



招商局港口控股有限公司

CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

Stock Code: 00144

WE CONNECT
THE WORLD

2019

Environmental, Social
and Governance Report



Environmental, Social and Governance Report

ABOUT US

CORPORATE PROFILE

Renowned for its remarkable history as well as strategic vision and foresight, the Group has established an unrivalled position in the ports industry in both the PRC and worldwide. We are the flagship company of China Merchants Group Limited and its subsidiaries (“**CMG Group**”), the longest standing and the most renowned shipping company in the PRC. The ports and logistics operation of CMG Group had expanded across the PRC as far back as in the 19th century. The Group is now a global leading port developer, investor and operator, with a comprehensive ports network at the hub locations along coastal China. The terminals, which the Group became the controlling shareholder of or those the Group has interest in, are located in hub locations across Shenzhen, Hong Kong, Shanghai, Ningbo, Qingdao, Tianjin, Dalian, Zhangzhou, Zhanjiang and Shantou, Taiwan, as well as in South Asia, Africa, Americas, Oceania, Europe and Mediterranean Sea, amongst others.

百年企业



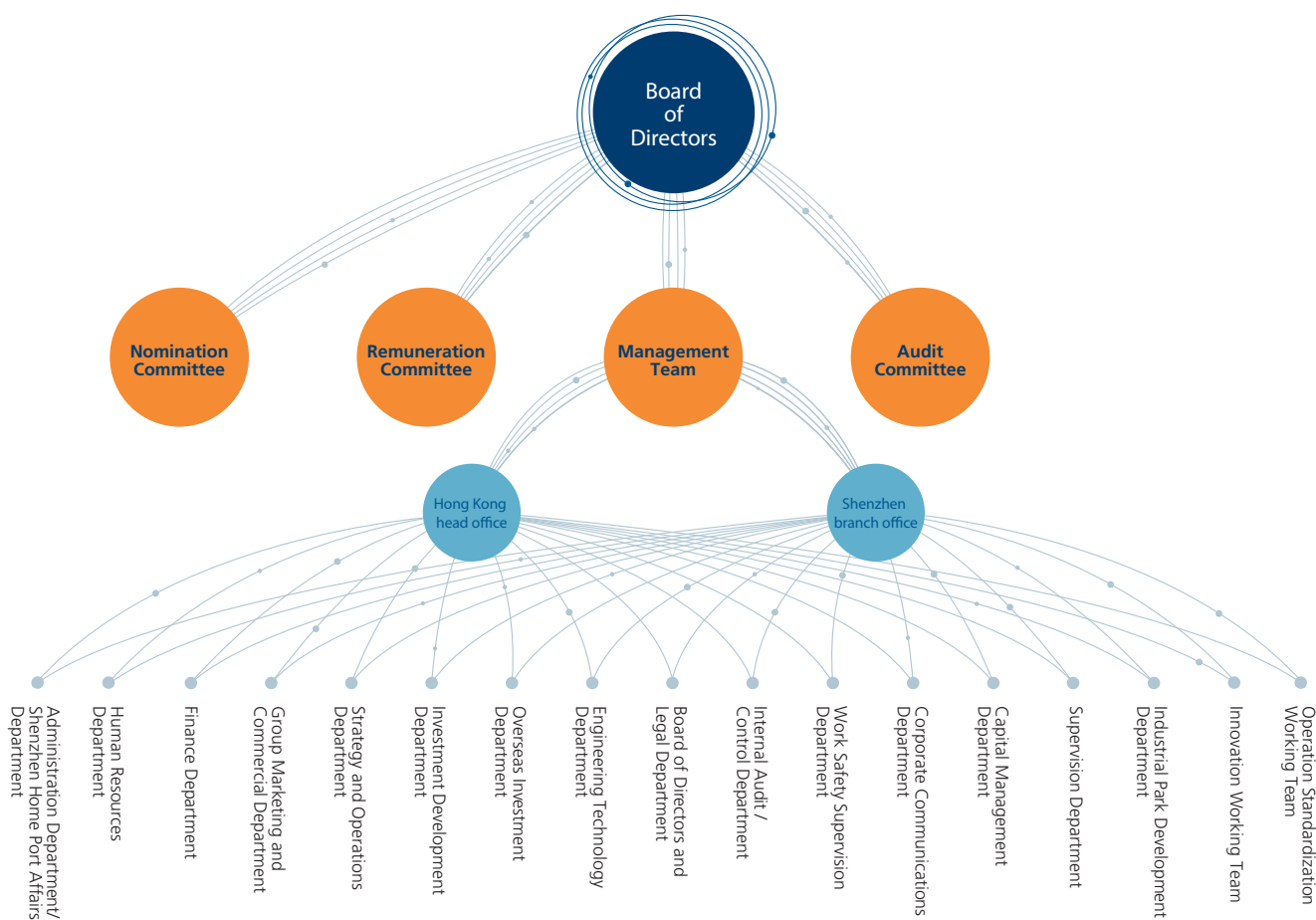
As at the end of 2019, the Group has invested in 34 ports in 18 countries and regions and the container throughput handled during the year amounted to 111.72 million TEUs. The Group has earned itself a reputation across the industry, leveraging on the professional management experience accumulated for years, its self-developed global leading ports operating system and integrated logistics platform for import and export, its extensive maritime logistics support system, the modern and all-rounded integrated logistics solutions it offers, its quality engineering management, and the outstanding and reliable services it provides. The Group’s vision is “to be a world’s leading comprehensive port service provider”. Through implementation of domestic, overseas and innovation strategies, the Company strives to achieve world-class level on various fronts, including container throughput of global ports, market share, comprehensive port development, operational management capabilities, resource utilisation, labour productivity and brand name, etc.

The Group has prepared this report covering the financial year ended 31 December 2019 according to and in compliance with the provisions of the *ESG Reporting Guide* in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

CORPORATE GOVERNANCE

The Group has established standardised, transparent, open and efficient corporate governance structure and corporate governance rules in accordance with the prevailing laws, regulations and relevant requirements and with reference to its own production and operational practices. The duties and authorities regarding various aspects, including decision, execution and supervision, are clearly defined, thus forming a mechanism with highly effective division of responsibilities as well as checks and balances, thereby achieving sound and sustainable development of the Group as a whole towards becoming a more professional, regulated and transparent corporation.

Organisational Structure



Members of the Board

Executive Directors



Deng Renjie
(Chairman)



Su Jian



Xiong Xianliang



Bai Jingtao



Ge Lefu



Wang Zhixian



Zheng Shaoping

Independent Non-executive Directors



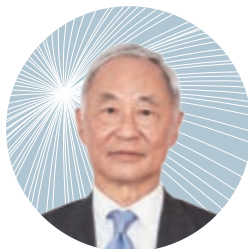
Kut Ying Hay



Lee Yip Wah Peter



Li Ka Fai David



Bong Shu Ying Francis

RESPONSIBILITY MANAGEMENT

Effective social responsibility management is important safeguard for an enterprise's business sustainability. With a focus on strengthening the ability of achieving sustainable development, the Company continues to reinforce responsibility management in coordination with relevant rules, regulations and systems, while facilitating the integration of social responsibility into functional departments and business process. The Company also actively assumes social responsibility to create integrated value for its stakeholders, including shareholders, the government, customers, staff and business partners, with an aim to promote sustainable development of both the entity and the society.

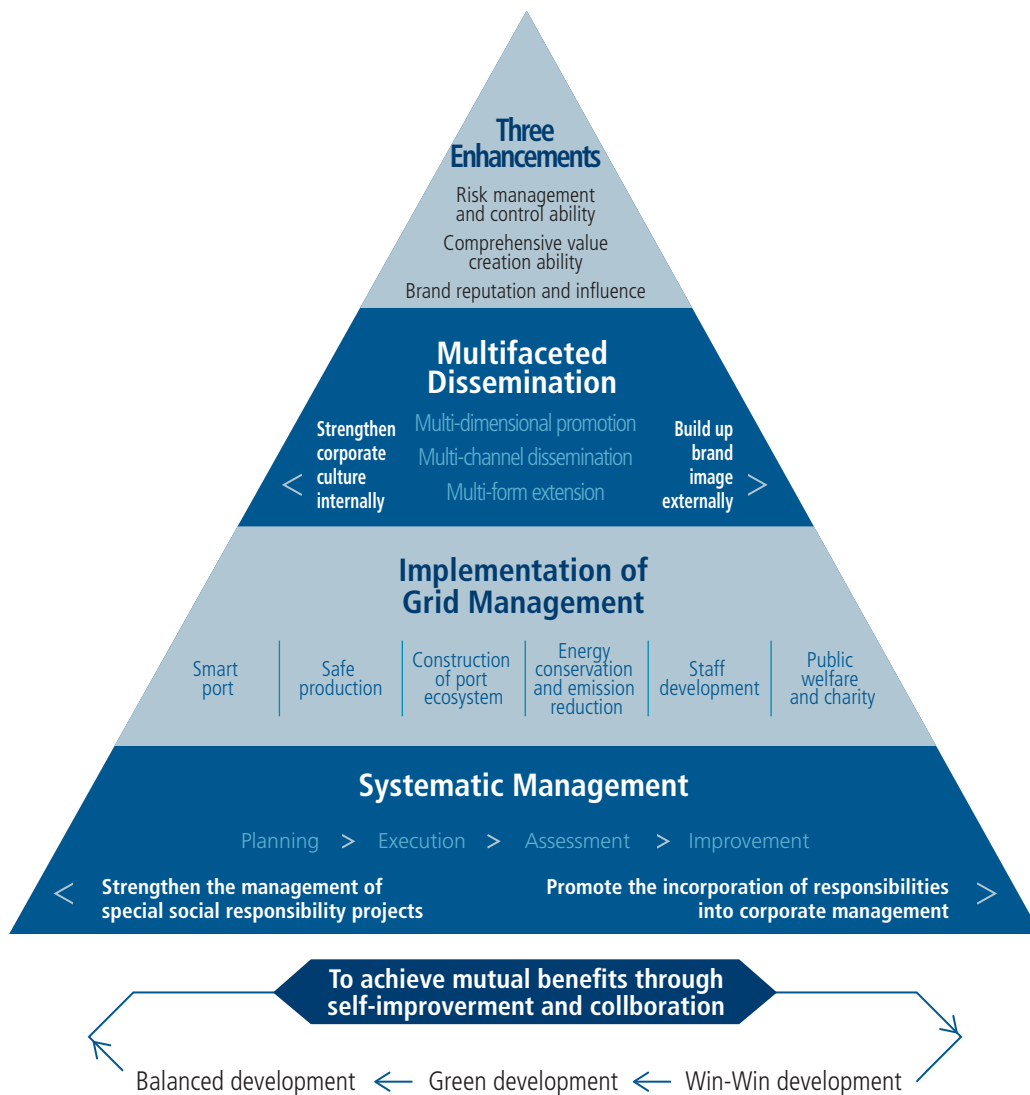
CULTURE OF RESPONSIBILITY

Adhering to the principle of sustainable development, the Group establishes its responsibility concept system with responsible corporate mission, vision, core values, philosophy and corporate spirit and strives to achieve value sharing and mutual benefit and promote a healthy, sustainable, stable and harmonious social development.




PROMOTION OF RESPONSIBILITY

The Group has established a working network regarding social responsibility that involves deep engagement of the management, horizontal collaboration of professional departments and vertical communication of staff at different levels and has formed a “mission-oriented” social responsibility promotion model, with a view to apply the requirements of social responsibility management onto every functional departments, thus laying a foundation for the promotion of social responsibility systematically.



COMMUNICATION OF RESPONSIBILITIES

The Group placed great emphasis on and strengthened its communication with stakeholders to constantly improve the transparency of corporate operation. Through different channels and methods, the Group would actively understand the expectations and respond to the appeals of stakeholders and strive to establish a more harmonious relationship with them.

Stakeholders	Communication channels and methods	Expectations and appeals	Our response
 Shareholders and investors	<ul style="list-style-type: none"> Information disclosure General meetings Work meetings Exchanges and visits 	<ul style="list-style-type: none"> Transparent financial information disclosure Strengthened risk management and control Create economic values Maintain and increase the values of state-owned assets 	<ul style="list-style-type: none"> Refine corporate governance and management of investor relations Maintain growth of business and profitability, and continue to enhance its position in the industry Enhance operational transparency
 Government and regulatory authorities	<ul style="list-style-type: none"> Daily reporting and communication Meetings and exchange activities 	<ul style="list-style-type: none"> Compliance operation and tax payment in accordance with the laws Support local development Protect local environment 	<ul style="list-style-type: none"> Implement policies and pay tax in accordance with the laws Actively take up social responsibilities
 Customers	<ul style="list-style-type: none"> Information disclosure Responses to and handling of customers' feedback Customer satisfaction survey 	<ul style="list-style-type: none"> Provide quality services Safeguard information security 	<ul style="list-style-type: none"> Enhance basic services Develop smart ports by innovating the form and content of our services Protect customer information Improve customer satisfaction
 Partners	<ul style="list-style-type: none"> Project cooperation Work meetings Daily communication 	<ul style="list-style-type: none"> Transparent cooperation with integrity Mutual support and win-win development 	<ul style="list-style-type: none"> Establish responsibility supply chain Seek for comprehensive development
 Employees	<ul style="list-style-type: none"> Regular meetings Standardised trainings Exchange activities 	<ul style="list-style-type: none"> Secure basic rights Smooth career development path Work-life balance 	<ul style="list-style-type: none"> Provide market competitive salaries and benefits, as well as learning and development opportunities Create favourable working environment
 Environment	<ul style="list-style-type: none"> Environmental information disclosure Environmental protection campaigns 	<ul style="list-style-type: none"> Reduce environmental impacts caused by operating activities Lead the industry to enhance its green development capability 	<ul style="list-style-type: none"> Strengthen environmental management Commence green operations Promote green development of the industry
 Community	<ul style="list-style-type: none"> Charitable events Volunteering services Information disclosure 	<ul style="list-style-type: none"> Promote regional development Support public welfare and charity 	<ul style="list-style-type: none"> Promote the development of countries and regions where the project are located Establish the charity brand "C-Blue" Encourage staff to participate in volunteering activities



BALANCED DEVELOPMENT TO CREATE EXTENSIVE VALUES IN THE LONG RUN

Profit attributable to
equity holders of the
Company

HK\$ **8,362**
million

Return on Equity

10.8%

Total assets

HK\$ **149,082**
million



INTERNAL CONTROL AND RISK MANAGEMENT

The Group has formulated the *Measures for the Internal Control Evaluation* (《內部控制評價工作辦法》) and *Measures for the Comprehensive Risk Management* (《全面風險管理工作辦法》) and carried out internal management and control as well as risk management according to these measures. In 2019, the scope of the Group's internal control system has basically covered the business managed and controlled by its subsidiaries with the internal control systems of three major business segments of containers, bulk cargos and logistics parks were basically formed, and hence forming a long-term working mechanism. The Group has established an annual assessment mechanism for material risks, expanded its risk identification channels, strengthened its efforts in risk identification and carried out specific risk management and control. The Group also conducted research on the formulation of risk management tools and standards and carried out customer credit risk management as well as the management and control of foreign exchange rate risks, thereby enhancing its risk mitigation capability. In 2019, the Group has implemented a total of 16 internal audit projects with 22 business units included in the risk control system. Through regular self-assessment and continuous enhancement of risk management and control capabilities, the Group has no material risk incidents and material loss on assets.

ANTI-CORRUPTION

The Group has strictly observed relevant laws and regulations on anti-corruption in the place of operation, such as the *Anti-Monopoly Law of the People's Republic of China* (《中華人民共和國反壟斷法》), the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》) in Mainland China and the *Prevention of Bribery Ordinance* from the Laws of Hong Kong. Guided by the anti-corruption requirements of China Merchants Group, the Group developed policies and procedures against corruption through system establishment, risk investigation and anti-corruption meetings. The Group organised anti-corruption education for employees, such as training on discipline, warning education and conference to strengthen their awareness of self-discipline.



Carrying out warning education activities on anti-corruption



Organizing staff visits to the warning education base

Establishment of Anti-corruption System

The Group formulated 4 new systems including the *Implementation Measures of Penalty Enforcement* (《處分執行實施辦法》) and amended and refined 7 relevant systems, with a view to further standardizing the exercise of power from the source of systems and reinforcing the supervision of discipline enforcement and accountability in a practical manner, hence facilitating sound development of the Company.

Investigation of Integrity Risks

The Group has newly formulated the *Administration Measures on the Investigation, Prevention and Control of Integrity Risk Points (Trial)* (《廉潔風險點排查防控管理辦法(試行)》) and established an integrity risk investigation mechanism to arrange centralized investigation on integrity risk points and implement prevention and control measures on a daily basis. All subordinate units consolidated a total of 302 key business procedures and processes with 267 integrity risk points in total.

Integrity Training for the Management

The Group conducts pre-appointment briefings on integrity for new senior management with an aim to achieve the full coverage of pre-appointment integrity briefings. The Group conducted 197 pre-appointment briefings on integrity and 685 briefings on integrity education in 2019. The Group has carried out supervision of integrity and interviews at the production frontline of all units. In 2019, the Group has supervised 16 units in total, including Sri Lanka Project.

Risk Control over Corruption along the Supply Chain

Regarding the potential risks along the supply chain, the Group required the immediate relatives or specific related persons of the staff responsible for key positions (such as procurement and tender) to actively declare their relationships and withdraw. Meanwhile, the Group stands firm against commercial bribery and definitely prohibits the acceptance of funds or banquet invitations in any form from suppliers or their associated units/persons so as to effectively mitigate corruption risks in commercial activities.

PROMOTION OF QUALITY AND EFFICIENCY IMPROVEMENTS

In 2019, the Group steadily pushed forward the quality and efficiency improvements in a comprehensive and in-depth manner by carrying out numerous detailed works with substantial achievements. The Group pushed forward its quality and efficiency improvement by establishing organizations and systems for quality and efficiency improvement at all levels as well as adopting digital tools. The Group promulgated specific measures on quality and efficiency improvement followed by solid implementation and tracking of these measures, and urged all subordinate units to take reference of their actual conditions, contributing to a total of 180 quality and efficiency improvement measures covering three major aspects, namely revenue, costs and empowerment.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The Group complies with the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) and relevant laws and regulations and formulated the *Administration Regulations on Intellectual Property Rights* (《知識產權管理規定》) to standardize the management

and protection of intellectual property rights such as patents, copyrights and trademarks with an aim to incorporate intellectual property right management into its establishment of legal system and hence strengthening its efforts of intellectual property right management.

PROVIDING QUALITY SERVICES

Dedicated to providing quality and comprehensive services to its customers, the Group continued to expand its business chain and pursue innovation on the scope of service. It has effectively developed the ancillary value-added sectors of port services including small-scale agricultural product business and cross-border e-commerce services closely related to port businesses, and responded to customers' demands with quality caring services so as to enhance customer satisfaction.

Optimizing Port Services

In 2019, the Group further optimized the "CM ePort" customer service platform with new functions, such as electric bills of lading and senseless billing service through face recognition based on customers' demands, which has substantially reduced operating costs and enhanced logistic efficiency, hence facilitating the enhancement of quality and efficiency for the Group and customers within the port ecosystem. In order to continuously optimize business environment at ports and further increase trading convenience, the Group introduced a new model, i.e. "integrated reporting at port zone", for vessels in West Shenzhen Port Zone, launched shuttle-barge transfer service across the port zone and conducted trial operation at e-commerce monitoring stations for cross-border trading.

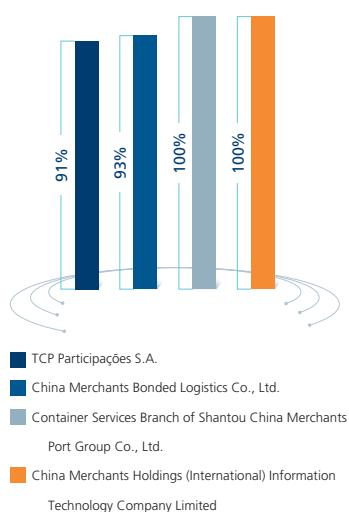


Environmental, Social and Governance Report

Enhancing Customer Satisfaction

The Group formulated *Feedback Mechanism on Opinions and Complaints of Customers* (《客戶意見及投訴反饋機制》) to specify the management measures of customers' opinions and complaints such that tracking or investigations on customers' opinions and complaints could be efficiently standardized. The Group swiftly responds to complaints from customers within 24 hours and promptly handles serious complaints with close supervision, striving to establish efficient channels for communications, feedbacks and complaints, thereby continually enhancing customer satisfaction.

Level of Customer Satisfaction of Certain Subordinate Companies in 2019



Protection of Customer Privacy

The Group places great emphasis on safeguarding information security, equips specific apparatus for information confidentiality and has comprehensively reviewed its confidentiality procedures and transmission mechanism for confidential documents. It steps up its endeavor in confidentiality promotion by participating in "Network Protection 2019" (「護網2019」) attack prevention drills so as to raise its awareness and capabilities of information confidentiality. In addition, the Group formulated the *Customer Information Confidentiality System* (《客戶資料保密制度》) to classify customer information into various levels based on the degrees of confidentiality and formulated corresponding confidentiality measures to clarify obligations and penalties of information leakage in order to prevent leakage of customer information and effectively safeguard customers' information security.

BUILDING A SUSTAINABLE SUPPLY CHAIN

Persisted in win-win cooperation with its partners of the supply chain, the Group has formulated *Implementation Rules for Supplier Management (Trial)* (《供應商管理實施細則(試行)》) in compliance with the supply chain management systems and standards of China Merchants Group. The Group analyses the risk of possible corruption, information leakage, dishonesty, deficiencies in product or service qualities, fraudulent materials or identities in the supply chain in detail, and suspends, cancels or permanently cancels the qualifications of suppliers based on the degrees of severity and damage. The Group observes strict standards and requirements in selecting suppliers with a view to motivating their fulfillment of social responsibilities and driving the mutual sustainable development for upstream and downstream supply chain.



In 2019, the number of suppliers totaled **830**, among which **827** were located in Mainland China while **3** were located in Hong Kong, Macau, Taiwan and other countries. Assessments were conducted against **724** suppliers and **6** of them were disqualified.

Transparent Procurement

The Group conducts tendering activities under the principles of openness, fairness, justice and honesty and all subordinate units must comply with the requirement of "Tender and Report where Requires" (「應招必招、應上必上」). The Group makes full use of the transaction platforms to carry out tendering activities and has implemented a procurement mechanism that combines "centralized procurement of bulk supplies" and "independent procurement by subordinate units" in order to enhance the transparency, efficiency and standardization of procurement.

Supports for the Growth of Suppliers

The Group assists the growth of suppliers by means of classification management, supplier evaluation and incentives, supplier withdrawal and interactions with suppliers, with an aim to enhance their abilities in performance of responsibilities.

Classification Management

The Group implements a categorization and classification management for suppliers, pursuant to which suppliers are classified into four classes, namely A, B, C and D. Classes A, B, C and D represent "Excellent Supplier", "Good Supplier", "Average Supplier" and "Disqualified Supplier", respectively.

Encouraging Responsible Suppliers

In order to facilitate the growth of suppliers, the Group evaluates suppliers from the aspects of comprehensive corporate strength, transactional behavior, performances of contracts and other management. Under the same conditions, purchasers may give priority consideration to invite class A suppliers within relevant professional sectors for participation in tendering/procurement projects within their competence.

Interactions with Suppliers

The Group regularly interacts with OEM suppliers, distributors and project contractors through various channels such as mails, phone conversations and interviews, thereby delivering advanced concepts and experiences to suppliers for mutual growth.

BUILDING GREEN AND ECOLOGICAL PORTS WITH LOW CARBON

Greenhouse
Gas Emission
(Scope 1)

34,303

tonnes of CO₂ equivalent

Comprehensive
energy consumption per
Revenue of HK\$10,000
(based on comparable
prices)

0.0449

tonnes of standard
coal / HK\$10,000

Capital investment for
energy conservation and
environmental protection

HK\$ **146**

million



FOCUS ON GREEN OPERATION

The Group attaches great importance to environmental protection. During the whole life cycle of projects, the Group adheres to green ecological development philosophy and practice, steps up the efforts in operation management of green production through the innovation of the green development model and actively adopts new technology to control environmental pollution and reduce power consumption, striving to enhance the utilisation rate of resources and protect the natural ecology. Meanwhile, the Group strives to develop a green accountability chain and a green ecosystem with joint efforts of the community and builds sustainable green ports, with an aim to play its part in pushing forward ecocivilisation. In 2019, the Group has no incident of non-compliance with regulations related to energy conservation and environmental protection, and there was no incident of pollution or circumstance under which it failed to meet the standards regarding energy conservation and environmental protection.

Climate challenges and responses

Climate change has a close connection with the production and operation of the Group. As such, the Group identifies the impact of climate warming and formulates and carries out targeted counter-measures accordingly in a bid to sustain the green and low-carbon development of the Group.

Impact of climate warming on production and operation	Counter-measures
Increase in costs of power consumption due to enhanced equipment load and power consumption in production and administration	Reduce power consumption through transformation of energy conservation technology
Intensified atmospheric dust pollution due to increase in frequency of severe weather such as typhoon and gust	Build dust suppression and dust-proof facilities such as spray and wind screen
Increase of sewage produced due to increase in precipitation	Appropriately expand the scale of sewage collection and treatment facilities in the port area to enhance sewage treatment capability







To cope with the impact of climate change on production and operation, the Group continually optimizes the environmental management system in strict compliance with laws and regulations related to environmental protection in the regions where its projects take place, formulates management regulations regarding energy conservation and environmental protection to further specify the tasks and mechanism concerning comprehensive supervision and management of energy conservation and environmental protection. In addition, the Group encourages and provides guidance and support for its subsidiaries to carry out works in relation to power system certification, hence improving the Group's standards on energy conservation. Both Mega SCT and Chiwan Container Terminal have obtained ISO 14001 environmental management system certification and successfully passed the annual review of the system in 2019.

Environmental, Social and Governance Report

Energy Conservation, Emission Reduction and Environmental Management System			
Goal	To become an environmentally-friendly port company		
Strategies	Planning for energy conservation and emission reduction	Technical indicators for energy conservation and emission reduction	Statistic monitoring system for energy conservation and emission reduction
Organisational System	Management Level	Organisational Level	Implementation Level
	Headquarter of the Group will be responsible for formulating environmental protection principles, planning system, evaluation methods and standards.	Leading groups or organisational institutions for energy conservation and environmental protection were established to make plans for energy conservation and emission reduction, whereas such plans will be included in daily operational management and control mechanism.	All subsidiaries will have management personnel with energy conservation and emission reduction capabilities to execute the relevant work, draw up statistics, analysis and carry out monitoring and inspection.
Implementation Methods	<ul style="list-style-type: none"> • Operating model innovation • Monitoring of sectors with high energy consumption • Regular promotion for energy conservation • Integration into daily work practice • Inclusion in appraisal system 		
Security System	<ul style="list-style-type: none"> • Environmental performance is linked to annual appraisal • A comprehensive monitoring and information reporting system for energy conservation and emission reduction was built 		

Pollution prevention and control

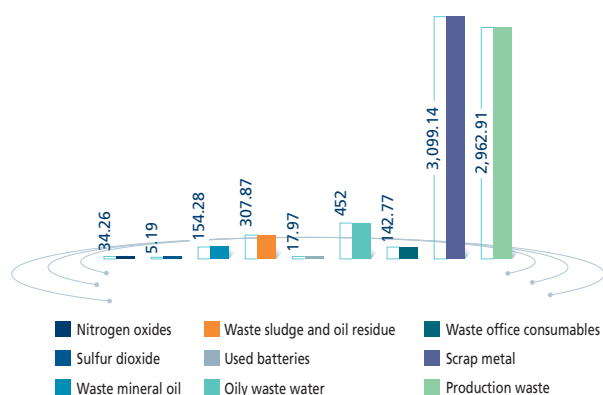
The Group stringently observes laws and regulations related to environmental protection in the regions where the Group operates and monitors, manages and controls the implementation of energy conservation and environmental protection work of its subsidiaries. During project planning, design, operation and services, the Group always adheres to environmental protection principle, improves its management and technology methods to test and control the pollution sources on a regular basis and discloses the testing data to the public. We improve our ability to respond to emergencies concerning environmental protection so as to minimize the impact of production and operation on the environment. In 2019, the Group produced and legally disposed of hazardous wastes of 971.57 tonnes and non-hazardous wastes of 6,204.82 tonnes.

Waste/Pollutant	Disposal
 <p>General solid waste</p>	<p>Entrust qualified units to collect and transfer such wastes to local legal dumpsites for disposal.</p>
 <p>Hazardous waste</p>	<p>Collect and store such wastes in accordance with the national standardization requirements on hazardous wastes and entrust unites with qualifications of handling relevant hazardous wastes for collection and disposal.</p>
 <p>Air pollution</p>	<p>Carry out energy conservation and technology transformation, and reduce air pollution through “substation of fuel-powered equipment with electricity-powered equipment (油改電)” and using clean energy such as LNG.</p>
 <p>Dust pollution</p>	<p>Push forward the transformation and investment of environmental protection equipment and facilities through reconstruction of spray system of iron ore yard, building dust removal tower and remote sprayer and purchase of dust-proof mesh cloth, etc., so as to prevent the combination of dust produced from operation and static dust produced by cargo stack.</p>
 <p>Water pollution</p>	<p>Build sewage collection and treatment facilities for treatment of domestic, mineral and oily sewage, and discharge or recycle such sewage upon meeting relevant standards. In 2019, the monitoring results of sewage discharged through sea water of the harbor show that suspended solids, chemical oxygen demand and petroleum have all reached the category II standard of the <i>Sea Water Quality Standard (GB3097-1997)</i>.</p>
 <p>Noise pollution</p>	<p>Control the pollution from noise sources including the procurement of equipment and production design so as to comply with relevant noise emission standard of China. Carry out management and control during the process. Noisy operation that exceeds the standard will not be allowed in noise sensitive area, and noise emission such as honing shall be minimized during operation.</p>

Environmental, Social and Governance Report

Statistics on the Emission of Various Hazardous Wastes in Mainland China and Hong Kong of the Group in 2019

Unit: tonnes



Note: The above types of emissions are in line with the national emission standard.

Clean and low-carbon

Apart from ensuring relevant laws and regulations related to environmental protection in the regions where the Group operates have been effectively complied with, the Group proactively conducts research and development on and uses new energy conservation technologies and products, eliminates high-consuming and outdated products and technologies, reduces energy consumption loss due to backward technologies and products, and replaces fuel with clean and low-carbon electricity to achieve low-carbon transformation. The application of new energy conservation technologies and products such as “substation of fuel-powered equipment with electricity-powered equipment (油改電)”, “shore-powered supply for vessels (船舶岸基供電)” and “RTG Remote Control (RTG遠程控制)” has been expanding, which effectively improves the energy utilization and promotes the development of green ports.

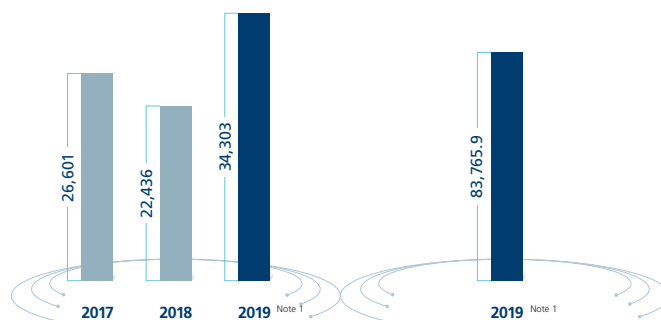
Statistics in the Greenhouse Gas Emission in Mainland China and Hong Kong of the Group

Scope 1

Greenhouse Gas Emission
Unit: tonnes of CO₂ equivalent

Scope 2 ^{Note 2}

Greenhouse Gas Emission
Unit: tonnes of CO₂ equivalent



Note 1: The statistics of two subsidiaries have been newly incorporated in 2019, namely Shantou China Merchants Port Group Co., Ltd. and Guangdong Yide Port Limited with an increase of 4,480 tonnes of standard coals in total.

Note 2: The statistics of indirect greenhouse gas emissions are calculated with reference to “the respective emission factor of power purchased from power grid and supplied from self-owned power plants calculated with the average national power grid emission factor of 0.6101 tCO₂/MWh in 2015” set out in the Notice Regarding Carbon Emissions Reporting and Verification and Emissions Monitoring Program for the years 2016 and 2017 issued by the General Office of the State Development and Reform Commission (《國家發展改革委辦公廳關於做好2016、2017年度碳排放報告與核查及排放監測計畫制定工作的通知》) and the total electricity consumption of 137,298,634 kWh.

Shore-powered supply for vessels: In 2019, Shore-powered supply for vessels (Phase 2) located at West Shenzhen Port Zone was completed and put into operation, with a capacity of 7MVA and covering berths No. 9 and 10, thereby achieving interconnection with shore-powered supply (phase 1). According to the preliminary design plans, the Group would be able to achieve the energy conservation and emission reduction target with annual quantity of alternative fuel reaching 10,437 tonnes of standard oil and carbon dioxide emission reaching 33,782 tonnes.

Fuel-powered Equipment to Electricity-powered Equipment Technologies by Reach Stackers and Handlers: Through technological transformation by replacing diesel engines with lithium-ion battery engines, Guangdong Yide Port Limited (“Yide Port”) has achieved “zero emission” of waste gas for its container equipment. In addition to “turning waste into wealth and treasure” for old equipment, operational costs have been saved with an ultimate objective to reduce emission of polluting waste gas. Regarding equipment transformed for energy conservation and emission reduction, reach stackers and handlers are expected to save energy consumption by HK\$4.82/move/unit and HK\$2.50/move/unit, respectively, with zero emission of waste gas reaching 100%. Energy conversion rate will be increased by 216% and noise of engines will be reduced by 21.1%. The project has been admitted as “2018 Key Technological Project in Transportation Industry” (2018年度交通運輸行業重點科技項目) by the Ministry of Transport of China and serves as a demonstration project for relevant technological transformation in the port and shipping industry.

Comparison of energy consumption and operating costs of equipment before and after “fuel-powered equipment to electricity-powered equipment” at Yide Port

	Energy consumption (before transformation)	Energy consumption (after transformation)	Operating costs (before transformation)	Operating costs (after transformation)
Reach stackers	1L/move	3kWh/move	HK\$7.37/move	HK\$2.55/move
Handlers	0.49L/move	1.2kWh/move	HK\$3.63/move	HK\$1.02/move

Note: Calculated based on 30 tonnes/time for one time of lifting of container by a reach stacker, oil price of HK\$7.37/L and tariff of HK\$0.85/kWh. Although policies vary among power supply departments of different regions, the electricity costs are lower during non-peak hours at night.

Resource conservation

In order to improve the efficiency of energy utilization, the Group has always been advocating green office and fully integrated green concepts into its daily operation and encouraged employees to reduce the use of electricity, water, paper and packaging materials at office. The Group vigorously promoted informationalisation development and reduced the use of office consumables through continuous development of automation system and realization of paperless customs clearance, thereby enhancing resource utilization rate and achieving efficient production and operation. Sewage collection and treatment facilities were built for recycling and reusing sewage water. In 2019, 580,000 tonnes of sewage water were treated and have met the standards for recycling and reusing. No issues regarding water sources were found. In 2019, the water consumption and energy consumption of the Group in Mainland China and Hong Kong are as follow:

Water consumption

Type	Unit	Consumption	Density
Water	m ³	1,644,310	0.15714 m ³ /TEU

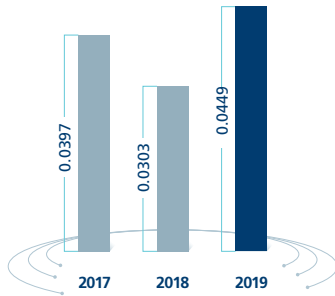
Energy Consumption

Type	Unit	Consumption	Density
Diesel	tonnes	19,962	0.08203 GJ/TEU
Gasoline	tonnes	191	0.00081 GJ/TEU
Natural Gas	m ³	409,227	0.00147 GJ/TEU

Note: The density of energy consumption is calculated based on CDP Technical (Note: Conversion of fuel data to MWh) and the container throughput of 10.46 million TEUs handled by the Group in Mainland China and Hong Kong during the reporting period

Comprehensive Energy Consumption per Revenue of HK\$10,000 (Comparable Price)

Unit: tonnes of standard coal/HK\$10,000



Ecological protection

The Group has always been attaching great importance to the protection of ecological resources and it has reasonably arranged work schedule and construction time during construction. For dredging, the Group avoided fertilization period of major aquatic life to protect the reproduction of natural organisms. The Group strengthened supervision during construction and set up anti-pollution barriers around the construction sites and prohibited construction waste water and rubbish from being directly discharged into water so as to prevent pollution of the surrounding ecological environment. The Group also formulated emergency proposals for oil spillage accidents and take preventive measures accordingly so as to reduce the impact of its project construction and operation on the marine ecological environment.

In Brazil, the Group launched projects and environmental regulations such as Training on Land Administration for Nhande Kya Ethnicity, Regulation on Flora and Fauna Ecosystem for Mymba Ethnicity to help local residents raise their awareness of protecting ecological resources and encourage and guide residents in 9 surrounding communities to carry out waste sorting. Residents can contact TCP Participações S.A. (regularly each month) or local recycling associations (irregularly) to replace sorted waste with food and sanitation supplies in order to promote positive development of the ecological environment of the community.

TO JOINTLY DRAW A GREEN PICTURE

The Group actively promoted the building of green supply chain by organizing environmental protection activities to advocate the principle of green development and promote the green development approach, thereby facilitating sustainable development of enterprises and the community.

Green Supply Chain

The Group has formulated the *Implementation Rules for Supplier Administration* (《供應商管理實施細則》) to standardize the management of civilization and environmental protection construction of suppliers, which requires the suppliers to strictly conduct civilized construction of projects with no valid complaints, as well as formulate and effectively implement measures to prevent pollution at construction sites so as to ensure a sound construction site environment, at the same time encouraging the suppliers to pragmatically fulfill their environmental protection responsibility. The Group also integrated the requirements for sustainable development into the entire procurement processes of the headquarters and subsidiaries, including supplier certification, product selection, procurement execution, supplier exit, etc. so as to encourage the suppliers to continuously improve their performance of obligations and hence building a green supply chain for port operation with concerted efforts.

Green communication and cooperation

The Group participated in community communication for green development to convey green principles to various groups such as partners and the general public in an effort to create more green values. In 2019, the senior management of the Group attended the 5th Martine Silk Road Port International Cooperation Forum and Senior Roundtable Conference (第五屆海絲港口國際合作論壇及高層圓桌會議) and passed the *Green Development Vision* (《海絲港口綠色發展願景》) for Martine Silk Road Port on behalf of the Group together with major global port operators and port authority representatives, actively responding to the common goal of “Developing Green Ports and Building Green Silk Road” and promoting sustainable development of the port and shipping industry with real actions.

Green Charity

The Group constantly organises various activities relating to energy conservation and environmental protection, thereby promoting energy conservation principles and making its contributions to green charity with practical actions.



The Group organised an environmental charity event of ocean and beach cleaning under the theme of "Beat Plastic Pollution to Protect the Blue Sea and Clear Sky; Action Now to Build a Beautiful Shenzhen" in Shenzhen



Chinese and Sri Lanka staff of the Group cleaned beach wastes at the artificial island in Hambantota Port Zone in Sri Lanka



The Group organised a tree planting activity under the theme of "Show the Charisma of China Merchants and Build a Green Park Together" in Qingdao



The Group organised the charity event under the theme of "Waste Sorting Starts with Me. Every Little Deed Counts" in Ningbo Daxie

MOVING FORWARD TOGETHER TO SHARE A BRILLIANT FUTURE

Number of staff receiving
safety training

224,945

Percentage of female
middle-level and senior
management staff at the
Group's headquarters

23%

Hours of volunteering
services

13,159



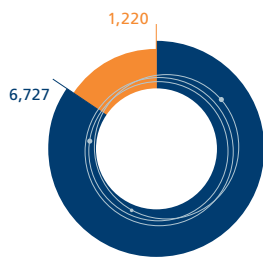
FACILITATING STAFF DEVELOPMENT

Adhering to the principle of “people-oriented, talent first”, the Group has improved and strengthened its training systems, made efforts in building innovative training platforms, and thoroughly carried out diversified and multi-level training in order to empower all staff, develop a high-quality staff team, and provide a rapid development path for its internal talents with a view to consolidating the cornerstone that support the business development of the Company.

Employee Rights and Interests

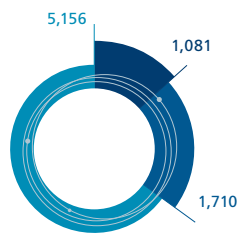
The Group has strictly observed relevant laws and regulations such as the *Labor Law of the People’s Republic of China* (《中華人民共和國勞動法》) and the *Employment Ordinance from the Laws of Hong Kong*, and, with reference to the Group’s practices, has formulated rules and systems such as the *Human Resources Management System* (《人力資源管理制度》) so as to effectively safeguard and protect the legitimate rights and interests of its employees and create an equal and democratic working environment.

Total number of staff by gender



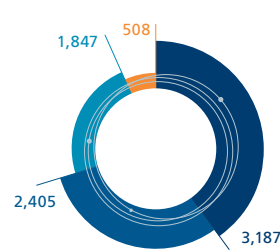
■ Male
■ Female

Total number of staff by employment category



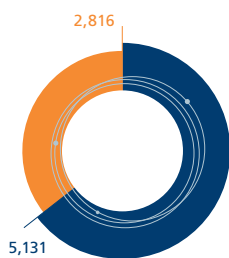
■ Operation and management talents
■ Talents with professional skills
■ Skilled talents

Total number of staff by age



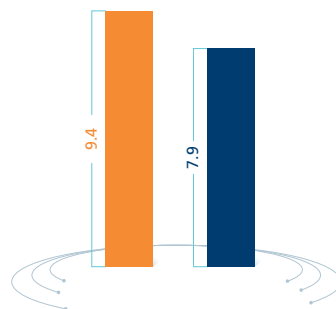
■ Aged 35 and below
■ Aged 36-45
■ Aged 46-54
■ Aged 55 and above

Total number of staff by region



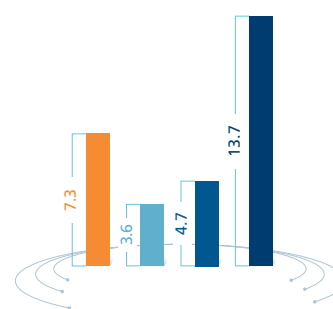
■ Mainland China
■ Hong Kong, Taiwan and other countries

Staff turnover rate by gender (%)



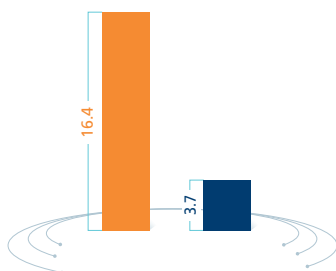
■ Male
■ Female

Staff turnover rate by age group (%)



■ Aged 35 and below
■ Aged 36-45
■ Aged 46-54
■ Aged 55 and above

Staff turnover rate by region (%)



■ Mainland China
■ Hong Kong, Taiwan and other countries

Number of staff of the Group
7,947

Labour contract signing rate
100%

Coverage of social insurance
100%

Staff turnover rate
8.2%

Environmental, Social and Governance Report

Fair Employment

The Group always adheres to the principle of equal employment that ensures fairness and openness of recruitment, and stands against discrimination against, among others, nationality, race, gender, health status, religion, political stance and marital status. The Group prohibits illegal labour practices such as the employment of child labour and forced labour, gathering diverse talents to make concerted efforts for development.

Remuneration and Benefits

The Group strictly observed various laws and regulations and labour policies in the regions where the Group operates, stringently implemented social welfare mechanisms of the regions where the Group operates, and established multifaceted remuneration policies and comprehensive benefits and protection characterised by “prioritising efficiency while giving consideration to fairness”, “stratified management with diversified rewards” and “satisfying industry standard and surpassing market performance”. The Group has formulated regulations such as the *Administration Measures on Staff Remuneration and Benefit* (《員工薪酬及福利管理辦法》), and is committed to providing multifaceted remuneration policies and comprehensive benefits and protection for its staff so as to encourage staff development. The Group has offered overseas medical and accident insurance, one-button alarm emergency rescue and a safe and comfortable overseas living and dining environment to its overseas staff, with a view to escorting its overseas frontline staff.

Democratic Management

Adhering to its “people-oriented” management principle, the Group has stringently implemented democratic centralism, and continuously improved the staff representative meeting, labour union and other mass organisational development. The Group has enhanced communication and exchange between its staff and management through diversified channels to strive to ensure the staff’s right to be informed, participate and supervise, and guided and encouraged its staff to be fully engaged in the Group’s operation and management. In June 2019, Colombo International Container Terminals Limited (“CICT”) appointed a world-renowned consulting and evaluation agency to conduct training for the staff of the Company. In response to the questions raised by the staff in questionnaires, the management proposed a series of rectification measures in order to solve the actual difficulties of the staff.



Staff Development

Adhering to the principle of “people-oriented, talents first” and attaching great importance to the mutual development of its staff and the entity, the Group has formulated its “1234” human resource strategy covering 1 platform (manpower management platform), 2 developments (system development, capacity development), 3 projects (offshore project, college project and incentive project) and 4 teams (leading talent team, senior management talent team, professional talent team and overseas talent team). The Group has smoothed staff career promotion path by formulating the *Staff Position Administration Measures* (《員工職級管理辦法》), and comprehensively conducted various trainings, with a view to developing a high-quality staff team and broadening the room for staff development.

Staff Training

The Group continued to improve and strengthen its training systems, built an innovative training platform, and conducted diversified and multi-level training so as to provide targeted training for staff with different needs. The Group has pushed forward the cooperation of schools, enterprises and governments to explore more opportunities for talent cultivation, empower all staff, and help its staff develop and enhance their personal values.

Platform Empowerment

Based on its “1234” human resource strategy, the Group has carried out the work of the human resource platform development, established a smart management platform, and empowered staff development with technological innovation. The smart management platform can achieve the Group’s performance goals on a project-by-project basis, digitisation of staff work behaviour and visualisation of capabilities and performances, thereby accurately displaying the talent picture in a multi-dimensional manner, stimulating the internal motivation of its staff and consequently forming a talent ecosystem of self-management and self-improvement.

Indicators	2019	
Total number of staff receiving training	545	
Average hours of training per staff by gender (hours)	Male	16.3
	Female	16.7
Average hours of training per staff by management position or business category (hours)	The Company’s senior operation managers	12.4
Percentage of trained staff by gender (%)	Male	52
	Female	48
Percentage of trained staff by management position or business category (%)	The Company’s senior operation managers	66

Environmental, Social and Governance Report

Training Enrichment

Based on the career development needs of its staff of different levels and business categories, the Group continued to conduct diversified and multi-level trainings so as to facilitate better and faster development of its staff.

Training talent Reservation

The Group has formulated the *Administration Measures for Internal Training Instructors* (《內部培訓講師管理辦法》) and *Administration Measures for Internal Courses* (《內部課程管理辦法》), which clearly defined the application, selection, requirements, assessment and motivation of internal trainers to effectively improve the management level of internal trainers and ensure the Group's training quality and human resource reserve. In 2019, the Group completed the first training camp for internal trainers and the teaching demonstration salon, and trained the first group of 40 reserved internal trainers, thus better fostering knowledge sharing and experience exchange among the staff.



Care for Staff

Fully demonstrating its compassionate care for its staff under the “respectful, caring and sharing” philosophy, the Group pays attention to the needs of its staff, advocates their work-life balance and provides assistance to the worker groups in need.

Worldwide Celebration of Corporate Day



A Staff Walkathon was kicked off at the headquarters of the Group on Corporate Day



Chinese and Sri Lanka staff of the Group released a total of 147 balloons together for celebration of CMG Group's 147th anniversary



Local staff of the Group took part in a walkathon in celebration of the Corporate Day in Djibouti



The Group launched a marine conservation charity campaign to celebrate the Corporate Day in Sri Lanka

Environmental, Social and Governance Report

Cultural and Sports Activities

Aiming to improving its employees' living standard, the Group has actively launched a variety of cultural and sports activities, thereby creating an optimistic, positive and harmonious working sentiment for them to realize happy work and healthy life.



Family Fun Sports Day



The "Appreciate Reading, Listen with your Heart" (悦读阅美, 聆聽新聲) reading competition organised by the Group

Care for Front-line Staff and Those Facing Financial Difficulties

The Group cares for both grassroots and frontline staff at home and abroad, while attending to the working conditions and personal lives of those facing financial difficulties. The Group has also expressed care to its staff with actions, such as paying visits and delivering heartwarming gifts during festivals.



Family Care Day was organised to address the needs of the staff and its family



Delivered warmth and love to the staff facing difficulties during festivals

Safety and Health

The Group is determined to comply with laws, regulations and standards related to occupational safety and health in the regions where the Group operates, including the *Production Safety Law of the PRC* (《中華人民共和國安全生產法》), the *Prevention and Control of Occupational Diseases Law of the PRC* (《中華人民共和國職業病防治法》) and the *Technical Specifications for Occupational Health Surveillance* (《職業健康監護技術規範》) in Mainland China and the *Occupational Safety and Health Ordinance* in Hong Kong, and formulates the *Occupational Health Management System* (《職業健康管理制度》) to regulate the management of occupational health of its employees and enhance production safety on an ongoing basis. No case of occupational disease was reported during the year.

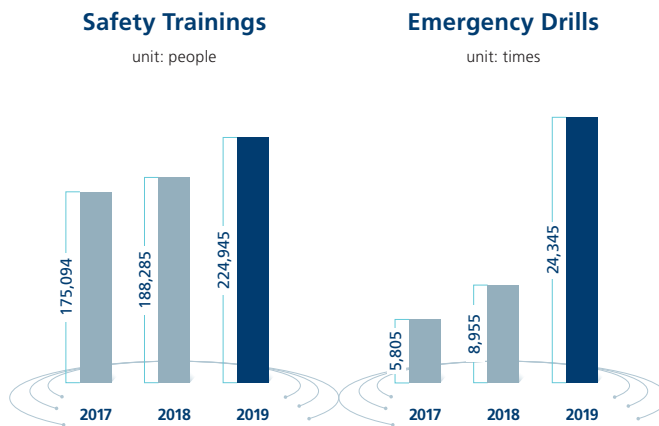
Strengthen Safety Training

The Group continued to conduct safety trainings for all staff to raise their awareness on safety and cultivate safety skills. In terms of fire safety, employees received trainings and drills in relation to fire prevention, which significantly raised their fire safety awareness. In 2019, the Group carried out trainings in respect of overseas public safety for employees stationing in overseas operations. By offering theoretical tutoring and practical exercise, the Group enabled its expatriate employees to be clearly informed of the types of public safety risk and general environment in foreign countries, and acquire the knowledge and skills pertaining to public safety risks, so as to better ensure the safety of its expatriate employees in the complicated international environment.

249 days
lost due to work
injury

0
work-related
fatalities for
3 consecutive
years

Coverage
rate of medical
check-up for
staff
100%



Environmental, Social and Governance Report



In 2019, the competence and health management has covered all domestic subordinate units and business contractors controlled/operated by the Group, involving a total of approximately **23,000** staff.

Develop Competence and Health Management

The Group commenced in-depth research and analysis in accordance with relevant laws and regulations in the regions where the Group operates. To maintain the health of its employees to the greatest extent, the Group partnered with Shenzhen Occupational Disease Control Hospital to formulate the *Administrative Measures on Competence and Health Management of Employees* (《從業人員適崗健康管理辦法》) and established the “App Information system for Competence and Health Management of Employees” (從業人員適崗健康管理App信息系統). In 2019, the first-stage content of the “App System for Competence Management” (適崗管理App系統) in relation to the management of department duty, staff information, medical check-up, medical report, health data, competence model, warning and intervention was completed.

COMMITTED TO PUBLIC WELFARE AND VOLUNTEERING

The original intention and aspiration of “Shaping Blue Dreams Together (C-Blue)”, a public welfare brand of the Group, were to build friendship and make progress with countries all over the world, promote development with innovation and self-improvement, and in turn realize collaborative development and growth. In 2019, The Group formed an official C-Blue volunteering team and offered professional trainings to the first batch of 169 volunteers. Meanwhile, the Group continued to launch public welfare projects relating to talent cultivation and community care, with a view to achieving the public welfare objective of “not only providing them with resources, but also enabling them to be self-sufficient” (授人以魚,又授人以漁).

C-Blue Training Programme

The “Shaping Blue Dreams Together — 21st Century C Blue Training Programme” (共鑄藍色夢想—21世紀海上絲綢之路優才計劃) has run for four consecutive years. Sponsored by China Merchants Charitable Foundation, hosted by CMPort and organised by professional institutions, this programme is an advanced comprehensive port and shipping training project targeting young talents in countries along the “Belt and Road”. In 2019, a total of two sessions of Programme Voyage (遠航班) (i.e. a summer programme and an autumn programme) and one session of Programme Frontier (啟航班) under the C-Blue Training Programme were completed, which cultivated high caliber core employees in the regions where the programme took place. A total of 44 students from 13 countries across 4 continents, namely Asia, Africa, Europe and South America, participated in the new training programme launched for outstanding local university students majoring in port and shipping in Sri Lanka in 2019. For the past four years, the C-Blue Training Programme fostered a total of 163 young talents from countries along the “Belt and Road” for the port and shipping industry worldwide. This diversified training programme not only provided more overseas students with a platform to learn, improve, share experience and engage in cultural exchange, but also facilitated talent cultivation of the Group and the global port and shipping industry.



Graduation Ceremony of C-Blue Programme Voyage

C-Blue Summer Camp for Realizing Children's Dream (C-Blue兒童圓夢夏令營)

On 10 August 2019, the Group organised the fifth session of "C-Blue Summer Camp for Making Children's Dream Come True" (C-Blue兒童圓夢夏令營) under the theme of "Intelligent Port, a Place to Start Pursuing Children's Dreams Together" (相聚智慧港 同啟少年夢), where 50 families with left-behind children gathered in Shenzhen and together visited the first 5G port laboratory in the Guangdong-Hong Kong-Macao Greater Bay Area and the largest storage yard equipped with automated RTG remote control system in China, both located in West Shenzhen Port Zone. A series of rich and diversified visiting and experiencing activities have enabled the children to understand the significance of efficient and smart modern intelligent ports and marine national defense and truly experience the hardship of their parents' work, thereby strengthening their parent-child relationships and enjoying quality time with their families.



The Fifth Session of C-Blue Summer Camp for Realizing Children's Dream (C-Blue兒童圓夢夏令營)



As of the end of 2019, the "C-Blue Summer Camp for Realizing Children's Dream" (C-Blue兒童圓夢夏令營) has serviced a total of **260** families with left-behind children

China Merchants Silk Road Hope Village

In order to further integrate with the local community, assist the underprivileged and give back to the community, CICT, being a key node of the "Belt and Road" initiative, systematically carried out a public welfare campaign with a target to "Plant Roots for Sustainable Development" (落地生根, 持續發展) upon thorough planning. At the beginning of 2019, CICT began the "China Merchants Silk Road Hope Village" (招商絲路愛心村) project, the purpose of which was to assist poor villages overseas by actively enhancing their local wealth-generating ability. Upon numerous visits, investigations and exchanges, the project team chose Pannila village, which was in desperate need of assistance, to include in the "China Merchants Silk Road Hope Village" (招商絲路愛心村) project. The team contributed to the construction of social activity centers, building and renovations of roads, and distributed schooling items and living necessities to local students and elderly, respectively, in Pannila village where has become CMG Group's first targeted poverty alleviation village in Sri Lanka.



CICT donated schooling items, daily necessities and nutritional supplement packages to 300 students and 119 elderly, aged 70 or above, respectively, in Pannila Village

Environmental, Social and Governance Report

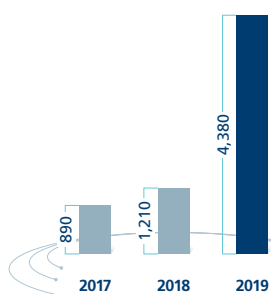
Community Volunteer Services

Adhering to the volunteer spirit of “Dedication, Friendship, Mutual Support and Advancement”, the Group encourages its subsidiaries to form a volunteer team to actively understand the needs of surrounding communities, the public and the disadvantaged and provide assistance as possible as they can.

Charity Donations
HK\$20 million

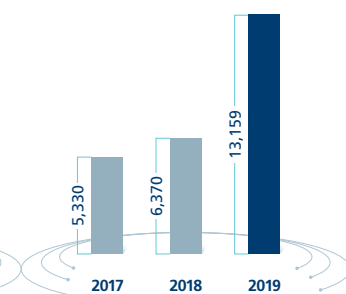
Number of staff who have participated in voluntary activities

Unit: people



Voluntary service hours

Unit: hours



Shantou China Merchants Port Group Co., Ltd. has been devoting continuous efforts in visiting and caring the elderly who live alone in the community and providing family support to them over the years



The Group jointly organised a voluntary service activity of caring autistic children with Shenzhen Nanshan Volunteer Federation (深圳市南山区义工联合会)

