



# 2023 Environmental, Social and Governance Report

CSSC (Hong Kong) Shipping Company Limited

Stock code:3877

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# About this Report

This Environmental, Social and Governance ("ESG") Report (this "Report") covers the latest sustainability-related information of CSSC (Hong Kong) Shipping Company Limited ("CSSC", the "Company" or "the Company") and its subsidiaries (collectively referred to as the "Group" or "we") in 2023, and includes issues that are of interests to stakeholders and related to the sustainable development of the Group. This Report was compiled to enable stakeholders to better understand the Group's sustainable development concept, management approaches, measures, and related performance. This Report should be read in conjunction with the Company's 2023 Annual Report (in particular the Corporate Governance Report contained therein) for a comprehensive understanding of the Company's performance.

## ■ Reporting Period

Unless otherwise specified, this Report mainly describes the specific policies and performance of the Group in respect of ESG during the period between 1 January 2023 and 31 December 2023 (the "Reporting Period"). Due to data continuity and comparability, the timeframes of some of the contents have been adjusted where necessary.

## ■ Reporting Boundary

The reporting boundary of this Report is consistent with the Company's 2023 Annual Report, which includes CSSC and its subsidiaries.

## ■ Basis of Report Preparation

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") (the "Listing Rules") issued by SEHK, and also based on the actual situation of the Group. Please refer to the Content Index of Appendix 3 in this Report for details of the corresponding sections of the provisions. This Report has complied with the "mandatory disclosure requirements" and "comply or explain" provisions set out in the ESG Reporting Guide. The reporting principles (Materiality, Quantitative, Balance and Consistency) outlined in the ESG Reporting Guide have been adopted during the preparation of this Report.

### ▶ Materiality

The Group has conducted the materiality assessment and taken the results of the materiality assessment as an important reference for the disclosure of this Report.

### ▶ Quantitative

The key performance indicators disclosed by the Group in respect of historical data are measurable and, where applicable, information on standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used are disclosed.

### ▶ Balance

This Report provides an unbiased picture of the Group's performance within the Reporting Period, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

### ▶ Consistency

Where applicable and unless stated otherwise, the methodologies and key performance indicators in this Report are consistent with those in previous reports to allow for meaningful comparisons.

## Access to This Report

This Report is available in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Electronic copies are available from the following websites:

- HKEXnews: <http://www.hkexnews.hk/>
- CSSC's website: <http://www.csscshipping.cn>

## Response to This Report

If you have any comments and suggestions regarding this Report or the sustainability performance of the Company, please contact us through the following means:

**Email:** [ir@csscshipping.com](mailto:ir@csscshipping.com)

**Phone:** +852 2238 5299

## Approval and Confirmation

The board of directors (the "Board") of CSSC is fully responsible for overseeing the Group's implementation and management of ESG-related issues. The information disclosed in this Report is mainly derived from the internal documents and public information of the Group. This Report was reviewed and approved by the Board in March 2024.





**Zhong Jian**  
Chairman

# Chairman's Statement



The Year 2023 marks the beginning of the Group's new journey in its second decade of business. In the face of multiple adverse situations such as the limited recovery of the Chinese economy, the unchanged weak expectation of global macroeconomic growth, and the continued impact of the Russia-Ukraine conflict, we have always adhered to the principle of "prioritizing stability and pursuing progress while ensuring stability", and have been making steady progress in our various tasks. Through our cross-cycle strategy of "counter-cyclical investment and pro-cyclical operation", forward-looking grasp of the low-carbon, digital and intelligent transformation of the shipping industry, and a stable and efficient governance and risk management system, the Group has grasped the opportunities amidst the risks and ensured economic benefits while making significant breakthroughs in various tasks.

In response to the national call and market trend, we continue to work hard on the "green shipping". With the International Maritime Organization (IMO) adopting the "2023 IMO Strategy on Reduction of GHG Emissions from Ships", the urgency of carbon reduction in shipping industry has once again brought new challenges to the industry. As a leading group in the industry, we have made breakthroughs in LNG technology, setting a series of new records and reaching the world's leading level. The new record set by "LNG GENEVA" marks the first time that China's large-scale LNG carriers have surpassed the world's competitors in all aspects of construction and reached the world's leading level.

We have constructed an ESG governance system and accelerated the enhancement of the Company's ESG governance level. During the Reporting Period, the Company established the ESG and Sustainability Committee, and set up the ESG Leadership Team and the ESG Expert Research Team at the corporate level. We creatively set up an independent ESG research organization to fully utilize the professional expertise of our front, middle, and back offices, and continue to update our corporate ESG practices by keeping abreast of international cutting-edge theories and national policies, and by simulating and evaluating the results of applications. The group standard Corporate ESG Management System, which the Company participated in the preparation of, was successfully released, contributing to improving the local ESG rating system and enhance the ESG management standard of enterprises. In addition, the Company have summarized our experience in corporate development and ESG governance and compiled an ESG governance research report, which systematically describes the excellent ESG governance performance of CSSC.

We have always adhered to the dual-wheel drive of "green finance" and "green shipping", and are committed to promoting sustainable development and the implementation of environmental protection initiatives. During the Reporting Period, we issued two tranches of Panda Bonds with a total issuance size of RMB2.2 billion, which is another milestone in the Group's sustainable development after the offshore green and blue dual-certified bonds, and also provides better protection for the Company's investment in clean energy shipping assets. With the successful naming ceremonies of "Wencheng" and "LNG GENEVA", our self-invested large LNG carriers have been successfully delivered. We have continued to promote the implementation of our five-year action plan for the technological upgrading of our self-operated vessels, and have advanced the dual-fuel upgrading of two vessels in our VLGC fleet. In addition, we have disclosed our climate risk report based on the TCFD framework to further demonstrate to the public our management of and response to climate risks.

We work with all stakeholders to develop our business, serve our national strategic goals and fulfill our social responsibilities. We successfully organized the 2023 ESG-themed results announcement, shared our experience in ESG governance, and strengthened our relationship with stakeholders by organizing various offline communication activities and upgrading our official website. We support employee development, implement employee health protection programs and actively provide training and development opportunities for our employees. At the same time, we actively fulfill our corporate social responsibility by contributing to the revitalization of villages, serving the Hong Kong community as Chinese enterprises, and intelligent fishery farming to ensure national food safety.

Based on the starting point of the new decade, the Group will continue to follow the national call, serve the national "Carbon Peak and Carbon Neutrality" ("Dual-Carbon") strategy, actively pursue continuous innovation in the green shipping and green financial track, to build itself as a business card of China's shipping industry, and steadfastly move forward towards the goal of "building a world-class ship leasing company".



# 「Column」

## Utilizing Professional Value and Driving Development with Innovation – Sustainably Serving National Strategies

As a leading market participant in the global ship leasing industry, we have responded to the development mission of "serving the national strategy" of China State Shipbuilding Corporation Limited ("CSSC Group") by benchmarking against world-class shipping companies to accelerate our low-carbon operation process. This is an inevitable choice based on our national conditions and the international community, as well as our responsibility and commitment as a central enterprise. To this end, we have fully utilized our strengths in the shipping and financial industries, and have been innovative and active in exploring and advancing green and low-carbon practices in order to make a hard work for the realization of the goal. We are actively responding to national strategies and policies such as "Maritime Power" and "Inland Vessels' Green and Intelligent Development", keeping pace with market demand, focusing on clean energy transformation, and solidly pushing forward various tasks to steadily move towards the goal of dual-carbonization.

### *Serving the strategy of Shipbuilding Power, and promoting the construction of green ships*

After the strategy of Shipbuilding Power, China promulgated the Action Plan for Green Development of Shipbuilding Industry (2024-2030) in 2023 to further implement China's strategy of "Dual-Carbon" development and to comply with the requirements of IMO on greenhouse gas ("GHG") emission reduction for global maritime vessels. As a member of the ship leasing industry, the Group, relying on the strong industrial background and technological advantages of CSSC Group, has continued to incorporate the concepts of building China's strength in shipbuilding and green shipping into the Group's strategic plan for high-quality development, in order to further respond to the "14th Five-Year Plan" development plan.

The Group firmly adheres to the core values of "professionalism, concentration, innovation and efficiency" and utilizes its advantages in investment and financing to help the shipping industry to realize the transformation and upgrading of green shipping. We continue to invest in high value-added and high-tech vessels, and are committed to advancing China's ship technology in the high-end direction, in line with the trend of the international shipping market. At the same time, we attach importance to the identity of physical shipowners and actively cooperate with shipowners to realize complementary advantages through joint investment and become their reliable partners.

In recent years, the Group has continued to focus on the low-carbon transformation of the green shipping industry and other areas of sustainable development, and has been actively expanding into the clean energy equipment market. Through the integration of resources in the upstream and downstream of the liquefied natural gas (LNG)<sup>1</sup> supply chain, we have been working with our partners to promote the strategic layout of "green ship" low-carbon vessels. During the Reporting Period, we continued to grasp the LNG marine transportation market, plough into the natural gas transportation market, and promote LNG ship projects through various means, so as to advance the country's green shipping industry to a higher level.

The Company, in a joint venture with Hafnia, successfully held a naming ceremony on 30 January 2023 for the series of 110,000-tonne product tankers, Vessel No. 1, named "Hafnia Languedoc". On 22 May of the same year, the naming ceremony for Vessel No. 2, named "Hafnia Loire", was also successfully held. Both LNG carriers were built under the guideline of "stay green and environmentally-friendly", by Guangzhou Shipyard International Company Limited. (the "GSI"), which is a subsidiary of CSSC Group. They adopted the new generation of LNG dual-fuel design independently developed by GSI, which is able to greatly reduce the carbon emissions of the vessels. CSSC has also fully utilized the advantages of industrial synergy and its own advantages in backing up CSSC Group, fully integrated resources of all parties, optimized financial services and innovated new modes of cooperation in LNG business. 21 August 2023, Sea Jade Investment Limited, a joint venture company led by the Company, signed a contract with Dalian Shipbuilding Industry Co. Ltd. and China State Shipbuilding Industry Trading Co., Ltd., for the construction and chartering of 2+2 large LNG carriers of 175,000 cubic meters.

<sup>1</sup>LNG, the abbreviation of liquefied natural gas, mainly composed of methane, is recognised as the cleanest fossil energy on the earth, and is currently a relatively advanced clean energy. In the context of "Dual-Carbon", LNG, as a marine power fuel, can achieve zero emission of sulphur oxides and 25% reduction of carbon dioxide emissions compared with traditional marine fuel, especially suitable for the needs of international ocean-going vessels with large capacity and long distance.

## Supporting the Dual-Carbon strategy and promoting energy transformation

We actively respond to the policy of "Inland Vessels' Green and Intelligent Development", contribute to the construction of green shipping system in Yangtze River Delta, and carry out R&D experiments both at home and abroad, so as to contribute to the development of the national green shipping industry and the transformation of global energy structure. We have chosen electric ships as our main focus to effectively reduce energy consumption and environmental pollution. Electric ships can also solve the technical problems of traditional ships and reduce operating costs. During the Reporting Period, we made two notable achievements in river shipping in the Yangtze River Delta: the new energy hospitality vessel came into use at the Hangzhou Asian Games, and the innovative mode of switching to electric container vessels was launched.

### New energy reception vessel project at Hangzhou Asian Games

During the Reporting Period, CSSC provided a finance lease solution for the green hybrid cruise ship project of the world brand "Three Rivers and Two Shores" on the golden route, contributing to the Hangzhou Asian Games. The project provided four state-grade new energy hospitality vessels for the Hangzhou Asian Games, which follow the standard of green transformation of ships and adopt diesel-electric hybrid propulsion to meet the requirements of energy saving and emission reduction in river navigation. In addition, the new energy hospitality vessel's low noise characteristics open up a new scene of the conference vessel. This is the first financing lease of a river cruise ship in China and the first time that a new energy vessel is used in a major event in China, which is of milestone significance for both CSSC and river navigation in China.

### Hantang Shipping Power Exchange Container Project

CSSC has cooperated with renowned enterprise in the industry to promote the Hantang Shipping Power Exchange Container Project, which serves the green and intelligent development of the Shanghai as international shipping centre and promotes the construction of the Yangtze River Delta green shipping system. The project will take the Hantang Shipping Power Exchange Container Vessel as a demonstration to promote the standardization of electricity exchanging technology and the commercialization of green river shipping through the use of high-security power exchanging products and advanced electricity exchanging vessel models. On 18 January 2024, the first batch of pure electricity zero-carbon container ship project in China, for which the Company provided financing, was officially launched. By promoting the new business model of "separation of vessel and electricity, and battery banking" for river shipping and practicing the new exploration of "integration of industry with finance" development between green finance and green shipping, the Group opens a new chapter of zero-carbon river shipping and builds a green shipping ecosystem together.



Signing ceremony for the first batch of zero-carbon electricity container vessels





# About Us

## Corporate Culture

Established in 2012, the Company is the first shipyard-affiliated leasing company in the Greater China and one of the world's leading ship leasing companies. As a leading market contributor in global ship leasing industry, the Company provides customised and flexible ship leasing solutions to ship operators, cargo owners and traders worldwide.

As the sole leasing company under the CSSC Group, the Company benefits from its close relationship with the CSSC Group (one of the controlling shareholders of the Company). The Company believes that the background of the shareholder has distinguished the Company from its competitors and enhances its competitiveness in the ship leasing industry.

CSSC focuses on creating values and driving development with innovation and persists in the "**specialised, market-oriented, and internationalised**" development roadmap:

### Specialised

The first shipyard-affiliated leasing company under the CSSC Group

### Market-oriented

With a higher financing ratio and relatively low financing cost, as well as market-oriented competitiveness, shipowners are assisted to renew their capacity at a lower cost for sustained operations, easing their operating pressure

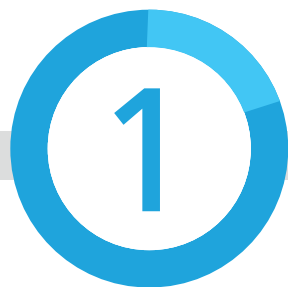
### Market-oriented Internationalised

Basing oneself on Hong Kong's shipping financial centre, fully utilizing the offshore funds and the overseas capital markets to serve the transformation and upgrading as well as the innovation-driven development of China's shipbuilding industry

We have fulfilled our mission and responsibility and launched a green finance initiative to serve green shipping. The Group is committed to developing green finance and serving green shipping, and have issued an initiative to set up the "Greater Bay Area Green Shipping & Financial Leasing Alliance", calling on shipping, manufacturing, finance and leasing to strengthen exchanges and cooperation, take advantage of the innovative policy of early and pilot implementation of green finance in Guangdong-Hong Kong-Macao Greater Bay Area, promote the widespread application of low-carbon and environmentally friendly vessels and equipment, provide dedicated finance and leasing support for green shipping, establish a mechanism for sharing industrial resources, and contribute to the healthy development of green shipping.

# Major Businesses

The Group's core business is to provide rental services, including finance lease and operating lease. Leveraging the robust expertise of the Group in the marine industry, the Group's rental services focus on ship leasing. The Group also offers shipbroking services and loan services to customers.



## Leasing Services

The Group provides tailored leasing services to its customers with the options of financial lease and operating lease.

Financial lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or whereby the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. A lease is classified as a financial lease if the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) to the lessee. Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return with periodic lease payments. A lease is classified as an operating lease if substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) remain with the lessor.



## Shipbroking Services

Leveraging on the Group's extensive network and substantial experience in the marine industry, the Group provides shipbroking services to shipbuilders and prospective purchasers incidental to the conduct of the Group's leasing business.

Acting as an intermediary between shipyards and prospective purchasers, the Group provides a wide range of services, including identifying market opportunities for shipbuilders, recommending shipbuilders to interested purchasers, advising interested purchasers on vessel types, specifications and capabilities, providing market information to shipbuilders and interested purchasers, liaising with and serving as the channel of communication between shipbuilders and interested purchasers, negotiating the terms of shipbuilding agreements, as well as resolving issues that arise during the execution of shipbuilding agreements.



## Loan Services

The Group's loan services mainly include pre-delivery loan, secured loan and factoring services. As part of the Group's leasing services, the Group provides pre-delivery loan services to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. The pre-delivery loans the Group extends are solely to finance the purchase of vessels under its financial lease transactions, and are generally secured by corporate guarantee, the assignment of shipbuilding agreement and refund guarantee rendered by the Group's customers.



# Development and Value

The diversified vessel asset allocation is the guarantee for the Group's business stability and sustainable development. As the end of the Reporting Period, the Group's fleet size reached 151 vessels. In terms of contract value, in the Group's fleet portfolio, offshore clean energy equipment, container ships, tankers, bulk carriers and special ships accounted for approximately 40%, 15%, 16%, 15% and 14% respectively. After active and passive adjustment to the fleet size, the structure of the fleet improved in value and age terms. We will cautiously allocate, adjust and optimise the proportion of various types of vessels, taking into account national strategies, policy trends, industry winds and customer demand.

## Development Milestones

2012

- The Company was incorporated in Hong Kong as the sole leasing company under CSSC Group.

2014

- The Group and Gloar, the world's leading LNG industry chain equipment operation company, signed for the world's first retrofit floating LNG production and storage unit (FLNG) construction financing and sale-leaseback project.
- The Company entered into a financial lease transaction for seven 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.

2016

- The Group invested in the world's largest 85,000 cubic meter fully-cooled very large LPG carrier (VLGC) to serve China's clean energy supply.
- The Group and Red Box signed two agreements for the sale and leaseback of the world's first polar class heavy-transport deck carriers, connecting Chinese shipbuilding companies with the Russian Yamal LPG project.

2019

- The Group undertook "the 2019 High Quality Development Forum and Signing Ceremony of Billions of Orders" of CSSC Group.
- CSSC was successfully listed in SEHK.

2021

- The Group issued US\$500 million green and blue dual-certified bonds due 2026
- Cooperating with the Group obtained a 10-year vessel secured term loan in an aggregate amount of US\$96 million. This loan adopted the sustainable development indicator-linked structure. The Group was included in the MSCI China Small Cap Index.
- The Group won the "Global Green Finance Innovation Awards" by International Finance Forum (IFF).

2023

- The Group issued the company's first and China's first sustainability-linked Panda Bond.
- The Company was awarded the Outstanding Green and Sustainable Bond Issuer and Outstanding Green and Sustainable Loan Issuer by HKQAA in the field of green finance.
- The Company successfully promoted the project of the first four state-grade hybrid cruise ships to serve the "Three Rivers and Two Shores" of the Hangzhou Asian Games.
- The Company was honored with the Central Enterprise "4-star" ESG rating, the "Fortune China ESG Impact List", and the ESG Disclosure Transparency Badge by Nasdaq.

2013

- The Company entered into an operating lease transaction for three 18,000-TEU container vessels with a leading global shipping group.
- The Company entered into a financial lease transaction for three 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.

2015

- The Company entered into a sale-and-leaseback transaction for a FLNG vessel with a subsidiary of a LNG shipping company.

2017

- The Group and Dynagas, a world-renowned LNG carrier operator, signed an agreement for two 174,000 cubic meter floating LNG storage and regasification units (LNG-FSRU) financing and leasing project. This is the first domestic large-scale LNG-FSRU order received.

2020

- The Company released the first ESG report (2019).
- The Company issued USD 400 million bonds due 2025 and US\$400 million bonds due 2030.
- The Company entered into a financial leasing project for four 86,000 cubic meter dual-fuel of VLGC carrier with Southwest Marine Limited

2022

- The Group was awarded the "Benchmark" in the specialized assessment of "Double Hundred Enterprises" of central enterprises by State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in 2021.
- The Group's financing cost control was effective and the Group was rated "A" by Fitch and "A-" by S & P Global Ratings for four consecutive years.
- The Group carried out power plant transformation for four liquefied petroleum gas carriers (i.e. VLGC), which was the first trial dual-fuel upgrade project in China.
- Signed the "LNG Ship Leasing Cooperation Principles Agreement" with well-known state-owned enterprises to jointly promote national energy security.

# Value Growth

“Combination of Industry and Finance, Focusing on core Business, Innovation and Development”

In the past two years, the "exponential growth" in demands for several major ship offerings has provided relaying support to the uneven recovery of the global shipping market. The IMO's determination of the net-zero emission timeframe and related requirements has posed new challenges to the green transformation of the shipping market. Under the multiple pressures of slowing economic growth and increasing financial risks, the Group was able to achieve rapid growth at a high level for three main reasons: firstly, our cross-cycle strategy and "fixed + flexible" structured revenue model; secondly, our high-quality and balanced fleet assets, with the Company's fleet of vessels being young, of low cost, with strong liquidity, and a large share of high-tech value-added vessels, such as LNG vessels, and a balanced proportion of each vessel type; and thirdly, its establishment of a stable and sound risk management and control system, as well as effective cost control measures, to realize higher operating efficiency.

Under the leadership of the CSSC Group, the Group has completed the transformation to market-based operations as a shipyard-based ship leasing enterprise. Through many stages of exploration and development, CSSC has become one of the world's largest non-bank ship leasing companies and one of the top four global leasing companies holding ship assets.

Undertaking the strategic mission of “combination of industry and finance, serving major business, innovation and development” since our inception, we attach great importance to the investment and operation of ship assets. The Group comes from a shipyard background and a key feature of our asset portfolio is the large fleet of self-operated and joint-venture vessels. Currently, we have become one of the largest domestic companies in terms of self-operated fleet.



## A Balancer for Business

The Group conducts countercyclical investments to create value for shareholders and investors during market downturns and the industry recovery period.

In the past few years when the ship market was sluggish, the Group's new shipbuilding orders has continued to increase; when the market was in a period of rapid recovery and prosperity, the ship price rose rapidly, and the ships the Group held were sold to realise assets dividend.



## Creativity in New Products

The Group deeply taps into market opportunities and leads innovation.

The Group has continued to invest in new energy vessels such as LNG, advanced the application of new LNG technology, undertaken a number of first container ship orders and launched the CSSC Group's first batch of Suezmax tankers, tapping into market opportunities in various ways.



## An International Window

The Group actively explores international markets and participates in international maritime exhibitions and maritime forums.

The Group maintains relationship with shipowners on a daily basis and establishes communication channels with Hong Kong Shipowners Associations and Hong Kong General Chambers of Commerce. Currently, more than 90% of the Group's customers are from overseas markets.



## Managing Good Customer Relationships

The Group maintains customer loyalty, increases customer coverage, and concentrates on managing customer relationships. The Group provides customers with full-cycle ship operation services through leasing services, shipbroking services, and loan services and establishing long-term and stable customer relationships.

The Group's market-oriented operation model and the transaction structure were designed to meet the customised needs of customers, and attracted a batch of new customers.



# Corporate ESG Governance

The Group strictly abides by the laws, regulations and regulatory requirements in the operating sites and has established internal governance policies and codes of practice to ensure operational compliance. During the Reporting Period, the Company has adopted the Corporate Governance Code and Corporate Governance Report contained in Appendix C1 to the Listing Rules as its own code of corporate governance.

This section of this Report will highlight the performance of the Group in "ESG Governance". If you would like to know more about the Company's information on governance structure and other aspects of corporate governance, please refer to the "Corporate Governance Report" in this 2023 Annual Report.

## ESG Development Concept

The Group is fully aware that a sound ESG management mechanism is conducive to the steady development of the enterprise. The Group actively takes ESG principles into its business operation and decision-making process and requires each unit to comply with ESG-related laws and regulations, which promotes the achievement of the Group's goals and strategies and the sustainable development of the enterprise.

The Group has formally established the "ESG & Sustainability Committee" and publicly disclosed the terms of reference. In addition, the Group plans to integrate the management and oversight responsibilities for climate-related work into the ESG governance structure during the year. Details can also be found in the following table.

*The Group has set ESG targets and conducted ESG risk identification, assessment and management in accordance with the ESG Reporting Guide. Please refer to the chapter "Maintaining Business Stability & Adhering to Safe Operation" for "ESG Risks" and the chapter "Accelerating Energy Transformation and Promoting Low Carbon Shipping" for "ESG Targets" in this Report. In addition, the Board has been involved in the assessment, prioritisation and management of ESG issues as described in the "Stakeholder Engagement" and "Identification and Assessment of Material Issues" sections.*

## ESG Governance Structure

### The Board

- Responsible for ensuring that ESG risks are fully considered in daily operations and management.
- Incorporating ESG principles into the overall strategy through decision-making processes.
- The Board is responsible for reviewing and overseeing the ESG Policy.
- Responsible for reviewing and confirming the formulation of ESG objectives.
- Responsible for reviewing and approving the Environmental, Social and Governance Report and other ESG-related disclosures of the Group.

### ESG Leading Group

- Participate in the materiality assessment of ESG-related issues during the Group's operation.
- Supervise and inspect the implementation of ESG and climate-related targets in accordance with the requirements of the Board and the ESG and Sustainability Committee.
- Review and confirm the important issues related to ESG and climate-related management (including but not limited to materiality assessment, ESG risks and opportunities, and ESG targets), and report to the Board and the ESG and Sustainability Committee.
- Quarterly report to the ESG & Sustainability Committee on key ESG and climate-related issues (including but not limited to written reports or working sessions, etc.).

### ESG & Sustainability Committee

- Guide, review and formulate the Group's ESG management policies, strategies, principles, objectives and other related matters.
- Oversee the formulation and implementation of the Company's ESG objectives.
- Guide and review the identification and ranking of the Group's material ESG issues.
- Identify and evaluate the Group's ESG risks and opportunities and report to the Board.

### ESG Working Group

- Assist in formulating the Group's ESG management policies as the ESG work contact person of each department.
- Organise and coordinate various departments to implement ESG-related work (including but not limited to implementing and assisting in monitoring the ESG performance of the Group's new energy projects, green finance, ship discharge, marine biodiversity, employee benefits, non-discrimination and diversity, etc.).
- Assist in communication with ESG stakeholders.
- ESG domestic and overseas rating and selection.

# Stakeholder Engagement

The Group attaches great importance to internal and external stakeholders, which are irreplaceable in enhancing the sustainable development of the Group. We communicate with stakeholders on a regular or irregular basis through various channels to understand and respond to stakeholders' expectations and concerns in a timely manner. In addition, the Group identifies its major stakeholders for more targeted and effective communication by taking into account factors such as “the extent to which stakeholders influence the Group” and “the extent to which the stakeholders are influenced by the Group”.

Stakeholder Types	Major Stakeholders	Channels	Matters of Concern	The Group's Responses
Shareholders/Investors	<ul style="list-style-type: none"> <li>Major controlling shareholders</li> <li>Public investors</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Board Meeting</li> <li>Meetings of the Board's Committees</li> <li>Financial Result Reporting</li> <li>Other investors communication means</li> </ul>	<ul style="list-style-type: none"> <li>Good business performance</li> <li>Good corporate governance</li> <li>Risk control and integrity</li> <li>The Company's strategic direction</li> <li>Sufficient disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Improving corporate governance</li> <li>Corporate strategy fulfilling investors' expectations</li> <li>True and Sufficient Disclosure</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>Intermediaries</li> <li>Classification societies</li> <li>Professional ship asset management Companies</li> <li>Institutes</li> <li>Colleges</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation of contract terms</li> <li>Daily communication between business representatives</li> <li>Management-level meetings</li> </ul>	<ul style="list-style-type: none"> <li>Benefit sharing, integrity and mutual benefit</li> <li>Promotion and innovation of management</li> <li>International Markets</li> <li>Energy Saving, Emission Reduction and Environmental Protection</li> </ul>	<ul style="list-style-type: none"> <li>Increasing profit</li> <li>Improving return on funds</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Ship operators</li> <li>Trading companies</li> </ul>	<ul style="list-style-type: none"> <li>Response to customer inquiry</li> <li>Customer visit</li> <li>Telephone communication</li> </ul>	<ul style="list-style-type: none"> <li>Financing amount</li> <li>Financing ratio</li> <li>Interest rate level</li> </ul>	<ul style="list-style-type: none"> <li>Promoting business negotiations</li> <li>Ship technology contract pre-research</li> <li>Facilitating project implementation</li> </ul>
Governments and Regulators	<ul style="list-style-type: none"> <li>Governments</li> <li>Industry regulators</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Investigation</li> <li>Work Reporting</li> <li>Policy/Regulator conferences</li> <li>Financial Result Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Operations compliance</li> <li>Profit/tax</li> <li>Serving national strategies</li> </ul>	<ul style="list-style-type: none"> <li>Creating job opportunities</li> <li>Total taxes</li> <li>Promoting the development of the industrial chain</li> </ul>
The Public	<ul style="list-style-type: none"> <li>Surrounding communities</li> <li>Community organizations</li> <li>Non-profit organizations</li> </ul>	<ul style="list-style-type: none"> <li>Participating in community voluntary activities</li> <li>Charitable donations</li> <li>Signing public interest-related agreements</li> <li>Coordinating community events</li> </ul>	<ul style="list-style-type: none"> <li>Charity investment</li> <li>Harmonious community</li> <li>Safety and environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Increasing community investment</li> <li>Industrial assistance and rural revitalization</li> <li>Volunteer activity</li> </ul>
Employees	<ul style="list-style-type: none"> <li>All employees</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face communication</li> <li>Seminars on democratic life</li> <li>Employee suggestion boxes</li> <li>Employee activities</li> <li>Vocational training</li> </ul>	<ul style="list-style-type: none"> <li>Sound welfare</li> <li>Good career development</li> <li>Serving the National Strategy</li> <li>Safety of Ship Operation</li> </ul>	<ul style="list-style-type: none"> <li>Providing diverse employee activities</li> <li>Providing different kinds of professional training</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Shipyards</li> </ul>	<ul style="list-style-type: none"> <li>Open tender</li> <li>Interviews and site visits</li> </ul>	<ul style="list-style-type: none"> <li>Win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Increasing investment, being open and transparent</li> </ul>
Media	<ul style="list-style-type: none"> <li>The press</li> </ul>	<ul style="list-style-type: none"> <li>Press conferences</li> <li>Invitations to interviews</li> <li>Regular discussions</li> </ul>	<ul style="list-style-type: none"> <li>Business and product situation</li> <li>Industry status</li> </ul>	<ul style="list-style-type: none"> <li>True and sufficient disclosure</li> </ul>

# Identification and Assessment of Material Issues

## Identification of Material Issues

According to the ESG Reporting Guide, combined with the results of the 2022 materiality assessment of ESG issues, the industry's ESG development trend and the Group's business situation and other factors, the Group identified potential material issues and established a pool of material issues.

## Questionnaires and Materiality Ranking of ESG Issues

Through a questionnaire survey covering internal and external stakeholders of CSSC, we collected opinions and suggestions from stakeholders on various issues. The directors and the management of the Group actively participated in the questionnaire survey to assess the importance of each issue to the Group from the perspective of CSSC. At the same time, in order to understand the expectations of external stakeholders on the Group, we also invited employees, business partners, suppliers, customers, shareholders, investors, etc. to participate in the questionnaire survey. Finally, we received a total of 87 valid questionnaires from internal and external stakeholders.

According to the results of the questionnaire survey, we reviewed the overall importance of each issue to CSSC from the dimensions of "importance to CSSC" and "importance to stakeholders", and prepared a matrix of ESG issues analysis at the environmental and social levels to form the preliminary results of the materiality assessment.

## Review and Confirmation of Material Issues

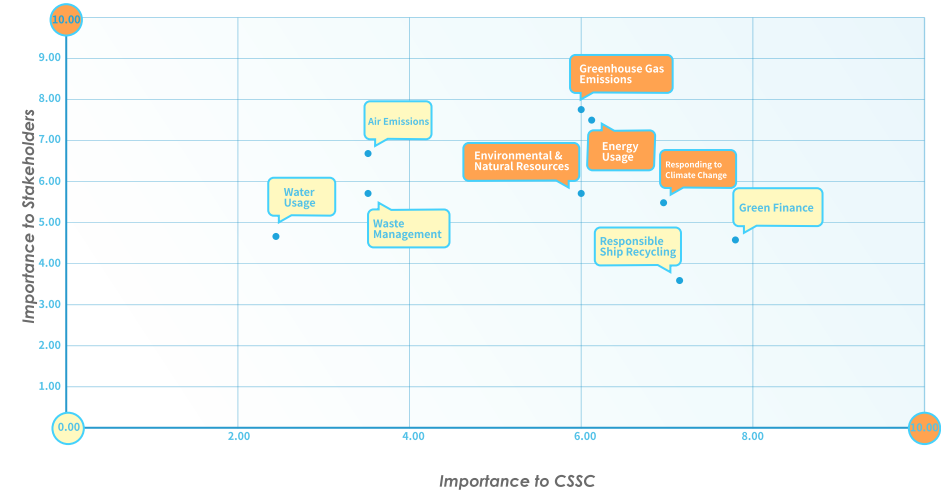
The Board reviewed and confirmed the preliminary results of the materiality assessment, and finally determined 8 material issues (including 4 environmental issues and 4 social issues) that are the most concerned by stakeholders. These material issues are highlighted in this Report and will be the focus of our future ESG work.

The following table lists out all ESG issues of CSSC, of which **issues** are material:

Environmental issues	Social issues
<input type="checkbox"/> GHG Emissions	<input type="checkbox"/> Serving National Strategies
<input type="checkbox"/> Energy Use	<input type="checkbox"/> Corporate Governance
<input type="checkbox"/> Responding to Climate Change	<input type="checkbox"/> Health and Safety
<input type="checkbox"/> Environment and Natural Resources	<input type="checkbox"/> Anti-Corruption
<input type="checkbox"/> Green Finance	<input type="checkbox"/> Labour Standards
<input type="checkbox"/> Responsible Ship Recycling	<input type="checkbox"/> Supply Chain Management
<input type="checkbox"/> Air Emissions	<input type="checkbox"/> Development and Training
<input type="checkbox"/> Waste Production	<input type="checkbox"/> Information and Customer Privacy Protection
<input type="checkbox"/> Water Use	<input type="checkbox"/> Customer Relationship and Communication
	<input type="checkbox"/> Community Engagement

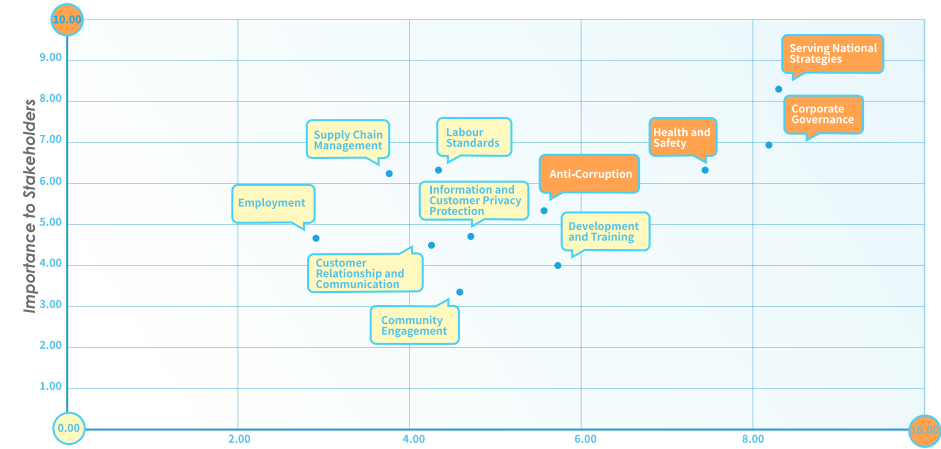
Materiality Matrix-Environmental issues

Figure: Matrix of ESG material issues at the environmental level



Materiality Matrix-Social issues

Figure: Matrix of ESG material issues at the social level



# Maintaining Business Stability & Adhering to Safe Operation

## Improving Corporate Governance

Since its establishment, CSSC has been pursuing its mission “combination of industry and finance, serving major business, innovation and development”, and has established its strategic goals and business strategies based on its own competitive advantages. We continuously promotes effective cooperation with various stakeholders and builds mutually beneficial and trusting relationships to create value for the society. In addition, the Group always maintains the highest standards of market conduct, adheres to the principle of “integrity oriented”, strictly complies with the relevant policies and systems of the Company and abides by business ethics to reduce operating risks.

### Business Strategies

CSSC has leveraged its robust professional advantages in marine business and its well-established and innovative business model to fully seize new opportunities and respond to new challenges. As at the end of the Reporting Period, the Group’s vessel portfolio reached 151 ships, and the scale of vessel assets and the number of ships were in the leading position in the global ship leasing industry. The Group provides leasing services to leading partners in various market segments of the marine industry, thereby establishing long-term strategic cooperative relations. Under the ever-changing market situation, the Group strengthened the overall research and judgement of the shipping market segment, vigorously implemented the cross-cycle investment strategy, focused on the layout of green equipment and clean energy business, and continued to maintain business stability and sustainable high-quality development.

## Major operating strategies

# 1

### Provide Professional One-Stop and Customised Leasing Services

- As the first shipyard-affiliated leasing company in Greater China, we leverage our synergy and close business relationship with the shipyard to capture the latest data on the supply and demand of the marine transportation market and customer demand, which enables us to capture business opportunities in a timely manner. We work closely with shipyards to deeply explore customers’ needs so as to provide professional one-stop and customised leasing services to our customers.
- CSSC is a leading world-class state-owned shipbuilding conglomerate in the PRC with a large number of shipbuilding and ship repair enterprises, ship design and research institutions, marine support service providers and ship trading companies. Its resources cover the entire value chain of the marine industry. Therefore, we, as the exclusive leasing company under CSSC, also benefit from the practice of “combination of industry and finance”.

# 2

### Continue to Develop the Clean Energy Industry to Serve the Development of Green and Intelligent Shipping

- We possess unique insights into the cyclical conditions of various marine market segments. We are able to grasp industry fluctuations, which allows us to capture cyclical profits.
- We comply with the national marine development strategy and continue to deploy clean energy. During the Reporting Period, we signed two new contracts for luxury passenger roll-on/roll-off vessels, four new green energy cruise ships to serve the Hangzhou Asian Games, jointly invested in two 174,000-cubic-meter LNG carriers. In addition, we served the development of green and intelligent shipping by adding two 100,000-ton intelligent fishery aquaculture vessels.
- Through years of efforts in offshore clean energy, we have established cooperative relationships with internationally renowned energy companies, and further accumulated experience in the independent operation and management of high-end ship types.

# 3

### Capture Development Opportunities in Various Industries and Regional and National Policies

- As the global economy continues to improve, the demand for energy is also growing. The rapid development of the global LNG and LPG<sup>2</sup> markets plays a crucial role in promoting the development of the marine industry and ship leasing industry.
- In addition, China’s major national development strategies and China-Africa strategic cooperation have brought overseas business opportunities.

# 4

### Build an Experienced and Professional Management Team

- Our management team has an average of 16 years of experience in the marine industry, and possesses solid experience and strong expertise in vessel selection and combination, leasing transactions, technical review, risk management as well as lease management. We rely on our strong management team to formulate and implement sustainable strategic plans, capture market opportunities and anticipate and respond quickly to market changes. The Group always believes that the increasing insights and strategic initiatives can continue to accelerate our business growth and profitability, thereby strengthening our market position in the global ship leasing industry.
- In addition, as our employees are located in important shipping hubs such as Hong Kong, Shanghai and Guangzhou, it is beneficial for the Group to seize the industry opportunities and actively seek and develop new business opportunities in the marine economy.

<sup>2</sup>LPG, the abbreviation of Liquefied Petroleum Gas, is a portable, clean, efficient and readily available energy which is mainly obtained from natural gas and oil production, but it is also increasingly extracted from renewable resources for production. When replacing the traditional vessel fuel MGO or HFO with LPG, it can effectively reduce the emission of air pollutants and meet all current regulations related to vessel emissions, significantly improving the performance related to EEXI, CII and SEEMP.

# Comprehensively Deepen Reform Corporate Governance

CSSC fully implemented the power reform of the Board, implemented the professional manager system and gross wage budget management. We have not only become the model demonstration and successful model of state-owned enterprise reform of CSSC Group for deepening reform, but have also been selected as one of the three-year action cases of state-owned enterprise reform by SASAC.

We continue to carry out the power enforcement reform of the Board, aiming to empower the Board with greater power. We purchase directors' liability insurance for all directors to protect the interests of, in particular, the independent directors, optimise the internal operation and management of the Group, and at the same time, to better exert the supervision of investors as shareholders of the Company on the directors.



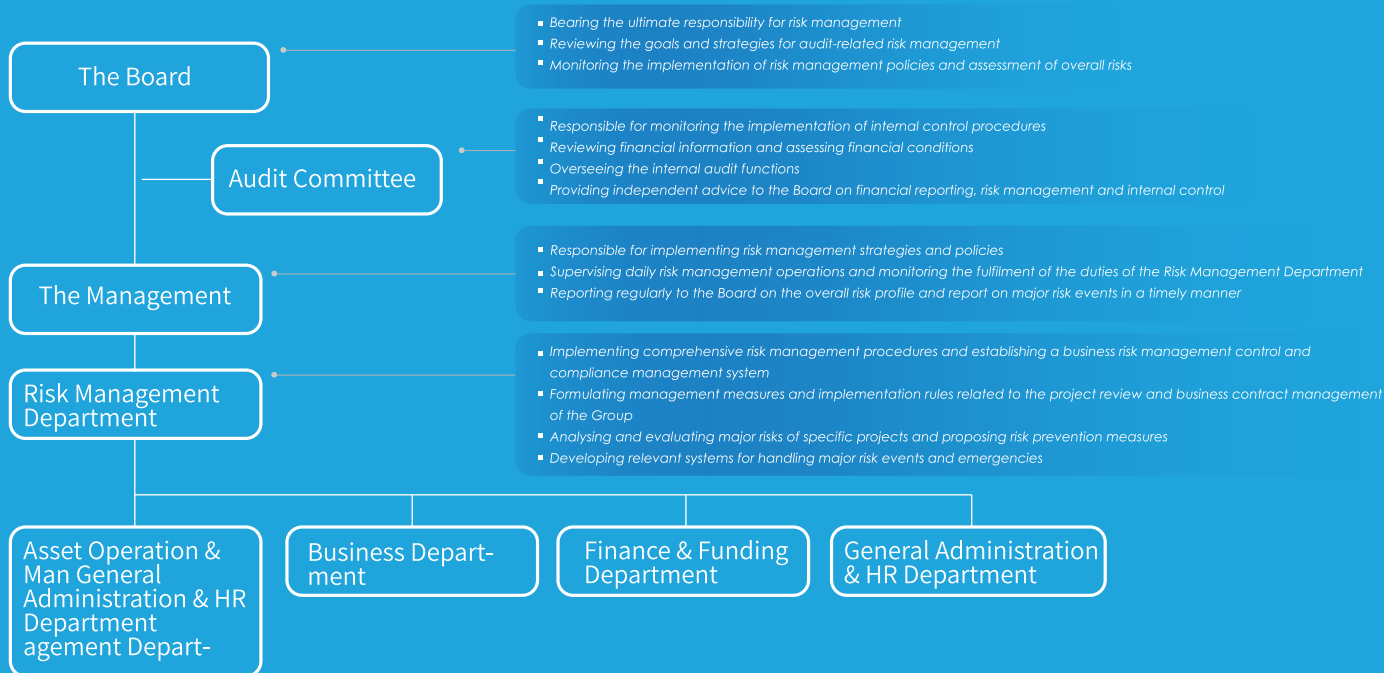
## Strengthening Risk Management

The Group attaches great importance to risk management and internal control, and executes the Comprehensive Management Measures for Risk to accurately identify, prudently evaluate, dynamically monitor, timely respond to, and extensively manage the risks faced by the Group during operations and management, as to improve the standardization of the Group's management and operations, to enhance the ability to prevent financial risks, and to continuously ensure the stable and sustainable development of various businesses.

The Group has integrated quantitative risk assessment and digital management throughout the entire life cycle, developed a risk quantitative assessment tool with independent intellectual property rights and established a credit evaluation model for customers. During the Reporting Period, the Establishment of a Quantitative Risk Assessment Model for the Shipping Industry by Shipyard-based Leasing Companies Featuring Mature Business, which is a management innovation reported by the Company was certified by the State Patent Bureau for computer software copyright and was awarded the First Class Award in the 2023 Management Innovation Achievement Assessment organized by China State Shipbuilding Corporation.

### Risk Management Structure

The Group has established a risk management structure covering the Board and different departments, of which the Risk Management Department is the core department with the risk management function in the Group.



# Main Risk Management Mechanisms

The Group determines its risk appetite based on its strategic goals and risk tolerance, and then establishes relevant risk indicators such as risk tolerance and risk limit based on risk appetite. Relevant resources have been allocated accordingly, and it is adjusted according to the Group's strategic goals and market environment in a timely manner. The risk indicators must be approved by the Board, the management or its authorised units, which are subsequently subdivided into different levels and arranged to each department for implementation.

## Main Risk Management Procedures



The Group has adopted a prudent risk appetite strategy. In terms of industry selection, the Group prefers industries and fields with mature business models, economies of scale and excellent asset quality; in terms of customer selection, the Company prefers large enterprises, leading enterprises in the industry or quality listed companies; in terms of leased asset management, the Company will take into account the business strategy, market environment and characteristics of the leased objects, and will scientifically classify, analyse the value of, and professionally manage and accelerate the turnover of, the leased assets. The Group's management of leased assets will take into account the operating strategy, market environment and characteristics of the leased objects. The Group will continue to improve its corporate governance system and risk prevention and control mechanism by firmly guarding the three lines of defence, including the operating cash flow of the leased assets, the creditworthiness of the lessee guarantees, and the coverage of the outstanding principal and interest by the asset value of the leased assets.

# Identification, Assessment and Management of Material ESG Risks

During the Reporting Period, the Group carried out the identification, assessment and determination of ESG risks, which were submitted to the Board for consideration and confirmation. At the same time, we formulated corresponding management and control strategies and plans and promoted the implementation. The following are the identified ESG risks (excluding climate-related risks) and the corresponding specific control strategies and plans:

ESG risks	Impacts on the Group	Management and control strategies and plans
<ul style="list-style-type: none"> <li>Data Security</li> <li>Policy and legal changes</li> </ul>	<ul style="list-style-type: none"> <li>Cyber-attacks, data fraud or theft, information infrastructure failures, etc. could lead to cyber security incidents.</li> <li>As the local government implements or updates policies, CSSC needs to make timely response measures, which may lead to an increase in operating or management costs. If we are unable to effectively establish internal mechanisms to respond to stricter laws, we may face potential litigation risks. Penalties and judgments arising from litigation may result in increased costs and/or reduced demand for our products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Further improve the organisational structure of data security risk management, form a top-down information security management organisation with highest guidance, with the Chairman or senior management as the team leader, to lead each department to take charge of data security management</li> <li>Further improve the data security process; formulate and improve data security management measures based on the processing process.</li> </ul> <p><b>The Group continues to pay attention to the risks of policy and legal changes. The current management status and control measures are as follows:</b></p> <ul style="list-style-type: none"> <li>In response to the relevant policies and guidelines of the State-owned Assets</li> <li>Supervision and Administration Commission of the State Council (SASAC) on state-owned enterprise reform, CSSC has successfully carried out a series of market-oriented reforms to respond positively; and</li> <li>The Group strictly complies with national laws and regulations and the governance policies of the places where the Group operates to ensure the compliant operation of enterprises and avoid litigation.</li> </ul>

## Strengthening Integrity Operation

CSSC strictly complies with the relevant laws and regulations and industry norms in each of its operating sites. To effectively prevent and control fraud risks and regulate its business practices, the Group has formulated and implemented internal policies such as the Management Measures for Anti-Fraud Work, the Guideline for Risk Prevention of Anti-sanction, the Administrative Regulations on Registration and Submission of Gifts, the Implementation Measures for Specialised Supervision and Inspection (Trial), the Regulations on Anti-corruption Coordination (Trial), and Implementation Opinions on Constructing an Integrated Mechanism for Promoting the Entire System of Not Daring to Corrupt, Not Being Able to Corrupt and Not Wanting to Corrupt. We had also set up an anti-corruption coordination working group to adapt to the needs of the Group's anti-corruption work under the new situation, build an anti-corruption coordination mechanism of information sharing, convenient communication, standardised and orderly, and promote the in-depth implementation of the Group's anti-corruption work.

The Group has clarified the internal control mechanisms of anti-fraud in the Management Measures for Anti-Fraud Work, including establishing channels for reporting lawsuits to prevent and detect fraud, implementing control measures to reduce the chance of fraud, and taking appropriate and effective remedial measures for the harm caused by fraud. By effectively preventing and controlling fraud risks, the Group has standardised business activities to protect the legitimate rights and interests of shareholders, safeguard the legitimate interests of the Group, and ensure the realisation of the Group's business objectives and sustainable, stable and healthy development.

The Board is the highest authority for the Group's anti-fraud work. Anti-fraud work is carried out within the framework of the anti-corruption working group. The Group encourages employees and stakeholders to make reports in name or anonymously through channels such as emails and report boxes. The Supervision Department of the Group is a standing body for anti-fraud work, which is responsible for establishing reporting channels, receiving and accepting reports on fraud, organising investigations on fraud cases, and issuing opinions on handling and reporting to the management and the Board. The Group will promptly evaluate the internal control measures and take corresponding improvement measures. In order to protect reporters, the Group requires that employees who are responsible for anti-fraud cases shall not provide any department or individual with relevant information and report contents of the reporters.

In order to create a cultural atmosphere of integrity and make the concept of integrity deeply rooted in people's hearts, the Group attaches great importance to integrity education and carries out diversified education and training activities. The Group has formulated and implemented the Integrity Education Work System (Trial), which sets out anti-fraud training, laws and regulations and integrity and moral education for new employees.

In order to strengthen the awareness of anti-corruption and anti-fraud and prevent the occurrence of relevant behaviours, we provide relevant training to our directors and employees on a regular basis. During the Reporting Period, we adopted the "online + offline" approach to carry out multiple anti-corruption education and training sessions as well as publicity work. We launched the Integrity Education and Publicity Month, in which we organized our directors and all staff to learn about the spirit and systems of the Central Government; we organized staff to visit the Sha Tau Kok Anti-war Memorial Hall in Hong Kong, and the Party Integrity Education Hall in Pudong New District, Shanghai for on-site learning; and at the end of each month, we disseminated the latest learning materials on anti-corruption to all staff through the "Integrity Engagement Education Corner", the intranet platform, and so on. During the Reporting Period, we organized two anti-corruption training sessions for all employees and one anti-corruption training session for directors.

During the Reporting Period, the Group was not informed of any concluded legal case regarding corrupt practices brought against the Group or its employees.





## Safeguarding Information Security

The business scope of the Group covers several countries and areas. The Group strictly complies with laws and regulations regarding sales and credit management, privacy protection, information safety, and trademarks, patents and intellectual property in each of its operating sites to ensure the security and confidentiality of stakeholders' important information. The Group has formulated the Management Measures of Confidentiality, which specifies a series of work procedures such as confidential personnel's resignation and declassification. In addition, when signing a business-related contract, the relevant party must sign a confidentiality agreement to avoid disclosing relevant confidential data or proprietary information to any third party.

The Group continues to improve its information security in accordance with the framework requirements of CSSC Group for confidentiality and security work, including establishing an internal control information platform, extending the secret information process, improving online document management requirements, incorporating core business documents of the project into important business documents, centralising online authorization and control, and preparing to build a separate confidential information processing site.

The Group complies with the 14th Five-Year Development Plan for Financial Standardisation and the requirements of the local financial bureaus on informatization of financial leasing companies, and actively responds to the Implementation Opinions on Strengthening the Construction and Supervision of the Internal Control Systems of Central Enterprises issued by the SASAC. We further upgraded our internal information management system, especially the ship information system, and took the lead in adopting intelligent management in the industry, so as to implement intelligent management and control over the Group's vessels around the world. The information security work carried out by the Group during the Reporting Period was mainly in the following two aspects:

### Upgrading internal information security system

In order to protect the interests of shipowners and minimize the risk of shipowners being exposed to cyber fraud, the Group has further upgraded its security system.

### Setting up specialized personnel to carry out information confidentiality work

As a state-owned enterprise which was integrated into the enterprise network, the Group has set up positions of confidentiality auditors, operators and administrators in accordance with the corresponding confidentiality requirements, and the personnel in these positions are required to hold certificates. We have continued to connect our information technology system to the CSSC Group's network to further promote information security.

## Supply Chain Management


The major suppliers of the Group are those providing shipbuilding services. As of the end of the Reporting Period, the Group had a total of 7 qualified shipbuilding service suppliers.

The Group amended the Guidance of Supplier Management in the Reporting Period, which sets out the work requirements for recruiting and evaluating suppliers who provide shipbuilding services. When recruiting suppliers, the Group adheres to the principles of “Great performance credit, Reasonable price, Convenient services” and considers the suppliers’ main ship types, performance regarding the ship type required for the Group, and delivery period, etc. All of the business projects of the Group will be handed to the General Manager Office for review and decision-making, and the General Manager Office takes the planned suppliers of the projects into consideration when reviewing and making decisions. If the General Manager Office evaluates the planned suppliers as unqualified, then they will require the related department to reselect and reassess the planned suppliers. During the Reporting Period, all the cooperated suppliers have been approved by the General Manager Office.

The Group rates suppliers based on suppliers’ performance and past cooperation, and determines the list of qualified suppliers. Each year, Business Department and Ship Asset Management Department jointly conduct annual evaluations of suppliers. In addition to suppliers’ ability to fulfil contracts, research and design, and production and construction, they also consider whether the projects in operation and under construction have passed the environmental impact assessment approval or the environmental protection facility acceptance, the safety and production status and whether major safety production accidents have occurred in the past two years, so as to assess environmental and social risks of suppliers. If there is any change in the list of qualified suppliers after the annual evaluation, the Business Department and Ship Asset Management Department will report it to the management for approval. In addition, the Group further standardised the application information platform to realise the digital supervision of the whole process of procurement management.

Under the strategic guidance of developing green vessels, the Group mainly cooperates with ship-building service providers which are ship-building enterprises under the CSSC Group. CSSC Group takes greening and intelligence into consideration at the research and design stage of ships, and enhances the research and development of new energy-power ships, committing to reducing the resource consumption of products and the impact on the ecological environment.





# Accelerating Energy Transformation & Promoting Low Carbon Shipping

CSSC is committed to promoting the green development of the industry, responding to national policies and the international mainstream trend, and integrating environmental protection and low-carbon energy transformation into its business operations and management to minimize the environmental impacts arising from its operating activities. In accordance with the laws and regulations of the relevant places of operation, the Group strictly implements the relevant environmental governance principles in its operation, management and decision-making process, and resolutely implements and continuously improves its environmental management measures to ensure the long-term and sustainable development of the enterprise.

Based on the current business situation, the Group has set up ESG targets and action plans in respect of emissions, waste generation and energy usage at the "Ship Operation Level" and "Office Operation Level" respectively, details of which can be found in the following chapters on " Building Low-carbon Ships " and "Practising Low-carbon Workplace".

## ***Responding to Climate Change***

During the Reporting Period, the Group promoted the assessment of climate risk identification in accordance with the TCFD recommendations. We referred to the relevant HKEX guidelines and selected the Network for Greening the Financial System (NGFS) scenarios, and then identified the physical and transition risks that it may be exposed to in the short term (1-2 years), medium term (3-5 years) and long term (6-10 years). The identified climate-related risks are managed in a compliant manner, and the implementation and outcomes of related work are reviewed and managed strictly. If you would like to read more about our identified climate risks and response strategies, as well as our assessment and management processes for climate-related risks, please refer to our TCFD Report.

# Building Low-carbon Ships

In July 2023, Marine Environment Protection Committee of IMO adopted the 2023 IMO Strategy on Reduction of GHG Emission from Ships, which means decarbonization of the shipping industry is imminent. We closely follow the industry trend and the IMO carbon reduction pathway planning, comply with international conventions and laws such as the International Convention for the Prevention of Pollution from Ships (MARPOL), continuously expand the route to upgrade existing ship technologies, and use more low-carbon fuel power device. At the same time, we continued to improve the operation and management measures of our self-operated fleet and strive to build a more green and low-carbon fleet, so as to expand our market and enhance reputation and seek for more opportunities. We have made the following efforts in three aspects: fuel source transformation and upgrading, other technological upgrading and operational management improvement.

## Fuel Source Transformation and Upgrading

- We actively explore alternative green fuels and evaluate the proportion of carbon emissions and emission reductions throughout the life cycle of various low-carbon fuels. We plan to shift to alternative fuels produced in various green ways in the future

## Other Technology Upgrading

- Rotor sails: through cooperation, we comprehensively evaluate the equipment price, carbon reduction effect and expected energy efficiency improvement ratio of the rotor sails. We plan to introduce them into corresponding ships in the future
- Energy-saving hub hats and fan-shaped catheters: It recovers the rotary energy by correcting the wire and eliminates the hub vibration to improve the efficiency of promotion.
- Shore power transformation: After FIT 55 came into effect in Europe, European terminals will increase shore power supply equipment

## Operation Management Improvement

- Real-time monitoring of vessel fouling conditions
- Optimising the ratio of speed between ballast and full load
- Dynamic monitoring and evaluation of vessel's carbon intensity indicators ("CI")
- Attempting to use biofuel

## Technological innovation

- By applying the efficient installation process of cryogenic pumps on the pump tower, CSSC has improved quality control, reduced transportation costs, and greatly shortened the construction cycle of the containment system.

## Building vessels with innovative solutions

- CSSC actively cooperates with shipbuilders and strongly supports the adoption of new technologies and solutions. Under the premise of ensuring the quality of design and construction, the shipyard has adopted the unitization rate of low-temperature piping in the machinery room, which significantly improves the production efficiency and reduces the assembly time.

Following the national "Dual Carbon" goal, CSSC has made in-depth investment in clean energy ship assets and continuously increased its investment in liquefied natural gas carriers (LNGC). We have accelerated the delivery of LNG vessels through technological innovation and cooperated with shipbuilders to build vessels using innovative solutions, which has further enhanced the Company's LNG transportation capacity and strengthened the competitiveness of clean energy transportation.

## Successful Delivery of Self-invested Large LNG Carriers

CSSC has implemented the strategy of "ship leasing", "investment and operation" and "one body and two wings". During the Reporting Period, the Company constantly promoted the series of large-scale LNG carriers which are independently designed and built by Hudong-Zhonghua Shipbuilding (Group) Co.,Ltd, a subsidiary of CSSC Group, with the Company's own investment.

In October 2023, the LNG carrier "Wencheng" was named in Shanghai and signed for delivery three and a half months ahead of the contract period. In November 2023, the fourth large-scale LNG carrier "LNG GENEVA" was successfully named and delivered, which not only was named and delivered 5 months earlier than the contracted period, but also set a number of new historical records. These new historical records indicate that for the first time, Chinese construction indicators of large-scale LNG carriers have fully surpassed those of foreign competitors and reached the world's leading level.



# Five-year Action Plan for Technological Transformation of Self-operated Vessels

CSSC pays attention to the IMO requirements, and has formulated IMO carbon reduction measures in the initial technical upgrading and transformation plan in combination with the ship business model and the dry-docking period of ships to continuously improve the CII rating of ships every year.

2023

- The VLGC fleet plans to upgrade its main engine to dual fuel engine during dry-docking in 2023, which is expected to increase CII's acquisition value by **13-18%**

2024

2027

- ULTRAMAX bulk carrier plans to install more cost-effective energy-saving hub hats and fan-shaped catheters during the dry-docking period from 2024 to 2027, which is expected to increase CII's acquisition value by approximately **5%**
- At the same time, the fleet will continue to improve the technical transformation plan based on the operation and management model

2025

2026

- MINI-CAPE bulk carrier plans to install more cost-effective energy-saving hub hats and fan-shaped catheters during dry-docking between 2025 and 2026, which is expected to increase CII's acquisition value by approximately **5%**

At the same time, we have formulated effective measures to strengthen the monitoring of vessel fouling and reduce energy efficiency losses caused by vessel fouling; The CII of the fleet is evaluated quarterly, and the operation of the vessel is properly intervened according to the evaluation results. For key vessels, the frequency of our evaluation is increased to monthly or per voyage. We also worked with ship management companies to formulate CII countermeasures to improve crew awareness and implement refined management of energy conservation and environmental protection in daily operation of ships.

During the Reporting Period, CSSC successfully promoted the dual-fuel upgrading of its VLGC fleet, increased the application of alternative fuels such as LPG, and firmly practiced the concept of green and sustainable development.

On 6 August 2023, "GAS GEMINI", a vessel owned by Ocean Classic, a joint venture company of the Company, became the first VLGC LPG vessel to be successfully upgraded with dual-fuel conversion. After upgrading, LPG can be used as the main fuel for the ship's power plant. Compared with traditional marine fuels such as MGO or HFO, LPG has excellent environmental performance, can effectively reduce the emission of atmospheric pollutants, meet all the current regulations related to marine emissions, significantly improve operational efficiency and increase economic benefits. Among other things, LPG will reduce sulfur oxide emissions by up to 97% compared to conventional marine fuels of MGO, making it fully compliant with current and future emission requirements in all regions of the world, and will reduce particulate matter emissions by about 90%, carbon dioxide by about 18%, and nitrogen oxide emissions by about 15%.

On October 12 of the same year, Ocean Classic's vessel "GAS AQUARIUS" also successfully completed a dual-fuel upgrade of its engine in Guangzhou and passed the marine gas test. After the upgrade, the ship's power plant can reduce CO2 emission by about 5,000 tons per year if it is fully fuelled by LPG.



Figure: VLGC LPG dual-fuel upgrading program – the vessels "GAS GEMINI" and "GAS AQUARIUS"

The Group also emphasizes the use of biofuels to promote the low-carbon transformation of ships. The Group's "CSSC Amsterdam" ship has conducted a marine trial of 310 tonnes of B30 (30% biofuel and 70% mineral oil blending) biofuel and achieved a satisfactory success. According to the statement issued by DNV Classification Society for this trial, the reduced carbon dioxide emission was 274 tonnes, which was 23.78% less than traditional fuel oil. We plan to create opportunities for more ships to use biofuels if they are in a position to do so. During the reporting period, we have already used about 3,000 tons of biofuels, which is a nearly 10-fold increase compared to 2022.



Figure: Biofuel Test Certificate

The Group has 50% operational control of the associated fleet. As the fleet is entrusted to the ship management company for daily management, the daily emissions, waste and other data are monitored, calculated and recorded by the ship management company, and the operating costs of the ships are not included in the Group, so the emissions from and resources consumed by the vessels shown in the table below are excluded from the Group's environmental performance, and the GHG emissions generated by the ships shall be included in the Group's Scope 3-Other indirect GHG emissions. The environmental performance of the Group's vessels under operational control during the Reporting Period is shown in the table below:

## The environmental performance of the Group's vessels under operational control during the Reporting Period

### 1 Air Pollutants<sup>3</sup>

Type	Nitrogen oxides	Sulphur oxides	Particulate matter	Carbon monoxide
Emissions in 2023 (tonnes)	7,375.99	1,862.17	489.67	469.10

<sup>3</sup>(HG Study 2020. Air pollutant emissions come from the combustion of fuel in ship engines and boilers. The calculation process follows the Fourth IMO GHG Study 2020 issued by IMO.

### 2 Greenhouse gases<sup>4</sup>

Scope 3	Emissions in 2023 (tonnes of CO <sub>2</sub> -e)	Emission intensity in 2023 (kg/kiloton nautical mile)
	353,139.76	9.37

<sup>4</sup>GHG emissions from vessels are mainly generated from combustion of vessel engines and boilers, the calculation of which follows the Fourth IMO GHG Study 2020 issued by IMO.

### 3 Waste

	Production in 2023 (tonnes)	Intensity in 2023 (kg/kiloton nautical mile)		Production in 2023 (tonnes)	Recycled in 2023 (tonnes)	Production Intensity in 2023 (kg/kiloton nautical mile)
<b>Hazardous Waste</b>			<b>Non-hazardous Waste</b>			
Waste oil	1,419.77	0.04	Domestic waste	522.37	357.13	0.01
Oily sewage	3,538.33	0.09				
total	4,958.10	0.13				

### 4 Use of Resources

	Consumption in 2023	Unit	Intensity in 2023	Unit
Water	43,518.03	tonnes	1.16	kg/thousand tonne nautical miles
Direct energy (fuel oil)	1,018,652.56	MWh	27.04	kWh/thousand tonne nautical miles
Direct Energy (LNG)	67,197.50	MWh	1.78	kWh/thousand tonne nautical miles
Direct Energy (Diesel)	170,791.26	MWh	4.53	kWh/thousand tonne nautical miles
Direct Energy(LPG)	8,498.06	MWh	0.23	kWh/thousand tonne nautical miles

In order to further promote the operation and management of green ships, during the Reporting Period, the Group has formulated the following ESG objectives, measurement indicators and action plans.

## 1 Area of Targets Air Pollutant Emission

Environmental Targets	Measurement Indicators	Action Plan	Action Plan Time Frame for Completion	Actions Taken during the Reporting Period and Progress
<b>Reduce air pollutant emissions in ship operation</b>	100% compliance rate of sulphide emissions from vessels	Fully adopt low-sulphur fuel with sulphur content not exceeding 0.5%, or install ship desulfurization device	Short-term	All ships have achieved the use of fuel oil with less than 0.5% sulphur content or have been installed with desulfurization device
	Increase the installation ratio of denitrification equipment for new shipbuilding not less than 80%	Increase the installation rate of denitrification equipment for new shipbuilding	Medium-term	Ships delivered during the Reporting Period were fully equipped with denitrification equipment
	Increase the frequency of use of clean energy	Continue to promote oil-to-gas conversion projects for large LPG carriers to achieve full coverage of VLGC dual-fuel vessels; and increase the use of biofuel in MINI-CAPE fleet	Medium-term	During the Reporting Period, the Group completed the dual-fuel upgrades of the main power units of 2 VLGC ships; continued to increase cooperation with downstream lessees to realize the use of biofuel by 2,586 tonnes, and achieved an increase of 1,975 tonnes compared to 2022 and a reduction in total CO2 emissions by approximately 1,900 tonnes. In 2024, we plan to continue to complete the dual-fuel upgrading of the remaining two VLGC ships to achieve full coverage of the dual-fuel capability of the VLGC fleet.

## 2 Area of Target GHG Emissions

Environmental Targets	Measurement Indicators	Action Plan	Action Plan Time Frame for Completion	Actions Taken during the Reporting Period and Progress
<b>GHG Emissions</b>	Reduction of CO <sub>2</sub> emissions from self-owned vessels	Gradually improve the use of alternative sustainable fuels such as clean energy; and Reduce emissions through ship technical transformation and upgrading	Long-term	The Group continuously promoted cooperation with charterers on biofuel usage; implemented VLGC dual-fuel upgrades in accordance with the 5-year technical reform plan; completed the asset retirement of 2 vessels with higher energy consumption
	Improve the disclosure of carbon dioxide emissions during the operation of ships	Actively record and report the emission of CO <sub>2</sub> during the operation of ships, and better understand the space for emission reduction and improvement through comparison among different stages	Medium-term	The Group started to set up a software to record the CII of ship operations. By 2024, we plan to realize full coverage of CO <sub>2</sub> emission records for self-operated ships and self-comparison of ship data per voyage.

## 3 Area of Target Energy Use

Environmental Targets	Measurement Indicators	Action Plan	Action Plan Time Frame for Completion	Actions Taken during the Reporting Period and Progress
<b>Reduce energy use in ship operation and improve energy efficiency</b>	Reducing the use of vessel fuel	Control the fuel budget, monitor the whole navigation process, conduct cost analysis, and strengthen fuel use to achieve the goal of fuel saving	Long-term	As the owner of vessel assets, CSSC, based on the requirements of IMO, has timely inspected the emission situation of vessels, initiated intervention measures and formulated an alert mechanism. As in the operation mode of the self-owned fleet, the fuel and voyage schedules were arranged by the terminal charterer, the Company is not yet in a position to intervene in the fuel budget, voyage schedules and fuel cost comparisons. Based on the existing monitoring tools, CSSC plans to further monitor the entire voyage process by controlling the fuel budget in the future when the conditions are feasible.
	Increase energy saving publicity and publicity activities	Carry out energy-saving publicity activities and popularize energy-saving knowledge through various training activities	Medium-term	The Group publicized and popularized energy-saving knowledge on a regular basis, and launched energy-saving and environmental protection publicity during festivals and holidays.

A nighttime panoramic view of the Hong Kong skyline, featuring numerous illuminated skyscrapers and the Victoria Harbour. The title 'Green Finance Innovation' is prominently displayed in the upper right quadrant in a large, white, sans-serif font. The background is a deep blue, suggesting twilight or night.

# Green Finance Innovation

Against the backdrop of global efforts to promote GHG emissions reduction and China's accelerated promotion of its "Dual Carbon" strategy, the Group seized the opportunity of the supporting policy of the relevant sustainability bonds to innovate sustainable financing models and deploy sustainable financial business. During the Reporting Period, CSSC was honoured with three green finance awards from the Hong Kong Quality Assurance Agency (HKQAA) for its outstanding performance in the areas of green bonds and green loans.

On the asset side, the Group regards green energy as its strategic development direction, such as adopting LNG and LNG re-liquefaction devices for ship asset management; On the liability side, the Group is committed to green project investment and financing. The Company has successfully issued blue and green dual-certified bonds, sustainability-linked bonds and other highlight programs, responding to the demand for green and intelligent ship development, providing sufficient funding support for the Company's subsequent ship deliveries, optimising the Company's debt maturity structure, and at the same time, assisting the industry's low-carbon restructuring and sustainable development, and setting a new benchmark for the industry.

From 3 to 6 March 2023, CSSC successfully issued the Company's first Panda Bond, which is also the first sustainability-linked Panda Bond issued on a market-wide basis in China. The issue amount of the first Panda Bond was RMB1 billion and the final coupon rate of the bond was 3.3%, with a credit rating of "AAA". On 14 September of the same year, CSSC successfully issued the second medium-term Panda Bond for the year 2023 with an issue amount of RMB1.2 billion and an interest rate of 3.10%, which hit a record lowest interest rate for the Company in the domestic bond market. Both bond issues were actively sought after by domestic and overseas investors, fully reflecting the high recognition from market investors of CSSC's market position, strategic development, performance and strong recognition of the concept of sustainable development.



Figure: CSSC received HKQAA's Hong Kong Green and Sustainable Finance Award in November 2023

## Practising Low-carbon Workplace


As a ship leasing enterprise, we not only practise green management in the process of ship operation, but also integrate the concept of “green, low-carbon, energy-saving and environmental protection” into daily office operation and are committed to reducing GHG emissions. During the Reporting Period, we have tried a series of green office-related measures about the Green Office Guidelines, including regulating air-conditioning temperature and managing the use of small household appliances, etc. We have collected feedback from colleagues and actively adjusted our strategies in the hope of further advancing the goal of energy saving and emission reduction in offices through the green office publicity program in 2024.


The main sources of air pollution emissions and GHG emissions of the Group generated from the office operation are the emissions from vehicles used by employees, electricity consumption and business travel by plane. Therefore, the Group has formulated the Management Measures of Vehicles to encourage employees to use public transportation as far as possible for their daily work commute and to promote teleconference to reduce business travel and mitigate GHG emissions. In addition, as electricity consumption is the main source of GHG emissions in the operation of the Group, the Group has also posted energy saving signs in its office premises and reminded employees to turn off power supply before holiday through emails to achieve the goal of energy saving and emission reduction.

The Group's water resources come from the municipal supply and are under the unified control of the property management company. During the Reporting Period, the Group has not encountered any difficulties in obtaining water. The Group encourages employees to conserve water and reduce water consumption in their daily work.

In terms of waste, the Group's non-hazardous waste consists mainly of office paper and small number of plastic bottles, while the small amount of hazardous waste generated includes ink cartridges and batteries. The Group encourages employees to use electronic communication methods such as shared disks to circulate files and encourages double-sided printing to reduce paper usage. In addition, the Group actively promotes waste reduction at source, waste recycling and reuse of resources among employees, and all waste ink cartridges are collected and disposed by the supplier while other hazardous waste are collected by the property manager.

CSSC Group requires each subsidiary including the Group to reduce energy waste, and set the energy cost generated from daily office electricity consumption as one of the Company's energy conservation and environmental protection indicators. In order to further implement green office practice and respond to the call of CSSC Group, we have established a series of ESG targets and related action plans around the areas of GHG emissions, waste generation and energy use as shown in the table below, and reviewed the progress of the related ESG targets during the Reporting Period.

Environmental Targets	Measurement Indicators	Action Plans	Completion Time for Action Plans	Applicable Office Areas of Action Plans	
 <b>Greenhouse Gas Emissions</b>	GHG Emissions Reduction	Reduce overall fuel consumption and/or use of official vehicles	Strengthen management of official vehicles; Record fuel consumption of official vehicles; and Regular maintenance of official vehicles	Short-term	Record energy use each time an employee uses an official vehicle; evaluate vehicle fuel consumption; and conduct regular maintenance on official vehicles.
		Increase the penetration rate of clean energy/new energy/hybrid vehicles	When phasing out old official vehicles, priority will be given to new official vehicles such as electric or hybrid vehicles	Long-term	The Shanghai office has eliminated one official vehicle and will prioritize hybrid or new-energy vehicles in future procurement plan.
		Increase the proportion of online meetings	Encourage online meetings to reduce travel, especially cross-regional meetings preferred online meetings	Short-term	Offices in Hong Kong, Shanghai and Guangzhou have set up online meeting systems based on Huawei Cloud and Tencent Cloud, and cross-region meetings prefer online meetings
	Promote carbon offset measures	Increase the number of trees planted	Consider planting trees or supporting afforestation through charity activities, which can be used in carbon offset projects such as carbon trading in the later stage	Medium-term	Due to the scale of the company, the offices in Hong Kong and Shanghai have not yet found any afforestation projects that meet the demand. Taking into account the industry, the offices in Hong Kong and Shanghai will consider promoting carbon neutrality through green power procurement.
	Raise employees' awareness of low-carbon office	Increase the number of low-carbon office promotion activities/training	Carry out low-carbon training and publicity activities, and popularize low-carbon knowledge by posting posters in office areas and increasing related training activities	Short-term	The offices in Hong Kong, Shanghai and Guangzhou launched low-carbon publicity for their employees during festivals and holidays.

Environmental Targets	Measurement Indicators	Action Plans	Completion Time for Action Plans	Applicable Office Areas of Action Plans	
 <b>Waste Generation</b>	Improving the waste statistical system	Increase the statistical coverage of waste	Each office shall establish a unified waste statistical system to clarify statistical criteria to achieve year-on-year performance comparison	Short-term	Offices in Hong Kong, Shanghai and Guangzhou have established a statistical database covering all daily office supplies, and will establish a standardized waste statistics system when feasible in the future.
	Improving the utilization rate of waste resources	Increase the percentage of offices implementing waste sorting	Each office implements waste sorting and is equipped with waste sorting equipment, etc.	Short-term	As the property managers of the Hong Kong, Shanghai and Guangzhou offices have different standards for waste disposal, a standardized waste separation measure has not been implemented yet. The three offices plan to equip themselves with waste sorting facilities in 2024 and gradually coordinate with the property managers to synchronize the implementation of waste sorting and treatment.
		Increase the number of waste classification training/publicity activities	Promote waste recycling; Regularly carry out publicity and education on waste classification; and Encourage employees to participate in source separation of waste	Medium-term	The offices in Hong Kong, Shanghai and Guangzhou launched waste sorting publicity for their employees during festivals and holidays.
	Reduction of waste generation	Reduce the use of disposable items	Promote paperless office in an all-round way, such as paperless daily meetings, encourage employees to print on both sides, and prefer paper with FSC certification label	Medium-term	The offices in Hong Kong, Shanghai and Guangzhou use e-documentation to record daily meetings; and except for legal regulations and other special requirements, double-sided printing is preferred. Documents printed on one side are desensitized and reused; and in terms of office paper, 90% is recycled paper and 10% is FSC certified paper.
		Implement paperless office	Promote paperless office in an all-round way, such as paperless daily meetings, encourage employees to print on both sides, and prefer paper with FSC certification label	Medium-term	The offices in Hong Kong, Shanghai and Guangzhou use e-documentation to record daily meetings; and except for legal regulations and other special requirements, double-sided printing is preferred. Documents printed on one side are desensitized and reused; and in terms of office paper, 90% is recycled paper and 10% is FSC certified paper.
		Selecting sustainable office supply brands	Procure durable, reusable, recyclable and degradable office equipment and supplies to avoid single-use	Medium-term	Offices in Hong Kong, Shanghai and Guangzhou have already prioritized the purchase of renewable paper and zero-plastic biodegradable tissue, and will gradually adopt more office supplies based on renewable materials in future purchasing plans.



## Energy Use

### Environmental Targets

Reduce energy use in office operations and improve energy efficiency

### Measurement Indicators

Reduction of electricity consumption

Increase the penetration rate of energy conservation publicity and/or the number of publicity activities

### Action Plans

Turn off office equipment timely;  
Switch off lights when leaving meeting rooms and offices;  
Air-conditioning rooms shall not be lower than 26 degrees Celsius in summer and not higher than 20 degrees Celsius in winter

Carry out energy-saving publicity activities;  
Promote energy conservation knowledge through posters in office areas

### Completion Time for Action Plans

Medium-term

Medium-term

### Applicable Office Areas of Action Plans

Offices in Hong Kong, Shanghai and Guangzhou are required to turn off lights in common areas punctually after office hours; due to the different physical conditions of different employees, the three offices have given priority to the actual experience of employees and urged them to follow the recommended air-conditioning temperature when using the air-conditioning without imposing mandatory restriction.

The offices in Hong Kong, Shanghai and Guangzhou launched energy-saving publicity for their employees during festivals and holidays.





# Creating a Talent Platform & Attracting and Cultivating Talents

The Group attaches importance to the attraction, retention and cultivation of talents, with a view to promoting the further development of the enterprise with excellent talents. We create a vibrant, harmonious and fair working environment for our employees by providing generous benefits, regularly reviewing staff remuneration, formulating clear policy guidelines and establishing a comprehensive training mechanism.

We strictly comply with the laws and regulations of the relevant operating regions, set up standardized and comprehensive human resources policies and continuously improve employment management measures, aiming to build an efficient and excellent talent ladder.

# Employment and Rights

The Group vigorously implements the strategy of strengthening the enterprise with talents and continuously promotes the standardisation and effective development of human resource work. The Group has built and implemented an effective human resource management system in accordance with relevant laws and regulations and the actual situation within the Group, covering the management of recruitment, employment contract, promotion mechanisms, salary and welfare, working hours, rest periods, dismissal etc.. The Group signs employment contract with employees to stipulate the affairs regarding to salary, reasons of dismissals and the others. Meanwhile, the Group adheres to the concepts of equality, diversity and anti-discrimination, eliminating discrimination in any aspect such as gender, age, nationality and ethnicity, and emphasising equality between male and female employees and diversity in the workforce.

Through the formulation and implementation of the Management Measures for Recruitment and Employment, the Group has effectively regulated the employment management process and allocated human resources in a more scientific and reasonable manner. The Group adheres to the recruitment principles of "open recruitment, fair competition, person-job fit and merit-based enrolment", the Administration and Human Resources Department will formulate annual recruitment plan based on demand and attracts talents through various channels including internal referral, campus recruitment, media recruitment, job fair and intermediate agencies. In addition, the Group also strictly adheres to labour standards to avoid misuse of child labour and forced labour. Any irregularities found will be dealt with promptly in accordance with the relevant laws and regulations. During the recruitment and employment process, the Group strictly vets the valid identity documents of applicants and employees to prevent employment of persons under the age of 16. If false or falsified information is found, the Group has the right to reject the employment or dismiss the employee in accordance with local labour laws and regulations. Meanwhile, the Group fully respects and protects employees' personal freedom and right to rest, and signs employment contracts or labour contracts with new employees joining the Group to establish the employment relationship, and clearly stipulates that employees shall not work more than 40 hours per week to eliminate forced labour.

**The remuneration of the Group's employees includes basic salaries and performance bonuses. The Group strictly complies with the relevant labour standards in Mainland China and the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. The Group has set up social security retirement plans for eligible employees in Mainland China and contributed to them by the corresponding subsidiaries, and set up Mandatory Provident Fund Schemes (MPF) schemes for eligible employees in Hong Kong. Meanwhile, the Group continued to promote the reformation of incentive mechanism to align with the wage marketization, with specific measures as follows:**

- To actively explore the wage marketization and to establish a reasonable and effective mechanism to determine the total salary;
- To achieve medium-term and long-term incentive mechanism;
- To promote the reformation of share incentive.

The Group is committed to maintaining a wide range of benefits for its employees and is constantly improving its employee welfare and protection system. In addition to statutory holidays, employees are also entitled to wedding leave, personal leave, maternity leave, family visit leave, etc. In addition to the statutory social benefits, the Group also provides eligible employees with sick leave and medical insurance that meets the requirements of the business location.

Statutory Social Benefits	Complementary Medical Insurance	Annual Physical Examination	Leaves	Transportation Allowance
<ul style="list-style-type: none"> <li>• Mandatory Provident Fund</li> <li>• Social Security Pension</li> </ul>	<ul style="list-style-type: none"> <li>• Providing group medical insurance for employees to protect their basic needs such as outpatient, inpatient surgery, and dental treatment</li> <li>• Addition of medical insurance for employees' children in Mainland China</li> <li>• Implementation of medical fund scheme for Mainland employees</li> <li>• Providing critical illness insurance for Hong Kong employees</li> </ul>	<ul style="list-style-type: none"> <li>• Providing annual medical examination reimbursement for employees who have been employed for more than a year</li> <li>• Providing reimbursement of HKD3,000 for employees</li> </ul>	<ul style="list-style-type: none"> <li>• Providing employees with statutory leaves and different types of leaves to meet their needs</li> </ul>	<ul style="list-style-type: none"> <li>• Providing employees with transportation allowance arising from work, including applications for reimbursement of the Group's vehicles and transportation expenses</li> </ul>

The Group actively promotes the improvement of employee performance appraisal mechanism. In accordance with the Management Measures for Employees Performance Appraisal, the Group conducts regular quarterly employee performance appraisals to assess the personal competence and quality of employees and their work performance. The appraisal results will be applied to performance bonus distribution, promotion and salary adjustment of employees. The head of department will also help employee identify their strengths and weaknesses based on the assessment results, and work with them to develop their personal training and development plans for the next stage. Besides, the Group has implemented the share incentive plan during the Reporting Period to motivate senior executives and key employees of the Group.

Strengthening staff cohesion and enhancing their sense of belonging is at the core of sustainable, healthy and rapid corporate development. The Group actively organizes various staff sports and cultural activities to relieve the physical and mental stress of employees, enhance team communication and improve employees' quality of life. On holidays, the labour union or the General Management Department of the Company will organise the distribution of condolence items or consolation money; At the same time, we also send warmth to retired employees. On the eve of the Spring Festival every year, the Group's leaders led a team to visit retired employees to organise condolences, and distribute consolation money and gifts.

## Health and Safety

The main workplace for the Group's employees is the office. We are committed to creating a safe and healthy working environment and to ensure that employees are free from occupational hazards. The Group has formulated and implemented the management of safety target, defined the safety management responsibilities of the relevant responsible persons and adopted a series of safety management measures. The Group's safety management measures include:

- The person in charge of each department, as the responsible officer for safety management, directs regular safety inspections;
- Uniform maintenance and renovation of office areas that cannot meet office needs due to ageing equipment, etc., in order to eliminate safety hazards;
- Strengthening the safety management of flammable, explosive and other dangerous goods;
- The installation and use of all computer equipment must meet safety requirements, and special personnel are responsible for keeping the computer equipment;
- All employees can report individual violations of the Group's safety and security systems;
- Providing supplementary medical care insurance, annual physical examinations etc. to employees.

We also safeguard the health and safety of our crew through the daily safety management of the ship management company. Based on full compliance with the international requirements of the ship safety management system, we have formulated and implemented corresponding internal management measures. At the same time, the Group invites classification societies and relevant third parties to conduct annual spot checks on the management system and daily ship management of ship management companies to ensure that problems in safety management can be timely identified and rectified. According to the typical dangers faced by ships and different levels of emergencies, the Group has formulated emergency manuals and emergency procedures through ship management companies, which are updated annually. In addition, we conduct 1-2 ship-shore joint drills with ship management companies every year to protect the health and safety of crew members to the greatest extent.

## Development and Training

The Group implements the strategy of "talents empowering enterprises" and has continuously improved its staff development system to meet the career development needs of its staff in order to build a first-class talent team. The Group has established the Management Measures of Staff Training, which stipulates that both departments and employees have the right to voice out their training needs. The Group requires the Administration and Human Resources Department to collect the training needs of each department in December each year for the following year, and to formulate training plans for the following year accordingly; such training plans can only be implemented after they have been approved by the relevant management. At the same time, we formulate monthly training courses on different topics based on monthly learning plans. The Group continues to invest in a wealth of training resources and organizes a variety of training formats, including:

### Internal Training

The Group arranges lecturers (external or internal) to train employees.

### External Training

Based on training needs, employees are assigned to participate in externally organised training.

### Rotation Training

Employees are trained across departments to accumulate and improve business skills and experience.

### Mentor Training

Instructors or leaders in the departments train employees and impart business knowledge, skills and experience.

### Employee Self-Learning

According to the needs of the position or career development, employees learn the necessary knowledge and skills on their own.

### Online Learning

The Group uses Internet and other modern information technology to provide training courses, making good use of big data, "Internet +" and other concepts and technical means to improve the level of training management informatization.

We continue to improve the job grading system to enhance the scientific and standardization of position setting and management in the Company. The Company's position hierarchy mainly includes management positions, professional positions and auxiliary positions, etc. During the Reporting Period, the Group formulated and implemented the Measures for the Setting and Management of Positions, which set out the post-holding qualification of positions, distribution and adjustment of positions, and rotation program etc., to further clarify the career development paths for employees.

The Group cherishes talents, and has formulated rich training plans for reserve cadres. Through daily training, cross-department exchanges, and outposting to subsidiaries, the Group intensified efforts in talents cultivation, continuously promotes the growth of talent teams, and achieves a "win-win" situation between talents and the enterprise. The Group initiated the evaluation of the effectiveness of training and analysed the training results to continuously optimise training planning and curriculum. The Group also attaches importance to the rolling cultivation and transfer of talents by stimulating the creative energy of management trainees. During the Reporting Period, the Group formulated and implemented the Regulations on the Training of Management Trainees to enable management trainees to acquire the professional knowledge and practical experience required for their positions by means of task experience and mentor-assisted learning. We have adopted centralized training, mentor training and job rotation training to provide comprehensive training to management trainees.

### Centralized Training

The content of the training covers the company's organizational structure, strategic objectives, industry knowledge, etc. The forms of training include special lectures, online training, and outbound training.

### Mentor Training

ees so that they can work independently in their positions.

### Rotation Training

After a certain period of time, the trainees can be rotated according to the development of their positions and the company's business needs, which can be divided into the following categories: intra-departmental rotations, interdepartmental rotations, and shipyard internships.

# Fulfilling Corporate Responsibility & Practicing Green Deep-sea Aquaculture

As a responsible central enterprise, the Group attaches great importance to social welfare undertakings and injects new vitality into the communities where it operates in a new era and in a new way. The Group shares the fruits of corporate development by enhancing engagement and support of community. The Group insists on implementing effective principles of social investment during operation management and decision-making processes, including but not limited to:

- As a responsible central enterprise, the Group attaches great importance to promoting the revitalization of villages and launching consumer assistance work;
- Providing support for employees who volunteer to serve disadvantaged groups in their communities; and
- Proactive exploration of investment in intelligent deep-sea and far-sea aquaculture, etc.





In order to consolidate and expand the results of poverty alleviation and effectively connect with the revitalization of villages, we have continued to carry out consumer assistance work with dedication. During the Reporting Period, the Group followed the Opinions of the General Office of the State Council on Comprehensively Promoting Rural Revitalization in 2023, and combined with the 2023 Targeted Poverty Alleviation Work Plan of China State Shipbuilding Corporation Limited, and helped Mengla County in Xishuangbanna, Yunnan Province to consolidate the achievements of poverty alleviation. As at the end of the Reporting Period, the Group spent a total of RMB38,315 on consumer assistance in Yunnan.

The Group actively launched community activities under the theme of "Chinese Enterprises Serving the Community" to serve the Hong Kong community during the Reporting Period. The Company fully utilized its extensive connections in the shipping, maritime and financial industries to build a platform for exchanges between Hong Kong and Mainland enterprises, facilitating in-depth cooperation between Guangdong and Hong Kong, and promoting Hong Kong's integration into the overall development of the country. At the same time, the Company reached out to the Hong Kong community to serve the Hong Kong citizens. Through the dispatch of volunteers and the provision of funds for repairing, the Company actively participated in the "18 Districts Repaired with Love" and the "Community Care Campaign to Celebrate the 26th Anniversary of Hong Kong's reunification", and provided repairing services to more than 260 grass-roots families in Hong Kong, as well as distributing rice, noodles, edible oil and other daily necessities to 300 elderly or needy families.



During the Reporting Period, the Group also continued to plough deeply into the field of deep-sea and far-sea sustainable aquaculture equipment, promoted intelligent aquaculture by "promoting production through integration", guided the deep integration of modern information technologies such as the Internet of Things, big data and artificial intelligence with aquaculture production, and assisted in the development of sustainable oceanic aquaculture, and resolutely implemented the major initiatives to safeguard the country's food security and build a beautiful China. On 27 May 2023, the signing ceremony of "Guoxin 2-1" and "Guoxin 2-2", 150,000-ton large aquaculture vessels in which the Group participated in the investment, was successfully held. The vessels are equipped with a total of 21 aquaculture tanks, with nearly 100,000 cubic meters of aquaculture water, and are designed to produce 3,700 tons of high-quality fish annually through the "ship-carrying tank aquaculture" mode of cultivation of high-quality aquaculture fish species. As the second and third aquaculture vessels in the series of intelligent fishery large-scale aquaculture vessels, "Guoxin 2-1" and "Guoxin 2-2" not only mark the entry of large-scale aquaculture vessels for deep-sea intelligent fishery into the 2.0 era, but also undertake the important mission of upgrading and optimising the comprehensive fishery production platform for deep-sea industrialized, intelligent green aquaculture, and their construction and operation are of great significance in the serialization, standardization and industrialization of the vessel type.

# Appendix 1 Performance of 2023

Environmental and social related key performance indicators of 2023:

## Environmental Aspect<sup>6</sup>

Key Performance Indicators	Units	2023	2022	2021
<b>Air Emissions<sup>7</sup></b>				
NO <sub>x</sub>	kg	0.52	0.17	0.59
SO <sub>x</sub>	kg	0.04	0.02	0.04
CO	kg	12.56	4.48	13.54
PM	kg	0.07	0.03	0.07
<b>Greenhouse Gas Emission</b>				
Total GHG Emissions	tCO <sub>2</sub> e	283.50	137.93	153.14
GHG Emission Intensity	tCO <sub>2</sub> e/m <sup>2</sup>	0.11	0.06	0.07
	tCO <sub>2</sub> e/million HK\$	0.08	0.04	0.06
<b>Scope 1</b>				
Direct Emissions from Mobile Sources with Operational Control <sup>8</sup>	tCO <sub>2</sub> e	5.64	2.37	5.57
<b>Scope 2</b>				
Indirect Emissions from Purchased Electricity <sup>9</sup>	tCO <sub>2</sub> e	90.94	100.19	69.70
<b>Scope 3</b>				
Business Air Travel by Employees <sup>10</sup>	tCO <sub>2</sub> e	186.92	35.37	77.87
<b>Hazardous Waste Generated<sup>11</sup></b>				
Total Amount of Hazardous Waste Generated	t	2.79 x10 <sup>-3</sup>	0.02	0.02
Hazardous Waste Intensity	kg/m <sup>2</sup>	1.12x10 <sup>-3</sup>	6.79x10 <sup>-3</sup>	8.70x10 <sup>-3</sup>
	kg/million HK\$	0.77x10 <sup>-3</sup>	5.26x10 <sup>-3</sup>	8.10x10 <sup>-3</sup>
Waste Batteries	t	1.89 x10 <sup>-3</sup>	0.016	0.017
Ink Cartridges/Tonner	t	0.90 x10 <sup>-3</sup>	0.02	0.02
<b>Non-hazardous Waste Generated</b>				
Total Amount of Non-hazardous Waste Generated	t	2.37	1.07	1.29
Non-hazardous Waste Intensity	kg/m <sup>2</sup>	0.52	0.43	0.60
	kg/million HK\$	0.36	0.33	0.52
Paper	t	1.18	0.97	1.19
Plastic	t	0.12	0.10	0.10



<sup>6</sup>To better reflect the relationship between the Group's environmental level density metrics and the growth of the business, the Group's consolidated revenue will be used as the denominator for intensity calculation from 2023 onwards.

<sup>7</sup>The calculation of air emissions is based on the Technical Guide for the Preparation of Road Vehicle Air Pollutant Emission Inventory published by the Ministry of Ecology and Environment of the People's Republic of China.

<sup>8</sup>The calculation method refers to the Guidelines for Accounting and Reporting of GHG Emissions of Land Transportation Industries (Trial) and the Guidelines for Accounting and Reporting of GHG Emissions of Industrial and Other Industry published by the National Development and Reform Commission of the People's Republic of China.

<sup>9</sup>The emission factors used in 2023 calculation are with reference to the Notice on the Preparation of the GHG Emission Reporting and Management Work for Electricity Generation Industry in 2023-2025 issued by the Ministry of Ecology and Environment of the People's Republic of China, and the Sustainability Report 2022 published by HK Electric Investments Limited.

<sup>10</sup>During the Reporting Period, due to the release of the prevention and control efforts, the frequency of the Group's employees taking flights for business trips increased, which resulted in the increase in Scope 3 emissions. The data on Scope 3 emissions generated by business air travel by employees are based on the calculation of CO<sub>2</sub> emissions from air travel developed by the International Civil Aviation Organization (ICAO), an agency of the United Nations, and can be found at <https://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>.

<sup>11</sup>Due to the increase in the Group's business volume in 2022, new copiers were leased for the Guangzhou office and no toner has been replaced up to the end of the Reporting Period, resulting the decrease in the usage of ink cartridges/toner.

## Environmental and social related key performance indicators of 2023:

Key Performance Indicators	Units	2023	2022	2021
<b>Non-hazardous Waste Recycled</b>				
Total Amount of Non-hazardous Waste Recycled	t	0.04	0.04	0.62
Paper	t	0.04 <sup>12</sup>	0.04 <sup>12</sup>	0.53
Plastic	t	.13	.13	0.09
<b>Use of Resources</b>				
Total Amount of Resources Consumption	MWh	171.85	173.53	131.45
Resources Consumption Intensity	MWh/m <sup>2</sup>	0.07	0.07	0.06
	MWh/million HK\$	0.05	0.05	0.05
Indirect Energy: Purchased Electricity Consumption	MWh	149.10	163.96	108.99
Purchased Electricity Consumption Intensity	MWh/m <sup>2</sup>	0.06	0.07	0.05
	MWh/million HK\$	0.04	0.05	0.04
Direct Energy: Petrol Consumption	MWh	22.75	9.58	22.46
Petrol Consumption Intensity	MWh/m <sup>2</sup>	9.15x10 <sup>-3</sup>	3.85x10 <sup>-3</sup>	0.01
	MWh/million HK\$	6.27x10 <sup>-3</sup>	2.98x10 <sup>-3</sup>	9.09x10 <sup>-3</sup>
Water Resource Consumption	m <sup>3</sup>	639.00	731.00 <sup>14</sup>	540.00
Water Resource Consumption Intensity	MWh/m <sup>2</sup>	0.26	0.29	0.25
	MWh/million HK\$	0.18	0.23	0.22

<sup>12</sup>The Group promotes paper conservation by reusing all paper that has been used on one side and recycling all paper that has been used on both sides, of which the amount of paper recycled in the Guangzhou and Shanghai offices cannot be estimated in 2022 and 2023, and therefore has not been included in. The Group plans to continue to improve its waste recycling efforts in the future in line with the action plan on waste recycling set out in the ESG targets.

<sup>13</sup>The Group's plastics, which are mainly sourced from plastic water bottles used in offices, are not yet accounted for in 2022 and 2023 as they are collected by a third party on a consolidated basis.

<sup>14</sup>As the Group mainly operates in offices, it is difficult to collect the amount of water consumption. Shanghai office cannot collect the amount of its water consumption as its property fee covers water consumption fee. Hongkong office and Guangzhou office calculate the water consumption based on the estimation that one person consumes 1.5 m<sup>3</sup> of water every month.

<sup>15</sup>In 2021, the Group's employee statistical breakdowns by region are "from Mainland China" and "from Hong Kong", which are updated to "working in Mainland China" and "working in Hong Kong" from 2022 onwards.

## Social Aspect

Key Performance Indicators	Units	2023	2022	2021
<b>Employees</b>	<b>Person</b>	<b>87</b>	<b>87</b>	<b>81</b>
<b>Number of Employees by Region<sup>15</sup></b>				
Mainland China	Person	71	57	65
Hong Kong	Person	16	30	16
<b>Number of Employees by Gender</b>				
Female	Person	44	44	39
Male	Person	43	43	42
<b>Number of Employees by Type</b>				
Full-time	Person	87	87	81
Part-time	Person	-	-	-
<b>Number of Employees by Age</b>				
Below 30	Person	13	14	10
30 - 40	Person	44	43	51
41 - 50	Person	21	23	15
Above 50	Person	9	7	5
Employee Turnover	Percentage	13%	13%	7%
<b>Employees Turnover Rate by Region</b>				
Mainland China	Percentage	3%	12%	9%
Hong Kong	Percentage	13%	13%	-
<b>Employees Turnover Rate by Gender</b>				
Female	Percentage	7%	9%	8%
Male	Percentage	2%	16%	7%
<b>Employees Turnover Rate by Age</b>				
Below 30	Percentage	23%	-	10%
30 - 40	Percentage	-	16%	8%
41 - 50	Percentage	-	17%	-
Above 50	Percentage	11%	-	20%

## Social Aspect

Key Performance Indicators	Units	2023	2022	2021
Employees	Person	87	87	81
<b>Employee Training<sup>16</sup> Percentage of Trained Employees by Gender</b>				
Female	Percentage	51%	51%	48%
Male	Percentage	49%	49%	52%
<b>Percentage of Trained Employees by Employee Category</b>				
High-level	Percentage	8%	8%	8%
Mid-level	Percentage	11%	11%	15%
Basic-level	Percentage	80%	80%	77%
<b>Average Training Hours by Gender</b>				
Female	Hour	15	31	14
Male	Hour	31	40	16
<b>Average Training Hours by Employee Category</b>				
High-level	Hour	72	71	21
Mid-level	Hour	35	81	17
Basic-level	Hour	16	25	14
<b>Work Safety</b>				
Work-related Fatalities	Person	-	-	-
Rate of Work-related Fatalities	%	-	-	-
Lost Days Due to Work Injury	Day	-	-	-
<b>Number of Suppliers by Geographical Region</b>				
Mainland China	No.	7	6	7

<sup>16</sup>Percentage of employees trained in a specific category = Total number of employees trained in the specific category divided by the total number of employees trained.



## Appendix 2 The List of **Laws and Regulations**

The laws and regulations that have a significant impact on the Group's business operations in Mainland China and Hong Kong are as follows:

### Environmental

ESG Aspects	Laws and Regulations - Mainland China	Laws and Regulations - Hong Kong	Compliance Status
Environmental	<p>Environmental Protection Law of the People's Republic of China                      Environmental Impact Assessment Law of the People's Republic of China                      Environmental Protection Tax Law of the People's Republic of China                      Implementing Regulations on the Environmental Protection Tax Law of the People's Republic of China                      Atmospheric Pollution Prevention and Control Law of the People's Republic of China                      Water Pollution Prevention and Control Law of the People's Republic of China                      Solid Waste Prevention and Control Law of the People's Republic of China</p>	<p>Cap.311 Air Pollution Control Ordinance                      Cap.354 Waste Disposal Ordinance</p>	<p>During the Reporting Period, the Group did not experience any violation of laws and regulations relating to the Group's air emissions and GHG emissions, discharges into to water and land, waste generation and disposal that had a significant impact on the Group.</p>
Employment and Labour Standards	<p>Labour Law of the People's Republic of China                      Labour Contract Law of the People's Republic of China                      Social Insurance Law of the People's Republic of China                      Minors Protection Law of the People's Republic of China                      Provisions on the Prohibition of Using Child Labour</p>	<p>Cap. 57 Employment Ordinance                      Cap. 480 Sex Discrimination Ordinance                      Cap. 487 Disability Discrimination Ordinance                      Cap. 602 Race Discrimination Ordinance</p>	<p>During the Reporting Year, the Group did not receive any information about laws and regulations that had a significant impact on the Group and are related to employment, employment of child labour, and forced labour.</p>
Work Health and Safety	<p>Occupational Diseases Prevention and Treatment Law of the People's Republic of China                      Fire Control Law of the People's Republic of China</p>	<p>Cap. 509 Occupational Safety and Health Ordinance                      Cap. 282 Employees' Compensation Ordinance</p>	<p>During the Reporting Year, the Group did not receive any complaints about occupational health and safety that had a significant impact on the Group.</p>
Product Responsibility	<p>Patent Law of the People's Republic of China                      Trademark Law of the People's Republic of China                      Anti-Unfair Competition Law of the People's Republic of China</p>	<p>Cap. 362 Trade Descriptions Ordinance                      Cap. 486 Personal Data (Privacy) Ordinance                      Cap. 559 Trademarks Ordinance                      Cap. 571 Securities and Futures Ordinance</p>	<p>During the Reporting Year, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, which cover product and service information and labelling, privacy, marketing communications (including advertising, promotion and sponsorship), and property rights (including intellectual property rights) that had a significant impact on the Group.</p>
Anti-corruption	<p>Anti-Money Laundering Law of the People's Republic of China                      Interim Provisions on Banning Commercial Bribery</p>	<p>Cap. 201 Prevention of Bribery Ordinance                      Cap. 204 Independent Commission Against Corruption Ordinance                      Cap. 571 Securities and Futures Ordinance                      Cap. 615 Anti-Money Laundering and Counter-Terrorist Financing Ordinance                      Cap. 622 Companies Ordinance</p>	<p>During the Reporting Year, the Group did not receive any laws and regulations relating to the prevention of bribery, extortion, fraud, and money laundering, and did not receive any cases relating to internal employees involved in bribery, extortion, and money laundering.</p>

## Appendix 3 Content Index

### Provisions, Subject Areas, Aspects, General Disclosures and KPIs

#### Disclosure

#### Chapter

#### Mandatory Disclosure Requirements

Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> <li>(i) a disclosure of the board’s oversight of ESG issues;</li> <li>(ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and</li> <li>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.</li> </ul>	<p>Corporate ESG Governance”            “Accelerating Energy Transformation and Promoting Low Carbon Shipping”</p>	
Reporting Principles	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p>	<p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p>	<p>“About This Report”</p>
		<p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p>	<p>“About This Report”</p>
		<p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	<p>“About This Report”</p>
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	<p>“About This Report”</p>	

Provisions, Subject Areas, Aspects, General Disclosures and KPIs

		Disclosure	Chapter
A. Environmental		“Comply or explain” Provisions	
Aspect 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. Note: Air emissions include NO <sub>x</sub> , SO <sub>x</sub> , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	“Accelerating Energy Transformation and Promoting Low Carbon Shipping” “Appendix 2 The List of Laws and Regulations”
	KPI A1.1	The types of emissions and respective emissions data.	“Appendix 1 Performance of 2023”
	KPI 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).	“Appendix 1 Performance of 2023”
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Appendix 1 Performance of 2023”
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Appendix 1 Performance of 2023”
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	“Accelerating Energy Transformation and Promoting Low Carbon Shipping”
	KPI 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.	“Accelerating Energy Transformation and Promoting Low Carbon Shipping”
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	“Accelerating Energy Transformation and Promoting Low Carbon Shipping” “Appendix 2 The List of Laws and Regulations”
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	“Appendix 1 Performance of 2023”
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	“Appendix 1 Performance of 2023”
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	“Accelerating Energy Transformation and Promoting Low Carbon Shipping”
	KPI 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.	“Accelerating Energy Transformation and Promoting Low Carbon Shipping”
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable <sup>18</sup>
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	“Accelerating Energy Transformation and Promoting Low Carbon Shipping”
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect 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.	“Column: Utilizing Professional Value and Driving Development with Innovation – Sustainably Serving National Strategies” “Accelerating Energy Transformation and Promoting Low Carbon Shipping”
	KPI 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.	

<sup>17</sup> The major business activities of the Group are leasing services, ship brokerage services and loan services of which the business process, the use of packaging materials for finished products are not involved. Therefore, the indicator is not applicable.

Provisions, Subject Areas, Aspects, General Disclosures and KPIs

	Disclosure	Chapter
<b>B. Social/Employment and Labour Practices</b>		
<b>“Comply or explain” Provisions</b>		
Aspect 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.	“Creating a Talent Platform and Attracting and Cultivating Talents” “Appendix 2 The List of Laws and Regulations”
	KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	“Appendix 1 Performance of 2023”
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	“Appendix 1 Performance of 2023”
Aspect 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.	“Creating a Talent Platform and Attracting and Cultivating Talents” “Appendix 2 The List of Laws and Regulations”
	KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	“Appendix 1 Performance of 2023”
	KPI B2.2 Lost days due to work injury.	“Appendix 1 Performance of 2023”
	KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	“Creating a Talent Platform and Attracting and Cultivating Talents”
Aspect B3: Development and Training	General Disclosure Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	“Creating a Talent Platform and Attracting and Cultivating Talents”
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	“Appendix 1 Performance of 2023”
	KPI B3.2 The average training hours completed per employee by gender and employee category.	“Appendix 1 Performance of 2023”
Aspect B4: Labour 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 labour.	“Creating a Talent Platform and Attracting and Cultivating Talents”
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	“Creating a Talent Platform and Attracting and Cultivating Talents”
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	“Creating a Talent Platform and Attracting and Cultivating Talents”

Provisions, Subject Areas, Aspects, General Disclosures and KPIs

	Disclosure	Chapter
<b>B. Social/Operating Practices</b>		
<b>“Comply or explain” Provisions</b>		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	“Maintaining Business Stability & Adhering to Safe Operation”
	KPI B5.1 Number of suppliers by geographical region.	“Appendix 1 Performance of 2023”
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	“Maintaining Business Stability & Adhering to Safe Operation”
	KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	“Maintaining Business Stability & Adhering to Safe Operation”
	KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	“Maintaining Business Stability & Adhering to Safe Operation”
Aspect 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.	“Maintaining Business Stability & Adhering to Safe Operation”
	KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable <sup>18</sup>
	KPI B6.2 Number of products and service related complaints received and how they are dealt with.	Not Applicable <sup>18</sup>
	KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Not Applicable <sup>18</sup>
	KPI B6.4 Description of quality assurance process and recall procedures.	Not Applicable <sup>18</sup>
	KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	“Maintaining Business Stability & Adhering to Safe Operation”
Aspect B7: Anti-corruption	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.	Adhering to Safe Operation”
	KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	“Maintaining Business Stability & Adhering to Safe Operation”
	KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	“Maintaining Business Stability & Adhering to Safe Operation”
	KPI B7.3 Description of anti-corruption training provided to directors and staff.	“Maintaining Business Stability & Adhering to Safe Operation”
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	“Fulfilling Corporate Responsibility and Practicing Green Deep-sea Aquaculture”
	KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	“Fulfilling Corporate Responsibility and Practicing Green Deep-sea Aquaculture”
	KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	“Fulfilling Corporate Responsibility and Practicing Green Deep-sea Aquaculture”

<sup>18</sup>The Group understands the importance of publicity for the benefit of the company. However, the Group’s current business strategy does not rely on advertising for publicity. The Group’s main business is the provision of financial services which does not involve any health and safety issues related to the services, issues of quality assurance and product recalls, nor intellectual property rights and customer complaints. As there are no actual product sales in the Group’s direct operations, no matters related to product labeling are involved.

ESG  
2023



# 2023 Environmental, Social and Governance Report

CSSC (Hong Kong) Shipping Company Limited

Stock code:3877