



**SITC International Holdings Company Limited**  
**海豐國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1308

**2020**

**Environmental, Social and  
Governance Report**



# 2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF SITC INTERNATIONAL

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# About This Report

This report discloses the environmental, social and governance (“ESG”) information of SITC under the principles of objectivity, standardization, transparency and comprehensiveness. It is intended to communicate with stakeholders about corporate sustainable development concepts, actions and performance in a full and frank manner, and make a systematic response to sustainable development issues concerned by stakeholders.

## Scope of Report

This report covers the period from January 1, 2020 to December 31, 2020. To be more systematic, this report is partially retrospective to previous years, and the reporting boundary has no significant change as compared to that for the financial year ended 31 December 2019.

Unless otherwise specified, all cases and data in this report are derived from the wholly-owned branch companies, subsidiaries and joint ventures under de facto control 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 (the “ESG Reporting Guide”) contained in Appendix 27 of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange. This report has complied with all mandatory disclosures requirements and “comply or explain” provisions.

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 of the Company (the “Board”) warrants that the report approved by the Board is free from any false records and misleading statements.

## Explanations on Abbreviated Names

For the sake of convenience in expression and reading, “SITC International Holdings Company Limited” is referred to as “SITC” or the “Company” or “we” or “our” in this report.

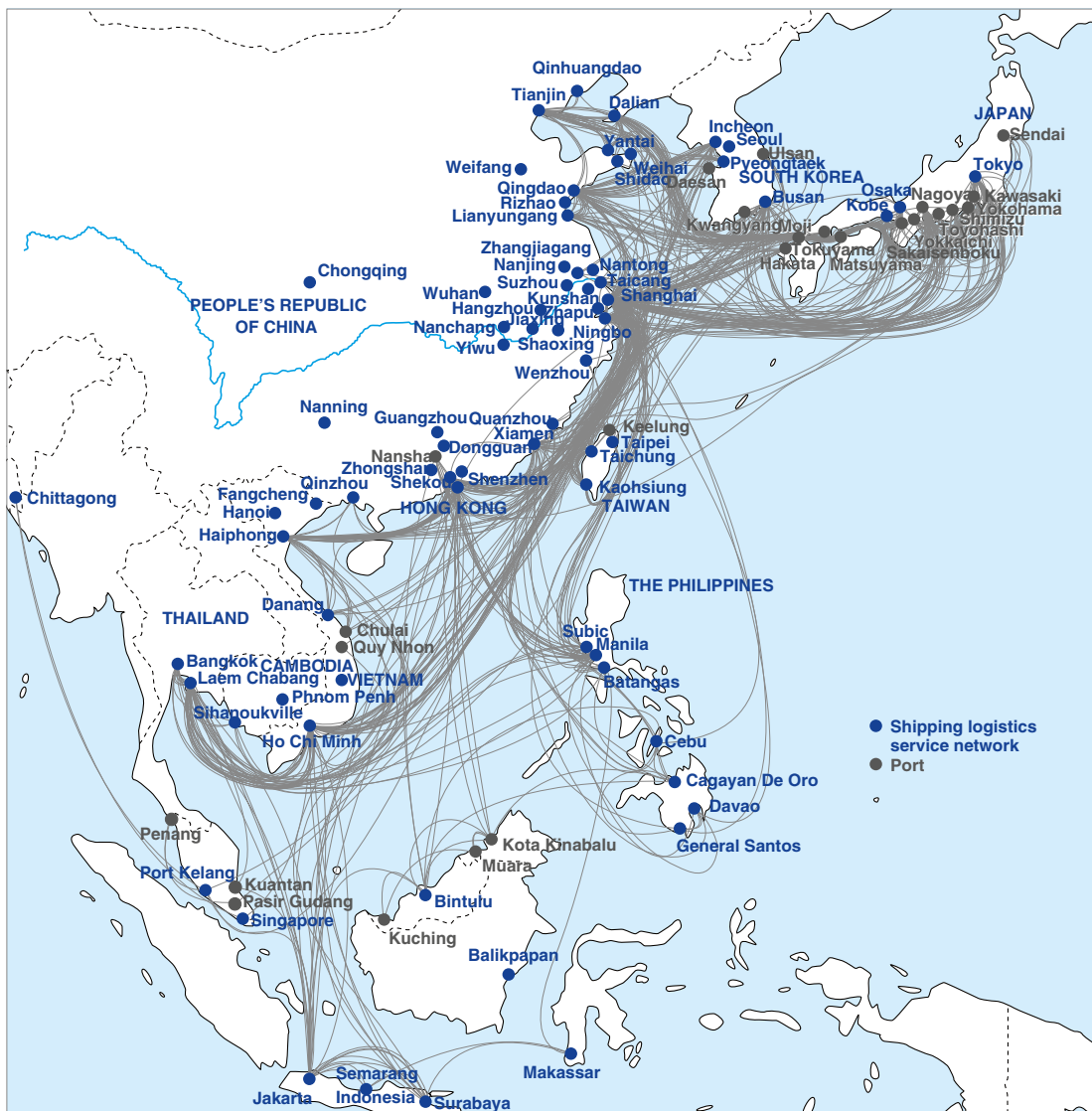
## Access to This Report

This report is released in both Chinese and English versions, which are available on the website of SITC ([www.sitc.com](http://www.sitc.com)) and the website of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) ([www.hkexnews.hk](http://www.hkexnews.hk)).

# About SITC

SITC is an Asia's leading shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2020, we ranked the 18th among international container shipping companies in terms of shipping capacity. We focus exclusively on servicing the Asia trade market, which is the largest in the world and one of the fastest growing market in terms of shipping volume, according to Drewry Maritime Services (Asia) Pte Ltd, an independent industry consultant.

The following map illustrates the Asia container shipping routes (including trade lanes operated through joint services and container slot exchange arrangements) and shipping logistics service network of the Group as of 31 December 2020:



Our business can be segregated into two main business segments: container shipping and logistics segment and dry bulk and others segment. Our container shipping and logistics segment principally covers integrated logistics services such as the provision of container transportation, freight forwarding, shipping agency, depot and warehousing, etc. Our dry bulk and others segment principally covers the provision of dry bulk vessel leasing, land leasing and air-freight forwarding services.

## About SITC

		2020	2019	Change
<b>Results</b>				
Turnover	US\$'000	<b>1,685,167</b>	1,553,718	8.5%
Profit attributable to shareholders of the Company	US\$'000	<b>351,624</b>	219,977	59.8%
Basic earnings per share	US cents	<b>13.22</b>	8.29	59.5%
Profit margin	%	<b>21.0</b>	14.3	6.7 pt.
Net cash flows from operating activities	US\$'000	<b>501,386</b>	329,673	52.1%
<b>Financial Position</b>				
Equity attributable to shareholders of the Company	US\$'000	<b>1,184,487</b>	1,010,243	17.2%
Net current assets	US\$'000	<b>305,245</b>	122,230	149.7%
Interest bearing bank borrowings	US\$'000	<b>428,893</b>	282,012	52.1%
<b>Financial Ratio</b>				
Return on equity (note 1)	%	<b>31.9</b>	21.5	10.4 pt.
Return on assets (note 2)	%	<b>18.7</b>	13.4	5.3 pt.
Assets turnover ratio (note 3)	times	<b>0.89</b>	0.94	(0.05)
Gearing ratio (note 4)	%	<b>21</b>	18	3 pt.
<b>Operating Statistics</b>				
Number of container vessels operated as at year end	vessels	<b>90</b>	82	8
Container shipping volume - Container shipping and supporting logistics	TEU	<b>2,614,203</b>	2,483,278	130,925

### Note 1

Return on equity is calculated by using the profit for the year and the average balance of total equity as at beginning of year and end of year.

### Note 2

Return on assets is calculated by using the profit of the year and the average balance of total assets as at beginning of year and end of year.

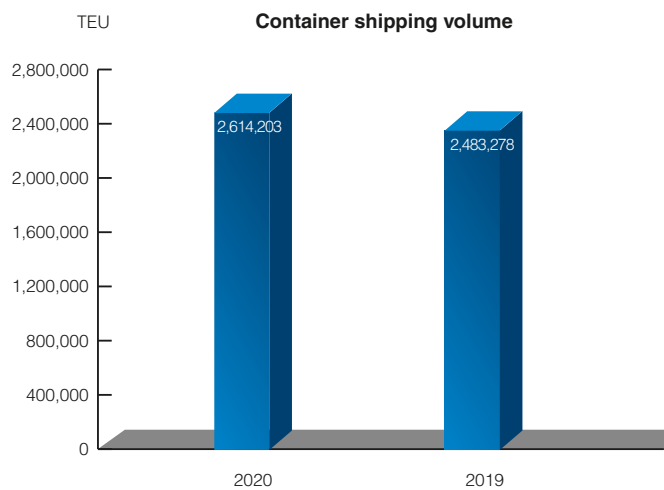
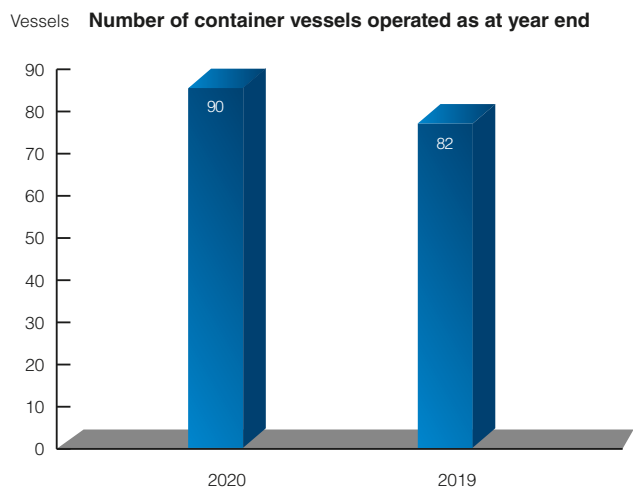
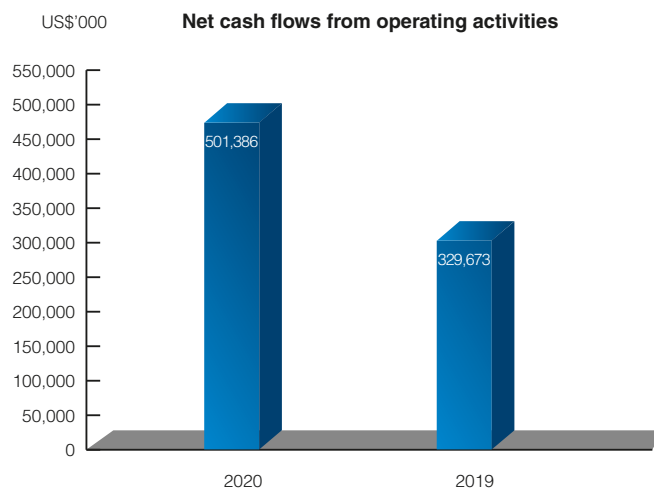
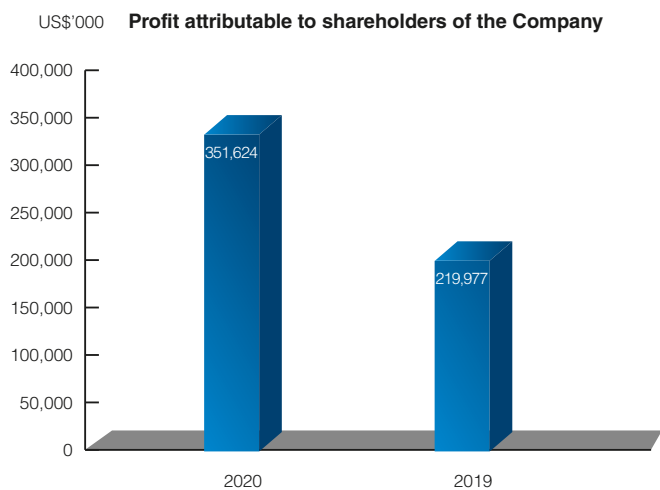
### Note 3

Assets turnover ratio is calculated by using the turnover and the average balance of total assets as at beginning of year and end of year.

### Note 4

Gearing ratio is calculated by using net debt divided by the adjusted capital plus net debt. Net debt includes bank borrowings, lease liabilities, trade and other payables and accruals, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve.

## About SITC



■ Container shipping and supporting logistics

# Corporate Governance

## STATEMENT OF THE BOARD ON ESG MATTERS:

The Board comprehensively supervises the strategies formulation on ESG matters, performance management and target progress. The Board has set up the Sustainable Development Committee to put forward suggestions regarding the Company's long-term development plan, sustainable development policies, and guide the stakeholder communication. The Committee also reviews the policies, management framework and day-to-day operations in respect of environmental and social responsibilities and sustainable development at least every half a year. In addition, the Committee puts forward suggestions to the Board on relevant work. The Board has set up the Risk Management Committee to review the major risk identification and response at least every half a year, so as to ensure that the related risks are promptly and effectively identified and properly managed. Based on the effective communication with stakeholders, combined with the actual situation of the Company and the opinion of the management, the Board determines the importance of various ESG indicators.

### 1.1 ESG MANAGEMENT PHILOSOPHY

In the context of the deteriorating environment today, the promotion of green and low-carbon development 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 enhancement. It is of vital significance to the survival and sustainable development of 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 concept into its day-to-day operation and major business decision making, the Company has been committed to creating a long-term value for its shareholders, customers, employees, supply chain partners and the public and delivering a positive influence.

The Company is committed to fulfilling the international safety management rules and shares the objectives of ensuring safety at sea, preventing human injury or loss of life, and avoiding damage to the environment (especially to the environment at sea) and to the loss of property under the rules. Accordingly, the Company has formulated the safety and environmental protection policy of "ensuring safety, protecting the environment, safeguarding health" and the efficiency policy of "energy conservation and emission reduction, high efficiency and low consumption".

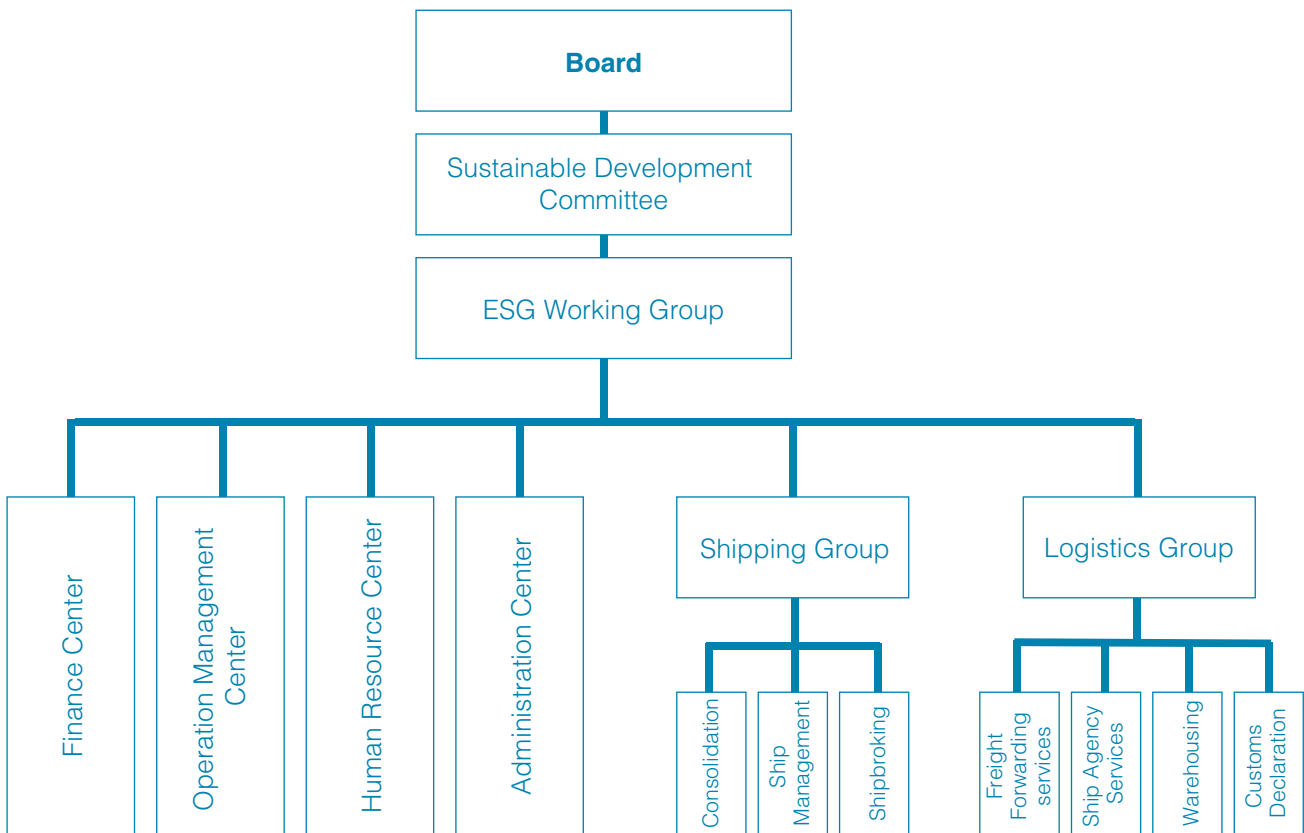
Upholding the philosophy "Personnel is SITC's greatest asset. Only by cultivating top-calibre employees can we provide first-class services to customers, create first-class value and achieve first-class development" as its core value, the Company has continuously improved its employee selection, training, development and incentive systems, and taken the initiative to share corporate development and growth with employees to enhance their cohesion. Working with qualified suppliers, the Company has 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 economically underdeveloped countries and regions, thereby striking a balance between commercial value and social value.

The Company is committed to creating greater values for stakeholders to help achieve its sustainable development goals. In light of the Board diversification policy, the Company has actively given play to the role of independent Directors, and respected their professional advice and independent opinions. In 2020, the Company adjusted the structure of the Board and each Committee of the Company by extensively taking investors and shareholders' opinions and combining the requirements of digital transformation of the Company, and introduced independent non-executive Directors and female Directors with digital and financial background. The new independent Directors hold less social positions, and only one of them holds the position of independent non-executive Director in a listed company in Hong Kong. As a result, they can devote more effort and time in the Company and better perform the duties as Director. As at the date of this report, the Board of the Company consists of 9 members, including 5 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, of which 3 are female Directors.

In addition, the Company continued to improve its sustainable development structure, set up key performance indicators ("KPIs"), improve internal management system, optimize IT systems and further improve corporate governance, thus striving to accomplish the OECD corporate governance goal: to create a credit-oriented environment of high transparency and clear accountability so as to secure long-term investment, financial stability and business integrity, thereby supporting more robust growth and a more inclusive society.

## 1.2 ESG MANAGEMENT STRUCTURE

Upholding a 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 its shareholders.



- The Board shall review the progress of the Company's ESG related objectives at least every half a year.
- The Board has established a sustainable development committee (the "Committee"), which comprises four executive directors of the Company. The chief executive officer of the Company serves as the chairman of the Committee and the company secretary acts as the secretary of the Committee. The Sustainable Development Committee shall submit the Sustainable Development Report of the Company to the Board every half a year, report the progress of various ESG matters during the reporting period of the Company in detail, and make recommendations to the Board.
- The ESG Working Group coordinates each center and business group on a monthly basis, and reports environmental, social and governance related matters to the Sustainable Development Committee.

In 2020, the Sustainable Development Committee of the Company summarized and analyzed the 2019 ESG matters, and investigated and summarized the revision of ESG Guidelines issued by the Hong Kong Stock Exchange by the end of 2019. It reviewed and inspected all aspects of the Company's ESG management, and proposed a series of improvement measures and steps to the Board. The Board is generally satisfied with the Company's performance on 2020 ESG matters, and agrees to improve and implement the following matters.



## Corporate Governance

- 1) According to the new ESG reporting guidelines issued by the Hong Kong Stock Exchange, the Company's system was revised and various human resources systems were improved, such as clear measures in avoiding child labor and forced labor;
- 2) Set up short, medium and long-term emission reduction goals;
- 3) Set up energy consumption KPI indicators: set up the fuel consumption indicators of single capacity mileage and single tank of terminals respectively, and set up KPI indicators for the next 10 years using the factor analysis method;
- 4) Analyzed and disclosed the relevant data of the crew members separately, including turnover of the crew members, the work-related injuries and fatalities and shift information;
- 5) Developed employee training system individually and formulated systematic employee training plan and answer test system;
- 6) Improved the relevant systems and regulations for terminal safety production;
- 7) Identified the risks and countermeasures in all aspects of the supply chain.

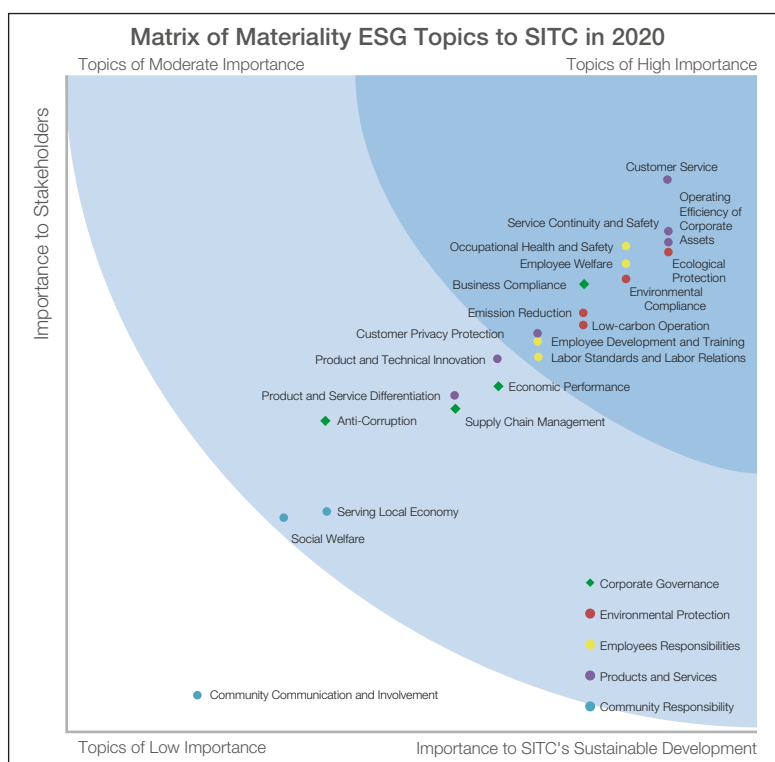
### 1.3 MATERIALITY ANALYSIS

The sustainable development of a company is closely related to its stakeholders. Effective stakeholder engagement during business operations can help the Company to accurately evaluate the impact of its decisions, promptly adjust the actions and ultimately realize the sustainable development of SITC and its stakeholders. Attaching great importance to stakeholder communication, the Board has always been opened to opinions from different perspectives and taken them as an important basis for ESG improvement. By reviewing the types of stakeholders and issues arising from our operations, the Company has identified the important stakeholders and the way they engaged.

Stakeholders	<ul style="list-style-type: none"> <li>• Methods of communication</li> </ul>
Staff	<ul style="list-style-type: none"> <li>• Questionnaire survey</li> <li>• Team building</li> <li>• Symposium</li> <li>• Staff training</li> <li>• Annual meeting</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Satisfaction questionnaire survey</li> <li>• New product launch</li> <li>• Regular visits</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Training</li> <li>• Regular visits</li> <li>• Strategic cooperation</li> <li>• Cooperation and anti-corruption interview</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Participation in bidding</li> <li>• Annual general meeting</li> <li>• Results conference</li> <li>• Investment meeting</li> <li>• Roadshows and reverse roadshows</li> <li>• Announcement</li> </ul>
Intermediaries and other organizations	<ul style="list-style-type: none"> <li>• Symposium</li> <li>• Training</li> <li>• Regular visits</li> </ul>

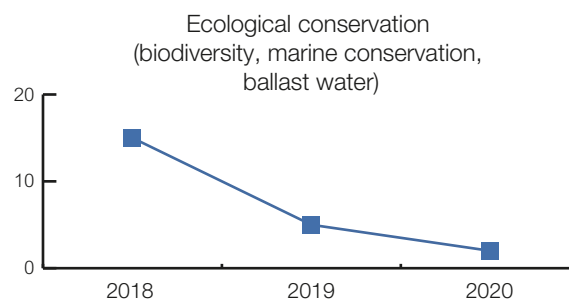
## Corporate Governance

As at the end of 2020, the Company invited all the employees, major customers, suppliers, financial institutions, shareholders and other stakeholders to assess the importance of 21 topics in four categories concerning SITC through a combination of online and offline questionnaire-based survey. More than 800 questionnaires were collected. The following key matrix of materiality issues were determined from the valid questionnaires collected, combined with the actual situation of the Company and the opinions of the management:

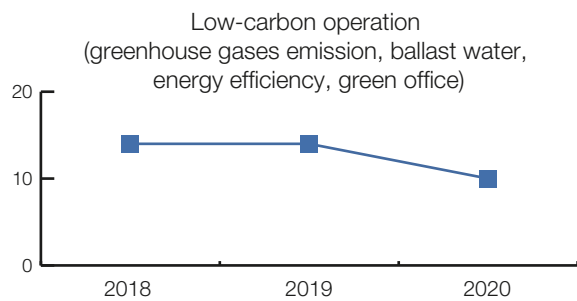
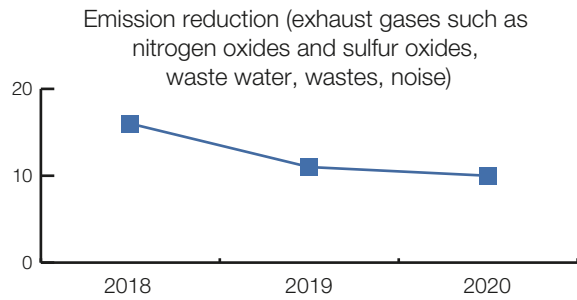


In this questionnaire, the Company set up open-end issues, hoping to hear the opinions and suggestions of all stakeholders on the sustainable development of the Company. Eventually, more than 300 rational suggestions were received, which mainly involved Board composition, employee benefits, supply chain management, anti-corruption and customer service. The Company also disclosed the survey results to the participating stakeholders, with a view to strengthening communication and mutual exchanges and establishing daily communication channels. As compared with 2019, the following indicators recorded a significant change in ranking in terms of materiality in 2020:

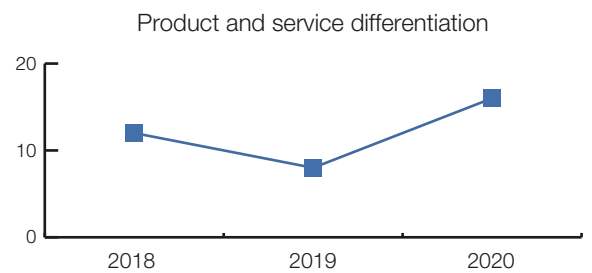
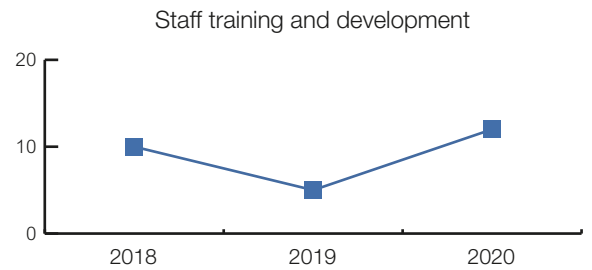
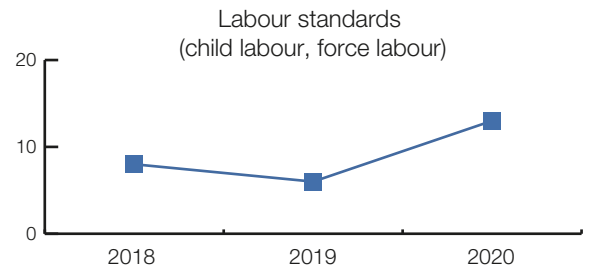
- 1) Ecological protection, emission reduction and low-carbon operation have increased, indicating that our stakeholders have generally attached more importance to environmental and social responsibility;



## Corporate Governance



- 2) The importance of labor standards, employee development and training, and product and service differentiation has declined. With the establishment of the increasingly sound labor, welfare and training system, stakeholders generally rank high in terms of importance, yet it has decreased.



# Responsible Operations

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.

## 2.1 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 operations, 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 preferred provider. Based on the operating models of self-operated and light assets, the Company has established ocean and land integrated logistics channels and facilities to offer customized logistics services. In 2020, COVID-19 pandemic has had serious impact on the global economy, consumer activities and supply chain. With the full recovery of China's production in the second half of the year, the marine trade and container shipping freight market has picked up steadily. The Shanghai Containerized Freight Index (SCFI) has rebounded since hitting the bottom in late April, surging by 178% in the second half of 2020 and showing a general increase in freight rates of all global routes in the fourth quarter. The chartering market began to recover gradually in mid-June and achieved significant growth. By the end of 2020, the chartering rate index increased by 128% compared with the end of June; the price index of container vessels and second-hand vessels also demonstrated a trend of surging after a decline. In December, the price index of container vessels and second-hand vessels increased by 14% compared with the end of the first half of the year. Through the strategy of expanding amidst the unfavorable trend, the Company continued to maintain a stable growth of its performance and increased new vessel orders as appropriate, laying a solid foundation for future development.

The Company established a unique business model based on customers' needs to obtain the trust of high-quality customers. Meanwhile, the Company utilized the industry cycle to establish a cost-leading advantage, coupled with the continuous improvement of operating efficiency, and maintained a higher return on net assets and total assets for a long term.

Year	2018	2019	2020
Return on net assets	19.7%	21.5%	31.0%
Return on total assets	12.6%	13.4%	18.7%

In respect of shareholder return, the Company has continued to distribute dividends to its shareholders since its listing. A scientific, continuous and stable dividend mechanism has been established to ensure that investors have steady investment return expectations. Over the years, the Company has maintained a stable dividend of 70% of the annual net profit, and paid special dividends according to the cash flow situation, so as to give back to the support and trust of our shareholders.

Year	2018	2019	2020
Earnings per share (US Cents)	7.44	8.29	10.58
Dividend per share (HK Cents)	41	75	82
Dividend payout ratio	71%	117%	81%

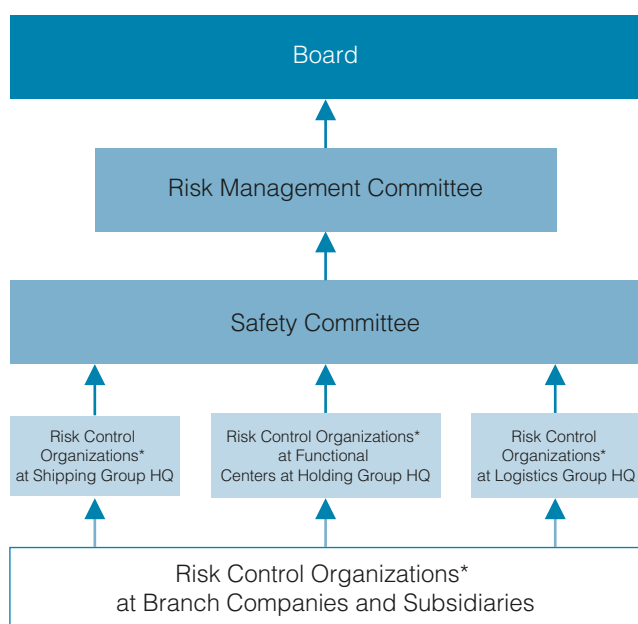
In respect of interest-bearing debts, as the Company continued to adopt a stable strategy, the debt ratio remained at a low level, thus providing maximum protection to creditors' interests.

Year	2018	2019	2020
Ratio of total liabilities to shareholders' equity	57%	60%	71%
Interest coverage ratio	27.6 times	37.9 times	67.8 times

# Responsible Operations

## 2.2 RISK MANAGEMENT

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 exposures, and further established a scientific and systematic internal control system. The risk management committee has been established under the Board to improve the integrated risk management organization.



Remarks:

\* Risk control organizations at all levels include risk management organizations and crisis management public relations teams

The Company follows COSO's guidance on enterprise risk management. Coupled with the formulation and execution of strategies, the Company carried out culture building, competence development and practice in respect of risk while creating, maintaining and realizing value. Each 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 the control over major risk exposures in 2020, twenty major risks in nine categories were identified and associated control measures were formulated.

A total of 1,755 questionnaires were collected in this survey, which mainly focused on further refining and clarifying risk control measures, increasing front-line operational examination on risk items, supplementing the solutions once the risks actually occur, as well as the new risks faced by the Company and risk prevention of service quality. Among them, 27 rational suggestions were adopted by the Company, and our risk control systems were revised.

1) Examined new risks and risks required to strengthen prevention and control:

New major risks: risk brought about by the signing of RCEP;

Prevention and control measures: expand new business types while optimizing the Company's own advantages, study the RCEP policy as soon as possible and keep up with information such as policy changes.

Risk required to further strengthen prevention and control:

- Risk of IT system development: sufficient system development time shall be reserved, and the structural design of the new system shall be considered in advance.
- Risk of changes in supply chain: strengthen customer communication, and follow the changes of customer industrial chain or supply chain to layout new outlets and new routes.
- Risk of transportation of dangerous goods: summarize and improve the relevant provisions and precautions of dangerous goods loading; strengthen the loading review and enhance the inspection and attention of crew members to the dangerous goods; organize learning and training of knowledge related to dangerous goods business; strengthen the optimization of system MIS and automatically screen special wordings.
- Risk of system breakdown: strengthen the security protection of the Company's network, establish a backup system and conduct regular simulation drills. Enhance employees' security awareness on IT.

## Responsible Operations

- 2) update the risk control list and add the column of “Risk Prevention and Control Position/Responsible Person” to clarify the first position/responsible person who has the responsibility to understand the situation, coordinate the processing and timely report the relevant situation when the risk actually occurs.

The revised risk control master table (extract) is as follows:

Risk Category	Business Type	Risk Exposure	Risk Identification and Description	Assessment of Risk Likelihood	Assessment of Risk Impact	Risk Prevention Measures	Relevant System (Name of System and Chapter)	Risk Prevention and Control Position/Responsible Person
Financial	Financing risk	Foreign exchange risk	Fluctuation in exchange rate	More than 81%	Medium	Monitor the fluctuation in exchange rate and estimate the repayment amount	Chapter 9 Financing Management Regulations	Treasury Department
Administrative	Seal	Missing seal	Lost or damaged seal	Less than 5%	High	1. Strengthen the safe custody awareness of the seal receiver; 2. Regular filing and registration	Chapter 5 Seal Management	Company executives
Container transportation	Dangerous goods transportation	Policy risk	Notice from Maritime Safety Administration and Port Authority	25%	Medium	The shipping agent of the subsidiary actively pays attention to relevant local dangerous goods policies, and reports and coordinates in a timely manner		Operation Center

Through all staffs’ participation and feedback, SITC not only enhanced the risk management awareness of each organization, identified new risk exposures and formulated corresponding preventive measures, but also ensured the effectiveness of the risk management organization, achieving the coordination of “focus, team, execution, efficiency, risk control and customers” in SITC’s DNA.

- 3) Analyzed digitalized risk. Through questionnaire surveys, the Company ranked the importance of risks in seven aspects, such as the establishment of data strategic business model, the change of digitalized concept, the improvement of data innovation ability and innovation path, process automation, security and privacy risks, the integration of digitalized talents and the selection of dynamic employees and data partners, and put forward recommendations to the Board which were adopted by the Board.

### 2.3 ANTI-CORRUPTION

While attaching great importance to clean management, the Company is determined to put an end to bribery, extortion, fraud and money-laundering of any form.

- 1) The Company strengthens the publicity and training of anti-corruption policies for staffs. In March and April 2020, all staffs were organized to carry out anti-corruption training and test in the OA system to consolidate their learning results.

- 2) Questionnaire surveys were carried out to investigate the anti-corruption status of the Company. Among which, 51.1% of the staffs believe that there are no corruption issues in the Company, 48.3% of the staffs are uncertain or doubtful, with only 0.6% of the staffs believe that corporate corruption is common.
- 3) The management system was revised to further emphasize that “the Company prohibits any form of corruption and bribery, and it applies to all Directors and employees”. The Group’s anti-corruption policy has been announced throughout the Group, and a sound and transparent anti-fraud, reporting and complaint mechanism has been established. A reporting hotline and e-mail have been set up to receive real or anonymous reports from employees and external third parties.
- 4) Internal and external audits will also be organized on a regular basis, and the rotation system has been implemented to effectively prevent corruptions.

There was no bribery, extortion, fraud and money-laundering related case in the Company during the reporting period.

## Responsible Operations

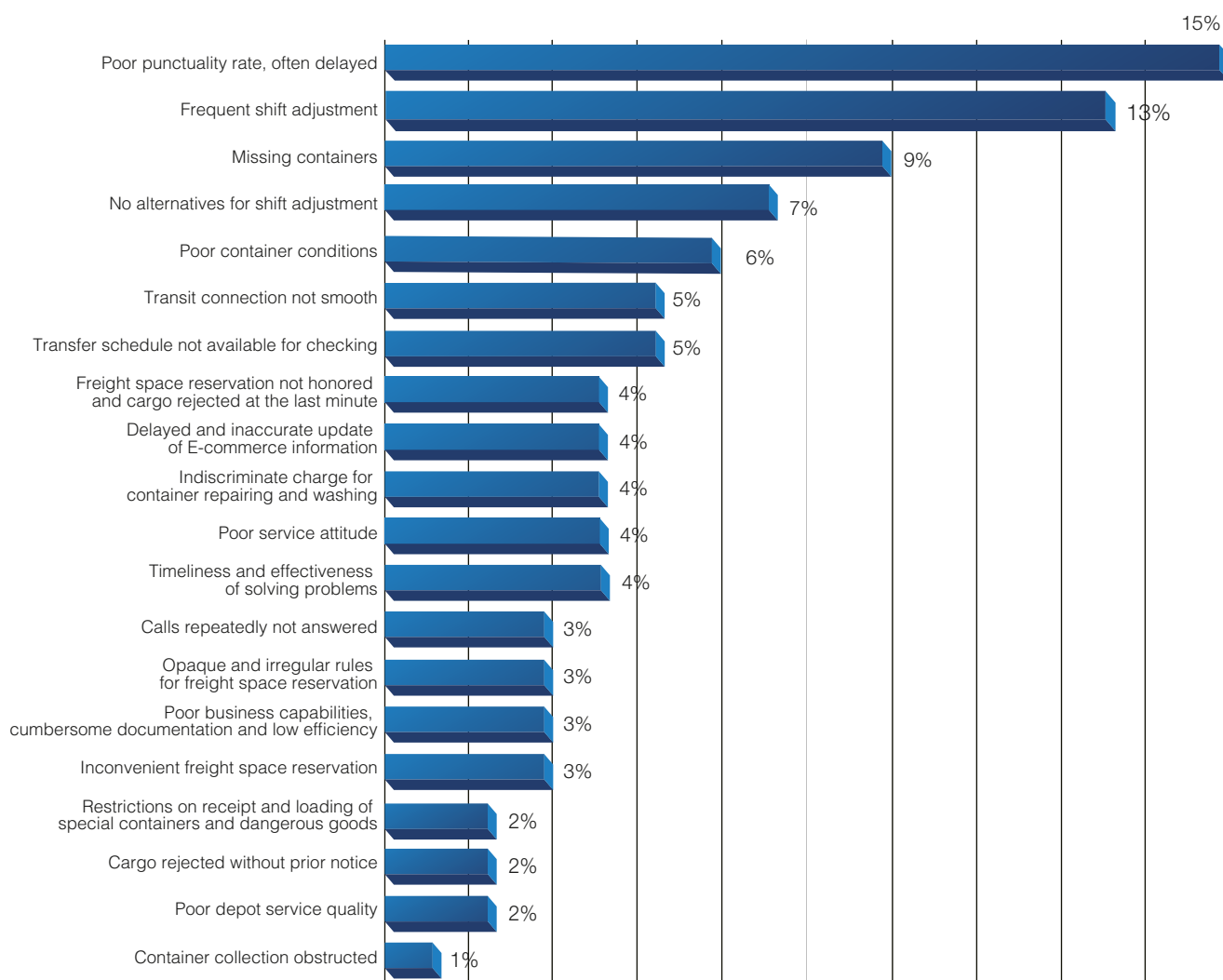
### 2.4 CUSTOMER SERVICE

“Customer always comes first” is one of the core values shared by SITC, and a key strategy for SITC to develop and maintain competitive strengths. Through diversified channels such 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, increased port calls and warehousing and depot areas, container Round Use, new ICD, sea-rail transport and special container logistics, the Company has increased its customer loyalty. Among the key customers, over 80% of them are stable customers with a partnership of more than 10 years.

In 2020, the Company conducted a customer dissatisfaction survey and solicited customers’ opinions on the container transportation service and logistics service respectively.

The degree of dissatisfaction of 20 minor items under the container transportation service ranking from high to low is as follows: of which, punctuality rate and shifts are still service contents that customers concerned about. The degree of satisfaction of service attitude has increased.



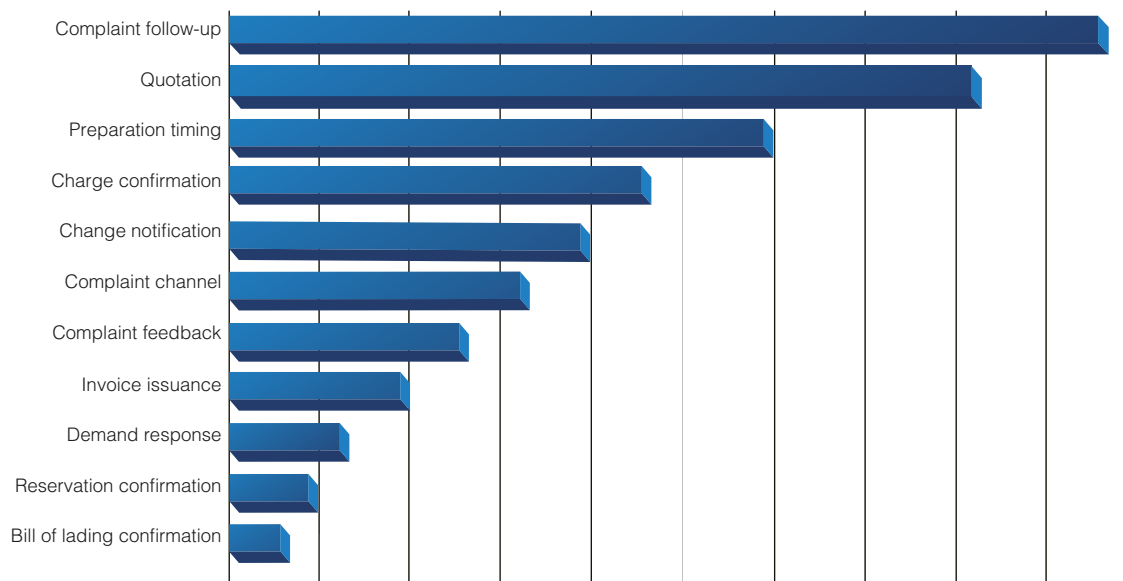
## Responsible Operations

The following rectification measures have been taken for the items with low level of customer satisfaction:

- 1) Improve the navigation speed of vessels and increase the number of motor overtime vessels at the expense of the Company's operating costs, so as to effectively improve the delay situation;
- 2) Increase the number of new leased containers to alleviate the shortage of containers;
- 3) Leveraging the network advantage of multiple ports/depots to provide remote container pick-up and return services, which is convenient for customers to pick up and return empty containers immediately, thus saving time and costs;
- 4) Set up complaint hotline of the general managers of each SITC subsidiary at the Company's major suppliers (such as depot) to solve customer complaints caused by the poor service provided by the suppliers in a timely manner;
- 5) All port companies are required to conduct special discussion on the items that customers are not satisfied with, strengthen the training of customer service personnel, and improve service awareness and service level;
- 6) Improve the convenience and functionality of e-commerce, and increase the convenience of customer reservation and cargo tracking enquiry;
- 7) Set up a special tasks group to improve the service level of project goods.

The customer dissatisfaction survey of logistics services is categorised by five business types:

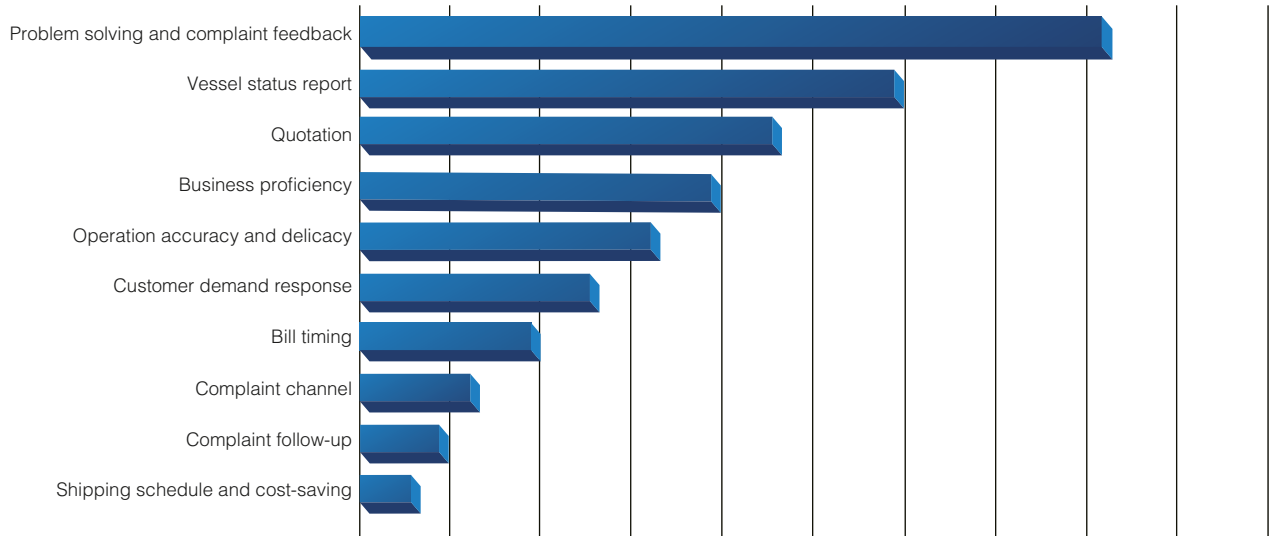
- Freight forwarding business



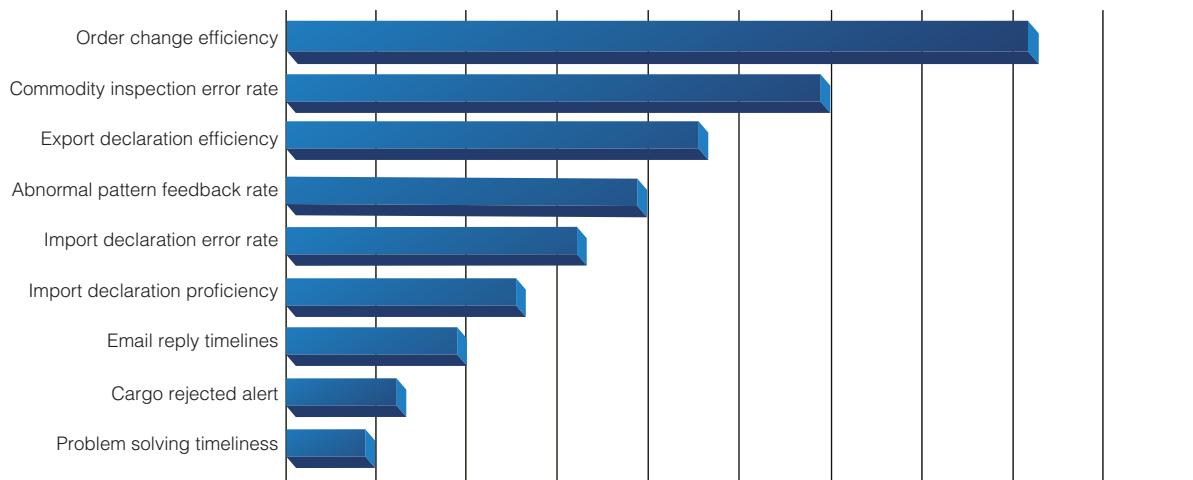


## Responsible Operations

- Shipping agency business

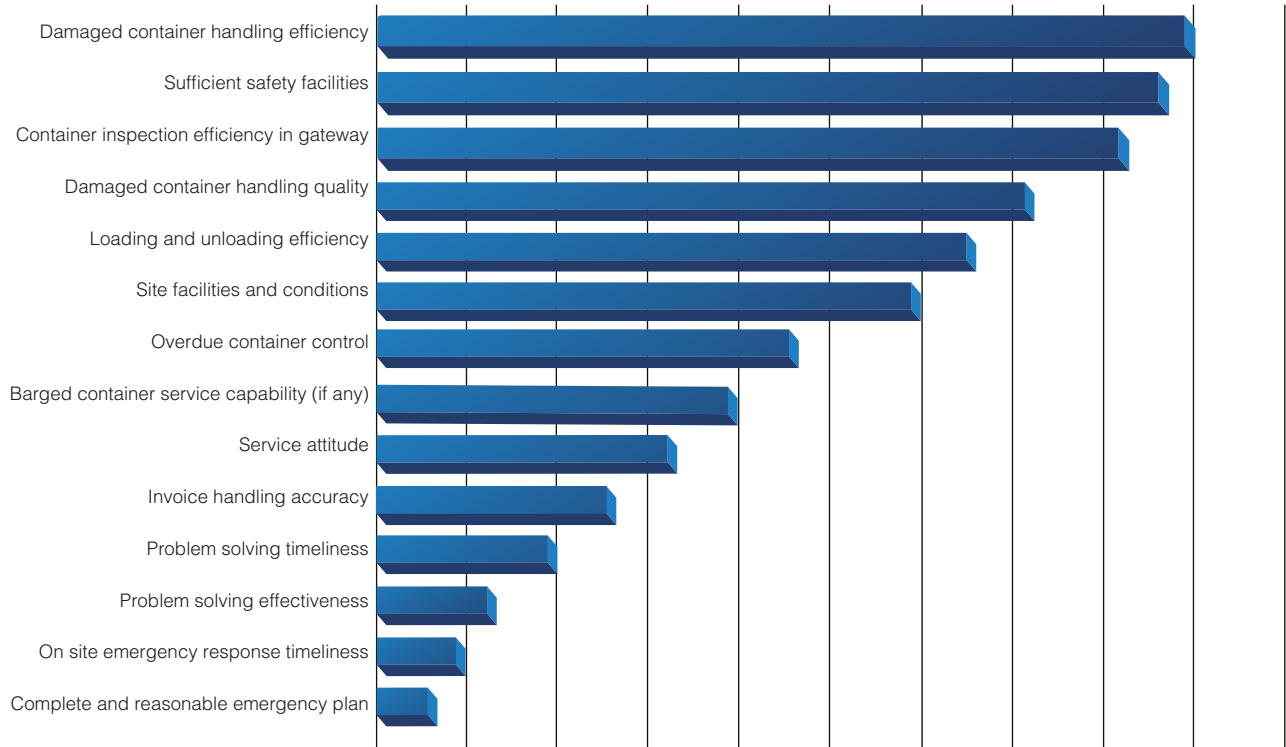


- Customs declaration and inspection business



## Responsible Operations

- Depot business



In view of the above items that customers are not satisfied with, the Company has taken measures to improve, such as re-announcing the complaint channels, strengthening the professional ability of the business personnel training and continuously improving the site facilities.

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. During 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 cargoes under its shipment to ensure proper indemnity for the cargo owners in case of damages to cargoes. In-time and effective settlement of customer claims have minimized the losses of customers and enhanced their satisfaction. In 2020, the Company handled an average of 8 claims each month and only made a compensation of USD178,000 for damaged cargoes for the whole year.

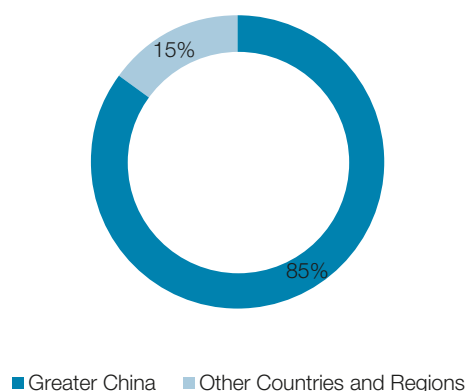
Under the principle of being responsible to customers, the Company has been committed to protecting the safety and privacy of customer information. In strict compliance with related laws and regulations, the Company has improved information safety management mechanism, strictly protected and rationally used customer information. Highly valuing the development of employees' information safety awareness, the Company has stipulated in the corporate regulations and the 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. During the reporting period, the Company has found no case occurred in relation to customer information leakage.

### 2.5 SUPPLIER MANAGEMENT

With the gradual expansion of the Company's business, our supply chain network has extended to different areas. Adhering to the concept and 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 throughout the supply chain.

As of the end of 2020, the Company had approximately 7,000 suppliers from 38 countries and regions, including China, South Korea, Japan, Singapore and Malaysia.

**Supplier Distribution by Country and Region**



In respect of supplier selection, the Company strictly followed the Supplier Review and Maintenance Management Process. Under the principles of fairness, openness and justice, the service level, safety awareness, ethical standards, industry qualifications, social responsibilities and other indicators of suppliers have been comprehensively assessed through the supplier review system. Quantity and quality are attached with equal importance, and price is not taken as a priority. Furthermore, the conditions of SITC’s suppliers are subject to annual evaluation. In case of non-conformities, the Company will suspend the cooperation and request them to be rectified.

The Company has different requirements for the performance capabilities of different types of suppliers. It requires certain qualified suppliers to conduct the “social responsibility assessment”, requesting them to provide relevant information and data on social responsibility and sustainable development. The selection of key suppliers follows a more comprehensive and rigorous evaluation process. The Company will perform evaluation on commercial and technical conditions: in terms of commercial, it mainly evaluates the experience, performance, management level, credit status, capital status, delivery date, payment terms, organization, talent team, cost, etc.; in terms of technical, it mainly considers the industry evaluation of suppliers, hardware facilities, asset operation indicators and customer feedback, production design capacity and continuous optimization capacity, qualified Maker list evaluation, past performance, etc.

Meanwhile, the Company identifies the environmental protection risks of the supply chain and formulates countermeasures. In the process of vessels fuel oil supply, the Company requires that the fuel oil purchased must comply with ISO8217:2005 and above, and the fuel oil supplier must have a sound environmental protection awareness concept and environmental protection management system. Suppliers failing of which will not be used; in the process of purchase, construction and leasing of vessels, the Company requires that the vessels must comply with the emission requirements of IMO, and the shipyard shall issue the Asbestos-free certificate of vessel

construction with the International Oil Pollution Prevention Certificate – IOPP, International Air Pollution Prevention Certificate – IAPP, International Domestic Sewage Pollution Prevention Certificate – ISPP and IHM (Inventory of Hazardous Materials); Environmental protection certificates such as IEEC (International Energy Efficiency certificate); in terms of the selection of the container factory, the Company requires the container factory to possess environmental protection qualifications such as the Environmental Management System Certification, the approval document of the local environmental protection department where the container factory is located, and the sewage discharge permit.

Devoted to the improvement of supply chain management efficiency, the Company has further established close relationships with suppliers and enhanced cooperation quality through communication channels such as negotiation, training, visit and symposium in order to strengthen core competitiveness and drive industry development. The Company has also been active in expanding broader and more profound cooperation models with excellent and iconic suppliers within the industry, and establishing long-term partnerships for mutual benefits and common developments with upstream and downstream supply chain partners, so as 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 a win-win cooperation, the Company has entered into strategic cooperation agreements with multiple port corporations such as Shanghai port, Qingdao port, Dalian port, Tianjin port, Guangzhou port and Xiamen port, laying a foundation for the provision of safe, on-time, fast and premium logistics services. The Company has maintained long-term stable partnerships with major suppliers such as vessel owners, container companies 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, with an average settlement period of approximately 40 days.

In 2021, the Company will continue to uphold the tenet of balancing business development with corporate social responsibility. Based on compliant operations, the Company will strengthen the management and maintenance of customer and supplier relations, thus develop a multi-win cooperation model featuring steady operations, customer satisfaction and supplier trust. The Company will continue to improve our annual customer dissatisfaction survey, focus on improving the client-side network development, and strengthen communication with customers through the Company’s official website, corporate public account, artificial intelligence customer service system and other channels so as to improve customer experience. Supply chain management will be further strengthened to reduce the violation risk and an anti-corruption supply chain system will be jointly established; network construction and business expansion of the Company will be boosted; active efforts will be made to test block chain in international trade, logistics and supply chain finance; attempts have been made to identify the practices of environmental and social risks in each link of the supply chain and to establish relevant implementation and monitoring measures.

# 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 vessel 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 human and nature.

## 3.1 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 following international and local laws and regulations and environmental pollution incidents are eradicated. The Company has used low-sulfur fuel oils to lower the emission of gaseous pollutants, and enhance vessel energy efficiency and reduce the use of fuel oils, which can lower emissions of gaseous pollutants and greenhouse gases from the source. In respect of wastewater generated during vessel operation, the Company has taken measures and monitored data to prevent damage to marine organisms. The Company recycle and reuse non-hazardous wastes on land and at sea as practicable to reduce the amount of wastes generated; non-hazardous and hazardous wastes that cannot be reused are properly disposed of by municipal companies or third-party institutions. In 2020, there were no penalties occurred for environmental pollution or emission violations during our operation.

### Environmental Management System

Continuous efforts have been made to improve the environmental management system. In accordance with the Maritime Environmental Protection Law of the People’s Republic of China, the Regulations on the Administration of Preventing and Controlling Maritime Environment Pollution from Ships, and the IMO International Convention for the Prevention of Pollution from Ships (MARPOL), the Company has formulated internal regulations such as the Garbage Management Plan and the Oil Pollution Emergency Plan. Management methods for various pollutants, greenhouse gas control measures and incident emergency responses have been specified to practically guarantee the strict compliance with international and local laws and regulations in pollutant emission so as to reduce the damage caused to the environment.

### Management of Gaseous Pollutants

#### Emission Data of Container Vessels in Operation

Type of Emission	Quantity of Emission (Ton)		
	2018	2019	2020
Nitrogen oxides	35510.52	36597.96	36557.19
Nitrogen oxides/vessel	467.24	463.27	440.45
Sulfur dioxide	24298.23	22134.3	4529.6
Sulfur dioxide/vessel	328.37	319.71	54.57

Gaseous pollutants generated by the Company primarily consists of nitrogen oxides, sulfur dioxide and particles generated in fuel oil combustion in container vessels operations and vehicles operations. The Company has managed and controlled gaseous pollutants in strict compliance with international conventions and local requirements of respective ports. All operating vessels 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 Data of Self-owned Vehicles

Type of Emission	Quantity of Emission (Ton)		
	2018	2019	2020
Nitrogen oxides	9.837	10.571	12.251
Sulfur dioxide	0.029	0.033	0.039
Particles	0.925	0.992	1.149

Remarks:

1. Emission of container vessels include emission data of heavy fuel oils and light fuel oils consumed by container vessels operation;
2. Emission of self-owned vehicles include emission data of gasoline and diesel consumed by operating vehicles and office vehicles;
3. The emission factor for the calculation of emissions from self-owned vehicles is extracted from the Reporting Guidance on Environmental KPI released by the Hong Kong Stock Exchange.

## Energy Conservation and Environmental Protection

### Greenhouse Gas Emissions

		2018	2019	2020
Direct greenhouse gas emissions				
(Scope 1)	tCO2e (ton)	1,410,627	1,520,130	1,505,664
Indirect greenhouse gas emissions (Scope 2)	tCO2e (ton)	3,582	2,310	2,476
Total greenhouse gases	tCO2e (ton)	1,414,209	1,522,440	1,508,140
Total emission density of greenhouse gases	Ton/USD10,000	9.76	9.80	8.95

1. The greenhouse gas emission data scope is the emission data of self-owned vehicles and container vessels operation of the Company and its subsidiaries;
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 factor of heavy fuel oil and light fuel oil emissions consumed by container vessels refers to the emission coefficients released by IMO MEPC.1/Cir 684;
3. The purchased electricity includes the measurable office electricity and terminals operation electricity consumption of subsidiaries.

### Emission Reduction Goal

**The Company has set up goals in emission reduction which meets the requirements of IMO:**

**Compared with 2008,**

**Short-term objective: From 2023 onwards, all existing vessels will meet the latest IMO requirements for Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII)**

**Medium-term objective: In 2030, reduce carbon intensity by 40%**

**Long-term objective: In 2050, reduce carbon intensity by 70% and reduce greenhouse gas emissions by 50%.**

In order to achieve the above goals, the Company takes the following measures to reduce emissions.

### Reducing fuel oil consumption

- Monitor fuel oil use through the Vessel Energy Efficiency Management Plan, and improve shipping energy efficiency;
- Upgrade on-board fuel oil equipment, phase out old vessels and ensure sufficient and rational use of fuel oil.

### 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 2019, the Company completed the renovation of fuel oil devices such as main engine and oil pipeline of all old vessels, and provided guidance to remind the risks and preventive measures of using new types of fuel oil;
- Strictly comply with the stipulation that the marine fuels of vessels in China entering inner river control areas shall not exceed 0.1% m/m since 2020;
- Strictly comply with the stipulation that some countries (Korea) prohibit the use of marine fuels greater than 0.1% m/m during docking.

### Transform existing vessels

- Upgrade vessels;
- Engine power limitation (EPL);
- More measures on energy conservation equipment/route optimization and weather navigation.

### Adjust the design of new vessels

- Hull optimization/bow optimization/propeller optimization/ducted propeller/guide fin/rudder ball/double tail fin/guide blade/hull coating/air lubrication/wind power/waste heat recovery power/safe, energy-efficient and environmental friendly smart monitoring;
- The Company's current newly built/to be delivered vessels have already met the emission reduction goal in 2023.

## Energy Conservation and Environmental Protection

### Wastewater Treatment

Wastewater that needs to be disposed of and discharged during business operation of the Company mainly comes from crew's domestic sewage, oily wastewater and ballast water of vessels. 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 vessels can easily form an oil film on the water surface and thus hinder the growth of aquatic plants and animals; the ballast water of vessels 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 vessel wastewater, the Company has attached great importance to the treatment and discharge of various types of wastewater, and resolutely ensures compliant discharge. All vessels 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 2020, the domestic wastewater produced from self-owned vessels of the Company amounted to 2293.4 tons, representing 35.8 tons per vessel. The wastewaters produced from operations amounted to 4644.2 tons, representing 72.6 tons per vessel.

#### Domestic Sewage of Crew

- 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, ammonia-nitrogen, total phosphorus and suspended solids in the water body prior to discharge

#### Oily Wastewater of Vessels

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

#### Ballast Water of Vessels

- 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 its water depth shall be of at least 200 meters
- Ballast water treatment devices shall be installed. The 44 vessels procured since 2012 have all been installed with ballast water treatment devices; the ballast water system will be installed on used vessels in the first IOPP certificate renewal inspection

### Waste Disposal

The Company has actively promoted the recycling and reusing of various wastes, and has adopted corresponding management measures based on 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)	2019	2020
Office paper consumption	58	130
Recycled waste batteries	0.0073	0.0039
Oily Wastewater	2.5	2.2

#### Offshore Wastes Generated (Ton)

Domestic waste	339	346
Kitchen waste	347	313
Waste oil, oil residue and oily wastewater	7,679	8,447
Other hazardous wastes	1.5	1.6

#### Total Hazardous and Non-hazardous Wastes (Ton)

Total hazardous wastes	7,680.51	8,448.60
Intensity of hazardous wastes/USD10,000	0.05	0.05
Total non-hazardous wastes	744.38	789.04
Intensity of non-hazardous wastes/USD10,000	0.005	0.005

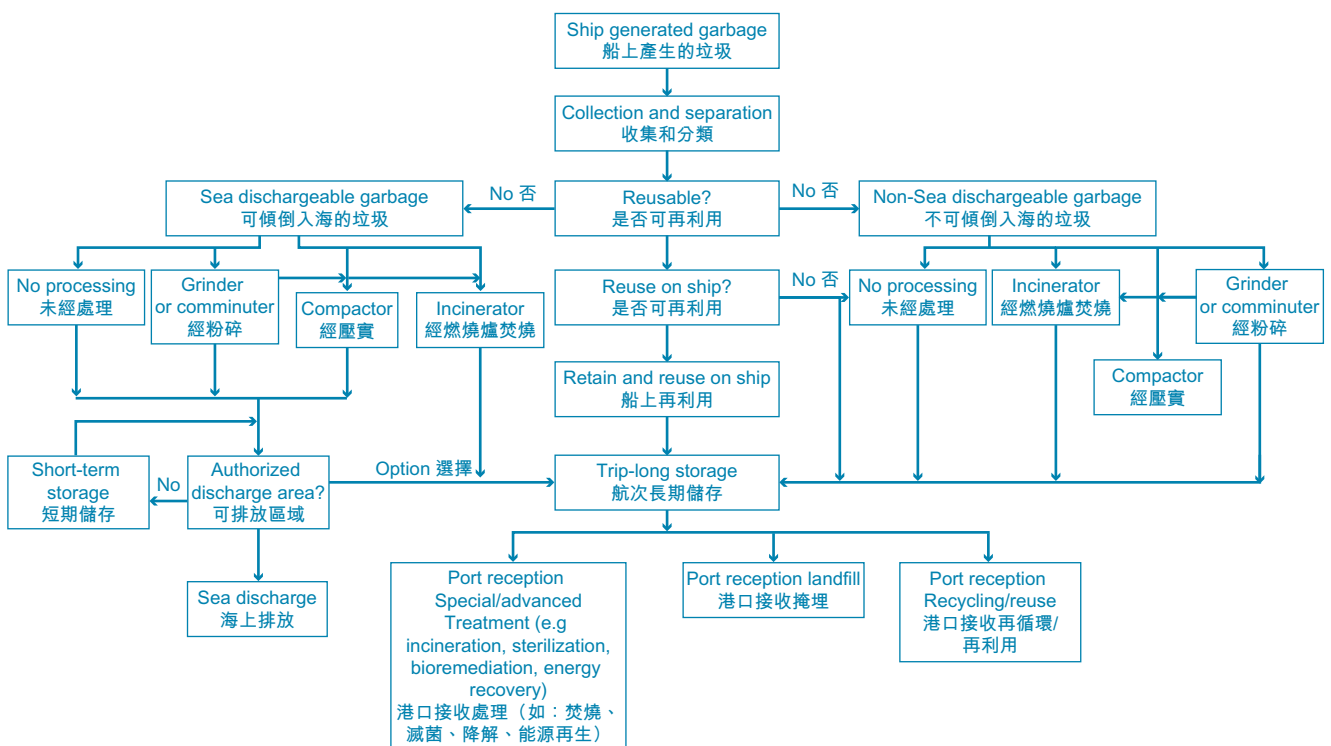
## Energy Conservation and Environmental Protection

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

impact of oil spill incidents to the environment, the Company has formulated the Oil Spill Incident Emergency Measures, in which the job responsibilities of respective crew members 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. In 2020, the Company had no oil leakage and oil spill accident.

### Options for shipboard handling and discharging of garbage

#### 船上垃圾處理方法選擇



As for hazardous wastes such as waste oil, oil residue and oily wastewater, the Company has enacted the Management Measures for Oily Wastewater from Vessels. 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 such as waste batteries and medical wastes should be stored in specialized storage tanks. Different hazardous wastes shall be uniformly handed over to qualified third-party units after the vessel approaches the shore to ensure proper disposal of vessel generated hazardous wastes.

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 classification and proper recycling. The Company has been promoting the concept of green office, implemented the OA and video-conferencing 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.

## Energy Conservation and Environmental Protection

### 3.2 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 Vessel Energy Efficiency Management Plan has been further formulated for energy-consuming vessel operation to advance energy conservation and emission reduction. Besides, to save water resources and reduce vessels’ 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 vessels.

#### Conservation of Energy Resources

Consistently 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 operating vehicles.

		Energy Consumption		
Year		2018	2019	2020
<b>Direct Energy Consumption</b>				
Gasoline	Ton	190	217	226
Intensity of gasoline consumption	Ton/USD10,000	0.0013	0.0014	0.0013
Fuel oils	Ton	Heavy fuel oils 435,657	Heavy fuel oils 446,193	Heavy fuel oils 450,916
		Light fuel oils 15,610	Light fuel oils 19,964	Light fuel oils 12,729
Intensity of fuel oil consumption	Ton/USD10,000	3.11	3.00	2.75
Diesel	Ton	1,290	1,847	2,226
Intensity of diesel consumption	Ton/USD10,000	0.0089	0.0119	0.0132
<b>Indirect Energy Consumption</b>				
Purchased electricity	kWh	2,937,129	2,927,368	3,138,022
Intensity of indirect energy consumption	kWh/USD10,000	1,603,027	1,305,830	
		31.33	18.84	18.62

Remarks:

1. The scope of direct energy refers to the energy consumed by the self-owned vehicles and operating container vessels of the Company and its subsidiaries;
2. The scope of indirect energy covers the measurable office electricity and operation electricity of subsidiaries.

#### Formulation of KPI indicators

In 2020, as approved by the Board, the KPI assessment indicators were formulated for offshore and onshore main energy consumption.

For the fuel consumption of offshore container vessels, the indicator of “fuel consumption per 10,000 sea miles per unit capacity” is set to link the Company’s vessel fuel consumption with the overall capacity and mileage, so as to improve the vessel operation efficiency.

Fuel consumption per 10,000 sea miles per unit capacity indicator: decreased by 15% in 2030 when compared with 2020.

	2017	2018	2019	2020
Fuel consumption per 10,000 sea miles per unit capacity (tons/10,000 sea miles/TEU)	0.0079	0.0075	0.0070	0.0062

In 2017 to 2020, the fuel consumption per 10,000 sea miles per unit capacity of the Company maintained a downward trend for four consecutive years, with a decrease of more than 5%. In 2020, there was a decrease of 11% when compared with 2019, indicating that the Company continued to improve the fuel efficiency of vessels.

The offshore energy consumption is mainly represented by heavy fuel oil and light fuel oil. The Company promotes energy conservation and emission reduction of vessels from three aspects, namely management measures, technical measures and operational measures, so as to maximize energy efficiency.



## Energy Conservation and Environmental Protection

### Measures for Efficiency Improvement of International Shipping

#### Management Measures

- Assess the fuel consumption per unit capacity of vessels: the fuel consumption per unit capacity of vessels is compared on a regular basis. The causes for high oil consumption are identified and analyzed, and old vessels with high oil consumption are eliminated.
- 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 vessel is provided with a Vessel Energy Efficiency Management Plan as per load capacity and navigation route to monitor carbon dioxide emission and vessel navigation at any time.

#### Operating Measures

- Select the optimal navigation routes: establish scientific and rational fleet combination, formulate optimal transportation plan and shorten the empty load voyage.
- Select the optimal navigation speed: the fuel oil co-movement real-time monitoring device has been installed on vessels 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 vessel fuel oil use.
- Efficient cargo loading: the captain and chief officer develop a reasonable and efficient cargo loading to reduce fuel consumption.
- Strengthen efforts in maintenance of mechanical equipment. For example, the components that affect the emission of nitrogen oxides require regular overhaul and records shall be maintained, so as to ensure that the mechanical equipment runs in its best conditions.
- Reasonably controlled oil tank heating to reduce steam pressure and fuel oil consumption of boilers.

#### Technical Measures

- Adopt technologies such as sword bow design, rudder ball, rudder fin, fair water fin and propeller optimization for newly-built vessels to enhance their propulsion performance and lower their fuel oil consumption.
- All newly-built vessels are compliant with IMO's phased emission requirements.
- Increase the number of auxiliary fans to reduce the speed of the main engine, and adopt cost-effective speed to save fuel oil so as to reduce emissions.
- Employ the electronic lubricator for main engine cylinder oil to reduce the cylinder oil consumption by approximately 35%.

## Energy Conservation and Environmental Protection

The “fuel consumption per container handled” indicator has been formulated for diesel fuel oil consumption at onshore depots to link fuel consumption with business volume, so as to enhance the operating efficiency of depot business.

Fuel consumption per container handled: decreased by 15% in 2020 when compared with 2019.

	2019	2020
Fuel consumption per container (tons/TEU)	0.78	0.74

In order to reduce fuel consumption in the depots, the Company intends to implement an automated depot project to improve the efficiency of depot operations and to promote the application of plug-in machinery and equipment.

Since 2019, the Company participated in the “Green Financing Project” of Standard Chartered Bank of Hong Kong, which is intended to provide enterprises with financial support for eco-friendly use or ESG-related projects. In 2020, the three newly built container vessels of the Company were provided by Standard Chartered Bank with financing facilities of a total of USD61.11 million based on the project.

### 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 has 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 25,900 cubic meters of fresh water by sea water desalination in 2020, representing an increase of 4,320 tons when comparing to 2019. 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.

### Water Resource Consumption in 2020

Year	2018	2019	2020
Total water consumption	123,259	147,875	152,582
Intensity of water consumption	0.85	0.95	0.91
	m <sup>3</sup>		
	m <sup>3</sup> /USD10,000		

Remarks: Water consumption includes water used in onshore office premises within statistical range and fresh water consumed on offshore self-owned vessels.

### Green Office Promotion

Advocating green office and green life, the Company has enhanced 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, and collect waste batteries to prevent hazardous pollution to the environment.

## Energy Conservation and Environmental Protection

### 3.3 ENVIRONMENTAL AND BIODIVERSITY PROTECTION

Marine vessels have the potential of directly or indirectly introducing toxic and hazardous substances to the ocean during manufacturing, 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 2020, the Company is not aware of any event that indicated the Company has exerted a significant impact on organisms 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 non-toxic coatings free of hazardous substances like organic tin to prevent distortion of marine organisms from toxicity and protect their survival environment.

#### Hazardous Substances from Vessels

- The Company requires that newly-built vessels should be furnished with the Inventory of Hazardous Materials (IHM). Hazardous and potentially hazardous substances on the vessels should be identified to ensure the compliance with related requirements of the content of hazardous substances.
- The Company has formulated the Regulations on the Ban of Use of Asbestos-containing Materials on Vessels, 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 Vessels' 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.
- All new vessels built by the Company since 2012 are equipped with ballast water management device and upgraded to meet the requirements of IMO's new G8 and USCG to meet the D-2 discharge standard. Meanwhile, the Company is progressively installing ballast water treatment devices that meet the D-2 discharge standard on existing vessels in accordance with the dock repair programme. The Company has specified the management and operating requirements for the discharging, replacement and inspection of vessels' ballast water to maximally reduce the harm brought by ballast water discharge.

As at 31 December 2020, 67% of the Company's self-owned vessels have been installed with ballast water system. It is expected that by the end of 2022, all self-owned vessels will be installed with ballast water system.

### 3.4 CLIMATE CHANGE

The Company continued to focus on the shipping related rules and identify the impact of major climate-related matters on the Company's business in active response to national initiatives and international conventions in relation to climate change adaptation. The following extreme weather conditions affected the Company's business in 2020:

Extreme weather types	Number of occurrences	Voyages affected	Countermeasures
Typhoon	22	68	SITC Marine Operations – Anti-Typhoon Safety Management Regulations on Vessels
Strong cold and high pressure	1	24	SITC Marine Operations – Operating Instructions of Vessels in Heavy Weather
Severe tropical cyclone	1	10	SITC Marine Operations – Anti-Typhoon Safety Management Regulations on Vessels

In addition, other significant weather that may have an impact on the Company's principal activities include: heavy fog, heavy weather, voyage in ice area, etc.. We have established a relevant regulation for dealing with extreme weather in the Operating Instructions for Maritime Management.

# 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 its places of operation, creating job opportunities and actively involving in community welfare programs to give back to the society and build a harmonious community.

## 4.1 LABOR AND EMPLOYMENT

In strict compliance with all labor and employment laws and regulations of the places of operation, the Company enters into labor contract with employees as per the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, 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.

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 local nationality policies, the Company pursues freedom of religious belief, and respects the habits and beliefs of employees of different nationalities.

In respect of labor employment, child labor is strictly prohibited in accordance with the local 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 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 compliance with the local labor related regulations, the Company fully respects employees' rights of freedom on career. The Company resolutely prohibits forced labor of any cause, and will not restrict personal freedom of employees in any way. Onboard 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 enters into employment agreement and supplementary employment agreement with crew members employed, and safeguards 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 safeguards and protects human rights of employees. During the reporting period, the Company had no violation of employment and labor related laws and regulations. The Company encourages the establishment of labor unions and other private organizations by its affiliated companies. At present, 15 of its affiliated companies have established union organizations.

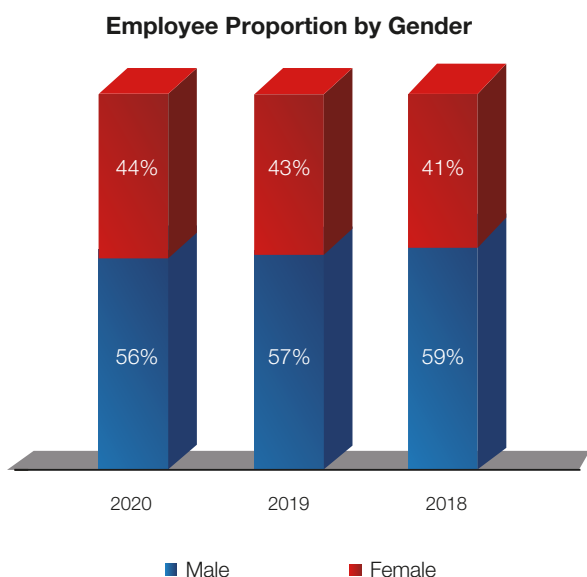
Striving to safeguard equal and diversified job opportunities, the Company has been fully attracting, gathering, incentivizing and utilizing international high-caliber talents, and actively promoting regional and global operation and development. In strict compliance with the internal recruitment regulations and procedures of SITC, the Company complied with the principle of open and equal recruitment.

## Harmonious Development

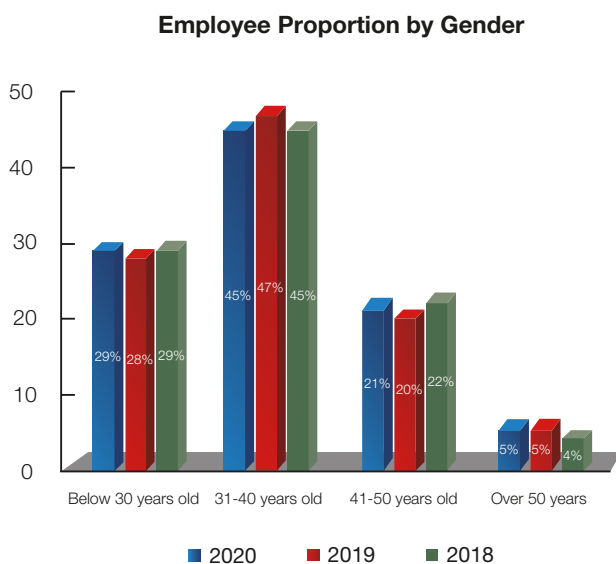
### Onshore Employees

In 2020, the total number of employees of the Company was 1,652<sup>1</sup>, all of them were full-time employees.

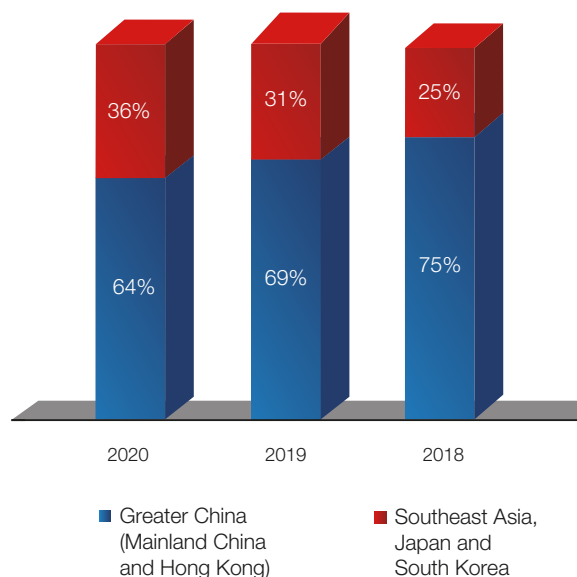
In terms of gender, there were 931 or 56% male employees and 721 or 43% female employees. There was an increase of 1% in the number of female employees.



In terms of age, there were 480 or 29% employees aged 30 or below, 746 or 45% employees aged 31 to 40, 350 or 21% employees aged 41 to 50 and 76 or 5% employees over the age of 50.



In terms of location, 1,061 or 64% employees were from Greater China, and 491 or 36% employees from Southeast Asia, Japan and South Korea. The continuously rising proportion of employees from Southeast Asia, Japan and South Korea reflects that the Company is growing in an increasingly international manner.



In 2020, the turnover rate of all categories of employees in SITC has decreased, indicating that the Company did not lay off employees due to the impact of the COVID-19 pandemic. Among which the turnover rate of employees in Southeast Asia, Japan and South Korea has dropped to less than 5%, while the turnover rate of female employees has decreased, it is slightly higher than that of male employees. The number of resigned management has increased. The Company fully respects the personal choices of employees, and goes through resignation procedures according to laws for those who decide to resign. The proportion of management staff and ordinary employees remained basically unchanged.

Year	Turnover Rate of Employees		
	2020	2019	2018
Turnover rate of employees	7.14%	11.47%	14.88%

<sup>1</sup> Note: Including full-time employees of the Company and its subsidiaries (excluding crew members)

## Harmonious Development

### Turnover Rate of Employees by Gender

Year	2020	2019	2018
Male employee	6.87%	12.43%	14.97%
Female employee	7.49%	10.19%	14.42%

### Turnover Rate of Employees by Age

Year	2020	2019	2018
Aged below 30	13.13%	18.88%	22.06%
Aged 31-40	5.23%	8.79%	13.14%
Aged 41-50	2.86%	6.92%	7.90%
Aged over 50	7.89%	12.84%	17.39%

### Turnover Rate of Employees by Geographical Area

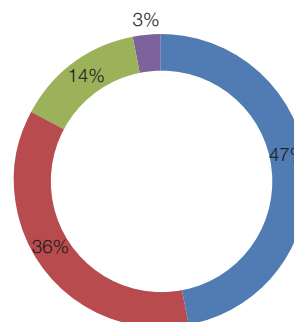
Year	2020	2019	2018
Greater China (Mainland + Hong Kong)	8.77%	12.77%	11.59%
Southeast Asia, Japan, South Korea	4.23%	8.53%	24.76%

Remarks: For the calculation of the turnover rate of employees, please refer to the Reporting Guidance on Social KPIs on the HKEX website ([www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/app3\\_socialkpis\\_c.pdf?la=zh-HK](http://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/app3_socialkpis_c.pdf?la=zh-HK))

## Offshore Employees

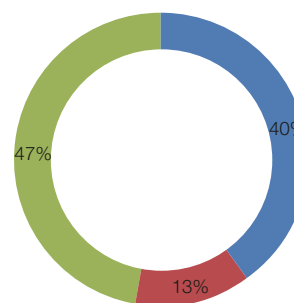
In 2020, the Company increased the analysis data of crew employment information, and all of the Company's crew members are Chinese male crew members. As at 31 December 2020, there are 903 crew members.

### Crew Member Distribution by Age



■ 20-30 years old ■ 31-40 years old ■ 41-50 years old ■ 51-60 years old

### Number of Crew Members by Employment Category



■ Management crew member ■ Supporting crew member ■ Operation crew member

## Harmonious Development

### Turnover Rate of Crew Members

Turnover rate of crew members	Annual turnover rate of crew members	7.64%
Turnover rate by gender	Male crew members	7.64%
	Female crew members	0.00%
Turnover rate by age	Aged 20-30	8.00%
	Aged 31-40	8.90%
	Aged 41-50	3.97%
	Aged 51-60	3.85%
Turnover by employment category	Management crew member	4.93%
	Supporting crew member	19.13%
	Operation crew member	6.86%
Turnover by geographical area	Mainland China	7.64%
	Others	0.00%

## 4.2 DEVELOPMENT AND TRAINING

As the Company continues to grow, employees' personal development has become a core issue for the sustainable development of the Company. 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 our future 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 established to take charge of reserve talent building, and provide reserve management personnel through training, job rotation and promotion.

In 2020, the Group offered 61 positions through competition in various countries and regions which a total of 77 people participated in, and 92 people were promoted (including rank promotion and position promotion), thus creating opportunities for personal development and growth.

### Offshore Employees

In 2020, the Company has provided 7,871 hours of training for crew members.

	Trained hours	Percentage of employees trained
Management crew member	45	29.59%
Supporting crew member	43	58.26%
Operation crew member	26	1.18%

### Onshore Employees

The Company has worked out training plans for the Group and branch companies based on job requirements and employees' appeal. Through diversified vocational training forms such as field training, online tutorial and professional technical workshops, the Company helped employees to master essential professional knowledge and application skills to meet their personal development demands. In 2020, the Company has provided a total of 3,798 hours of training for 1,634 employees. Due to the impact of the COVID-19 pandemic, the number of training attendances and hours were lower than 2019. In 2021, the Company's self-developed online training system will be put into use, which will provide a more convenient way for employee training.

	Average trained hours	Percentage of employees trained
Male employee	2.41	99%
Female employee	2.41	99%

	Average trained hours	Percentage of employees trained
General employees	1.60	99%
Management	3.97	100%

### Onboard Training for New Employees of SITC

SITC organizes new employee onboard 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 to acquire necessary knowledge about the Company.

## Harmonious Development

### Professional Knowledge and Skill Training

The professional knowledge and skill training of SITC is concerned with business operation training, business knowledge update, and the latest management theories, policies and regulations. As such, employees can master the skills required by their position. The Company encourages employees to actively participate in external training and obtain different kinds of vocational certificates. Apart from the reimbursement of examination fees for financial and legal certificates, the Company has added the reimbursement of examination fees for the certificate of The Institute of International Container in 2020.

### 4.3 HEALTH AND SAFETY

With safety being its top priority, the Company has upheld the safety and environmental protection policy of “Safety Guarantee, Environmental Protection and Health Assurance”. To further enhance the risk prevention awareness, risk response and hazard response capacity of crew members, popularize safety knowledge and spread safety culture, the Company has formulated the Safety Management Manual SMS as well as strictly executed the requirements of SOLAS, STCW and MLC 2006 conventions. The Safety Management Manual is executed onshore and offshore, and has detailed SOPs and safety response measures.

In 2020, there was no job-related death in the Company. The number of job-related deaths of the Company in the past three years are as follows (excluding crew members):

Year	2018	2019	2020
Number of deaths	1	0	0

In 2020, three crew members were injured in the line of duty and lost a total of 688 work hours. As at now, all three crew members have finished their treatment and are back to work. Immediately after the incidents, the Company sent the injury cases to all vessels in operation and reminded the management and crew members of the importance of safe production and the serious consequences of injuries to prevent the recurrence of injuries.

### Offshore Employees

The Company has prepared the Occupational Health and Safety Operation Control Procedure (the “Control Procedure”) to specify the operation control processes and methods in relation to occupational health and safety risks on the vessels. According to the Control Procedure, the ship safety committee should be established and composed of the captains, chief engineers, first mates, boatswains and master mechanics. The main purpose of the ship safety committee is to prevent occupational accidents, injuries and diseases on the vessels, and ensure that all crew members 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.

The Company has strictly followed the requirements of the Maritime Labor Convention on the working hours of crew members on vessels and has arranged regular disembarking leaves to ensure their rest time. Under COVID-19 pandemic in 2020, relevant departments have implemented strict management and control measures for the crew to get off. With the approval of the relevant departments as far as circumstances allow, the Company has proactively communicated with each department and contacted isolation hotels to ensure that crew members can get off and take rest.

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



## Harmonious Development

### Safety Operating Instructions

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

In strict compliance with the ISPS Code, the Company has formulated the SSP, installed CCTV monitoring devices on the vessels and worked out various anti-terrorism measures. For vessels navigating on the pirates-active waters, the Company has further established the naval escort plan and arranged armed security forces to ensure the safety of crew members and vessels.

### Onshore Employees

During 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 onshore employees 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. In 2020, it has paid a social insurance contribution of US\$3.40 million in total for its employees. 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 skills to use fire extinguishers.

Valuing vehicle use safety, the Company has specified the safety rules in the Drivers' Job Responsibilities compiled by the fleet, and provided safety training for all drivers on a regular basis. The Safety Regulations on Incoming and Outgoing Vehicles, and the Regulations on the Safety Management of Separation of Pedestrians and Vehicles formulated by the logistics group have standardized vehicle and personnel safety measures. In 2020, 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. In particular, in response to the incident in 2018 at Ningbo Depot (please refer to the Company's 2018 ESG Report for details of the incident), the Company has taken a number of subsequent targeted measures:

- 1) The management of Ningbo Xingao Depot organised a special inspection of all the facilities and equipment of the Company and the site. Pavements and traffic lanes are set up; container repair area is re-planned to separate it from vehicle passage. Safety notices are posted in prominent places; speed limit and mobile phone prohibition signs are posted near the driver seat of forklifts, and cameras are installed inside the forklifts; slow-moving signs are posted at the intersection of vehicles entering and leaving the pedestrian garage and other measures were implemented.
- 2) Safety production-related regulations and provisions are improved, on-site safety production management measures are implemented.

New safety management plan for the separation of people and vehicles in the depot area and safety operation management regulations for forklifts (drivers to remove their mobile phones and any electronic entertainment devices and use walkie-talkies instead) are added, and external visitor management regulations and safety production inspection regulations are improved and updated.

- 3) SITC Logistics Group has initiated an on-site safety inspection campaign for all depots. A safety inspection mechanism is established in the Company's management regulation, and a safety inspection team is formed by experienced safety officers from the Group's headquarters and each depot is required to conduct annual cross-site safety inspections, in order to systematise and normalise the safety inspection.

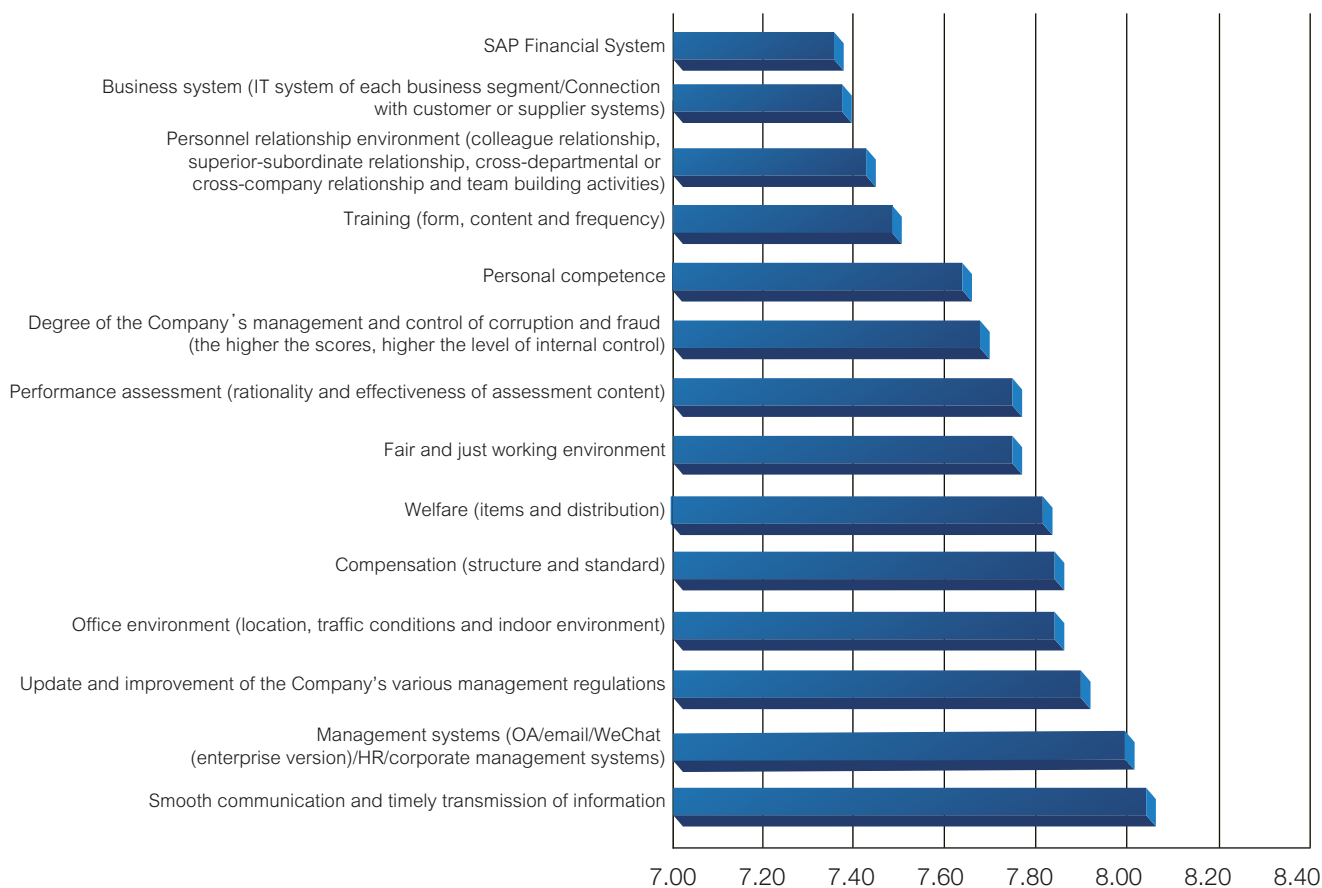
## Harmonious Development

- 4) The depots have also procured safety equipment and facilities to improve the safety management level through the combination of hardware and software. For example, procurement of facilities that assist in reversing large mechanical equipment including backup cameras and reverse lights, to avoid hazards when reversing vehicles; procurement of anemometers to measure wind speed, achieving early response to adverse weather and avoid container tilting; and procurement of project lights for nighttime location indication. In addition, we are asking information automation companies to assist in the development of a 360 degree surround-view early warning system for forklifts to provide more accurate and timely warning of hazards.

As a result of the above safety measures, no major safety incidents have occurred at the Company's sites since 2019.

### 4.4 EMPLOYEE BENEFITS AND INCENTIVES

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 regulation has been established in our places of operation to provide good welfare and benefits, and professionals have been invited to offer emotional counselling to employees on a regular basis. To promote a healthy work-life balance, 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.



## Harmonious Development

The Company has established a well-designed employee remuneration system. In addition to basic salary, there are monthly performance, project bonus, equity, year-end bonus and subsidy. Employees are entitled to benefits such as transportation subsidy, special subsidy, full attendance reward, dispatching subsidy and children's educational subsidy. Save for individual employees with exceptional circumstances, a general adjustment to salaries of basically all staff was completed in March 2020. The Company also adjusted its subsidy standard in July 2020. In 2020, the payroll of USD75.3 million (including equity incentives) increased by 28.7% from USD58.4 million in 2019 due to the increase of 13.9% in headcount and the increase of 13% in average wage.

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

Apart from optimised salary, leave regulations and good benefit packages, the Company values employees' practical benefits and well-being and 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. In 2020, the Company conducted an employee satisfaction survey questionnaire with over 1,000 participants, which surveyed 14 items concerned by employees, such as salary, benefits and performance assessment. According to the survey results, the following matrix has been formulated to present satisfaction level from low to high.

The results of the survey questionnaire show that most employees' satisfaction with the Company's benefits and salary has increased significantly, while their satisfaction with the financial system and business system has decreased.

The Company emphasises the equity incentive regulation to motivate employees who recognize the Company's corporate culture, abide by its corporate regulations and have made long-term contributions to the Company at important positions, enhance their sense of belonging and achieve common sustainable development between the Company and employees. The Company's equity incentives include original shares, employee options and an active restricted share plan:

As at 31 December 2020, the shareholding of the employees and management represents approximately 64% of the Company's total issued shares;

Options granted represent 4% of the Company's total issued shares, and the number of shares subject to options outstanding is 2,013,000 shares.

## Harmonious Development

The active restricted share plan is as follows:

Year	Total incentive		Number of employees granted	Dividend payout amount
	Amount granted (HKD)	shares granted		
2017	28,566,460	3,890,033	518	1750,514
2018	44,583,840	6,570,360	542	2,299,626
2019	44,577,990	6,348,743	552	2,793,446
2020	49,107,690	6,769,105	604	3,858,389
2021	73,643,307	4,887,657	630	3,519,113
Total	240,479,287	28,456,898		14,221,088

The Company will continue to explore ways and intensities on equity incentives to leverage the role of incentives.

Moreover, the Company organizes various staff activities to enrich their lives. In 2020, the Company organized the third SITC Gobi Hiking and “Yesterday, Today and Tomorrow” corporate culture creative event. Employees and their family members were encouraged to take part in so as to enhance the Company’s cohesion and employees’ sense of belonging.

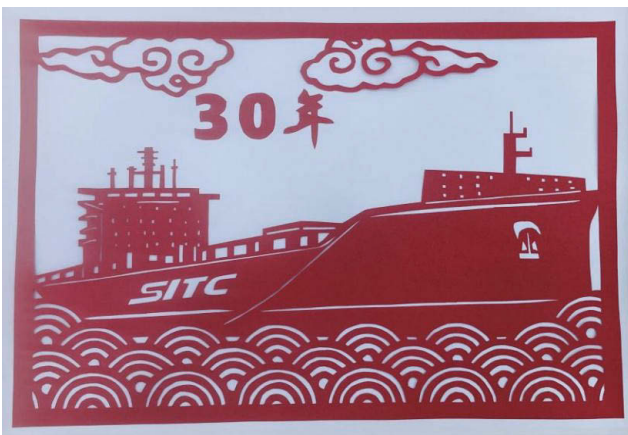
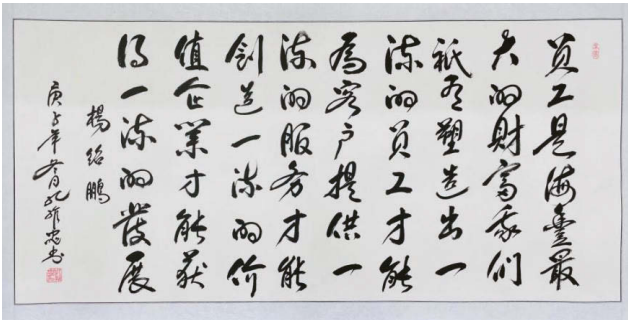
### Case: SITC Cultural Theme Event – “Yesterday, Today, Tomorrow”

SITC was founded in 1991 in Qingdao, Shandong Province, and has entered its 30th year in 2021. During the past 30 years, we have set many new high records with our outstanding performance. In order to show the optimistic, innovative and cooperative spirit of SITC people, express the voice of everyone and show the experience and amazing time of growing with SITC, the Company invited all employees and their families to reminisce the story of SITC, the innovation and progress of SITC people, look forward to the bright future of SITC and record the major projects and important development moments of the Company through painting, calligraphy, photography, video, prose, poetry, handicraft works, traditional culture and other means.

The following are some outstanding works:



## Harmonious Development



### Case: Third SITC Gobi Hiking

To develop employees' team spirit and enhance their leadership, SITC held the third SITC Gobi Hiking in 2020. This Gobi Hiking started at Pochengzi Ruins, camped at Liugong City and the windmill farm, and ended at Baidunzi. The rich landscapes and mesmerizing autumn scenery along the trek at the Gobi brought visual enjoyment and challenges to each team member. With the unexpected pain brought by the thorns, sand and gravel, potholes, salt and alkaline ground during the long journey, our internal mind constantly communicated with the physical body, and our will is being challenged over and over, but we insisted not to give up, and eventually every step became more steady and forceful.



### Case: Endless Exploration to Safeguard Our Health

In April 2020, employees of SITC Shanghai participated in a special non-gathering 10 km health walk to start the journey of "Exploring the Magic City without Wasting Good Times", enjoying the sun and the amazing time on the journey. After receiving the task instruction card, each team hiked 10 km and completed and checked in for 4 intelligent tasks in 4 hours without cycling or running. All team members worked together to complete the hiking successfully.



## Harmonious Development

### 4.5 COMMUNITY SUPPORT

The Company has been actively involving in and making contributions to the local community through welfare programs to achieve sustainable development between the Company and the community of the place of operation. In 2020, the Company invested HK\$3.5 million in welfare programs for poverty alleviation, education and other fields.

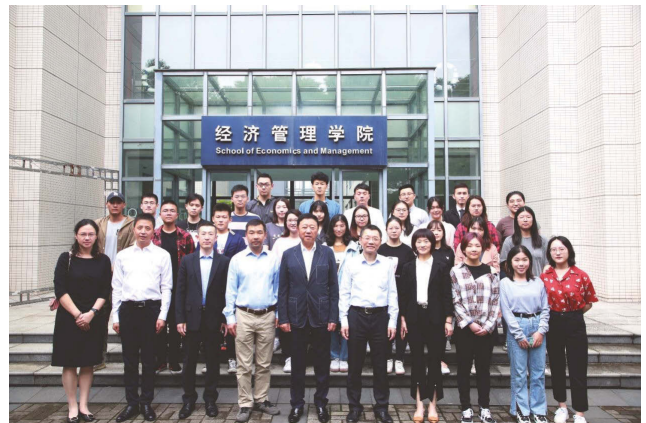
#### **Case: SITC Participating in a Series of Poverty Alleviation and Assistance Activities for the “Employment +” Programme**

SITC International Holdings Company Limited and Shanghai General Station of Immigration Inspection of National Immigration Administration went to Sanjiang County of Guangxi Province to carry out a series of poverty alleviation and assistance activities for the “Employment+” programme. We hope to facilitate the participation of the Sanjiang workforce in maritime education and crew vocational skills training, and provide the necessary policy and institutional and regulatory support for the Sanjiang workforce to obtain crew professional qualifications to enter the workforce in accordance with the law. The working group went to Fulu Miao nationality town government of Sanjiang county to participate in the “Promise between Sanjiang and SITC – Shanghai General Station of Immigration Inspection of National Immigration Administration Waigaoqiao Border Inspection Station working together with SITC International Holdings Company Limited for Donation of Caring Supplies and Mid-Autumn Festival Ceremony”, where printers, refrigerators, washing machines, range hoods, quilts, table tennis tables, and other living, cultural and sports supplies for local offices were donated to the village headquarters and elementary school targeted by the Shanghai General Station of Immigration Inspection, effectively solving the urgent needs of the stationed officers and teachers in the village.



#### **Case: Third SITC Mini-MBA Aviation Management Orientation and Training Class**

On 23 December 2020, the Graduation Ceremony of the Third Session of SITC Mini-MBA Shipping Management Oriented Training Course was successfully held at Shanghai Maritime University. Certificates of completion were issued to 26 students. At the closing ceremony, Yang Xianxiang, the CEO, and Lu Jing, the President, delivered speeches respectively. SITC and Shanghai Maritime University will continue to carry forward the school-enterprise cooperation projects to contribute to the development of the shipping industry and the cultivation of logistics and information technology talents. In addition, the Company donated RMB2 million to Shanghai Maritime University for educational program expenses.



## Harmonious Development

### Case: Seminar Co-hosted by SITC and Shanghai Maritime University

SITC and the College of Information Engineering of Shanghai Maritime University co-hosted a seminar on RCEP Interpretation & Digitalization and Intelligence of Shipping and Logistics. During the seminar, Yang Xianxiang, the CEO, gave an interpretation of Regional Comprehensive Economic Partnership (“RCEP”) from an entrepreneur’s perspective, briefly analysed the application of information engineering in the digitalization and intelligence of shipping and logistics and the importance of information system, and interacted face-to-face with the teachers and students of Shanghai Maritime University.

In the era digitalisation of information and digital value, SITC and Shanghai Maritime University will continue to carry forward the school-enterprise cooperation projects to contribute to the development of the cultivation of information technology talents to make contribution to the construction of a comprehensive Shanghai international shipping centre.

with local investors and government authorities. In 2020, SITC and its subsidiaries paid taxes of approximately US\$11.778 million and contributed to local economic development with its internal funds and business advantages.



In addition, SITC’s land-based integrated logistics service network covered over 70 major cities and ports in 14 countries and regions, and set up 35 joint ventures in 9 countries including the PRC, Thailand, Indonesia, Vietnam, Malaysia, Myanmar, South Africa, South Korea and Philippines. It maintained a satisfactory relationship

# Feature Topics on Anti-pandemic

The raging COVID-19 pandemic hit us in December 2019. The international cargo transportation business is related to the nation's livelihood, especially during such a critical time, so it is necessary to ensure the smooth flow of transportation. As a provider of integrated logistics services in the Asian region, the Company never forgot its social mission, did its best to protect the lives and health of its employees internally and ensured the smooth transportation of anti-pandemic supplies externally, and took various measures to participate in the battle against the pandemic.

The companies of SITC in China (including Hong Kong, Macau and Taiwan) have been determined to carry out the deployment of all provinces, cities and regions to fight against the pandemic. The Company's management conducts daily pandemic tracking and analysis judgement from time to time; established regulations of daily reports on staff information and operation, and issued the "SITC Emergency Response Plan during the Pandemic" and "SITC Guidelines for Resumption of Work during the Pandemic" to guide domestic and overseas branches to effectively fight against the pandemic.

## PROTECTING THE LIVES AND HEALTH OF EMPLOYEES

- For staff onshore, the Company arranged each of its subsidiaries to procure protective masks, protective gowns, disinfectant and other anti-pandemic supplies, and arranged staff to work from home or go to work on A/B shifts to protect its staff; in addition to the anti-pandemic protection strictly in accordance with the requirements of the pandemic prevention department, the Company has made meticulous arrangements in terms of transportation and meal time to solve the concerns of resuming work.
- For crew members offshore, the Company prepared an anti-pandemic manual for vessels in accordance with the Maritime Safety Administration's pandemic prevention guidelines which is sent to each vessel for strict implementation. To address the issue of difficulties for providing leaves to crew during the pandemic, as permitted by relevant pandemic management and control measures, the Company applied and communicated with the Shanghai Transportation Commission and hotels multiple times, and started using a hotel in Shanghai in April 2021 as the special quarantine location for the crew, arranged a shift every two months with no less than three persons each,

which ensured the crew is provided with normal leaves and secured their health and safety. Up to now, we have completed more than 2,000 changes of shift with no crew members overdue. The Company is also responsible for all quarantine costs of the crew, which resolves the concern of the crew.





## Feature Topics on Anti-pandemic

The Company also procured some anti-pandemic medication as required and provided them to the crew on vessels, and some employees of companies overseas. In case of emergency, the medication can be administered under the guidance of doctors.

On 3 December 2020, the 17th China Freight Industry Awards Ceremony was held in Qingdao. At the China Freight Industry Awards Ceremony, SITC was awarded as the “Leading Enterprise in Port and Shipping Logistics Industry”. Candidates for the Hero in Harm’s Way in Port and Shipping Logistics Industry, Mr. Luo Sun, the Most Honorable Crew Member, Mr. Zhong Xiaodong, the Most Honorable Freight Forwarding and Logistics Agent, Mr. Zhang Qin, the Most Beautiful Shipping Agent. Mr. Luo Sun, the Most Honorable Crew Member, was awarded the title of top 10 people who moved the society in the port and shipping logistics industry.

In addition, the Company has taken the following benefits and incentive measures during the pandemic to protect and care for its employees:

- There were two salary adjustments and promotion increments during the year, and the salary rates of each grade were increased.
- Apart from providing free anti-pandemic supplies to employees, we also provided condolence fees to those who have been assigned to work overseas.
- Travel expenses can be reimbursed for expatriates (including family members) to visit their relatives.
- The scope of our equity incentives is further expanded.

### GUARANTEED CUSTOMER SERVICES

- Under the influence of the pandemic, office buildings in many locations have restricted staff access, the Company’s port companies worked outdoors in spite of the cold, and handled the exchange of orders for customers to ensure timely delivery.
- The Company streamlines processes and data through various soft service initiatives to maximize the convenience of paperless office for customers. Part of the business centralized processing through the online appointment and other means. Whenever possible, on-site processing is changed to remote

processing to reduce staff contact. During the special period, we made special arrangements, reflecting SITC’s flexibility and professionalism.

- The Company actively develops alternatives for trailers such as railroads and waterways to solve the problem of customers’ inability to ship goods normally due to the vehicle restriction policy, and to ensure smooth delivery of customers’ goods.



### ASSIST IN FIGHTING AGAINST THE PANDEMIC WITH SITC IN ACTION

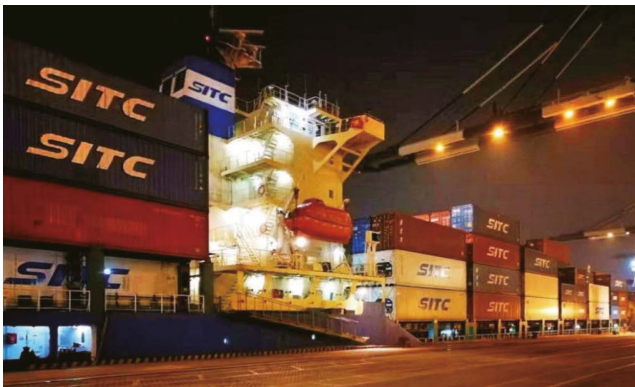
- After the outbreak of the pandemic, SITC Line Wuhan, entrusted by SITC, donated RMB1 million to Wuhan Charity Federation immediately.
- On January 27, 2020, upon receiving the shipment booking for anti-pandemic supplies by SITC Line Cambodia, SITC immediately adjusted the berthing order of SITC GUANGDONG with Shanghai Port prioritised as the first berthing port. SITC GUANGDONG was drove in full speed to ensure the fastest arrival at Shanghai. With the coordination of Shanghai Port

## Feature Topics on Anti-pandemic

and Shanghai Customers, 5.585 million medical anti-pandemic masks were delivered smoothly on 2 February, achieving “no waiting time”. Through multi-party linkage, the delivery was completed 7 days ahead of the conventional path.



- On 29 January 2020, after SITC Qingdao accepted the booking of anti-pandemic materials, all departments within the Company communicated closely and with the strong support of Qingdao Port and Huangdao Customs, the delivery of 300,000 masks was completed as quickly as possible on 1 February, the day the ship arrived at the port, achieving “no waiting time”.



- On 5 February 2020, the vessel “Dongfangqiang” berthed at the container terminal of Tianjin Port. SITC Container Lines Tianjin opened a fast emergency channel for special cases. With the great assistance of Tianjin Customs, Tianjin Cargo Management, Tianjin Port Group and Tianjin Forwarding Agency, the eight containers of medical pandemic prevention and control supplies loaded on board implemented the “pick up by the vessel” with “no waiting time”.



- On June 12, 2020: During the outbreak of the pandemic in Malaysia, SITC helped Bintulu Port Group to provide free and efficient one-stop logistics services from Shanghai to Sarawak through sea and land in the course of providing medical protective supplies to four major hospitals in Sarawak.



As at the date of this report, the COVID-19 pandemic has been effectively controlled and the control and management of the epidemic has become normal. The Company will continue to comply with relevant prevention and control regulations as before, and resume normal operations of the Company on the premise that our employees’ lives and health would be guaranteed. We will continue to provide premium services for our customers, and work together with the society to tide over the difficulties.

## Outlook

Looking into 2021, the Board of the Company will set “improving corporate governance, refining corporate culture, and planning digital transformation” as their work objects, improve operational efficiency and strengthen company management. In the context of the turbulent international situation, the Company will continue to adhere to its development towards “professionalism, expertise, specialization and innovation” and constantly seek development opportunities.

In terms of environment, the Company will continue to refine various environmental KPIs and establish routine assessment, reward and punishment mechanisms; establish and evaluate new KPI indicators for energy saving and emission reduction according to the requirements of the new IMO regulations and continuously monitor the impact of low-sulphur fuel oil on sulphide and other greenhouse gas emissions.

In terms of society, the Company will strengthen supply chain management and further improve supplier assessment and management process; and increase efforts in anti-corruption promotion and use external and internal resources to launch anti-corruption training programs for employees and the management.

In terms of governance, the Company will strengthen the supervision of the Board on sustainable development, lead and monitor the formulation and implementation of KPIs; actively participate in environmental-related industry organizations to obtain professional information and guidance; and continue to pay attention to the enquiry and investigation directions of The Stock Exchange of Hong Kong Limited on ESG reports as well as GRI, CDP, CSA and other sustainable development initiatives and evaluation standards.

Looking ahead, the Regional Comprehensive Economic Partnership (RCEP) signed by 15 nations will stimulate regional trade, especially for companies serving intra-Asian shipping and logistics, with the International Monetary Fund (IMF) forecasting that the economy of Asia could grow by 6.9% in 2021. Meanwhile, the shortage of new orders and deliveries of small vessels in recent years, as well as the global shipping industry’s zero carbon emission environmental goal by 2050 and the implementation of a set of core rules by the International Maritime Organization (IMO) to accelerate the retirement of old vessels, have also inhibited the growth of container capacity, and the factors above will maintain the balance of supply and demand for container shipping logistics in Asia. The Company will closely monitor the COVID-19 pandemic and economic changes of each country, and continue to implement its expansion plan prudently when opportunities arise.