier database must adhere to the specified procedures and complete a "Self-Assessment Questionnaire on Compliance with Supplier Social Standards," which focuses on health, safety, and environmental compliance. The questionnaire covers a broad spectrum of management policies and plans related to health and safety, environment, child labor, forced labor, remuneration and working hours, discrimination, employee rights, and supply chain. This process helps suppliers establish and follow a pathway for managing and practicing social responsibility, offering guidance on fulfilling their duties. Moreover, we offer rewards to suppliers that perform well in these evaluations.</p>

Key performance highlights

As of the end of the reporting period

The Company registered a total of **162** suppliers within its supplier database.

During the reporting period

The Company conducted transactions with **46** suppliers, of which **33** were from the Chinese mainland and **13** from abroad, and **100%** of the suppliers underwent the annual evaluation.

0 suppliers were identified as having significant actual or potential negative impacts.

100% of the timber suppliers were certified by the Forest Stewardship Council (FSC).

Upholding Integrity and Innovation

We implement the industry-finance integration strategy, promote digital transformation and smart manufacturing, and provide high-quality products and services for our customers.



The shipping industry plays a pivotal role in facilitating domestic-international dual circulation and promoting global economic integration. COSCO SHIPPING Development has centered its growth around the shipping industry, continuously deepening the integration of industry with finance and enhancing synergy along the industrial chain. We are committed to driving industry development through technological innovation, offering high-quality products and services to customers, improving the resilience of the shipping supply chain, and providing essential logistics support to stabilize the domestic-international dual circulation.

03



Empowering Core Business Through Industry-Finance Integration

Bearing the nation's broader interests at heart, we resolutely implement the strategic decisions of the central government and the Group. We align our operations with the Group's development strategy and keep pace with industry trends and market demands. We concentrate on our core shipping business, addressing weaknesses and enhancing functions to improve products and services. By honing our capabilities and exploiting the "industry-finance-investment" synergy, we aim to propel the Company towards high-quality development. Focusing on "industry," we have strengthened collaboration in technology to support the development of shipping equipment. In the R&D of containers and related logistics equipment, we have remained customer-oriented, enhanced the "industry" function, and leveraged technological innovation to explore innovative applications for containers. Focusing on "finance," we have bolstered our asset operation capabilities, building a "reservoir" of shipping assets. We will continue to improve the "finance" function to meet the demands for "capacity assurance, asset disposal, and streamlined operations."



Industry Fund

Dedicated to the "shipping-ports-logistics" core industry chain, the Industry Fund focuses on driving in-depth research in the fields of digital intelligence and green, low-carbon economy in line with the emerging trend of "green, low-carbon, and smart" shipping development. By tapping into the evolving dynamics within the industry, we aim to explore investment opportunities in complementary sectors and make the Industry Fund a "coordinator" that facilitates collaborative growth along the shipping industry chain.



On April 18, 2023, the 62,000 DWT multipurpose pulp carrier, "COSCO SHIPPING TENG DA," built for COSCO SHIPPING Development, was named and delivered at the shipyard of COSCO SHIPPING Heavy Industry (DALIAN) Co., Ltd., marking a successful completion of the pulp vessel series.

Digital Transformation: Innovating While Upholding Core Values

COSCO SHIPPING Development consistently drives innovation, using data to improve collaboration efficiency and exploring new areas of development to provide the Company with fresh momentum and strengths.

Digital Transformation

In the big data era, we have continuously sharpened our industry analysis and strategic planning. We actively embrace digital transformation, enhance our technology upgrades, and optimize our production processes to improve our production efficiency and quality. In 2023, we developed an operational management portal and launched two lighthouse projects (the iFlorens digital operation platform and the Shanghai Universal digital factory) to push ahead with the digital transformation of the Company.

Advancing Digital Transformation

Developing the Operational Management Portal



We successfully completed the first phase of our operational management portal, leading the way in integrating foundational Group data. This phase involved unifying indicators across various domains, creating system requirements plans, developing code, improving functionalities, and designing and developing 10 dashboard interfaces with corresponding backend support, effectively building the system from scratch.

Implementing Lighthouse Projects



We made significant progress with the iFlorens digital operation platform, finishing its second phase. This phase featured the enhancement and launch of the price management function for container trade, marking a notable step in digital empowerment. Our "Digital Disposal Scenario for Retired Containers" won second place in the "Digital Scene Innovation Contest" hosted by the SASAC.

We pushed forward with the Shanghai Universal digital factory project. DFIC Qidong's digital process design was recognized as an excellent intelligent manufacturing scene by the Ministry of Industry and Information Technology in 2023. DFIC Jinzhou was honored as Liaoning Province's 2023 Intelligent Factory. Moreover, the "IoT-based Comprehensive Application Management System" by DFIC Qingdao, "IT-based Efficient Drying System for Container Coatings" by DFIC Jinzhou, and "PLC-based Constant Pressure Oil Station System Design" by DFIC Ningbo all won second prizes for Transportation Equipment Management and Technological Innovation from China Association of Plant Engineering in 2023.

Enhancing Internal and External Collaboration



We promoted system integration and data sharing between Shanghai Universal and Florens, enabling seamless flow of information about containers going off the production line and delivery instructions between the manufacturer and leaser. Florens also enhanced cooperation with internal and external partners along the industrial chain.

Continuous Digital Governance



We updated master data related to vessels, organizations, legal entities, customers, suppliers, and accounting, and sorted out the Company's data indicators, laying the foundation for a comprehensive data governance framework.

Advancing Smart Manufacturing

Enhancing Project Management



We strengthened management across all stages of smart manufacturing projects, from project initiation and approval, documentation, tendering compliance management, contract signing, construction, to final acceptance. This included rigorous monitoring and correction of any identified risks. By the end of December 2023, we completed a total of 137 technological renovation projects.

Deepening Innovation and Practice



We improved welding quality and reduced physical strain on workers by introducing welding robots. By streamlining logistics, we cut down on auxiliary time and labor needs. We achieved full automation in underframe welding with scanning and welding robots, leading to significant labor savings. Moreover, automating the welding process for side and top plates has enhanced quality while reducing the required workforce from 28 to just 4 people.

Key Performance Highlights

During the reporting period

25% of our customers utilized the container trade platform, with e-commerce accounting for **22%** of total revenue

Shanghai Universal accelerates digital factory construction

The digital factory is a "lighthouse project" in the Company's 14th Five-Year Plan. In line with the project requirements, we analyzed our business characteristics, industry movements, and digital factory trends worldwide. Guided by the smart manufacturing capability maturity model, we have consistently advanced the digital factory project. In 2023, Shanghai Universal fully digitized its supply chain from raw materials to finished products based on the CMCP platform. Besides, it launched pilot projects focused on typical digital application scenarios within factories in Qingdao, Ningbo, and Qidong. These projects included the application of automated guided vehicles (AGVs) in warehouse management in Ningbo, the refrigerated container manufacturing execution system (MES) and 3D visualized management project in Qingdao, the visualized yard management project in Qidong, and the first and second phases of the MES project in Ningbo. We have been exploring innovations in industry and finance integration, advancing Robotic Process Automation (RPA) projects and BI visualization projects to enhance work efficiency and data accuracy.

Digital simulation standards in the container industry led by DFIC Qidong

In 2023, the Container Industry Group Standard T/CCLASD 10007—2023 Test Method for Non-Metallic Door Frames for Refrigerated Containers, led and drafted by DFIC Qidong, a subsidiary of COSCO SHIPPING Development, was officially approved and published by the China Container Industry Association. This is the first-ever group standard in the field of non-metallic door frames for refrigerated containers. It sets forth the performance parameters, testing instruments, and sampling criteria for non-metallic door frames for refrigerated containers, serving as a guiding document for non-metallic door frame testing practices.

Product Development

We constantly expand our container products' functionalities and applications to meet customer needs. We are dedicated to improving our product development capabilities to meet customers' diverse needs and enhance user experiences.

Capturing Market Demand

Through close communication with both internal and external customers, we have developed a variety of containers, including foldable containers for cars and new energy storage containers. These efforts have robustly propelled the development of the special container market and expanded our footprint in the energy storage and vehicle transportation container markets.

Promote external cooperation

We have enhanced our cooperation with external companies to form deep and broad partnerships across multiple fields. In response to market demands, we engage in the development, testing, collaboration, and incubation of new products, technologies, processes, and materials within the container manufacturing industry.

Strengthen project management

We have taken a range of measures to improve our R&D quality, such as providing innovation incentives, establishing R&D project management systems, restructuring our organizations, attracting technological talent, and investing in R&D.



The first dual-layer, multi-purpose container, co-developed by DFIC Qidong and Shanghai PANASIA Shipping Co., Ltd., has been successfully launched. This container can accommodate four cars. It comes with detachable ramp boards for transporting vehicles of various wheelbases, and supports most family car models, which significantly enhances the loading efficiency. For return voyages, it can carry bulk cargo like pulp, improving transportation efficiency while reducing costs.



DFIC Qidong's first fully integrated energy storage container has been successfully delivered to a leading company in the new energy industry, providing the most elegant "armor" for global new energy equipment. This container boasts strong environmental adaptability and high scalability, making it widely applicable in wind and photovoltaic power storage sectors in and outside China. Its fireproof, quake-resistant, and anti-corrosion properties make it suitable for diverse application scenarios.



The first container farm independently developed by DFIC Qingdao is now in operation. This container farm automates the entire planting process, eliminating the need for manual oversight while enabling remote monitoring and control. It facilitates the rapid, efficient, and stable growth of a wide variety of vegetables, flowers, or specialty plants, including lettuce and endive.

Innovation Management

We drive growth through innovation, consistently enhancing our management and investment in innovation endeavors. We strictly protect intellectual property rights, safeguarding our innovation through effective organizational management.

Advancing Innovation Platform Development



We have established the Industry-Finance Platform Technology and Digital Transformation Committee to connect internal and external technological resources and orchestrate the advancement of technology innovation and digital transformation efforts. We have also formulated a series of rules and regulations, such as the *Measures for Technological Innovation Management* and *Regulations on Research Project Management*, to refine our innovation systems and mechanisms. These frameworks offer robust support for the Company's innovation efforts. In June 2023, the Company's subsidiary, Shanghai Universal Logistics Technology Co., Ltd., was recognized as a high-tech enterprise. Later, in November 2023, its application for certification as a specialized and sophisticated SME that produces novel and unique products was officially approved.

Enhancing Innovation Management and Investment



We have further clarified the application and approval process for research projects and increased relevant guidance and support. We have persistently driven innovation in smart manufacturing, with increased investments in the R&D of special containers to facilitate subsequent development of anti-cyclical products and the sustainable, high-quality growth of the Company. We actively planned for Shanghai Universal Logistics' recognition as a high-tech enterprise and certification as a specialized and sophisticated SME that produces novel and unique products. We also conducted surveys on the R&D personnel management system of Shanghai Universal to explore better mechanisms for managing research talent.

Intellectual Property Protection



We have established a comprehensive set of systems and mechanisms for the protection and management of intellectual property rights, including the creation of a patent library. This ensures that all trademarks used in container manufacturing, sales, and leasing are registered, and intellectual property rights involved in collaborations with customers are equally protected.

Surveying Patent Usage

We examined the patent usage in subsidiary factories, focusing on patent usage status, the types of products leveraging these patents, the ownership of these products, and the market outlook for these patents. We also conducted in-depth analyses and offered insights on key patents.

Improving Patent Management and Incentive Systems

Based on patent usage and industry trends, we updated Shanghai Universal's patent management and incentive policies to encourage innovation in science and technology.

Developing an Intellectual Property Management Strategy

In line with the Group's "14th Five-Year Plan" objectives, we benchmarked against leading domestic companies in patents and developed the Shanghai Universal Intellectual Property Management Report and Plan. Our goal is to enhance both the quantity and quality of patents.

Intellectual Property Rights Training

We invited internal and external experts to give training on intellectual property rights protection to boost employee awareness and improve risk management in this domain.

— Shanghai Universal Intellectual Property Management System

Key Performance Highlights

During the reporting period

COSCO SHIPPING Development and its subsidiaries, both in and outside China, have collectively invested RMB **215** million in R&D, and secured **122** patents.

Note: The R&D investment of RMB 215 million consists of R&D investment in research projects and other R&D investments.



Mastering Craftsmanship, Upgrading Service Quality

COSCO SHIPPING Development always puts customers first. We consistently improve our quality management systems to deliver exceptional quality. We are committed to creating value for customers, improving services, and enhancing our brand value.

Enhancing Quality Management

Quality is the cornerstone of our Company. We uphold a philosophy of integrity and customer satisfaction, implementing effective quality management practices to ensure sustainable, high-quality growth.

Promoting Quality Standardization

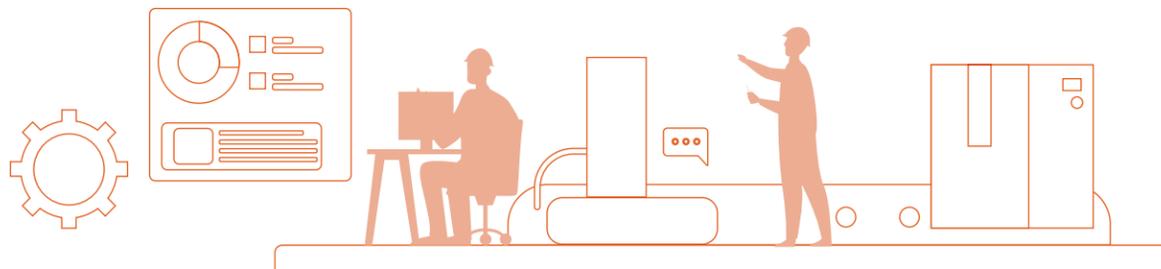
We enhanced the AES quality assurance process by transforming its effective strategies and methodologies into standardized tools for broader adoption. This move further standardizes the quality management system. In 2023, we completed and implemented two major sets of standardization documents: *General Container Production - AES Quality Assurance Standards* and *Refrigerated Container Production - AES Quality Assurance Standards*.

Implementing Quality Risk Compliance and Control

We developed the *Regulations on the Collection and Investigation of Product Quality Incident Information (Trial)* to improve quality information communication, facilitate the analysis and resolution of quality issues, and build knowledge from acquired experiences, thus consistently raising quality standards.

Strengthening Raw Material Quality Assurance

In 2023, we refined our raw material purchasing strategies to match production needs, and implemented effective quality control to mitigate risks and stabilize the supply chain by ensuring high-quality raw materials.



Rigorous quality testing is conducted

Key Performance Highlights

During the reporting period

There have been **0** recalls due to safety and health reasons for sold or shipped products, keeping customer trust high with consistently outstanding product quality

Safeguarding Customer Interests

To protect our customers' lawful rights and interests, we have established an effective complaint handling system. This system provides robust protection of customer privacy, and has greatly improved customer satisfaction.

Fast Response to Complaints

Shanghai Universal formulated the *Customer Complaint Handling Procedures*, setting up a standard process for addressing customer complaints. The process involves assigning complaints to the appropriate department based on their type, categorizing them by their severity, and crafting solutions tailored to customer needs. The aim is to minimize customer losses and enhance satisfaction through comprehensive action.

Strong Privacy Protection

We have implemented policies and procedures to safeguard customer privacy and trade secrets. These include the *Information Disclosure Management Procedures* and the *Trade Secret Protection Procedures*. To further protect trade secrets and customer information, we sign confidentiality agreements with our customers and incorporate confidentiality clauses in leasing contracts.

Key Performance Highlights

During the reporting period

The Company unwaveringly safeguarded customer rights and interests, receiving **0** complaints about product or service quality and **0** justified complaints regarding breaches of privacy

Shanghai Universal conducted satisfaction surveys with 59 DFICHK clients, assessing factors including adherence to production schedules, product quality, container and cabinet delivery, complaint resolution speed, communication and customer service. The average satisfaction score was **99.89** out of 100

Sailing into the Blue, Committing to the Green

A robust ecological environment underpins our long-term development.



COSCO SHIPPING Development embraces the ethos of green, low-carbon, and smart shipping, taking sustainability as a crucial strategy to sharpen its competitive edge. This commitment manifests across four pillars: green production, green operations, green assets, and green financing. Through active collaboration with partners along the supply chain, the Company champions a green transformation, aiming to make a significant contribution to global climate efforts.

04



Promoting Climate Governance

We adopt the disclosure framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD) and develop our climate change management framework in four dimensions: governance, strategy, risk management, and metrics & targets. This framework enhances our management of climate risks and focuses on the opportunities arising from the green, low-carbon, and intelligent transformation in the logistics industry to promote sustainable development in maritime logistics.

Strengthening Climate Change Governance



Governance

"Addressing climate change risks and opportunities" has been a priority for many divisions across COSCO Shipping Development, including the Workplace Safety and Environmental Protection Committee, Department of Strategic Development, Department of Industrial Investment, Shanghai Universal, and Division of Shipping Leasing. We recognize climate change response as a key material topic for our sustainability management. Moreover, the Carbon Peaking Steering Group and Working Group are set up to guide, coordinate, and advance our carbon peaking initiatives.



Strategy

We have developed green and low-carbon transformation strategies, aiming to lead the integration of the maritime shipping sector with finance and facilitate a low-carbon shift in maritime logistics. These strategies set medium- to long-term green development plans and intensity targets, identify 8 pathways to green and low-carbon development in 4 aspects, and detail 11 principal tasks distributed among the relevant business segments. We have also developed effective measures regarding organizational leadership, comprehensive coordination, financial backing, supervision and management, internal evaluation, and public awareness raising. Each business segment creates detailed action plans, breaks objectives down into smaller tasks, and delegates these responsibilities to related individuals.



Risk Management

We identify climate change-related risks and opportunities according to the TCFD framework, integrating workplace safety and environmental risk monitoring indicators into our comprehensive risk management framework. Through our IT system, we regularly gather risk information for prompt performance evaluation and effective management, in order to prevent workplace safety and environmental issues from evolving into broader credit and reputational risks.



Metrics and Targets

We set short- to medium-term emission reduction targets to align with the policy mandates. In 2023, we conducted a carbon inventory to track our emission footprint. Every year, we disclose greenhouse gas (GHG) emissions (Scope 1 and Scope 2) and their intensity in our annual sustainability reports, with the goal to reach peak carbon emissions by 2030.

■ Climate change management framework of COSCO SHIPPING Development

Climate Change: Risks and Opportunities

Analysis of risks and opportunities of climate change

Type	Climate Change-Related Risks	Potential Financial Implications
Transition risks	<p>Policy and legal risks</p> <p>Shipping leasing</p> <ul style="list-style-type: none"> Ship and container lessees could find their ability to fulfill contractual obligations compromised if they fail to meet the environmental management and carbon emission disclosure requirements set by the International Maritime Organization (IMO)'s GHG emission reduction policies and the EU's "Fit for 55" package. <p>Container manufacturing</p> <ul style="list-style-type: none"> The <i>China Container Industry Association VOCs Self-discipline Convention</i> ("VOCs Convention") signed in March 2016, along with forthcoming national standards for air pollutant emissions in the container manufacturing industry, imposes higher emission reduction requirements on the industry. Our container factories are primarily situated in administrative areas in the Pearl River Delta and Yangtze River Delta. These areas are under significant pressure to achieve carbon peaking before the set deadlines. This presents grave challenges for key energy-intensive sectors, such as manufacturing. The electricity generation sector is already part of the national carbon emission trading market. China may include the steel industry and other energy-intensive sectors in the market during the "14th Five-Year Plan" period. Industries subject to stringent carbon emission regulations, such as electricity and steel, may experience reductions in their output, thus affecting the raw material supply for container manufacturing. 	<ul style="list-style-type: none"> Increase in credit risks Increase in environmental compliance costs Decline in short-term profitability
	<p>Technical risks</p> <p>Container manufacturing</p> <ul style="list-style-type: none"> The VOCs Convention and air pollutant emission standards, among other regulations, urge container manufacturers to undergo technological upgrades. This includes the use of water-based paints and eco-friendly coating technologies. 	<ul style="list-style-type: none"> Increase in production costs
	<p>Market risks</p> <p>Shipping leasing</p> <ul style="list-style-type: none"> Climate change brings uncertainties to shipping routes and transportation safety, which could reshape consumer behaviors. The possibility of fewer customers choosing shipping as a mode of transportation could dampen the demand for ship and container leasing. Regulatory pressures from international authorities such as the IMO and EU, along with industry initiatives like the Poseidon Principles and Sea Cargo Charter, and demands from the supply chain, especially from cargo owners with established decarbonization targets, are reshaping consumer preferences. As a result, there may be a growing trend towards the use of environmentally friendly and energy-efficient ships to align with the carbon reduction goals of the shipping industry. <p>Container manufacturing</p> <ul style="list-style-type: none"> Customers may include carbon emission metrics in their assessments of suppliers. Should we fail to offer energy-efficient, low-carbon container products, we will risk losing customers and facing a decline in business demand. 	<ul style="list-style-type: none"> Decrease in revenue

Analysis of risks and opportunities of climate change		
Type	Climate Change-Related Risks	Potential Financial Implications
Transition risks	<p>Reputational risks</p> <p>Shipping leasing</p> <ul style="list-style-type: none"> Our reputation will be compromised if we cannot meet stakeholders' heightened requirements for climate-related disclosure and management. <p>Container manufacturing</p> <ul style="list-style-type: none"> Our reputation will be compromised if we cannot promptly or properly address environmental pollution incidents during the manufacturing process. Our reputation will be compromised if we cannot guarantee the safety of our employees under extreme weather conditions caused by climate change. 	<ul style="list-style-type: none"> Decrease in revenue Increase in labor management costs
	<p>Acute risks</p> <p>Shipping leasing</p> <ul style="list-style-type: none"> Extreme weather events may cause damage to ships, leading to increased maintenance costs. Extreme weather events could cause damages to ships and containers, disrupting the operations of lessees and impairing their ability to fulfill their contractual obligations. <p>Container manufacturing</p> <ul style="list-style-type: none"> Extreme weather events may result in the loss of assets such as containers and factories, thereby disrupting production. Employees' efficiency decreases under extreme weather conditions, such as high temperatures and heavy rain and snow. The supply and transportation of steel and timber are susceptible to extreme weather, which undermines supply chain stability and productivity. 	<ul style="list-style-type: none"> Decreased value of fixed assets Decline in production capacity Increase in maintenance costs Increase in operational costs
Physical risks	<p>Chronic risks</p> <p>Shipping leasing</p> <ul style="list-style-type: none"> Long-term environmental changes, such as persistent periods of hot days and rising sea levels, are likely to cause shipping delays and reduce short-term profitability, which may impair the lessee's ability to fulfill their contractual obligations. <p>Container manufacturing</p> <ul style="list-style-type: none"> Long-term environmental changes, such as rising temperatures, could lead to increased energy consumption during the manufacturing process. The costs for preventive measures and insurance premiums to enhance the resilience of containers and other equipment against these risks are expected to rise. 	<ul style="list-style-type: none"> Increase in operational costs Increase in production costs Increase in credit risks

Analysis of risks and opportunities of climate change		
Type	Climate Change-Related Opportunities	Potential Financial Implications
Resource efficiency	<p>Container manufacturing</p> <ul style="list-style-type: none"> By implementing technological innovation and renovation, we can enhance energy efficiency in the processes of container manufacturing, management, and maintenance. This helps reduce the consumption of electricity, natural gas, and process water to lower production costs. We can adopt more efficient production and distribution processes. 	<ul style="list-style-type: none"> Decrease in operational costs Increase in production capacity and revenue
Energy source	<p>Container manufacturing</p> <ul style="list-style-type: none"> The transition towards low-emission energy alternatives entails enhancing the utilization of decentralized clean energy in manufacturing and operational activities, and reducing our dependency on conventional energy sources. This serves as a hedge against future risks of energy price hikes or increased energy consumption. 	<ul style="list-style-type: none"> Increase in return on investment in low-emission technology Increased value of fixed assets Reduction of future risks associated with energy price hikes
Products and services	<p>Shipping leasing</p> <ul style="list-style-type: none"> We have carried out research and investment in response to the growing demand for green, low-carbon, environmentally friendly ships. By offering financing and leasing services for such ships, we can not only retain current customers but also attract new ones, boosting our potential for revenue growth. <p>Container manufacturing</p> <ul style="list-style-type: none"> Introducing new green container products can not only retain existing customers but also attract new ones. By emphasizing carbon footprint in our marketing and publicity efforts, and on our product labels, we can cater to the shifting consumer preference towards low-carbon products. 	<ul style="list-style-type: none"> Increase in revenue from a growing demand for products and services Increase in revenue from efforts to improve competitive positioning by adapting to changes in consumer preferences
Market	<p>Shipping leasing</p> <ul style="list-style-type: none"> As the shipping industry pushes forward carbon reduction policies, there might be rising future investments in used ships and a growing need for financing energy-efficiency retrofitting projects. Green and low-carbon development has emerged as the main trend for the shipping industry, which signals an uptick in demand for energy-saving and low-carbon ships in the future. <p>Container manufacturing</p> <ul style="list-style-type: none"> Eco-friendly and energy-efficient containers are expected to capture a larger market segment over time. By proactively adjusting container offerings, we can enhance our competitive advantage. There is a rising demand for environmentally-focused functional containers, including containers for hydroponic vegetable and fruit cultivation, sewage treatment containers, and integrated energy storage containers. 	<ul style="list-style-type: none"> Increase in revenue from expansion into emerging markets Appreciation of fixed assets Increase in market share and revenue
Adaptability	<p>Shipping leasing</p> <ul style="list-style-type: none"> By increasing the proportion of green ships and participating in more green shipping projects, we can better prepare for policy and market uncertainties. <p>Container manufacturing</p> <ul style="list-style-type: none"> By partnering with suppliers who prioritize environmental protection and energy efficiency, we can reduce the carbon footprint of our supply chain and enhance our long-term capacity to address climate change challenges. 	<ul style="list-style-type: none"> Increase in revenue and asset value by introducing more adaptable products and services Increase in reliability and operational flexibility of the supply chain

Dedicating to Green Manufacturing

Our environmental footprint is primarily attributed to our container manufacturing operations, which are therefore central to our environmental management efforts. We are dedicated to continuously strengthening our environmental management by adhering to the principles of "prioritizing protection and prevention, implementing comprehensive regulations, encouraging public participation, and assuming responsibility for any damages." We also continuously improve our organizational structure and frameworks for environmental management, in a bid to minimize the environmental impacts of our operations. Moving towards digital, intelligent, and green transformation, Shanghai Universal is ramping up technological renovation to consistently improve its business layout and foster a green business ecosystem. Every year, we engage external agencies to assess the effectiveness of internal controls at Shanghai Universal's headquarters and its six container factories, namely DFIC Jinzhou, DFIC Qingdao, DFIC Lianyungang, DFIC Qidong, DFIC Ningbo, and DFIC Guangzhou. During the reporting period, there were no incidents of environmental non-compliance.

As of the end of the reporting period, Shanghai Universal's headquarters and its six container factories had obtained the GB/T 24001-2016/ISO 14001:2015 Environmental Management System Certification. Additionally, these container factories were awarded the ISO 50001:2018 Energy Management System Certification. The China Classification Society Certification (CCSC) conducts annual audits to monitor and evaluate the effectiveness of these management systems. Furthermore, every three years, a comprehensive certificate renewal audit is carried out, which includes a comprehensive environmental impact assessment.

Environmental management system certification			
Name of Certification	Issued To	Issued By	Validity Period
GB/T24001-2016/ISO 14001:2015 Environmental Management System Certification	Shanghai Universal's headquarters and six container factories	CCSC Shanghai	Within the validity period
ISO 50001:2018 Energy Management System Certification	Six container factories	CCSC Shanghai	Within the validity period

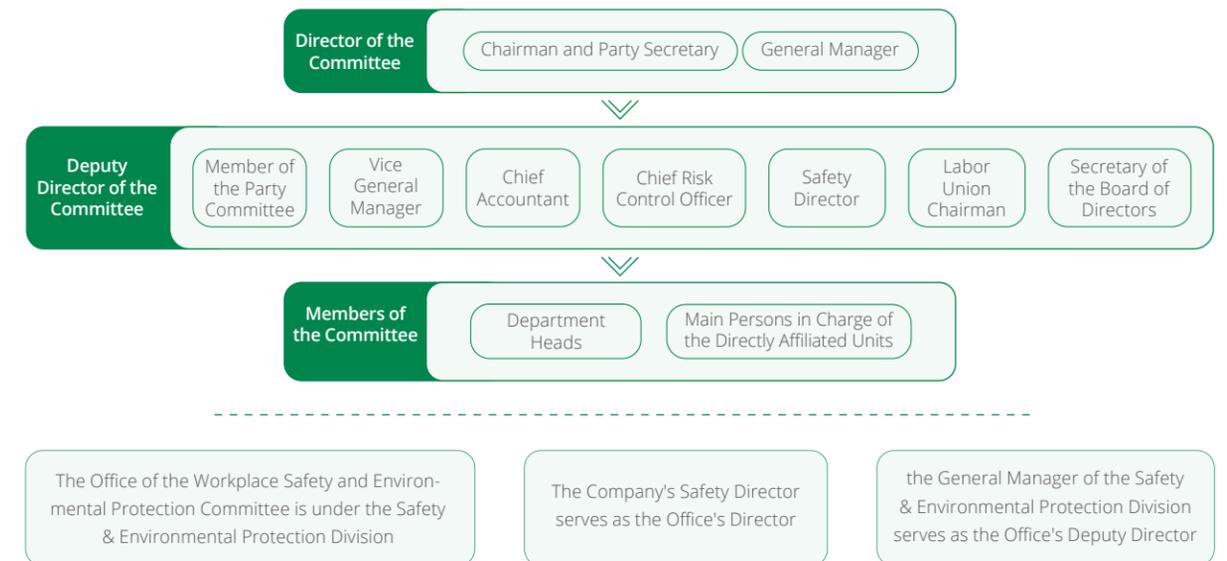
Environment management system audit		
Name of Audit	Auditee	Frequency
Environmental management system annual audit	Shanghai Universal's headquarters and six container factories	Annually
Energy management system annual audit	Six container factories	Annually
Focus	Monitor and assess how consistently an organization's environmental management system aligns with auditing standards, thereby deciding whether to endorse the continuation of its certification.	Monitor and assess how consistently an organization's energy management system aligns with auditing standards, thereby deciding whether to endorse the continuation of its certification.
Result	Maintain the certification	Maintain the certification

Environmental management system internal audit	
Name of Audit	Auditee
Environmental management system internal audit	Shanghai Universal's headquarters and six container factories
Frequency	Annually
Focus	How the environmental management system is implemented within Shanghai Universal
Result	The environmental management system is appropriately, thoroughly, effectively, and sustainably implemented across the headquarters and container factories.

Improving Environmental Management

Organization for Environmental Management

COSCO Shipping Development is committed to green development. The Company strives to gain a green competitive advantage by constantly improving its environmental risk management system, alongside its initiative to foster a green brand image. As part of its efforts, the Company established the Workplace Safety and Environmental Protection Committee. Led by the Company's top management, the Committee leads, coordinates, promotes, and decides on the Company's strategic goals and plans for environmental management. The Committee also supervises and assesses the Company's environmental management performance. Shanghai Universal is a container manufacturing company directly under COSCO SHIPPING Development. When it comes to environmental management, Shanghai Universal is under the supervision of COSCO SHIPPING Development and, in turn, ensures that all container factories under its watch comply with environmental protection requirements. Leaders of the Party committees of Shanghai Universal and its container factories take primary responsibility for coordinating, advancing, and executing the environmental management strategies of their respective organizations.



Workplace Safety and Environmental Protection Committee of COSCO SHIPPING Development



Environmental Management Mechanism

Stricter environmental supervision

We have developed the 2023 Workplace Safety and Environmental Protection Responsibility Agreement.

Regular monitoring and evaluation

The Company conducts regular inspections, offers feedback, and dynamically assesses the implementation of environmental management requirements at each container factory to strengthen the in-process assessment.



Performance evaluation

The COSCO SHIPPING Development Regulations on Workplace Safety and Environmental Protection Performance Evaluation was updated on November 27, 2023. This update included the addition of a company-wide evaluation of each department's compliance with workplace safety and environmental protection protocols. Additionally, the evaluation procedures for entities directly under the Company have also been improved to ensure a more effective assessment process.

■ Implementing environmental performance management responsibilities across all levels

Environmental Emergency Response

COSCO SHIPPING Development continuously strengthens its environmental emergency responses, aiming to effectively manage the impact of sudden environmental accidents and ensure the safety and health of its employees. The Company has established both an Emergency Response Steering Group and an Emergency Response Office. Moreover, it has developed the COSCO SHIPPING Development Emergency Response Plan for Workplace Safety and Environmental Protection (V1.2). This plan offers both institutional and procedural safeguards for swift and coordinated resolution of environmental accidents.

Environmental Impact Identification and Management

Comprehensive and accurate identification of environmental impacts helps us understand the environmental consequences at every stage of the production and manufacturing processes. Based on this understanding, we develop targeted measures for environmental pollution prevention and control, and enhance the reliability and effectiveness of our environmental management efforts. In 2023, Shanghai Universal, along with DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong and DFIC Qingdao intensified special inspections for ecological and environmental protection. Through weekly, monthly, quarterly, and special self-inspections, these facilities thoroughly identified pollutant sources and environmental vulnerabilities in the container manufacturing process.



Environmental Impact Identification

01 Use of raw materials

Timber, steel



02 Consumption during production



Water consumption:

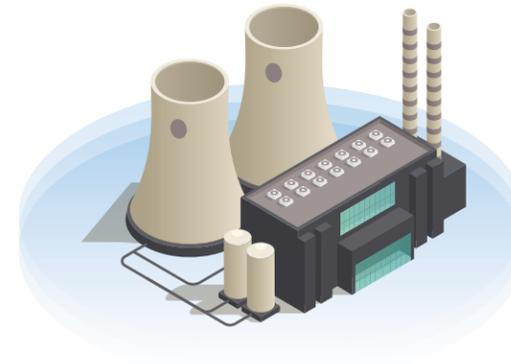
Note: The Company sources all water for its business activities from the municipal supply network, instead of natural water resources. This eliminates concerns over water withdrawal and access to water resources.

- Domestic water use
- Process water use

Energy consumption:

- Electricity: **63.37%** of total energy consumption
- Natural gas: **29.53%** of total energy consumption

Note: The Company consumes a small amount of process water, which is recycled rather than discharged after use. This results in negligible environmental impact.



03 Emissions during production



Gas emissions:

- Exhaust gas: NO_x, SO_x, particulate matters, and VOCs
- GHG emissions: CO₂

Waste discharge:

- Hazardous waste: Paint residues, paint buckets, and sludge
- Non-hazardous waste: Scraped steel, wire reels, wooden pallets

Note: Container manufacturing and transportation do not involve the use of packaging materials.



04 Other impacts of production

- Welding dust, noise

05 Consumption during transportation



Energy consumption:

- Gasoline
- Diesel

Note: Energy consumption during transportation accounts for 7.10% of total energy consumption.

■ Environmental impact identification in the container manufacturing process

Management of Key Environmental Factors

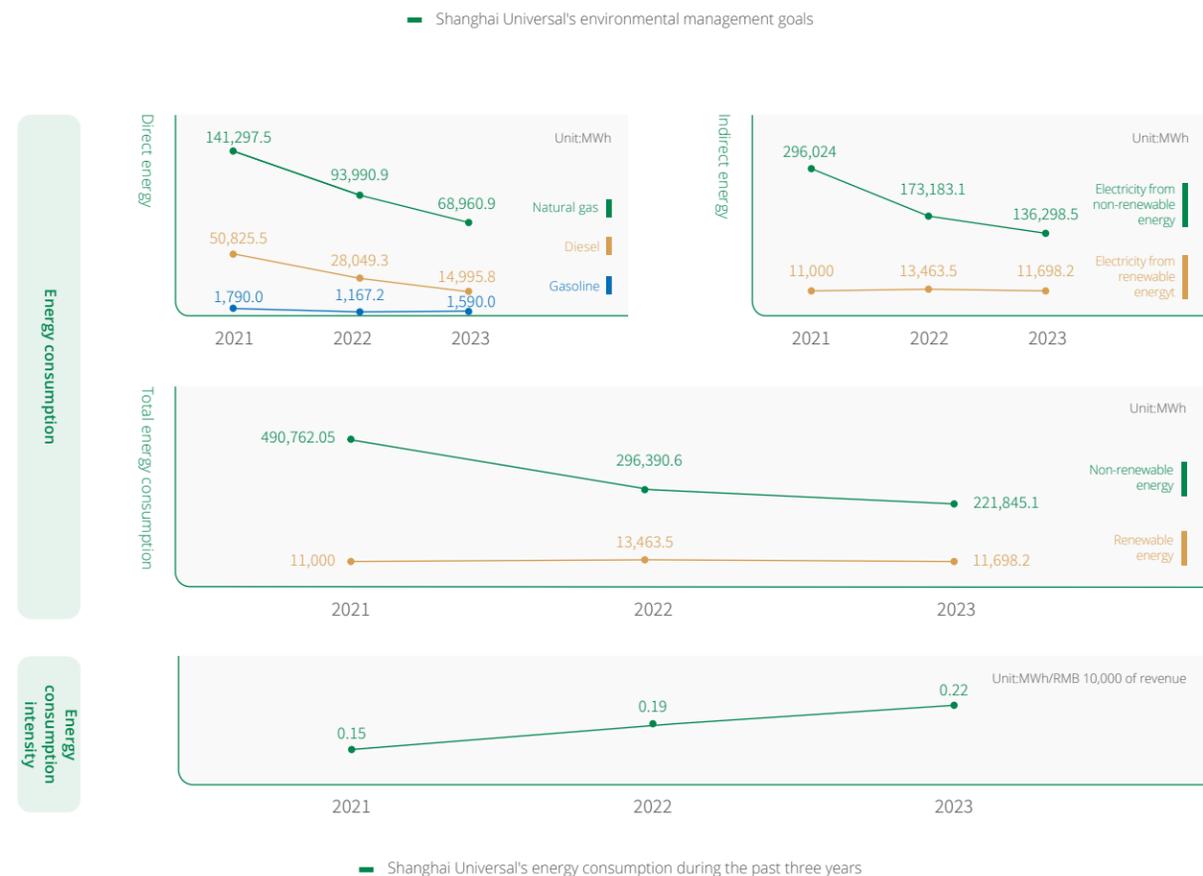
COSCO SHIPPING Development rigorously adheres to national laws and regulations in its container manufacturing operations. These include the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and *Energy Conservation Law of the People's Republic of China*. Guided by the nation's latest environmental management policies and ecological development requirements, the Company has developed and regularly updated its internal environmental protection regulations tailored to its conditions. In 2023, the Company further improved its environmental management regulations by revising the *Wastewater Discharge Regulations*, the *Hazardous Waste Regulations*, and the *Exhaust Emission Regulations*. Additionally, in response to critical environmental factors, we have established annual environmental management objectives, metrics, and plans, aiming to progressively enhance our environmental management performance.

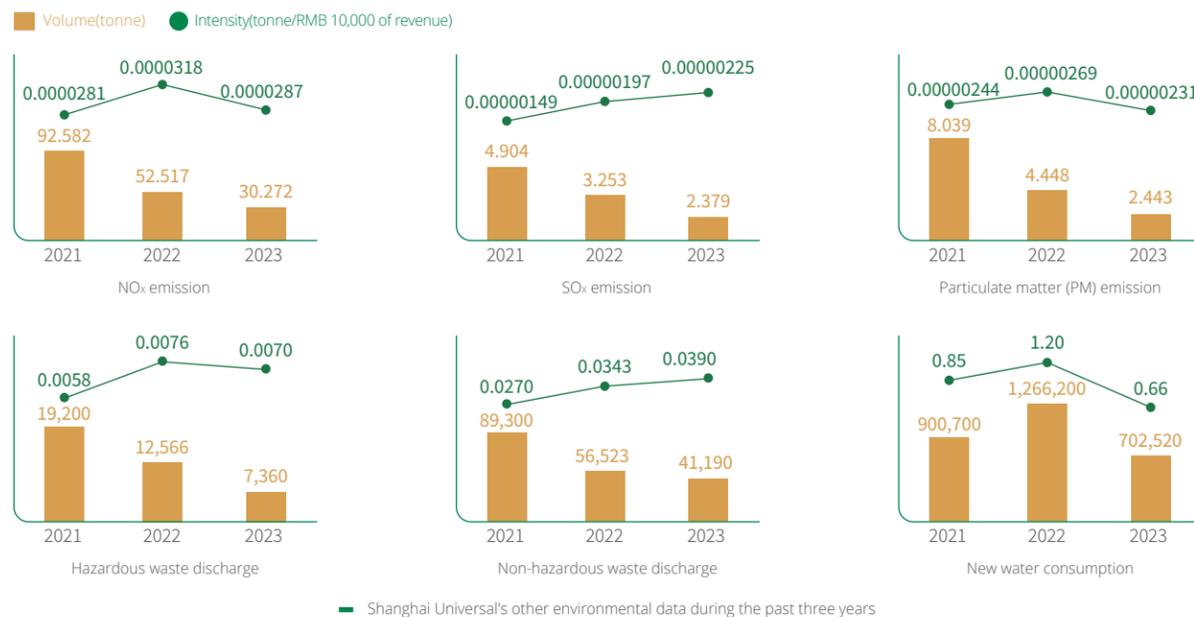
Shanghai Universal's key environmental regulations	
Major Environmental Impact	Main Regulations and Documents
The use of timber, steel and other raw materials	<i>Shanghai Universal Regulations No. 5: Regulations on Centralized Procurement of Production Materials by Shanghai Universal Logistics Equipment Co., Ltd.</i> <i>Shanghai Universal Regulations No. 6: Regulations on Management of Suppliers for Centralized Procurement of Production Materials by Shanghai Universal Logistics Equipment Co., Ltd.</i>
Domestic wastewater discharge	<i>Piping Layout</i> <i>Regulations on Wastewater Discharge Management</i> <i>Wastewater Treatment Station Operational Log</i>
Water consumption	<i>Regulations on Energy Conservation and Emissions Reduction Management</i>
Energy consumption	<i>Regulations on Energy Conservation and Emissions Reduction Management</i>
Exhaust gas (including VOCs) and GHG emissions	<i>Regulations on Exhaust Emission Management</i> <i>Exhaust Emission Environmental Testing Report</i>
Hazardous waste discharge	<i>Regulations on Solid Waste Pollution Prevention and Control</i> <i>Regulations on Hazardous Waste Management</i> <i>Hazardous Waste Disposal Agreement</i> <i>Hazardous Waste Disposal Record</i> <i>Duplicate Form for Hazardous Waste Transfer</i>
Non-hazardous waste discharge	<i>Regulations on Solid Waste Pollution Prevention and Control</i> <i>Kitchen Waste Disposal Agreement</i> <i>Solid Waste Disposal Record</i>
Welding dust	<i>Regulations on Solid Waste Pollution Prevention and Control</i> <i>Exhaust Emission Regulations</i>
Noise	<i>Regulations on Noise Management</i>

Environmental Management Goals 2023 Progress

GHG emissions	Reduce CO ₂ emission intensity per RMB 10,000 of revenue by 19% by 2025 and 34% by 2030, compared with the 2019 level	Achieved a 38% reduction in 2023 from the 2019 level
Non-hazardous waste	Reduce the generation of non-hazardous waste by 15% by 2025 from the 2021 level	Achieved a 27.1% reduction in 2023 from the 2022 level
Hazardous waste	Reduce the generation of hazardous waste by 10% by 2025 from the 2021 level	Achieved a 41% reduction in 2023 from the 2022 level
VOCs	Reduce VOCs emissions by 35% by 2025 from the 2021 level	Achieved a 33% reduction in 2023 from the 2022 level
Energy consumption	Reduce overall energy intensity per RMB 10,000 of revenue by 19% by 2025 and 34% by 2030, compared with the 2019 level	Achieved a 19.7% reduction in 2023 from the 2019 level.
Water	Reduce the generation of wastewater by 10% by 2025 from the 2021 level	Achieved a 44.5% reduction in 2023 from the 2022 level

Note: Wastewater volume is calculated as 76% of new water consumed.





Note:
 The 2023 energy consumption volume and intensity data includes figures from DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong, DFIC Qingdao, and Shanghai Universal headquarters.
 The 2021 and 2022 energy consumption volume and intensity data includes figures from DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong, and DFIC Qingdao.
 The 2023 GHG emission volume and intensity data includes CO₂ emission figures from DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong, DFIC Qingdao, and Shanghai Universal headquarters.
 The 2021 and 2022 GHG emission volume and intensity data includes CO₂ emission figures from DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong, and DFIC Qingdao.
 The 2023 data for the volume and intensity of NO_x, SO_x and PM emissions, hazardous/non-hazardous waste discharges, and new water consumption includes figures from DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong, DFIC Qingdao, and Shanghai Universal headquarters.
 The 2021 and 2022 data for the volume and intensity of NO_x, SO_x and PM emissions, hazardous/non-hazardous waste discharges, and new water consumption includes figures from DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong, and DFIC Qingdao.

Sources of emission factors:
 GHG emission calculation: Emission factors for direct energy sources, such as gasoline, diesel, and natural gas, are derived from Annex II of the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Machinery and Equipment Manufacturing Enterprises (Trial)*. For indirect energy sources, specifically electricity, the emission factors for 2023 are sourced from the *Notice of the Ministry of Ecology and Environment on Properly Managing Greenhouse Gas Emission Reporting by Electricity Generation Enterprises from 2023 to 2025*. For the years 2021 and 2022, the emission factors for electricity are based on NDRC's *Average CO₂ Emission Factors of China's Regional Power Grid in 2012*.
 NO_x, SO_x and PM emission calculation: The emission factors for gasoline and diesel are derived from the Hong Kong Stock Exchange's *Reporting Guidance on Environmental KPIs*. Meanwhile, the natural gas emission factors come from the *Emission Factors and Material Balance Calculation Methods Applicable to Industries Not Covered by Pollutant Discharge Permit Management (Trial)*, as outlined in Announcement No. 81 of 2017 by the Ministry of Ecology and Environment.

Building Green Factories

COSCO SHIPPING Development consistently adheres to the principles of green and low-carbon development, and actively engages in eco-friendly production. In 2023, our container factories accelerated their transition to low-carbon and environmentally friendly operations. Their efforts included replacing energy-intensive equipment with energy-efficient alternatives, advancing upgrades in production technology, deepening the transition to green energy, pioneering carbon footprint management in the container supply chain, expanding the range of green and low-carbon products, and reinforcing the shift towards green and low-carbon practices.

Key Performance Highlights

- Following the recognition of DFIC Ningbo and DFIC Jinzhou as "National Green Factories" in 2021 and 2022, respectively, DFIC Qingdao and DFIC Lianyungang were also included in the *2023 Green Manufacturer List* released by the Ministry of Industry and Information Technology on January 5, 2024
- DFIC Qingdao was awarded the first prize in the "2023 Carbon Peak and Carbon Neutrality Innovation Project" by China Association of Plant Engineering and was named a "Green Factory of Shandong Province"
- DFIC Lianyungang was recognized as "2023 Environmental Protection Model Enterprise in Lianyungang" by the Department of Ecology and Environment of Jiangsu and Jiangsu Federation of Industry and Commerce, "2023 Leading Enterprise in Green Development," and "Green Factory of Jiangsu Province";
- DFIC Qidong and its associated port operating company were listed on the "National Exemplary Scenarios of Intelligent Manufacturing," received the third prize in the "National Award for Advances in Safety Science and Technology," and earned the "Green Factory of Jiangsu Province" and "Four-Star Green Port of Jiangsu" recognition.

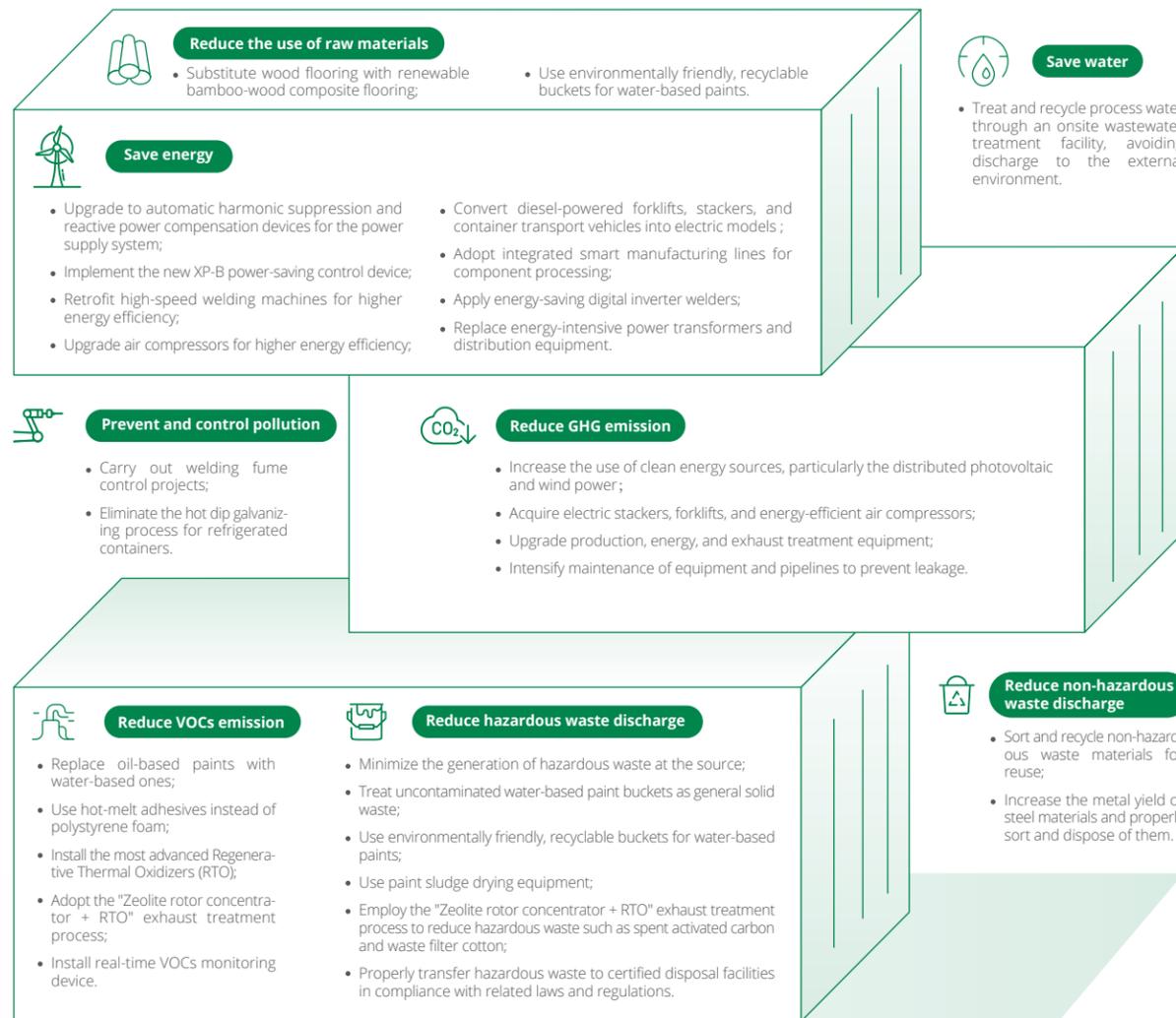
During the reporting period



Shanghai Universal emphasized the R&D of green technologies. Among the **122** patents it has secured in total, **3** are related to green, low-carbon, and environmental protection efforts.

The Company conducted **34** environmental protection training sessions, engaging **3,993** participations. The training covered topics such as environmental laws and regulations, energy conservation, emission reduction, and carbon neutrality.





Shanghai Universal's key measures for energy conservation and emission reduction

We retrofitted and technically upgraded energy-intensive equipment through the use of energy-efficient devices, including inverter welders, two-stage air compressors, electric motors and transformers. A medium- to long-term phase-out and replacement plan was established to gradually adopt newer models of energy-saving and environmentally friendly equipment. In 2023, approximately RMB 7,456,600 was invested in this effort, saving about 2,839,300 kWh of electricity.

Our "oil to electricity" plan was implemented to gradually replace diesel-powered equipment with electric ones to reduce GHG emissions. In 2023, we channeled over RMB 4,633,400 into the electric retrofitting of 8 forklifts, 1 overhead crane, 1 stacker, and 1 articulated boom lift. The retrofitting can reduce fuel consumption by about 80 tonnes per year.

The turnover barrel program has transitioned from disposable iron barrels to recyclable stainless steel barrels for water-based paints. In 2023 alone, the program realized 44,000 turnovers. Since its initiation in 2021, the program has achieved a cumulative total of 123,500 turnovers. This transition has reduced hazardous waste generated at container factories by 247 tonnes and cut hazardous waste disposal expenses by RMB 5.55 million.

Overall, these efforts in 2023 slashed total energy consumption by over 449 tonnes of standard coal and a decrease in CO2 emissions by 2,240 tonnes.

Continuous efforts in conservation and efficient use of resources



Key Performance Highlights: Steady implementation of green energy transformation at container factories

Our container factories have leveraged their resources to steadily expand the installed capacity of distributed photovoltaic (PV) systems and further the progress of energy storage projects in a safe manner.

To accelerate the deployment of clean energy projects, in 2023, DFIC Lianyungang completed the installation and commissioning of **2.43** megawatts of PV equipment.

During the reporting period, DFIC Jinzhou, DFIC Qidong, DFIC Qingdao, and DFIC Lianyungang collectively used **11,698** MWh of clean energy generated through PV systems.

By the end of 2023

the factories had cumulatively installed **17.25** megawatts of distributed PV systems,

with a designed capacity of **16,877** MWh annually,

and reduced carbon emissions by **13,348.3** tonnes annually.

Containerized power supply for ships

We have successfully developed the first-generation 1,600 kWh and second-generation 1,935 kWh containerized power supply products, and supplied 40 such units to the Group for electric container ship projects and to the State Grid, among others.

Land-based energy storage products

We have collaborated with leading energy storage companies to develop and deliver a range of products including the ENER C, ENER C+, "Jiucu", and standalone 5 MWh models.



New energy-powered refrigerated container

We have successfully completed the in-house R&D of a refrigerated container powered by new energy. This project has received four national patents.



Expanding green and low-carbon offerings to port and maritime logistics customers

Practice Highlight: "Dual Carbon Roadmap" deepened carbon neutrality effort at DFIC Qingdao

On February 17, 2023, DFIC Qingdao spearheaded the industry's movement towards low-carbon container production with the unveiling of its "Dual Carbon Roadmap." This pivotal event was attended by representatives from customers such as EVERGREEN, government officials, classification societies, and suppliers including Shougang Group and Nanshan Aluminium Profile Company.

The Roadmap sets ambitious goals: to peak total carbon emissions by 2025, to achieve broad implementation of energy optimization and low-carbon technologies and processes by 2027, to reduce total carbon emissions by 39% from their peak by 2029, and to continuously promote low-carbon, deep-decarbonization, net-zero, and carbon-negative technologies and processes. Furthermore, DFIC Qingdao unveiled a dual carbon logo featuring four "C"-shaped petals encircling the Earth, and identified five principal strategies along with their associated key tasks.



DFIC Qingdao's "Dual Carbon Roadmap" press conference

At the press conference for the Roadmap, DFIC Qingdao also announced the "Dual Carbon Action" initiative and co-signed the "DFIC Qingdao Dual Carbon Action Strategic Cooperation Declaration" with customers and suppliers. This partnership is dedicated to striking a balance between development efforts and low-carbon objectives, focusing on the right areas for effective goal achievement, and accelerating the formation of a new development model that prioritizes green, healthy, low-carbon and eco-friendly practices.

DFIC Qingdao Launches China's first container EPD platform to lead low-carbon development across the container industry chain

In November 2023, DFIC Qingdao unveiled China's first Environmental Product Declaration (EPD) platform for containers. Engaging 55 partners, the platform issued four EPDs in one go. The EPD label, recognized and adopted by clients such as Florens and CAI, is attached to their containers that are shipped worldwide. This signifies the resolve of the container industry to openly share the environmental impacts of its products, demonstrating a firm belief in and dedication to low-carbon container manufacturing. The Company plans to extend the successful practices of DFIC Qingdao to its other container factories.

DFIC Qingdao's dual carbon initiative, titled "Culture and Innovation Drive Low-carbon Development across the Entire Industry Chain," won **the first prize in the "2023 Carbon Peak and Carbon Neutrality Innovation Project" awarded by China Association of Plant Engineering.**



Embarking on a Green Voyage

COSCO SHIPPING Development focuses on new energy sources, new materials, advanced manufacturing techniques, and lifecycle management for ships, along with intelligent port upgrades. The Company fully capitalizes on opportunities brought by low-carbon, green, and intelligent transformation within the logistics sector, and leverages the integration between industry and finance to explore and implement industrial restructuring and upgrades. Actively engaging in green shipping, COSCO SHIPPING Development significantly contributes to the green transformation of China's shipping industry.

The Company has set differential pricing strategies for ship leasing, including preferential policies for low-carbon ships to encourage green progress.

Green and low-carbon sectors and products

COSCO SHIPPING Development led the establishment of Zero Emission Shipping Technology Co., Ltd. Founded on October 27, 2023, the company aims to develop a battery charging and swapping service system at hub ports and provide a full suite of electrification services for ships across the entire market, further advancing the ship electrification process. Through various entities, COSCO SHIPPING Development has contributed a total of RMB 300 million to Lvshui Xinhang.

The Company is advancing the project for 700-TEU electric container ships operating along the Yangtze River trunk line. Two electric ships are expected to be launched in 2024. By the end of 2023, this project had received a total investment of RMB 105.3 million.

In line with the Group's green fleet transformation, the investment in clean energy-powered ships (including pending orders) accounted for 5.37% of the total in 2023. The figure is expected to reach 25% by 2025 and 40% by 2030.



Hydrogen and carbon capture industry chain

The Company has conducted a systematic analysis of the hydrogen and carbon capture industry chain and developed in-depth research reports. It has exchanged insights with over 50 companies, including those involved in hydrogen electrolysis cells, catalysts, carbon capture, hydrogen gas storage and transport, hydrogen to methanol conversion, and green methanol production.

Electric ship industry chain

The Company has systematically analyzed the upstream and downstream companies across the electric ship industry chain and actively engaged in exchanges with some of these companies.

New energy sources, such as LNG, methanol, ammonia, and hydrogen

Detailed research has been conducted on the application of new energy sources such as LNG, methanol, ammonia, and hydrogen in ships, including comparative studies on their feasibility as ship fuels.

Forward-looking research on green shipping

Advancing green shipping through electric ship demonstration projects



— Zhong Yuan Hai Yun Lv Shui 01

COSCO SHIPPING Development is actively implementing the major strategic plan for achieving carbon peak and carbon neutrality. By harnessing the synergy between industry and finance, the Company is advancing the project for 700-TEU electric container ships operating along the Yangtze River trunk line, and contributing to the green transformation of Yangtze River shipping.

This 700-TEU electric container ship project, which employs a ship leasing model, has pioneered a green business model that integrates industry with finance. It actively supports the green and low-carbon transformation of related industries by providing financial support to companies within the electric ship industry chain, thereby fostering positive synergy between financial services and industry development.

On March 18, 2022, the Company signed a contract with COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd. for the construction of two electric ships;

In October 2023, the first 700-TEU electric container ship successfully completed its trial voyage. Comprehensive tests of the ship and battery performance were conducted with results exceeding expectations. The ship marks a significant breakthrough in the application of battery-powered ships in inland waterways;

On December 28, 2023, two 700-TEU electric container ships ordered by COSCO SHIPPING Development were officially named "N997" ("Zhong Yuan Hai Yun Lv Shui 01") and "N998" ("Zhong Yuan Hai Yun Lv Shui 02") at the COSCO SHIPPING Heavy Industry (Yangzhou) shipyard.

These 700-TEU electric container ships are among the first batch of green, low-carbon, smart, electrified pilot ships designed for container transport along the Yangtze River trunk line. Designed, developed, and built in China with proprietary intellectual property rights, these ships lead the world in terms of TEU capacity, deadweight tonnage, and battery capacity. The project exemplifies the green and low-carbon transformation of Yangtze River shipping, and offers solutions to balance ecological protection and economic development along the Yangtze River Economic Belt.

The electric ship project received external recognitions

- --- On January 16, 2023
the Company won the award in the "Green Growth" category of the UNIDO Global Call 2022
- --- In May 2023
the Company won the "2022 Innovative Case Award for Shanghai Financial Leasing Industry"
- --- In December 2023
the Company won the "Award for Innovative Achievements of the 2023 Pudong Shipping Week"
- --- In January 2024
the Company received the title of "2023 Top 10 Assets of Central State-owned Enterprises of Vital Importance to China" by the SASAC

"Net Zero & Energy Integration": Actively developing a battery charging and swapping network to promote green shipping transformation

COSCO SHIPPING Development is proactively developing a battery charging and swapping network. It aims to support the green transformation of shipping through the application and promotion of research findings and technologies in inland water transportation.

To provide charging and swapping services, COSCO SHIPPING Development founded Zero Emission Shipping Technology Co., Ltd. on October 27, 2023 in collaboration with China Merchants Group, China Energy Engineering Corporation, and affiliates of China Cheng Tong Holdings Group. Zero Emission Shipping Technology Co., Ltd. is dedicated to building a charging and swapping service system at hub ports and offering a full suite of electrification services for ships across the entire market.



— The battery charging and swapping network

In addition, COSCO SHIPPING Development has led its strategic partners in the research, development, and promotion of containerized power supply systems for ships, which have been certified by the China Classification Society and successfully delivered to customers.

For the charging and swapping network, the first batch of stations is set to be constructed at hub ports along the middle and lower reaches of the Yangtze River. Success in these areas will serve as a blueprint for expansion, enabling the network to extend to the Pearl River, the Grand Canal, Bohai Bay, the Beibu Gulf, and other inland and coastal waters across China.

At the 6th China International Import Expo in November 2023, COSCO SHIPPING Development unveiled a demonstration plan for the electric ship charging and swapping network under the theme "Net Zero & Energy Integration." This plan centers around "net zero" goals with an "energy integration" strategy, focusing on building safe charging and swapping facilities at hub ports. It aims to establish a network that provides fundamental services and facilities for electric ships across the market. Additionally, the plan seeks to maximize the green energy potential of ports and offer user-side energy storage services for the port area, after fulfilling the electricity needs of ships. In terms of power generation, renewable energy sources such as solar and wind are combined to create an exemplary model of multi-energy integration.

COSCO SHIPPING Development will remain committed to green development and technology innovation. By partnering with stakeholders along the industry chain, it will continue the application and promotion of electric ships and the battery charging and swapping network in inland water transportation, in an effort to support the green transformation of shipping.



"Together for a Net-Zero Future": China Electric Ship Innovation Alliance established to jointly forge a green and sustainable future for the shipping industry

On February 8, 2023, the China Electric Ship Innovation Alliance was established. Led and coordinated by China COSCO SHIPPING Corporation and organized by COSCO SHIPPING Development, the alliance's inaugural membership includes over 60 entities. These members span a wide range of sectors, including green power supply, batteries, electric propulsion systems, ship design and construction, system integration services, certification, ports and terminals, shore-based charging and swapping facilities, passenger and cargo ship transportation, research institutions, as well as financing and investment within the industry chain.

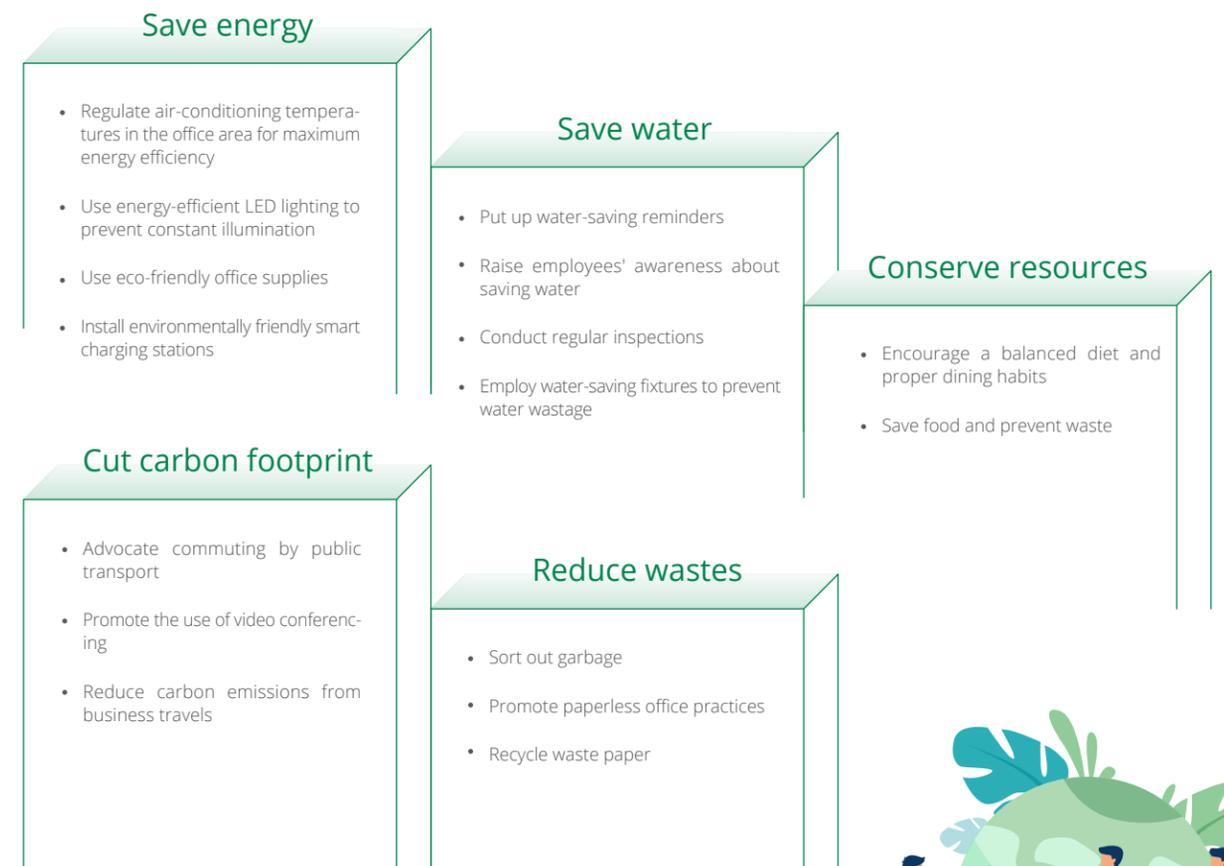
Guided by market needs, the alliance aims to facilitate communication among its members, and bring together upstream and downstream players for innovation through collaboration. It is dedicated to creating opportunities for growth, technical cooperation, information exchange, and mutual learning among its members to foster sound industry development. Establishing the alliance will promote the integration of key resources throughout the green shipping industry chain and set standards for green and low-carbon ships. The goal is to create an environmentally friendly shipping ecosystem, rooted in the design and construction of electric ships, built on specialized maritime sectors, and supported by the coordinated development of new energy infrastructure and other related industries. The alliance also aims to effectively implement the dual carbon strategy within the shipping industry.



The founding meeting of the China Electric Ship Innovation Alliance

Creating a Green Workplace

The Company champions environmentally friendly practices in the workplace. It provides training and awareness programs on environmental protection to enhance employees' awareness of environmental issues. Meanwhile, employees are encouraged to incorporate green and low-carbon principles into their daily work routines, contributing to environmental protection with concrete actions.



Total office paper consumption **1.2** tonne

Discarded water bottles **19,600**

Energy consumption **221** MWh

Note: The data about energy consumption, total office paper consumption and the number of discarded water bottles in 2023 were from the COSCO SHIPPING Development headquarters.

Painting a Brighter Future Together

We are committed to unlocking more opportunities for each employee and fulfilling our responsibilities as a corporate citizen to make the world a better place.



The people-first principle underpins our long-term success. COSCO SHIPPING Development eagerly fulfills its responsibility towards employees and the broader community, commits to social welfare and philanthropy, supports the revitalization of rural areas, and contributes to the development of a harmonious and vibrant community.

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Moving Forward Together

Firmly upholding a people-centric approach to development, we take employees as our most valuable asset. We are dedicated to safeguarding every employee's fundamental rights and interests, enhancing their career paths and ladders, unlocking their potential, boosting their sense of belonging and enthusiasm, and fostering a culture of shared value and success.

Protecting Legitimate Rights and Interests of Employees

The Company, along with all subsidiaries, strictly adheres to the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and the *State Council's Provisions on Prohibition of Child Labor*, among other laws and regulations. We continuously improve our employee management policies and enhance management of recruitment, training, promotion, compensation, and benefits. By fulfilling our legal obligations to contribute to social insurance and housing provident funds, we ensure that our employees enjoy the benefits of social security programs, thus effectively safeguarding their fundamental rights and interests.



Protecting Fundamental Rights and Interests

We respect and strictly safeguard our employees' fundamental rights, and adopt a zero-tolerance stance against all forms of discrimination and harassment. Specifically, we have set up hotline and email for complaining against discrimination and harassment. Additionally, our *Regulations on Employee Recruitment* and *Policy for the Protection of Female Workers and Minors* explicitly prohibit child labor and forced labor. In the event of any violations related to child or forced labor, employees are required to promptly report to the Human Resources Department. This department will notify local labor authorities and swiftly conduct investigations into the reported violations. Moreover, *COSCO SHIPPING Development Regulations on Employee Attendance and Leaves Management* specifies employee rights regarding working hours and leave to ensure compliance with relevant laws and regulations.

During the reporting period, the Company did not make significant layoffs; and over the past three years, employees did not stage shutdowns or strikes due to disputes with the Company.

Key Performance Highlights

During the reporting period

There was no incident of discrimination or harassment in the Company.

There was no incident of child labor or forced labor in the Company.

Upholding Equal Employment Opportunity

COSCO SHIPPING Development firmly stands up for equal employment opportunity and equal pay for equal work. It strictly complies with laws and international norms against all forms of employment discrimination, ensuring that hiring decisions are not influenced by age, gender, nationality, skin color, religious beliefs, language, or any other social characteristic irrelevant to the job. Moreover, the Company actively safeguards the rights of female employees to enjoy benefits. During the reporting period, the Company entered into *Collective Agreement for the Protection of Women Employees' Rights* with all its female staff.



COSCO SHIPPING Development Regulations on Employee Recruitment

Shanghai Universal Regulations on Recruitment Management of Onshore Employees



COSCO SHIPPING Development Regulations on Staff Training

COSCO SHIPPING Development Regulations on Career Development

COSCO SHIPPING Development Education and Training System Development Plan (Trial)

Shanghai Universal Regulations on Party Committee Officials Management



COSCO SHIPPING Development Regulations on Salary and Incentive Management (Trial)

COSCO SHIPPING Development Regulations on Performance Assessment

COSCO SHIPPING Development Regulations on Total Salary Management (Trial)



COSCO SHIPPING Development Regulations on Employee Attendance and Leaves Management

COSCO SHIPPING Development Detailed Rules for the Operation of the Workers' Congress

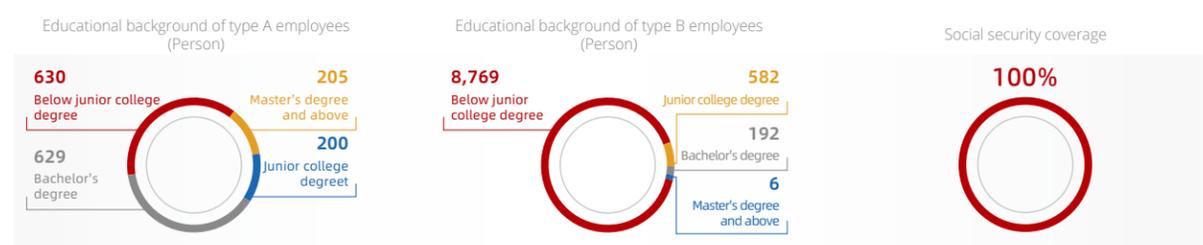
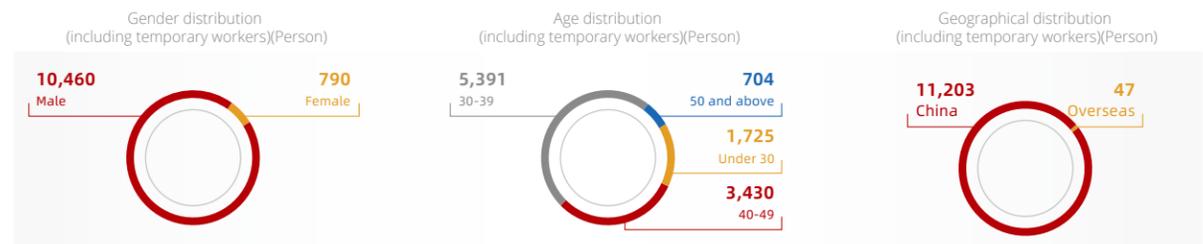
Policy for the Protection of Female Workers and Minors

Major employee management policies of COSCO SHIPPING Development

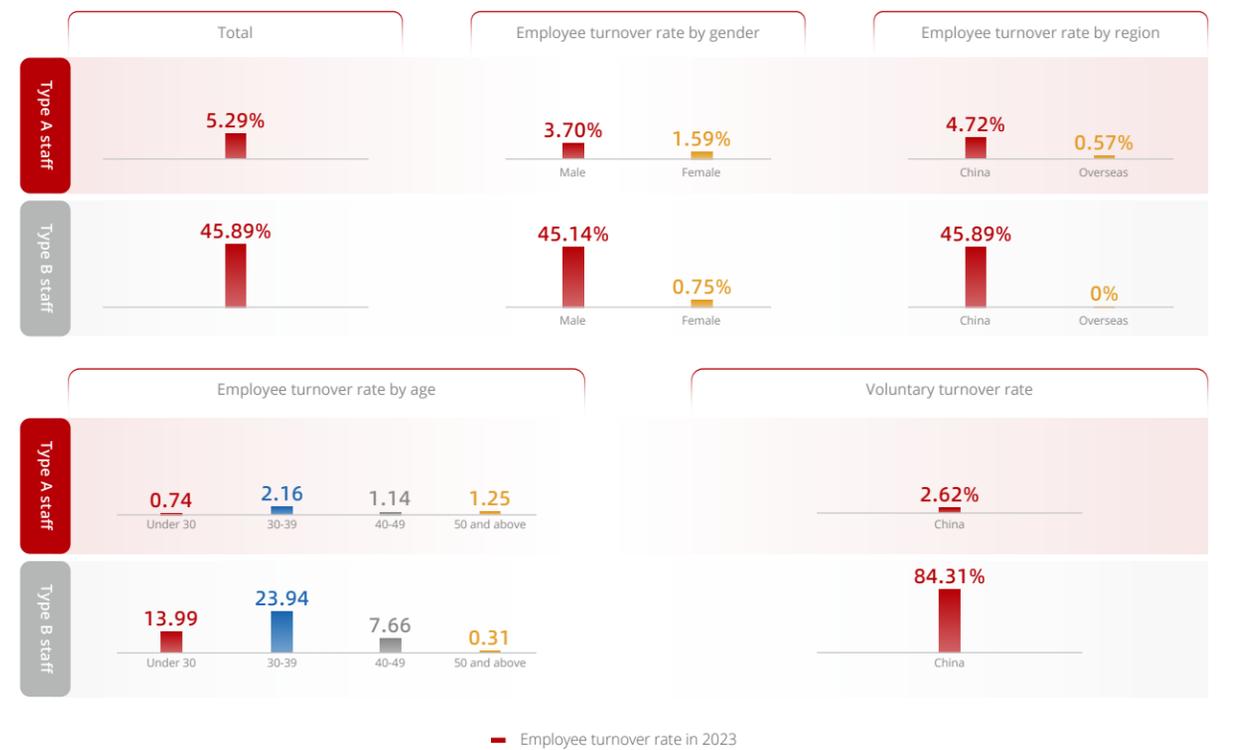
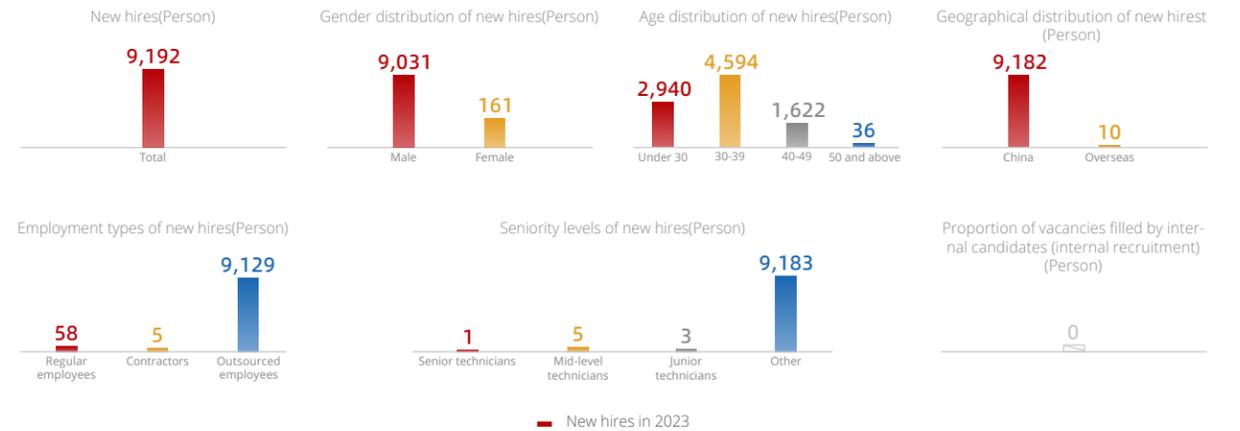


Employee Engagement

COSCO SHIPPING Development learns and responds to the legitimate needs of employees at work or in their lives. The Company also continuously improves the labor union and workers' congress systems, and ensures strict compliance with the *Regulations on the Disclosure of Factory Affairs and the Detailed Rules for the Operation of the Workers' Congress*. Moreover, we strive to develop comprehensive communication channels accessible to all employees, so as to protect their rights to information, participation, expression, and supervision.



Employee structure in 2023



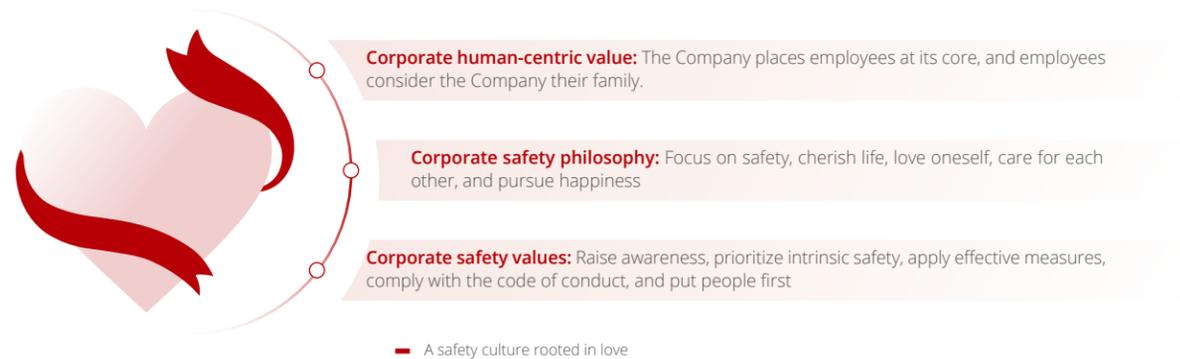
- Note:**
- The total headcount at COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries consists of contract-based regular employees, contractors, and outsourced employees. Ship crew members are not included.
 - The total number of new hires at COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries consists of contract-based regular employees, contractors, and outsourced employees. This category includes campus and social recruits, additional labor hires, and temporary workers transitioning to permanent roles.
 - Given our diverse operations, there are significant differences in educational backgrounds and turnover rates among various types of employees. To address these variations, we categorize our employees into type A and type B and respectively report on their educational backgrounds and turnover rates by gender, age group, and geographic location. Type A refers to regular employees at COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries, whereas type B includes contractors and outsourced employees at Shanghai Universal, our container manufacturing arm.
 - The percentage of staff signing employment contract and social security coverage statistics apply to COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries.
 - The 100% stake in Helen Insurance Brokers Limited, owned by our wholly-owned subsidiary, has been fully disposed of before the reporting date. Therefore, the company's relevant statistics are not included in this Report.

Safeguarding Employee Health and Safety

Safety is the lifeline of our development. We place utmost priority on safety, rigorously observing laws and regulations such as the *Work Safety Law of the People's Republic of China*, the *Fire Control Law of the People's Republic of China*, and the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*. We are committed to safe development to support the Company's high-quality growth.

Building a Safety Culture Rooted in Love

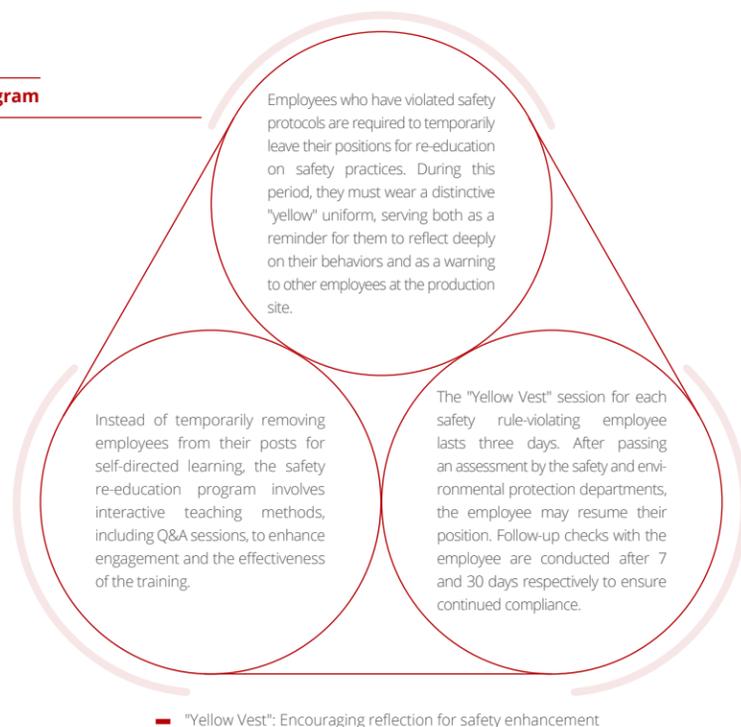
Shanghai Universal, starting from a human-centric management perspective, has pioneered a safety management system rooted in love. This concept encourages employees to shift from a mindset of "I am told to be safe" to "I want to be safe, I can be safe, and I advocate safety."



Practice Highlight The "Yellow Vest" program

Shanghai Universal has implemented the *Safety Re-education Guidelines for Employees Returning to Work, Transitioning to New Roles, or Violating Safety Protocols*. In addition, the Company has launched the "Yellow Vest" program, a safety management mechanism designed to address violations of safety protocols by employees during their routine duties, urging all employees to prioritize safety in their operations.

Since implementing the "Yellow Vest Program," Shanghai Universal's container factories have seen a marked increase in safety awareness and a deterrence effect across the production area. As a result, safety violations by both individuals and teams have notably declined.



Practice Highlight The "Three Zero" Teams

Teams, as the building block of a corporate organizational structure, are pivotal to the initiation and execution of any tasks. Recognizing this, Shanghai Universal has implemented a program to cultivate "Three Zero" teams—aiming for zero violations, zero accidents, and zero injuries—as part of its commitment to enhancing team safety standards and reinforcing safety efforts. The "Three Zero" program encompasses five sub-projects, including the creation of dedicated safety roles, the innovation of safety training approaches, and the introduction of a violation exposure system. An evaluation committee conducts ongoing, scheduled, and targeted inspections. It issues "red tickets" for violators, which can serve as a basis for determining an inspection as failed. Under the "Three Zero" framework, all teams are subjected to this evaluation process, with team leaders serving as evaluators and candidates. This peer review process enables teams to share their best practices and identify each other's safety management vulnerabilities.



— Flag awarding ceremony for "Three Zero" teams

The container factories have a reward system in place for teams that have reached the "Three Zero" benchmark and received recognition with a flag. They also incorporate a "Three Zero" honorarium into the safety performance bonuses for team members. Every month, each factory conducts ceremonies to award the "Three Zero" flags, which include flag-raising for teams with zero violations and sessions in which high-performing teams share their management insights. These activities are designed to boost employees' sense of honor, purpose, and responsibility, propelling the entire workforce towards the goal of "zero violations."

Practice Highlight "Family-Factory Joint Safety Initiative"

A "factory" is more than just a place where individuals create value through physical labor; it carries their hopes of providing happiness and prosperity for their families. At Shanghai Universal's container factories, the concept of "family" is seamlessly woven into the fabric of safety management, reinforcing the ties between the factories and their workers' families. By leveraging the notion of "family," the factories aim to heighten employees' safety awareness.

Leadership at Shanghai Universal spearheaded the "Family-Factory Joint Safety Initiative," establishing plans and a dedicated team for safety management. The initiative aims to enhance employees' awareness of personal safety through various activities and help them foster safe habits, ensuring that the value of safety is firmly embedded in their minds.

<p>New media outreach adds a "warm" touch to safety management.</p> <p>The safety and environmental protection departments at the container factories produce targeted educational videos. These videos are shared within the chat group for team members' families from time to time, who are encouraged to watch and express their ideas about the video content. This approach uses familial bonds to emphasize the importance of</p>	<p>Site visits and exchanges lend a "tangible" aspect to safety practices.</p> <p>Employees' families are invited to factory visits to learn about the working conditions of their loved ones and write down their safety messages. These messages are then turned into motivational slogans displayed around the workplace, serving as constant reminders for employees to prioritize safety and avoid infractions, keeping their families' safety advice resonant in their minds.</p>	<p>Interactive safety exercises introduce an "engaging" layer to safety training.</p> <p>The container factories organize simulated fire drills for employees and their families. Participating as family units, they enter simulation rooms where employees put into practice the fire escape skills they have learned. This activity provides a holistic safety education that combines hands-on experience with theoretical knowledge.</p>
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— Family-Factory Joint Safety activities

Safety Governance Framework

The Company continuously optimizes its safety governance framework. It has established a model where safety tasks are led by the Party committee, executed by the Workplace Safety and Environmental Protection Committee, and supported through inter-departmental collaboration. Under this model, the primary responsibilities for workplace safety are defined and allocated. Each organizational level is required to sign a workplace safety agreement that outlines the targets and responsibilities of key personnel, managers, and other roles to ensure orderly conduct of safety management practices.

The Workplace Safety and Environmental Protection Committee has been established to oversee occupational health and safety efforts across all subsidiaries. The Chairman, Party Secretary, and General Manager serve as directors of the committee, spearheading the Company's safety initiatives and ensuring the effective implementation of safety practices.

During the reporting period, our leadership carried out on-site inspections of critical safety production facilities, in accordance with the 2023 COSCO SHIPPING Development Workplace Safety Inspection Plan. The purpose of these inspections was to assign and fulfill safety responsibilities at all levels and elevate our overall safety performance.

Workplace Safety Management System

To ensure the effective implementation of safety measures, the Workplace Safety and Environmental Protection Committee regularly holds focused discussions to address safety management challenges across functional areas. Meeting participants are expected to jointly develop targeted strategies, assess the Company's safety performance, and allocate safety tasks across the board in line with both national guidelines and higher-level mandates.



Rules and regulations on occupational health and safety



Workplace safety regulations for outsourced workers

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COSCO SHIPPING Development Safety Management Rules (Revised on November 27, 2023)

COSCO SHIPPING Development Regulations on Workplace Safety and Environmental Protection Performance Evaluation

COSCO SHIPPING Development Regulations on Workplace Safety Risk Management

COSCO SHIPPING Development Emergency Response Plan for Workplace Safety and Environmental Protection (V1.2)

COSCO SHIPPING Development Regulations on Management of Workplace Safety and Environmental Protection Responsibilities

COSCO SHIPPING Development Regulations on Safety Education and Training

COSCO SHIPPING Development Regulations on the Identification and Management of Workplace Safety Hazards

COSCO SHIPPING Development Regulations on Accountability for Workplace Safety and Environmental Protection

COSCO SHIPPING Development Guidelines for Standardized Environmental Protection Management

COSCO SHIPPING Development Regulations on Reporting, Statistics, and Investigation of Workplace Safety Incidents

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External Construction Team Safety Regulations

Regulations on Workplace Safety-related Rewards and Penalties

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■ Work safety policies

By the end of the reporting period, both the headquarters and all six container factories of Shanghai Universal have achieved certification of the ISO 45001 Occupational Health and Safety Management System. In addition, Shanghai Universal consistently monitors its safety performance and conducts periodic audits. In 2023, the company engaged PricewaterhouseCoopers Management Consulting (Shanghai) Limited and ShineWing Certified Public Accountants (special general partnership) to perform a self-evaluation of internal controls at its headquarters and the six container factories. This evaluation focused on their compliance with safety, environmental protection, and occupational health regulations, with the goal of further improving safety performance management. No safety or health hazards were found during the reporting period.

Occupational health and safety management system certification				
Name of Certification	Issued To	Scope of Business	Issued By	Validity Period
ISO 45001 Occupational health and safety management system certification	Shanghai Universal's headquarters and six container factories	Container design, manufacturing, and after-sales service	CCSC Shanghai	Within the validity period

Occupational health and safety management system audit					
Name	Audited By	Auditee	Frequency	Audit Focus	Result
Occupational health and safety management system annual audit	CCSC Shanghai	Shanghai Universal's headquarters and six container factories	Annually	Monitor and assess how consistently an organization's occupational health and safety management system aligns with auditing standards, thereby deciding whether to endorse the continuation of its certification.	Maintain the certification

Occupational health and safety management system internal audit				
Name	Auditee	Frequency	Audit Focus	Result
Occupational health and safety management system internal audit	Shanghai Universal's headquarters and six container factories	Annually	How the occupational health and safety management system is implemented within Shanghai Universal	The occupational health and safety management system is appropriately, thoroughly, effectively, and sustainably implemented at the headquarters and container factories.

 **Development of the safety management system**

Each container factory performed self-inspections and made necessary corrections based on their analysis of the *Standards for Identifying Major Hazards in Manufacturing and Trade Enterprises*. This effort has formed a robust basis for the 2023 action plan for inspections and rectification of significant hazards.

 **Special research on safety management**

The Company has formed a pool of experts in safety and environmental protection. Aligned with the requirements of the "Year of Intensified Safety Management Action," they conducted targeted research and provided container factories with quarterly updates on findings related to safety and environmental protection.

 **Specialized safety management courses**

In response to pressing safety issues in production, the Company organized targeted courses, training, and seminars for safety management teams across the headquarters and container factories. The lectures presented by external experts focus on topics such as "Analysis of Workplace Safety Accidents" and "Developing Awareness of Safety Responsibility and Leadership."

■ Ongoing enhancement of safety management

Safety Risk Management

The Company always put safety first, placing a consistent emphasis on safety precautions and continuously improving our safety management practices. At the six container factories of Shanghai Universal, safety management holds paramount significance. To this end, Shanghai Universal's headquarters has established an annual safety inspection plan and conducts regular on-site inspections. It has performed multiple inspections of these container factories and offered recommendations for improvements. The headquarters also closely monitored and ensured timely rectification to effectively eliminate potential risks and hazards.

Outsourced employees play a pivotal role in our container manufacturing operations. At Shanghai Universal, we have established a comprehensive safety management framework for labor outsourcing and issued specific reminders on safety management for contractors and external construction teams. We implement the same systems, standards, requirements, and treatment for all types of employees, ensuring that contractors and external construction teams adhere to the same rigorous occupational safety management protocols as our regular employees. The aim is to enhance the safety oversight of contractors and external construction teams. In addition, we arrange annual health examinations for outsourced employees and maintain detailed occupational health records to safeguard against the risks of occupational diseases. Every year, the China Classification Society (CCS) performs an audit of occupational health and safety systems at our factories, including an assessment of health and safety management for outsourced employees to ensure our full compliance with all mandatory safety protocols.



Targeted remediation in critical areas

We performed risk screening and held safety-focused meetings at DFIC Lianyungang, which handles hazardous chemicals, and established control requirements for any identified risks. Furthermore, we conducted investigations and engaged third-party services to detect and assess safety risks along the production lines at all container factories, aiming to maintain proper and effective control of flammable dust within the pipelines.

Safety measures during critical periods

We enforced stringent workplace safety protocols during major holidays, important conferences, and other critical times. We implemented thorough and meticulous flood prevention measures. We also thoroughly analyzed the workplace safety conditions to promptly address any identified issues and prepared comprehensive emergency plans to eliminate risks.



Routine practical drills

Throughout the year, we conducted three comprehensive joint drills. These included emergency exercises for ship safety, immediate emergency response in battery warehouses, and fire drills in cyclopentane tank areas. In observance of "Workplace Safety Month" and "Fire Awareness Month," we led a series of safety promotion activities aimed at heightening awareness of safety practices. Across various entities, nearly 150 emergency drills for various scenarios were carried out, such as fire, flood, and typhoon drills, response to forklift-related incidents, first aid for heatstroke, and evacuation.

Digital transformation

We continued to improve workplace safety through digital transformation. At DFIC Qidong, we equipped our smart manufacturing workshops and storage facilities with cutting-edge fire prevention systems, including automatic fire alarms, flammable gas monitoring, and intelligent patrol features. Evaluations of smart fire prevention measures at the other five container factories were concluded, laying the groundwork for substantial improvements in fire safety management efficiency.

Continuously strengthening safety risk management

Safety Management Performance

Leveraging guidelines such as the *Interim Measures for Workplace Safety Supervision and Management of Central SOEs*, the *Detailed Rules for Workplace Safety Assessment of Central SOEs*, and *COSCO SHIPPING Development's Detailed Rules for Workplace Safety Performance Assessment Management*, we have updated the *COSCO SHIPPING Development Regulations on Workplace Safety and Environmental Protection Performance Evaluation*. This update defines the assessment items and criteria for workplace safety and environmental protection across all departments and refines the assessment procedures. We remain steadfast in fulfilling our primary responsibilities for workplace safety and environmental protection by carrying out thorough safety performance assessments that focus on both the process and the final results. These assessments are tied to the performance evaluations of employees responsible for workplace safety and occupational health management at each container factory, so as to motivate them to effectively fulfill their roles and pave the way for our high-quality development.

As the forefront of our container manufacturing operations, Shanghai Universal's container factories give top priority to occupational health and safety management and diligently enforce a company-wide safety accountability system. Shanghai Universal has developed the *2023 Workplace Safety and Environmental Protection Responsibility Agreement*, which has been signed at various levels of the organization. The document requires the evaluation of safety and environmental indicators during the reporting period, and links the results of workplace safety and environmental protection efforts with the performance of the board of directors.

Key Performance Highlights

DFIC Lianyungang and DFIC Qingdao were honored as the "2022 National Safety Culture Construction Model Enterprises" by the China Association of Work Safety.

During the reporting period

The number and rate of work-related fatalities was **0**

The number of lost workdays due to work-related injuries was **0**

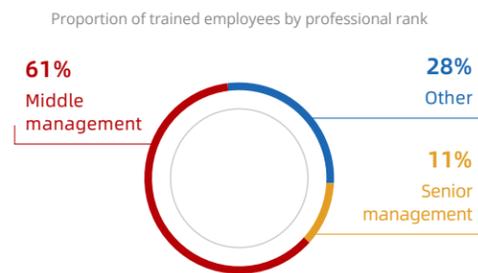
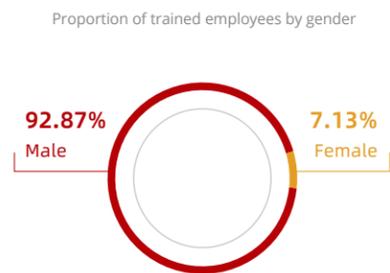
The employee Lost Time Injury Frequency Rate (LTIFR), which measures the number of lost-time injuries per million hours worked, was **0**

100% of employees received health and safety training.



Motivating Employee Career Development

COSCO SHIPPING Development actively creates a career growth system that caters to employees in the maritime transport industry. The Company continually enhances its recruitment and human resources management systems, optimizes compensation mechanisms and career development paths, and integrates both internal and external training resources to offer stratified and graded training courses. This approach is designed to spur employee growth alongside corporate development.



2023 employee training statistics

Statistical scope:Data on the proportion of employees trained by professional rank and average training hours pertain solely to the COSCO SHIPPING Development's headquarters. All other training statistics concern the regular employees, contractors, and outsourced employees of COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries. Former employees are not excluded.

Building a Talented Workforce

The Company is dedicated to assembling a team of highly skilled professionals, especially those with expertise in key sectors. This effort involves continuously enhancing our talent structure and encouraging internal role rotations among employees and managers to effectively build their versatile skillsets, and create a high-quality talent pipeline.

- Advancing recruitment efforts** | Aiming to develop a "high-caliber talent pool for the Group," the Company advances every aspect of recruitment efforts, performing mandatory assessments of all new hires based on uniform standards to continuously improve the quality of new recruits.
- Optimizing team structure** | While meeting the staffing needs, the Company also prioritizes recruitment in key sectors such as advanced manufacturing, green and low-carbon development, technological innovation, supply chain management, and digitalization to enrich our teams.
- Promoting internal job rotation** | Following the *Internal Job Rotation and Exchange Management Guidelines (Trial)*, we encourage internal job rotation and cross-functional exchanges between the headquarters and all subsidiaries to enhance the multidisciplinary competencies of our workforce.
- Implementing training programs** | The Company has rolled out the *2023 Education and Training Programme for Supervisors*, providing systematic training that focuses on such crucial aspects as management competencies, professional skills, comprehensive qualities, and workplace safety.
- Broadening training opportunities** | By working with high-quality external training providers and offering diverse, targeted, and superior professional training both online and offline, the Company expands employee development avenues to facilitate their career advancement.

Building a high-quality talent pipeline

Optimizing Development Pathways

We continuously refine our talent promotion mechanisms, actively tap into market-based compensation and incentive schemes, and enhance our salary management systems, in a bid to motivate employees to create value and empower their professional development. Our goal is to provide employees with a fair and diverse career development platform.

- Strengthening performance assessments** | We have established clear performance targets that align with our strategic vision. Moreover, we have improved our performance assessment system and fostered incentives that bolster performance and improve accountability to boost employee engagement.
- Refining the compensation plan for professional managers** | We have refined the criteria for target and ROE-based bonuses. Now, the payout of bonuses is contingent upon meeting the overall performance targets set for industry-finance integration operations. This policy is designed to encourage a culture of efficiency and responsibility across all business divisions.
- Implementing equity incentive plans** | We conducted the second exercise of our equity incentive plan. On June 9, 2023, we successfully completed the transfer and registration procedures for options exercised during both the second exercise period for previously granted options and the first exercise period for reserved options. A total of 106 individuals exercised their stock options.

Fostering a Caring Corporate Culture

COSCO SHIPPING Development champions work-life balance. We regularly host a range of cultural and sporting events that contribute to both physical and mental well-being. The Company has developed a comprehensive welfare system, rolling out employee wellness programs, supporting those in need, and constantly boosting employees' sense of belonging, happiness, and satisfaction. We are dedicated to building a harmonious and fulfilling work environment for every employee.

Offering Support for Employees

A fulfilling cultural life paired with robust welfare is key to enhancing our employees' overall well-being and job motivation. By offering parental leave, paid sick leave, and other benefits, we aim to significantly enhance our team's happiness and feeling of connection with the Company.

Key Performance Highlights

During the reporting period, We extended support to **19** employees in difficulty, allocating a total relief fund of RMB **14,000** yuan

Florens received "Good MPF Employer Award" again

The "Good MPF Employer" award, bestowed by the Mandatory Provident Fund Schemes Authority of the HKSAR Government, aims to cultivate employers' responsibility under the law, and recognizes employers who strive to enhance retirement protection for their employees. For the 2022-2023 period, Florens was once again honored as a "Good MPF Employer," acknowledging its dedication to employee care and retirement welfare, and reinforcing its reputation as a harmonious and respected employer brand.



Florens named "Good MPF Employer Award" again



International Women's Day celebrations



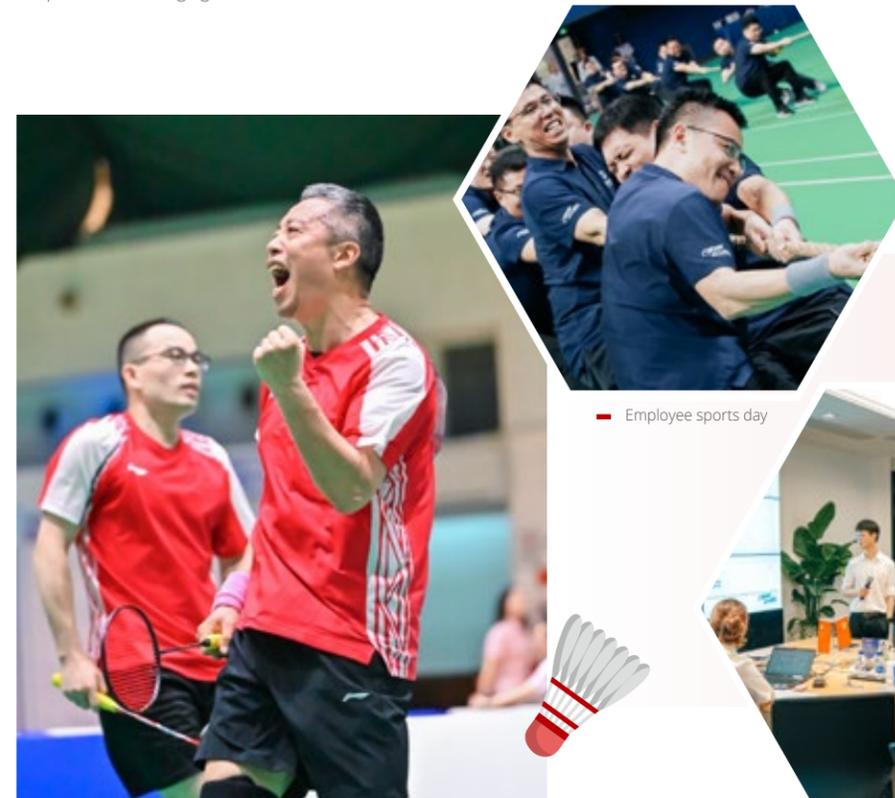
Summer perks for front-line workers



Home visits to employees facing hardship

Enriching Cultural and Sporting Life

Committed to the philosophy of "Work Happily, Live Wonderfully," we are always on the lookout for creative ways to organize cultural and sports events, providing our employees with opportunities to showcase their talents. These activities not only broaden our team's cultural horizons but also cultivate a deep sense of belonging and cohesion.



Employee sports day

The Group's badminton competition for employees to showcase themselves

"Jingchuang" Cup Digital Skills Competition

Giving Back to Society for Shared Growth

COSCO SHIPPING Development actively engages in community building by leveraging its industry-specific strengths and advantages. The Company has issued documents such as the *COSCO SHIPPING Development Regulations on External Donation* to direct both the Company and its subsidiaries in charitable activities. The goal is to create a positive impact on society, reflect the Company's commitment to responsibility, and build a synergy between corporate growth and community development.

Reaffirming Our Commitment to Rural Revitalization

COSCO SHIPPING Development firmly upholds its social responsibilities, particularly in supporting rural revitalization. During the reporting period, the Company signed a donation agreement on an RMB 25 million donation with the COSCO SHIPPING Charity Foundation. In addition, the Company endorsed agricultural products from rural areas it supports into labor union settings, canteens, and households, and encouraged all employees and worker' unions to participate in the "Agriculture Assistance Week" initiative, in which central SOEs are encouraged to purchase products from the rural areas they support. The Company made a total spending of over RMB 1.149 million, exceeding the set target.

Since the launch of the "Green Agricultural Products Demonstration Base" in collaboration with Qixiayang Village, DFIC Ningbo has been dedicated to exploring pathways to common prosperity with the Village under a "Party-led, industry-driven, and full-employee-involvement" model. To beat the summer heat in 2023, our labor union and youth league brought "Meidu" watermelons from the demonstration base to our employees. Furthermore, a delegation of Party member liaisons was deployed to conduct livestream selling from the base, assisting Qixiayang Village in expanding its visibility and supporting local employment and economic growth.



The "Love for the Mountains" program regularly organizes volunteers to donate educational supplies and winter clothing to students in mountainous areas



The Company's labor union doing research in Mali Town and Baida Township, Tibet



Conveying Boundless Love through Charitable Activities

Enterprises are both beneficiaries and contributors to a harmonious society. We engage our employees in community service and charitable giving, to give back to the community. By taking concrete actions, we spread philanthropic love and cultivate a positive social atmosphere.

Key Performance Highlights

During the reporting period



Our employees dedicated **1,426** hours in total to volunteer services.



"Arbor Day" tree planting activity organized by Shanghai Universal's labor union

In response to the "99 Giving Day," Shanghai Universal hosted a charity sale at the "Little Red Flower Bazaar" and in the lobby of our office building. The sale raised nearly RMB 17,000 for "Shanghai Baby Home," an asylum for sick orphans, highlighting our strong commitment to corporate social responsibility. The event also fostered a culture of camaraderie and harmony in the Company.



Donation to the earthquake-stricken areas in Luolong County, Tibet

Outlook for 2024

CSR vision: Integrating CSR into our strategic vision for sustainable industry chain development.

Adopting a global perspective and proactive approach, the Company will make strategic decisions for long-term development. We will fully exploit the synergistic potential of the integrated "leasing-manufacturing-shipping" industry chain. Internally, we will strengthen the collaborative framework and strategy that integrates production, finance, and investment, while externally, we will actively seek out new market opportunities. By collaborating with partners across the shipping industry chain, we strive to promote the sustainable development of the maritime logistics industry.

CSR management: Integrating CSR into corporate management to deepen CSR management.

We will closely monitor industry trends and sustainability momentums, continuously identifying and addressing key CSR topics, including corporate governance, risk management, response to climate change, environmental protection, safety management, employee rights, and community development. By enhancing our policies and management mechanisms, we aim to develop a robust sustainability management system.

CSR practices: Integrating CSR into corporate operations to create comprehensive value.

We will attach great importance to the expectations and needs of stakeholders, and continue to improve our business models to remain relevant in today's ever-changing landscape. By solidifying the integration of industry and finance, we aim to leverage our competitive edges such as technology, capital, and industry to extend our CSR commitments in economic, social, and environmental protection sectors, and create more comprehensive value for stakeholders.

CSR team building: Raising employees' CSR awareness to jointly foster and share a sustainable future.

By building a strong culture of responsibility through solid CSR practices, we aim to enhance employees' CSR awareness and competence, encourage them to pursue excellence, and foster a shared sense of mission and fulfillment through value creation, to jointly contribute to the realization of SDGs.

Sustainability KPIs

Category	KPI	Scope	Unit	2023
Economy	Revenue	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	RMB	15,533.247 million
	Profit	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	RMB	1,407.555 million
	R&D investment	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	RMB	215 million
	Number of patents granted	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	/	122
	Percentage of total products that were sold or shipped but must be recalled for safety and health reasons	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	%	0
	Number of suppliers registered within COSCO SHIPPING Development's supplier database	COSCO SHIPPING Development's headquarters	/	162
	Number of suppliers of the year	COSCO SHIPPING Development's headquarters	/	46
	Percentage of suppliers assessed during the year	COSCO SHIPPING Development's headquarters	%	100
	Percentage of FSC-certified timber suppliers	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	%	100
	Governance	Number of regular employees (including management) attending anti-corruption and integrity training	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	Person
Percentage of regular employees (including management) attending anti-corruption and integrity training		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	%	51.2
Number of temporary employees attending anti-corruption and integrity training		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	Person	1,812
Percentage of temporary employees attending anti-corruption and integrity training		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	%	18.9
Number of customer data breach incidents		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	/	0
Total number of information security vulnerabilities		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	/	0

Category	KPI	Scope	Unit	2023
Environment	Total renewable energy consumption	Shanghai Universal's headquarters and six container factories	MWh	11,698.2
	Total non-renewable energy consumption	Shanghai Universal's headquarters and six container factories	MWh	221,845.1
	New water consumption	Shanghai Universal's headquarters and six container factories	tonne	702,520
	Scope 1 GHG emissions	Shanghai Universal's headquarters and six container factories	tonne	20,976
	Scope 2 GHG emissions	Shanghai Universal's headquarters and six container factories	tonne	77,712
	Scopes 1 & 2 GHG emissions	Shanghai Universal's headquarters and six container factories	tonne	98,689
	Number of environmental training sessions conducted	Shanghai Universal	/	34
	Number of participations in environmental training	Shanghai Universal	/	3,993
	Investment in the 700-TEU electric container ships operating along the Yangtze River trunk line (amount incurred in 2023)	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	RMB	59.22 million
	Society	Total number of employees	COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries (including contract-based regular employees, contractors, and outsourced employees)	Person
Number of ethnic minority employees		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries (including contract-based regular employees, contractors, and outsourced employees)	Person	502
Total investment in employee training		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries (including contract-based regular employees, contractors, and outsourced employees)	RMB	9.523 million
Number of work-related fatalities		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries (including contract-based regular employees, contractors, and outsourced employees)	Person	0
Total volunteer service hours by employees		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	hours	1,426
Donation		COSCO SHIPPING Development's headquarters and its domestic and overseas subsidiaries	RMB	25 million

Note: 1.The 100% stake in Helen Insurance Brokers Limited, owned by our wholly-owned subsidiary, has been fully disposed of before the reporting date. Therefore, the company's relevant statistics are not included in this Report.

2.The R&D investment of RMB 215 million consists of R&D investment in research projects and other R&D investments.

HK-ESG Index

Aspect	Indicator	Indicator description	Page	Explain
Environment				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) 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	P45, P47	
	A1.1	The types of emissions and respective emissions data	P48-49	
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P49	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P49	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P49	
	A1.5	Description of emission target(s) set and steps taken to achieve them	P48, P50-58	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	P48, P50-58	

Aspect	Indicator	Indicator description	Page	Explain
Environment				
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources including energy, water and other raw materials	P45, P47	
	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)	P48	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	P49	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	P48, P50-58	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	P46, P48 P50-58	
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	/	Container manufacturing and dispatch does not involve the use of packaging materials
A3: Environmental and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	P45, P47	
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	P37-58	
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact the issuer	P45, P47	
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them	P39-42, P54-57	

Aspect	Indicator	Indicator description	Page	Explain
Social				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) 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	P61-62	
	B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region	P63	
	B1.2	Employee turnover rate by gender, age group and geographical region	P63	
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) 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	P67	
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	P70	
	B2.2	Lost days due to work injury	P70	
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	P67	
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	P71-72	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	P71	
	B3.2	The average training hours completed per employee by gender and employee category	P71	
B4: Labor Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	P61	
	B4.1	Description of measures to review employment practices to avoid child and forced labor	P61	
	B4.2	Description of steps taken to eliminate such practices when discovered	P61	
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	P26	
	B5.1	Number of suppliers by geographical region	P26	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	P26	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	P26	
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P26	

Aspect	Indicator	Indicator description	Page	Explain
Social				
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) 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.	P36	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	P36	
	B6.2	Number of products and service-related complaints received and how they are dealt with	P36	
	B6.3	Description of practices relating to observing and protecting intellectual property rights	P33-34	
	B6.4	Description of quality assurance process and recall procedures	P35	
B7: Anticorruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	P19-21	
	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	P21	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	P19	
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	P75	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	P75-76	
	B8.2	Resources contributed (e.g. money or time) to the focus area	P75	

Verification Statement

TÜVNORD

verification statement No. CN-202403-CSR-04

Verification Statement of Sustainability Report

TÜV NORD(Hangzhou) Co., Ltd. ('TÜV NORD' for short) has been commissioned by the management of COSCO SHIPPING Development Co., Ltd. ('COSCO SHIPPING Development' for short) to carry out an independent verification of Sustainability Report 2023 ('report' for short).

COSCO SHIPPING Development is responsible for the collection, analysis, aggregation and presentation of information within the Report. TÜV NORD is responsible for conducting this work (report verification) is in accordance with terms of reference agreed in the scope of engagement with COSCO SHIPPING Development. COSCO SHIPPING Development is the intended users of this statement.

This statement is based on the Sustainability Report 2023 prepared by COSCO SHIPPING Development, and COSCO SHIPPING Development is responsible for the integrity and authenticity of the information and data contained in the report.

Verification Scope

- We evaluate the accuracy and reliability for key performance, information and management system in the environmental, social and governance areas revealed in the Report which happened in 2023.
- Verified address:6F, COSCO SHIPPING building,No.5299 Binjiang Avenue, Pudong New Area, Shanghai. The headquarter of COSCO SHIPPING Development, we didn't visit other branches or sites.
- We evaluate the collection, analysis, aggregation of the information and data.
- Due to finance data had been audited by the third party, so the correctness of the financial data in the report is not in our assurance scope.

The verification was done from **Mar. 5th,2024** to **Mar.6th ,2024**.

Verification Methodology

Verification process including following activities:

- Review the document information which provide by COSCO SHIPPING Development;
- Interview the person who collected the report information;
- View the related websites and media reports, verify the data and information through sampling method;
- Refer to the Environmental, Social and Governance Reporting Guide (HK-ESG) published by the Stock Exchange of Hong Kong Limited ("HKEX"), we evaluate the report;
- Assurance activity is based on TÜV NORD *Report Verification supplement procedure* (SP-C-A015,Rev.00) .

Verification Level

The verification of the Report follows the "AA1000 Assurance Standard" (V3): Type 1, moderate inspection.

TÜVNORD

verification statement No. CN-202403-CSR-04

Verification conclusion

COSCO SHIPPING Development Sustainability Report 2023 provide an appropriate and objective view of the sustainability & social programs and performances during 2023. The data in report is reliable and objective, TÜV NORD didn't find the system error or substantial error.

- **Materiality**
COSCO Shipping Development evaluated the material topics, disclosed the important objective performance of COSCO Shipping development in the environmental, social and governance fields in 2023 from 16 substantive issues such as " compliance management " and "climate change", and timely responded to the expectations of investors and other stakeholders;
- **Quantitative**
The report uses "Sustainability KPIs" and Chapter "Key performance" and other forms to disclose performance data in the fields of environment, society and governance, such as revenue, energy consumption, anti-corruption and integrity education and training, with a certain degree of quantification;
- **Balance**
The report discloses the case and data such as the number of cases of corruption and bribery, the number of work-related fatalities, which has certain balance;
- **Consistency**
The COSCO SHIPPING Development Securities and Public Relations Department is responsible for collecting, recording, organizing, and analyzing the information and processes used in the preparation of reports. The sampled data during the verification process can provide traceability, ensuring the quality and substance of the information to a certain extent.

Suggestion for improvement

Through assurance and evaluation, we had following improvement suggestion on sustainable development practice and management:

- In the field of GHG emission, it is suggested to pay attention to the on-site GHG emission of the development business segment, collect and analyze the data and formulate relevant requirements.
- For data with large changes, it is suggested that corresponding cases or management measures be included in the Report to respond.
- In the material issue survey, it is suggested to improve the representiveness of sample groups.

Special statement

This statement excluding:

- The activity beyond information reveal;
- The position, idea, faith, object, future developing direction, and promise which stated by COSCO SHIPPING Development.

Statement of Independence and Competence

TÜV NORD Group is the world's leader certification authority in inspection, testing and verification, operating in more than 70 countries throughout the world and providing services which includes

TÜVNORD

verification statement No. CN-202403-CSR-04

management systems and product certification; verification and training of quality, environment, occupational health and safety management system certification, social responsibility; assurance of environmental, social responsibility, and sustainability report.

As one of the global branches of TÜV NORD Group, TÜV NORD (Hangzhou) Co., Ltd. affirms its independence from COSCO SHIPPING Development and confirms that there are no conflicts of interest with the organization or any of its subsidiaries and stakeholders when conducting the assurance of the Report. All information in this report was provided by COSCO SHIPPING Development, and TÜV NORD was not involved in the report preparation process.

TÜV NORD (Hangzhou) Co., Ltd.



The team leader: Ms. Huang Li
Date :15.03.2024



The Authorized person: Mr. Song Haining
Date: 15.03.2024

Note: In case of conflict between the Chinese and English versions of this statement, please refer to the Chinese version.

Reader Feedback

We genuinely appreciate your feedback and invite you to share your thoughts and suggestions on COSCO SHIPPING Development's Sustainability Report. Your insights will guide our ongoing improvement in CSR management and implementation. Kindly complete and detach the form provided below, and return it to us by mail or fax. We thank you for your valuable input!

Your contact information:

Name: _____ Organization: _____ Tel.: _____ E-mail: _____

1.How would you rate COSCO SHIPPING Development's CSR performance?

Excellent Good Fair Poor

2.What's your general opinion about this report?

Excellent Good Fair Poor

3.How effectively does COSCO SHIPPING Development communicate with stakeholders?

Excellent Good Fair Poor

4.How do you rate COSCO SHIPPING Development's corporate management practices?

Excellent Good Fair Poor

5.How well do you believe COSCO SHIPPING Development supports the real economy?

Excellent Good Fair Poor

6.How well do you think COSCO SHIPPING Development contributes to societal well-being?

Excellent Good Fair Poor

7.How do you assess COSCO SHIPPING Development's commitment to environmental protection?

Excellent Good Fair Poor

8.How do you rate COSCO SHIPPING Development's performance in building a strong team?

Excellent Good Fair Poor

9.Are the content and layout design of this report user-friendly?

Yes No

10.Are there any subjects or information you were hoping to find in this report but did not?

11.Please share any feedback or suggestions you might have regarding COSCO SHIPPING Development's CSR performance or the contents of this report.