



COSCO PACIFIC LIMITED
CORPORATE SUSTAINABILITY REPORT 2014



SHAPING A
SUSTAINABLE
FUTURE

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PORTS AND CONTAINERS

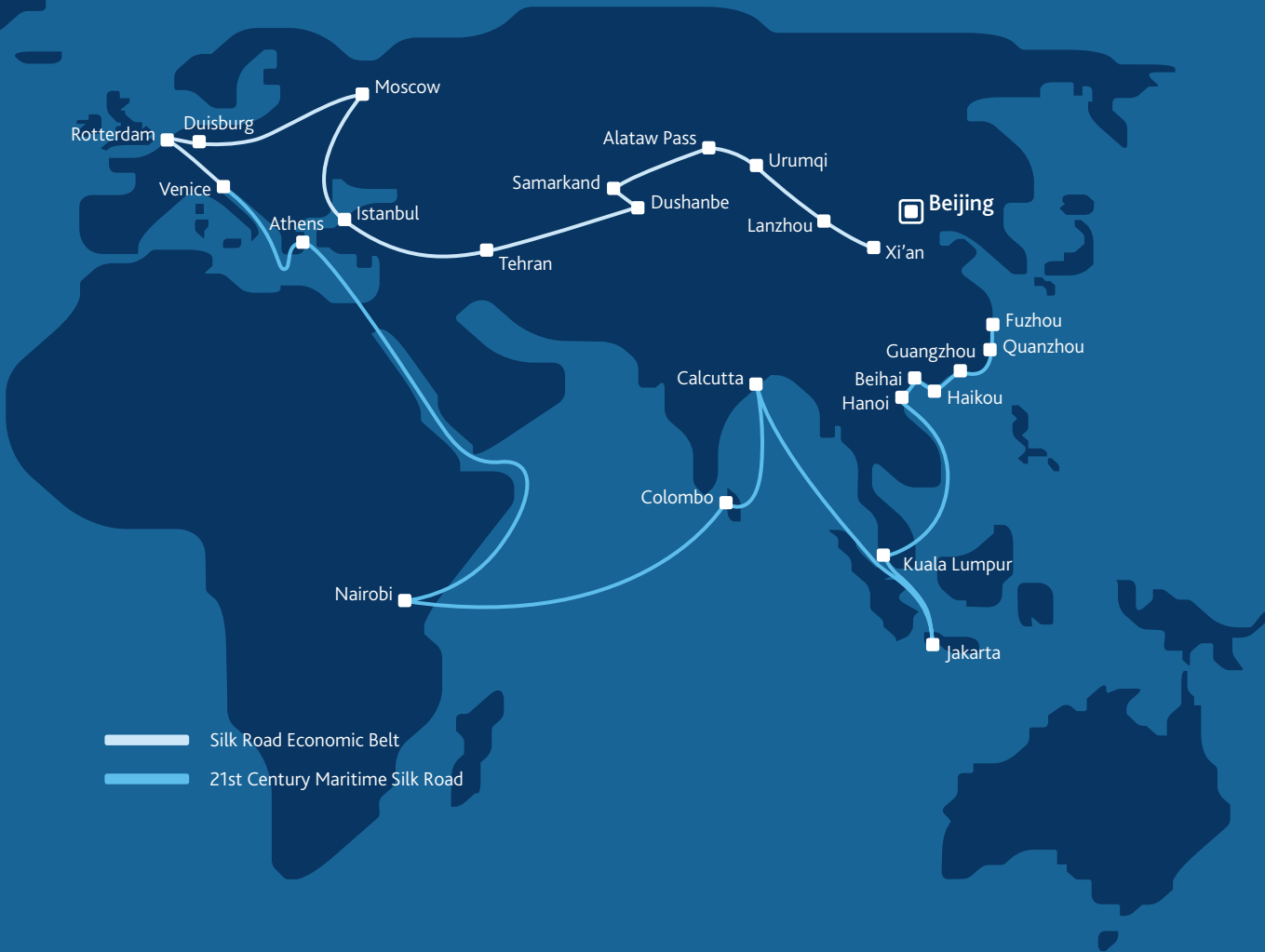
DRIVING TRADE SHAPING A SUSTAINABLE FUTURE

Maritime transport, which transports more than 80% of world trade, is the backbone of globalisation. Twenty-four hours a day and all year round, ships carry cargo to all corners of the globe. As the world's most cost-effective, energy-efficient and environmentally sound freight transport system, maritime transport is the core system driving the sustainable development of global trade.



COSCO Pacific is proud to be one of the world's leading players in two vital sectors of the maritime transport system; ports and containers. The port, acting as the hardware of the system, provides the backbone and infrastructure from which the network can be accessed. Maritime containers, functioning as the software of the system, accelerate the global trade flow. Both systems act symbiotically to enhance the efficiency and sustainability of the global supply chain.

In 2014, China accelerated progress on its vision of building the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road". This New Silk Road ("One Belt, One Road") will connect China with Europe via most of the major Asian economies. This project will build a corridor between these regions, facilitating the future economic development of communities along these routes, providing significant business and job opportunities while sustaining future global economic growth. Along this New Silk Road, Ports and Containers will continue to play an important role to further drive trade and shape a sustainable global future.



Source: China Daily

SUSTAINABILITY IN INDUSTRY FROM A GLOBAL PERSPECTIVE

Ports as Hardware: Facilitating Growth of Global Trade

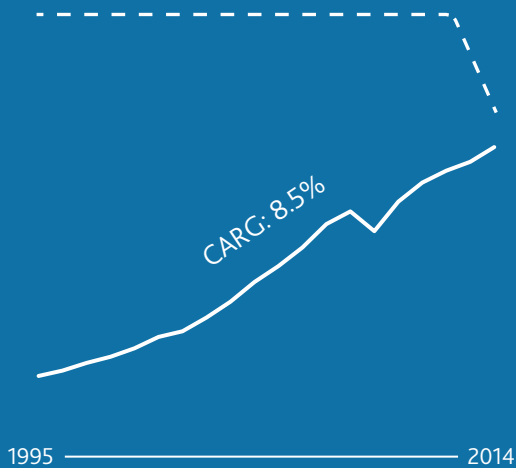
As the natural link between the land and the sea, ports act as the vital hardware connecting the maritime and continental freight movement. As an essential part of the maritime transport industry, ports act as facilitators of trade between cities, countries and regions, and therefore have a key role within integrated supply chains.

Benefitting from the development of maritime trade, the port industry has experienced phenomenal growth over the past few decades. Global container throughput reached 677.3 million TEU in 2014 of which COSCO Pacific had approximately 10% market share. In the era of globalisation and the continuous expansion of world trade, ports are crucial links in contemporary supply chains and logistics processes, serving as transport hubs within their intermodal transport networks – covering sea, road, and rail.

Going forward, deregulation of trade, changing patterns of consumption, shifting locations of production centres and increasing environmental concerns are all key considerations to determine the prospect of maritime ports and their growing importance in the global economic development of the 21st century. Therefore, timely investment in “infrastructure and facilities” for green ports is essential for sustainable development of ports.

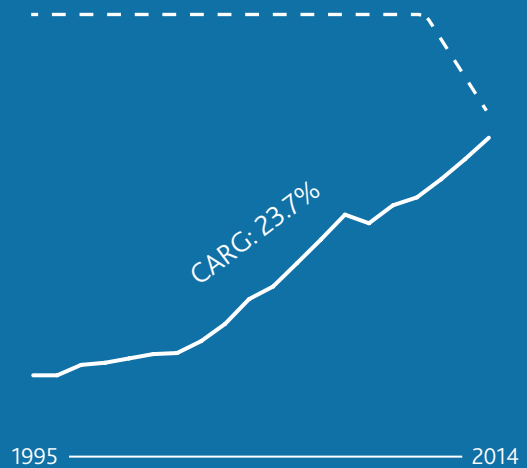
Global Container Throughput

677.3 million TEU in 2014



COSCO Pacific Total Container Throughput

67.30 million TEU in 2014



Source: Drewry Maritime Research

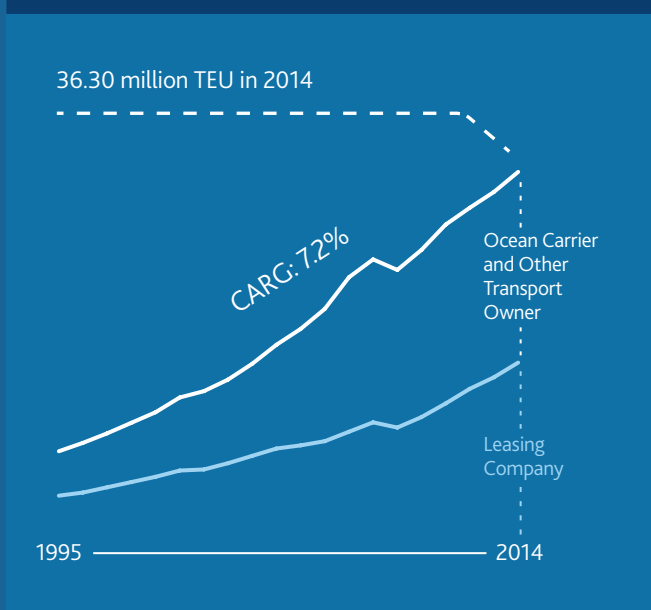
Containers as Software: Enhancing Efficiency and Sustainability of the Global Supply Chain

If ports are the facilitators of growth in global trade, then container shipping companies are the drivers to enable this growth. Container shipping continues to be the most “cost effective” and “environmentally friendly” method of transport. Containers carry all our daily essentials such as food and clothing, as well as raw materials and manufactured goods, reaching us from far corners of the world.

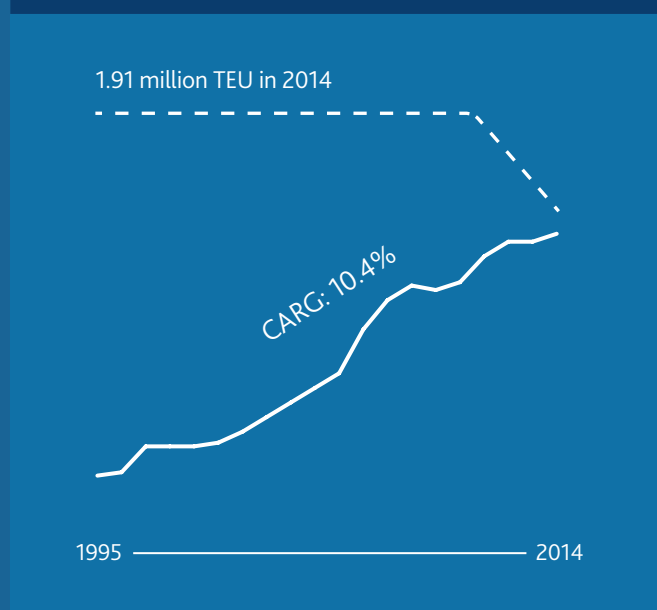
In 2014, there were about 36.30 million TEU containers being moved around the world by vessels and trucks. The container leasing industry plays an important role in supporting the equipment needs of transport operators. By the end of 2014, about 48% of global maritime containers were owned and managed by container leasing companies. COSCO Pacific’s container fleet shared about 11% of this container leasing market.

Maritime containers act as software enhancing the supply chain’s efficiency and sustainability. Firstly, containerisation brings manufacturers substantial savings in the costs of logistics. It substantially cuts the costs of packing, minimises the damage of cargo, and reduces the time of handling in transit. Furthermore, the second generation of container focuses on making it “lighter in weight”, “longer in life” and “environmentally friendly”. It ultimately saves fuel and therefore reduces emissions from container shipping.

Global Container Fleet



COSCO Pacific Container Fleet



Source: Drewry Maritime Research

STATEMENT FROM CHAIRMAN AND VICE CHAIRMAN

“ We have a leading team of experienced and committed professionals with 3,368 employees to ensure our terminals and our container leasing fleet function efficiently, safely and provide comprehensive services to our customers.

We strive to invest, manage and operate our terminals and container leasing fleet in a manner that is sustainable in all key aspects, reflecting our commitments to responsible entrepreneurship. Currently we focus on operational efficiency, employee safety, being environmentally friendly and productive stakeholder relationships.”

Dear Stakeholders,

On behalf of COSCO Pacific Limited (“COSCO Pacific” or the “Company”), we are pleased to present our first Corporate Sustainability Report (“Report”) in the year celebrating the 20th anniversary of listing on The Stock Exchange of Hong Kong (Stock code: 1199). This Report also represents a milestone in COSCO Pacific’s commitment to operating in an environmentally and socially responsible manner, giving us the opportunity to share our goals, ongoing projects and achievements with our stakeholders.

The growth story of the past 20 years has been eventful as we navigated through the Asian financial crisis in 1997 and the global financial crisis in 2008. It is our responsible investment strategy, effective management and prudent financial policy that enabled us to grow our businesses. This hard work has created profit attributable to shareholders of the Company in 2014 of US\$293 million.

Whilst our focus remains geared toward our primary role as a global player in the container terminal and leasing industry, we continue to face higher stakeholder expectations, more so than ever before. Businesses are expected to not only create economic value but to contribute to the socio-economic development of the areas in which they operate. Our aim is to live up to these expectations, with our commitment reflected in a transparent management strategy. This is why we have committed to producing this Corporate Sustainability Report.

WAN Min
Chairman



QIU Jinguang
Vice Chairman and
Managing Director



STATEMENT FROM CHAIRMAN AND VICE CHAIRMAN

SUSTAINABILITY IN COSCO PACIFIC

Efficient Container Terminal Services

COSCO Pacific is the world's 4th largest container terminal operator. As of 31 December 2014, our terminal portfolio consisted of 30 container terminal operations located at 21 ports in three major regions along the Maritime Silk Road across Asia, Europe and the Mediterranean. Total container throughput reached 67.3 million TEU in 2014 accounting for about 10% of global market share. The hinterland of this portfolio covers four major economic regions including the Bohai Rim, Yangtze River Delta, Pearl River Delta and the South East Coast of China, and four major trans-shipment hubs located in Greece, Egypt, Belgium and Singapore respectively.

Sustainability relies on partnerships and the joint efforts of all sectors of society. As operators of container terminals we have an obligation to provide efficient container handling services to shipping liners by continually upgrading our terminal facilities. Securing efficient cargo flow in and out the hinterland supports trading activities of people living there and minimises environmental impact. Our efficient services can also help shipping liners save time at terminals, enabling them to travel to their next destination by slow steaming so as to effectively reduce fuel consumption and still arrive on time. These value added services are cost effective for our customers and environmentally friendly to the communities where we operate.

Container terminals are a dynamic sector generally operating 24 hours per day and 365 days per year. Our high production can only be maintained by the strong support of our dedicated and hard-working staff. Their contribution is crucially important to the ongoing success of our terminals. Furthermore, our modern terminals are very busy environments where effective risk management is vital in preventing potential risks arising from operations. Therefore, our sustainability can only be achieved by maintaining good relationships with our employees and providing an environment that secures the safety of our people, terminals, containers, vessels and communities.

High Quality of Containers for Leasing Business

The container leasing industry plays an important role in supporting the equipment needs of transport operators. About 17.3 million TEU of containers are currently owned and managed by container leasing companies representing 48% of global maritime containers. COSCO Pacific's wholly-owned subsidiary, Florens Container Holdings Limited ("FLORENS"), was one of the top five largest container leasing companies in 2014. As of 31 December 2014, FLORENS operated a container fleet capacity of 1.91 million TEU accounting for about 11% of the market share of the container leasing industry. Our fleet was made up of 98% dry containers and 2% reefer and special containers.

We provide high quality containers for leasing to customers by securing a high production standard from container manufacturers. We also work closely with manufacturers to support research into enhancing the sustainability of a second generation of containers; making the containers "lighter in weight", "longer in life" and more "environmentally friendly". This is vital to the sustainability of our industry and the shipping industry in general. Reducing the weight of the containers and therefore overall weight burden to the ship lowers fuel consumption along the transport journey, whilst at the same time reducing the maintenance costs of containers.


Every container is made of about 1.68 tons of steel per TEU and its average useable life expectancy is about 15 years. Management of containers throughout their lifecycle is crucially important to the environment of our planet. We endeavour to manage our container fleet with a focus on resource efficiency by extending the second usage careers of our containers as they retire from their primary transport function after about 10 to 12 years. These retired containers are released to the second-hand market where they are converted to serve as movable storage facilities or as an alternative modular form of container home, office or shop.

SUSTAINABILITY AS AN ONGOING EFFORT

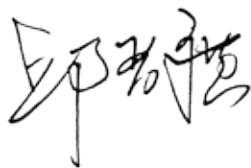
We believe that corporate sustainability is about maintaining economic success and achieving a competitive advantage which has to be enhanced through operational efficiencies and a highly regarded basis of safe environmental policy. This shall feed back into our reputation and aid to garner the trust of our shareholders, customers, employees, suppliers and communities.

All of our staff have worked diligently to ensure the sustainability of our company. As a result of these efforts, COSCO Pacific won the Gold Award for "Financial Performance, Corporate Governance, Social and Environmental Responsibility, and Investor Relations" granted by The Asset magazine in 2014. This award amongst others demonstrates market recognition for our corporate governance, investor relations, and our social and environmental performance.

Sustainability is an ongoing effort. We strive to invest, manage and operate our terminal portfolio and container leasing fleet in ways which are sustainable in all key aspects as a means of responsible entrepreneurship. We hope that you will find this Report useful to understand how we are working towards sustainability. Last but not least, we would like to invite you to join us in further dialogue on how to develop our roadmap towards establishing a sustainability-focused organisation.



WAN Min
Chairman



QIU Jinguang
Vice Chairman and Managing Director

24 March 2015



COSCO Pacific is the world's fourth largest container terminal operator and one of the top five largest container leasing companies.

1.1 COMPANY OVERVIEW

Company Profile

As one of the world's leading container-related industry groups, COSCO Pacific has an increasingly integrated range of activities spanning container terminal and leasing industries. We are a limited liability company incorporated in Bermuda with our shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1994.

Our ultimate parent company, China Ocean Shipping (Group) Company ("COSCO"), is the world's second largest shipping company. By leveraging off strong support from COSCO, COSCO Pacific has enjoyed a high degree of synergy with our parent and affiliated companies, and captured the growth opportunities arising from the containerisation of global trade over the past 20 years. Currently, COSCO Pacific is the world's fourth largest container terminal operator and one of the top five largest container leasing companies. This portfolio generated a consolidated revenue which amounted to US\$870 million and an attributable profit to our equity holders of US\$293 million in 2014.

Terminal Business

The terminal business comprised 67.8% of our segment assets, and contributed 69.8% of our segment profit in 2014. We have historically focused on pursuing a growth strategy based on acquisitions. This was with the goal of establishing a global network by initially building up exposure in terminals and ports in China and then by investing overseas. The average capital expenditure for terminal business amounted to US\$430 million per year for the past five years.

We are one of the most geographically diverse container terminal operators in the world. As of 31 December 2014, our 30 terminal operations were located at 21 ports in Asia, Europe and the Mediterranean. Total container throughput reached 67.30 million TEU in 2014 accounting for about 10% of global market share. Our terminal portfolio will facilitate our continued enhancement and contribute to the future of sustainable trade growth from a global perspective. We also believe that our operational excellence creates opportunities to generate additional value out of existing facilities.

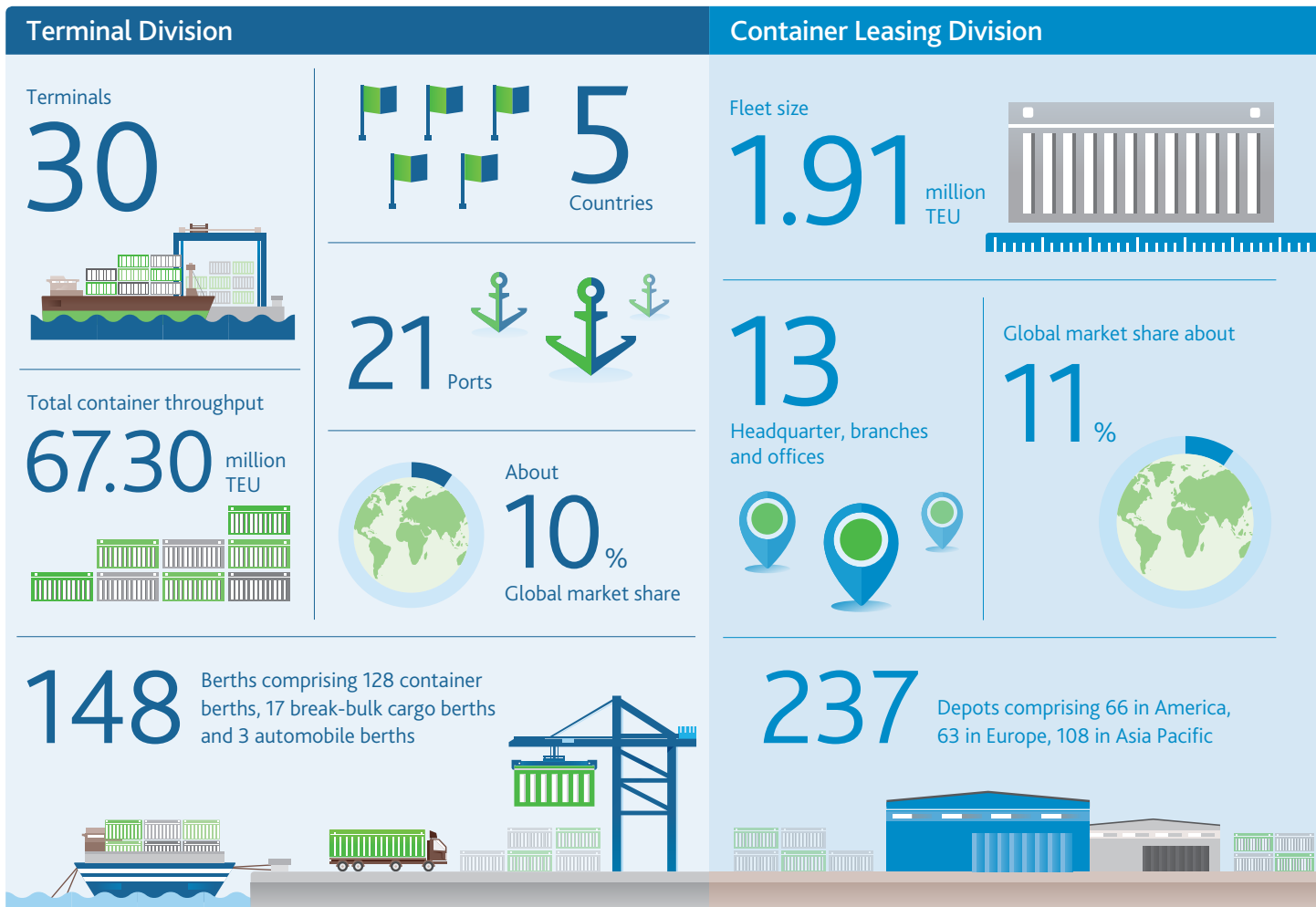
Container Leasing Business

The container leasing business comprised 32.2% of our segment assets, and contributed 30.2% of our segment profit in 2014. We have expanded our market share by rebalancing the ownership and management of our container leasing business model to mitigate investment risks while maintaining a stable profit contribution. The average capital expenditure for the container leasing business amounted to US\$331 million per year for the past five years.

In 2014, the global container leasing industry experienced a year of challenges with weaker than expected market demand. As of 31 December 2014, we operated and managed a container fleet capacity of 1.91 million TEU accounting for about 11% of the market share of the container leasing industry. We have been constantly evaluating our customer services so as to cope with the changing patterns of the leasing industry and most importantly our customer needs.

Prospects

Going forward, COSCO Pacific is to bolster its global terminal network by further expanding its presence in China and worldwide. Meanwhile, we aim to grow our container leasing fleet by providing comprehensive leasing services to our customers. This clear and consistent strategy, supported by our enhanced business models, efficient capital investment, rigorous value-management and good corporate governance, allows us to create long-term enterprise value.



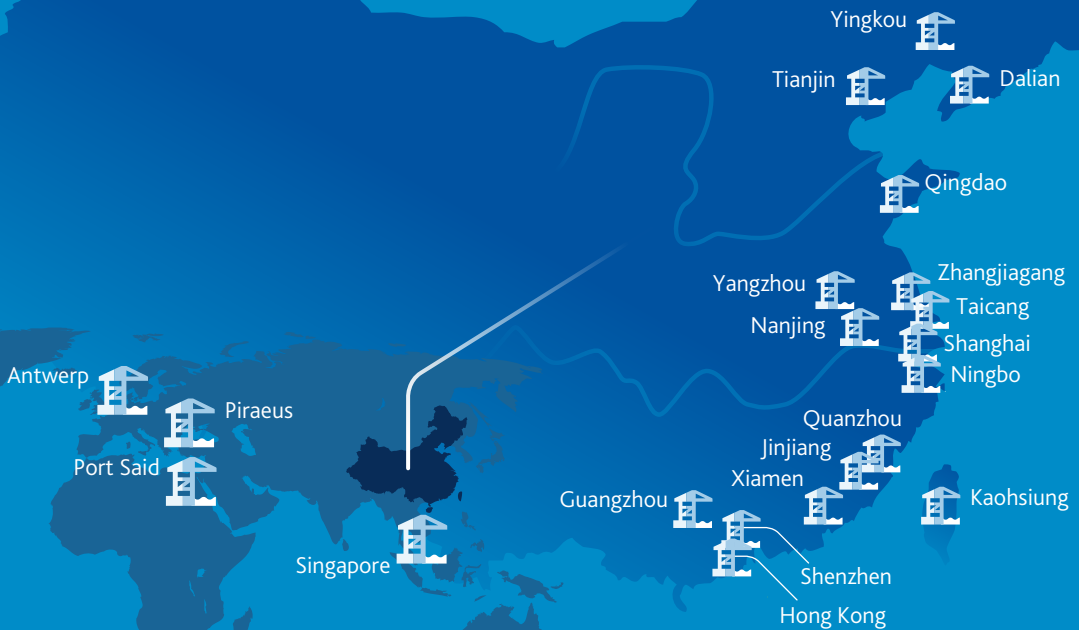
OUR BUSINESS

GLOBAL NETWORK

Location of businesses as of 31 December 2014



COSCO's Terminal



Corporate Information

Company name	COSCO Pacific Limited
Headquarter	49/F COSCO Tower, 183 Queen's Road Central, Hong Kong
Place of incorporation	Bermuda
Registered office	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Listing information / Stock code	The Stock Exchange of Hong Kong Limited: 1199 Bloomberg: 1199 HK Reuters: 1199.hk
Chairman	Mr. WAN Min
Vice chairman and managing director	Mr. QIU Jinguang
Business domain	Global terminal operator and container leasing company
Website	www.coscapac.com.hk
Contact details	Tel.: +852 2809 8188 Fax.: +852 2907 8088 E-mail: info@coscopac.com.hk

Revenue of the Group¹
in 2014

870
million (US\$)



293 million (US\$)

Profit attributable to shareholders of
COSCO Pacific in 2014



Market Capitalisation²

4,178 million (US\$)

Total number of employees³

3,368



Note 1: COSCO Pacific and its subsidiaries
Note 2: Exchange rate for US\$1 = HK\$7.7515

Note 3: Include employees of headquarters and subsidiaries of the Group.

Corporate Structure



1.2 ORGANISATIONAL VALUES

COSCO Pacific is committed to sustainable corporate development via the pursuit of excellence. Our sustainability strategy can only be achieved through the creation of a harmonious and inclusive corporate culture, forming the base from which our corporation can grow.

Corporate Vision



To be a world-class terminal operator and container leasing enterprise.

Corporate Mission



To facilitate the development of shipping and trading, drive regional development and create value for shareholders and employees.

Core Values



To promote trustworthiness, seek win-win results through cooperation, achieve excellence with professionalism and create harmony through open-mindedness.

OUR BUSINESS

1.3 CORPORATE GOVERNANCE

Supporting our Vision, Mission and Values is a strong corporate governance framework. As a company we believe that a commitment to good corporate governance is essential to the long term sustainability of our organisation and business performance.

The Company's corporate governance practices are in compliance with the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company also refers to the Organisation for Economic Co-operation and Development (OECD) principles for corporate ethics in maintaining a high level of accountability and transparency. The Board is pleased to confirm that for the year ended 31 December 2014, the Company has fully complied with the code provisions in the Corporate Governance Code.

Board of Directors

As of the date of this report, the Board of Directors of COSCO Pacific comprises 13 members, and serves as the top decision-making body. Among them, 5 are executive directors, 3 are non-executive directors and 5 are independent non-executive directors. As disclosed in our 2014 Annual Report the board has delegated specific roles and responsibilities to the Executive, Audit, Remuneration, Nomination, Corporate Governance, Investment and Strategic Planning and Risk Management Committees.

Directors are identified by the Nomination Committee via a formal and transparent process. Directors are appointed by the Board or shareholders and are subject to retirement by rotation and re-election at the annual general meeting or special general meeting (as the case maybe) by shareholders. For more detailed information on the nomination and selection process, please refer to the Corporate Governance Report of our 2014 Annual Report.

COSCO Pacific is highly committed to ensuring an operational environment free from any form of corruption. We have a number of corporate policies in place to strengthen corporate governance and uphold a high standard of business ethics. Our Code of Conduct is applicable to all employees including senior management and members of the board. The Code contains clauses on anti-bribery, anti-corruption and on avoiding conflicts of interests. Details on the code of conduct are included in the staff handbook and training is provided by the Department of Personnel and Administration Department to every new employee.

Corporate Sustainability

The Corporate Governance Committee of our Board has been playing an active role in consolidating existing initiatives for enhancing the practices of our corporate sustainability for the past two years. The Committee made its recommendation to our Vice Chairman and Managing Director to enhance ESG disclosure by publishing the first COSCO Pacific Corporate Sustainability report in 2014. The Committee will continue to draw up recommendations for appropriate actions to reinforce the process of establishing our strategic sustainability framework. The Committee will also support the Company to capture relevant developments in society and their impacts on our businesses.

Our Investor Relations Department is taking the role as the key sustainability taskforce to develop relevant programmes to provide yearly materiality assessments, enhance internal and external communication, and prepare the Company's Sustainability Report.

The Board of Directors of COSCO Pacific comprised of



The Sustainability Report will facilitate communication with our stakeholders including shareholders, customers, suppliers, financial institutions and employees.

The Board fully supports our senior management to build a sustainability framework for the enhancement of our CS performance. Mr. QIU Jinguang, our Vice Chairman and Managing Director, will lead the Company to focus on key ESG aspects that are material to our operations and are aligned with our corporate strategic framework.

Risk Management and Compliance

The activities of the Group are exposed to a variety of risks which are categorised as financial, operational and compliance based risk. For the purpose of better risk management, the Board is supported by the Risk Management Committee which identifies and minimises operational risks to the Company, sets the strategic direction for the Group's risk management strategy and strengthens the Group's system of risk management.

The Group's risk assessment procedures laid down by the Risk Management Committee involve consideration of the entire organisation. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for this failure and means of rectification.

The Sustainability Report will facilitate communication with our stakeholders including shareholders, customers, suppliers, financial institutions and employees.



OUR BUSINESS

Participated in

- “Business for CLEAN AIR” event
- Carbon Footprint Repository

Won the gold award for



Financial Performance,
Corporate Governance,
Social and Environmental
Responsibility, and
Investor Relations

1.4 MEMBERSHIPS AND CHARTERS

We actively engage with industry associations and government to ensure that we stay at the forefront of developments in our sector. We also convene frequently with sustainability experts to ensure that we stay informed and up to date on sustainability policy and best practice.

Since 2006, COSCO Pacific has participated in the “Business for CLEAN AIR” event co-organised by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment. The overall aim was to implement “Project CLEAN AIR” in the business sector and to improve air quality in the Pearl River Delta Region.

COSCO Pacific is also proud to participate in the Carbon Footprint Repository for Listed Companies in Hong Kong organised by the Environmental Protection Department of the HKSAR government.

Our Memberships in 2014

Organisation/Body	Positions
Business Environment Council	Council Member
China Free Trade Zone & Export Processing Zone Association	Executive Council Member
China Ports and Harbours Association	Vice Chairman
Containers Owner Association	Member
Guangdong Province Ports Association	Council Member
Guangzhou Port Shipping Service Association	Council Member
Fujian Entry-Exit inspection and Quarantine Bureau	Executive Council Member
Fujian Ports Association	Council Member
Hong Kong Investor Relations Association	Member
Jiangsu Entry-Exit inspection and Quarantine Bureau	Member
Quanzhou Ports Association	Chairman
Quanzhou Ports Association	Vice Chairman
Quanzhou Ports Association	Vice President
Shanghai International Shipping Institute	Council Member
The Hong Kong Institute of Directors	Chairman and Member
The Hong Kong Institute of Chartered Secretaries	Fellow
The Institute of International Containers Lessors	Executive Committee Member

1.5 AWARDS AND RECOGNITIONS

COSCO Pacific won the Gold Award for “Financial Performance, Corporate Governance, Social and Environmental Responsibility, and Investor Relations” granted by The Asset magazine in 2014. This award amongst others demonstrates market recognition for our corporate governance, investor relations, and our social and environmental performance. In 2014, our high level of corporate transparency and good corporate governance continued to earn market recognition. For more details about our awards, please refer to our Annual Report 2014.





2 OUR CORPORATE SUSTAINABILITY REPORT

2.1 ABOUT THIS REPORT

Profit contribution of these six internal stakeholders amounted to the Company's profit attributable to shareholders in 2014.

49.5%

This is the first annual COSCO Pacific Corporate Sustainability (CS) Report. It covers the period from 1 January 2014 to 31 December 2014. All numerical data within the Report is presented as absolute figures and all financial data is expressed in US Dollar, unless otherwise specified.

In order to provide a concise, balanced and clear view of the company's Corporate Sustainability performance, the Report focuses only on sustainability issues material to the company, highlighting the challenges and successes faced over the reporting period. As a first time reporter COSCO Pacific has decided to focus its reporting efforts on its head office operations as well as a select group of its largest subsidiaries or associates.

The following entities were chosen for inclusion in this CS Report because of their significant roles or major profit contributions to the Company, thus making them an ideal proxy for our container terminal and leasing operations. Profit contribution from these six internal stakeholders amounted to 49.5% of the Company's profit attributable to shareholders in 2014.

Selected Internal Stakeholders	Equity Interest
Florens Container Holdings Limited ("FLORENS")	100%
Piraeus Container Terminal S.A. ("Piraeus Terminal")	100%
COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal")	50%
Asia Container Terminals Limited ("Asia Container Terminal")	40%
Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal")	39%
Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal")	70%

Although the Report does not cover the operations of all of its subsidiaries and investments, COSCO Pacific encourages these entities to operate sustainably and implement sound CS practices. In future years, after establishing a solid foundation of sustainability reporting, COSCO Pacific will be committed to expanding the scope of the Report to include more of its terminal operations. For more information on our other terminal businesses, please refer to our 2014 Annual Report.

2.2 HOW WE REPORT

The Report has been prepared with reference to the “core” option of the Global Reporting Initiative (“GRI”) G4 Sustainability Reporting Guidelines. In addition, we have referenced the ESG Reporting Guide of the Stock Exchange, which is recommended practice for all Hong Kong listed companies. A comprehensive GRI G4 and the Stock Exchange content index has been included at the back of this Report to facilitate greater transparency and aid the reader in navigating the Report.

The Report also takes into account industry and location for specific sustainability issues, and has also been informed by an independent third party managed stakeholder engagement exercise. Relevant business units from the aforementioned subsidiaries were engaged in order to determine the most relevant issues for the Group to report on.

The material sustainability issues identified from this stakeholder engagement exercise have been organised into the chapter 3 of this report: Our Material Issues. This chapter highlights the relevant goals, targets, activities and achievements which COSCO Pacific has taken to improve its CS performance in three key areas, namely impact on the environment, our employees and contributing to the community.

We have referenced the core option of GRI G4 Sustainability Reporting Guidelines and ESG Reporting Guide of the Stock Exchange.





3 OUR MATERIAL ISSUES

3.1 STAKEHOLDER ENGAGEMENT

Stakeholder engagement is one of the fundamental reporting principles defined in the GRI guidelines.

COSCO Pacific ensures that it maintains a variety of communication channels in order to build and develop relationships with our employees, customers, investors, business partners and the communities in which we operate. This level of engagement helps secure feedback and suggestions from our numerous stakeholder groups showcasing areas of exemplary performance while highlighting opportunities and areas of improvement. Such engagements present a valuable proposition in terms of risk assessment while maintaining our social license to operate.

Stakeholder engagement is also one of the fundamental reporting principles defined in the GRI guidelines, as it encourages the reporting organisation to better understand the expectations, perceptions and concerns of its stakeholders.

The process for the preparation of the Report involved commissioning an independent and impartial third party to conduct a series of focus group discussions with the management of COSCO Pacific and those of its major subsidiaries and associates. These key internal stakeholders were invited to share their views on the Corporate Sustainability (CS) issues

Engagement Methods

A project team was formed by senior staff, comprising six selected internal stakeholders within COSCO Pacific (“CS Group”). These senior staff included representatives from senior management teams and departments which are in charge of corporate management, operation, marketing, finance, legal and investor relations respectively.



Questionnaire
A questionnaire was sent to these parties within the CS Group for the purpose of collecting relevant data and information.



Focus Group Discussions
Individual group discussions were held with each party on the analysis of material issues to COSCO Pacific.



Management Interviews
Company visits or video conferences were arranged for a specialist third party and COSCO Pacific to have interviews with the management team of those six selected internal stakeholders.

Management team of six internal stakeholders



facing company operations and provide accounts of actions taken, or possible ideas to manage and mitigate these issues. Outcomes of these engagements served to guide the content of the CS Report and provide a snapshot of the company's CS performance.

Highlights of the Key Findings from Stakeholder Engagements

Economic

- The key economic issues for the operation include: providing value added services to customers, evaluating efficiency of facilities, enhancing efficiency of operations and strengthening competitiveness in markets.

Policy

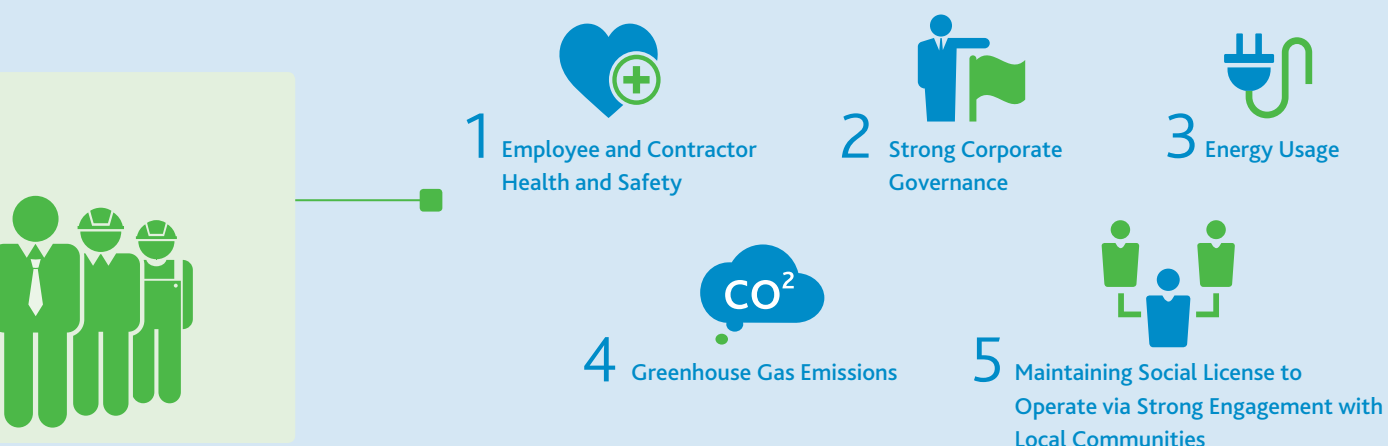
- Increasing mandatory sustainability rules or regulations for the berthing of ocean going vessels could force shipping lines to shift to other ports for trans-shipment. Notwithstanding this, incentive schemes provided by the government, to encourage vessels calling at the port to reduce their emissions, could help maintain the competitiveness of these ports.

Social

- Labour supply is one of the challenges facing the industry. Since younger workers are less willing to work outdoors on shifts, there are constraints on the number of crane operators, truck drivers, stevedores, engineers, and control planning staff in the operations department.
- Technological changes as well as new transport and logistics needs will drive requirements for mastering innovative port operations. This will underscore the need for employees with the right skills, training and qualifications to master and exploit all the advantages provided by the new technologies.
- More resources are required for securing a system in place to protect the health, safety and welfare of port workers and users, in line with applicable health and safety legislation.

Concerns Raised from the Management Interviews

Main topics covered the following areas:



OUR MATERIAL ISSUES

3.2 MATERIALITY ASSESSMENT

Materiality is a fundamental reporting principle of the GRI G4 guidelines. A materiality assessment is necessary to highlight relevant issues and topics which may be regarded as significant to the industry, COSCO Pacific and its subsidiaries. Conducting a thorough materiality assessment helps us to identify the issues that our stakeholders want to see covered in our report, but also helps us determine priorities for which to focus our own internal resources. This assessment was conducted to streamline material issues, define the content for the Report in line with the principle of materiality as recommended by the GRI G4 sustainability reporting guidelines.

When we determined the most material issues to our business, we looked at both risks and their resulting impact to our operations.

To assist us in this process, we have partnered with a specialist third party to identify and prioritise the material issues deemed most important to our business and stakeholders. When we determined the most material issues to our business, we looked at both risks and their resulting impact to our operations. We also considered the importance of the highlighted issues to our stakeholders.

To perform the materiality assessment, stakeholder feedback obtained from management interviews along with CS disclosure priorities identified by COSCO Pacific's peers were compiled and examined. The diagram below outlines the materiality assessment process we used.

Materiality Assessment Process



1 Stakeholder Engagement

- Stakeholder preference is a critical factor when deciding what topics should be covered in the sustainability report;
- Key stakeholders from across COSCO Pacific operations were identified and consulted with support from a specialist third party organization;
- Stakeholders were asked to rank all 46 GRI Aspects according to their specific interests and priorities.



2 Benchmark Sustainability Reporting Practice

- Sustainability Reports of five of COSCO Pacific's local and international peers were reviewed to determine industry best practice in disclosure;
- Industry materiality was determined based on the rate of disclosure among the selected Peer Group Companies;
- The rate of disclosure is assumed to be correlated to and reflective of materiality.

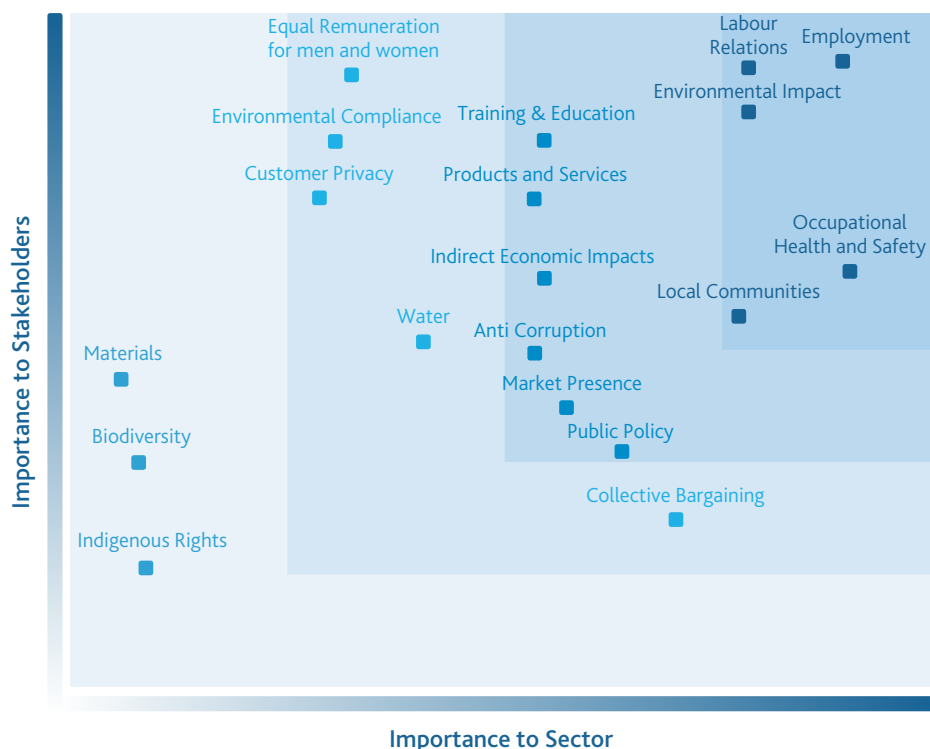


3 Confirm Material Issues

- Summary rankings from both the stakeholder engagement and peer benchmarking were compiled to identify the importance of each Aspect;
- Material aspects were finally confirmed by senior COSCO Pacific managers, who considered the results of the materiality assessment inline with current and potential business impact.

Although the peer benchmarking was limited to peers within the container terminal and leasing industries, the materiality matrix below provides a list of current sustainability priorities of COSCO Pacific. Concerns presented towards the top-right hand corner of the matrix are more important to COSCO Pacific and industry peers while those located towards the bottom-left hand corner of the matrix represent concerns with relatively lower importance to both COSCO Pacific and industry peers.

The result of the materiality assessment created a list of priority issues that reflect the most significant impact of our business and highlight the expectations and concerns of our key internal stakeholders from across our operating units and subsidiaries. Issues concerning Employment, Environmental Impact and Local Communities were noted to be of importance to stakeholders while also of a high reporting priority to peers.



The most importance issue to both Stakeholders and Sector

Employment

Within the following pages of this Report we provide performance metrics for these issues aligned with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines covering material Aspects and Specific Standard Disclosures. In addition to the material issues presented above, we will be reporting on a list of General Disclosures that are essential for all reporting organisations, for example corporate governance which is also recommended by the HKEx ESG guidelines.

The following table concludes the relevant material issues facing COSCO Pacific and their boundaries both within and outside of the organisation as shown in the table below. Respective material issues are represented by their corresponding GRI Material Aspects.

Material Aspect	Aspect Boundary Impact Location		Stakeholders for which the Aspect is Material	Sections in this Report where the Material Issue is Addressed
	Inside the Company	External		
Energy	✓			Environment
Emissions	✓	✓	Local Communities and NGOs	Environment
Employment	✓	✓	Local Communities and Government	People
Labour/Management Relations	✓			People
Occupational Health and Safety*	✓			People
Local Communities	✓	✓	Local Communities and NGOs	Communities

Notes:

1. NGOs are Non-governmental organisations.
2. As a first time reporter, COSCO Pacific is currently still undergoing the process of establishing systems to ensure the viability of the data and comparability of the metrics across our operations. As a result, we are unable to report against this aspect at this time. Systems are being put in place to ensure we are able to disclose this aspect in future Reports.



4 OUR MANAGEMENT

COSCO Pacific recognizes the benefits of sustainability related programmes since many environmental initiatives which have been implemented in turn have saved costs, improved efficiency as well as reduced the overall environmental footprint. We pay particular attention to making greater utilisation of assets and further increasing our competitiveness through enhancing lean operations and reducing operating/life-cycle costs. This is particularly relevant in light of the following four issues:

1 Efficiency

- Future capacity to meet the demand of business growth

2 People

- Enhanced work environment for employees
- Maintained staff loyalty and increased productivity

3 Environment

- Identification of and reduced environmental, health and safety risks
- Optimal use of new technologies and their consequent benefits
- Continued reduction of environmental footprint

4 Community

- Benefits to and support from the community for future initiatives



Recognising that developing a framework for sustainable business practices is not a one-off fix but rather an on-going process, our objective is to create long-term strategic and competitive advantages through sustainability with the aim of ultimately enhancing long-term shareholder value. Taking forward the practices of corporate sustainability allows us to optimise environmental, social and governance (ESG) disclosure.

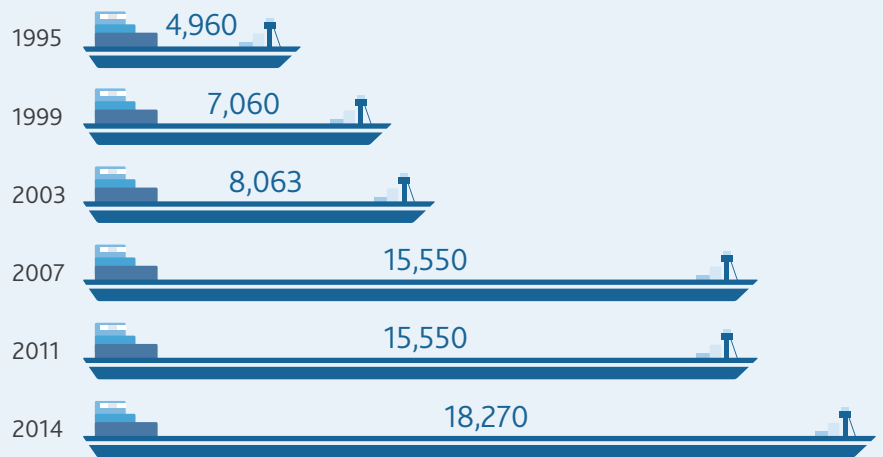
4.1 EFFICIENCY

The development of the economy relies on the simultaneous development of the maritime transport system. Trade flow relies heavily on the development of hinterland ports (i.e. spoke ports link to hub ports), especially for countries spanning vast, populous interior regions such as China. Port integration to road, rail and barge networks are of increasing importance in the creation and maintenance of an efficient transport network.

According to a forecast by Drewry Maritime Research ("Drewry") in December 2014, global container throughput is expected to achieve a compound annual growth rate of 5.6% in the coming three years to reach 798 million TEU, while terminal capacity growth will be at 3.4% reaching 1,094 million TEU in 2017. The utilisation will maintain a healthy position of about 73%. The outlook of the port industry remains positive. Within the ports themselves the ability to accommodate larger vessels with suitable handling facilities is a key requirement driving development plans.

Deployment of Ever Larger Container Ships (TEU)

In 2014, the capacity of the world's largest container vessel was at 18,270 TEU. Larger containerships ordered at above 14,000 TEU accounted for about 41% of the total capacity of containerships in orderbooks. Therefore, in order to cope with the market demand for larger containerships deployment, ports and terminals are facing a greater need to upgrade their facilities by increasing gantry crane outreach and their corresponding container handling capability and efficiency.

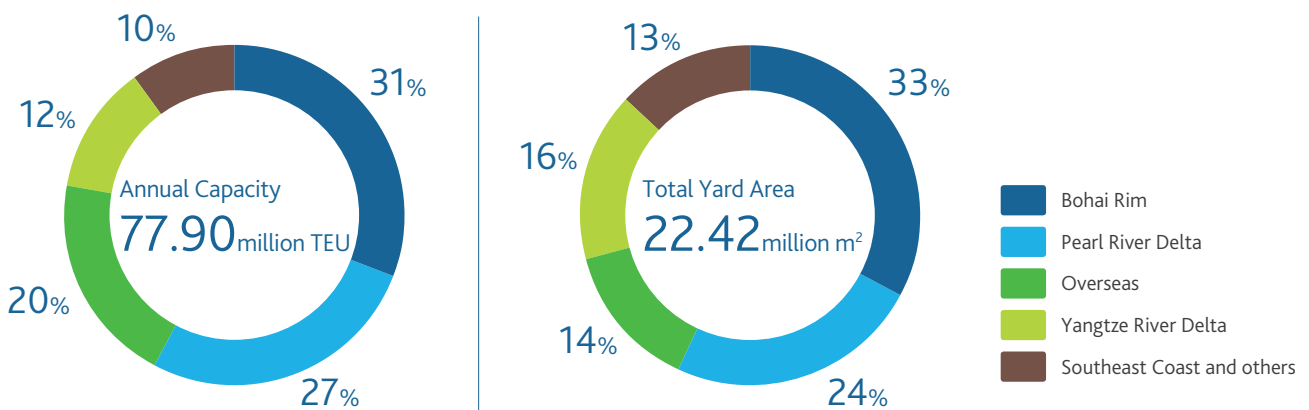


Source: Drewry Maritime Research

Major types of investment or developments include:

- Expansion of container terminal handling capacity;
- Improvement of site-specific traffic flows, including refinement of intermodal rail links and development of inland water networks;
- Addition of complementary space for logistics services;
- Enhancement of productivity through IT deployment.

Including plans for expansion and development of new berths, as of 31 December 2014, COSCO Pacific's portfolio comprised 148 berths, of which 128 are container berths, 17 are break-bulk cargo berths and 3 were automobile berths. These valuable assets were located primarily in the coastal regions in China. Our annual container handling capacity was noted to have the potential to be expanded to 77.90 million TEUs accounting for about 8% of the global container terminal capacity (Note: Drewry estimated 991 million TEU) in 2014.



OUR MANAGEMENT

Total aggregate quay length of those 148 berths reached 46,272 meters supported by a total yard area of 22,418,067 m². About 83% of our terminals with a depth of more than 14m were capable of handling larger vessels.

Terminal companies ¹ (As of 31 December 2014)	Equity interest	No. of berths	Depth (m)	Quay Length (m)	Yard Area (m ²)	Annual capacity ² (TEU/Tons/Vehicles)
Bohai Rim		41		15,326	7,259,847	23,850,000 29,000,000 tons 780,000 vehicles
1 Qingdao Qianwan	20%	11	17.5	3,439	2,284,200	6,500,000
2 Qingdao New Qianwan	16%	6	15.0 – 20.0	2,088	Under construction	3,600,000
3 Qingdao Qianwan United	8%	7	17.0 – 20.0	3,163	2,180,000	3,950,000
4 Qingdao Qianwan United Advance	5.6%	2	17.0 – 20.0			1,300,000
5 Dongjiakou Ore	25%	2	19.2 – 24.5	882	172,000	29,000,000 tons
6 Dalian Port	20%	6	13.5 – 17.8	2,097	945,896	4,200,000
7 Dalian Automobile	30%	3	11.0	675	470,000	780,000 vehicles
8 Tianjin Five Continents	14%	4	16.5	1,202	297,751	1,500,000
9 Tianjin Euroasia	30%	3	16.5	1,100	490,000	1,800,000
10 Yingkou	50%	2	14.0	680	420,000	1,000,000
Yangtze River Delta		25		6,874	3,574,132	9,550,000 14,950,000 tons
11 Shanghai Pudong	30%	3	12.0	900	500,000	2,300,000
12 Ningbo Yuan Dong	20%	5	17.0 – 22.0	1,710	754,000	3,000,000
13 Zhangjiagang	51%	3	10.0	722	400,000	1,000,000
14 Yangzhou Yuanyang	55.59%	2	12.0	1,702	922,132	700,000
		8	8.0 – 12.0			10,950,000 tons
15 Taicang	39.04%	2	12.5	930	590,000	550,000
16 Nanjing Longtan	20%	2	12.5			4,000,000 tons
		10	12.0	910	408,000	2,000,000
Southeast Coast and others		13		5,761	2,970,920	7,600,000 9,200,000 tons
17 Quan Zhou Pacific	82.35%	3	7.0 – 15.1	1,010	540,990	1,200,000
		2	5.1 – 9.6	315	160,450	1,000,000 tons
18 Jinjiang Pacific	80%	2	9.5 – 14.8	689	123,000	800,000
		2	7.3 – 9.1	441	207,000	4,200,000 tons
19 Xiamen Ocean Gate	70%	4	17.0	1,508	1,221,480	2,800,000
20 Xiamen Tongda	70%	1	16.5	298	38,000	4,000,000 tons
21 Kao Ming	10%	4	16.5	1,500	680,000	2,800,000
Pearl River Delta		25		9,334	5,450,168	21,100,000
22 COSCO-HIT	50%	2	15.5	640	300,000	1,800,000
23 Asia Container	40%	2	15.5	740	285,400	1,600,000
24 Yantian Phase I & II	14.59%	5	14.0 – 15.5	2,350	1,300,000	4,500,000
25 Yantian Phase III	13.36%	10	16.0 – 16.5	3,504	2,260,000	9,000,000
26 Guangzhou South China Oceangate	39%	6	15.5	2,100	1,304,768	4,200,000
Overseas		24		8,977	3,163,000	15,800,000
27 Piraeus	100%	8	14.5 – 18.5	3,407	685,000	6,200,000
28 Suez Canal	20%	8	16.0	2,400	960,000	5,100,000
29 COSCO-PSA	49%	2	15.0	720	228,000	1,000,000
30 Antwerp	20%	6	17.0	2,450	1,290,000	3,500,000
Total		148		46,272	22,418,067	
Total no. of berths/annual capacity						
– Container		128				77,900,000
– Break-bulk cargo		17				53,150,000 tons
– Automobile		3				780,000 vehicles

Notes:

1. For the full name of terminals, please refer to Appendix 3: Abbreviation of Companies.

2. TEU for containers; Tons for break-bulk cargo; Vehicles for automobile

4.2 PEOPLE

The driving force behind COSCO Pacific's success and momentum rests within the most valuable asset we have: our people. The Company has been dedicated to both sharing and growing along with our employees, striving to achieve the pinnacle of professionalism while exalting the values of teamwork and dedication. COSCO Pacific hopes to continue along this trajectory, emphasizing development, training, and the precepts of hard work as we continue to drive trade and shape a sustainable future.

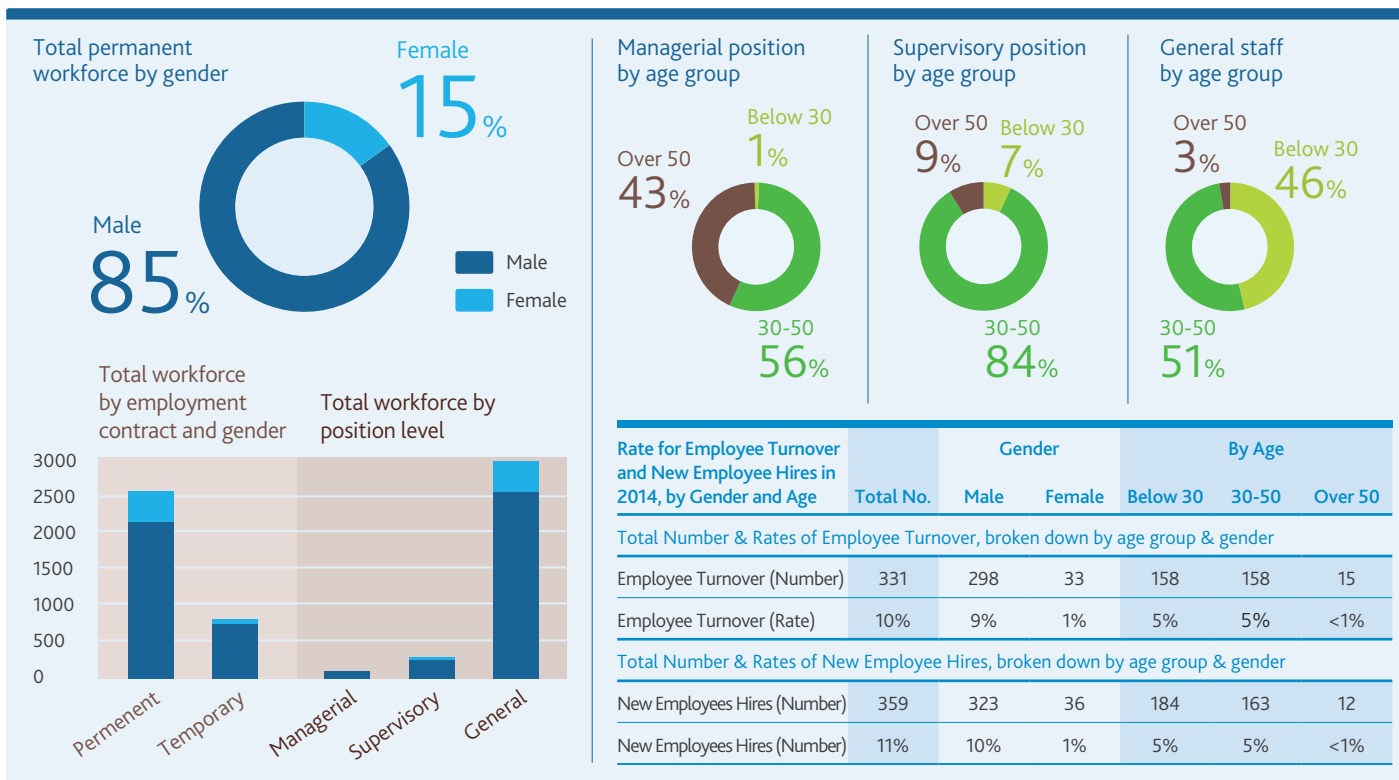
Employment

At COSCO Pacific, we pride ourselves on sharpening the skillsets of our 3,368 employees, conducting a number of internal programmes to improve management expertise and further excellence. The Group also encourages job rotation to expand the ability of employees beyond the purview of their specific employment role, and advocates for the attendance of job or training seminars held by government and professional bodies.

A set of specific performance related KPIs have been developed in order to better relate employee performance to their particular role. This provides employees with a sense of accomplishment while also helping the Human Resources department gauge performance and operational efficiency. Employees who have performed exceptionally are praised and remunerated accordingly through the provision of performance related bonuses.

All relevant Human Resources policies are created in strict conjunction with both local and national regulation while close consideration is paid to COSCO Pacific's annual production and operational targets. We use this information to create an annual staff recruitment plan that is catered to our strategic direction and the current external socio-economic backdrop.

The charts and table below presents a detailed breakdown of COSCO Group's workforce by age, gender and position.



OUR MANAGEMENT

Worker Relations

The core values of COSCO Pacific are cooperation, mutual respect and responsibility; these principles are embedded and upheld throughout our operations by means of open communication. We value dialogue amongst all levels of our staff, believing that a diverse range of voices more accurately portrays an assessment of possible risks faced by either the Company or individual operations. This feedback mechanism also works to shed light on possible solutions and areas of improvement, driving progress and continuous development in the long run.

Facilitating this exchange while also providing an atmosphere of cohesion, COSCO Pacific provides a number of channels for interaction. In a formal setting this includes regular meetings, conferences and seminars which provide platforms for communication and discussion.

Occupational Health and Safety

The health and safety of our employees, contractors and all others affected by our operations is of utmost concern to COSCO Pacific. We have in place an array of policies, mechanisms and protocols to ensure that safety is firmly embedded in all aspects of our operations and into the very fabric of how we do business.

To ensure safety to operations, our subsidiaries have in place comprehensive safety management systems which cover operational procedures and emergency response plans. Our principles and standards governing these systems are devised in consideration of a number of local, national and industry wide standards which ensure that our vision of safety is aligned with the highest ideals.

In order to bring the concept of safety at COSCO Pacific to an individual level, at the beginning of each year various departments establish a set of "Safety Production Responsibility" requirements, setting up specific targets and indicators tied to staff performance. To provide an added incentive, the fulfilment of these KPIs is a factor within employee remuneration. Assessment teams hold monthly or quarterly sessions to evaluate the performance of various departments and staff in accordance with their own performance management systems.

Investing in the well-being of our employees is a priority for us at COSCO Pacific. The Health, Regulatory and Safety Supervision department of Xiamen Ocean Gate Terminal regularly inspects the company's occupational health and safety initiatives to make sure that they are both effective and up to date. Other subsidiaries such as Guangzhou South China Oceangate Terminal provided both social and critical insurance to their employees while also investing 1% of the revenue in 2014 on safety initiatives.

4.3 ENVIRONMENT

The very nature of our business activities brings inherent environmental risk. Acknowledging these risks, COSCO Pacific actively enacts measures and policies to protect and improve the environment. We are committed to implementing the philosophy of environmental management in our business development and operations, and comply with all domestic and international regulations with the aim of becoming a greener terminal operator and container leasing company.

The health and safety of our employees, contractors and all others affected by our operations is of utmost concern to COSCO Pacific.

“Greening” Terminals

A formal green procurement policy is also in the process of being drafted. To tackle the various environmental issues confronting the company, we have taken an active approach to bringing the “green company” concept to reality. COSCO Pacific is studying the deployment of green technology, as well as facilitating and promoting the efficient use of energy.

We work hard on raising the awareness of environmental protection via employee activities, with a view to minimise the impact of our daily operations on the environment. At our Guangzhou South China Oceangate Terminal we actively engage all our employees in upholding environmental excellence with a series of Key Performance Indicators based on environmental impacts linked to staff salaries and bonuses.

Energy and Emissions

In response to challenges associated with climate change, COSCO Pacific is actively seeking to reduce the energy consumption associated with our terminals, containers and buildings.

As part of the Energy Conservation Promotion Plan, the company founded the Energy Saving Office. This programme is responsible for the approval of relevant policies to reduce energy consumption and emissions, ensuring that any policies developed are in line with the national energy-saving targets developed for the 12th Five-Year Plan period of the People’s Republic of China.

We strongly support energy conservation and emission reductions initiatives, we have also been happy to support the Environmental Protection Department of the Hong Kong SAR Government and their Carbon Footprint Repository initiative for Hong Kong Listed Companies. More information on our carbon footprint can be found here: <http://www.carbon-footprint.hk>

Using less fossil-based fuels helps us to reduce our overall carbon footprint. For that reason, the company is committed to improving its energy consumption strategy by making ongoing investments in relevant features and initiatives. We are working to identify new technologies, improved operational efficiencies and alternative energy sources that can help us achieve our CO₂ reduction target.

We work hard on raising the awareness of environmental protection via employee activities, with a view to minimise the impact of our daily operations on the environment.

Terminals’ Energy Consumption and Greenhouse Gas (GHG) Emissions

	Total Container Throughput (Million TEU)		Total Energy Consumption (TJ)		Direct GHG Emissions (tonnes of CO ₂ e) (Scope 1)		Indirect GHG Emissions (tonnes of CO ₂ e) (Scope 2)	
	2014	2013	2014	2013	2014	2013	2014	2013
Piraeus Terminal ¹	2.99	2.52	217	N/C	8,789	N/C	19,208	N/C
COSCO-HIT Terminal and Asia Container Terminal ²	2.78	1.54	499	331	28,463	13,875	21,498	14,878
Guangzhou South China Oceangate Terminal	4.65	4.45	349	381	17,191	20,095	23,722	22,411
Xiamen Ocean Gate Terminal	0.81	0.61	94	59	5,160	2,786	2,804	2,149

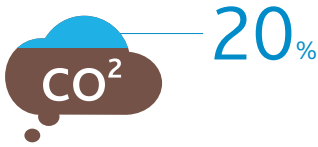
2014 2013

Note:

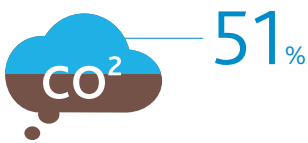
- Substantial terminal facilities were upgrade in 2014. Therefore its figures in 2013 were not included due to non-comparable status.
- Figures included all energy used (i.e. diesel and power) by these terminals and its contractors. As COSCO Pacific acquired 40% equity interests of Asia Container Terminal in March 2014, its related figures were not included in 2013.

OUR MANAGEMENT

The selection of automated and electrified yard equipment at Xiamen Ocean Gate Terminal is expected to reduce carbon emissions by



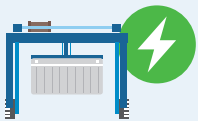
At Guangzhou South China Oceangate Terminal, the implementation of electric rubber-tired gantry cranes (RTGs) is expected to reduce carbon emissions by



The previously mentioned policy is applied in many of our terminals, for example the selection of automated and electrified yard equipment at Xiamen Ocean Gate Terminal is expected to reduce carbon emissions by 20%, and the implementation of electric rubber-tired gantry cranes (RTGs) at a number of our terminals is expected to reduce carbon emissions by 51% in Guangzhou South China Oceangate Terminal and by 2% in COSCO-HIT Terminal and Asia Container Terminal. Variations exist in the reduction of carbon emissions due to terminals being at different stages in their upgrades, we are however encouraged to see a general trend in the reduction of emissions.

Our Guangzhou South China Oceangate terminal has transhipped over 70% of containers through linked boats to help alleviate road traffic and therefore emissions to the local community. The ultimate goal is to reduce our carbon footprint and to contribute to better local air quality conditions surrounding our ports.

One of our major subsidiaries, Xiamen Ocean Gate Terminal, has made investments in upgrading and retrofitting existing facilities and equipment around the port and within office buildings. This began with establishing a working group tasked with enhancing the utilisation of electricity and inputting other measures to ensure that the energy consumption at the terminal is either stable or on a declining trend. Examples of some of the measures introduced include:



From 2011-2014, the company spent around RMB1.79 Billion in carrying out renovation of rubber tired gantry cranes ("RTGs") by replacing fossil fuel-powered equipment with electrical equipment around the field bridge and terminal yard. In return, the company was able to save 6,000,000 litres of fuel.



In 2013 energy saving 1000W LED spotlights were installed to replace old halogen-bulb spotlights. These were installed at the dock-front platform of Xiamen Tongda Terminal, and at nine (9) lighthouse/ beacons in the automated terminal zone.



The company also replaced all halogen lights with LED's at the inbound and outbound gates, mobile crane dock, crane plant (workshop) and warehouses.



The automated yard high mast light has been converted into LED's and is expected to save 180,000 kWh of electricity per year.



In April 2013 the company began upgrading one of its berths to be an electric generated/ automated terminal which commenced operation in December 2014. The expected benefits of the automated terminal are higher efficiency, improved safety and reduced emissions.



“Greening” Containers

We have set a target for FLORENS, the operator of our container leasing business, to ensure that 99.5% of all of our retired containers are reused. To do this, we sell used containers to both brokers and end-users in order to maximise the box utilisation rate of retired containers.

After two years of investigation and hard work, in October 2014, FLORENS completed the first 100 “green” containers made of environmentally friendly materials. This project has involved close collaboration with container manufacturers and COSCO Kansai Paint & Chemicals Co. Ltd. Materials selected for these innovative new containers include: water-based paint, water-based undercoating/sealant as well as bamboo flooring. After a series of tests, all technological processes and anti-corrosion indicators were found to meet the industrial requirements. In addition, Volatile Organic Compounds (VOCs) emissions were far lower than the latest emissions standards.

Lighter containers reduce shipping loads and fuel consumption, thereby creating fewer emissions. One hundred containers made from environmentally friendly materials, represents a key milestone for FLORENS in our contribution to making the industry more sustainable.

Currently the performance of environmentally friendly containers lags behind that of more traditional containers, particularly in the areas of production efficiency, production cost, and the capital investment required in transforming facilities. However, research into addressing this performance gap is ongoing, and we will continue to enhance the performance of these “green” containers in order to fulfil our social responsibility to ensure quality and environmental protection.

4.4 COMMUNITY

COSCO Pacific’s major activities or programmes of community involvement are taking the approach of those in relation to supporting our industry or business intelligence and skills developments. Our ongoing participation includes:

Participation in Local Port Development

We have been actively participating in consultation of the port development plan of local communities. Those development plans are highly related to important issues being discussed in the local port and terminal related industries. COSCO-HIT Terminal and Asia Container Terminal, as members of Hong Kong Container Terminal Operators Association (HKCTOA) participated in the submission of a White Paper to HKSAR Government at the end of 2013 to provide details of current port environments. The White Paper put forward recommendations to Government (a) to create a Kwai Tsing Container Port Zone (KTCP Zone) to allow for optimal use of existing land near the terminals; (b) to provide waterfront land for additional barge berths. HKCTOA is still involved in discussions with relevant government bodies including Transport and Housing Bureau, Marine Department, Lands Department and Transport Department.

Care for Local Communities

We join with non-profit making organisations as active members and support the activities by sponsorship for their programmes in relation to the enhancement of port industry, container leasing industry, corporate management, corporate governance, corporate social responsibilities, legal practices and investor relations. Please also refer to corporate memberships and charters of this report in Section 1.4 for more details.

In October 2014, Florens completed the first 100 “green” containers made of environmentally friendly materials.



We have been actively participating in consultation of the port development plan with local communities. Those development plans are highly related to important issues being discussed in the local port and terminal related industries.



5.1 MEETING CHALLENGES OF SUSTAINABILITY

The future challenges for companies lie in creating sustainable value in a way that enables their businesses to advance strategic objectives while enhancing value creation in line with environmental, social, and governance (“ESG”) priorities. Furthermore, a workable and feasible sustainability strategy goes some way to close the gap between the expectations of society and the operational performance of companies.

Increasing Concern on Environmental Issues of Port Activity

Global container throughput has experienced a compound annual growth rate of about 8.5% from 1995 to 2014. This continuous and substantial expansion had led to the fast growth of container throughput in major hub ports around the world. As a result, local communities are increasingly concerned about environmental issues associated with port activity, including local air pollution, traffic congestion and greenhouse gas emissions.

As one of the leading global container terminal operators, it is a key requirement for us to further strengthen our ability to accommodate large container vessels. This requires the provision of suitable handling facilities so as to provide high quality services to our customers, whilst still maintaining the social license to operate from the local community. We therefore ensure that sustainability criteria are incorporated early into the design and implementation of our new facilities. Our focus is on improving safety, productivity, efficiency and minimising environmental impact.

High Barrier of Manufacturing the Second Generation of Container

In terms of the sustainability issues facing containers, the barriers to manufacturing the second generation of containers remains high due to high cost of production. Even though the reduction of fuel consumption is effective in reducing the weight of containers by 20% compared to traditional containers, the production volume of these environmentally friendly containers is very small representing less than 1% of new container production in 2014. Production costs therefore remain high due to the absence of any economy of scale. The new generation of containers are yet to gain popularity in the shipping industry.

As one of the leading global container terminal operators, it is a key requirement for us to further strengthen our ability to accommodate large container vessels.

As one of the leading container leasing companies in the world, we support the study of latest technologies to build the second generation of containers in a cost effective manner. We believe a successful outcome will be achievable through the joint efforts by shipping and container leasing companies, users, manufacturers, traders and financial institutions.

Essential Support of Board Commitment

In order to meet the challenges ahead, COSCO Pacific believes that having a sustainability policy endorsed by our Board is essential. This policy will demonstrate the commitment of COSCO Pacific in addressing major aspects such as environmental management, employee welfare and developing community relations throughout our operations. The development of this policy will be one of the core priorities of our current sustainability efforts.

5.2 BUILDING CAPABILITY IN SUSTAINABILITY

Taking a further step toward building our capability in sustainability, we appointed the Business Environment Council ("BEC") in Hong Kong in 2012 as our consultant to conduct a corporate sustainability performance review for COSCO Pacific.

After the assessment, BEC summarised key findings and areas for improvement and highlighted the following five recommendations for developing a roadmap towards a sustainability-focused organisation:



Consolidate Existing Initiatives



Formalize Board Commitment



Establish a Sustainability Taskforce



Enhance Internal Communication



Increase ESG Disclosure



Sustainability-focused Organisation

Since 2012, the Corporate Governance Committee of COSCO Pacific has taken the initial steps of consolidating our existing initiatives by suggesting the publication of the Company's first Corporate Sustainability report. This first Corporate Sustainability report will act as an initial stepping stone in starting our journey, internalizing the concept of corporate sustainability, allowing COSCO Pacific to enhance our ESG disclosure.

As a global company, COSCO Pacific has 30 terminal operations, which are located in five different countries. At present there is a variation in the degree of implementation as well as the level of staff awareness on issues of sustainability and its implications for the business. Therefore, formalizing Board commitment, establishing a sustainability taskforce and enhancing internal communication are three key elements that we will focus on, in order to narrow the gaps of sustainability awareness among our business units.

Our senior management takes a proactive approach in building a sustainability framework and developing our CS strategy so as to align with our overall business strategy. Given the higher level of importance investors are putting on ESG disclosure, we bring in expertise to work alongside our investor relations department to strengthen our capability in sustainability.

OUR ONGOING EFFORTS



- 1. WAN Min**
Chairman, Non-executive Director
- 2. QIU Jinguang**
Vice Chairman and
Managing Director, Executive Director
- 3. FENG Jinhua**
Deputy Managing Director,
Executive Director
- 4. WONG Tin Yau, Kelvin**
Deputy Managing Director,
Executive Director
- 5. CHAN Hang, Ken**
Deputy Managing Director
- 6. LUI Sai Kit, Eddie**
Financial Controller
- 7. HUNG Man, Michelle**
General Counsel &
Company Secretary
- 8. DING Weiming**
Deputy Financial Controller

5.3 ENHANCING STAKEHOLDER RELATIONS

Institutional investors are our key stakeholders. Their requests for non-financial information including that of our sustainability performance have become increasingly demanding. We will enhance our disclosure step by step. Firstly, we will disclose more information on the sustainability practices that are currently in place. Secondly, when the sustainability strategic framework is available, we will expand the level of stakeholder engagement and increase the scope of our Corporate Sustainability Report. Thirdly, once ESG has been fully integrated into our business operations, we will develop a programme to modify our internal reporting processes, and to increase the level of disclosure with a target of issuing a GRI verified sustainability report.

By integrating strategy with action and linking environmental initiatives back to an overarching strategy, we recognise that we can minimise our impacts on both the social and physical environments while engaging our stakeholders in the planning and development processes. The active involvement of our stakeholders allows us to identify stakeholder interests at all levels, creating a dialogue that will help us tap into a wealth of information from the community at large as well as at the operational level.

Furthermore, by communicating our strategic sustainability plan, we will build better relations with the public and encourage feedback while sharing achievements and challenges. Since sustainability is a wide and complex concept, the sustainability taskforce within COSCO Pacific will strategically focus on those most urgent and/or material aspects of the organisation. This will start with enhancing the risk identification process to encompass non-financial ESG risks. One of the ongoing targets on our sustainability roadmap towards establishing a sustainability-focused organisation is to evolve from addressing ESG risks to identifying opportunities and creating shared value for our organisation and stakeholders.



Contact Information

Please feel free to contact us with any comments or suggestion you may have related to this Report by contacting Ms. May LIU at the address included below:

Ms. May LIU

COSCO Pacific Limited

Deputy General Manager of Investor Relations Department and
Member of Corporate Governance Committee

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Telephone: (852) 28098131

Email: mayliu@coscopac.com.hk

Appendix 1: COSCO Pacific GRI & HKEx ESG Guide Content Indexes

GRI Indicator	HKEx ESG Reporting Guide General Disclosures & KPIs	GRI General and Specific Standard Disclosures	2014 Report and other References	Page No.
Strategy and Analysis				
G4-1		Statement from the most senior decision-maker of the organisation	Statement from Chairman and Vice Chairman	5
Organisational Profile				
G4-3		Name of the organisation	Statement from Chairman and Vice Chairman	5
G4-4		Primary brands, products, and services	1 Our Business – 1.1 Company Overview	8
G4-5		Location of the organisation's headquarters	1 Our Business – 1.1 Company Overview	10
G4-6		Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Statement from Chairman and Vice Chairman; 1 Our Business – 1.1 Company Overview	6, 9 - 10
G4-7		Nature of ownership and legal form	1 Our Business – 1.1 Company Overview	8, 10, 11
G4-8		Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Statement from Chairman and Vice Chairman; 1 Our Business – 1.1 Company Overview	6, 10
G4-9		Scale of the organisation	1 Our Business – 1.1 Company Overview	9 - 10
G4-10	KPI A1.1	Total number of employees	4 Our Management – 4.2 People	25
G4-11		Percentage of total employees covered by collective bargaining agreements	There is no formal collective bargaining agreement in place.	–
G4-12	KPI C1.1	Organisation's supply chain	Currently there is no information on supply chain.	–
G4-13		Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	2 Our Corporate Sustainability Report – 2.1 About This Report	16 (No significant change during the reporting period)
G4-14		Explanation of whether and how the precautionary approach or principle is addressed by the organisation	1 Our Business – 1.3 Corporate Governance	13
G4-15		Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	1 Our Business – 1.4 Memberships and Charters	14
G4-16		Memberships of associations	1 Our Business – 1.4 Memberships and Charters	14
Identified Material Aspects and Boundaries				
G4-17		Entities included in the organisation's consolidated financial statements	2 Our Corporate Sustainability Report – 2.1 About This Report; 4 Our Management – 4.1 Efficiency; 2014 Annual Report	16, 24
G4-18		Process for defining the report content and the aspect boundaries. Explain how the organisation has implemented the reporting principles for defining report content	3 Our Material Issues – 3.2 Materiality Assessment	20

Appendix 1: COSCO Pacific GRI & HKEx ESG Guide Content Indexes

GRI Indicator	HKEx ESG Reporting Guide General Disclosures & KPIs	GRI General and Specific Standard Disclosures	2014 Report and other References	Page No.
G4-19		Material Aspects identified in the process for defining report content	3 Our Material Issues – 3.2 Materiality Assessment	21
G4-20		Aspect Boundary within the organisation for each material aspect	3 Our Material Issues – 3.2 Materiality Assessment	21
G4-21		Material Aspect outside the organisation for each material aspect	3 Our Material Issues – 3.2 Materiality Assessment	21
G4-22		Effect of any restatements of information provided in previous reports, and the reasons for such restatements	2 Our Corporate Sustainability Report – 2.1 About This Report	16
G4-23		Significant changes from previous reporting periods in the scope and aspect boundaries	2 Our Corporate Sustainability Report – 2.1 About This Report	16
Stakeholder Engagement				
G4-24		List of stakeholder groups engaged by the organisation	3 Our Material Issues – 3.1 Stakeholder Engagement	18
G4-25		Basis for identification and selection of stakeholders with whom to engage	2 Our Corporate Sustainability Report – 2.1 About This Report	16
G4-26		Approach to stakeholder engagement	3 Our Material Issues – 3.1 Stakeholder Engagement	18
G4-27		Key topics and concerns that have been raised by stakeholder groups through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	3 Our Material Issues – 3.1 Stakeholder Engagement	19
Report Profile				
G4-28		Reporting period	2 Our Corporate Sustainability Report – 2.1 About This Report	16
G4-29		Date of most recent previous report	2 Our Corporate Sustainability Report – 2.1 About This Report	16
G4-30		Reporting cycle	2 Our Corporate Sustainability Report – 2.1 About This Report	16
G4-31		Contact point for questions regarding the report or its contents	Contact Information	33
G4-32		'In accordance' option the organisation has chosen, GRI Content Index, reference to the External Assurance Report	2 Our Corporate Sustainability Report – 2.2 How We Report; Appendix 1: C2675 COSCO Pacific GRI & HKEx ESG Guide Content Indexes	17, 33 - 35
G4-33		Policy and current practice with regard to seeking external assurance for the report	There is no external assurance for the report.	–
Governance				
G4-34		Governance structure of the organisation, including committees of the highest governance body. Committees responsible for decision-making on economic, environmental and social impacts	1 Our Business – 1.3 Corporate Governance	12 - 13
Ethics & Integrity				
G4-56		Organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	1 Our Business – 1.2 Organisational Values	11
Energy				
G4-DMA	GD- B1, KPI B2.3		4 Our Management – 4.3 Environment	27 - 28
G4-EN3	KPI B1.2, KPI B2.1	Energy consumption within the organisation	4 Our Management – 4.3 Environment	27
Emissions				
G4-DMA	GD-B1, GD- B3, KPI B3.1		4 Our Management – 4.3 Environment	26 - 27, 29
G4-EN15	KPI B1.2	Direct greenhouse gas (GHG) emissions (Scope 1)	4 Our Management – 4.3 Environment	27
G4-EN16	KPI B1.2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	4 Our Management – 4.3 Environment	27
G4-EN19		Reduction of greenhouse gas (GHG) emissions	4 Our Management – 4.3 Environment	28
Employment				
G4-DMA	GD- A1, GD- A4, GD- C1, KPI C1.2		4 Our Management – 4.2 People	25
G4-LA1	KPI A1.1, KPI A1.2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	4 Our Management – 4.2 People	25

Appendix 1: COSCO Pacific GRI & HKEG ESG Guide Content Indexes

GRI Indicator	HKEG ESG Reporting Guide General Disclosures & KPIs	GRI General and Specific Standard Disclosures	2014 Report and other References	Page No.
Labour / Management Relations				
G4-DMA			4 Our Management – 4.2 People	26
G4-LA4		Minimum notice periods regarding operational changes, including whether it is specified in collective agreements	There is no formal collective bargaining agreement in place.	–
Occupational Health and Safety				
G4-DMA	GD- A2, KPI A2.3		4 Our Management – 4.2 People	26
G4-LA6	KPI A2.1, KPI A2.2, KPI A2.3	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	3 Our Material Issues – 3.2 Materiality Assessment; 4 Our Management – 4.2 People	21, 26
Local Communities				
G4-DMA	GD- D1, KPI D1.1		4 Our Management – 4.4 Community	29, 30
G4-SO2		Operations with significant actual and potential negative impacts on local communities	1 Our Business – 1.1 Company Overview; 5 Our Ongoing Effort – 5.1 Meeting Challenges of Sustainability	10, 30

Appendix 2: Glossary

Carbon Footprint Repository for Listed Companies	an online platform created by EPD which enables listed company in Hong Kong to disclose their carbon footprints and share carbon management strategies and practices.
Drewry	Drewry Maritime Research, which is a specialist research company for the maritime sector.
Environment /Environmental Footprint	the effect that the company and its activities has on the environment
Global Reporting Initiative (GRI)	GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development (GRI official website; available at: https://www.globalreporting.org/information/about-gri/what-is-GRI/Pages/default.aspx) (GRI G4 – the latest sustainability reporting guideline released by GRI in May 2013.)
Greenhouse Gases (GHG)	"gases that trap heat in the atmosphere" (US EPA), which include Carbon Dioxide (CO ₂), Methane (CH ₄), Nitrous Oxide (N ₂ O), etc.
Materiality Assessment	the process of identifying, defining and prioritizing the environmental, social and governance (ESG) issues that matter most to the business and its stakeholder. One of the key elements of materiality assessments is stakeholder engagement.
Material Issues/Aspects	issues/aspects that concerns and are important to stakeholders
Specific Standard Disclosure	one of the reporting components of GRI G4 reporting standard.
Stakeholders	stakeholders are the people who have an interest in matter. In a corporate context, stakeholders are people who have an effect or be affected by the actions of a business as a whole. For example, internal stakeholders can be members of staff and external stakeholders can be suppliers/contractors of a business.
Stakeholder Engagement	facilitating dialogue with stakeholders through focus group discussions/face-to-face interviews/questionnaires and collecting any feedback, suggestions and views on topics such as the sustainability vision/ goal/ policies/ practice of a business.
Subsidiary	an entity (including structured entities) over which the group has control.
Sustainability	sustainable development is defined as 'meeting the needs of the present without diminishing the ability of future generations to meet their needs' (Our Common Future, Brundtland Report (1987)). In a corporate context, the three critical factors – environmental, social and governance (ESG) are used to measure the level of sustainability of a company.

Appendix 3: Abbreviation of Companies

Company Name	Abbreviation
COSCO Pacific Limited	COSCO Pacific or the Company
COSCO Pacific Limited and its subsidiaries	the Group
China COSCO Holdings Company Limited	China COSCO
China Ocean Shipping (Group) Company	COSCO
COSCO Container Lines Company Limited	COSCON
Terminal company	
Antwerp Gateway NV	Antwerp Terminal
Asia Container Terminals Limited	Asia Container Terminal
COSCO-HIT Terminals (Hong Kong) Limited	COSCO-HIT Terminal
COSCO-PSA Terminal Private Limited	COSCO-PSA Terminal
Dalian Automobile Terminal Co., Ltd.	Dalian Automobile Terminal
Dalian Port Container Terminal Co., Ltd.	Dalian Port Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
Jinjiang Pacific Ports Development Co., Ltd.	Jinjiang Pacific Terminal
Kao Ming Container Terminal Corp.	Kao Ming Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal
Piraeus Container Terminal S.A.	Piraeus Terminal
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	Dongjiakou Ore Terminal
Qingdao New Qianwan Container Terminal Co., Ltd.	Qingdao New Qianwan Terminal
Qingdao Qianwan Container Terminal Co., Ltd.	Qingdao Qianwan Terminal
Qingdao Qianwan United Advance Container Terminal Co., Ltd.	Qingdao Qianwan United Advance Terminal
Qingdao Qianwan United Container Terminal Co., Ltd.	Qingdao Qianwan United Terminal
Quan Zhou Pacific Container Terminal Co., Ltd.	Quan Zhou Pacific Terminal
Shanghai Container Terminals Limited	Shanghai Terminal
Shanghai Pudong International Container Terminals Limited	Shanghai Pudong Terminal
Suez Canal Container Terminal S.A.E.	Suez Canal Terminal
Taicang International Container Terminal Co., Ltd.	Taicang Terminal
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Xiamen Ocean Gate Container Terminal Co., Ltd.	Xiamen Ocean Gate Terminal
Xiamen Haitou Tongda Terminal Co., Ltd.	Xiamen Tongda Terminal
Yangzhou Yuanyang International Ports Co., Ltd.	Yangzhou Yuanyang Terminal
Yantian International Container Terminals (Phase III) Limited	Yantian Terminal Phase III
Yantian International Container Terminals Co., Ltd.	Yantian Terminal Phases I & II
Yingkou Container Terminals Company Limited	Yingkou Terminal
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	Zhangjiagang Terminal
Container leasing, management and sale company	
Florens Container Holdings Limited	FLORENS
Discontinued operation	
China International Marine Containers (Group) Co., Ltd.	CIMC

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