

- 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, Taiwan, Ningbo, Shanghai, Qingdao, Tianjin, Dalian, Zhangzhou, Zhanjiang and Shantou, as well as in South Asia, Africa, Americas, Oceania, Europe and Mediterranean Sea, amongst others.

In 2018, the Group has invested in 34 ports in 18 countries and regions and the container throughput handled during the year amounted to 109 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 2018 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.

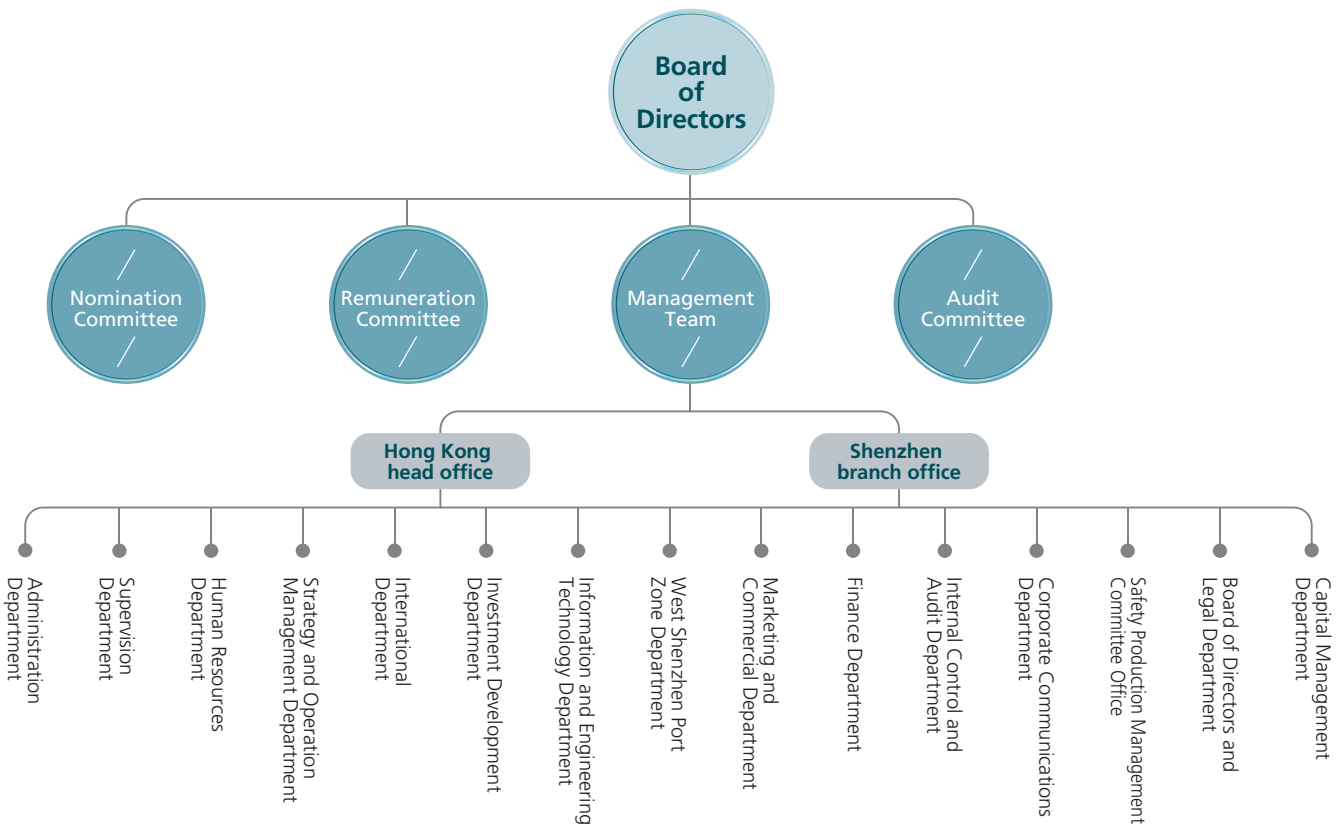
CORPORATE GOVERNANCE

Governance Structure

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.

Governance structure diagram



Members of the Board

Executive Directors



Fu Gangfeng
(Chairman)



Su Jian



Xiong Xianliang



Bai Jingtao



Zheng Shaoping



Wang Zhixian

Independent Non-executive Directors



Kut Ying Hay



Lee Yip Wah Peter



Li Kwok Heem John



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 Group 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 Group also takes responsibility to its stakeholders, including shareholders, the government, customers, staff and business partners. At the same time, it actively participates in social environmental protection campaigns initiated by the nation as well as relief work and donations to developing countries at an international level, with an aim to promote sustainable development of both the entity and the society.

Culture of responsibility

We adhere to the responsibility concept system containing corporate mission, vision, core values, philosophy and corporate spirit and strive to achieve value sharing and mutual benefit and promote a healthy, sustainable, stable and harmonious social development.

Promotion of responsibility

The Group has continuously been deepening responsibility awareness and improving the establishment of responsibility management mechanism and system to constantly integrate social responsibility concept into collective operation and management and continuously improve social responsibility management level.



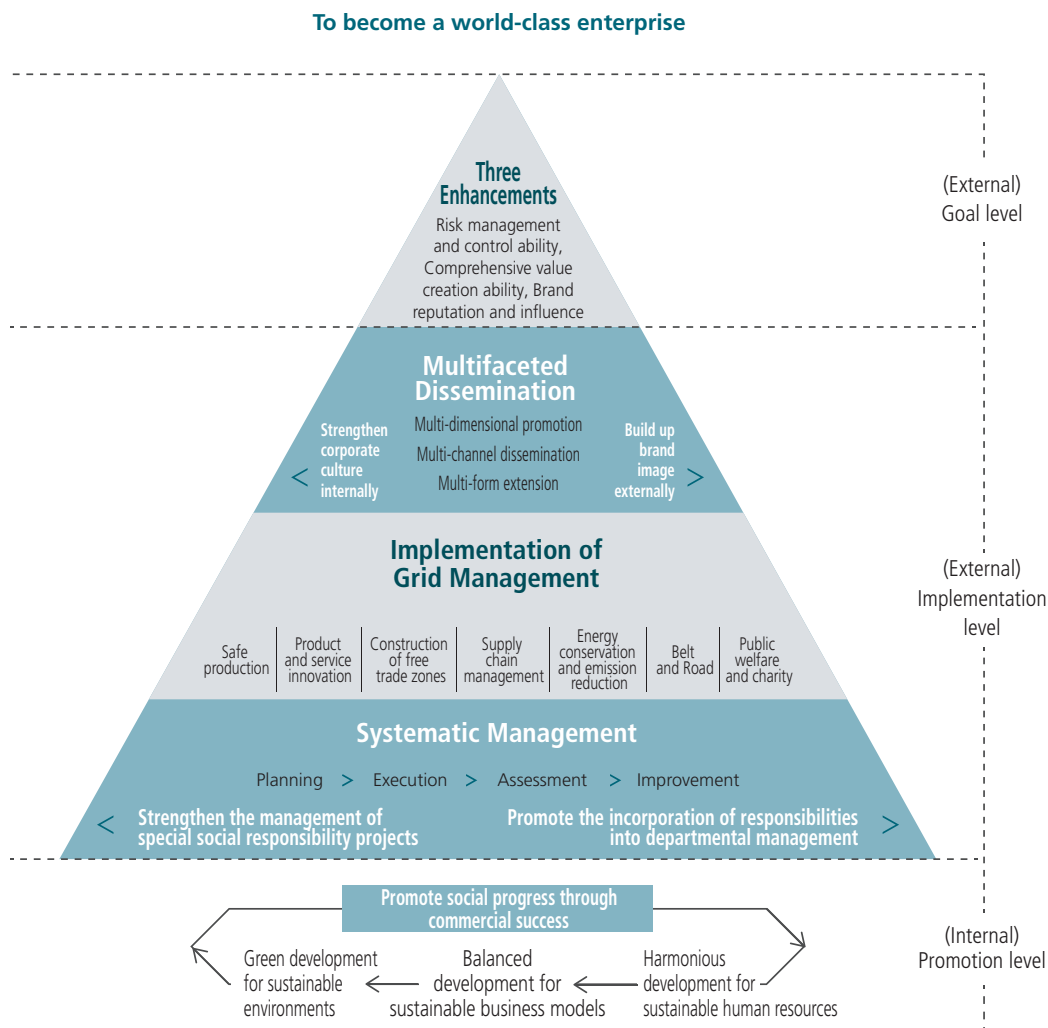
Social Responsibility Management System

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, 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.

Social Responsibility Promotion Model

The Group's "mission-oriented" social responsibility promotion model consisted of three levels as a whole, namely "promotion level", "implementation level" and "goal level". The "promotion level" is the internal level that represents the







Group's internal driving force for pushing forward social responsibility tasks. Our corporate mission of "promoting social progress through commercial success" acted as the main core of the driving force, while the three developments and three sustainabilities served as general requirements. The "implementation level" is the lower external level that aims at effective implementation of social responsibilities by incorporating social responsibilities into functional management and business processes via three pathways, namely, management, implementation and dissemination. The "goal level" is the upper external level that aims at enabling the Group to achieve the ultimate goal of "to be a world's leading comprehensive port service provider" by enhancing its risk management and control ability, comprehensive value creation ability, brand reputation and influence.



"Mission-oriented" social responsibility promotion model of the Group

Communications between Stakeholders

The Group placed great emphasis on communication with stakeholders to constantly improve the transparency of corporate operation. By establishing a multi-channel platform to enhance communication with various stakeholders, the Group would actively understand the expectations and respond to the appeals of stakeholders and strive to build a closer partnership with them.

Stakeholders	Communication channels and methods	Expectations on the Group	Corresponding measures taken by the Group
 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 monitoring policies and pay tax in accordance with the laws Actively take up social responsibilities by leveraging its professional strengths
 Customers	<ul style="list-style-type: none"> Information disclosure Hotlines and activities Customer surveys 	<ul style="list-style-type: none"> Offer high cost-performance services and products Enhance service standards Reliable privacy protection 	<ul style="list-style-type: none"> Strengthen quality management and control in all aspects Lay stress on customer information protection Follow the development trend of "Internet+" to innovate the form and content of its services
 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 Achieve win-win situation through joint cooperation
 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 Establish sound working environment
 Environment	<ul style="list-style-type: none"> Environmental information disclosure Forums and exchange activities 	<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"> Commence green operation Strengthen cooperation in the field of green ecology Promote the development of green industries
 Society	<ul style="list-style-type: none"> Charitable events Volunteering services Information disclosure 	<ul style="list-style-type: none"> Promote local development and enhance community values Support social public welfare 	<ul style="list-style-type: none"> Push forward professional and strategic charitable activities and actively engage in assistance programs for designated areas and post-disaster reconstruction Encourage staff to participate in volunteering activities

Balanced development to create shareholders' value



Profit attributable
to equity holders
of the Company

7,245

HK\$ million

Return on Equity

9.7%

Total assets

139,937

HK\$ million

REINFORCE MANAGEMENT AND CONTROL, INNOVATION-DRIVEN DEVELOPMENT, ESTABLISH ECOSYSTEMS FOR DIFFERENT INDUSTRIES

Gravitating upon the vision of “to be a world’s leading comprehensive port service provider”, the Group will reinforce the management and control to consolidate the foundation for sustainability with integrity, steady development approach,

high efficiency and transparency. It will also speed up the process of implementing strategies regarding innovation-driven development on the basis of “seeking for changes while maintaining stability, seeking to promote innovation among changes, and seeking to progress on the back of innovation”, with a view to achieve new leap by capitalizing on the advantages in terms of capital, brand, management and location.

Risk Management and Response System					
Organisation Structure					
Management and Control Vertical Risk	Decision-making Level for Risk-related Matters	Board			
		Audit Committee			
	Risk Management and Control Level (including subordinated companies)	Business Functional Department	Functional Management Departments and Risk Control Organisational Institutions	Audit and Monitoring Functional Department	
		First Line of Defence Implementation and Maintenance of system	Second Line of Defence Formulation, Coordination and Management	Third Line of Defence Independent Monitoring, Evaluation and Audit	
Horizontal Risk Management and Control					
Operational Mechanism					
Risk Management and Internal Control System					
Risk Identification >		Risk Assessment >		Response, Tracking and Evaluation of Risk	
To formulate checklists regarding annual core risks based on information such as analysis on macroeconomic environment and operations, annual evaluation of internal control, special audit, internal monitoring and risk alerts, etc.		To obtain annual risk evaluation results through risk evaluation survey, analysis on interviews with senior management and material risk, incident evaluation of risk preference and tolerance		To continuously optimise response strategies for material risks, including formulation and implementation of tackling measures, tracking and monitoring, evaluation and rectification, etc.	
Management Tools					
<ul style="list-style-type: none"> • Operation analysis and thematic meetings • Special audit and inspection reports • Risk alert indicator system 		<ul style="list-style-type: none"> • Risk survey and evaluation models • Special interviews with senior management • Risk alert indicator system 		<ul style="list-style-type: none"> • Statistic showing current status of risk response • Rectification and tracking of internal control deficiencies • Special research reports 	
Security and Support					
<ul style="list-style-type: none"> • Building risk management teams • Evaluation mechanism for risk management 		<ul style="list-style-type: none"> • Promoting risk management culture • Information platform for risk management and internal control 			

Legal audit rate of material operational decisions
100%

Legal audit rate of business contracts
100%

Legal audit rate of regulatory system
100%

Enhancing Risk Management and Control Capacity

The Group insisted on pursuing progress while maintaining stability and continued to optimise its comprehensive risk management system. The Group solidly promoted the establishment of a “standardised, compliant and incorrupt” enterprise by voluntarily subjecting itself to supervision of respective stakeholders. It also enhanced the risk control system to basically cover all key processes in operation by expanding the scope of assessment and exerting greater efforts in daily management and control for both internal and external risks in terms of identification, assessment, tracking, report, solution and prevention, with a view to achieving daily and comprehensive internal control and risk management. In 2018, the Group has no material risk incidents or material loss on assets.

ANTI-CORRUPTION AND ADVOCATING INTEGRITY

In 2018, the Group fully implemented the spirits of the 19th National Congress of the Communist Party of China (“CPC”). Under the guidance of the philosophy of socialism with the characteristics of China in the new era proposed by Xi Jinping and led by the spirits of the Second Plenary Session of the 19th Central Commission for the Discipline Inspection, the Group was in strict compliance with the deployment and requirements of “four comprehensive, four upholds (四個全面、四個堅持)” raised at CMG Group’s meeting in relation to clean and honest management and anti-corruption. Combined with its strategic goals and annual tasks, the Group has enhanced internal supervision and reinforced supervision of discipline enforcement and accountability, maintaining a tough stance on combating corruption. It has also strengthened its efforts in rectifying the “four working styles (四風)”, striving to building an anti-corruption system that people “dare not, cannot and will not corrupt (不敢腐、不能腐、不想腐)” and deepening the comprehensive development under strict governance of the Party so as to provide solid assurance for becoming a world's leading comprehensive port service provider.

Stringent accountability system to promote implementation of dual responsibilities

Firstly, the Group took party building in respect of politics as the priority and strictly complied with political discipline and political rules. Focusing on political positions, principles, responsibilities and disciplines, the Group reinforced its supervision of discipline enforcement and accountability, and carefully selected candidates based on their political position, integrity and image during the recruitment process so as to ensure a clean political ecosystem within the Party in all aspects. Secondly, the Group reinforced the allocation of responsibilities and consolidated the accountability system. At the beginning of the year, the Group signed the Letter of Responsibility on Integrity Building within the Party with its subsidiaries to ensure responsibility across all levels. The management strictly implemented the principle of “Same responsibility for the Party and the Government, Dual Responsibility for One Position and Actions against Negligence (黨政同責、一崗雙責、失職追責)”. At the end of the year, the supervisory department of the Group will jointly make an appraisal on its subsidiaries with the Human Resources Department, the results of which will be linked to the performance of such companies. Thirdly, the Group adhered to the principle of management of cadres by the Party and constantly integrated ethics with professionalism and took integrity as the priority so as to put the standards of good cadres into practice. The Group has revised its systems including position management, performance appraisal and remuneration management of staff, thus further standardizing the mechanism and rules of talent management and improving the evaluation system of “ethics, capability, diligence, performance and integrity”. The discipline inspection and supervision department will be responsible for evaluation and supervision of the selection of the Group’s management.

Reinforcing building of disciplines to create an atmosphere of “dare not corrupt”

The Group organized regular education on disciplines to proactively create an in-depth atmosphere of “dare not corrupt” through demonstration of typical positive examples as guidance and typical negative examples as warning and lesson. The first objective is to learn from the positive examples and establish models as demonstration. The second objective is to put the “four forms (四種型態)” into practice to early focus on minute details. The third objective is to ensure proper reporting and review by making use of the accountability system.

Reinforcing construction of mechanism to laid down the solid boundary of “cannot corrupt”

Firstly, the Group has established an evaluation mechanism of integrity risk points, focusing primarily on prevention. The supervisory department of the Group will, based on the integrity risk points gathered by its subsidiaries, perform tasks such as targeted inspections and sample tests, listen to specific reports, interview staff of key positions and review relevant samples and drafts to ensure accurate identification of integrity risks with effective prevention and control measures in place, thereby ensuring risks are under control and preventable. Secondly, the Group has rationalized and optimized its systems to ensure its operation is in compliance with the laws. Any system that involves the exercise of power shall be improved constantly to integrate integrity building into the whole process of daily operation and management, thereby preventing and controlling integrity risks from the source of systems and preventing the abuse of power. Thirdly, the Group has improved the synergy-sharing mechanism to realise monitoring with joint efforts. Based on its actual business, the Group has revised the system of the Administration Measures on the Supervision of Integrity Building within the Party Through Comprehensive Synergy-Sharing (黨風廉政建設監督工作全面協同管理辦法), convened themed conferences on synergy to formulate plan for, conduct research on and provide supervision over synergy-related events. Each functional department has organized self-reflection, self-correction and

problem rectification within the system so as to effectively implement the synergy-sharing supervision of integrity building within the party. The Group has formed an “integrity safety net” to realise monitoring with joint efforts. Fourthly, the Group has increased the power delegated to the Commission for Discipline Inspection with clearly defined duties and strengthened accountability system. Fifthly, the Group has established the inspection mechanism and formulated the Measures for the Inspection of the Party Committee (Trial) (黨委巡察工作辦法(試行)), the “Work Plan for the Inspection of the Party Committee (2018-2022) (黨委巡察工作規劃(2018-2022年))”. It has also established leadership groups for the inspection of the Party Committee and inspection office for the Party Committee, thereby improving the mechanism and providing organizational support for the Group’s commencement of political inspection in the next stage.

Reinforcing building of concepts to firmly establish the the defense line of “will not corrupt”

The Group has put the study and education principle of “frinciple to tgelitic 兩學一做) into a systematic and normal practice, which is conducive to the consistent implementation of the close integration of Party building in terms of concepts and organization with Party governance through systems, and is an effective approach to constantly strengthen works in relation to concept and political building of the Party. Firstly, the Group has regarded the rules and regulations under the Constitution of the Communist Party, laws and regulations and model cases as important contents for training the party members and cadres. We enhanced the knowledge and “red line” awareness of the party member cadres by organizing special trainings and prevented the mistakes due to “those who know nothing fear nothing (無知者無畏)”. Secondly, the Group has duly studied and implemented the spirits of the 19th National Congress of the Communist Party of China (“CPC”). Leveraging the “Learning Week” event, the Group has been proactively promoting the establishment of a learning-oriented enterprise. Thirdly, the Group has launched the education of alert awareness to firmly establish the psychological defense line.

Reinforcing team building to enhance duty performance capability

By organizing specialized business trainings and Learning Week activities for the discipline inspection and supervision team, the Group has developed a “strict, pragmatic, in-depth and careful” working style and established a truly loyal, clean and responsible discipline inspection and supervision team. Firstly, the Group arranged over 50 discipline inspection and supervision officers from the headquarters and the subsidiaries to attend specialized business trainings for discipline inspection and supervision in Shanghai Jiaotong University. Secondly, the Group assigned new discipline inspection and supervision officers to attend trainings in the discipline inspection and supervision academy to improve their professional capability of discipline inspection and supervision. Thirdly, the Group has compiled three volumes of the “Building of Concepts (思想建設)” periodic to enrich learning contents for discipline inspection and supervision officers and party members to study. Fourthly, by seizing the opportunities of supervision and inspection, the Group facilitated the exchange and dissemination of experience in discipline inspection and supervision, so that the responsible personnel can learn from each other’s advantages, work with concerted efforts and at the same pace for the same goal. Fifthly, the Group invited the management of the CMG Group’s inspection department to provide trainings for the discipline inspection personnel at the headquarters to enhance their capabilities. Sixthly, the Group organized the “Learning Week” activities under the theme of “Raising learning awareness, enhancing duty performance capability and become a loyal and responsible discipline inspection officer (增強學習意識,提升履職能力,做忠誠擔當紀檢人)” with a view to building a learning-oriented discipline inspection team.

Reinforcing the building of working disciplines to promote in-depth development through comprehensive and strict governance of the Party

Firstly, the Group consolidated the achievements from work against “four working styles”. The Group upheld a top-down approach to prevent the rebound of this adverse trend from the leaders at various levels; while constantly consolidating and expanding the achievements from the spirit of the eight-point frugality code of the central government. Secondly, the Group organized internal inspection. Thirdly, the Group organized specialized self-reflection and self-correction.



Training course for cadres of the discipline inspection and supervision team

Compliance with relevant laws and regulations which have a significant impact on the Group

The Group has complied with various laws and regulations relating to bribery, extortion, fraud and money laundering.

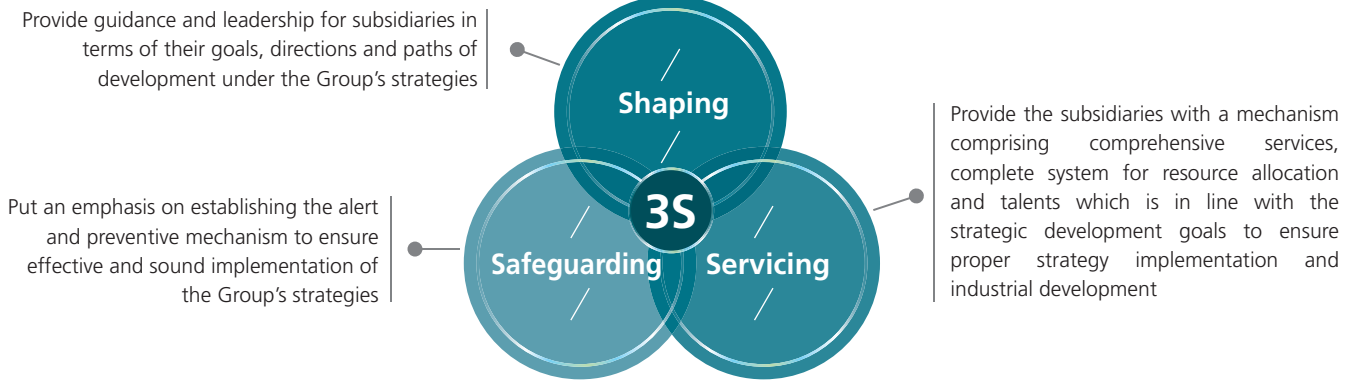
For the year ended 31 December 2018, there was no incident of non-compliance with relevant laws and regulations which have a significant impact on the Group.

ENHANCING QUALITY AND EFFICIENCY

With a growing scale, it was an intrinsic requirement for the Group to build up its ability of organic growth in order to be a world’s leading comprehensive port service provider. We grasped the balance between “quality” and “efficiency” with a view to comprehensively enhancing the management and control efficiency of the Group through exploration of potential efficiency enhancement and improvement in informatisation of management on an ongoing basis, thereby consolidating our core competitiveness in the market.

Deepening the management and control over “3S”

The Group re-examined its management and control model with a focus on building the “headquarters of authority”, “headquarters of values” and “headquarters of innovation”. Capitalising on the management and control functions of the headquarters in terms of shaping, servicing and safeguarding, the Group proposed 16 specific measures on optimizing the “3S” management, and formulated and implemented 22 projects in relation to the optimisation of management and control, with a view to further reinforcing differentiated management of various business segments and innovation ability of the mechanism as well as the quality of the Group’s development.



Management System Certification



Enhancing cost management and control

Taking its actual conditions into account, the Group promoted enhancement in cost management and control for different business segments by commencing dynamic monitoring and alerting for costs and differentiated management and control over business segments based on their actual business features.

Strengthening the informatisation of management

Adhering to the Group's strategic directives on the back of informatisation, the Group has established a sound informatisation management system, with a view to constantly shortening the distance of control and enhancing the Group's working efficiency and quality of service by proactively promoting the progress of informatisation projects, such as the establishment of a standardised data management system and master data platform, completing the upgrade of cloud platform, operating and analysing system for virtual network projects and EAS financial management system, and the mobile office system 2.0.

Enhancing Core Competitiveness of the Industry

Adhering to its working philosophy of "enhancing capability, quality and efficiency to achieve mutual benefits through selfimprovement and collaboration", the Group will capitalize on the opportunities brought by various policies. Leveraging on the establishment of "port ecosystem", the Group will continue to increase the scale and enhance the strengths of its core port operation and accelerate its transformation towards an integrated services provider, with an aim to achieve new breakthroughs in aspects such as homebase ports construction, ports consolidation, overseas ports network as well as innovative development and thus advancing towards its vision "to be a world's leading comprehensive port service provider".

Quality Products

Based on different industry features and customer needs, the Group continuously promoted its subordinate companies in establishing a comprehensive and quality customer service mechanism. To this end, continuous efforts have been made to obtain certification for its environmental management system and produce quality goods so as to increase the level of customer satisfaction and recognition on a continuous basis.

Since 2008, the Group has officially commenced the external auditing for ISO standards. At that time, there were serious illegal immigration problem at ports, which arouse great attention to the handling procedures of dangerous goods. In order to avoid risks, the Group decided to improve and prevent incidents of the same kind by engaging third party expertise. Meanwhile, shipping companies required ports to take relevant preventive measures and obtain certificates for meeting standards step by step to ensure port safety and compliance as well as avoid any losses of benefits of the shipping companies. Driven by the market needs and social responsibility, the Group has officially implemented its ISO projects in 2008 and Bureauveritas, an internationally renowned standard evaluation company, was selected as the external ISO auditor of the Group.

The Group has complied with various laws and regulations to respect product responsibility relating to health and safety relating to products and services provided.

For the year ended 31 December 2018, there was no incident of non-compliance with relevant laws and regulations relating to products and services provided which have a significant impact on the Group.

Low-carbon growth to create a green future for all



Carbon dioxide emission

108,000

tonnes

Comprehensive energy consumption per RMB 10,000 operating income (based on comparable prices)

0.0267

tonnes of standard coal/RMB 10,000

Capital investment for energy conservation and emission reduction

107.21

RMB million

GREEN MANAGEMENT, GREEN OPERATION, GREEN ECOSYSTEM

The Group embeds environmental elements into corporate development. During the whole life cycle of projects, the Group adheres to green ecological development philosophy and practice, and continuously pursues sustainable development in economic, environmental and social aspects as a whole by leveraging innovative green development models, strengthening development and application of energy conservation technologies, optimizing green industry network and promoting green culture among its staff. Meanwhile, the Group strives to develop a green accountability chain and a green ecosystem with joint efforts of the community. With the concerted efforts of various parties, the Group is able to develop innovative solutions for sustainable environmental development and play its part in pushing forward ecocivilisation.

Green Management

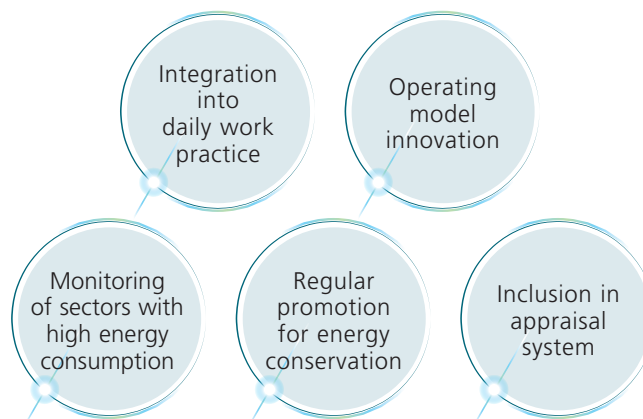
The Group has integrated environmental accountability into its operation process by establishing environmental management system, which has continuously arouse the environmental awareness and enhance the capabilities of members along the value chain, and thus putting the internalised environmental philosophy into practice and achieving sustainable development in economic, environmental and social aspects as a whole.

Promoting Energy Conservation and Emission Reduction

The effective use of energy is not only conducive to easing pressure on national energy shortage, but is also helpful to reduce corporate operating cost. The Group have actively provided energy conservation management and technological upgrade for energy conservation, with a view to promoting the application of efficient and low-carbon energy, enhancing energy utilisation efficiency and reducing carbon emission.

The Group encourage its subordinate companies to take initiatives to provide energy conservation management and reduce the use of energy and greenhouse gas (such as carbon dioxide) emission through specialised management, innovative

operating model and integration into daily work practice.



Strengthening Environmental Management System

The Group play an active role to enhance environmental management technologies and organisational capabilities, develop an information system for energy conservation and emission reduction which is applicable to the whole Group, and keep improving an organisational system for energy conservation and emission reduction, thereby establishing a multi-level organisational system for the headquarters and enterprises at all levels to form a top-to-bottom and respective management control model and enhance the Group's environmental management level.

The Group's environmental management and organisational system

Led by the headquarters

responsible for the coordination with subsidiaries, supervision and management over their energy conservation and emission reduction.

Organised by subordinate units

responsible for the daily management and supervision, and report to the headquarter of the Group on the initiatives for and effectiveness of energy conservation and emission reduction during the year.

Implemented by business entities

responsible for the establishment of a working system for energy conservation and emission reduction, which have been managed and controlled as regular routine works.

Energy Conservation, Emission Reduction and Environmental Management System			
Goal	To become a world leading energy-saving, environmentally-friendly enterprise		
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 Headquarter of the Group will be responsible for formulating environmental protection principles, planning system, evaluation methods and standards.	Organisational Level The Group will take its subordinate companies as key points of management and control. Leading groups or organisational institutions were established to make plans for energy conservation and emission reduction, whereas such plans will be included in daily operational management and control mechanism.	Implementation Level Companies of all levels 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.
Security System	<ul style="list-style-type: none"> • Environmental performance is linked to annual appraisal, so as to gradually develop a sound appraisal system with reward and punishment • A comprehensive monitoring and information reporting system for energy conservation and emission reduction was built 		

Green Supply Chain Management

The Group actively encourages its suppliers to fulfill their environmental protection responsibilities and integrates their sustainable development requirements into the entire procurement process of the Group, including supplier certification, product selection, performance management, procurement implementation and supplier withdrawal, etc., with an aim to promoting suppliers to continuously improve their level of responsibility and gradually convey the environmental protection requirements to downstream suppliers.

Green Operation

The Group integrates the green development philosophy and practice into the entire production and operation process. Through replicating and promoting the green development model and continuous innovation of green technology, the Group further enhances its competitiveness and influence in the low-carbon field, which plays a pivotal role to explore

potential business opportunities and leverage the new growth points for building up its strengths to achieve low-carbon and efficient development.

Development and Application of Energy Conservation Technology

The Group proactively uses efficient energy, conducts research and development on and uses new energy conservation technologies and products, eliminates high-consuming and outdated products and technologies, and reduces energy consumption loss due to backward technologies and products. Successful projects such as “substation of fuel-powered equipment with electricity-powered equipment (油改電)” and “shore-powered supply for vessels (船舶岸基供電)” have been promoted and expanded into our ports to continuously enhance the application of new energy conservation technologies and products, strive for the harmonious development of the environment, society and corporation, and demonstrate its corporate social responsibilities to develop green shipping.

Promoting Optimisation of Energy Structure

Through workflow optimisation and improvement in energy consumption structure, the Group has gradually phased out high-consuming technologies, equipment and operating model. For instance, the Group has substituted fuel-driven operation with clean electricity with low-carbon emission, and gradually reduced the over-reliance on fossil energy for transportation service, which has facilitated the “low-carbon” transformation in the production, application and maintenance of transportation vehicles and transport facilities.

Green and Low-carbon Projects

RTG Remote Control project (Phase 3)

The Group upgraded the RTGs (rubber-tyred container gantry cranes) and the respective communication network by adopting a remote control system for RTG cabs in port zones, and installing a large monitor screen and remote control panel in the central control room, thereby realising coverage of leaky cable communication network. Through the remote control system, the Group is able to fully capitalise on its human resources (i.e. drivers) and reduce its labour cost by allocating one driver to several cranes instead of using the one-to-one allocation. Meanwhile, with the implementation of “substation of fuel-powered equipment with electricity-powered equipment” for RTGs, the fuel consumption for relocation of RTG accounted for approximately 50% of total fuel consumption. The Group is also able to reduce the relocation frequency of RTGs and their fuel consumption by using multifunctional RTGs under the RTG remote control system. By the end of the year, all RTGs, storage yards, operation centers and machinery room equipment have completed installation and commission, passed the performance test of Shenzhen Special Inspection Institute and obtained the inspection certificate. Upon completion, it will be the first RTG remote control port in the PRC.

Shore-powered supply for vessels (Phase 2)

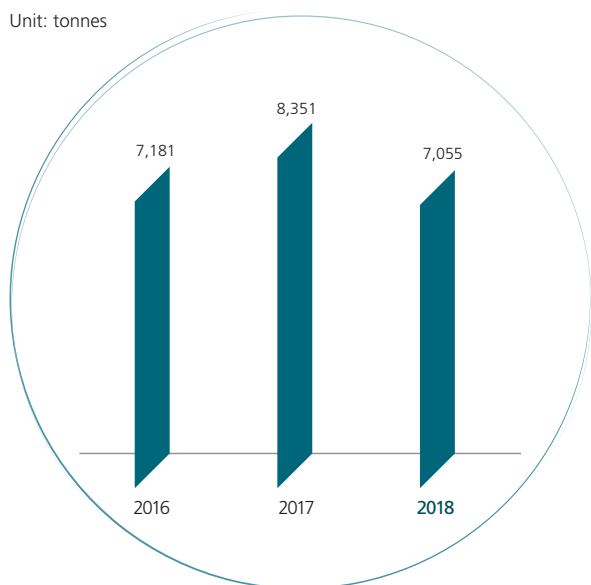
Shore-powered supply for vessels means that terrestrial power supply is used rather than using generating units in vessels during the docking period. We intend to set up shore power supply facilities at the existing docks to provide shore power supply during the docking period, and cease to use generating units in vessels. Shore power at terminals is generated by using backup shore power boxes in vessels and connecting power cables with electrical equipment in vessels. Shore power capacity provided at terminals is rated power capacity of a single generating unit in vessels docking at ports, which ensures the fulfillment of electricity needs for electrical equipment in vessels. With further promotion of the shore-powered supply for vessels (phase 2) in 2018, another set of power supply facility with a capacity of 3000KVA is expected to be installed to provide services to both docks simultaneously, thereby achieving interconnection with shore-powered supply for vessels (phase 1).

ERTG transformation project for power storage and saving

ERTG (rubber tyred gantry cranes, i.e. “substitution of fuel-powered equipment with electricity powered equipment (油改電)”) is the earliest environmental protection and power saving technology developed by the Group. In 2017, technological upgrade of replacing old diesel-fired power generating units with high power by low-power ones (high-power to low-power shift), which was developed based on the ERTG project, was adopted to optimize the ERTG project continuously. In 2018, the battery power supply technology and hybrid power technology have been adopted to further reduce or eliminate the fuel power used during the operation and relocation of ERTG, which not only reduced the power consumption but also enhanced the environmental performance.

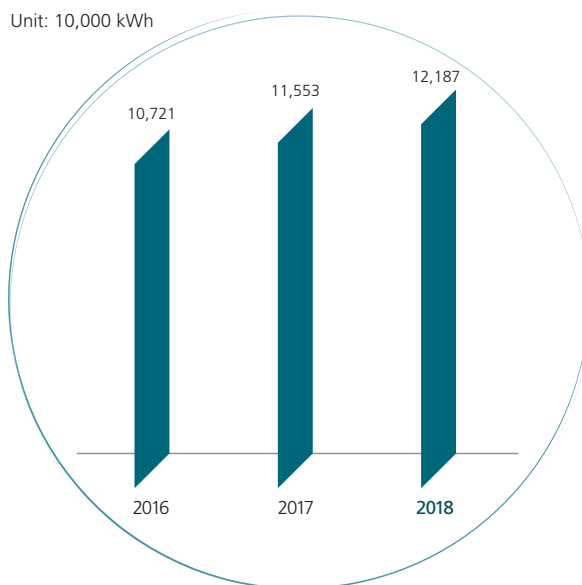
Diesel consumption (excluding outsource)

Unit: tonnes



Electricity consumption

Unit: 10,000 kWh



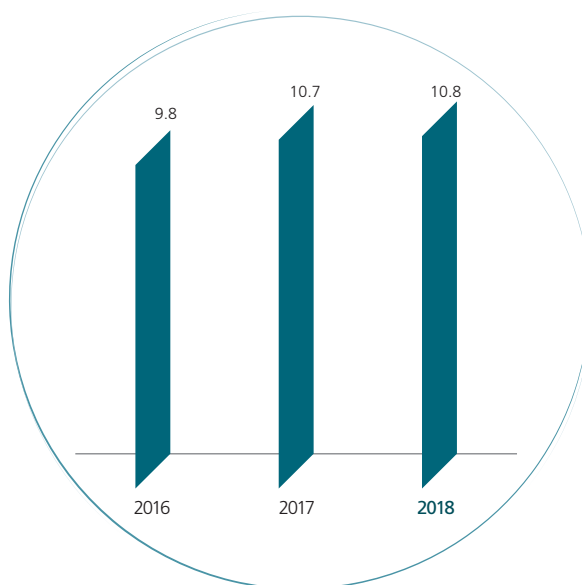
Comprehensive energy consumption per RMB10,000 operating income (based on comparable prices) ^{Note 1}

Unit: tonnes of standard coal/RMB10,000



Carbon dioxide emissions

Unit: 10,000 tonnes



Note 1: Comprehensive energy consumption per RMB10,000 represents the ratio of corporate comprehensive energy (e.g. electricity, gas, oil, etc.) consumption to total production value of the energy-consuming unit (total comprehensive energy consumption (tonnes of standard coal)/RMB10,000) during the reporting period of the statistic. In addition, water is not one of the major energy consuming units and measuring indicators of the Group as it is only used for purposes such as office cleaning, sanitary equipment and drinking water.

Reducing Pollutant Emission

The Group prevents ecological pollution induced by waste discharge during operation process of enterprise with its best endeavours. During project planning, design, operation and services, the Group always adheres to environmental protection principle and stringently observed relevant laws and regulations so as to minimise the environmental impact posed by production and operation. The Group has no environmental pollution incident during the year.

“Zero” Discharge of Oil-polluted Water

To avoid water pollution caused by oil-polluted water and initial oil-bearing rainwater in the port area, the Group has innovatively set up a professional wastewater treatment facility with “oil separation + biochemical + filtration” functions in the machinery cleaning area. This not only ensured efficient treatment of oil-contained wastewater from daily cleaning, but also facilitated the collection and isolation treatment of initial oil-bearing rainwater. Since the commencement of operation, both oil-polluted water and initial oil-bearing rainwater have been treated in oil separation tank located in wastewater treatment station. After testing and approval, the treated

water was then discharged to the municipal sewage treatment plant. Water samples from the discharge ports conformed with the emission standards of Guangdong Province, signifying that the facility has realised the target of “Zero” discharge of oil-polluted water and thus effectively protected our water resources.

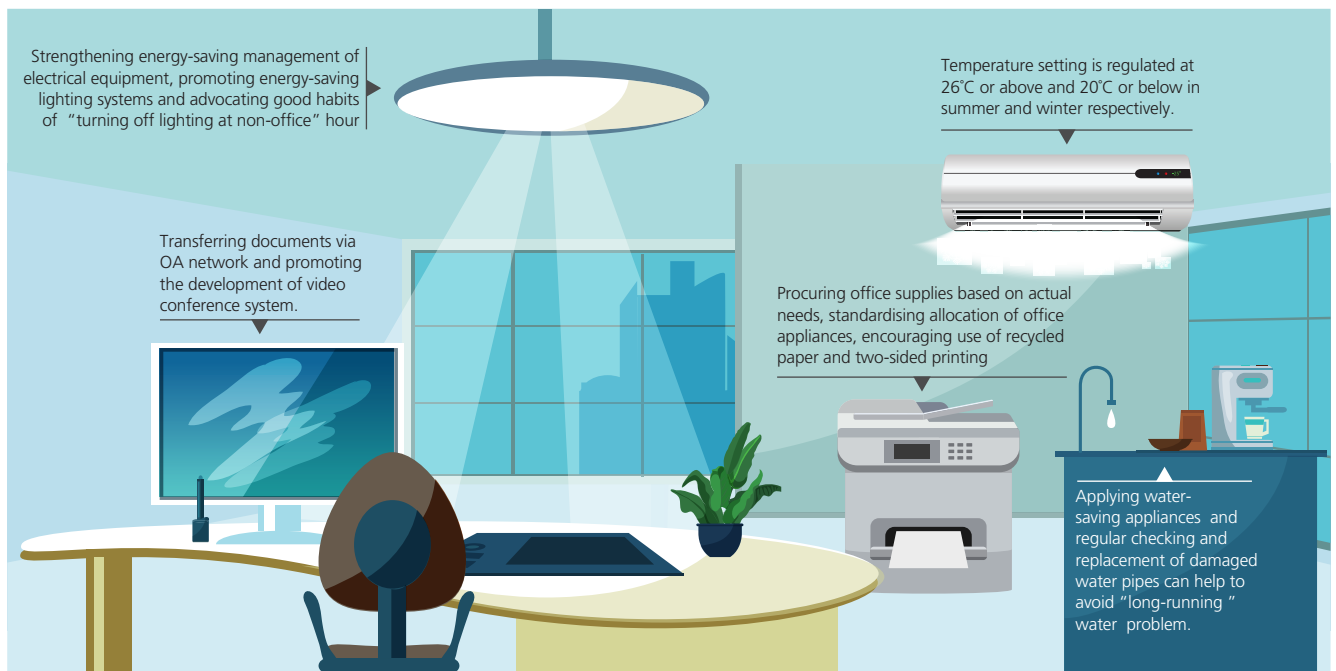
Minimise Waste Pollution

Strict waste classification system has been implemented in port zone, under which hazardous wastes were required to meet the classification requirements of the unified road cargo manifest so as to ensure consistency in product description and quantity. In addition, qualified professional environmental protection companies were appointed for proper handling while all general wastes were disposed in a reasonable manner in compliance with requirements of relevant regulations.

Green Office

The Group fully integrated the concept of energy conservation and emission reduction into daily operation and encouraged employees to start from themselves by saving electricity, water, paper, packaging materials or office supplies.

Graph of Green Office



Compliance with relevant laws and regulations which have a significant impact on the Group

The Group has complied with various national environmental laws and regulations to ensure a proper treatment and disposal of waste. For the year ended 31 December 2018, there was no incident of non-compliance with relevant environmental laws and regulations which have a significant impact on the Group.

Advocating Green Life

The Group will proactively organize activities of various forms, such as energy-saving publicity week and low-carbon day, with a view to advocating the concept of energy saving with its best endeavors and contributing to the building of ecological civilization.

China Merchants Container Services Limited ("CMCS") charitable and environmental-friendly activities

Adhering to the principle of solving the trash problems caused by typhoon "Mangkhut" with our all-out efforts, CMCS arranged staff to carry out suburban clean-up activities in Tai Mo Shan Country Park.



Cleaning up white trashes in Shenzhen Bay Park to realise "Shenzhen Blue" via real actions



Cleaning up the white trashes in the hidden area of the main road and the leaves on the sidewalk of the park



Clean-up activities of CMCS in country park



China Merchants Port Services (Shenzhen) Company Limited organised Blue Ocean Clean-up Day (藍色海洋清潔日)

People-oriented policy to promote staff development



Investment
in safety production

98

RMB million

Coverage of
trainings for staff
at headquarters

100%

Percentage of
female senior
management

20.45%

EMPLOYEE RIGHTS AND INTERESTS, STAFF DEVELOPMENT, CARE FOR STAFF, SAFETY AND HEALTH

The Group regards employees as the most important resources. It believes that the development of the Group is dependent on and for the interests of its employees, hence, it seeks to grow with its employees and share the results of its operation with them. The Group has established comprehensive systems and mechanisms to protect the rights and interests of its employees so as to safeguard their rights, health and safety at workplace. The Company also provided necessary and sufficient basic protection and resources for health and safety, and improved and enhanced the same on a continuous basis.

Employee Rights and Interests

The Group continued to adhere to the “people-oriented” management principle and has established a standardised labour management system, under which it respects and protects the legal rights and interests of its employees. It has strictly observed the relevant national and regional laws and regulations, including ordinances that prohibit the employment of child labour and forced labour, and made proactive efforts in building up a harmonious and stable labour relationship.

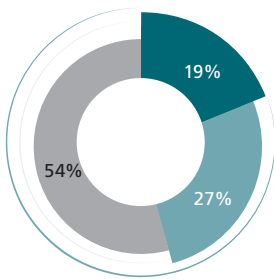
Equal Employment and Diversification

The Group remains committed to the principle of equal employment that ensures fairness and openness of recruitment. While striving to recruit worldwide talents to join the Company, it also made strenuous efforts in promoting localisation overseas. It stands against discrimination due to any differences in gender, age, nationality, ethnicity, religion and skin color of the staff and encourages its staff to understand and respect each other with a view to creating an inclusive and open working environment that enables coexistence of diversified culture.

Remuneration and Benefits

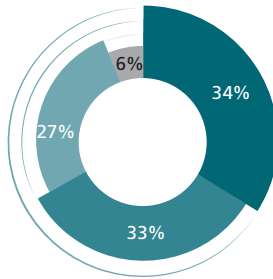
The remuneration and benefit system of the Group follows the principle of prioritising efficiency while giving consideration to fairness and sustainable development. It takes into consideration factors such as internal fairness, relevance of performance and market competitiveness. Staff salary is linked to both corporate and individual performance by establishing a broad-banded salary system, which helps to explore diversified salary incentive mechanism. The Group also takes reference of market data to verify the reasonableness of its salary level. Through these measures, the Group strives to establish multifaceted remuneration policy and comprehensive benefits and protection for its staff in a bid to enhance their sense of mission, achievement and belonging.

Human resources



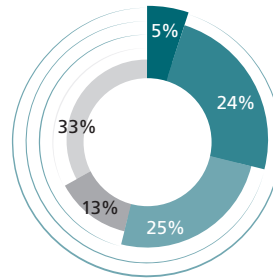
- Operation and management talents
- Talents with professional skills
- Skilled talents

Age of staff



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

Education background of staff



- Master's degree and above
- Bachelor's degree
- Tertiary education
- Diploma
- High school and below

Number of staff served in the headquarters of the Group

258

Labour contract signing rate

100%

Coverage of social insurance

100%

Comprehensive Benefits System

The Group put great efforts in establishing a comprehensive benefit protection system to provide its staff with attentive love and care and build up a positive brand image as an employer. The system includes: statutory social benefits protections, accidental injury insurance for staff, paid annual leave system, compliant allowance and subsidy, regular body check, complementary medical insurance and enterprise annuity scheme, etc.

Democratic Management

The Group continued to adhere to its “people-oriented” management principle to fully motivate its staff. On the basis of continuous improvement of staff representative meeting, labour union and other mass organisation, the Group strives to maintain smooth communication channels between its staff and management in a view to fully protecting the staff’s right to be informed, participate and supervise and hence enabling them to exert greater influence on the operation and management of the Company.

Staff Development

The Group highly values the growth and development of its staff and believes that the development of staff and the enterprise will be based on and facilitated by each other. The Group provides a broad platform for the growth and development of its staff, which aims to maximise its staff’s initiative and passion for work through effective training,

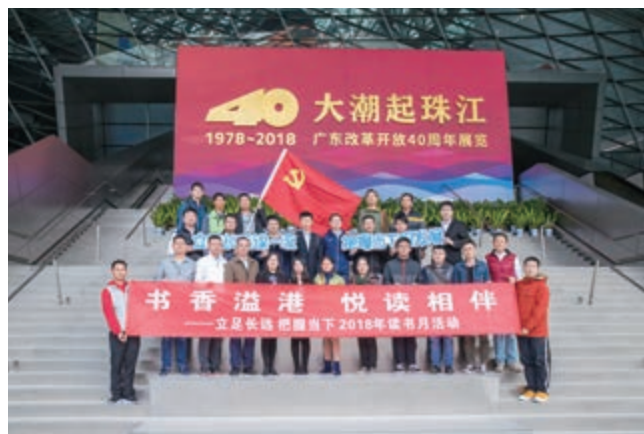
counselling, evaluation, incentives, etc. Meanwhile, the Group also offered multiple career promotion paths so that all kind of talents will have great rooms for development on this platform.

Staff Training

The Group always encourages its staff to participate in the internal training and learning programmes organised by the Company. By fully leveraging the port network and multiple platform and resources of the Group, together with external professional training institutions, renowned higher education institutions, as well as experts and scholars in the industry, the Group provided its staff with excellent training and coaches and established the network learning system, through which the staff can replenish and refresh their knowledge on a continuous basis, at the same time mastering new skillsets and techniques and enhancing their overall strengths, so as to get prepared for changes in evolving internal and external environment and business development requirements.

Care for Staff

Staff is the most important resources of a company, and care for staff is a part of fulfilling social responsibility. The Group cares about not only the career development of its staff, but also their lives and families. The Group made consistent efforts to improve the working environment, safety and protection, benefits as well as work-life balance of its staff in a view to increasing their sense of happiness.



Love in the Staff Centers

The Group newly constructed five Staff Centers in 2018 and has completed the construction of 34 Staff Centers in total as of the end of 2018, which are all well-received by the grassroots workers and have a positive impact on the promotion of our corporate culture and better corporate cohesion.

In 2018, the Group organized a reading month at the Staff Center with the theme of "Thinking Long-Term and Seizing the Moment" to deepen the understanding of the forward thinking of "plan now for the future" and the pragmatic spirit of "future planning for now". The event aimed at motivating staff to read more and better, so as to increase their knowledge, strengthen their business skills and foster a pragmatic culture that is "willing to, capable of and competent to succeed". All units of the Group organised different forms of reading exchange activities at the Staff Centers based on local needs, which has attracted high participation and recognition from our staff.

Work-life Balance

The Group highly values the work-life balance of its staff. We organised diversified cultural and sports activities to help our staff to release work pressure and enrich their after-work personal life. This not only can satisfy our staff's spiritual and cultural needs, but also provide a stage for our staff to

demonstrate their talents and personality, thereby creating a united, friendly and positive working sentiment to achieve happy work and healthy life. Subordinate units of the Group nationwide also launched their own special corporate events. The diversified events fully demonstrated and enhanced the aggressive and can-do spirit of China Merchants staff, the warmth of the China Merchants family was also crystallised and communicated, effectively inheriting and carrying forward the fine culture and tradition of China Merchants.

Diversified Cultural and Sports Activities

In order to enrich the after-work cultural life of our staff, the Group organized a series of diversified cultural and sports activities in the year, such as the Corporate Day series events, various cultural and sports competition and fun games. These activities helped to enhance the sense of collective honour and team cohesion of our staff and further promote our corporate culture.



Flag-raising ceremony on Corporate Day



Corporate Day celebration with overseas staff



Outward-bound activity



Badminton competition



Care for Staff Facing Financial Difficulties and Retired Staff

The Group also devoted great resources to help its staff facing financial difficulties to solve problems in real life. The Group sent their love and care to these staff through various donation and visiting activities to help them overcome their difficulties. During festive seasons, the Group visited retired staff to express sincere gratitude to their contribution and dedication.

Care for Frontline Staff

Staff is the most valuable assets of a company. The Group always cares about its staff, especially the frontline workers. During the hot summer, all units of the Group distributed herbal tea to the frontline staff, sending frontline staff their warm regards on the summer day.



Compliance with relevant laws and regulations which have a significant impact on the Group

The Group demonstrates a relentless commitment to the protection of the legitimate right and interests of all employees and provides them with relevant statutory benefits such as statutory holidays and employment insurance, striving to build a working environment that is fair, diversified, anti-discrimination, and sound recruitment and promotion system in place so as to comply with the requirements of the relevant employment and labour laws and regulations.

For the year ended 31 December 2018, there was no incident of non-compliance with relevant employment and labour laws and regulations which have a significant impact on the Group.

Safety and Health

The Group views safety production management as a key part of its operation. Under the directives of “fulfilling responsibility, strengthening control, preventing accidents and making China Merchants a safe workplace”, the Group utilises information technology to optimise its safety production management system on a continuous basis, and to implement various safety production measures with a view to protecting the safety and health of its staff.

Safety Management

According to the safety production management principle of “people first, safety foremost, emphasis on prevention and integrated governance” and with reference to the positioning of various functional departments at headquarters, the Group has established an organisational structure for safety production and standardised the safety production system to push forward the standardisation of safety production.

Organisational Structure for Safety Production

The Group has established the Safety Production Management Committee (the “**Safety Committee**”), which is responsible for guiding and administering the work in relation to safety management of the Group. The members of the Safety Committee include the management of the Group, the persons in charge of the relevant functional departments at headquarters and the persons in charge of its subordinate units. Under the unified leadership of the Safety Committee, all of the units have set up their own safety production management committee to take up the safety production management work of its own and its subordinate units. There is an office under the Safety Committee to handle specific daily work within the scope of responsibilities of the Safety Committee.

Safety Production Management System

In accordance with the Production Safety Law of the PRC, Interim Provisions on the Supervision and Management of Work Safety at Central Enterprises and Regulations on Safety Production Management of CMG Group (《招商局集團安全生產管理規定》), the Group has formulated the Regulations on Safety Production Management of CMPort (《招商局港口安全生產管理規定》). The regulations provide institutional protection for various works, such as strengthen the Group’s management on safety production, clearly define the responsibility of safety production management, regulate the behaviours of safety production, enhance staff’s awareness of safety prevention and supervision, further extend its scope of management over the safety of outsourced business, as well as prevent and control the occurrence of production safety-related incidents.

Number of staff who have received safety trainings
175,094

Number of staff whose non-compliance behavior have been rectified Over
1,227

Safety Production Management Organisation and System of the Group		
Safety Committee of the Group Guided by the management of the Company and comprised of the persons in charge of the relevant functional departments at headquarter of the Company and the persons in charge of its subordinate units. Persons in charge of safety management department of subordinated companies were also newly added.	› Safety Office Responsible for the daily work within the specified scope of responsibilities of the Group’s Safety Committee. A designated deputy director was newly added.	› Safety Committee of Subordinated Units Responsible for the safety production management work of its own and its subordinate units.
	› Safety Supervision Department Responsible for providing professional guidance and services for and conducting inspection and supervision over the Group’s safety production.	



Annual meeting for safety work



On-site safety inspection by the management

Safety Operation

With a focus on laws, regulations and standards and taking the implementation of safety management measures for frontline staff as the entry point, the Group has pushed forward the in-depth development of safety production in all aspects and ensured that safety production can be maintained steadily. No fatal accident that involves responsibilities of safety production of the Group has occurred in 2018.

Arranging Safety Production Trainings and Special Inspection

Adhering to the philosophy of “people first and ensure safety production”, the Group organised various safety trainings that cover extensive topics, such as trainings on rules and systems of safety production and safety management trainings in relation to storage and transportation of dangerous chemicals, thereby cultivating an environment upholding a culture of sound safety production that “cares for life and pays attention to safety”. The Group insisted on adopting the issues-focused approach and took specific actions targeting at different areas within the Group with reference to the actual situation of each unit, such as checking and handling the hidden hazards in respect of safety production, focused rectification on fire safety and emergency drills. All these measures have helped rectify the hidden safety hazards, consolidate rectification results, improve the efficiency of handling emergency situation and effectively prevent and resolutely curb the occurrence of significant incidents.

Enhancing the supervision of occupational health

Pursuing the fundamental objective to protect the life, health and safety of the staff and subject to the basic requirement of implementing various prevention and control measures according to laws and regulation, the Group continued to strengthen its occupational health management system, established occupational disease prevention system and strictly prevent all occupational diseases. The Group safeguards the occupational health of all its staff by arranging medical examination on occupational diseases for the frontline staff who are exposed to hazards that can lead to occupational diseases and setting up occupational health monitoring files.

No complaint about occupational diseases was received in 2018.

The Group implemented benchmark management and “one-on-one” assistance. Through “competence management” of benchmark enterprises, businesses and teams, it encouraged units at the frontline level to identify and overcome weaknesses and adopt a new mindset for production safety management, so as to enhance workforce competency.

PROMOTE REGIONAL DEVELOPMENT, COMMIT TO VOLUNTEERING SERVICES, CULTURAL INHERITANCE AND DEVELOPMENT

The Group is always committed to take on historical missions and has a strong sense of social responsibilities. During our journey of growth and development, we never steer away from the original goal. We take the lead to address social problems, continue to seek for the matching point for mutual development with the society and explore appropriate models for conducting charitable business that meets the needs of the current generation. By leveraging our core strengths to launch professional charitable activities, support regional development and preserve fine cultures, we will incorporate social development needs into our daily operation activities and join hands with even more partners to create a harmonious society and promote social progress.

Promote Regional Development

As a responsible enterprise, the Group leverages its professional strengths to participate in charitable activities such as urban renewal, targeted poverty alleviation and reconstruction assistance to disaster-stricken areas, with an aim to promoting urban and rural economic development and improving people’s living standards. We also actively participate in various social organisations and political parties and strengthen our communication with the government and the industries to make use of our well-earned influence.

In 2018, the Group remained committed to the theme of “Shaping Blue Dreams Together” (共鑄藍色夢想) (C Blue) for its charitable activities, striving to fulfil its corporate social responsibilities through engagement in social charitable activities, at the same time building the charity brand of its own.

“C Blue Summer Camp for Children” (C Blue 兒童夏令營) Charitable Event

The Group organised the “C Blue Summer Camp for Children” (C Blue 兒童夏令營) Charitable Event which invited the left-behind children of the port’s frontline staff to reunite with their parents in Shenzhen and participate in a summer camp. A total of 50 families of the constructors stationed in Shenzhen had joined the event, which not only obtained positive feedback from the society, but also created a sound corporate image of the Company to contribute to the society on a continuous basis. The event represented the entry of CMG Group into the “2018 Outstanding Youth Volunteer Service of Central State-owned Enterprises Contest” and won the gold award.



“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)

Sponsored by China Merchants Charitable Foundation and hosted by the Group, 2018 C Blue Training Programme is a corporate social responsibility project to practice the mission of “promoting social progress through commercial success” extensively in countries along the “21st Century Maritime Silk Road” by adhering to the concept of promoting value sharing worldwide under the theme of “Shaping Blue Dreams Together (C Blue)”. The purpose of this project is to train more leading talents in port and shipping industry for countries along the Silk Road and offer high-end port and shipping industry-related training courses to various countries. The success of this programme further enhanced China Merchants’ influence to countries along the “Belt and Road” initiative and better explicated the Group’s corporate goal of “We Connect the World (天涯若比鄰)”, at the same time continuing to



Training programme

deepen the school-enterprise cooperation with Shenzhen Polytechnic. Through systematic study of theories and diversified visits and practices, trainees will be able to utilize the extensive knowledge and the experience gained to promote the development of port and shipping industry and strengthen the “Belt and Road” initiative and thus promote the economic development of their respective countries. Two rounds of training were held in summer and autumn in the year.



Public Welfare and Charity

The Group carried out extensive charitable and volunteering projects in 2018. Adhering to the objective of promoting environmental protection, serving the community and contributing to the society, the Group’s volunteers illustrated the significance of public welfare and environmental protection through practical actions. Several public welfare activities were launched successively, such as “Exploring Ports: Shenzhen Port Green Open Day (走進港口深圳港綠色環保開放日)” activity in the Group’s West Shenzhen Port Zone, Mega SCT Student Assistance Volunteering Activity and China Merchants International Information and Computer Classroom Charitable Event, all of which have received overwhelming responses from the public and appreciative remarks from both industry peers and outsiders.



In 2018, the Group continued to actively take up social responsibilities and increased its investment in public welfare and charities. The Group donated a total of HK\$13.518 million to China Merchants Charitable Foundation to facilitate the charities events jointly organized by China Merchants Charitable Foundation and 14 other organizations, including the volunteer teacher project organized with Teach for the Future in Beijing, aiming to enhance teaching quality of schools in rural areas; the comprehensive development project for poor villages and communities in Qichun County implemented in joint efforts with Sichuan Haihui Poverty Alleviation Center, providing livestock as gifts and technical trainings for 1,020 poor farmers in 4 project villages in Qichun County; and cooperation with the Office of Poverty Alleviation and Development of various poor counties, which aims to better support for the building and development of the target areas and solving the difficulties encountered by the local citizens in daily lives.



Public Welfare and Charity