

Environmental, Social and Governance Report

1. About This Report

In the principles of objectivity, standardization, transparency and comprehensiveness, this report is prepared to disclose the environmental, social and governance information of SITC to honestly communicate with stakeholders about corporate sustainable development concepts, actions and performance, and make a systematic response to sustainable development issues concerned by stakeholders.

Scope of This Report

This report covers the period from January 1, 2018 to December 31, 2018. To enhance the systematicness, this report is partially retrospective to previous years.

Unless otherwise specified, all cases and data in this report are from the wholly-owned branch companies and subsidiaries of SITC.

Basis for Preparation

This report is prepared in compliance with the principles of materiality, quantitative, balance and consistency as set out in the *Environmental, Social and Governance Reporting Guide of Rules Governing in Appendix 27 of the Listing of Securities* on The Stock Exchange of Hong Kong Limited.

All financial data in this report is extracted from the financial reports of SITC. Unless otherwise specified, all amounts stated in this report are denominated in USD.

Commitment of This Report

The Board of Directors undertakes that the report approved by the Board of Directors is free of any false records or misleading statements.

Explanations on Abbreviated Names

For the convenience of expression and reading, "SITC International Holdings Company Limited" is referred to as "SITC" or "The Company" in this report.

Access to This Report

This report is released in both Chinese and English versions. Please access this report through the following websites: www.sitc.com, www.cninfo.com.cn or www.hkexnews.hk.

2. Corporate Governance

ESG Management Philosophies

In face with the deteriorating environment today, green and low-carbon has become a global trend. Green development is not only a social responsibility to be fulfilled by listed companies, but also an internal requirement for cost reduction and efficiency improvement. It's of vital significance to the survival and sustainable development for SITC. As an integrated logistics service provider in Asia, the Company has upheld the business principle of being a responsible enterprise and the tenet of balancing business development with corporate social responsibilities. Striving to incorporate the sustainable development idea in the day-to-day operation and major commercial decision making, the Company have been committed to creating a long-term value for shareholders, customers, employees, supply chain partners and the public and bringing a positive impact.

The Company is committed to fulfilling the international safety management rules and identifies with the objectives of the rules "To ensure safety at sea, to prevent human injury or loss of life, to avoid damage to the environment (especially to the environment at sea) and to the loss of property". The Company have accordingly established the safety and environmental protection policy of "Ensure safety, protect the environmental, protect health" and the efficiency policy of "Energy conservation and emission reduction, high efficiency and low consumption".

Upholding "P-S-V-D" as its core value, the Company has continuously improved the employee selection, training, development and incentive system, and taken the initiative to share corporate development and growth with employees to enhance their cohesion. Working with high-performance suppliers, the Company have flexibly and rapidly met the increasingly individualized logistics needs of customers to ensure they respond to changes in supply chain efficiently and jointly resolve the supply chain problems in underdeveloped countries and regions.

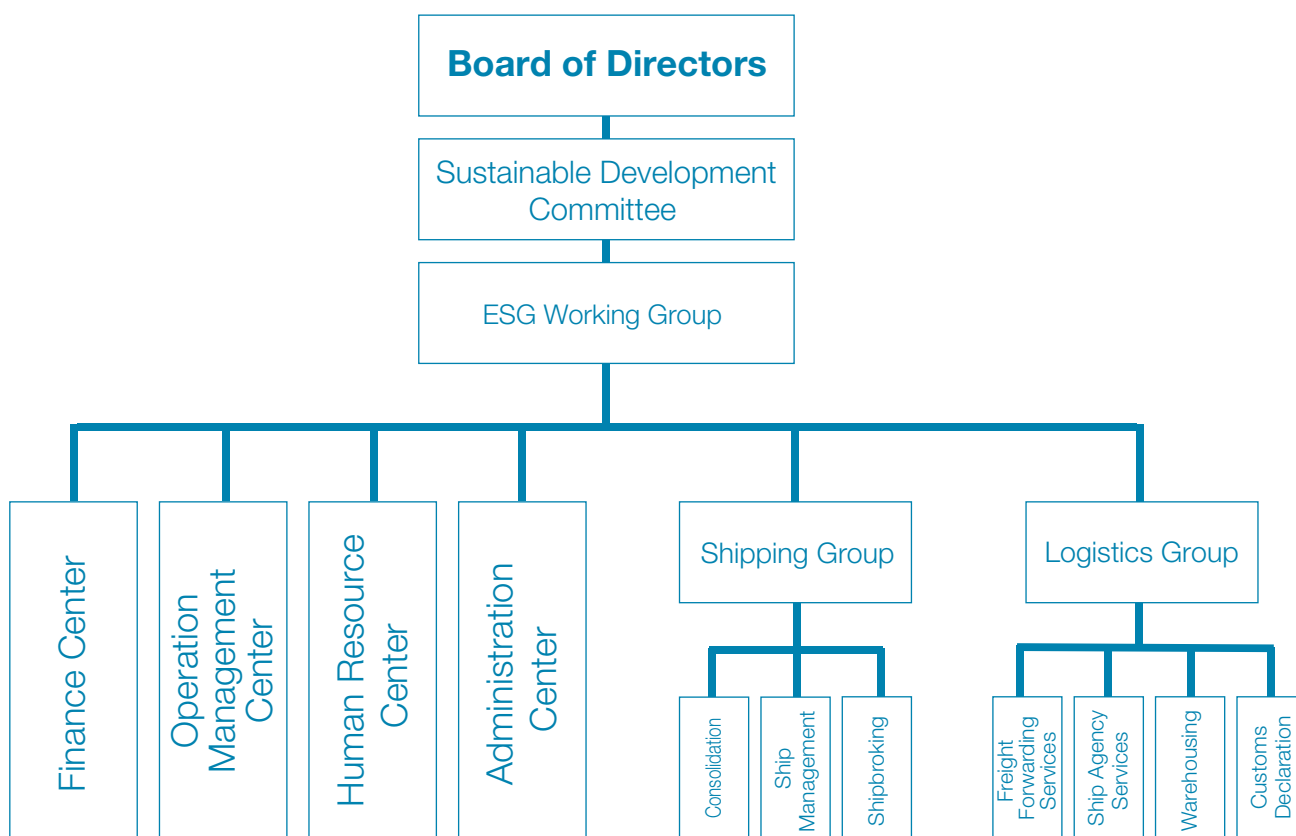
The Company is committed to creating greater values for stakeholders to help achieve its sustainable development goals. In light of the director diversification policy, the Company has given play to the role of independent directors, and respected their professional advice and independent opinions. Furthermore, the Sustainable Development Committee has been established under the Board of Directors, with a third-party organization being appointed to help improve its sustainable development structure, set up KPI and improve internal management system, and further consolidate corporate governance.

ESG Management Structure

Upholding high-level corporate governance, SITC has established well-defined, highly transparent corporate governance procedures and systems to consolidate a long-term corporate development and safeguard the interests of shareholders.

The Board of Directors is responsible for the ESG strategies, performance management and reporting. The Sustainable Development Committee has been established under the Board of Directors, which is composed of five executive directors. The CEO of the Company serves as the President and corporate secretary

serves as Secretary of the Committee. The Committee may convene meetings as required, and shall at least hold two meetings every year. It's expected to put forward suggestions regarding long-term development plan, sustainable development policies, and stakeholder communication. The Committee reviews the policies, management framework and day-to-day operation in respect of environmental and social responsibilities and sustainable development every half a year. Apart from this, the Committee also puts forward suggestions to the Board of Directors to ensure that the sustainable development risks are promptly and effectively identified and properly managed.



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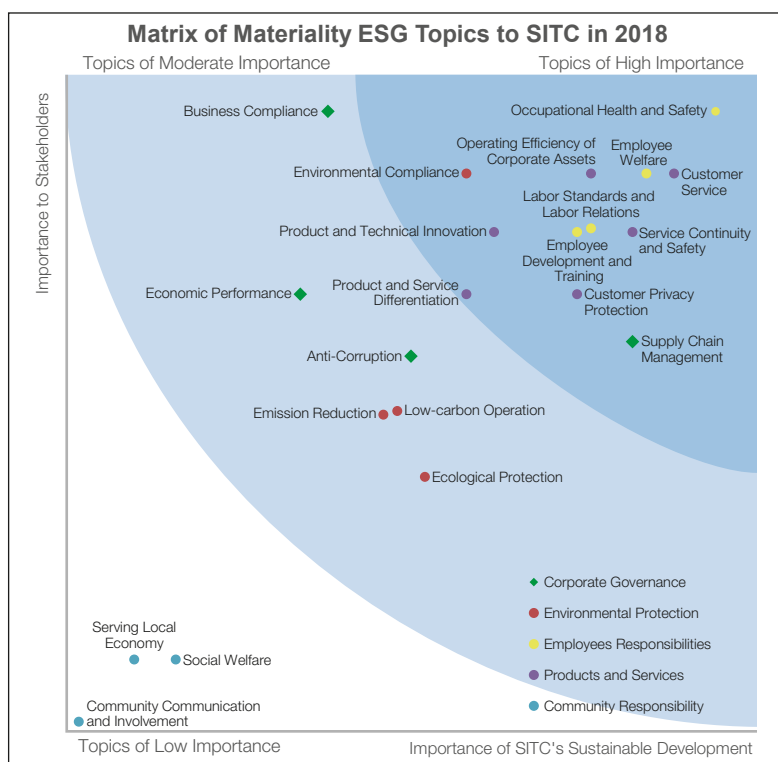
3. Materiality Analysis

The sustainable development of a company is closely related to its stakeholders. Effective stakeholder engagement during business operation can help the Company accurately evaluate the impact of its own decisions, promptly adjust the actions and ultimately realize the sustainable development of SITC itself and its stakeholders. Attaching

great importance to stakeholder communication, the Company has been opened to opinions from different perspectives and taken them as an important basis for ESG improvement. Through a thorough review on the type of stakeholders and issues arising from corporate operations, the Company have identified the important stakeholders and the way they are engaged during the corporate operations.

Staff	<ul style="list-style-type: none"> • Questionnaire survey • Staff training
Customers	<ul style="list-style-type: none"> • Annual meeting • Satisfaction questionnaire survey • New product launch • Regular visits
Suppliers	<ul style="list-style-type: none"> • Training • Participation in bidding
Shareholders and investors	<ul style="list-style-type: none"> • Annual general meeting • Performance Conference • Investment meeting • Announcement
Intermediaries and other organizations	<ul style="list-style-type: none"> • Symposium • Training • Daily e-mail and telephone communication

In 2018, the Company invited all the employees, important customers, suppliers, intermediaries, shareholders and other interested parties to assess the importance of topics concerning SITC through an online questionnaire-based survey. The following key matrix of materiality issues were concluded from the valid questionnaires returned:



4. Responsible Operation

As one of the leading shipping and logistics groups in Asia, SITC has focused on providing integrated transportation and logistics solutions. Upholding the philosophy and culture of promoting synergetic development of the economy, society and environment, the Company has organized and conducted its business activities in a socially and environmentally responsible manner for common and sustainable development of the society and environment.

4.1 Economic Performance

While creating economic benefits, the Company has been actively undertaking social responsibility to ensure sustainable corporate development, and striving to give back to the stakeholders.

In terms of operation, the Company has been focusing on Asia during its development, and has been committed to providing efficient and quality logistics services to customers and becoming their first-choice provider. Based on the operating models of self-operated and light assets, the Company have established ocean and land integrated logistics channels and facilities to offer customized logistics services. In face with the unstable economy and trade and intensifying competition in 2018, the Company optimized its transport capacity to meet personalized customer demands, and continuously enhanced operating efficiency to achieve favorable economic results. With the successive delivery of new ship orders in the second half of the year, the Company took advantage of industrial transfer in Asia to continuously implement the low-cost development strategy and gradually expand its market share.

In respect of shareholder return, the Company has insisted on paying dividends to shareholders since its listing. A scientific, continuous and stable dividend mechanism has been established to ensure that investors have steady investment return expectations and their legitimate rights and interests are protected. In 2018, the earning per share of the Company was 7.44 US cents, marking an increase of 4% from 2017, and approximately USD139,339,000 of dividends were paid, increasing by 2.75% from 2017. The Company has always maintained a high dividend payout ratio, which was 71.2%, 71.9% and 70.5% in 2016, 2017 and 2018 respectively.

4.2 Integrity and Compliance

In view of the high-standard integrity and business ethics as the operating principle, the Company has detailed all risk points in business activities and internal measures and control processes for these risk points, and further established a scientific and systematic internal control system. Every year, SITC conducts risk control assessments and questionnaire-based surveys, formulates risk control measures against incremental risks, gives lectures on hot topics, and adjusts and supplements related systems and organizations. Through the questionnaire-based survey on major risk control in 2018, twenty major risks in nine categories were identified and associated control measures were formulated. The Company has made innovations in risk control organization building and ultimately established an integrated risk management organization.



Remarks:

- * Risk control organizations include risk management teams and crisis PR teams.

Meanwhile, also attaching great importance to clean management, the Company is determined to put an end to corrupt practices of any form. On the basis of related laws and regulations and combining the Company's extra conditions, The Regulations of SITC have been formulated. In the Anti-fraud Reports and Complaints section, the anti-fraud principles and requirements are elaborated to employees, and a well-designed transparent anti-fraud reporting and complaint mechanism has been established. A report hotline and e-mail address have been further provided to receive real-time or anonymous reports from employees or third-parties. Internal and external audits will also be organized on a regular basis, and the rotation system has

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been implemented to effectively prevent corruptions. There was one anti-corruption related lawsuit in the Company within the reporting period. Upon noticing that certain employees were suspected of embezzlement in certain business operation during a routine audit, the management of SITC Nanjing immediately unfolded the investigation with the involvement of judiciary authorities. Through the judicial procedure, responsible persons returned about USD35,000 of economic benefits embezzled from the Company, and were brought to justice for embezzlement by position. The case was published and used for anti-fraud compliance training for employees. A questionnaire-based survey was further initiated in the Company to strengthen the internal audit team, enhance the audit on business authenticity, further improve supplier qualification review, and prohibit bogus transactions. The Company's active resort to law for fraud investigation has indicated its determination in clean business building and anti-fraud endeavor, and further strengthened the anti-corruption and self-discipline awareness of all employees. Improvements in regulations and processes have also been made for the purpose of reducing the possibility of fraudulence practices.

4.3 Customer Service

"Customer always comes first" is one of the core values upheld by SITC, and a key strategy for SITC to develop and maintain competitive strengths. Through such diversified channels as regular meetings, business visits and seminars every year, the Company has been reaching out customers for opinions and suggestions, making adjustments and innovations in line with dynamic market demands to continuously improve and enhance its customer service level. Through WeChat Official Account and public mailbox, the Company has been providing customers with real-time port closure and typhoon information, new policy interpretation and new services for promotion to further improve customer experiences. With such services as feeder port service, container Round Use and new ICD, the Company has successfully increased its customer loyalty. Among the key customers, over 80% of them are stable customers with a partnership more than 10 years.

In strict compliance with laws and regulations regarding chemical and hazardous substance transportation and storage as well as *SOLAS Convention*, the Company has been providing customers with safe and reliable logistics services. Within the reporting period, the Company has not been subject to fines or non-economic penalties arising from violation of product and service laws and regulations.

Moreover, the Company has established a complete customer complaint and dispute resolution mechanism, and set up customer complaint departments in the business companies and Headquarters to efficiently and properly handle complaints and disputes. The Company has further purchased protection and indemnity insurance or tenant liability insurance for all cargo it carries to ensure proper indemnity for the cargo owners in case of damages to cargos. Timely and effective settlement of customer claims have minimized the losses of customers and enhanced their satisfaction. In 2018, the Company handled an average of 21 claims monthly and only made a compensation of USD325,000 for damage of cargos for the whole year.

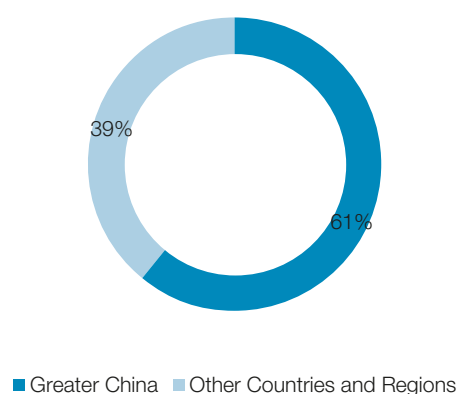
Under the principle of being responsible to customers, the Company has been committed to protecting the safety and privacy of customer information. In strict compliance with related laws and regulations, the Company has improved information safety management mechanism, strictly protected and rationally used customer information. Highly valuing the development of employees' information safety awareness, the Company has stipulated in the corporate regulations and *Employee Manual* that without prior consent, no one shall disclose any customer information to any unrelated company, department or person in any form on any occasion. Within the reporting period, the Company has found no case occurred in relation to customer information leakage.

4.4 Supplier Management

With the gradual expansion of corporate business, the Company's supply chain network has extended to different areas. Adhering to the principle of equality and mutual benefit, the Company has been committed to establishing stable and close partnerships with suppliers through highly transparent and responsible procurement process and supplier management, so as to effectively boost sustainable growth of economic, environmental and social benefits of the whole supply chain.

As of the end of 2018, the Company had 9,890 suppliers from 49 countries and regions, including Korea, Japan, Hong Kong, Singapore and Malaysia.

**Procurement from Supplier Distribution
by Country or Region**



In terms of supplier selection, the Company has strictly followed the Supplier Employment Management Method. Under the principles of fairness, openness and justice, service level, safety awareness, ethical standards, industry qualifications and other comprehensive indicators of suppliers have been comprehensively assessed through the contract review system. Quantity and quality have been attached with equal importance, and price has not been taken as a priority. Furthermore, the conditions of SITC's suppliers are subject to annual evaluation. In case of nonconformities, the Company will suspend the cooperation and order them to be rectified.

The selection of asset suppliers, such like shipyards and container plants, follows a more comprehensive and rigorous evaluation process. Evaluation will be unfolded from two aspects: commercial conditions and technical conditions. Commercially, the Company evaluates suppliers on their experience, contractual capacity, management level, credit status, capital status, time of delivery, payment terms, organizational structure, talent team and pricing; technically, the Company will take into consideration of peer reviews, hardware facilities, asset operation index and customer feedback, production and design capacity, continuous optimization capacity, qualified Maker List evaluation and past business performance. Thus far, the Company has maintained a partnership with main asset suppliers over 10 years. The long-term stable partnership has guaranteed the quality and maintenance of its operating assets, and effectively reduced risks.

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Devoted to the improvement of supply chain management efficiency, the Company has further established close relationships with suppliers and enhanced cooperation quality through such communication channels as negotiation, training, visit and symposium in order to strengthen core competitiveness and driving industry development. The Company has also been active in expanding broader and more profound cooperation models with excellent and industry-represented suppliers, and establishing long-term partnerships for mutual benefits and common developments with upstream and downstream supply chain partners to promote industrial co-prosperity. The high-frequency and high-density maritime logistics operating model of SITC is dependent on the active support of terminal operators. To realize win-win cooperation, the Company has entered into strategic cooperation agreements with Shanghai Port, Qingdao Port and Dalian Port corporations, laying a foundation for provision of safe, timely and fast quality logistics service. Moreover, the Company have maintained long-term stable partnerships with major suppliers like ship owners, container leasers and fuel suppliers. Over 50% of its suppliers have partnered with the Company for over 10 years. In strict compliance with contractual terms, the Company has settled the payments with suppliers in a timely manner, generating an average settlement period of 40 days approximately.

In 2019, the Company will continue to uphold the tenet of balancing business development with corporate social responsibility. On the basis of compliant operation, the Company will strengthen the management and maintenance of customer and supplier relations, and thus develop a multi-win cooperation mode featuring steady corporate operation, customer satisfaction and supplier trust. Specifically, the Company will improve our annual customer dissatisfaction survey and implement the customer blacklist system to further enhance customer experience; supply chain management will be further strengthened to reduce the violation risk; AI applications such as precision marketing and AI customer service system will be tried out to boost network development and business expansion; active efforts will be made to test block chain in international trade, logistics and supply chain finance.

5. Energy Conservation and Environmental Protection

The Company has always been upholding the environmental policy of Safety Guarantee, Environmental Protection and Health Assurance in its business operations. A well-designed environmental management system has been rolled out to properly dispose various pollutants and continuously advanced energy conservation and emission reduction. Reduction in resource consumption and pollutant emission has always been incorporated into the Company's day-to-day business operations. In ship operation activities, the Company attaches great importance to the protection of biodiversity, actively promotes the industry to fulfill social responsibilities, and drives the harmonious co-existence of man and nature.

5.1 Emission Reduction

The Company has established a sound environmental management system which provides effective measures for different types of pollutants and ensures pollutant emission is in compliance with international and local laws and regulations and environmental pollution incidents are eradicated. The Company has used low-sulfur fuel oils to reduce emissions of gaseous pollutants, enhance shipping energy efficiency and reduce the use of fuel oils, which can ultimately lower emissions of gaseous pollutants and greenhouse gases from the source. In respect of waste water generated during shipping, the Company has taken measures and monitored data to prevent damage to marine organisms. The onshore and offshore nonhazardous wastes have been recycled and reused as much as possible to reduce wastes; hazardous wastes and nonhazardous wastes that is no longer usable have been properly disposed by municipal companies or third-party organizations. In 2018, there were no penalties occurred for environmental pollution or emission violations during the operation.

Environmental Management System

Continuous efforts have been made to improve the environmental management system. Taking reference of the *Maritime Environmental Protection Law of the People's Republic of China, Regulations on the Administration of Preventing and Controlling Maritime Environment Pollution from Ships*, and *IMO International Convention for the Prevention of Pollution from Ships (MARPOL)*, the Company has formulated internal regulations such as *Garbage Management Plan* and *Oil Pollution Emergency Plan*. Management methods for various pollutants, greenhouse gas control measures and incident emergency response have been specified to practically guarantee the strict compliance with international and local laws and regulations in pollutant prevention so as to reduce the damage caused to the environment. Certified by *ISO14001 Environmental Management System*, the Company is capable of identifying and controlling negative environmental factors in an accurate way.

Management of Gaseous Pollutants

Gaseous pollutants generated by the Company primarily consists of nitrogen oxides, sulfur dioxide and particles generated in fuel oil burning during container shipping. The Company has managed and controlled gaseous pollutants in strict compliance with international conventions and local requirements of respective ports. All operative ships have been equipped with pollution prevention devices required by international conventions, and awarded with ISPP and IOPP certificates. Furthermore, the pollutant disposal devices and emission management measures have been continuously improved in line with the latest IMO requirements and local laws and regulations.

Emission of Container Ships in Operation

Type of Emission	Quantity of Emission (Ton)		
	2016*	2017*	2018
Nitrogen Oxides	34,096	35,034	35,510
Nitrogen Oxides/Ship	473.56	473.44	467.24
Sulfur Dioxide	23,677	24,299	24,298
Sulfur Dioxide/Ship	328.85	328.37	319.71

Emission of Self-owned Land Vehicles

Type of Emission	Quantity of Emission (Ton)*		
	2016	2017	2018
Nitrogen Oxides	10.967	9.317	9.837
Sulfur Dioxide	0.025	0.025	0.029
Particle	1.047	0.882	0.925

Remarks

1. Maritime ship emissions are largely from the combustion of fossil fuels such as heavy fuel oils and light fuel oils;
2. Self-owned land vehicles include yard forklifts and office vehicles;
3. The emission factor for the calculation of emissions from self-owned land vehicles is extracted from the *Reporting Guidance on Environmental KPI* released by the Hong Kong Stock Exchange;
4. *Restated. In reference to files as *Engine Technical File* and *MARPOL ANNEX VI*, the Company further revised and improved the calculation methods of ship emission data, and accordingly updated the disclosed data in 2016 and 2017; to enhance the readability and comparability of this Report, the Company unified the statistical unit of the emission data of self-owned land vehicles in 2018 by changing "gram" to "ton", and accordingly updated the disclosed data in 2016 and 2017.

By reducing fuel oil consumption and using low-sulfur fuel oils, the Company has strived to decrease the emissions of gaseous pollutants, and comply with the latest requirements of international conventions.

- Reducing Fuel Oil Consumption**
- Monitor fuel oil use through the *Ship Energy Efficiency Management Plan*, and improve shipping energy efficiency;
 - Upgrade ships' fuel oil equipment, phase out old ships and ensure sufficient and rational fuel oil use.

- Using Low-sulfur Fuel Oils**
- Strictly follow the stipulation that the sulfur content of marine fuels shall not exceed 0.5% m/m since 2020 as set forth in the *IMO MARPOL Appendix*. In 2018, the Company has upgraded fuel oil devices such as main engine and oil pipeline of all old ships.
 - Strictly comply with the stipulation that the ships in China's marine air pollutant emission control areas shall use marine fuels with a sulfur content no greater than 0.5% m/m since 2019.

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Wastewater Treatment

The wastewater that needs to be disposed of and discharged during SITC's business operation mainly comes from crew's domestic sewage, oily wastewater and ballast water of ships. The domestic sewage can be generated in a short period of time and thus poses a great pressure on discharge and treatment; the oily wastewater of ships can easily form an oil film on the water surface and thus hinder the growth of aquatic plants and animals; the ballast water of ships contains various types of microorganisms, animals and plants, easily resulting in risk of alien invasion after discharge into the ocean. To prevent damage to the marine environment caused

by ship wastewater, the Company has attached great importance to the treatment and discharge of various types of wastewater, and resolutely ensures compliant discharge. All ships have been installed with wastewater treatment devices and discharge indicators have been specified in the system documents to show its continuous commitment to the protection of marine ecological environment. In 2018, the domestic wastewater of seamen and other wastewaters generated by the Company amounted to 6,684 tons and 35,616 tons respectively.

Domestic Sewage of Seamen

- The domestic sewage is uniformly collected in the collection tanks, and sterilized with UV-rays after dephosphorization with chemical reagents.
- Continuous monitoring devices are installed at the wastewater discharge outlets to ensure compliance of COD and ammonia-nitrogen, total phosphorus and suspended solids in the water body prior to discharge.

Oily Wastewater of Ships

- Oil-water separators are installed and continuous monitoring devices installed at the wastewater discharge outlets to ensure an oil content lower than 15ppm as required by IMO.
- The wastewater tanks are upgraded by extending the wastewater treatment cycle by 1.5 to 2 times of selected ships to reduce wastewater quantity to some extent.

Ballast Water of Ships

- The Regulations on Ballast Water Management have been formulated in strict compliance with the IMO Ballast Water Management Convention, which specifies that the ballast water replacement areas shall at least have a distance of 200 sea miles from the nearest land and a its water depth shall be of at least 200 meters.
- Ballast water treatment devices shall be provided. The 44 ships procured since 2012 have all been installed with ballast water treatment devices. The ballast water system will be installed on used ships in the first IOPP certificate renewal inspection.

Waste Disposal

The Company has actively promoted recycling and reusing of various wastes, and has adopted corresponding management measures based on the various types of onshore and offshore wastes to reduce the production of wastes and continuously advance waste minimization, hazard-free disposal and resource treatment.

Total Hazardous and Non-hazardous Wastes Generated

Onshore Wastes Generated (Ton)

Office paper consumption	56.35
Recycled waste batteries	0.0088

Offshore Wastes Generated (Ton)

Domestic waste	155
Kitchen waste	295
Waste oil, oil residue and oily wastewater	45,000
Other hazardous wastes	1.35

Total Hazardous and Non-hazardous Wastes (Ton)

Total hazardous wastes	45,001.36
Density of hazardous wastes/USD10,000	0.31
Total non-hazardous wastes	506.35
Density of non-hazardous wastes/USD10,000	0.0035

Given the type of business operation, the Company does not produce a large amount of onshore wastes. The wastes generated are primarily domestic waste, office waste and kitchen waste. In the daily work and life of employees, the Company requires maximum recycling, emission reduction, waste sorting and proper recycling. The Company has been promoting the concept of green office, implemented the OA and videoconferencing system to reduce office paper consumption; waste battery recycling devices have been placed on each floor of the office building to properly dispose of waste batteries which contain heavy metals; classified recycling bins have been set up in subsidiaries with a canteen to separate kitchen waste from other domestic waste for uniform disposal at the treatment facilities. During transporting garbage, airtight waste transportation has been adopted.

The Company imposes rigorous control on the discharge of offshore wastes, bans arbitrary dumping of offshore wastes and over-standard discharges. Each ship is furnished with classified waste recycling devices, and training on correct waste classification methods has been provided to seamen. The classified offshore wastes will be uniformly unloaded by agents or port authorities after approaching

the shore and disposed of onshore. To reduce the impact of oil spill incidents to the environment as much as possible, the Company has formulated the *Oil Spill Incident Emergency Measures*, in which the job responsibilities of respective seamen have been specified in case of an oil spill incident and targeted measures and rescue implementation plans have been provided to prevent fires and explosions to promptly prevent further spreading of adverse impact.

As for hazardous wastes like waste oil, oil residue and oily wastewater, the Company has enacted the *Management Measures for Oily Wastewater from Ships*. The oil residue, waste oil and oily wastewater should be collected and stored in sludge tanks, waste oil tanks and engine-room wastewater tanks; other hazardous wastes like waste batteries and medical wastes should be stored in specialized storage tanks. The various hazardous wastes shall be uniformly handed over to qualified third-party units after the ship approaches the shore to ensure proper disposal of ship generated hazardous wastes.

5.2 Resource Use Optimization

Guided by the philosophy of “Energy conservation and Environmental protection, Building a green enterprise”, the Company has practiced high efficiency and low consumption while ensuring compliance of pollutant emission to continuously enhance comprehensive utilization efficiency of resources. *The Ship Energy Efficiency Management Plan* has been further formulated for energy-consuming ship operation to advance energy conservation and emission reduction. To save water resources and reduce ships’ external purchase of fresh water, desalinated sea water has been used as the main source of fresh water during offshore operation, and rainwater has been collected to clean ships.

Conservation of Energy Resources

Always attaching importance to energy conservation and emission reduction, the Company has been committed to low-carbon economy and green operation to build a resource-saving enterprise. Onshore energy used is mainly gasoline consumption by administrative vehicles, and diesel consumption by terminal forklifts. Through strengthening management of administrative vehicles and promotion of videoconferencing, the gasoline consumption has been reduced by 3.5%.

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Energy Consumption in 2018*

Year	2016	2017	2018
Direct Energy Consumption (Ton)			
Gasoline	237	197	190
Gasoline consumption density/USD10,000	0.0019	0.0015	0.0013
Fuel oils	431,839	443,951	Heavy fuel oils 435,657 Light fuel oils 15,610
Fuel oil consumption density/USD10,000	3.55	3.29	3.11
Diesel (onshore)	1,062	1,093	1,290
Diesel consumption density/USD10,000	0.0087	0.0081	0.0089
Indirect Energy Consumption (kWh)			
Purchased electricity (office operations)	2,479,038	2,526,608	2,937,129
Purchased electricity (terminals)	—	—	1,603,027
Indirect energy consumption density/USD10,000	20.39	18.74	31.33
Greenhouse Gas Emissions (tCO₂e)			
Direct greenhouse gas emissions (Scope I)	1,390,281	1,390,396	1,410,627
Indirect greenhouse gas emissions (Scope II)	1,958	1,996	3,582
Total greenhouse gases	1,392,239	1,392,392	1,414,209
Total greenhouse gas emission density/USD10,000	11.46	10.33	9.76

Remarks

1. The emission data is from the vehicles and container ships owned by the Company and its affiliated companies. The direct greenhouse gas emission data in 2016 and 2017 is exclusive of greenhouse gases emitted from offshore diesel combustion; the direct greenhouse gas emission data in 2018 is inclusive of gases emitted from offshore diesel combustion.
2. The emission factor for the calculation of emissions from gasoline, diesel and electricity is extracted from the *Reporting Guidance on Environmental KPI* released by the Hong Kong Stock Exchange; the emission factors of heavy fuel oil and light fuel oil emissions consumed by container ships are in reference to the emission coefficients released by *IMO MEPC.1/Cir 684*;
3. The purchased electricity in 2016 and 2017 only included the office electricity consumption of affiliated companies. To further expand the collection scope of electricity consumption data and improve data collection system, the Company extended the statistical scope of purchased electricity in 2018 by adding the electricity consumption data of terminals, resulting in a huge increase in the purchased electricity and energy consumption density in 2018 compared with that in 2016 and 2017. Since the electricity consumption of certain companies is included in the property management costs, the power usage can't be counted separately.

4. * Restated. To enhance the readability and comparability of this Report, the Company unified the statistical unit of the disclosed data regarding energy use and energy consumption density of gasoline and onshore diesel in 2018 by changing "liter" to "ton" and "L/USD10,000" to "T/USD10,000", and accordingly updated the disclosed data in 2016 and 2017.

The use of primary offshore energy resources are heavy fuel oils and light fuel oils. The Company has been advancing the energy conservation and emission reduction of ships from management measures, technical measures and operating measures to achieve maximal energy utilization efficiency.

Measures for Efficiency Improvement of International Shipping

Management Measures

- Assess the oil consumption per 10,000 sea miles of ships: The oil consumption per 10,000 sea miles of ships is compared on a regular basis, looking for and analyzing causes for high oil consumption, and eliminating old ships with high oil consumption.
- Implement oil consumption reduction incentive mechanism: Fuel oil use incentives and disincentives are formulated to offer incentives for fleets with low unit oil consumption.
- Adopt energy efficiency management: Each ship is provided with a *Ship Energy Efficiency Management Plan* as per load capacity and navigation route to monitor carbon dioxide emission and ship navigation at any time.

Operating Measures

- Select the optimized navigation route: Establish scientific and rational fleet combination, formulate optimize transportation plan and shorten the empty load voyage.
- Select the best navigation speed: The fuel oil co-movement real-time monitoring device has been installed on ships in operation to select a rational navigation speed as per berths on the terminal, so as to reduce rotational speed of main engine and effectively save ship fuel oil use.
- Efficient loading of cargo: The captain and chief officer develop reasonable and efficient cargo loading to reduce fuel consumption.

Technical Measures

- Adopt such technologies as sword bow design, rudder ball, rudder fin, fair water fin and propeller optimization for newly-built ships to enhance their propulsion performance and lower their fuel oil consumption.
- All newly-built ships are compliant with IMO's phased emission requirements.
- Cylinder oil upgrade for the operative ships. Cylinder oil E-upgrade has been completed in 10 ships, saving about 260,000 liters of cylinder oil and reducing about USD500,000 of lubricating oil costs.

Water Resource Conservation

As an advocate of multiple use and recycling of water, the Company has actively enhanced the water resource utilization and reduced water waste. In consideration that onshore water use is mainly from domestic and office water use of employees, the Company have reduced water use through promotion of water conservation culture and adoption of water conservation measures. Sea water desalination technology has been used to obtain main offshore water source, and excessive desalinated sea water has been stored in specialized

water tanks to increase fresh water reserve. The Company obtained 203,300 cubic meters of fresh water by sea water desalination in 2018. Furthermore, rainwater has been collected to wash the dust off cabins and cabin mats and clean the oil stains on the cabin mats, effectively reducing the use of water resources.

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Water Resource Consumption (m³)

Year	2016	2017	2018
Total water consumption	154,888	172,600	123,259
Water consumption density/USD10,000	1.27	1.28	0.85

Remarks: The offshore water use in 2016 and 2017 include purchased fresh water of self-owned ships and rented ships; to further specify and standardize the statistical scope of water consumption, the Company derived the offshore water use in 2018 from purchased fresh water of self-owned ships only. Unless otherwise specified, the subsequent disclosure is subject to this standard.

Green Office Promotion

As a promoter of green office and green life, the Company has determined to enhance the employees' energy conservation and consumption reduction awareness. Hence, employees have been encouraged to save water, electricity and paper, engage in low-carbon and eco-friendly behaviors, collect waste batteries to prevent hazardous pollution to the environment.

Water Conservation

- Immediately make a report to the property management office upon water leakage.
- Turn off the water faucet to prevent further leakage.

Electricity Conservation

- Designate a person in charge of power equipment in the public areas to turn off unnecessary power supply in a timely manner.
- Actively advance the use of cross-functionary tablet PC videoconferencing system in replacement of traditional projection equipment.

Paper Conservation

- Continuously advance information system development and mobile Internet application to fundamentally reduce consumption of paper and other resources; promote secondary use of paper and double-sided printing in unavoidable printed documents.
- Classify and recycle newspapers, magazines and documents, ship them to the paper mill for destruction on a regular basis or store them in the Company's old containers for natural weathering.

Waste Batteries

- Prioritize the recycling of waste batteries.
- Place waste battery recycling devices on each floor of the office building.

5.3 Environmental and Biodiversity Protection

Marine vessels have the potential of directly or indirectly introducing toxic and hazardous substances to the ocean during their building, operation, maintenance and dismantling, which may cause severe damage to the marine ecological environment. Therefore, the Company has attached great importance to the impact of each

shipping link to the marine environment, and adopted active response measures to reduce the impact of shipping industry on the marine environment. In 2018, the Company is not aware of any event that indicated the Company has exerted a significant impact on the creatures and natural resources.

Hull and Container Coatings

- Large legally compliant suppliers with classification society approval have been selected to source hull and container coatings.
- The Company has insisted on the use of nontoxic coatings free of hazardous substances like organic tin to prevent distortion of marine organisms from toxicity and protect their survival environment.

Hazardous Substances from Ships

- The Company requires that all newly-built ships should be furnished with the Inventory of Hazardous Materials (IHM), hazardous and potentially hazardous substances on the ships should be identified to ensure the compliance with related requirements of the content of hazardous substances. Thus far, the 29 ships in operation of the Company have all been furnished with the IHM.

Biodiversity Protection Measures

- The Company has formulated the *Regulations on the Ban of Use of Asbestos-containing Materials on the Ships*, which specify parts easily using asbestos-containing materials, designate personnel to ensure the compliance purchased materials with corporate regulations, and require related suppliers to issue an Asbestos-free Statement.

Ballast Water Management

- The ballast water discharge strictly follows the IMO 2004 *International Convention for the Control and Management of Ships' Ballast Water and Sediments* and local laws and regulations to reduce the risks to the marine environment brought by sediments and pests in the ballast water.
- The Company has specified the management and operating requirements for the drawing, replacement and inspection of ships' ballast water to maximally reduce the harm brought by ballast water discharge.

In 2019, the Company will follow the shipping related rules closely as usual, and formulate energy conservation and emission reduction related policies and regulations as well as emergency plans to prevent extreme weather like typhoons and heavy fog in active response to national initiatives and international conventions in relation to climate change adaptation.

6. Harmonious Development

Based on the "People-oriented" concept, the Company has practically protected the rights and interests of employees, created a safe and harmonious working environment. Stable development and promotion paths have been provided for employees for common development and progress. Aspiring to be a responsible corporate citizen, the Company has been contributing to the economic development of places of operation, creating job opportunities and actively involving in community welfare programs to give back to the community and build a harmonious community.

6.1 Labor and Employment

In strict compliance with all labor and employment laws and regulations of the places of operation, the Company has signed the Labor Contract with employees as per the *laws and regulations of the places of operation*, and formulated internal policies in light of labor laws and regulations in respective of country or region. Comprehensively fulfilling the Global Compact and corporate social responsibility and strongly upholding *Universal Declaration of Human Rights*, the Company has strictly abided by international conventions and rights in respect of human rights, and prohibited the use of child labor, discrimination against employees and forced labor.

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In terms of employment, remuneration, promotion, dismissal and retirement, the Company has insisted on equal treatment regardless of citizenship, nationality, race, gender, religious belief and cultural background. In strict implementation of China's minority nationality policies, the Company pursues freedom of religious belief, and respects the habits of minority employees.

In respect of labor employment, child labor is strictly prohibited in accordance with the national laws and regulations in the Company. The Human Resources Department has established detailed employee recruitment policies and review procedures to prevent the employment of child labor under the age of 16 due to faults in recruitment work. The Company holds large-scale campus recruitments and social recruitments on a regular basis every year. In addition, the Company worked with the Shanghai Maritime University to offer directional training courses. Suitable talents selected from interviews will be able to take Public Administration courses and SITC International internal training courses. Recruiting qualified talents from colleges and universities has effectively avoided us from hiring underage applicants incidentally.

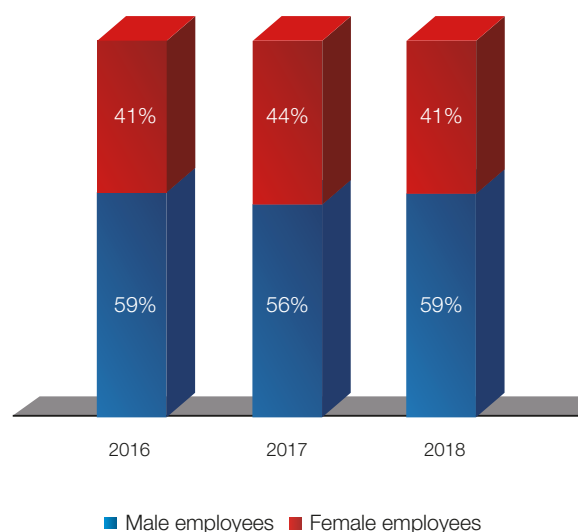
In strict accordance with the *laws and regulations of the places of operation*, the Company fully respects employees' rights of freedom on career. The Company resolutely prohibits forced labor of any cause, and will not restrict the personal freedom of employees in any way. Onboarding training on labor rules and regulations is provided to employees to allow them to fully understand their rights and obligations of work. Valuing the rights and interests of offshore employees, the Company has further entered into the Employment Agreement and Supplementary Employment Agreement with seamen employed, and safeguarded their rights and interests in accordance with the *Declaration of Maritime Labour Compliance (DMLC)*.

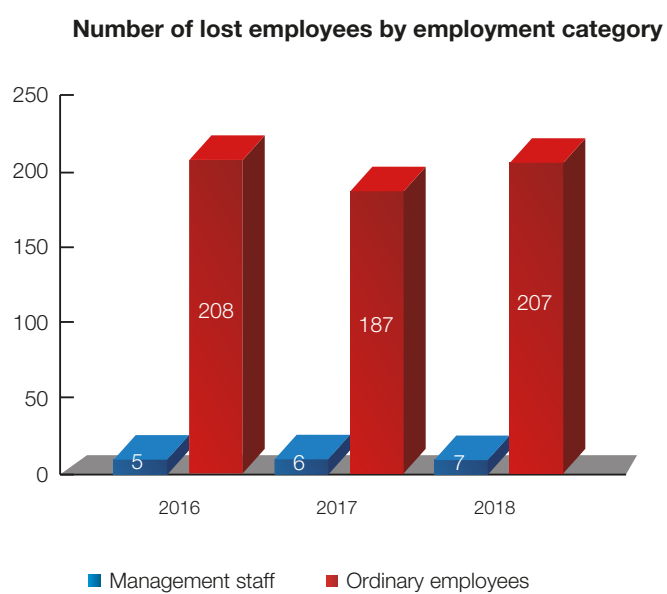
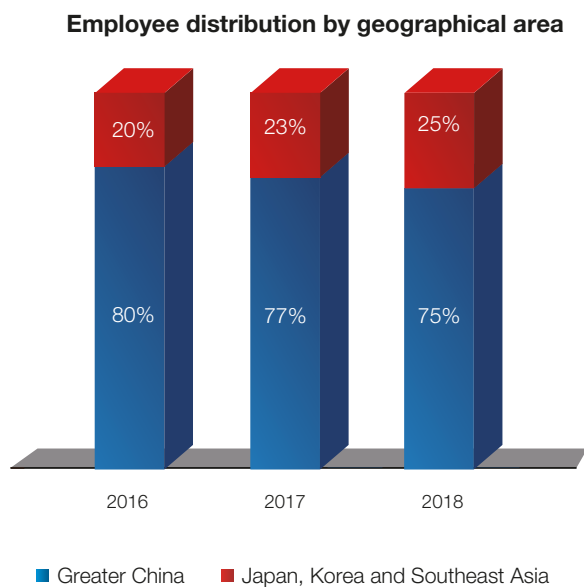
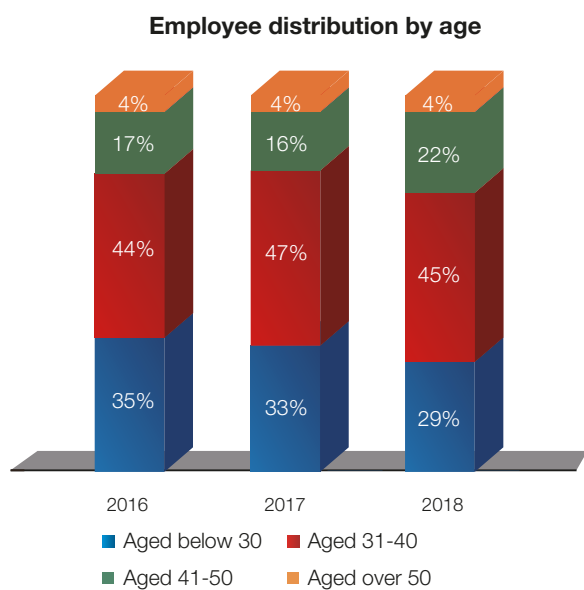
Employees are the core force of corporate development. Hence, respecting human rights of employees is the precondition for sound corporate development. As a responsible enterprise, SITC strictly follows international conventions and recruitment regulations and upholds the principle of non-discrimination. Respecting each employee, the Company resolutely prohibits child labor and forced labor, and independently safeguard and protect the human rights of employees. Within the reporting period, the Company had no violation of employment and labor related laws and regulations.

Striving to safeguard equal and diversified job opportunities, the Company has been fully attracting, gathering, incentivizing and utilizing international high-caliber talents, and actively promoting regional and global operation and development. In strict accordance with the internal recruitment regulations and procedures of SITC, the Company complied with the principle of open and equal recruitment. In 2018, the total number of employees of the Company is 1,468¹. Gender-wise, there were 867 male employees and 601 female employees; in terms of age, there were 417 employees aged 30 or below, 662 employees aged 31 to 40, 321 employees aged 41 to 50 and 68 employees over the age of 50; geographically, 1,106 employees were from Greater China, and 362 employees from Southeast Asia, Japan and Korea. A total of 214 employees left the Company in 2018. Fully respecting the personal choice of employees, the Company handled the resignation procedures for these employees according to law.

¹ Including full-time employees of the Company and its subsidiaries (excluding crew members).

Employee distribution by gender





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6.2 Development and Training

As the Company continues to grow, employees' personal development has become a core issue for the purpose of sustainable development. Valuing employees' development and growth, the Company has enhanced employees' comprehensive skills and overall productivity through training. Talents have been actively trained to adapt to the future market demand and continuously inject vital force for future corporate development.

In addition to a well-designed training system, the Company has set up the "SITC International Training System Establishment Committee" which defines the training courses of employees at each level. All employees are required to take all courses and pass the online examination of the target level and target post before regularization, job rotation and promotion. The "SITC International Talent Echelon Building Administrative Committee" has been further established to take charge of reserve talent building, and provide reserve management personnel through training, job rotation and promotion.

Offshore Employees

In 2018, the Company has provided 15,616 hours of training for seamen with a total investment over RMB700,000.

KPI Table

Percentage of Employees	Management Level 80%
Trained by Position Level	Operation Level 20%
Training Hours Per Seaman by	Management Level 50 Hours
Position Level	Operation Level 30 Hours

Onshore Employees

The Company has worked out training plans for the Headquarters and branch companies based on job requirements. Through such diversified vocational training forms such as field from time to time training, online tutorial and professional technical workshops, the Company helped employee to master essential professional knowledge and application skills to meet their personal development demands. In 2018, the Company has provided 13,504 hours of training for 4,828 employees.

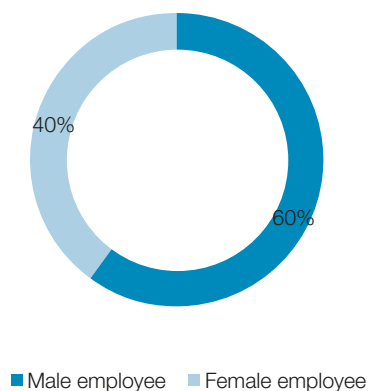
Onboarding Training

SITC organizes new employee onboarding training on a regular basis every year to introduce its corporate information, regulations and rules to the newly recruited. Respective departments provide new employees with training about department functions and job requirements for them to acquire necessary knowledge about the Company.

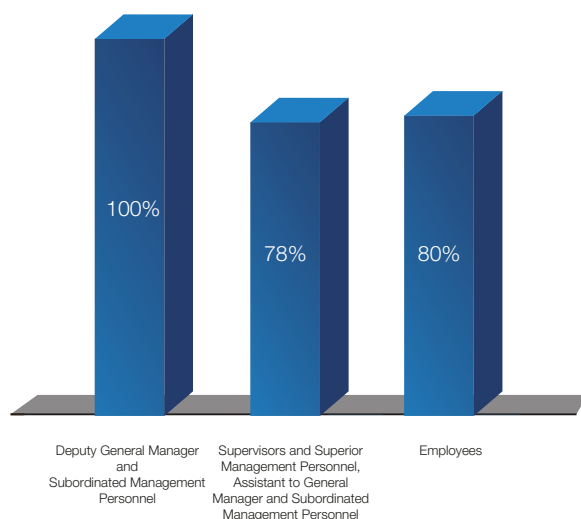
Professional Knowledge and Skill Training

The professional knowledge and skill training of SITC is concerned with business operation training, business knowledge update, and training on the latest management theories, policies and regulations for employees to master the skills required by their post. The training offered within the reporting period covered themes like safe operation, business etiquette, leadership, business marketing and information safety.

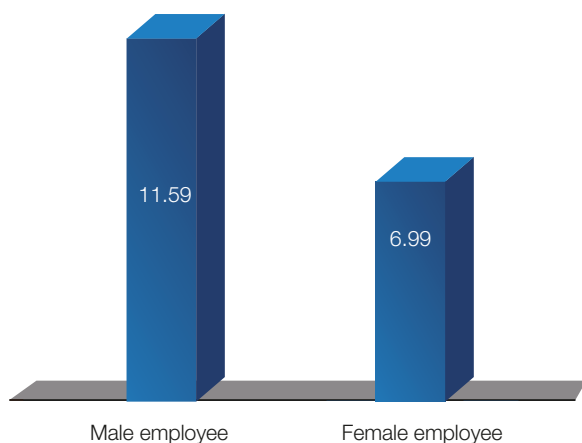
Ratio of employees trained by gender



Ratio of employees trained by position level



Average Training Hours per Employee by Gender



6.3 Health and Safety

With safety being of top of its priority, the Company has upheld the safety and environmental protection policy of "Safety Guarantee, Environmental Protection and Health Assurance". To further enhance the seamen's risk prevention awareness, risk response and hazard response capacity, popularize safety knowledge and spread safety culture, the Company has formulated the SMS as well as strictly executed the requirements of SOLAS, STCW and MLC 2006 conventions. For onshore and offshore execution, the SMS has detailed SOPs and safety response measures.

In 2018, there was 1 job-related death in the Group. After the incident, the Company immediately took action and helped the family members of the deceased settle claims with the social insurance authority, business insurance company and equipment manufacturer. Furthermore, the Company launched a specialized safety inspection on all storage yards, improved the operating procedures and regulations, strengthened terminal monitoring and installed safety equipment to ensure the safety of terminal operators.

Offshore Employees

The Company has prepared the *Occupational Health and Safety Operation Control Procedure (Control Procedure)* to specify the operation control processes and methods in relation to occupational health and safety risks on the ships. According to the *Control Procedure*, the Ship Safety Committee should be established and composed of the captain, chief engineer, first mate, boatswain and master mechanic. The Ship Safety Committee is mainly to prevent occupational accidents, injuries and diseases on the ships, and ensure that all seamen are provided with occupational health protection. Through identification of sources of danger, control measures and management plans, the *Control Procedure* has helped keep the risks under control or lower the risks, and achieve the occupational health and safety policies and goals of the Company.

As for more specific ship safety operations, the Company has provided operating instructions for mechanical maintenance, maritime management, emergency response and seamen to ensure safe and orderly operation of each link.

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Safety Operating Instructions

Operating Instructions for Mechanical Maintenance	<i>Regulations on the Ban of Using Asbestos-containing Materials on the Ships, Lubricating Oil Management, Filling Notes and Fuel Oil Quality Control on the Ships, Notes for Preparation of Oil Transfer Plan on the Ships</i>
Operating Instructions for Maritime Management	<i>Vessel Fire Safety Regulations", "Anti-typhoon Safety Regulations on the Ships, Operating Instructions for Ship Handling in Heavy Weather, Provisions on the Administration of Container Transport, Heavy Cargo Shipping Notes</i>
Operating Instructions for Emergency Response	<i>Emergency Measures for Fires (Explosions) on the Ships, Oil Spill Incident Emergency Measures, and Cargo Incident Emergency Measures</i>
Operating Instructions for Seamen	<i>Personal Safety Precautions for Seamen</i>

In strict accordance with the *ISPS Code*, the Company has formulated the *SSP*, installed CCTV monitoring devices on the ships and worked out various anti-terrorism measures. For ships navigating on the pirates-active waters, the Company have further established the Naval Escort Plan and arranged armed security forces to ensure the safety of seamen and ships.

Onshore Employees

Within the reporting period, the Company continuously implemented the established Onshore Work Safety Plan, strengthened the employee safety awareness, and organized safety practices and training sessions on a regular basis. The Company provided all its employees in the PRC with free annual physical examination, and the five social insurances and one housing fund—endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance and housing fund. Fire drills have been conducted on a regular basis. Professional firefighters from the Fire Control Center have been invited to give site instructions, develop employees' response ability in face of fires at the initial stages in the

terminals and other workplaces, and help them master knowledge about types of fire extinguishers and how to use fire extinguishers. Valuing vehicle use safety, the Company has specified the safety rules in the *Drivers' Job Responsibilities*, and provided safety training on all drivers on a regular basis. The *Safety Regulations on Incoming and Outgoing Vehicles*, and *Regulations on the Safety Management of Separation of Pedestrians and Vehicles* formulated by the Logistics Group have standardized vehicle and personnel safety measures.

In 2018, the Company unfolded various occupational safety and health training activities to help employees familiarize themselves with our safety regulations and work procedures, master the latest safety measures and technologies, enhance their work health and safety awareness, and advance safety and health philosophy development.

6.4 Employee Welfare

Putting people first, the Company has taken employees as valuable corporate assets, and thus provided them with a safe and comfortable working environment. A well-designed vacation and insurance system has been established in respective place of operation, and professionals have been hired to offer emotional counseling on a regular basis. To promote work-life balance and enhance team bounding, the Company has arranged a wide range of entertainment activities and encouraged active involvement of the employees to promote harmony and unity among the employees.

The Company has established a well-designed employee remuneration system. In addition to basic salary, there are monthly performance, equity, year-end bonus and subsidy. Employees are entitled to such benefits as transportation subsidy, special subsidy, perfect attendance reward, dispatching subsidy and children's educational subsidy. Furthermore, the equity incentive system of the Company has been established to motivate employees who recognize its corporate culture, abide by its corporate regulations and have made contributions to the Company through important posts on a long-term basis, enhance their sense of belonging and realize common sustainable development between the Company and employees. The Company plans to grant shares awards with a vesting period of 3-years after the grant day whose restrictions to a certain number of backbone employees every year. Within the reporting period, the Company granted a total of 6.57 million shares awards to employees based on their performance and stock price, increasing by 68.9% from 2017; a total of 541 employees received stock ownership incentive, marking an increase of 16 employees from 2017, and accounting for 36.9% of total employees.

The Company has adopted flexible vacation system for employees as per the place of operation. Working hours, statutory holidays and paid leaves are based on the laws and regulations of different countries or regions. These efforts are intended to relieve the pressure from intense work, promote harmonious family ties, enhance the unity of employees and cohesiveness of the enterprise.

Valuing employees' practical benefits and well-being, the Company has further developed an efficient employee communication mechanism. Such approaches as corporate policy Q&A on the official website and OA questionnaire-based survey have been adopted to hear from the employees and resolve their problems.

Moreover, the Company organizes various employee events to enrich their lives. In 2018, the Company organized the first SITC Gobi Hiking, "SITC in My Eyes" Painting Competition, Healthy Running, Family Day and many other events. Employees and their family members were encouraged to join these events, so as to enhance its cohesion and employees' sense of belonging.

Environmental, Social and Governance Report

Case: SITC in My Eyes Painting Competition

In 2018, SITC launched the major team building event—"SITC in My Eyes" Painting Competition. Through diversified self-organized activities, 41 branches under SITC joined the event. The employees and their family members and children depicted "SITC in My Eyes"

through different scenes, and expressed their love for the Company and expectation for corporate vision. Thirty six paintings were entered as finalist works after corporate appraisal, and then voted through the OA system. Finally, 22 winning works were selected.



First Prize Work *Brave the Wind and the Waves* —
Zhou Cheng from Container Transportation Shanghai



First Prize Work *Win-Win SITC* —
Wang Song from Container Transportation Qingdao



First Prize Work *Better SITC* —
Marketing Department from Container Transportation Yantai

Case: First SITC Gobi Hiking

To develop employees' team spirit and enhance their leadership, SITC held the first SITC Gobi Hiking 2018. After undergoing a rigorous physical examination, 93 applicants were selected for the qualification tryouts and 40 participants were picked after 10km, 18km and 23km qualification tryouts since mid-June. After one month and a half group-based intensified training, the first batch of SITC Gobi challengers in 4 groups set out for the Gobi Desert in October 2018. The 88km non-stop hiking challenge, known as the Journey of Xuanzang, lasted 3 days and 2 nights.

In face of trials of scorching sun, bitter cold, dust storm, night walk and high altitude, the team members broke through themselves, enhanced their AQ, appreciated the power of friendship in distress, and realized the importance of a team to deal with difficulties. Finally, all team members completed the 88km extreme challenge and showcased the spirit of SITC members.



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6.5 Community Support

Actively involving in and making contributions to the local community, the Company has joined welfare programs to realize sustainable development between the Company and the community of the place of operation. In 2018, The Company invested RMB3 million and IDR 50 million in welfare programs in relation to poverty alleviation, education, medical care, disaster relief and environmental protection.

Case: SITC Made Donations for Earthquake and Tsunami Attacked Paru, Indonesia

On September 28, 2018, Paru in the middle of Sulawesi, Indonesia was seriously hit by an earthquake, which led to a tsunami and severe losses. Through PELINDO4 PEDULI, Dwi Indriyani, head of Makassar Office of SITC Indonesia, donated IDR 50 million to Paru on behalf of SITC for living arrangement and post-disaster home reconstruction of the disaster-stricken people.

After the disaster, employees in Jakarta and Semarang have actively participated in disaster relief donations, relief supplies transportation support activities to express their concern for the disaster-stricken people.



Case: SITC Continuously Made Donations for Jinan Children's Care Center

In 2014, SITC worked with Ai You Foundation and Jinan Children Welfare Institution to set up Jinan Orphaned and Disabled Children's Care Center. It's a special care, medical assistance and rehabilitation center for orphaned and disabled infants and young children. In 2018, SITC made a donation of RMB3 million to the Center, leading to an aggregate donation amount of RMB15 million over the years.

In 2018, 83 ill orphans were admitted to the Center, driving the total number of cared orphans to 100. Since the launch of the program, SITC recruited volunteers from its branch companies, and gathered them in Jinan Children Welfare Institution to assist health care aids in care for the ill children and bring them warmth.

In 2019, the Company will continue to uphold the philosophy of people first and harmonious development, constantly improve the employee incentive and evaluation mechanism, and give a full play to remuneration in protecting employees' rights and motivating their initiatives; an employee position-based learning platform will be established, course and lecturer resources will be enriched to meet the personalized training demands of employees; a talent development program will be initiated to support the future strategic improvement and business development of the Company; through the SITC Gobi Hiking Phase II and other recreational and sports activities, The Company will be actively engaged in team building and cultural development to enhance corporate cohesiveness.

Outlook for 2019

SITC is a seabird soaring over the ocean.

In 2019, internally, the Company will further advance the integration of sustainable development into corporate strategy and corporate culture, and continuously improve ESG management and reporting system; an information-based platform for ESG data collection will be gradually established to realize inter-departmental and cross-regional data management. Externally, the Company will continue to fulfill its social responsibility for stakeholders, unfold effective communication with them, identify and incorporate their reasonable expectations and demands into day-to-day operation; The Company will further explore the integrated reporting and business model, effectively combine its economic value with its social value, and better present how the enterprise creates value in the short, medium and long term.

At the same time, the Company will insist on steady operation and create value for shareholders through scientific and effective management; the Company will further advance its energy conservation and ecological protection efforts, keep the risks of environmental accidents under rigorous control, strengthen safe production assurance and actively adapt to changes of customer demands. Furthermore, the Company will improve its long-term mechanism in employee training and care, share its corporate development results with employees. On the basis of good communication with the community, the Company will actively expand the scope and influence of public benefit programs to benefit the community and maximize social value!