



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



2023 Environmental, Social and
Governance Report

2023 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF SITC

Contents

About This Report	1
About SITC	2
Honors and Awards	6
Chairman's Message	7
Corporate Governance	9
Responsible Operations	22
Energy Conservation and Environmental Protection	45
Harmonious Development	86
Outlook	116
Appendix I: Independent Verification Statement	117
Appendix II: HKEX ESG Reporting Guide Index	118
Appendix III: GRI Content Index	121

About This Report

SITC International Holdings Company Limited has released the “Social Responsibility Disclosure Report” each year since 2014, which has been changed to the “Environmental, Social and Governance Report” (the “ESG Report”) since 2016, which subsequently has been published separately from its annual report since 2019. TCFD disclosure framework has been adopted in the ESG report from 2023.

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 and Reporting Cycle of the Report

This report covers the period from 1 January 2023 to 31 December 2023, which is consistent with the financial reporting period. 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 2022.

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.

Last reporting period: March 2023

Reporting cycle: once a year

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 C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report has complied with all mandatory disclosures requirements and “comply or explain” provisions set out therein.

This report is prepared also with reference to the Global Reporting Initiative Standard (GRI).

All financial data in this report is extracted from the financial reports of the Company. Unless otherwise specified, all amounts stated in this report are denominated in US\$.

Independent Verification

The information disclosed in this report has been verified by Hong Kong Quality Assurance Agency, an independent third party, to ensure its accuracy and reliability. The report verification statement is set out on page 117 of this report.

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” or “us” and, together with its subsidiaries, collectively referred to as the “Group” in this report.

Access to This Report and Contact Information

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

Should you have any question about this report, please feel free to contact us:

SITC International Holdings Company Limited

Address: 31/F, Shui On Centre,

6-8 Harbour Road,

Wan Chai, Hong Kong

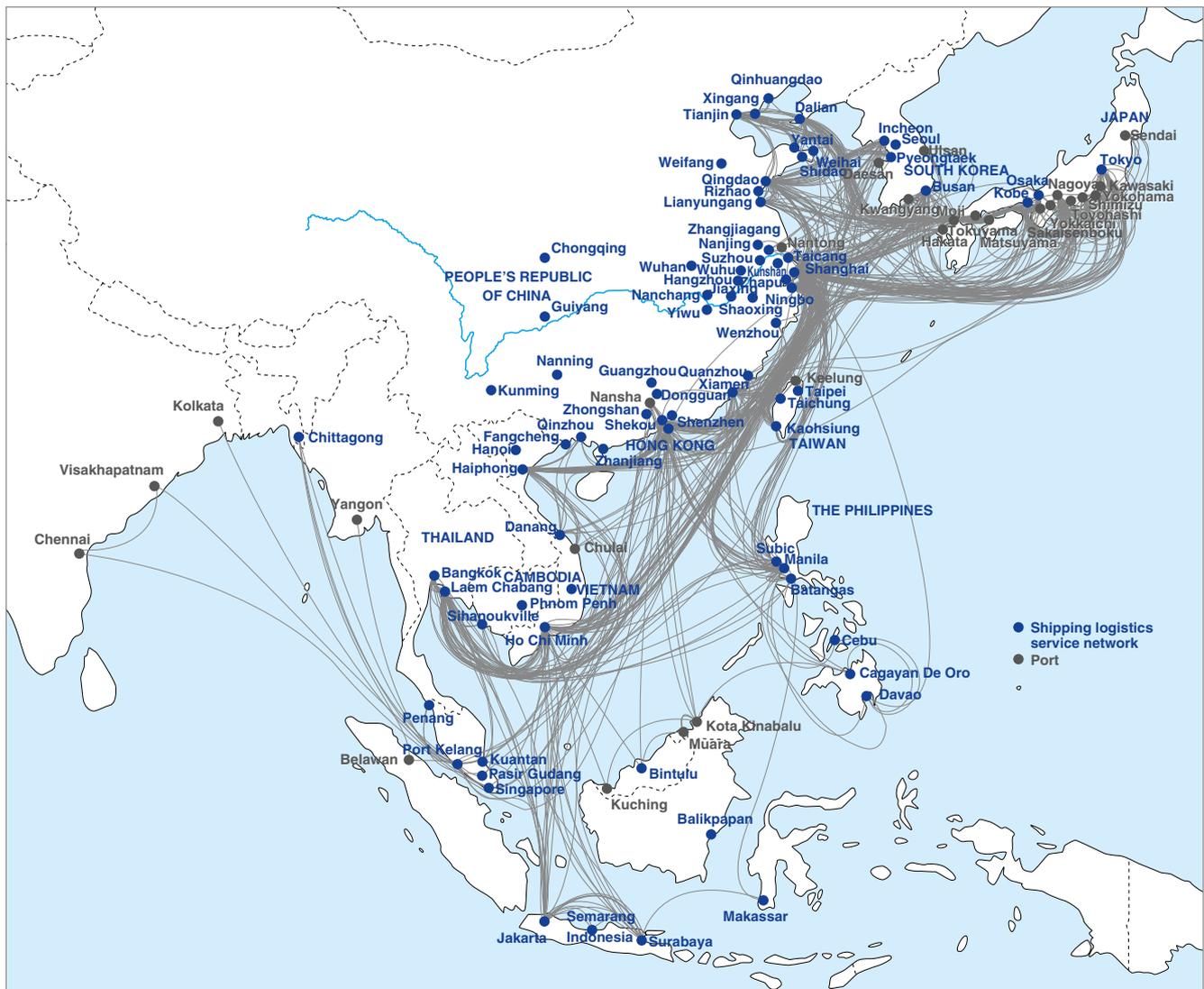
Telephone: 852-28500303

Email: elaine@sitc.com

About SITC

SITC International Holdings Company Limited (the “Company” or “SITC” or “we”) is an Asia’s leading shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2023, we ranked the 13th 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 2023:



Our businesses include integrated shipping and logistic services, such as providing container transportation, freight forwarding, shipping agency, depot, warehousing services, dry bulk vessel leasing, land leasing and other services.

About SITC

DIRECTORS

Executive Directors

YANG Xianxiang (*Chairman*)
XUE Mingyuan (*Chief Executive Officer*)
LIU Kecheng
LAI Zhiyong

Non-Executive Director

YANG Xin (*Vice-Chairman*)

Independent Non-Executive Directors

TSE Siu Ngan (*Chief Independent Non-Executive Directors*)
LIU Ka Ying, Rebecca
HU Mantian (Mandy)

BOARD COMMITTEES

Audit Committee

LIU Ka Ying, Rebecca (*Chairman*)
TSE Siu Ngan
HU Mantian (Mandy)

Remuneration Committee

TSE Siu Ngan (*Chairman*)
YANG Xianxiang
YANG Xin
LIU Ka Ying, Rebecca
HU Mantian (Mandy)

Nomination Committee

HU Mantian (Mandy) (*Chairman*)
YANG Xianxiang
YANG Xin
TSE Siu Ngan
HU Mantian (Mandy)

Risk Management Committee

TSE Siu Ngan (*Chairman*)
XUE Mingyuan
LIU Kecheng
LIU Ka Ying, Rebecca
HU Mantian (Mandy)

Disclosure Committee

XUE Mingyuan (*Chairman*)
LIU Kecheng
LAI Zhiyong

Sustainable Development Committee

XUE Mingyuan (*Chairman*)
LIU Kecheng
LAI Zhiyong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

31/F, Shui On Centre
6-8 Harbour Road,
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

LIU Kecheng
XUE Peng

COMPANY SECRETARIES

XUE Peng (*FCG, HKFCG*)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

About SITC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

NAME OF STOCK

SITC International Holdings Company Limited

STOCK CODE

01308

PRINCIPAL BANKERS (by alphabetical order)

ANZ Bank
Bank of China
Bank of China (Hong Kong) Limited
China Merchants Bank
Citibank, N.A
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Ernst & Young

LEGAL ADVISORS

As to Hong Kong law:

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

WEBSITE

www.sitc.com

About SITC

		2023	2022	Change
Results				
Turnover	US\$'000	2,428,959	4,112,955	(40.9)%
Profit attributable to shareholders of the Company	US\$'000	531,393	1,944,425	(72.7)%
Basic earnings per share	US\$	0.20	0.73	(72.6)%
Profit margin	%	22.1	47.4	(25.3) pt.
Net cash flows from operating activities	US\$'000	672,213	2,002,565	(66.4)%
Financial Position				
Equity attributable to shareholders of the Company	US\$'000	1,914,536	2,150,540	(11.0)%
Net current assets	US\$'000	123,585	740,606	(83.3)%
Interest bearing bank borrowings	US\$'000	169,034	271,438	(37.7)%
Financial Ratio				
Return on equity (note 1)	%	26.2	105.9	(79.7) pt.
Return on assets (note 2)	%	18.7	67.2	(48.5) pt.
Assets turnover ratio (note 3)	times	0.85	1.42	(0.57)
Gearing ratio (note 4)	%	13.4	0	13.4 pt.
Operating Statistics				
Number of container vessels operated as at year end	vessels	103	108	(5)
Container shipping volume – Container shipping and supporting logistics	TEU	3,224,498	3,261,939	(37,441)

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 company less the hedging reserve.

Honors and Awards

In 2023, SITC won 12 comprehensive rankings in Mainland China and Overall (Small & Midcap) under the category of transportation sector in the “2023 Asia (ex-Japan) Executive Team Honored Companies” held by Institutional Investor, an international financial magazine, which include “Best CEO”, “Best CFO”, “Best IR Professional”, “Best IR Team”, “Best ESG” and “Best Company Board”. SITC has ranked 2nd and 3rd in Mainland China and Overall (Small & Midcap) under the category of transportation sector and named as one of the “Most Honored Companies” in Mainland China in 2023 by Institutional Investor.

	Mainland China	Overall (Small & Midcap)
Best CEO – Mr. YANG Xianxiang	Ranked 2nd Overall	Ranked 3rd Overall
Best CFO – Mr. LIU Kecheng	Ranked 2nd Overall	Ranked 3rd Overall
Best IR Professional – Mr. XUE Peng	Ranked 3rd Overall	Ranked 3rd Overall
Best IR Team	Ranked 2nd Overall	Ranked 3rd Overall
Best ESG	Ranked 2nd Overall	Ranked 3rd Overall
Best Company Board	Ranked 2nd Overall	Ranked 3rd Overall
Total scores in transportation sector	Ranked 2nd Overall	Ranked 3rd Overall

SITC ranks first in the 2023 Fortune China 500 announced by Fortune Plus APP in terms of return on equity (ROE) with its achievement of 90% ROE.

SITC International won the honour of the “Most Outstanding Company in Hong Kong – Transportation Sector” for two consecutive years in 2023 in the “Asia’s Outstanding Companies Poll” organized by an international financial publishing house Asiamoney.

At the release ceremony of the results of the 20th “Golden Wheel Cup” China Freight Service Quality tracking survey activity, SITC won the title of “Customer satisfaction Container Liner Company”, “Customer Satisfaction Special Transport Enterprise”, “Customer Satisfaction NVOCC” and “China’s TOP50 Freight Forwarding Brands”.

Associations in which the Company Participates in and Memberships

Name of Association	Way of participation
Enterprise Green Development (Haikou) Institute/China Entrepreneur Club	Council Member
The Nature Conservancy (TNC)	Council Member of Greater China Governing Council
China Shipowners’ Association	Standing Council Member, Vice Chairman
Hong Kong Shipowners Association	Committee Member
China Shipowners Mutual Assurance Association	Director
Qingdao Shipmaster Association	Council Member
Shanghai International Shipping Center Development Promotion Association	Vice Chairman
China Institute of Navigation	Standing Council Member/ Editorial Board Member
Council of World Shipping, Dalian Maritime University	Council Member
Marine Graduates Collaborative Group Meeting	Member
International Shipping Enterprise Alliance	Member
Shandong Seafarer Service Association	Vice Chairman

Chairman's Message

Sustainability is the development strategy that the Company has always adhered to. Energy conservation, emission reduction and efficient use of natural resources are not only our internal requirements to improve efficiency and achieve sustainable development, but also a general trend to preserve the environment, protect the Earth and benefit our future generations.

The Company's development strategy emphasizes self-operated and asset light models to establish logistics channels and facilities integrating sea and land, continuously improve the high-density and high frequency sea liner network and to offer low-carbon and environmental friendly supply chain services. The main focus is on the application of digital and artificial intelligence as well as the corresponding organizational change, so as to gradually achieve the goals of zero emission and biodiversity protection.

In 2023, despite the fact that the Russian-Ukrainian conflict, the energy crisis in Europe, the world-sweeping high inflation and continuous interest rate hike, the increase in the delivery of shipping capacity and industry competition have resulted in significant decline in freight rate per container, with the Company's strategies of differentiation and low cost, we have maintained a strong profitability.

In 2021, the Marine Environment Protection Committee (MEPC), an International Maritime Organization (IMO), passed the amendments to Annex VI to the IMO International Convention for the Prevention of Pollution from Ships (MARPOL), pursuant to which mandatory technical and operational measures based on short-term goals, namely EEXI and CII, came into effect after Annex VI to the MARPOL became effective on 1 November 2022, and have binding effect to the applicable ships from 1 January 2023. The new regulation poses higher requirements for shipping companies in respect of emission reduction, which brings a challenge as well as an opportunity. In 2023, 12 new vessels had been delivered to replace older vessels, which further reduced emissions and improved fuel efficiency. In addition, the Company has also actively paid attention to and participated in the trial and development of new energy-powered vessels.

In 2023, the Company further refined the implementation and execution of environmental KPIs, and included environmental KPIs in the performance appraisal of chief executive officer and other senior management. Internal training on ESG data collection was held many times to improve the accuracy and scientificity of data. The scope of disclosure on greenhouse gas emissions had been extended and the emission data under Scope 3 had been disclosed for the first time. The external verification of ESG report was recognized by the third-party institution for three consecutive years. In 2023, TCFD disclosure framework had been included in the ESG Report for the first time.

Looking ahead to 2024, the global economy will experience sluggish growth for the third consecutive year, along with forecasts by international organizations including IMF and OECD, the economic demand will continue to decline. However, in Asia, with industry transfer, the remolding of trading route and logistic demand in South East Asia and India are underway. Despite the fact that the delivery quantity for 2024 from the overall supply of container vessels will reach the peak, a more cautious approach will be adopted in respect of the investment in small container vessels. That kind of vessels has an average age of 15.3 years, 29.2% of which are even over 20. The relevant analyst expects a negative growth in the supply of small container vessels with a decrease of 0.1% in 2024 and approximately 5% in 2025. The Company expects to deliver 9 newly built vessels in 2024.

With our businesses focusing on Asia region, the Company is confident that we will continue to leverage on our unique advantages to provide customers with low carbon, environmentally friendly and high quality supply chain services, to create a higher value for all stakeholders in the society and to march towards our goal of becoming the world's integrated logistics service and solution provider.

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 (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 Sustainable Development Committee puts forward suggestions to the Board on relevant work.

The Board has set up the risk management committee (the "Risk Management Committee") to review the major risk identification and response, especially the identification and response to climate risks, so as to ensure that the related risks are promptly and effectively identified and properly managed, as well as to review existing risks at least semi-annually and advise the Board on potential future risks.

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.

Corporate Governance

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. The Company upholds 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 operations 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 sustainable 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 undertakes to follow relevant industry conventions and regulations as well as other laws and regulations regarding economics, human rights, personal privacy, competition, etc., and provide customers with quality services under the lawful framework.

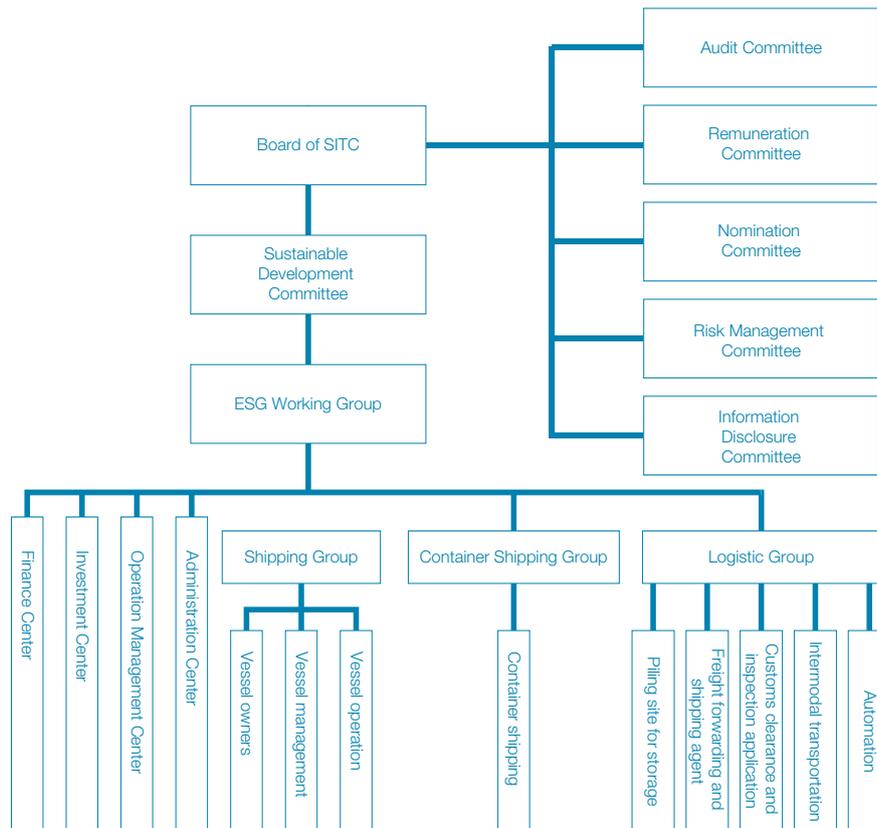
The Company has formulated high standards of code of business conduct, in addition to complying with the relevant regulations promulgated by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the Company, according to the laws and regulations of the places where it operates, has prepared the “SITC International Holdings Limited System Compilation” and makes amendments every year, which specifies in detail the code of conduct that the Company shall observe in business, finance, labour and employment, administrative management, risk control, compliance management, etc., to ensure that the Company’s all behaviors follow the principles of fairness, transparency, integrity and compliance.

The Company undertakes compliance with all applicable anti-monopoly and anti-competition regulations and non-participation of any form of monopoly, agreed-merits among competitors or abuse of dominant market position. We will protect consumers’ interests and maintain a fair competition environment in the market. Employees are required to be abided by the Company’s policies and are encouraged to take part in trainings and educations. We will actively cooperate with any investigation by the government. Penalties will be imposed on any party involved in any non-compliance in due course. The Company acknowledges fair competition is the vital cornerstone of the long-term success and the social responsibility of the Company.

The Company is committed to creating greater values for stakeholders to help achieve its sustainable development goals. The Company has been striving to establish a sound sustainable development structure, set up various key performance indicators (“KPIs”) and the relevant performance appraisal system, improve internal management system, optimize IT systems and further improve corporate governance, thus striving to accomplish the 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.



Corporate Governance

- The Board is responsible for the approval of the Company's ESG strategy, performance management and the oversight of target progress;
- The Board has established the Sustainable Development Committee, which comprises three executive directors of the Company. Mr. XUE Mingyuan, an executive director and CEO of the Company, serves as the chairman of the Sustainable Development Committee and the company secretary acts as the secretary of the Sustainable Development Committee. The Sustainable Development Committee shall submit the Sustainable Development Report of the Company to the Board every half a year to 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 is coordinated by the compliance and risk control departments, and is composed of the heads of finance, business, administration and other relevant departments. It is responsible for collecting and sorting ESG matters and data, formulating and submit KPI targets to the Sustainable Development Committee for approval, and promoting the implementation and execution of various goals. It reports the summary results to the Sustainable Development Committee on a monthly basis, and evaluates the relevant KPI indicators of senior management.

In 2023, the Sustainable Development Committee of the Company summarized and analyzed the 2022 ESG matters, investigated and summarized the completion progress of various KPIs for the first half of 2023, and performed focused analysis on all external ESG scorings. 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 2023 ESG matters.

1.3 THE BOARD AND THE PROFESSIONAL COMMITTEES

The Company adheres to Board diversity policy to exert the function of independent non-executive directors and shows respect to their professional advices and independent insights. As of the date of this Report, the Board of the Company is comprised of eight members, including four executive directors, one non-executive director and three independent non-executive directors, among which, three of them are female directors. Shareholders' opinions are taken into consideration in respect of the composition of the Board. Voting for the re-election of directors after the end of the annual general meeting will be complied into statistics and the corresponding measures will be adopted. The appointment of directors satisfies various factors including diversity, independence and influence to the relevant industry.

The Board should be comprised of at least three independent non-executive directors, representing one third to the member of the Board, to maintain strong independence so as to exercise independent judgement. All the directors (including independent non-executive directors) are provided with equal opportunity and channel to communicate with the Board and express their opinion and with individual and independent access to the management of the Group to make informed decision. The chairman of the Board should hold meeting with independent non-executive directors at least once a year, with the absence of other directors, to discuss any business and doubt. The Company will increase the proportion of independent non-executive directors in the Board in the future in order to leverage on the leadership of independent non-executive directors in each professional committee.

Four executive directors of the Company have over twenty five years of extensive experience in shipping and logistics industry, 1 non-executive director possesses extensive experience in finance, investment and brand building and operation areas, 3 independent non-executive directors have rich experience in financial investment management, information technology, economic and market research, respectively.

1.4 PERFORMANCE AND INCENTIVE POLICY OF SENIOR MANAGEMENT

Remuneration of the Company can be categorized into fixed remuneration and variable remunerations. Fixed remuneration includes salaries of different positions and different kinds of subsidies, which will be determined based on comprehensive factors such as the position and duties of the employees, while variable remuneration includes performance-based payroll, project bonus, year-end bonus, special incentives, share awards, which will be determined based on various factors such as personal performance, the operating results of the Company for the year, participation conditions, etc. The remunerations of the Company's senior management are recommended by the Remuneration Committee to the Board, and will be approved by the Board with delegation from the general meeting.

Performance appraisal of the senior management is formulated by the Remuneration Committee and is executed upon approval by the Board. The appraisal items and appraisal weights of the senior management are: 20% on business indicator, 20% on efficiency indicator, 20% on effectiveness indicator, 20% on ESG (including responsibility issues) indicator, and 20% on innovation indicator. The appraisal items for the senior management of each position will be refined based on the said five indicators.

Among which, the appraisal items for chief executive officer include five aspects, namely group turnover, group profit, ROE, upgrading of MSCI-ESG grading (in short term) to Grade A (in long term), responsibility issues. Based on peer standards, our long-term remuneration performance rate has been increased, and the remuneration has been linked with the sustainable development of the Company and the society and ESG governance to reflect our emphasis on long-term sustainable development.

The annual appraisal results will be used as an important basis for short-term and long-term incentives. Short-term incentives include year-end bonus and special bonus, while long-term incentives include share award. The Company has adopted two share award schemes since listing, which are share option scheme and restricted share incentive scheme. The pre-listing share award scheme had been implemented from 2010 with a valid period of 10 years, under which 79.16 million shares had been issued and the number of employee participants were over 700. The post-listing share award scheme had been implemented from 2010 with a valid period of 10 years, under which 23.20 million shares had been issued and the number of employee participants were 110. The restricted share incentive scheme has been implemented from 2017 with a valid period of 10 years, under which the awarded shares will be vested to the employees three years upon grant (or other period of time as approved by the Board). As of 31 December 2023, 65,113,624 restricted shares had been issued, of which 9,592,762 shares had been issued to senior management, and 3,279,613 shares had been issued to the chief executive officer.

Members of the senior management have been encouraged to hold the Company's share and the value of shareholdings of the senior management (including executive directors) will not be lower than 5 times of their annual remuneration by way of adopting employee shareholding scheme and share award scheme.

1.5 APPRAISAL OF THE BOARD

Two internal appraisals of the Board and each professional committee will be held each year, through which the report of the board of directors and corporate governance report will be prepared for disclosure to shareholders. The report of the board of directors analyzes and reports different aspects including business, finance, customers and suppliers, connected transactions, dividend distribution, risk management, ESG issues and corporate governance. Any matter which had undergone significant change (if any) will be submitted to the shareholders' meeting for approval.

Corporate Governance

Upon approval by the Board, the report of the board of directors and corporate governance report will be released to all shareholders for review before the general meeting each year. The contact information will be published in the Company's annual report to accept any inquiry and question from the shareholders/investors and other stakeholders to the Board. Prompt response will be made as soon as practicable.

1.6 CONFLICT OF INTERESTS

The Company provides directors with sufficient resources to ensure that they have access to independent advice. Any director who has a conflict of interest in a matter to be considered by the Board will be dealt with through a physical Board meeting rather than a written resolution. The directors concerned are required to declare their interests and abstain from voting before the meeting and shall not be counted as a quorum for the resolution. Independent non-executive directors who have no interest in the matter should attend the Board meeting. The Company has established an information disclosure system, a connected transaction system and an internal audit system to effectively prevent conflict of interests. Prior to entering into contracts with suppliers, customers and partners, connected transaction review is required for necessary approvals and disclosures. In 2023, by purchasing shareholdings from the related parties (mainly in possession of container vessels and containers), the number of connected transactions in relation to containers and container vessels with controlling shareholders and the related parties had been significantly decreased. For details, please refer to the Company's announcements. The shareholding relationship between the Company's management and related parties and the transactions between the Company and related parties have been disclosed in detail in the Company's 2023 annual report.

1.7 STAKEHOLDER ENGAGEMENT

SITC has formulated governance policy for stakeholder engagement to explicitly state the principles, methods and procedures of interactions between the Company and the stakeholders so as to achieve effective communication, cooperation and mutual profits. The objectives of the policy include strengthening communication and cooperation, understanding and satisfying the needs of the stakeholders, reducing reputational risk and enhancing the Company's sustainability, etc. The sustainable development of the Company is closely bound up with the stakeholders. The Board values communication with stakeholders and has been attentive to opinions from different perspectives, which will be used as an important basis to improve the Company's ESG level.

The governance policy for stakeholders engagement is applicable to all the companies and operating activities under the Group. The Company identifies stakeholders by way of marketing survey, risk management and assessment system and direct communication with stakeholders. Stakeholders are categorized into core stakeholders, primary stakeholders and secondary stakeholders. Adjustment will be made based on periodic assessments. The Company will interact with stakeholders through dialogues, negotiations and interactive websites, and provide necessary information and resources to help stakeholders understand the operation status and decision making process of the Company. At the same time, the Company will set up a channel of complaints to enable stakeholders to express their opinions and recommendations to the Company. Interactions with stakeholders will be carried out under the principles of being fair, transparent, attentive, cooperative and continuously improving. Information about the operation status, policies and activities of the Company are provided to the stakeholders through various channels namely Company's website, annual reports and announcements. The Board is responsible for the formulation, approval and monitoring of the implementation of this policy, while business departments and branch offices are responsible for the cooperation and communication with stakeholders based on this policy.

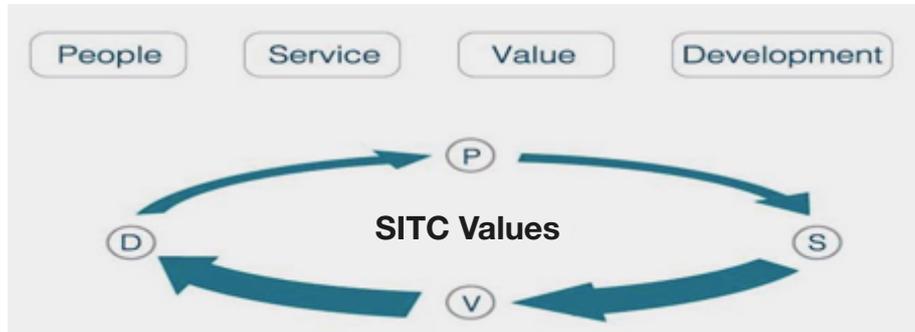
Corporate Governance

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	Issues concerned	Means and frequency of communication	Responsible department
Employees	Staff development and training Occupational health and safety Remuneration and benefits	Questionnaire survey (scheduled)	Human resources department/ administrative department of the headquarters and companies
		Team building (scheduled)	
		Symposium (unscheduled)	
		Staff training (scheduled)	
		Complaint hotline (unscheduled)	
Customers	Customer satisfaction Service continuity and safety Customer privacy protection	Annual meeting (scheduled)	Marketing department of the headquarters and customer service department of companies
		Satisfaction survey (scheduled)	
		New product launch (unscheduled)	
Suppliers	Employee benefits and rights Anti-corruption Emission reduction	Regular visit (scheduled)	Marketing department, operation department, investment department, internal audit department
		Regular exchange visits (scheduled)	
		Training (unscheduled)	
		Strategic cooperation (unscheduled)	
		Cooperation and anti-corruption interviews (scheduled)	
Shareholders and investors	Operation efficiency of company assets Product technology innovation Occupational health and safety	Participation in bidding (unscheduled)	Investor relations department, securities department, finance department
		Annual general meeting (scheduled)	
		Results conference (scheduled)	
		Investor meeting (unscheduled)	
		Roadshow and reverse roadshow (unscheduled)	
Financial institutions (banks)	Asset operation efficiency Customer service Environmental compliance	Announcement (unscheduled)	Treasury department, finance department
		Green financing project (unscheduled)	
		Thematic meeting (unscheduled)	
Media	Commercial compliance Emission reduction Product technology innovation	Regular visit (scheduled)	Investor relations department
		Interview (unscheduled)	
Regulatory authorities	Emission reduction Employee benefits and rights Contribution to local economy	Telephone communication (unscheduled)	Shipping management department, crew management department, route management department, etc.
		Telephone consultation (unscheduled)	
		Visit (unscheduled)	
		Publication of various regulations (unscheduled)	

Corporate Governance

The core values of the Company is “P-S-V-D”. Personnel (“P”) is always considered as the most important stakeholders and their needs are the Company’s main concern. Personnel is the greatest asset of SITC. Only top-calibre employees can help provide first-class services (“S”), create first-class value (“V”) and achieve long-term development (“D”).



1. OPERATIONAL RESPONSIBILITY AND CAPABILITY

Operation management center of the headquarters is responsible for the overall monitoring of stakeholder engagement, while regional operation departments of subsidiaries are usually responsible for the monitoring of the stakeholder engagement in each region.

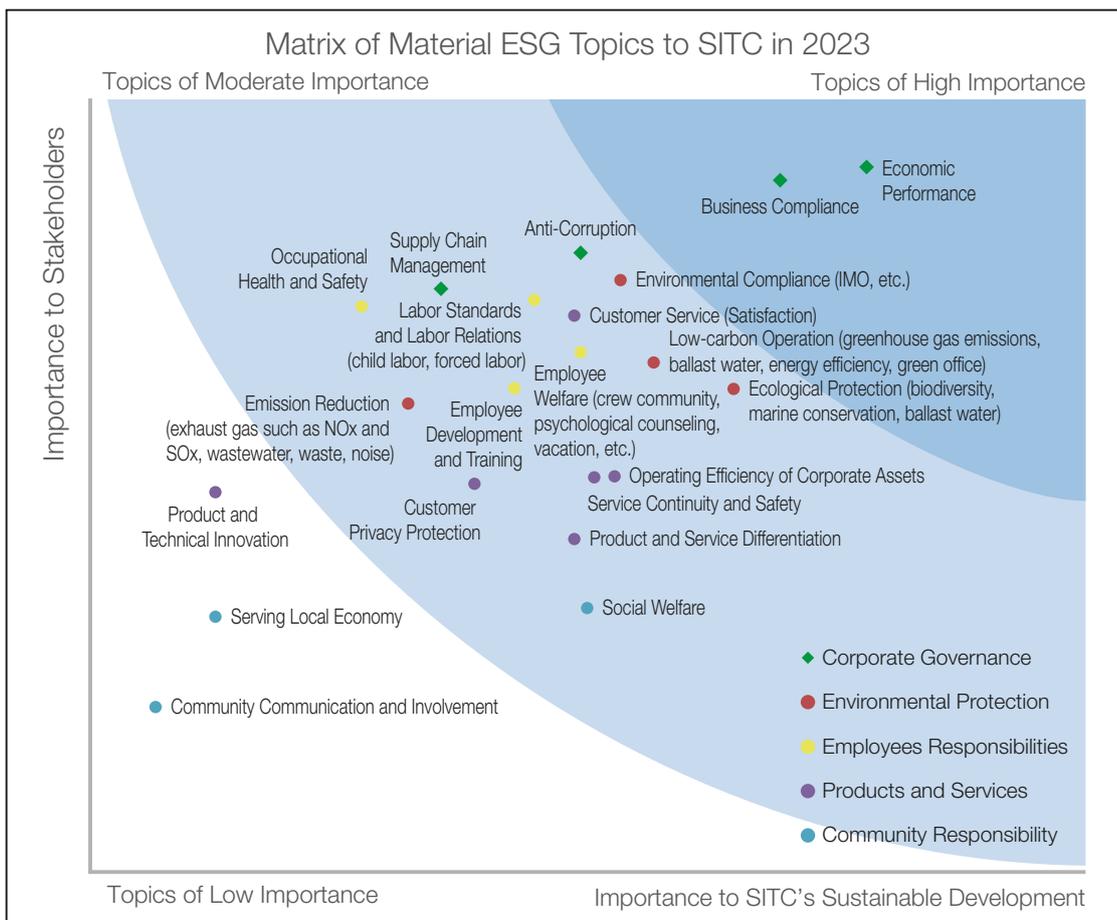
The Company will provide trainings regarding stakeholder engagement to the regional senior managements, which include how to build up effective communication and cooperation relationship with stakeholders.

Complaints from local customers will have direct influence to the performance appraisal result of the regional general manager. Annual performance review will take into consideration in the communication and cooperation with stakeholders and the performance of resolving concerns and complaints of stakeholders.

In order to ensure stakeholders are capable to interact with the Company, the Company will provide necessary trainings and capability building measures. Besides, the Company will adopt risk management and assessment system, build up good communication and cooperation relationship, set up specific complaint channel, etc. to handle risks in relation to stakeholder engagement.

2. STATUS OF IMPLEMENTATION

1) In addition to communication with various stakeholders through daily business, thematic meeting, telephone communication, etc., the Company also seeks stakeholders' opinions and suggestions on the Company through annual questionnaires. In 2023, the Company invited employees, major customers, suppliers, financial institutions, shareholders, government regulators, media and other stakeholders to assess the importance of 21 topics in four categories concerning SITC through online questionnaire-based survey, and set up open questions to ensure full feedback from stakeholders. More than 2,000 questionnaires were collected in this activity, from which we selected 80 questionnaire results for analysis. Based on the results of the questionnaire analysis, the Board formulated a key matrix of the following indicators:



Corporate Governance

- 2) Determination of operational strategy and community concerns based on the status of the regional stakeholders
- A. In 2023, SITC entered into a tripartite strategic cooperation agreement with Qingdao Port and Hisense Group to study and facilitate strategic, industrial and platform cooperation through resources sharing, mutual benefits and complementary advantages, so as to create a new hub for corporate, port and shipping cooperation to offer maximum contribution to the development of the country's strategic, economic and social development. Qingdao Port is one of the major port suppliers of SITC. Leveraging on the principal port business, integrated logistics and digital technologies of Qingdao Port, along with SITC's comprehensive assurance on various aspects such as shipping routes, vessels, slots, storage and logistic, the integrated supply chain services inclusive of all routes, factors and aspects will be provided for the product import and export of Hisense Group, thereby offering maximum contribution to the development of the country's strategic, economic and social development.



Corporate Governance

- B. In the morning of 8 November 2023, SITC LINE JAPAN participated an activity called cleaning Tokyo Yaesu Kyobashi organized by the community of Kyobashi Edo Grand Building. Each company collects roadside garbage in an orderly manner by area and clean and beautify the environment around the office area. It was the morning rush hour, and commuters passing by gave us praise and support. During the participation process, the participants could realize the importance of environmental conservation. And waste reduction will be pursued, with paying attention to their behavior in future.



The Company categorizes stakeholders and determines the higher priority group of stakeholders:

- A. Identification of stakeholders: the Company identifies and acknowledges the stakeholders who are related to the Company through descriptions and locations of the stakeholders.
- B. Categorization of stakeholders: the Company categorizes stakeholders based on their importance and influence to the operating activities of the Company for better understanding and management of stakeholders.
- C. Determination of higher priority group of stakeholders: the Company determines the higher priority group of stakeholders based on their importance and influence so as to pay more attention and highly value the needs and concerns of the stakeholders.

Corporate Governance

In respect of the said item, stakeholders who are determined to be under the higher priority group include:

- A. Customers: Hisense Group, being a major customer and partner of SITC, has been under in-depth cooperation with us in terms of various aspects such as logistics, warehousing and supply chain management. We are dedicated to “mainly focus on the Asia market and provide our customers with high efficiency and high quality logistic services, to become the preferred choice for customers”. We will take full consideration of customers’ need and maintain close communication with customers in order to continuously improve our services.
- B. Suppliers: as one of the key suppliers of SITC, Qingdao Port has critical influence and benefit demands to the operating activities of the Company. The Company has been maintaining close relationship with Qingdao Port, through which, the Company is able to understand customers’ needs and concerns, and actively participate and cooperate to provide advices in relation to port management, jointly providing top-notch services to the customers.

3. EVALUATION AND KPI

The Company has set up the following KPI to measure the level of success of stakeholder engagement and as a performance indicator for reporting to the departments responsible for stakeholder engagement in group level.

- 1) Engagement rate: this indicator can help the Company understand the level of stakeholder engagement in the Company’s activities including attending to meetings and providing of feedbacks. It is quantified and measured by periodic statistical analysis. Cited customers as an example, based on the importance of our customers, we have formulated regular visiting system and indicators. Communication will be carried out weekly, in every two weeks, monthly, quarterly, in every half year in various way such as face to face interviews, video meetings, telephone meetings, etc. to discuss different matters including tracking of cargo volume, market condition, cooperation feedbacks, cooperation anticipations, etc. In relation of investor relationship, in 2023, the Company had participated 98 roadshows, 28 reverse roadshows and 101 investor meetings with an aggregate number of participating institutes and investors of 544 and a total number of participants of 674.
- 2) Level of Satisfaction: this indicator can help the Company to understand the level of satisfaction of stakeholders towards the Company’s activities for improvement and optimization of activities. Through periodic survey or feedback collection, the level of satisfaction is quantified and qualified, such as the level of satisfaction of stakeholder to the content, organization and execution of the activities. For example, the Company will conduct survey on the level of satisfaction of the employees and customers to understand their level of satisfaction respectively.
- 3) Quality of feedbacks: this indicator enables the Company to understand the quality and accuracy of the feedbacks from stakeholders so as to ensure the Company achieves better satisfaction to their needs and expectations. It is qualified and measured through analysis and assessment on various aspects. For example, survey on the level of satisfaction of our employees will cover all ranks of employees under all operating premises of the Company in order to have a comprehensive reflection of the level of satisfaction of our employees.
- 4) Implementation rate of action plans: this indicator helps the Company to understand if the feedbacks from stakeholders have been taken into consideration and adopted in actual plans. It is qualified through periodic statistical analysis. For example, the Company will address complaints from the customers and will proactively take measures for improvement. The resolution rate is 100%.
- 5) Response time to feedbacks: this indicator enables the Company to understand our response speed to the feedbacks of stakeholder so as to ensure timely response and resolution. It is qualified through periodic statistical analysis and is presented in hours or days.
- 6) Engagement diversity: this indicator helps the Company to understand if we have offered the stakeholders with diverse ways of engagement, namely meetings, online platform, social media, etc., in order to ensure every stakeholder has the opportunity to engage. It is qualified through analysis and assessment on ways of engagement, such as the diversity of the ways of engagement, the utilization rate of the way of engagement, etc.

Corporate Governance

Through the said indicators, we can obtain a large amount of constructive information and experience from the stakeholders. For example, when we are expanding our shipping routes, shipping delays must be taken into account to increase the substitute vessels when necessary. Increase of the number of vessels can improve service quality and reduce the navigation speed of the vessels to an economic level of speed so as to decrease bunker consumption and carbon emission, yet further consideration of cost and efficiency must be taken. Reasonable adjustment to shift schedule enables an optimized plan, but the workload and benefits of employees must be considered.

With new vessels gradually commencing operation, our scale of fleet is continuously expanding. Serious delay of some shipping routes has been improved by using substitute vessels to provisionally increase the frequency of the shipping schedule. Service quality has been enhanced by increasing vessels to the Philippines, Thailand – Vietnam routes and China – Japan routes. Shift scheduling unit has been making reasonable arrangement to ensure an optimized plan. Digitalization has been highly valued and mobile networking strategy has been strengthened to enhance our capability and level of e-commerce.

4. INFORMATION SHARING AND COMMUNICATION

To more systematically share the lessons learnt from the stakeholders' experience throughout the Group, SITC has adopted the following measures:

- 1) Exclusive interactive intranet website is adopted to strengthen digitalization and build up online platform to enable visit and sharing of the best practices by the employees. The website includes various tools and resources such as online trainings, video courses, case studies and forums, etc. Employees can exchange their opinions and insights, share their experience and knowledge, and learn from others' experience, which in turns help timely response to and follow up the feedbacks and suggestions of stakeholders.
- 2) Standardized reporting procedure is adopted to ensure timely and effective sharing of the experience and lessons to all departments and regions. We have designed a standardized case format and reporting procedure to make sure that these extraordinary case reports will be submitted to all departments and regions, and will be followed up by the dedicated teams to express their feedback thereon.
- 3) Training module has been developed to help employees understand how to communicate and cooperate with stakeholders. The Training module includes communication skills, team work, dispute resolution and leadership, etc. Through this training module, employees can enhance their skills and ability for better cooperation with stakeholders.
- 4) Internal exchange is implemented to enable meetings with managers from different regional branch offices and senior seafarers to share their best practices and to facilitate exchange and learning. Constant meetings are held and hosted by the company in that region. Employees are provided with the opportunity to share their experience and knowledge, and learn from others' experience. These meetings help facilitate cross-departmental and cross-regional cooperation and learning.
- 5) Internal group is formed, under which, cross-regional, cross-departmental project teams, strategic teams are also formed within the Company by way of Wechat groups to breakthrough regional and departmental barriers so as to achieve highly effective sharing of resources and experiences.
- 6) Award mechanism for stakeholder engagement has been established to encourage active participation of employees and facilitate implementation of stakeholder engagement, while at the same time recognizing and awarding employees and teams who have outstanding performance in terms of stakeholder engagement. The award mechanism includes bonus, promotion and honourable titles, which acts as motivation to employees for better participation and implementation of stakeholder engagement.

Corporate Governance

1.8 MATERIALITY ANALYSIS

Stakeholder engagement is critical for the Company to determine materiality, and based on daily communication with stakeholders, questionnaire results and the Company's industry characteristics, the Company has identified the following eight material issues in 2023.

Material issues	Materiality	Main policy	Corresponding Chapter
Economic Performance	★★★★★	SITC's development mode: focusing on self-operated and asset-light models, establishing logistics channels and facilities integrating sea and land, continuously improving the high-density and high-frequency sea liner network, to offer low-carbon, environmental friendly supply chain services to our customers, and to achieve low-cost strategy by seizing industrial life cycle.	Responsible Operations
Commercial Compliance	★★★★★	The Company ensures that its business activities are in compliance with environmental regulations and economic regulations by establishing various internal control and review processes. Whistleblowing system has been established to collect different opinions.	Responsible Operations
Anti-corruption	★★★★★	The Company is determined to put an end to bribery, extortion, fraud and money laundering of any form. The Company strictly complies with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	Responsible Operations
Environmental Compliance (IMO)	★★★★	The Company complies with various environmental protection conventions and regulations, and reduce average age of vessels and reduce energy consumption by increasing the proportion of newly built vessels. We concern the changes in environmental protection technologies, comply with the industry requirements to achieve zero emission.	Environmental Protection
Ecological protection	★★★★	Focusing mainly on self-operated and asset-light models, establishing logistics channels and facilities integrating sea and land, continuously improving the high-density and high-frequency sea liner network, to offer low-carbon and environmental friendly supply chain services, so as to gradually reach our goal of zero carbon emission and protect biodiversity. Through vessel fuel monitoring, transforming machineries and vehicles from oil to electricity and promoting intelligent depots, low carbon operation will be realized.	Environmental Protection
Low-carbon operation	★★★★		Environmental Protection
Customer Service (Satisfaction)	★★★★	SITC's business model: To focus on the Asian region, to provide customers with efficient and high-quality logistics services, and to become the preferred choice for customers	Responsible Operations
Labour Standard	★★★	SITC's values: Employees are SITC's greatest assets; only top-calibre employees can provide first-class services; and only creating first-class value can a company achieve long-term development.	Harmonious Development
Employees' Benefits	★★★		Harmonious Development
Staff Training and Development	★★★		Harmonious Development

Responsible Operations

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 high efficient and high quality logistics services to customers and becoming the preferred choice of customers. Based on the operating models of self-operated and light assets, the Company has established logistics channels and facilities integrating sea and land to offer customized logistics services.

In 2023, apart from the Russian-Ukrainian conflict, the energy crisis in Europe, and the world-sweeping high inflation and continuous interest rate hike, the increase in the delivery of shipping capacity and industry competition has result in significant decline in freight rate per container. Fortunately, with the Company's strategies of differentiation and low cost, we have maintained a strong profitability.

The Company has 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	2021	2022	2023
Return on net assets	86.1%	105.9%	26.2%
Return on total assets	49.1%	67.2%	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	2021	2022	2023
Earnings per share (US Cents)	43.70	72.70	20
Dividend per share (HK Cents)	320	400	110
Dividend payout ratio	94%	70%	71%

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.

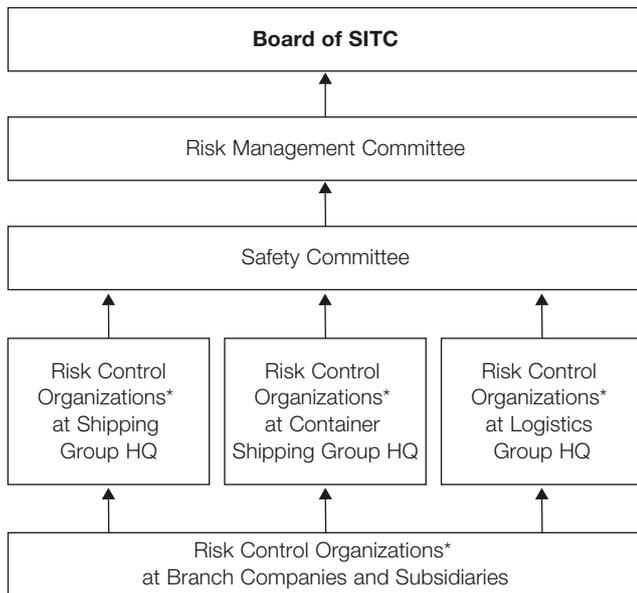
Year	2021	2022	2023
Ratio of total liabilities to shareholders' equity	79%	42%	37%
Interest coverage ratio	85 times	122 times	39 times

2.2 RISK MANAGEMENT

1. Risk Management Structure

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, consisting of two executive director and three independent non-executive directors, of which Mr. TSE Siu Ngan, an independent non-executive director, serves as the chairman of the committee. Mr. TSE Siu Ngan is an IT expert with extensive experience in cybersecurity and risk control. The Risk management Committee is responsible for regular monitoring of the Company's risk exposure and providing suggestions and recommendations to the Board, identifying new kind of risk, and formulating comprehensive risk management strategies. The audit committee is responsible for the monitoring of the operation of risk management system, and the constant review of the effectiveness and results of the risk assessment procedure. The Audit Committee is comprised of three independent non-executive directors, of which, Dr. Liu Ka Ying Rebecca, an independent non-executive director, serves as the chairman of the committee. Dr. Liu is a financial management expert with extensive experience in the management of many multinational enterprises. The Risk management Committee and the Audit Committee will hold meetings at least twice a year to report to the Board regarding the risk management result and problems discovered of the Company during the year.

Responsible Operations



Remark:

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

2. Risk Culture and Management Measures

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. The Company has formulated the "Risk Assessment and Prevention" system, which specifies the responsibilities of organizations at all levels in the risk management structure: the heads of SITC's subsidiaries and departments (centers) are the first line of defense for risk management; the audit department of the operation management center together with the Risk Management Committee and the Safety Committee under the Board serve as the second line of defense for risk management; and the Board is the third line of defense for risk management. We will consistently monitor the development of risk management, and continuously improve and optimize our system and measures to ensure comprehensive realization of the Company's risk culture.

The Company has been dedicated to building a strong risk culture to ensure all staff have full understanding of the importance of risk management. To achieve this goal, we have adopted the following strategies to facilitate and strengthen our effective risk culture throughout the group:

1) Risk Management Training

The Company provides intensive trainings in respect of risk management principles for the whole group, which include basic knowledge of risk management, risk identification and assessment, risk control and responses, etc., to enhance the risk awareness and management competence of the staff. Professionals will be invited regularly to share the best practices and case studies of risk management.

2) Human Resource Review Procedure

Risk management criteria are incorporated into the human resources review procedure for staff appraisal to ensure the staff's awareness of risk management in daily course of work. Staff performance appraisal includes risk (incident) performance elements to motivate proactive implementation of measures by the staff to minimize risk.

Performance appraisal program: the Company has in place a specific performance appraisal program inclusive of risk performance elements to arouse risk management awareness of staff in daily works. Risk performance elements include the performance of staff in terms of risk management, such as discovering and reporting potential risks, and reducing risk by way of corresponding measures, etc. At the same time, the Company will ensure the fairness, transparency and feasibility of the human resources review procedure to make sure the staff are aware of the risk management in daily course of works.

3) Risk Reporting Measures

Our staff are encouraged to proactively identify and report any potential risk.

Internal whistleblowing mechanism: internal whistleblowing mechanism has been set up by the Company to encourage the staff to take the initiative to identify and report any potential risk. Internal whistleblowing mechanism includes hotlines, email address, website, etc.

Monitoring and feedback: An internal monitoring department responsible for monitoring and feedbacks has been set up by the Company to monitor and assess the risk reported by the staff and provide timely feedbacks. Monitoring and feedback include different ways namely regular check, random check, anonymous reporting/anonymous questionnaire, ensuring the initiative and effectiveness of risk reporting by the staff.

Responsible Operations

Protection from retaliation: the Company will ensure the staff who have reported any risk are protected from retaliation. Relevant policies and systems have been formulated to ensure the safety and protection of the staff when reporting risk.

4) Reward and penalty measures

By incorporating reward and penalty system into risk management, the Company encourages our employees to pay attention of risk management. Specific reward measures and indicators include reduction of incidents involving occupational health and safety, reduction of environmental risk, etc. In respect of senior management and business managers, we have set up different reward and penalty measures and indicators to ensure their accountability in terms of risk management.

Specific reward and penalty measures: Rewards such as “Outstanding Contribution Reward – The Best Vessel (The Best Repair and Maintenance) (The Best Bunker Reduction)”, etc. will be granted to the vessel with low rate of incident, proper maintenance and low carbon emission, while honorable certificate, cash reward, promotion, etc. will be granted to the staff responsible for the management of the relevant vessel. For safety incidents which cause reputational and economic losses to the Company, corresponding penalties such as oral warning, written warning, notice of criticism, reduction of performance-based salary, reduction of annual share award entitlement for that year, cancellation of the eligibility to be distributed share awards, cancellation of any unvested restricted shares, demotion, reduction of salary, relegation, immediate termination of labour contract will be imposed on the person responsible for the incident, the person responsible for the management and the person of leading responsibility, which will be identified based on the level of seriousness of the incident. Heavier penalties will be imposed in case of withholding, delayed report, omission, false report or intentionally lowering the level of the seriousness upon occurrence of the incident.

Meanwhile, the Company will ensure the fairness, transparency and feasibility of the reward and penalty mechanism to implement the risk management works of the senior management and the business managers.

5) Continuous Improvements in Risk Management Practice

By allowing the staff to participate in structured feedback procedure, the Company is able to continuously improve our risk management practice. Staff are encouraged to provide risk management-related suggestions and opinions to help the Company optimize the risk management measures.

The Company has compiled the “Risk Description and Control Summary Sheet”, and the operation management center should at least once a year prepare the relevant amendments in the perspective of all staff throughout the group, analyze all risk exposure of the Company and focus on any critical new risk which may occur in the next three to five years, which include impact to the business and formulation of corresponding measures.

The staff is able to express their insights and suggestions in respect of the new risks by submitting feedback forms through the Company’s intranet. The feedback forms so submitted will be reviewed and analyzed by a dedicated team to facilitate quick problem identification and solving.

The team will carry out regular communication with the staff to share their suggestions and opinions and to explain the measures adopted by the Company.

The Company will assess on a regular basis the effect of the feedback procedure and make any improvement based on the needs. Through this feedback procedure, the Company has been successfully collecting a large amount of valuable feedbacks, including suggestions of the staff in relation to risk management procedure and preventive measures of new risks, and feedbacks about trainings and communications programs.

In each year, the Company arranges management above middle level to analyze and prioritize the identified risk from two perspectives including the possibility of risk occurrence and the impact to the Company, so as to determine the main focus and risks that needs to be controlled in first priority. The Audit Department of the Company will also, regularly or irregularly, commence risk management works and monitor and review the results of their works to consider if each company and business unit is able to comply with the relevant requirements.

The said case study epitomizes the Company’s continuous improvement in risk management practice. We are dedicated to encouraging both the staff and the management to participate in the risk management procedure to enable understanding, participation and facilitation of risk control by more staff, and in turn allowing the Company to constantly enhance our risk management competence and ensure our long-term success.

Responsible Operations

For any relatively typical cases of risk which have been occurred, the Company will arrange case compilation to specify warnings and policies. They will be published on the intranet website of the group to enable continuous learning and improvement.

6) Incorporating Risk Criteria into Product Development and Approval Process

Risk criteria has been taken into consideration during the course of product development or approval to ensure compliance with the risk management requirements in the process of product design, production and sales.

As company providing shipping logistic services, the Company needs to consider any possible existence of risk during the course of providing transportation services, and adopts measures to alleviate the possibility and effect of these risks. Incorporating risk criteria into the development or approval process of new shipping route is one of our important strategies to build up a strong risk culture.

Risk assessment: during the development of new shipping route, the Company will carry out comprehensive risk assessment to determine the possibility of risk and its potential influence. The assessment results will be used as the guidelines for the arrangement and specification of transportation services. Currently, the risk involving the development of new shipping route which we have identified include: port congestion, impracticable shipping schedule, drastic change in costs such as chartering costs and bunker costs, lower-than-expected cargo volume and significant drop of freight rates, etc.

Risk control plan: based on the risk assessment result, the Company will compile risk control plan to minimize the possibility and influence of the potential risks. These plans will become the main concerns in the development of new shipping routes.

Risk monitoring and improvement: the Company has set up monitoring and improvement mechanism to ensure compliance with risk management requirements when the new shipping routes commence operation to provide services. These mechanisms include regular risk review and improvement plan, as well as risk report and record.

7) Other Methods for Innovative and Effective Risk Culture

In order to further facilitate the cultivation of risk culture, the Company has also adopted other innovative methods. To implement risk control measures, the Company has appointed relevant risk control positions/responsible officers for each risk identified, and will irregularly arrange the relevant responsible officers of risk control to supplement, amend, optimize the corresponding risk control measures.

Case study library has been established on the Company's intranet interactive platform to share relevant cases and precautions with the staff on a timely manner, which include vessel safety, capital safety, corruption cases, workplace bullying, etc. By sharing these cases, all staff could be alerted, and on the other hand, the staff are able to prevent any incident with the precautions provided.

"Chairman's Award of Special Contribution" has been set up by the Company to recognize the staff's innovative thoughts and practices in terms of risk management or culture. For example, in 2023, many teams and staff of the Company have won this award with several programs like "reduction of cash transactions", "business systems with intelligence and innovations", etc.

To prevent risk involving cash transactions, branch offices located in all ports under the Group's financial center, particularly, all branch offices in Southeast Asia region, have implemented payment through QR code scanning, online payment in order to prevent capital risk and increase working efficiency.

To prevent cybersecurity risk, the information center of the Group has adopted information system security level evaluation and confirmation (Level II) to increase the overall security of the office software and network, which in turn enhancing our competence of information protection.

Responsible Operations

3. Risk Prevention and Control

In 2023, the Company carried out questionnaire survey in respect of the recognition of risk prevention and control measures of senior management, mid-level management and financial staff to inspect the execution of prevention and control measures for various risk identified at the earlier period. Of which, the execution of risk prevention and control measures for vessel navigation risk, risk of bunker cost fluctuation, risk of IT system failure, risk of new route development, connected transaction risk and risk of collection of accounts receivables have obtained higher recognition, with around 70% of the interviewees considered that the measures in those aspects have been better executed. For prevention and control measures for risk involving upgrade of environmental protection technologies, risk of improving market preference, risk of war, risk of natural disasters such as typhoon, earthquake and flooding, it is commonly considered as not ideally executed. To address the said issues, the Company will carry out review of, and amendments to the "Risk Description and Control Summary Sheet" to add or supplement new prevention and control measures.

In 2023, with commencement of new business, two major risks, namely, "risk involving law and compliance in the newly entered market" and the "risk involving downturn of global economy, sluggish cargo volume and intensified competition" have also been identified. The major risks for mid to long term are the "risk involving the end of economic globalization, remolding of supply chain and the emergence of regionalization" and the "risk involving geopolitical conflicts". Corresponding preventing and control measures have been implemented. As of the end of 2023, the "Risk Description and Control Summary Sheet" of the Company has listed out a total of 188 risk items, including 36 major risk items.

In addition, the Company also organizes managers above the middle level to prioritize the major risk items identified and clarify the priorities of the Company's risk prevention and control.

Based on the results of questionnaire survey, the top ten risks which are the concerns of the Company are summarized as follows:

Ranking	Risk Description	Risk Area	Degree of concern
1	Risk of IT system failure	Operational risk	10.00
2	Risk of major accidents	Operational risk	9.87
3	Risk in vessel navigation	Operational risk	8.57
4	Risk of changes in business policies in the region where the Company is operating	Compliance risk	8.18
5	Risk of new route development	Operational risk	8.18
6	Risk of supply chain changes	Strategic risk	7.92
7	Investment risk	Strategic risk	7.79
8	Risk of transportation of hazardous goods	Operational risk	7.40
9	Risk of war	Operational risk	7.40
10	Risk of taxation	Financial risk	6.88

Addressing the said risks, the Company has updated and strengthened the implementation of the preventive and control measures:

1. Installing firewall, conducting loophole checks by third-party security companies, evaluation/optimization of network structure, strengthening daily monitoring, regulating use of internet
2. Establishing healthy, comprehensive and safe system, operational standards, contingency plans. Staff are equipped with all necessary equipment, safety facilities and tools. Proper maintenance and update of safety facilities.

3. Timely understanding the changes and direction of the relevant policies. Timely consolidating, analysing, sharing of the latest business-related policies of the regions by each port operation as instructed and led by the headquarters. Supplying each other's needs, accentuating studies, timely communication with the agents from the designated ports, requiring agents to strictly execute our operational requirements to effectively avoid risks.
4. Focusing on the principal businesses with no deviation from the Group's development strategies and the Company's

Responsible Operations

operational model. Consulting professional legal advisors and self-studying. Conducting proper due diligence of the joint venture partners, compiling comprehensive feasibility report, allowing professionals to participate in data analysis and review.

5. Conducting constant communication with qualified and competent professional institutes, regular sharing of typical taxation cases and regular sharing of the latest taxation policies.

The Company's internal audit department constantly carries out internal audits every year, and dispatches the Group's business backbone personnel to participate in the audits. The Company's routine audit is conducted every 3 years for companies in Mainland China and once every 2 years for companies outside China, and also conducts off-office audits, as well as special audits on IT, anti-fraud whistle-blowing, complaints, etc. The audit covers finance, administration, human resources, business, IT systems, environmental protection, anti-corruption, security, etc. Through internal audit, the Company and employees work together to investigate, and communicate, solve and improve the Company's process system and risk prevention and control measures. For major or common problems found in internal audit, special audit meetings will also be held to discuss and implement solutions.

4. Prevention and Control of Vessel Safety

In respect of vessel management, the Company has in place a "Checklist for Vessel Safety, Repair and Maintenance", whereupon, a series of safety inspections on navigation safety, cargo safety, engine room and facilities safety, staff safety, fire safety, pollution prevention, etc. will be carried out on our self-owned vessels. Repair and maintenance inspection will also be made on the deck, the cargo compartment, the engine room and facilities, lifesaving appliance, fire extinguishing system and environmental protection facilities, etc. The first level is self-inspection and self-evaluation by the vessel management, which should be carried out at least once per quarter; the second level involves remote and regular inspection by boarding to be carried out by onshore marine, aviation staff and navigators based on work division of different project. For remote items, inspection should be done at least once a month, while inspection by boarding should be made at least once per quarter. The third level is inspection by boarding to be carried out by onshore safety technicians, which should be made at least twice per year for every vessel.

In 2023, for the first level, 366 inspections, in aggregate, have been carried out through self-inspection and self-evaluation by the vessel management. For the second level, the onshore marine, aviation staff and navigators have completed 256,433 inspections on vessel safety and repair and maintenance. Among which, 99,643 safety inspections have been completed with 1,260 safety, repair and maintenance defects, 319 hidden safety issues and 0.49% discovery rate. Those issues have been rectified immediately. In respect of the third level, 114,662 inspections on vessel safety, repair and maintenance have been carried out by the safety technicians. Among which, there were 36,633 safety items, 3,587 safety, repair and maintenance defects, 176 hidden safety issues and 3.13% discovery rate. Those issues have been rectified immediately.

In 2023, the day of navigation of the Company's vessels was 33,195.31 with navigation rate of 98.42%. The day of suspension was 533.69, of which the day of chartering suspension due to incident was 98.23, and the influence thereof to the day of navigation was merely 0.29%.

No vessel was stranded during the PSC inspection at the Marine Department of Hong Kong (there was 2.24% rate of stranded vessels at Japan MOU*). In 2023, the rate of zero defect was 89.9%, which surpassed the rate of zero defect at Japan MOU of 38.89%. In view of the Company's outstanding performance in PSC inspection, the Company has been awarded "Outstanding Performance Award in PSC Inspection" by the Marine Department of Hong Kong for six consecutive years.

* Tokyo MOU is one of the world's most active regional port management organizations located at Tokyo, Japan. The organization commenced operation from 1 April 1994 and is comprised of 22 member countries and 7 observer countries in the Asia Pacific region. Tokyo MOU aims at establishing effective PSC system in the Asia Pacific region through cooperation and coordination with other member countries. Port states are entitled to control foreign vessels berthing at the relevant ports of the states to ensure rectification of any defect discovered by PSCO during inspection by boarding. PSC is regarded as a complementary measure to flag state control to facilitate marine safety, protect marine environment and safeguard the working and living condition on board.

Responsible Operations

5. Prevention and Control of Depot Safety

In respect of depot management, the Company has in place the “Checklist of Depot Safety Inspection”, whereupon, a series of safety inspection on access control, staff safety and training, facilities safety, field work safety, fire safety, environmental protection, contingency management, basic qualification, documentation system, etc., will be carried out at all depot operating under the group, while at the same time, quality inspection on customer services, service undertakings, customer feedbacks will be performed. The first level is weekly self-inspection of each operating depot and compilation of self-inspection report for submission. The second level involves cross safety inspection by depot officers organized by the group headquarters. Each depot should perform at least once a year. In addition, a comprehensive inspection will be conducted on the internal regular audit of the group, among which, inspection on depots located in Mainland China should be conducted once per every three years, and inspection on depots located overseas should be conducted once per every two years.

In 2023, in aggregate, 676 weekly self-inspections have been completed at all depots, 13 comprehensive cross safety inspections have been conducted by all depot officers under the group headquarters with a total time of inspection of 2,210. Among which, there were 1,820 safety items, 390 service items, 66 hidden safety issues discovered with a ratio of 3.6%, 24 service weaknesses with a ratio of 6.2%. All issues have been rectified and improved.

In 2023, through depot safety production management, a significant safety production result of zero incident has been achieved among all depot staff, machineries and fields.

2.3 BUSINESS ETHICS

The Company is dedicated to comply with business ethics and undertakes to uphold and abide by, and our supply chain partners are also required to observe the following commitments:

Corruption and bribery: We have zero tolerance to any form of corruption and bribery in neither domestic nor overseas market.

Information confidentiality: We protect personal information of our customers and staff, and comply with the relevant privacy regulations.

Conflict of interest: We avoid conflict of interest to ensure that our business decision and action are not under any influence of any individual or organization.

Anti-monopoly/anti-competition behaviour: We strongly oppose to any form of monopoly and unfair competition behaviour, and we comply with the regulations relating to anti-monopoly and anti-competition.

Money laundering and/or Insider Trading/Transaction: We strictly abide by the regulations relating to anti-money laundering and insider trading to ensure the legitimacy, fairness and transparency of our business activities.

Whistleblowing: we encourage our staff and other parties to report to us any action which is in breach of business ethics, and we undertake to protect the privacy and interest of the whistleblower.

Regular review: we undertake regular review of our business ethics at least every half year to compile relevant undertaking list and execute policies to ensure that our standards, scope and execution meet the requests of the stakeholders and the international standards. External stakeholders are invited to attend regular interviews or general meetings to review or provide recommendations in relation to our ethics.

1. 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. The Company strictly complies with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

The Board of the Company is responsible for the approval and supervision of the formulation and execution of the anti-corruption policy.

Responsible Operations

1) Anti-Bribery Policy

The Company has formulated the “Anti-Bribery Policy” and the “Code of Conduct for Employees”, and announced the Group’s anti-corruption policy throughout the Group, emphasizing that “the Company prohibits any form of corruption and bribery, and the system applies to all directors and employees”, and setting out the principles and boundaries that are required to be followed in giving and receiving gifts, discounts and commissions, as well as the supervisory responsibilities of each rank. Specifically, the Company prohibits any form of bribery, including but not limited to cash, gifts, discounts, soft dollar and other form of illegal or improper payment.

2) Prohibition of Discounts and Soft Dollar Policy

The Company specifically prohibits any bribery in disguise such as discount and soft dollar, and it is explicitly stated under the “Anti-Bribery Policy” of the Company. The Company announces this policy to all staff and business partners whose contracts with the Company contain specific terms relating to prohibition of bribery in disguise such as discount and soft dollar.

3) Policy relating to Political Donation and Charitable Donation

The Company has committed to transparently disclosing all political donation and charitable donation and ensuring that those donations will not be used in any form of bribery. Political or charitable donations will not be used as a mean to secure business or government contract. Besides, we undertake that the Company will not, directly or indirectly, offer any cash or gifts of high value, or make any commitment with similar reward, to any government officials, political parties or the representative thereof, candidate of any political positions or public position.

4) Compliance Review and Training

The Company offers regular publicity and training of anti-corruption policies for its employees. The Company has organized training for all employees of the Group (including part-time employees and outsourced personnel), and published the “Corruption Prevention Tips”, the “Practical Guidelines for the Corruption Prevention System of Listed Companies” and the “Corruption Prevention Training Materials of SITC” on the Company’s internal website for its employees to consult and study at any time. SITC will conduct internal compliance review on a regular basis to ensure effective implementation of our anti-bribery and anti-corruption policies. We provide necessary trainings and educations to make sure that all employees and business partners could have full understanding of,

and abide by our policies and regulations.

5) Management of Suppliers’ Incorruptibility

The Company conducts review and management on suppliers on a regular basis to ensure their compliance with anti-bribery and anti-corruption policies. Cooperation with any supplier who is in breach of the relevant regulations will be terminated. The Company will visit suppliers to publicize our anti-bribery policies and will accept suppliers’ supervision to promote a clean, fair and equal competition environment. In 2023, 76 suppliers have been visited. Suppliers agree to our anti-bribery policies and are willing to maintain long-term cooperation. No bribery issue has been occurred.

6) Internal and External Reporting, Investigation and Audit

The Company has promulgated the Anti-Fraud, Reporting and Complaint System to establish a sound and transparent anti-fraud, reporting and complaint mechanism. A reporting hotline and e-mail have been disclosed on the Company’s website to receive real name or anonymous reports from employees and external third parties. The Company has set up a functional department responsible for handling complaints and whistleblowing, which shall handle complaints and whistle-blowing in accordance with prescribed procedures and within prescribed time, and give feedback to the complainants. The Company has also formulated protection measures for whistleblowers, to encourage relevant personnel to disclose fraud and cheat, and ensure that the personal interests and benefits of complainants or whistleblowers are not infringed. In 2023, the Company has received one whistle-blowing, which was relating to the purchase and management of vessel communication and navigation facilities. Upon investigation, no bribery behaviour was involved, but the operating process was deficient. Relevant department had been ordered to optimize management of inventory and major facilities. SITC encourages all employees and business partners to report any act that may involve bribery or corruption. Investigation will be carried out on all the report with proper rectifications thereafter, including reporting to the relevant authorities.

The Company has formulated the “Internal Audit System” to organize internal and external audits on a regular basis, and implement the rotation system, thus effectively preventing corruptions. In 2023, the Company implemented a total of 44 audits, and carried out routine audits on 43 subsidiaries and branches, and audits on the owners of the container shipping companies. In addition, the Company has strictly implemented its job rotation system. During the reporting period, 18 persons in charge of finance and 6 persons in charge of

Responsible Operations

independent operations were rotated.

7) Capital Management

The Company has strengthened capital management and control. The Fund Management System clearly stipulates that “all capital receipts and payments shall be made based on a true and legal business background”. Any form of illegal acts such as bribery, extortion, fraud, and money laundering, or fund receipts and payments that violate company policies are prohibited. Payment to any party with major risk is prohibited.

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

2. Code of Business Conduct and Ethics and Reward and Penalty system for Employees

The Company will adopt a series of measures to ensure that our employees are in compliance with our social values and business ethics, which include regular trainings, staff’s compliance-linked remuneration system, incorporating compliance and code of conduct into employee’s appraisal, offering rewards to employees with proper compliance, imposing penalties to any act in breach of business ethics, etc. In addition, the Company will provide necessary trainings and educations to the employees to arouse their awareness of being in compliance with code of conduct, which in turn ensuring the Company’s reputation and interests, as well as promoting the Company’s sustainability: Details are as follow:

1) Reward and penalty measures

To ensure employees’ acts are in compliance with the Company’s requirements and standards, the compliance of employees is incorporated into the appraisal for remuneration and performance, and the following reward and penalty measures are adopted:

a) For any employees who are non-compliance with and in breach of our business ethics, their marks obtained in the appraisal will be deducted and they will be imposed with corresponding penalties including deduction of performance-based bonus, deduction of share awards and hindrance to promotion. Meanwhile, employees will receive necessary trainings and education to help them rectify their mistakes, comply with our code of conduct, laws and regulations.

b) For employees who have been performing well in terms of compliance, rewards will be offered, including salary increase, promotion, bonus, share awards, etc. Employees’ compliance will be appraised and evaluated on a regular basis, rewards will be granted to employees with outstanding performance so as to motivate them to abide by our code of conduct, laws and regulations.

Compliance and code of conduct have been included in our employee appraisal system to ensure the employees act in compliance with our requirements and standards. Details are as follows:

Appraisal standard: specific appraisal standards in terms of compliance and code of conduct are stipulated, which include the awareness of employees to compliance, the status of their compliance with the code of conduct, and their working performance, etc.

Appraisal cycle: Employees’ compliance will be appraised and evaluated on a regular basis, usually in every month or every quarter.

Way of appraisal: various ways of appraisal will be adopted, including self-appraisal, appraisal by superiors or colleagues, etc.

2) Warning, Dismissal, Zero Tolerance Policy

For different level of non-compliance with business ethics, the Company has formulated specific penalties. We will adopt different measures to handle the issue, details are as follows:

Minor non-compliance: for any acts such as non-compliance with the Company’s regulations relating to daily operation, non-performance of duties, etc., oral warning will be sent as penalty.

General non-compliance: for any acts such as long-term non-compliance of the Company’s regulations relating to daily operation, written disclosure of the Company’s business secrets without causing any loss, etc., measures like written warning and bad comments on performance appraisal will be imposed as penalty.

Major non-compliance: for any acts such as provision of false information, negligence of duties, disclosure of important business secrets which causes loss to the Company, etc., measures like notice of criticism, announcement on intranet, demotion, salary decrease, relegation will be imposed as penalty.

Responsible Operations

Serious non-compliance: any acts which are violation of the Company's business principles, such as bribery and corruption, serious fabrication of statistics, misappropriation of corporate assets, malicious disposal of the Company's business secrets, etc., measures like dismissal and pursuit of legal accountability will be imposed as penalty.

While imposing warning and penalty, we will provide necessary trainings and educations to our employees to help them rectify their mistakes, comply with our code of conduct, laws and regulations. Our ultimate goal is to ensure employees maintain high level of business ethics.

We believe that the incorporation of employees' compliance into remuneration and performance appraisal system will help enhance employees' awareness of being in compliance with code of conduct, promoting the Company's compliance management and sustainability. Reasonable rewards and penalties will help protect the Company's reputation and interests. Meanwhile, we will continue to evaluate, improve and optimize our compliance performance and reward and penalty system to ensure its fairness, transparency and effectiveness.

There was no non-compliance relating to code of conduct in the Company during the reporting period.

3. Protection of Personal Information

SITC attaches high importance to the privacy of customers and employees. To protect personal information and customers' privacy, the Company is in compliance with the "Personal Information Protection Law of the People's Republic of China" and other applicable regulations relating to privacy when collecting, handling or using any personal information. Unless it is approved by the customers, the organization shall not disclose any personal information of the customers, shall not use any personal information of the customers on any purpose other than the agreed usage, and shall directly keep customers update of any changes in the information protection policy or measures.

1) Protection of Personal Information and Privacy

When customers receive products or services from the Company, the Company should inform customers our relevant protection policy relating to their personal information, privacy and rights. Personal information should only be used upon agreement with the relevant customers. It is stated under the "Personal Information Protection Policy and Declaration" published on the official website of SITC

that apart from the aforesaid policies which are applicable to all employees of the Company, in case of any necessary outsourcing of personal information due to business needs, the Company will also request compliance with the relevant policy by the outsourced vendor and its officers. Other than the personal information protection clauses included in the contract with the outsourced vendor, guideline document in relation to management of outsourced vendors will be compiled. Evaluation on outsourced vendors and safety check on personal information will also be conducted on a regular basis.

2) Personal Information Management Structure

The executive officers of each business group under SITC act as the officer in charge of the protection of personal information safety and are responsible for formulation of personal information protection regulations in relation to the respective business. Regular reporting will be conducted to the operation management center of the Group. The operation management center will report to the sustainable development committee by submitting "Sustainable Development Report" every half year, and will provide recommendations to the Board. The reporting contents include but not limited to the result of personal information safety management and the improvement thereof, the handling and follow-up of any relevant cases or complaints.

3) Consultation Channel for Privacy Rights

A comprehensive personal information protection mechanism has been established by the Company to ensure the accuracy and safety of the personal information of the customers and the employees. It is stated under the "Personal Information Protection Policy and Declaration" that personal information will be collected, handled or use in a reasonable and safe way within a scope for specific purpose as agreed by both parties. All activities involving personal information could only be proceeded upon agreement with the relevant parties, and the personal information should not be used on purposes other than the agreed usage. In case of secondary use, the relevant parties should be able to practically exercise their rights of enquiry, alternation, deletion, restriction on use of the personal information and withdrawal of consent as conferred by the personal information law and regulations.

Responsible Operations

4) Privacy Risk Evaluation Mechanism

To comply with the legal requirements relating to personal information and identify the relevant risk exposure during the process of handling personal information, the Company carries out various works including personal information check, impact of privacy protection, self-supervision and clean-up. Risk evaluation will be conducted annually according to the operating procedures. In case the risk exposure is too high, risk improvement plan should be suggested and executed in order to effectively implement personal information management system of “Plan – Do – Check – Act” (PDCA).

5) Response Mechanism of Privacy Incident

According to the “Personal Information Protection Law of the People’s Republic of China” and the operating document under the internal “Personal Information Protection System”, rights of the parties whose personal information has been inappropriately accessed and disclosed will be protected by the Company in pursuance of the relevant law. For unauthorized use or damages of personal information, contingency plan for personal information incidents will be set up to expedite the internal authorization process based on the degree of influence, which in turn helps enhance the efficiency for subsequent follow-up process. Contingency simulation exercises will be conducted by the Company in each year according to the said regulations, and after which, any defects discovered during the simulation exercises will be reviewed and improved to ensure the effectiveness of the contingency mechanism and strengthen the horizontal communication and response competence of each unit. In addition, in respect of the outsourced personal information, clauses relating to the time frame for reporting of personal information incident, responsibility of recording the incident, compensation and penalties shall be stipulated under the contract with the outsourced vendor, with proof and records relating to the incident being properly kept.

6) Internal Inspection and Training of Privacy Policy

To review if the goal, management procedure and safety control mechanism in relation to personal information are implemented as planned, the Company performs regular inspection and evaluation of the execution of the personal information protection system. Annual regular internal inspection will be carried out to examine the personal information management in all groups and companies. Any breach of this system and the relevant laws and regulations will be handled according to the Company’s rules and the relevant laws and regulations.

The Company provides regular educations and trainings to all staff to strengthen their concept and code of conduct in terms of personal information protection. Members of the internal evaluation team will receive relevant education and trainings in relation to personal information management and inspection, and will report any latest major personal information matters among the industry and new regulatory information.

There is no disclosure of personal information of the employees or customers in the Company during 2023 and the Company will try its best to maintain zero disclosure in the coming year.

4. Protection of Whistleblowers

Whistleblower protection scheme is one of the key plans within the framework of business ethic undertakings of the Company. The scheme aims at creating a safe and reliable environment for any internal and external stakeholders of the Company so that they could speak out and report any non-compliance without the worry of being retaliated. This scheme has the support from an independent audit committee and internal audit department to make sure that the management will take appropriate measures to resolve any non-compliance and protect the privacy and safety of the whistleblowers.

The Company acknowledges honest and sincere business culture. We hope that our employees possess the competence and confidence to raise and report any risk-related concerns, which include but not limited to the concern of risk involving business ethics, legal compliance, environment, society and governance. Everyone (whether or not being employed by SITC) are welcome to raise questions and doubts, and various contact channels are available. Employees could have discussion with their direct superior or the Company’s management members, access to professionals or auditors, or anonymously report through special mailbox. Anonymous report through telephone or internet will also be accepted.

Responsible Operations

1) Undertaking of Whistleblower Protection

The Company has made public undertaking to protect the identity and privacy of all whistleblowers and will ensure that all whistleblowers could freely exercise their rights without being inappropriately interfered or suppressed. We assure our employees that, regardless of the occurrence of the non-compliance, they will not be disadvantaged due to whistleblowing. This is also applicable to our business partners who wish to report any potential violation. In this regard, we will take necessary measures to make sure the whistleblowers will not be retaliated or inappropriately treated.

Internal and external whistleblower protection policy and mechanism will be publicly informed by the Company to our employees and business partners such as external suppliers, and regular announcement in relation to the status of the internal and external whistleblower protection mechanism will be made, so that our employees and external parties could understand the effectiveness and reliability of, and comply with the mechanism.

2) Policy of Retaliation Prohibition

We have zero tolerance to any form of retaliation to any whistleblowing on goodwill or to any employee coordinating with the whistleblower in the investigation. Any form of retaliation to any whistleblower is strictly prohibited, which includes but not limited to dismissal, demotion, salary decrease, removal, threatening or intimidation. Any retaliation discovered will be stopped by appropriate measures, and disciplinary sanction will be imposed on any person who is in breach of the Company's policy.

3) Safe Whistleblowing Procedure

Anonymous and real-name whistleblowing channels are provided by the Company to help whistleblowers report any act which has violated the law, ethics or the Company's policies. The Company will also ensure the confidentiality and safety of the whistleblowing channels. Necessary measures will be taken to protect the identify and personal information of any anonymous whistleblower from being disclosed. Meanwhile, the Company will take any necessary measures to ensure that the real-name whistleblowers will not be violated or retaliated.

4) Whistleblowing Handling Procedure

The Company will ensure proper handling of the reporting content of the whistleblowers and provide immediate response thereto. Apart from general whistleblowing, any serious and suspicious case will be handled and fully investigated through appropriate measures.

For any case in which disclosure of the identity and personal information of the whistleblower is need, e.g. auditors or investigators need to have understanding of the proof and information provided by the whistleblowers during investigations, the Company will take necessary measures to protect their privacy to ensure that the whistleblowers will not be violated or retaliated.

At the same time, the Company will strictly abide by all relevant laws and regulations, and take all necessary measures to protect the interests of the Company. The Company will investigate all dishonest or malicious whistleblowing and impose disciplinary sanction.

5) Whistleblower Protection Mechanism

A special whistleblower protection mechanism will be set up by the Company to provide necessary support and protection to whistleblowers. All whistleblowers will be provided all necessary information and resources. Upon confirmation of the whistleblowing, the Company will provide safety protection, adjust work arrangement and provide various support such as psychological support.

The Company will continue to supervise the effectiveness of the mechanism to make sure that it is in compliance with the latest laws and regulations, and reflects the Company's best practices. The audit committee will conduct regular evaluation to the internal and external whistleblower protection mechanism to ensure its effectiveness and sustainability. Evaluation and improvement to the mechanism will also be carried out on a regular basis.

Responsible Operations

During the reporting period, the Company has strictly abided by the “Complaint and Whistleblowing” System and the relevant laws of other regions, practically performed its supervision responsibility, maintained and improved the supervision and whistleblowing mechanism, opened whistleblowing channels, and ensured the information confidentiality and safety of the whistleblowers. No act which has intruded the privacy and safety of the whistleblower had been recorded.

2.4 CUSTOMER SERVICE

“Customer always comes first” is one of the core values upheld by SITC, and a key strategy for the Company to develop and maintain competitive strengths. Customer service satisfaction is directly related to the survival and development of enterprises.

Adhering to its service strategy of “professionalism, expertise, specialization and innovation”, the Company focused on the operation of routes in the Asian region, and was committed to providing customers with refined, unique and innovative services to earn the long-term trust of customers.

1. Customer Overview

Revenue from customers by geography as a percentage of the total revenue is as follows:

Geography	Percentage of revenue
Greater China*	39%
Southeast Asia	33%
Japan	22%
Others	7%

* Greater China includes Mainland China, Hong Kong and Taiwan.

Responsible Operations

2. Customer Services

Through WeChat Official Account and email, 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. The Company has developed models such as sea-rail intermodal transportation to reduce customers' costs; reduced the circulation of customers' documents through process optimization such as releasing orders with blockchain to improve efficiency; communicated with customers through EDI, and assisted customers to complete the visual management of the whole supply chain, to improve customers' ability to control logistics. Online slot reservation has also been promoted to provide convenient and environmental friendly services to the customers.

From 2019 to 2023, the proportion of revenue from online orders (online/e-commerce/online advertisement, etc.) to total revenue of the Company are shown as follows:

	2019	2020	2021	2022	2023
Proportion of online customers	11%	12%	12.87%	12.90%	18.62%
Proportion of online revenue	8.9%	10.1%	11%	11.2%	14.90%

For the past few years, the proportion of online revenue of the Company has been increasing every year, which reflects a certain degree of success from our effort of developing online customers and e-commerce. In the future, we will continue to focus on the development of online business, strengthen the establishment of online channels and improve the experience of online customers, in order to attract more customers to transform from offline practice. Through statistical analysis and market surveys, the online services will be improved continuously to increase transformation rate and customer satisfaction. Explicit annual target will be set to continuously increase the proportion of online revenue, so as to realize business growth. It is expected that the proportion of online revenue for the coming year will exceed 15%, and the proportion of online customers will exceed 20%.

3. Customer Satisfaction Survey

Through such diversified channels as regular meetings, business visits and seminars every year, the Company has been reaching out customers for opinions and suggestions, making adjustments and innovations in line with dynamic market demands to continuously improve and enhance its customer service level. The Company also conducted customer satisfaction survey to understand customer needs and improve service quality.

In 2023, the Company solicited customer's opinions on the container shipping services. There were 1,563 valid questionnaires in relation of the customer satisfaction of container shipping services, covering 26% customers with official codes, and the exposure of survey increased 141% as compared to that of 2022. The final results of the survey are as follows:

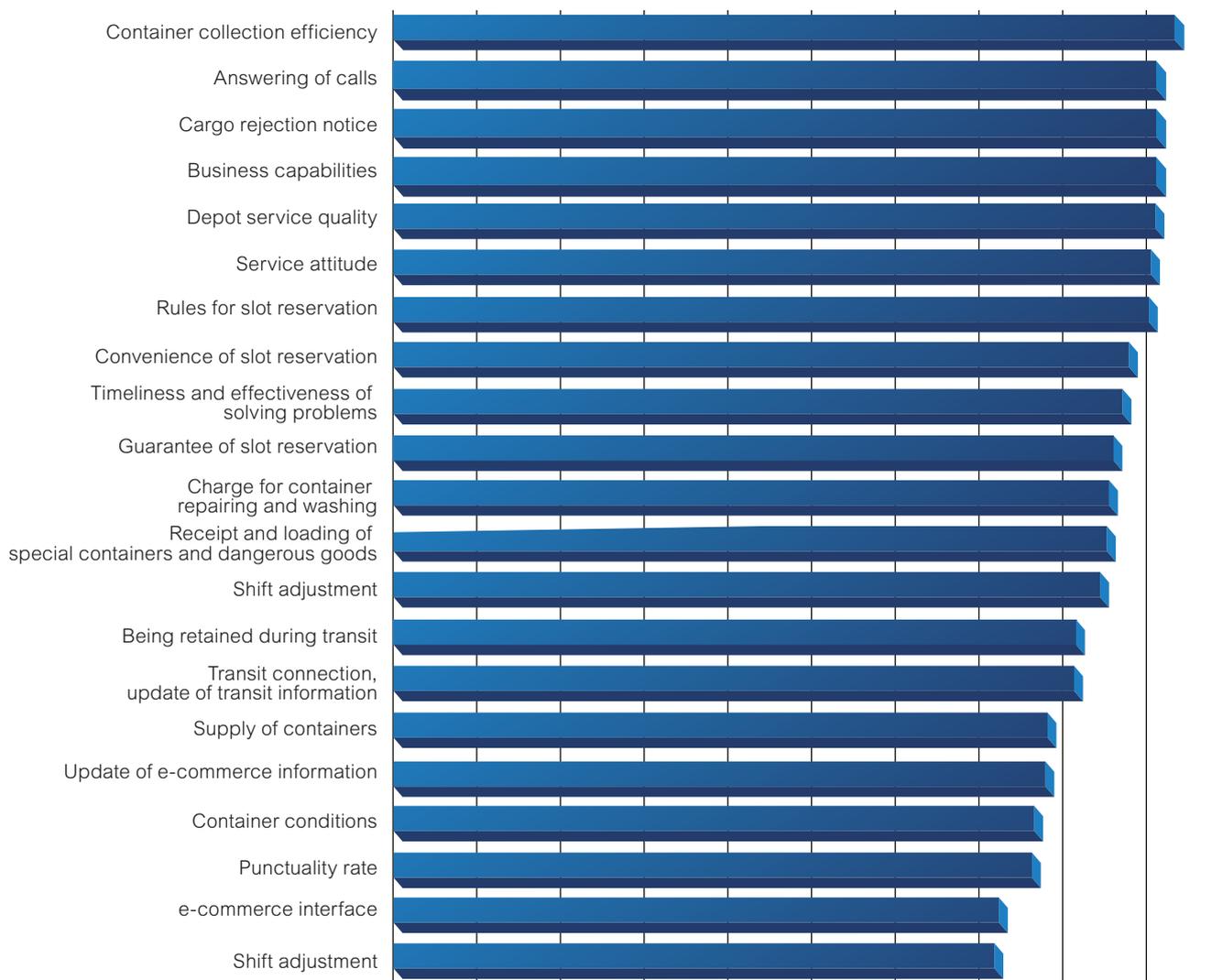
According to the questionnaire survey on customer satisfaction for this year, the number of customers being interviewed who expressed their satisfaction to the Company was 1,340, accounting for 85.76%, which represented an increase of 0.89% over last year. The Company's ultimate target of customer satisfaction for 2023 is 85%, therefore, we have successfully achieved this target. It is planned to reach 90% of customer satisfaction in 2024.

	2021	2022	2023
Number of customers being interviewed	660	638	1,563
Proportion of customers being interviewed	15.6%	14.2%	26%
Number of customers who are satisfied	549	542	1,340
Proportion of customers who are satisfied	83.2%	85%	85.76%

Responsible Operations

According to the results of our survey, the degree of satisfaction, from the highest to the lowest, are ranked as follows:

Rankings of Customer Satisfaction



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

- 1) IT center will optimize e-commerce interface to improve customers' experience. Online slot reservation will be optimized to enable convenient reservation for customers and increase efficiency.
- 2) Operation center will assign an officer in charge of the procedure to resolve problems raised by customers in relation to operating process and cumbersome documentation so as to decrease burden on the customers.
- 3) Digitalization will be advanced to promote the functions such as electronic bill of lading and electronic letter of guarantee, further facilitating paperless operation.
- 4) 10,000 new containers will be built to expand the capacity of containers and alleviate the tight supply of containers.

Responsible Operations

- 5) Punctuality rate has been increased significantly in 2023, which has surpassed the average level of the industry. Increase in punctuality rate will remain our priority in 2024 to stabilize customer supply chain.
- 6) Transit system, transfit statement will be optimized, while transit procedure will be adjusted by the shipping route team to control stranding team during transit and resolve transit connection problems.

4. Business Compliance

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. 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.

In 2022, SITC Container Lines' three shipping lane sections including Korea–Southeast Asia, Korea–Japan and Korea–China were subject to antitrust investigation by the Korea Fair Trade Commission (all major maritime merchants in Korea were investigated), respectively, and were found to have violated the Maritime Shipping Law and the Monopoly Control and Fair Trade Law and were required to pay a fine of US\$1.705 million. SITC Container Lines Company Limited, a company under SITC, was suspected of being involved in manipulation of freight rates of the Southeast Asia route with 22 shipping companies under the shipping union from 2003 to 2018 due to the setting of the lowest freight rate, and was accused of manipulation of freight rate of Korea-Japan shipping route. Several local shipping companies in Korea were required to pay a fine of up to US\$12 million. Since the degree of involvement was relatively low, the Company was requested to pay a fine of 2.06 billion won (equivalent to approximately US\$1.705 million). The Company has submitted an appeal against the said judgement, and the final decision is still pending. In respect of the lawsuit filed by Evergreen Marine, a shipping

enterprise from Taiwan, China for the withdrawal of judgements including administrative decree, the Seventh Administration Authority under the Supreme Court of Seoul ruled in favour of the plaintiff, and the Court withdrew the fine and administrative decree imposed on Evergreen Marine by the Fair Trade Association and ordered the defendant to bear the litigation fee. This judgement represents the first case in which the judgement made by Fair Trade Association against the shipping enterprise was considered illegal, thus, it is highly important. As far as we known, the Court has indicated that the "Evergreen Marine Case" is a representative case in respect of administrative proceedings filed by the Fair Trade Association against shipping enterprises. Significant influence to the coming proceedings against other shipping enterprises is expected. The result of the Evergreen Marine case is also applicable to the Company and exerts positive effect to the judgement of any proceedings of the Company in the future.

Although the penalty imposed on us is considered unfair, we still recognize the suspected breach of anti-monopoly and anti-competition regulations from this history, which caused unfavourable effect to the market competition and the interests of consignors.

In this regard, we express our sincere apology and will bear any influence and result arising therefrom. SITC Container Lines Company Limited had already paid the fine. We undertake that we will take appropriate measures to ensure no occurrence of similar incident under the subsidiaries of SITC. We will strengthen internal control, supervision and whistleblowing mechanism, enhance anti-monopoly and anti-competition awareness of the management and general workers of our subsidiaries, improve compliance training, so as to ensure that the Company will observe all relevant laws and regulations. Meanwhile, we will proactively cooperate with regulatory authorities and customers to improve our business model, promote fair market competition and protect the interest of consumers. This incident will be regarded as a valuable lesson which acts as a warning that we have to continue to improve and enhance our level of business ethics.

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.

The Company cannot report recalls of products it ships for safety and health reasons because the Company does not arrange for recalls.

Responsible Operations

5. Customer Complaints

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 handle complaints and disputes in an efficient and proper manner. In 2023, the consolidated shipping segment handled a total of 12 customer complaints, and a follow-up mechanism was established for all complaints to ensure that each complaint was satisfactorily resolved. The Company has further purchased protection and indemnity insurance or tenant liability insurance for all cargo it carries to ensure proper indemnity for the cargo owners in case of damages to cargoes. Timely and effective settlement of customer claims have minimized the losses of customers and enhanced their satisfaction. In 2023, the Company handled an average of 16 claims monthly and made a compensation of US\$661,000 for damage of cargoes for the whole year.

The Company attaches great importance to the maintenance and protection of intellectual property rights, especially the management and maintenance of trademarks of the Company, so as to provide customers with clear trademark guidelines with the Company's characteristics. The Company has registered "SITC" and "海豐" trademarks in more than 20 countries and regions in accordance with relevant local regulations, and has used trademarks in our container vessels, containers and offices in a regulated manner. In 2023, the Company had no intellectual property disputes.

There is no quality inspection and product return procedure because the Company's business does not involve the production and manufacture of products.

2.5 SUPPLIER MANAGEMENT

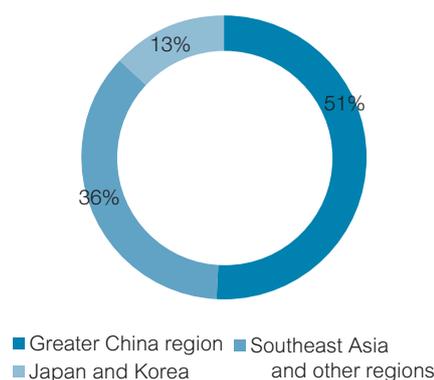
With the gradual expansion of corporate business, the Company's supply chain network has extended to different areas. Adhering to the principle of equality and mutual benefit, the Company has been committed to establishing stable and close partnerships with suppliers through highly transparent and responsible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

1. Supplier Overview

As of 31 December 2023, the Company had nearly 6,000 active suppliers from 45 countries and regions, including China, Korea, Japan, Vietnam, Thailand, and Malaysia.

Percentage of Suppliers by Geographical Area

Geographical Distribution of Suppliers



Key supplier categories based on proportion of supplier purchase amount

Supplier category	Service rendered	Proportion of purchase amount
Terminal	Loading and unloading services, use of terminal facilities, cold box plug-in, etc.	31%
Fuel	Purchase of fuel	17%
Shipyard	Shipbuilding	13%
Container leasing companies	Container leasing	5%
Vessel owners	Container vessel leasing	3.5%

The Group's non-current assets are primarily dominated by its vessels. The directors of the Company consider that the nature of the Group's business and the way in which costs are allocated preclude a meaningful allocation of vessels, their operating profits and related capital expenditure to specific geographical areas as defined under HKFRS 8 Operating Segments issued by the HKICPA. These vessels are primarily utilized across the geographical markets for shipment of cargoes throughout Asia.

Responsible Operations

2. Selection of suppliers

The Company acknowledges that supplier sustainability and risk management are inevitable elements to our sustainable development, and has been dedicated to incorporating sustainable development issues into the selection of suppliers so as to realize responsible and highly effective supply chain management. According to the Company's latest sustainability goals and sustainable supply chain plan, we allow suppliers to participate in the new measures and management model for sustainable development – promotion of supply chain management, code of conduct of suppliers. Through compliance with and application of the business ethics, occupational health, safety, environment, social and corporate governance (ESG) and supplier code of conduct (SCOC), good performance of suppliers will be ensured to maintain a fair and transparent relationship with the suppliers.

1) Supply Chain ESG Plan

Supply Chain ESG Plan aims at promoting SCOC to the procurement staff of the Company. The SCOC is the basis of the Supply Chain ESG Plan, which help facilitate the implementation and development of ESG, and also the basis for the evaluation of supplier ESG performance by the Company.

Apart from that, based on the level of MSCI industry importance, for suppliers who could proof their significant contribution to the reduction of toxic emission and waste discharge, carbon emission and increase the level of health and safety of the Company, they will be listed as outstanding case or our preferred choice of cooperation under supply chain ESG plan.

All suppliers must pass and accept promotion of supply chain management and SCOC as stipulated by SITC, share and comply with the principles of environment, ethics and social responsibility of SITC, and abide by the Company's economic, financial and legal ethics and anti-corruption requirements. These requirements will be verified during the preliminary selection stage of the suppliers' qualification and will be monitored throughout the supplier relationship.

We have adopted the following standardized and structured procedure to evaluate and select suppliers: 1) turnover; 2) supply risk (difficulty in finding alternate suppliers); 3) financial status and reliance on the Company; 4) business performance of suppliers (the delivery quality and punctuality, product quality and safety); 5) ESG evaluation results of the suppliers; 6) specific supplier risks (including specific risks of the countries, industries and commodities).

The preliminary selection of suppliers is conducted by procurement and supply chain risk evaluation department which is in charge of risk evaluation. Case study and analysis, selection and examination will be carried out based on the suppliers' ESG rating questionnaire, financial and other documents provided by the suppliers. For any key or doubtful suppliers, on-the-spot evaluation such as interview, document verification and discussion will be executed. We will proactively provide trainings and suggestions to suppliers to help them understand the plan formulation, risk mitigation measures and the implementation arrangements, in order to ensure that the operation conforms to sustainable development and the expectations of the Company.

We have formulated specific risk mitigation measures tailored for the strategic/key suppliers (i.e. suppliers with high business-related risk or risk arising from negative effect of supply chain ESG) or specific suppliers with high risks (selected based on country, industry and commodity), and will discuss the future cooperation direction on a regular basis.

2) ESG Evaluation and Practice

We prepare supplier questionnaire to be filled in by the procurement staff to reflect if suppliers have met their code of conduct. During the selection of suppliers and when signing the contract, with the lowest weighting on ESG standards, suppliers with better ESG performance will be considered as preferred choice.

Suppliers' ESG Evaluation Items

- 1) Complying with the law and regulations, applicable requirements of the respective countries and regions, business ethics and social responsibilities.
- 2) Complying with, and protection of the basic human rights of all employees, including but not limited to freedom of speech, freedom of assembly, equal right and dignity.
- 3) Prohibiting forced labour, child labour and employment discrimination.

Responsible Operations

- 4) providing safe, healthy working environment and providing necessary trainings and guidance. Categorizing and managing hazardous articles and waste to ensure no threat will be poised to the health and safety of the staff.
- 5) Complying with the environmental protection laws and regulations and taking necessary measures for environmental protection and energy saving.
- 6) Taking measures to protect and promote natural habitats and biodiversity.
- 7) Complying with anti-corruption laws and regulations.
- 8) Complying with anti-monopoly and anti-competition laws and regulation and eradicating unfair competition.
- 9) The supplier is able to help SITC enhance its ESG management level and is able to provide proof in this regard.

Suppliers' ESG performance will be evaluated based on the ratings in the questionnaire. In case there are several suppliers with similar conditions, suppliers with better ESG performance will be considered as preferred choice.

In addition, we will provide trainings for our procurement staff or internal stakeholders in relation to their role in the supplier ESG plan. Detailed guidelines for supplier ESG Plan are provided to procurement staff and the parties who have signed the contract to clearly state their accountability to the accuracy of the content of the questionnaire.

For particular parts under our supply chain, we have set up specific ESG evaluation remarks and major requirements based on the industry need. Examples are as follows:

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 ISO8217:2010 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. For logistics-related suppliers, the Company advocates the use of rail transportation, water transportation, and other mass transportation modes as much as possible. If trucking must be employed to complete port container transportation, trunk road transportation and distribution business: on the basis that the price is not higher than that of the same type of fleet, priority is given to fleets with more new energy trucks; all port operations should be completed using new energy trucks as much as possible; and the new energy vehicles in each supplier's fleet include pure electric, hybrid, LNG and hydrogen-fueled vehicles.

Responsible Operations

3) Suppliers' Key KPI

In 2023, the Company has selected our major suppliers based on various indicators including business, financial expenses, risk management, etc. The selection plan covers all areas of the Group. According to the statistics, the total number of first-ranked suppliers of the Company in 2023 was 5,768, among which, the total number of first-ranked major suppliers categorized based on several indicators such as the amount and type of principal business was 377, representing 6.54% of the number of first-ranked suppliers. In terms of purchase amount, the expenditure of the first-ranked major suppliers represented approximately 74% of the total expenditure of the suppliers. Due to the industry characteristic of shorter upstream supply chain, the Company considers that we have not heavily relied on, or there is no irreplaceable non-first-ranked suppliers. On the basis of supplier selection, we have ensured the completion of different level of supplier evaluations when selecting suppliers before cooperation, which include but not limited to appraisal and questionnaire, on-the-spot evaluations, desk evaluations, etc. according to the evaluation standards which involves a wide variety of factors such as business, risk, ESG management and awareness, etc.

Apart from selection, to ensure operation stability and supply chain safety, we have carried out desk or on-the-spot evaluation on every major business supplier before cooperation. The evaluation will be reviewed every year. In 2023, the evaluation has covered 100% of the 377 major first-ranked suppliers. Based on our evaluation, we have further confirmed our list of major suppliers who are irreplaceable and are highly importance for strategic cooperation, which are mainly our long-term harbor and some ship building companies, bunker suppliers and other suppliers with chartering features, with a total number of 283. No supplier with significant actual or potential negative effect has been identified, but once they are identified in the future, cooperative improvement plan or termination of cooperation will be discussed.

4) Climate change risk management and intelligentization and transformation plan for suppliers

Upon evaluation, we consider that the levels of intelligentization and electrification are relatively low in some of our depots, which is not favourable to the progress of low-carbon supply chain. Thus, we have announced plan of changing from oil to electricity to support the energy transformation and facilities upgrade of our depot suppliers. This plan focuses on the increase in investment to eliminate the industry's exposure of potential climate change risk and the development of low-carbon and intelligent supply chain, under which 125 internal and external depot suppliers are covered. Based on the statistics, currently, at least 3 depot suppliers have implemented the plan of changing from oil to electricity, representing 2.5% of the suppliers which are considered to have higher room for improvement.

3. Commitment to sustainable development

The Company adheres to the sustainable development strategy and is committed to:

In respect of environmental protection:

- Complying with relevant environmental regulations to reduce waste gas and greenhouse gas emissions, and discharged into water and land according to environmental requirements to reduce the generation of hazardous and non-hazardous wastes.
- Protecting natural resources by using green energy and environmentally friendly raw materials as much as possible, and effectively using various resources (including energy, water and other raw materials)

In respect of society:

- Complying with relevant laws and regulations, and reasonably establishing systems regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare.

Responsible Operations

- Providing a safe working environment to employees to protect them from occupational hazards. Providing training opportunities to employees to enhance their knowledge and skills in performing their job responsibilities.
- Prohibiting the employment of child labour and forced labour.
- Adopting environmentally friendly supply chains, and making requirements for suppliers' environmental performance, to provide customers with safe and environmentally friendly products, and protect customers' privacy.
- Resolutely opposing bribery, extortion, fraud and money laundering activities, and developing effective preventive measures.
- Actively participating in social welfare undertakings.

When sourcing suppliers, the Company also advises that all suppliers, especially key suppliers, are required to agree to follow the sustainable development initiatives issued by the Company while providing services. The Company conducts interviews with suppliers every year to understand their sustainable development strategies, emission reduction targets, labour and employment, human rights protection, social welfare, anti-corruption and other aspects.

4. Cooperation with suppliers

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. In order to achieve win-win cooperation, in addition to maintaining strategic cooperative relations with Shanghai Port, Qingdao Port, Dalian Port, Tianjin Port, Guangzhou Port and many other port companies, in 2023, SITC entered into a tripartite strategic cooperation agreement with Hisense Group and Qingdao Port Group in Qingdao. The entering into of the strategic cooperation agreement between SITC, Hisense Group and Qingdao Port has laid a good foundation for the three parties to establish a multi-level and regular contact mechanism to build a supply chain channel with strong competitiveness. 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 ten 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 38 days.

In 2023, 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; the scope of sustainability commitments will further be promoted among suppliers; 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.

Responsible Operations

2.6 CYBERSECURITY

To maintain operation sustainability, the Company has formulated policies, systems, procedures and the corresponding trainings for information security, cybersecurity and system security, which are applicable to the whole company. Cybersecurity policy has been set up by the risk management committee and approved by the Board. The risk management committee is chaired by Mr. TSE Siu Ngan, an independent non-executive director. Mr. TSE Siu Ngan is an IT expert with extensive experience in cybersecurity and risk control.

1. We have formulated IT security system, management process and inspection system, including but not limited to IT infrastructure security, cybersecurity, server security, data security, terminal security, vulnerability management, patch management, password policy, account permission management, etc.. The management procedural mechanism includes physical engine room security management system, office environmental security management system, software project management procedure, form control system like EXCEL, IT hardware and service procurement management procedure, daily maintenance and management of network, security precautions and risk response measures, user-end computer management regulation, network building management procedure, technical security examination rule, back-end data maintenance procedure for SITC system, etc.
2. We have established a team of personnel responsible for IT security incidents, and have formulated countermeasures and recovery process.
3. To enhance employees' awareness of information security, we have published information security cases to employees from time to time to provide cybersecurity-related tutorial procedure and training for awareness to all employees of the Company. We have also formulated computer security measures. Information security/cybersecurity is also part of the employee performance appraisal, in which disciplinary sanctions are included.
4. We have implemented IT and cybersecurity policy and procedure for all employees to ensure their understanding of the threats and the importance of information security/cybersecurity. Updated response procedure is provided and clarified for employees to follow when they encounter any suspicious situation. We have developed responses to climate change risks, established a disaster recovery and prevention system and process, and conducted data recovery test and drill at least once a year.
5. We have set up the data center location requirements: rich network resources, abundant IT talents, one hour away from the airport, and low probability of earthquakes, floods and typhoons in history, etc. In respect of physical security, we have installed electronic access control system as well as infrastructures such as lightning protection, fire protection, flooding protection, prevention of static electricity, temperature control, UPS, etc., so as to safeguard the operating environment of the system. In terms of computer security environment and communication network, remote management has been carried out by security facilities and application systems through HTTP protocol. The system has been divided into different network areas, and will be allocated with reasonable share of network address resources based on the network areas and their uses. Firewall installed in the network border enables effective segregation to ensure data integrity and confidentiality.

Responsible Operations

6. At least once a year, our external professional institutions will inspect IT security and perform safety reinforcement and optimization based on inspection results. The inspection mainly includes: system vulnerability scanning, Web vulnerability scanning, and web penetration testing.
7. We have formulated certain systems such as the “Information Technology Security Inspection Procedures” and the “User Account Management Process”, and conducting regular inspection.
8. We will continue to monitor the development of information security/cybersecurity, and continue to improve and optimize our systems and measures, so as to ensure the information security and cybersecurity of the Company.

In 2023, the global real-time office software system of SITC has passed the grade 2 protection test of the graded protection of information systems security of China. In addition, the Company has entrusted a third-party institute to conduct Web vulnerability scan for the office website of the Company. Through which, the Company understands the hidden security issues of the Web application and has established reliable Web application services to improve and upgrade its application system to combat against different kinds of attacks to Web applications (e.g. SQL injection, Cookie injection, XPath injection, LDAP injection, Cross Site Scripting, Code injection, weak password, sensitive documents and contents, back office management, sensitive data, third-party software, inclusion of documents, phishing attack, information leakage, malicious code, sheet bypassing, etc.). For Trojan Horse attack by way of malware, a fully automatic, high functional and intellectual analysis has been conducted. Accurate analysis of the type of virus that spreads the Trojan Horse on website and precise positioning of the host have been carried out also.

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 SITC ENVIRONMENTAL PROTECTION POLICY AND UNDERTAKINGS

1. Introduction

SITC, being a Asia-leading shipping enterprise and a comprehensive logistic service provider integrating sea and land, acknowledges our responsibilities towards global environment, and the importance of minimizing the impact to the environment and continuous improving environmental performance. Our public environmental policy describes our undertakings and regulatory responsibilities to the execution of our environmental management solution and improvement in our environmental performance, which aims at ensuring business operation under a sustainable and responsible framework.

As a shipping enterprise focusing in Asian regions, we understand our key role in the global trading chain among the shipping industry. Meanwhile, our relevant port and onshore logistic business has further strengthened our existence within the whole supply chain. We acknowledge the unique challenges caused to the environment by the geographic diversity, thus, we are willing to bear the appropriate responsibilities under this diversified environment.

2. Environmental Challenges

- 1) Carbon Emission Management: we will take proactive initiative to reduce the carbon emission from our vessels and the transportation process. Advanced fuel technologies, vessel design and energy efficient measures have been adopted to reach our goal of alleviating climate change. Carbon neutrality and carbon offset projects have been promoted to offset unavoidable emission.
- 2) Energy efficiency: we will pursue energy efficiency in our transportation and logistic business. Fuel consumption has been reduced by optimizing vessel routes, using advanced energy-saving technologies and facilities and maximizing energy utilization rate.
- 3) Marine protection: as a participant in the shipping transportation industry, we will try our best to take all necessary measures to reduce marine pollution, which include but not limited to utilization of environmental-friendly fuels, minimization of plastic use and support of aquatic ecosystem protection projects.
- 4) Waste management: we will take initiatives to reduce waste to the maximum extent and formulate effective waste management plans to realize a recycling economy, encourage waste recycling and reuse, so as to minimize the adverse impact brought by the waste to the environment.
- 5) Biodiversity: we undertake to protect and promote biodiversity in the locality. We will not commence any business operation which may be hazardous to biodiversity in the regions with biodiversity risk, and we will be devoted to protect ecological environment and endangered species. We will comply with the relevant regulations to minimize the impact of our business to the local ecosystem.
- 6) Port and onshore logistic sustainability: in respect of our onshore logistic business, we will promote green and sustainable operation standards, which include various comprehensive environmental management duties such as energy efficiency, waste management and environment monitoring.

Energy Conservation and Environmental Protection

3. Environmental Management Policies

Decision-making authority

The highest decision-making authority of the Company's environmental management policies is our Board. The Board of SITC solemnly undertakes the adoption of effective environmental management system, supervision of EMS formulation, implementation and continuous improvement to ensure consistency with our strategic goal.

Roles and Responsibilities

We have assigned the specific roles and responsibilities in the implementation of environmental management policies:

Executive Management: responsible for overall policy execution and strategic decision-makings in respect of environmental affairs.

Environmental Management Team: responsible for EMS formulation, implementation and maintenance.

Regulation Compliance

SITC is dedicated to comply with all relevant international environmental regulations and promotions, which include but not limited to "International Convention for Prevention of Marine Pollution" (海洋污染防治國際公約), Convention on the Law of the Sea, Convention on Biological Diversity(CBD) and Convention for Marine Biodiversity (海洋生物多樣性議定書), Basel Convention and local regulations, etc. We will constantly monitor any change in the regulations and adjust our procedures to ensure our compliance.

Applicable Scopes of the Environmental Policies

Our environmental management policies are applicable to the following scopes to ensure minimization of the adverse impact of every aspects to the environment:

1) Production operation and commercial facilities: we will adopt a series of measures to minimize adverse impact of production and operation activities to the environment. These activities are mainly focusing on marine transportation, cargo handling in ports, land transportation. The measures adopted by us include energy efficiency, waste reduction, pollution control, etc.

- 2) Products and Services: we are dedicated to providing environmental friendly products and services. We have been gradually replacing our vessels with new models which are using environmental friendly fuels and installing energy-saving and pollution control facilities on the vessels.
- 3) Distribution and logistic: we will optimize our transportation and logistic procedures to reduce carbon emission and other impacts to the environment. Using the best transportation routes and promoting green logistic road vehicles are our goals.
- 4) Waste management: we will formulate and execute waste management plans to reduce waste to the maximum extent and promote reasonable waste handling, recycling and reuse. These include internal waste management and cooperation with supply chain partners.
- 5) Suppliers, service providers and contractors: our suppliers and cooperative partners are required to comply with the same high-level environmental standards. We will cooperate with them to jointly reduce the environmental footprint throughout the whole supply chain.
- 6) Other major business partners: we will proactively cooperate with other major business partners to ensure that their business operations are in compliance with the high environmental standards and to pursue common environmental protection solutions.
- 7) Due diligence: when conducting due diligence and merger and acquisitions, the target company's overall environmental performance will be taken into consideration to make sure that the impact of the merger to the environment will be minimized.

By covering these key scopes, our environmental policies aim at minimizing the impact of our overall operation to the environment and facilitating substantial progress of our business in respect of environment sustainability. Employees, partners and stakeholders are encouraged to actively engage to jointly achieve the goal of sustainable growth.

Energy Conservation and Environmental Protection

Goal setting

We will regularly set our environmental governance goals which are quantifiable for evaluation and disclose the same in our ESG report. These goals will be reviewed and adjusted periodically to ensure that they remain correlative and challenging.

Awareness of Stakeholders

To enhance the awareness of our environmental management policies and impact, we will:

- 1) transparently publish our environmental initiatives with internal stakeholders.
- 2) interact with external stakeholders through periodic communication, reports and engagements.

Training and Awareness-Building

We are dedicated to providing trainings to our employees, suppliers and customers to help them understand the impact of the business activities to the environment. They are encouraged to participate in our environmental protection initiatives to join hands for the promotion of sustainable growth.

These environmental management policies and undertakings represent SITC's commitment to environmental sustainability. We encourage all our employees, suppliers and stakeholders to join force to create a more environmental friendly and sustainable future. We will continue to amplify our leadership in the shipping industry in Asia region to ensure that we can bring positive impact to environmental management through innovative and outstanding execution and responsible decision-making, which in turn making contribution to the sustainable growth in the future.

Supervision and Feedback System

We will evaluate the implementation of our environmental management policies on a regular basis and arrange internal special audit team to analyze environmental performance data and formulate improvement plans to enhance our environmental performance.

Stakeholders engagement and feedback system: we will facilitate communication with stakeholders namely our employees, suppliers, customers and the communities to understand their concerns and feedbacks. Regular meetings and seminars will be held and stakeholders are invited to engage in the formulation and implementation of the environmental management policies. The results of our environmental governance will be reflected in our ESG report on a regular basis to update stakeholders of our performance and improvement plans. We undertake continuous improvement in our environmental performance and regular publication of environmental evaluations and results. We are dedicated to discovering any deficiency in our environmental governance and any chance to enhance our performance. We will invest in technologies, researches and innovations so as to reduce our environmental footprint.

4. Environmental Impact and Compliance Audit

In 2023, the Company has complied content of internal and external audit in respect of environmental compliance and has requested passing of the internal and external environmental compliance audit by all operating premises (depots) and vessels. Our operating premises and vessels have only passed the annual or periodical environmental inspections by local governments or international organizations and have obtained certificates thereof, such as environmental compliance certificates namely International Oil Prevention Certificate, International Sewage Pollution Prevention Certificate, International Air Pollution Prevention Certificate, Asbestos-Free Certificate, etc. On the basis of the environment and biodiversity impact evaluation and analysis, we plan to conduct regular audit of environmental impact which covers all of our operating premises and vessels.

Case of Audit of Environmental Compliance of Vessels is as follows:

On 20 to 21 December 2023, the Qingdao sub-division of China Classification Society conducted annual audit of two Panama-flagged and Hong Kong-flagged DOC under SITC Ship Management (Shandong) Co., Ltd. The audit team had carried out comprehensive audit of the system documentation and the vessel and onshore management status of the company pursuant to the International Safety Management Code (ISM Code), and had given high recognition to the company in respect of vessel management and its compliance with system documentation and international conventions in terms of onshore activities. SITC Ship Management (Shandong) Co., Ltd. passed the annual DOC audit without difficulty.

Energy Conservation and Environmental Protection

Case of Audit of Environmental Compliance of Depots are as follows:

- 1) The West Malaysia Depot of the Company undergoes environmental audit once per two years and a letter of approval of environmental audit will be issued by the environmental department of Selangor;
- 2) The Indonesia Depot of the Company undergoes annual audit by the Ministry of Environment and Forests and a letter of environmental management certification will be issued;
- 3) The Thailand Depot of the Company undergoes annual audit by the local government and a certificate of non-hazardous operation will be issued.

5. Environmental Management System

SITC strives to build and maintain an ideal environmental management system inclusive of all aspect of the group, which covers all operating premises of the Company and extends to the whole value chain. Our environmental management system is based on PDCA concept, i.e. Plan-Do-Check-Act, and will carry out repetitive evaluation on our EMS performance and results for further improvements. Internal and external stakeholders will be provided with regular updates on the standards and implementation results of our environmental management system.

We undertake compliance with all relevant environmental laws and regulations including 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), and are dedicated to minimize impact to the environment. We will regularly update and publish our environmental policies and undertakings, including relevant aspects such as reduction of energy consumption, emission and pollution, energy conservation and sustainable operation, etc., and have set our emission reduction goals according to the Amended IMO GHG Strategy and the United Nations Emission Reduction Programme. We firmly consider that we have abided by ISO14001 or other environmental management standards relating to environmental management system, and have strived to implement the best industry practices.

The environmental management system is supervised by the Company's sustainable development committee and is managed and executed by the ESG Team and other business-related departments. The environmental management duties and supervision authority have been clearly assigned to ensure proper resources allocation to environmental management. Specific environmental management procedures are jointly designed by the ESG Team and the environmental management department and approved by the Board, and will be disseminated to the corresponding departments for reference, which include environmental management standards, environmental management handbook, environmental management procedures, etc., ensuring the standardization and effectiveness of environmental management.

Management standards have been formulated specifically for different business lines namely terminals, depots and vessels pursuant to our principled documents such as General Rules of Safety Management Handbook, Safety and Environmental Protection Approach. Management systems including Occupational Health and Safety Operation Control Procedure, Garbage Management Plan, Oil Pollution Emergency Plan, Controlling Procedure for Hazardous Substances on Vessels, Regulations on the Ban of Use of Asbestos-containing Materials on Vessels and Instructions for Vessel Pollution Prevention, are formulated to explicitly state the management methods for different pollutions, measures for GHG control and incident emergency responses 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. We have ensured that our every vessel has obtained international oil pollution prevention certificate, international sewage pollution prevention certificate, international air pollution prevention certificate, international energy efficiency certificate, statement of compliance with the list of dangerous materials, asbestos-free certificate before being put into operation.

Environmental Investment Return Assessment

In 2023, we had further increased our investment in environmental areas including clean energy, emission reduction facilities, and had adopted environmental investment return assessment to evaluate our expected return on environmental investment.

Energy Conservation and Environmental Protection

The exhaust gases emitted by ships during navigation contain a large amount of sulfur oxides and nitrogen oxides, causing serious environmental pollution. International organizations have formulated many regulations to restrict harmful emissions from ships, and reducing the sulfur content in fuel should be the most directly effective emission reduction measure. Against this backdrop, the International Maritime Organization and other international bodies have imposed increasingly stringent restrictions on the sulfur content of ship fuels globally and in specific regions. Ships in Sulfur Emission Control Areas (SECA) are required to reduce sulfur content by more than 90% from the initial 1.5%. With ships facing increasingly stringent green environmental pressures, this has greatly stimulated the development of sulfur oxide control technologies. In order to reduce pollution from ship emissions, the global standard for sulfur content in ship fuels was officially implemented at 0.5% m/m starting from 1 January 2020.

Since 2018, after several years of operation and market testing, an increasing number of international shipping giants have begun to favor the installation and use of desulfurization towers. In 2018, the Exhaust Gas Cleaning Systems Association (EGCSA) conducted a survey on the use of desulfurization towers, with only 983 ships worldwide having installed this equipment at the time. However, according to data of Clarksons, over 5,000 ships worldwide have now installed desulfurization towers.

Based on this, the Company has conducted investment calculations for retrofitting desulfurization towers on existing vessels, analyzing from both environmental and investment return perspectives. It is estimated that the investment cost can be recovered within 22 months. Below are the calculation results for one of the vessels which has an expected total investment and costs of US\$2.25 million.

Expected useful life of equipment (year)	Type of desulfurization towers	Average price difference between high and low sulfur oil (USD)	Daily fuel consumption of the main and auxiliary engines (ton)	Annual navigation time (day)
		Operating expenditure (USD)/year	Return cycle (year)	
14	OPEN LOOP	178	25	220
	Capitalized Investment			
979,000	1,700,000	25,000	1.78	419%

3.2 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 recycles and reuses 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 2023, there were no penalties occurred for environmental pollution or emission violations during our operation.

Energy Conservation and Environmental Protection

1. Management of Gaseous Pollutants

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, IAPP, IEEC 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. In 2023, the impact of the COVID-19 pandemic was gradually eliminated, and vessel navigation resumed normal, resulting in a decrease in the average fuel consumption and emissions per vessel of 11.08% and 12.82%, respectively, and the fuel consumption per 10,000 sea miles per unit capacity (ton/TEU 10,000 sea miles) has decreased by 17.72%, significantly increasing the level of energy conservation and energy efficiency. Additionally, due to changes in the international situation and significant fluctuations in regional container shipping prices, we have selected a more reasonable specific indicator based on GRI305-4 and industry standards: "g/TEU km," which represents the amount of carbon dioxide emitted per kilometer of transportation per TEU. We believe that this indicator better reflects our contribution to reducing emission intensity, and this change also applies to subsequent indicators such as fuel consumption and pollutant emissions.

Emission Data of Container Vessels in Operation

Type of Emission	2021	2022	2023	Period-on-period change
Nitrogen oxides (ton)	41,743	43,619	39,604	-9.20%
Nitrogen oxides/vessel	444.08	436.19	388.27	-10.98%
Sulfur oxides (ton)	5,233	5,402	4,793	-11.27%
Sulfur oxides/vessel	55.68	54.02	46.99	-13.01%

Emission Data of Self-owned Land Vehicles

Type of Emission	2021	2022	2023	Period-on-period change
Nitrogen oxides (ton)	10.28	10.05	10.64	5.89%
Sulfur oxides (ton)	0.0298	0.0294	0.0310	5.21%
Particles (ton)	0.9665	0.9447	1.0005	5.91%

Remarks:

- Emission of container vessels includes emission data of heavy fuel oils and light fuel oils consumed by container vessels operation;
- Emission of self-owned vehicles includes emission data of gasoline and diesel consumed by operating vehicles and office vehicles;
- The emission factor of heavy fuel oil and light fuel oil emissions consumed by container vessels refers to the emission coefficients in MEPC.1/Cir 684 released by IMO;
- 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;
- NOx and SOx include, but are not equivalent to N2O and SO2;
- The combined approach of emissions is based on the operational control mode.

Greenhouse Gas Emissions

Period	2021	2022	2023	Period-on-period change	
Direct greenhouse gas emissions (Scope 1)	CO2e (ton)	1,708,807	1,782,454	1,602,635	-10.09%
Indirect greenhouse gas emissions (Scope 2)	CO2e (ton)	2,939	3,530	3,910	10.77%
Total greenhouse gases	CO2e (ton)	1,711,746	1,785,983	1,606,544	-10.05%
Total emission density of greenhouse gases	ton/US\$10,000	5.68	4.34	6.61	52.31%
	g/TEU km	89.01	83.86	71.69	-14.51%

Energy Conservation and Environmental Protection

Remarks:

- The greenhouse gas emission data scope is the emission data of self-owned vehicles and container vessels operation of the Company and its subsidiaries;
- The emission factor for the calculation of emissions from gasoline and diesel is extracted from the 2022 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 in MEPC.1/Cir 684 released by IMO, as well as the methane emission factors for marine fuels in the "Calculation and Certification Guidelines for the Lifecycle Greenhouse Gas Emissions of Marine Fuels 2023" (船用燃料全生命週期溫室氣體排放強度計算與認證指南 2023) published by the China Classification Society; and the emission factor for the purchased electricity are based on emission factors published by various sources, including regional electricity grids in China in 2019, emission factors disclosed in the 2022 ESG report of Tokyo Electric Power Company, emission factors disclosed in the 2020 ESG report of Hong Kong Electric Holdings Limited, and emission factors disclosed in the 2022 ESG report of Tenaga Nasional Berhad.
- The global warming potential values reference the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5) (2014), utilizing the GWP values based on the hundred-year time horizon provided in the IPCC assessment reports.
- The gases included in the calculation of greenhouse gas emissions equivalents related to fuel use are CO₂, CH₄, and N₂O.

2. Emission Reduction Goal

According to the latest revisions to the greenhouse gas emissions reduction strategy published by the IMO in 2023, the Company has updated its emission reduction targets. The new targets are more explicit and ambitious:

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:

By 2030, carbon dioxide emissions intensity will be reduced by 65% as compared with 2008; the adoption of technologies, fuels, and/or energy sources that result in zero or near-zero greenhouse gas emissions is targeted to account for at least 5% of the energy used in shipping business by 2030, with a striving target to reach 10%;

Long-term objective:

By 2040, carbon dioxide emissions intensity will reduce by 70% as compared with 2008, and total carbon dioxide emissions will reduce by 50%, and will achieve the zero carbon goal in 2050.

In order to achieve the above goals, the Company intends to continuously monitor the following indicators.

Period	2008	2021	2022	2023	Period-on-period change	As compared with 2008
Fuel oil consumption (ton)	205,910	527,162	556,536	504,769	-9.30%	145.14%
CO ₂ (kg)	641,501,452	1,661,437,262	1,734,061,243	1,572,693,600	-9.31%	145.16%
Total TEU km	3,441,892,860	19,231,933,566	21,296,207,607	22,408,687,680	5.22%	551.06%
KPI1 (g/TEU km)	186.38	86.39	81.43	70.18	-13.81%	-62.34%
NO _x (kg)	16,183,743	41,743,419	43,618,714	39,603,832.15	-9.20%	144.71%
Total TEU km	3,441,892,860	19,231,933,566	21,296,207,607	22,408,687,680	5.22%	551.06%
KPI2 (g/TEU km)	4.702	2.171	2.048	1.767	-13.71%	-62.41%
SO _x (kg)	11,530,984	5,233,460	5,401,878	4,792,914	-11.27%	-58.43%
Total TEU km	3,441,892,860	19,231,933,566	21,296,207,607	22,408,687,680	5.22%	551.06%
KPI3 (g/TEU km)	3.3502	0.2721	0.2537	0.2139	-15.68%	-93.62%

Energy Conservation and Environmental Protection

Period	2008	2018	Year-on-year										
			change	2019	change	2020	change	2021	change	2022	change	2023	change
Fuel oil consumption (ton)	205,910	451,267		466,158		463,644		527,162		556,536		504,769	
CO2 (kg)	641,501,452	1,405,997,000		1,452,530,000		1,461,645,000		1,661,437,262		1,734,061,243		1,572,693,600	
TEU km	3,441,892,860	14,148,085,506		14,381,226,340		15,463,647,559		19,231,933,566		21,296,207,607		22,408,687,680	
KPI1 (g/TEU km)	186.38	99.38	-46.68%	101.00	-45.81%	94.52	-49.29%	86.39	-53.65%	81.43	-56.31%	70.18	-62.34%
NO2 (kg)	16,183,743	35,510,520		36,597,964		36,557,194		41,743,419		43,618,713.55		39,603,832.15	
TEU km	3,441,892,860	14,148,085,506		14,381,226,340		15,463,647,559		19,231,933,566		21,296,207,607		22,408,687,680	
KPI2 (g/TEU km)	4.702	2.510	-46.62%	2.545	-45.88%	2.364	-49.72%	2.171	-53.84%	2.048	-56.44%	1.77	-62.41%
SO2 (kg)	11,530,984	24,298,230		22,134,000		4,529,600		5,233,460		5,401,878		4,792,914	
TEU km	3,441,892,860	14,148,085,506		14,381,226,340		15,463,647,559		19,231,933,566		21,296,207,607		22,408,687,680	
KPI3 (g/TEU km)	3.3502	1.7174	-48.74%	1.5391	-54.06%	0.2929	-91.26%	0.2721	-91.88%	0.2537	-92.43%	0.2139	-93.62%

According to the Company's internal statistics, in 2023, in terms of energy consumption, the Company has achieved significant progress. Compared to 2022, the TEU km of the Company had increased 5.22%, while at the same time, the total oil consumption decreased by 9.30% and the total energy efficiency increased by 13.81%, demonstrating the Company's effort in enhancing energy efficiency and implementing energy saving measure, and the results therefrom, for the last year.

In addition, in terms of emission, in 2023, the total carbon emission and the emission intensity of the Company reduced by 9.31% and 13.81%, respectively as compared to 2022. By 2018, the Company had already achieved the medium-term objective set by IMO of reducing carbon emission intensity by 40% by 2030 as compared with 2008 ahead of schedule. Therefore, the Company has established a new medium-term objective to reduce carbon dioxide emissions intensity by 65% compared to 2008 levels by 2030. If the IMO issues a new calculation standard, the Company will make adjustment accordingly.

In order to achieve the short-, medium- and long-term objectives set, the Company has taken the following measures:

1) Reducing fuel oil consumption:

- Monitor fuel oil use through the Ship Energy Efficiency Management Plan, and improve shipping energy efficiency. The Ship Energy Efficiency Management Plan (SEEMP) is a practical operation measure that requires ships to adopt best practices to improve fuel efficiency, which is currently applied to all vessels of the Company. Through the practical application of SEEMP, we can obtain the carbon intensity index (CII) of vessels in real-time, and the CII, as the energy efficiency performance parameter of vessels in actual operation, can provide the most direct and important basis for us to make new voyage plans. In the actual operation of vessels, we take energy conservation and environmental protection as our principle and continuously improve the measures required in SEEMP, so that vessels are always in the best energy efficiency in the actual operation;

The shaft generators company has implemented various energy-saving measures and has currently installed shaft generators on three of its self-owned ships. The ship's shaft generator system is driven by the main engine to generate electricity on the ship. By utilizing the surplus power of the main engine, the system aims to achieve energy savings. The shaft generator device serves as an effective means to reduce operating costs and improve engine room management and operational conditions, offering unique advantages. It is estimated that one shaft generator can save 0.8 tons of fuel per day, resulting in an annual fuel saving of 144 tons.

- Upgrade on-board fuel oil equipment, phase out old vessels and ensure sufficient and rational use of fuel oil. In 2023, 4 old container vessels were sold, and 12 new vessels were delivered;

Energy Conservation and Environmental Protection

- Use fuel additives to improve combustion conditions, enhance combustion efficiency, and reduce fuel consumption and carbon dioxide emissions;
- 2) 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, and provide guidance to remind the risks and preventive measures of using new types of fuel oil;
 - Strictly comply with the stipulation that the sulfur content of 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 of some countries (Korea) that the sulfur content of marine fuels of vessels docked in relevant waters shall not exceed 0.1% m/m;
- 3) Transforming and optimizing existing vessels:**
- The Company has installed and applied ship energy efficiency monitoring software on existing vessels to improve the energy efficiency of vessels in operation and reduce fuel consumption and carbon dioxide emissions through monitoring and analysis of vessel fouling and optimization of ship trim and draft. According to the characteristics of vessels, the Company plans to carry out the pilot installation of shaft generators in 1800TEU and 2400TEU, and gradually promote this action according to the effect, which can improve the energy efficiency of the entire vessel and reduce fuel consumption and carbon dioxide emissions.
 - Engine power limitation (EPL): The main engine power was limited in advance for 29 vessels as of 2023, which limited the maximum operating power of vessels and reduced fuel consumption without affecting the normal navigation speed and meet the requirements of EEXI which came into effect on 1 January 2023;
- Addition of energy conservation equipment: Some of the Company's existing vessels have been installed with ship energy efficiency monitoring and management software to improve the energy efficiency of vessels in operation and reduce fuel consumption and carbon dioxide emissions through monitoring and analysis of vessel fouling and optimization of ship trim and draft.
- 4) Customizing new energy-saving and environmentally friendly vessels to replace old vessels:**
- Newly built vessels 1800TEU and 2600TEU adopted seawater frequency conversion system, hull optimization, bow optimization, propeller optimization, high-efficiency twisted rudders, and the 2600TEU vessel was also additionally equipped with energy-saving conduits to further reduce fuel consumption. The newly built 1,000TEU container vessels are all environmentally friendly, which have the characteristics of maximizing the vessels' container capacity, reducing the daily fuel consumption of a single vessel by more than 12%, and at the same time reaching more than 40% of the energy consumption baseline of phase0 stage of the Energy Efficiency Design Index (EEDI).
 - The Company's existing newly built vessels/vessels to be delivered have already met IMO's emission reduction goal for 2023.
- 5) Route optimization:**
- Taking full account of the marine hydrometeorological conditions during the voyage of vessels, according to the performance characteristics of vessels and the requirements of charterers, conditional upon the safe voyage of vessels, the Company carried out immediate optimization of the planned speed of vessels for the whole voyage to achieve the minimum fuel consumption, thereby reducing operating costs and improving transportation efficiency, which was more practical and in line with the actual situation of vessels in operation.

Energy Conservation and Environmental Protection

3. Other Indirect (Scope 3) Greenhouse Gas Emissions

The year of 2023 marks the Company's inaugural calculation of Scope 3 greenhouse gas emissions. Adhering to principles of significance, materiality, and comprehensiveness, we have comprehensively assessed emissions across our value chain that are relevant to our operations. This assessment covers 8 major categories, with specific categories and emission totals as follows:

Category	Unit	2023	Percentage
Category 1:Purchased goods and services	ton CO2e	132,313.74	14.39%
Category 2:Capital goods	ton CO2e	305,719.56	33.25%
Category 3:Fuel and energy-related activities	ton CO2e	323,098.16	35.14%
Category 5:Waste from operations	ton CO2e	848.98	0.09%
Category 6:Employee commuting	ton CO2e	548.96	0.06%
Category 7:Business travel	ton CO2e	406.45	0.04%
Category 8:Upstream leased assets	ton CO2e	134,331.41	14.61%
Category 13:Downstream leased assets	ton CO2e	22,149.85	2.41%
Total Scope 3 GHG emissions	ton CO2e	919,417.12	
Intensity of scope 3 emissions	g/TEU km	41.03	
	ton/US\$10,000	3.79	

Remarks: 1. The global warming potential values reference the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5) (2014), utilizing the GWP values based on the hundred-year time horizon provided in the IPCC assessment reports;

2. The gases included in the calculation of greenhouse gas emissions equivalents are CO₂, CH₄, and N₂O;

3. The emission factors for fuel and electricity were referenced from the 2022 Reporting Guidance on Environmental KPI released by the Hong Kong Stock Exchange, the emission coefficients in MEPC.1/Cir 684 released by IMO, the methane emission factors for marine fuels in the "Calculation and Certification Guidelines for the Lifecycle Greenhouse Gas Emissions of Marine Fuels 2023" (船用燃料全

生命週期溫室氣體排放強度計算與認證指南2023) published by the China Classification Society, and emission factors published by various regional electricity grids in China in 2019; for supply chain products, we referred to the greenhouse gas emission factors from the Chinese Product Life Cycle Assessment Database;

4. For business travel, a distance-based calculation method was employed, while the average data method was used for Scope 3 emissions in other categories;

5. Due to challenges in fully capturing certain data, estimation methods were utilized. Partial emission data sampled was extrapolated to estimate the complete emissions for that category based on business volume proportions.

For categories contributing over 1% to the emissions mentioned above, we provide the following explanations:

Firstly, the largest source of Scope 3 emissions for the Company in the current year is Category 3: Fuel and energy-related activities, accounting for 35.14%. The majority of these emissions (over 99%) originate from the extraction, production, and transportation processes of fuel, with minimal emissions from transmission and distribution processes. This is highly correlated with the Company's fuel consumption for the year. We are considering options for future years to select alternative energy sources or suppliers with lower lifecycle emissions.

Secondly, the second-largest source of Scope 3 emissions for the Company this year is Category 2: Capital goods, representing 33.25%. The Company acquired 12 vessels this year, and emissions from the cradle-to-gate of these capital goods are included in this year's emissions. In 2024, we anticipate the delivery of 9 new vessels, followed by 1 in 2025, with no new vessel deliveries in subsequent years. Therefore, emissions in this category are expected to significantly decrease in the coming years.

Thirdly, Category 8: Upstream leased assets emissions account for 14.61%, and Category 13: Downstream leased assets emissions account for 2.41%. Upstream leased assets emissions represent emissions from leased vessels and containers attributable to the

Energy Conservation and Environmental Protection

current year's lifecycle emissions. We amortize the emissions of leased vessels and containers based on usage periods of years and 10 years, respectively. In the case of upstream leased assets emissions, 99% originate from the average leasing of 194,051 units of different types of containers this year. Downstream leased assets represent emissions from vessels leased out by us. These emissions stem from various carbon emissions attributable to the operation of the vessel by our customers during the lease period.

Lastly, Category 1: Purchased goods and services account for 14.39% of the Company's Scope 3 emissions. Emissions from purchased goods primarily come from the lifecycle emissions of lubricants used in the operation and maintenance of our vessels. Emissions from purchased services stem from services such as offshore support line services, road fleet transport services, depot operations services, terminal operations services, and berth services purchased by the Company.

Biogenic Emissions

Among the total emissions of other Scope 3 greenhouse gases occurring in our value chain, emissions of biogenic CO₂ resulting from biomass combustion or biodegradation amount to 398.89 tons. These emissions stem from the combustion, landfilling and anaerobic digestion of food waste. The Company believes that biogenic emissions excluding other types of greenhouse gases in Scope 3, as well as biogenic CO₂ emissions not associated with combustion or biodegradation throughout the biomass lifecycle, are negligible, amounting to less than 0.01% of the Company's Scope 3 greenhouse gas emissions. The specific explanations are as follows:

Firstly, the Company does not engage in biomass processing activities; furthermore, although the Company is involved in the

cold chain transportation of biomass, there are no biogenic CO₂ emissions during the transportation of frozen fresh produce. The transportation process for frozen fresh produce primarily utilizes mechanical transport and refrigeration equipment for preservation, which does not involve biological processes. During transportation, frozen fresh produce is stored in low-temperature environments, and maintained by refrigeration equipment to prevent food spoilage and bacterial growth. Therefore, the primary emissions during the transportation of frozen fresh produce are from vehicle exhaust and refrigerants from refrigeration equipment, rather than biogenic CO₂ emissions.

4. WASTEWATER AND WASTE 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. 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.

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.

Domestic Sewage of Crew

- The domestic sewage is uniformly collected in the collection tanks and treated with chemical reagents, or sterilized with UV-rays
- All domestic sewage can be discharged only after being treated in the treatment facilities approved by classification society, and the treated sewage meets the international discharge standard

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

Emission reduction target: By 2030, the intensity of wastes of the Company will reduce by 20% from that in 2020.

Energy Conservation and Environmental Protection

Total Hazardous and Non-hazardous Wastes Generated

	2020	2021	2022	2023	Year-on-year change	As compared with 2020
Onshore Wastes Generated (ton)						
Office paper consumption (ton)	64.00	78.00	69.85	72.19	3.35%	12.80%
Offshore Wastes Generated (ton)						
Domestic waste (ton)	346.00	345.00	393.34	491.61	24.98%	42.08%
Kitchen waste (ton)	313.00	418.00	311.59	349.56	12.19%	11.68%
Operational waste (ton)	489.23	559.25	613.21	776.17	26.58%	58.65%
Waste oil, oil residue, oily wastewater and others (ton)						
	8,447.00	8,139.00	8,102.04	9,503.64	17.30%	12.51%
Oil content of oily water (ton)	5,279.73	5,033.12	4,996.16	6,636.09	32.82%	25.69%
Hazardous waste such as expired medicines and waste batteries (ton)						
	1.21	1.16	1.07	0.97	-9.11%	-20.00%
Total Hazardous and Non-hazardous Wastes (ton)						
Total hazardous wastes (ton)	5,280.94	5,034.28	4,997.23	6,637.06	32.81%	25.68%
Intensity of hazardous wastes (ton/US\$10,000)						
	0.0410	0.0224	0.0146	0.0297	102.54%	-27.61%
Intensity of hazardous wastes (g/TEU km)						
	0.4464	0.3515	0.2827	0.3214	13.68%	-28.00%
Total non-hazardous wastes (ton)	1,212.23	1,400.25	1,387.99	1,689.53	21.73%	39.37%
Intensity of non-hazardous wastes (ton/US\$10,000)						
	0.0094	0.0062	0.0041	0.0075	85.62%	-19.73%
Intensity of non-hazardous wastes (g/TEU km)						
	0.1025	0.0978	0.0785	0.0818	4.19%	-20.16%

Remarks

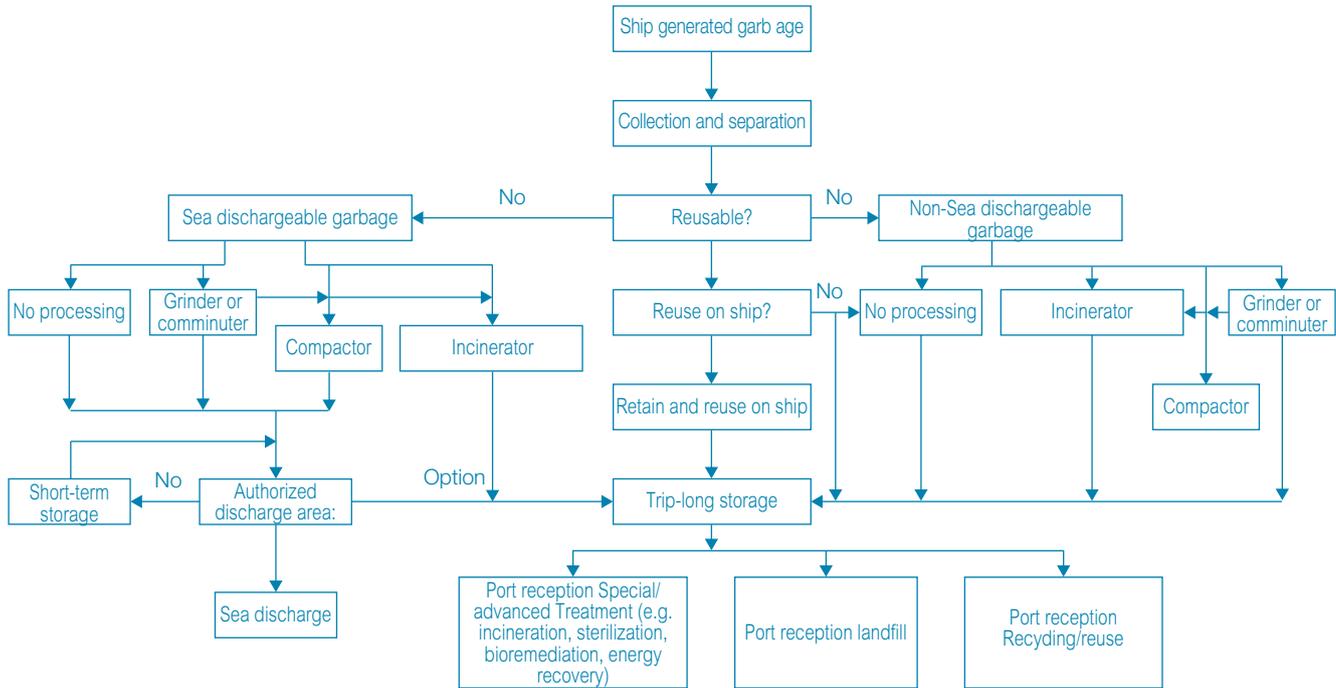
- The calculation of waste intensity was based on the proportion of own vessels.
- In past years, operational waste and wastewater were erroneously classified as waste oil, sludge, and oily water under hazardous waste. This year, based on actual handling methods, since wastewater is treated through shipboard oil-water separation to meet marine discharge standards, we have removed wastewater from the waste indicator according to industry standards. Operational waste has been reclassified as non-hazardous waste, resulting in a reduction of total hazardous waste and waste intensity from past years and an increase in total non-hazardous waste and waste intensity;

Supplementary Explanation: Due to changes in the international situation and significant fluctuations in regional container shipping prices, we have selected a more reasonable specific indicator based on GRI305-4 and industry standards: "g/TEU km," which represents the amount of waste generated per kilometer of transportation per TEU. We believe this indicator better reflects our contributions to reducing waste generation in practical work.

Achievement Status: In respect of the g/TEU km indicator, although there has been a slight increase compared to last year, both hazardous and non-hazardous waste have still achieved the target of reducing waste intensity by 20% compared to 2020 levels by 2030. We are committed to consolidating and maintaining the current achievements in the coming years, while further reducing the intensity of waste generation.

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 2023, the Company had no oil leakage and oil spill accident.

Options for shipboard handling and discharging of garbage



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; classified recycling bins have been set up in subsidiaries with a canteen to separate kitchen waste from other domestic waste. The Company vigorously advocated the waste classification system, for which each branch has established a waste disposal system according to the local environmental requirements, appointed responsible person, and was equipped with waste classification containers. Any perishable or harmful waste generated will be transported to the treatment facilities for uniform disposal. During transporting garbage, airtight waste transportation has been adopted.

Energy Conservation and Environmental Protection

3.3 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.

In addition, the Company does not have any consumption of packaging materials for finished good as its business does not involve manufacturing and sales of general goods. Thus, the total consumption and the proportion of packaging materials used for finished goods are not included.

1. 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, and the offshore energy consumption is mainly represented by heavy fuel oil and light fuel oil.

Energy Consumption in 2023

Period		2021	2022	2023	Period-on-period change
Direct Energy Consumption					
Gasoline	Liter	272,750	258,067	278,731	8.01%
Intensity of gasoline consumption					
	Liter/US\$10,000	0.91	0.63	1.15	82.88%
Diesel (Onshore)	Liter	1,601,040	1,592,922	1,669,255	4.79%
Intensity of diesel consumption					
	Liter/US\$10,000	5.31	3.87	6.87	77.43%
Fuel oil (Heavy)	Ton	520,802	529,289	481,987	-8.94%
	(Light) Ton	6,360	27,247	22,782	-16.39%
Intensity of fuel oil consumption					
	Ton/US\$10,000	1.75	1.35	2.08	53.57%
Indirect Energy Consumption					
Purchased electricity	kWh	4,658,236	5,661,559	6,237,566	10.17%
Intensity of indirect energy consumption					
	kWh/US\$10,000	15.46	13.77	25.68	86.55%

Notes:

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.

2. Formulation of KPI indicators

Since 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: to decrease by 15% in 2030 when compared with 2020.

	2020	2021	2022	2023	Period-on-period change	As compared with 2020
Fuel consumption per 10,000 sea miles per unit capacity (ton/10,000 sea miles/TEU)	0.508742	0.519729	0.536788	0.441677	-17.72%	-13.18%

We have discovered errors in the calculation method for the indicator of fuel consumption per 10,000 sea miles per unit capacity in previous years and have adjusted the disclosed figures accordingly.

In 2023, the fuel consumption per 10,000 sea miles per unit capacity of the Company decreased by 13.18% compared to 2020, surpassing the energy consumption target for the year. We anticipate achieving the energy-saving target for 2030 ahead of schedule by 2025.

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.
- Promote the application of ship energy efficiency management software in existing vessels, and install shaft generators on a pilot basis in some vessels to reduce fuel consumption and greenhouse gas emissions.
- Reduce the speed of the main engine, and adopt cost-effective speed to save fuel oil so as to reduce emissions.
- Modify the electronic lubricator for main engine cylinder oil to reduce the cylinder oil consumption by approximately 35%.

Energy Conservation and Environmental Protection

- Adopt the shaft generator. The ship's shaft generator system is driven by the main engine to generate electricity on the ship. By utilizing the surplus power of the main engine, the system aims to achieve energy savings. The shaft generator device serves as an effective means to reduce operating costs and improve engine room management and operational conditions, offering unique advantages. It is estimated that one shaft generator can save 0.8 tons of fuel per day, resulting in an annual fuel saving of approximately 144 tons.

Exploration of New Energy

- SITC and a specialized institution established by the Chinese Academy of Sciences, the CAS Venture Capital Management Co., Ltd., have signed a strategic cooperation agreement. Both parties have unanimously agreed to explore and research the promotion and application of green methanol in shipping logistics. They aim to lead the formulation of technical standards for green methanol in the industry, further promoting the significant technological industrialization of green methanol, establishing an ecosystem for the green methanol industry, and fostering the development of a liquid sunshine economy. These efforts contribute to the global strategy of peaking carbon emissions and achieving carbon neutrality in various countries and regions worldwide.

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.

The company has already achieved the target of reducing the fuel consumption per container handled by 15% compared to 2020, well ahead of the 2030 deadline. In 2023, the fuel consumption per container handled decreased by 24.65% compared to 2020. Considering the progress of our current transition from fuel to electricity in the depot, we have adjusted our emission reduction goals and set more ambitious energy-saving plans to strive towards higher targets:

Fuel consumption per container handled: to decrease by 30% in 2030 when compared with 2020.

Period	2020	2021	2022	2023	Period-	As
					on-period	compared
					change	with 2020
Fuel consumption/business volume (Liter/TEU)	0.74	0.58	0.61	0.56	-7.67%	-24.65%

To further reduce the diesel consumption and emissions of depots, we have adopted the following measures:

- Transfer from fuel to electricity for existing equipment: The existing diesel-powered reach stackers have been transformed and replaced with those powered by electricity. One equipment is expected to save about 90,000 liters of fuel per year. By 2030, 12.5% of existing reach stackers are expected to be converted from fuel to electricity, and the conversion of all reach stackers will be completed in 2040.
- New purchase of equipment: To promote the application of stacking machines using electric energy, hydrogen energy or other clean energy. Starting from 2023, the Company will no longer approve the purchase of new fuel-powered equipment. All new equipment acquisitions will either involve the transition from fuel to electric or the purchase of electric-powered equipment. In 2023, Xiamen Depot, Qingdao Shengshi Depot and Xima Jiefeng Depot have purchased 3 electric stacking machines. By 2030, it is projected that electric stacking machines will comprise 20% of the total fleet, with the complete transition from fuel to electric stacking machines expected to be achieved by 2040. The inauguration ceremony for Malaysia's first electric stacking machines was successfully held at the SITC Xima Depot, marking a significant step forward in the green and intelligent development of the Malaysian depot industry. Upon deployment, these electric stacking machines

Energy Conservation and Environmental Protection

will significantly reduce carbon emissions, enhance operational efficiency and service levels, reduce labor costs, and effectively protect the health and safety of employees, thereby facilitating win-win outcomes for the government, customers, employees, and other stakeholders!

- Continued to push forward the intelligent automated logistics base project: In 2022, the Company invested US\$32 million in China Pilot Free Trade Zone (Qingdao) in 2022 to build SITC Shipping Intelligent Warehousing and Logistics Base. The machinery and equipment in the base will be all powered by electricity, the roof will be covered with solar panels and equipped with energy recovery and smart energy dispatching devices which can recover the energy generated by the operation of the equipment while generating electricity. Fully automatic unmanned container loading and unloading equipment will be adopted to carry out container transfer through remote control technology and intelligent system solutions. The project design has been demonstrated and approved by terminal automation experts, and the operating efficiency will be much higher than that of traditional loading and unloading equipment. In 2022, land purchase and various pre-approval procedures have been completed, the construction has commenced in October 2023 and is expected to be completed in 2024.
- Building a Green Supply Chain: SITC Intelligent has independently developed intelligent transport vehicles that reduce reliance on traditional fuels, thereby decreasing environmental pollution and carbon emissions. The powertrains of these intelligent transport vehicles utilize pure electric and hydrogen-powered clean energy technologies, offering advantages such as zero emissions, low noise and high efficiency. They drive the transportation industry towards green and low-carbon development, contributing to environmental protection and sustainable development. This initiative helps the port industry achieve new breakthroughs in green and low-carbon initiatives. Currently, the intelligent transportation facilities have been provided to suppliers such as Qingdao Port.
- Expanding the Use of Information Systems: The Indonesian Depot are gradually implementing the SITC Integrated Depot Information System, marking the first deployment of this system in overseas depots. In comparison to the existing business systems, while achieving the goal of system autonomy and controllability, the following improvements have been made:
 - 1) Establishment of a 3D site map that combines both 2D and 3D visualization, providing flexibility in operations while offering a realistic and intuitive visual experience. The installation of onboard systems enables intelligent graphical operations and facilitates fully graphical and smart recommendations of container positions. This enables dynamic management of container operations within the depot, enhancing forklift control management efficiency;
 - 2) Development of a local prepaid payment function in Indonesia to address customer demands for advance payment of orders. Customers can place orders in advance and make payments, receiving corresponding loading/unloading container QR codes. Upon the actual entry of trailers, scanning the QR codes with a scanner allows for quick entry and exit of pre-paid items;
 - 3) Introduction of a new mobile container inspection app, enabling users to upload container inspection information by scanning and uploading photos, and to estimate repair costs, generating corresponding estimate forms. When containers exit the depot, a one-click printing feature via the app controls the printer to print receipts, enhancing efficiency in container inspection during entry and exit;

Energy Conservation and Environmental Protection

3. Green Financial Project

The Company has cooperated with HSBC and ANZ Bank in green financing projects to obtain vessel loans linked to environmental indicators. In 2023, the Company successfully completed the various emission reduction targets set by the Company, and obtained preferential interest rates provided by the banks, reducing the Company's interest expenses.

4. 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 48,559 cubic meters of fresh water by sea water desalination in 2023, representing an increase of 7,285 tons as compared with 2022. 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. In 2023, the Company did not have any issue in sourcing water that is fit for purpose.

Water saving target: By 2030, water consumption intensity will reduce by 20% from that in 2020.

Fresh Water Resource Consumption in 2023

Period		2020	2021	2022	2023	Period-	As
						on-period	compared
						change	with 2020
Onshore water consumption	m3	38,605	38,989	53,671	71,884	33.93%	86.20%
Offshore water consumption	m3	94,977	107,103	124,288	153,822	23.76%	61.96%
Total water consumption	m3	133,582	146,092	177,959	225,706	26.83%	68.96%
Water consumption intensity	m3/million TEU km	11.29	10.20	10.07	10.93	8.56%	-3.20%
	m3/US\$10,000	1.04	0.65	0.52	1.01	93.41%	-2.68%

Note:

1. Water consumption includes water used in onshore office premises and depot within statistical range and fresh water consumed on offshore self-owned vessels.
2. The intensity of water consumption is calculated with the proportion of own vessels taken into account, thus the intensities of water consumption for this year and the previous years have been adjusted accordingly

Supplementary Explanation: Due to changes in the international situation and significant fluctuations in regional container transportation prices, we believe the original indicator "c m3/US\$10,000" no longer accurately reflects our efforts and achievements in reducing the intensity of waste. Therefore, based on GRI305-4 and industry standards, we have chosen a more reasonable specific indicator: "m3/million TEU km". We believe this indicator better reflects our contribution to conserving global freshwater resources in practical work.

In 2023, the freshwater consumption intensity increased compared to 2022, primarily due to the expansion of our maritime and onshore depots business volume. We plan to implement water-saving initiatives in future years to reverse this trend. Specific measures are as follows:

- 1) adopting vacuum toilets in the newly built vessels of the fleets to replace the traditional flush toilets to save fresh water;
- 2) strengthening trainings for the crew members to raise their awareness of saving fresh water;
- 3) intensifying management of fresh water supply facilities to eliminate water leakage;
- 4) increasing overhauls of mechanical and electrical equipment and boilers to reduce steam leakage and prevent loss of fresh water;
- 5) increasing overhauls of fresh water generator to enhance the efficiency of desalination.

Energy Conservation and Environmental Protection

5. Green Office Promotion

The Company has been advocating green office and green life, improving management and regulating its standards to prolong the use of life of office appliances. Paperless office has been promoted to reduce paper consumption and waste generation, creating the awareness of paperless, energy saving and consumption reduction. Employees have been encouraged to save water, electricity and paper, and engage in low-carbon and eco-friendly behaviors, to prevent hazardous pollution to the environment. The Company has strengthened the management of office supplies, and regulated the use standards, to extend the service life of office supplies. For example, phasing out faxes and reducing unnecessary photocopying; modifying and transmitting office documents by email; completing the circulation of various work through the self-developed OA system and canceling paper approval; actively facilitating business process reengineering, and promoting electronic invoices, paperless suitcases, etc., to reduce paper usage. The Company has promoted video conferencing and teleconferencing systems to reduce unnecessary travel. Employees were required to turn off office appliances in time upon getting off work, such as computers, printers, fax machines, etc., to reduce electricity consumption. The Company has promoted the use of energy-saving lamps in office areas, and the lamps in the corridors, passages and other places with low lighting requirements in the office area can be replaced with those with automatic control switches, so as to avoid them being on for a long time and save electricity. The Company has regulated the water use standards, and promoted the use of water-saving appliances in the Company. Employees were required to turn off the tap in time after using the water source, to prevent long-running water and avoid wasting water. Saving irrigation water is also required for the landscapes and green spaces within office area.

The Company attaches great importance to the management of hardware and consumables for electronic equipment, and submission of a detailed application is required before disposal of any electronic equipment. After approval, according to the asset disposal regulations, it shall not be disposed of as garbage, and priority shall be given to selling at a low price or giving away to employees. Before disposal, the information department of the Company shall clean up data according to regulations to prevent data leakage.

3.4 ENVIRONMENTAL AND BIODIVERSITY PROTECTION

The Company is committed to protecting and promoting biodiversity and has taken multiple measures to achieve this goal. Oversight of our biodiversity-related affairs and progress is supervised at the Board level and managed by senior executives.

We have made public commitments and actively participate in supporting initiatives related to biodiversity, including commitments to biodiversity conservation, no-deforestation pledges, net positive commitments, zero net loss commitments, adoption of mitigation hierarchy, commitments regarding avoiding exploration or development in legally protected areas, commitments to respect legally protected areas, and commitments to avoid negative impacts on threatened and protected species. We also support initiatives such as the Convention on Biological Diversity (CBD) and the Sustainable Development Goals (SDG) created by the United Nations. Under the guidance of the Post-2020 Global Biodiversity Framework, we aim to stabilize the impact of our entire value chain on biodiversity by 2030 and restore natural ecosystems within 20 years, achieving a net improvement by 2050. To achieve this, we will strengthen education and training for employees and suppliers. This includes enhancing environmental awareness education and training for employees and suppliers and improving their understanding and capabilities in biodiversity conservation, and arranging regular meetings with stakeholders to collect their opinions. We will set goals related to biodiversity for priority areas to reduce dependencies and associated risks on biodiversity, particularly through measures such as land and water resource protection and management, ballast water management in ship operations, reduction of ship waste and pollutant emissions, marine ecosystem conservation, and environmental management of container depots. We will prioritize the use of mitigation hierarchy methods to avoid impacts on biodiversity, followed by limiting or reducing impacts on biodiversity. This approach will drive the implementation of our biodiversity commitments and promote biodiversity protection throughout our value chain, including suppliers and customers.

Energy Conservation and Environmental Protection

We analyze, evaluate, and monitor our biodiversity risks and impacts in accordance with the following sequence: categorization of operational activities- principles and mechanisms of operational activities impact on biodiversity- exposure and contact range- species diversity and abundance- level of risk- pressure and response indicators. Furthermore, we implement biodiversity management plans to protect and restore habitats.

We are currently conducting assessments of biodiversity risks associated with our own business, covering fixed routes and onshore depots and their adjacent areas worldwide. We anticipate including both upstream and downstream activities of the Company in our assessment scope in the future, evaluating the impacts and dependencies of our value chain on biodiversity. Initially, we are using a Geographic Information System (GIS) analysis, which combines biodiversity and natural protected area geodatabase information with the Company's operational site information, to preliminarily identify biodiversity-sensitive areas and risk points. We are currently planning to further analyze the extent of the Company's biodiversity impacts using methods such as the Biodiversity Impact Matrix (BIM), Integrated Biodiversity Assessment Tool (IBAT), Species Threat Reduction and Restoration Matrix (STAR), and the Task Force on Nature-related Financial Disclosures (TNFD). Additionally, we aim to establish a biodiversity monitoring and reporting mechanism to track and assess the impacts of our business activities on biodiversity. This involves using indicators of status and benefits, pressure, and response to evaluate the biodiversity performance of our operational activities. Ultimately, we aim to integrate biodiversity risk analysis into the Company's multidisciplinary enterprise risk monitoring and management.

We have not identified any operational activities within biodiversity-sensitive areas that have resulted in negative impacts thus far. Furthermore, we plan to ensure that our maritime routes completely avoid all potential biodiversity-sensitive areas and their adjacent regions in the future.

We simultaneously analyze biodiversity risks associated with dependencies and those associated with impacts. According to our analysis, we believe that there are no biodiversity risks associated with dependencies for the Company: the Company does not rely on specific species or ecosystems to produce our products, and there are no risks related to the decline or disappearance of ecosystems. However, we acknowledge potential biodiversity risks associated with impacts, which may arise from pollutants emitted by maritime shipping and onshore depots spreading to adjacent habitats through land, water, or air mediums, leading to some degree of pollution. Nevertheless, we have not observed any significant pollution incidents or accidents thus far.

We will continue to monitor and support biodiversity conservation and enhancement efforts and take necessary measures to mitigate our impacts and protect biodiversity.

In addition to the marine transportation and onshore depots business, marine vessels have the potential of directly or indirectly introducing toxic and hazardous substances to the ocean during manufacturing, 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 2023, the Company is not aware of any event that indicated the Company has exerted a significant impact on organisms and natural resources.

Energy Conservation and Environmental Protection

Hull and Container Coatings

- Sustainable procurement policy has been confirmed to ensure no adverse impact will be caused by our supply chain to biodiversity.
- 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.

Shipping routes and other operating premises

- Shipping routes and way of transportation have been optimized to minimize impact to marine biodiversity.
- Biodiversity has been taken into account during the location selection, planning and design phases for new project to prevent any impact to key ecoregions. Mitigation hierarchy methods are adopted as the best practical technology to alleviate impact to the ecosystem.
- Evaluations on the impact of the existing businesses to biodiversity have been carried out, necessary measures have been taken to alleviate impact to sensitive regions. In the course of operation, stringent environmental monitoring and management have been incorporated into the risk management system to ensure effective control of the impact to biodiversity.
- Suppliers and cooperative partners are encouraged to adopt measures to protect biodiversity and jointly alleviate pressure on ecology. It is undertaken that recovery and restoration will be carried out for the affected ecosystem to realize zero net loss on biodiversity.

Ballast Water Management

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.

- The Company has formulated the Regulations on Ballast Water Management in strict compliance with the IMO Ballast Water Management Convention, which specifies that vessels installed with ballast water treatment devices must discharge ballast water through treatment devices, and in case of vessels not installed with ballast water treatment devices, 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.

Energy Conservation and Environmental Protection

- 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 2023, 96 of the 97 self-owned vessels of the Company have been equipped with ballast water management devices. It is expected that all self-owned container vessels will be equipped with ballast water management devices by the end of 2024. The chartered vessels will also be equipped with ballast water systems in IOPP certificate renewal inspection to ensure compliance with IMO Ballast Water Management Convention and protection of marine environment

Hull Maintenance and Cleaning:

- The Company has intensified the maintenance of its own vessels, conducting regular cleaning of the hulls to prevent the transportation of microorganisms and flora and fauna into different maritime areas. In the year 2023, a total of 23 vessels underwent hull cleaning.
- To reduce Scope 3 emissions, the Company plans to maintain the frequency of hull cleaning while not affecting vessel performance, thereby saving resources and reducing the consumption of paint and lubricants per vessel.

No-deforestation pledges

The Company is dedicated to protect global forest resources to minimize the adverse impact to the natural environment. In this regard, the Company has formulated no-deforestation pledge to undertake suspension or reduction of all deforestation in relation to the production, trading and/or sales of the Company by 2025, and implementation of measures including reforestation in the following decade (until 2030) so as to compensate for any loss of forest due to the Company's business activities. No-deforestation pledge covers all areas of the value chain, including proprietary business, suppliers and partners. Specific measures include confirming sustainable procurement policy, supporting forest protection projects, optimizing operating process, supporting reforestation and restoration project, selecting location for new project with forest protection being taken into account, evaluating the impact of the existing business to forest protection, encouraging suppliers and partners to adopt forest protection measures. The policy has been approved by the Board and the executive management of the Company. Regular disclosure to, supervision by and cooperation with stakeholders will be arranged to join force to protect forest resources.

3.5 CLIMATE-RELATED RISKS AND OPPORTUNITIES

We adhere to the four pillars recommended by the Task Force for Climate-related Financial Disclosures (TCFD): governance, strategy, risk management and metrics and targets to analyse the risks and opportunities that climate change brought to companies.

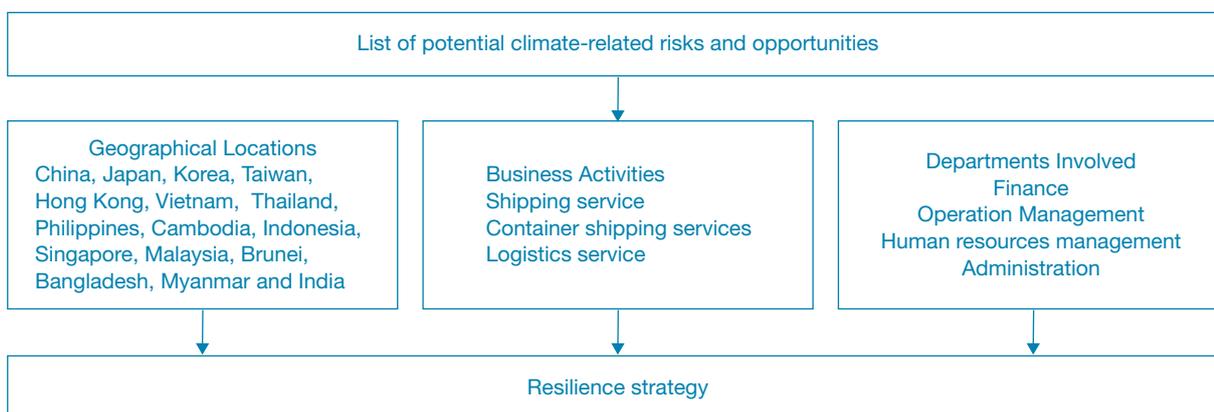
Incentive Scheme: the Company has established a performance appraisal scheme in which the achievement of meeting the environmental targets of executives connects back to bonuses and equity incentives.

Energy Conservation and Environmental Protection

Strategy

SITC pursue strategies to keep its business resilient against climate change, thereby conducted climate risk assessment with reference to the TCFD recommendations to analyse potential impacts on different business units and to develop plans to mitigate and adapt to climate change.

Identification Process of Risks and Opportunities



Climate-Related Risks and Opportunities

Climate-Related Risks

Understanding the company's business portfolio can help to identify the major risks and impacts that could cause. The climate-related risks were categorized into two types: physical risk and transition risk. Two risk types were assessed across different time horizons – short-term (0-3 years), medium-term (4-7 years), and long-term (8 years).

- Physical risks — those that arise from the acute and chronic physical impacts of climate change. Adverse climate events could restrict SITC's development of new services and impact its facilities which could expose SITC to additional costs and/or cause revenue and earnings to decline. Climate-related risks and opportunities are examined along three-time horizons: short-term, medium-term and long-term.
- Transition risks — those that arise from actions associated with the transition to a low-carbon economy, including the introduction of new climate policies or low-carbon technologies. New environmental and sustainability-related disclosure requirements, or regulations or taxes that apply to SITC's services or other aspects of SITC's operations could increase compliance costs such as emission tax and carbon price which could potentially change its business model.

Energy Conservation and Environmental Protection

Risks	Description of Potential Climate-related Financial Impacts		Potential Financial Impacts to SITC		
			Short Term	Medium Term	Long Term
Physical Risk	Heatwave (Acute)	Heat waves may lead to potential loss of revenue due to higher raw material costs when crops are on demand	Rising of raw material prices lead to decrease of revenue		
		Employees may not be able to work outdoors due to extreme heat	Insufficient labour force leads to rising personnel costs.		
	Extreme Weather (Acute)	Climate change can lead to increased extreme weather events such as storms, wildfires or floods which causes significant disruption at seaports forcing vessels to adjust planned routes to minimise disruption or delays and, in the worst-case scenario, cause loss of cargo or damage to the ship itself and harming employees safety. This can affect the production or component supplies at facilities, or within the supply chain, increase costs and delay or otherwise impact both production operations and customers' expectations.	In 2023, due to the impact of extreme weather (typhoon, strong cold and high pressure, etc.), the increased rental cost of ships avoiding typhoons, anchoring, and evading navigation would be about US\$5.78 million, which remained the same as in 2022.		
		Floods and Disasters (Acute)	Increase of floods and disasters can potentially affect business operation and revenue loss since it can cause damage to facilities, ships and employees attendance.	Flooding will affect customers (cargo volume), freight rates, employees and facilities, thereby affecting company revenue and costs.	
Rise of Global Temperature (Chronic)	Rise of global temperature which also increases the ocean temperature. It changes how waters move and shifting currents and warmer waters result in stronger storms, more instances of low-pressure areas, and a build-up of strong, gale-force winds of level 7 or above, The increase of temperature also affects stocks preservation thus increasing cost, thus affecting shipping routes.		SITC's marine routing will be more frequently affected by storms, strong winds and low pressure, resulting in cargo damage or deviation costs.		

Energy Conservation and Environmental Protection

Risks	Description of Potential Climate-related Financial Impacts	Potential Financial Impacts to SITC		
		Short Term	Medium Term	Long Term
Sea Level Rise (Chronic)	As sea level rises, SITC's offices and facilities sitting near the shore will need to be relocated and the sea ports' infrastructures will experience significant issues with their structural integrity which would be submerged and destroyed.			Most of SITC's branches and storage yards are located in coastal areas. The rise of sea level (assuming that the sea level will rise by 0.20-0.29 meters in 2050) will cause the outlets to be relocated, increasing the cost of relocation.
Biodiversity (Chronic)	Climate change can alter ecosystem productivity and increase the risk of irreversible loss of marine and coastal ecosystems.	In 2023, the company spent about US\$0.36 million on the installation of ballast water systems. By 2024, all self-owned ships will be equipped with ballast water systems, which will increase the cost by about US\$0.77 million.		
Transition Risk	Environmental Technology	With the emergence of new technologies (such as renewable energy, energy efficiency), SITC may have to keep up with the latest technologies in order to meet higher standards of efficiency. Moreover, the cost of ship retrofitting and upgrading existing equipment would also be increased.	Installing desulfurization towers on ships will increase the company's operating costs. By 2023, the expenditure on the installation of desulfurization towers was approximately US\$13.0 million and is expected to be approximately US\$8.20 million in 2024.	New energy ships include bioenergy, hydrogen power, ammonia power, electric ships, etc. The company pays close attention to the technological maturity and cost changes of new energy ships. According to the size of the existing fleet, the total capital expenditure to update new energy ships is estimated to be about 3 billion US dollars. Assuming replacement in 10-20 years, the annual capital expenditure is US\$120-200 million.

Energy Conservation and Environmental Protection

Risks	Description of Potential Climate-related Financial Impacts	Potential Financial Impacts to SITC		
		Short Term	Medium Term	Long Term
Policy and Legal	Government of different countries may impose different policies and new regulations such as changes are continuously being proposed to address environmental concerns. This may increase cost of operations and lead to loss of revenue.	To meet the requirements of IMO for energy efficiency index (EEXI) and carbon emission intensity (CII) of all ships by 2023. At present, the self-owned fleet has a CII rating of B or above and has completed EEXI performance. 12 new ships were delivered in 2023 to replace old ships, the capital expenditure for shipbuilding and ship renovation amounted to US\$240 million. The capital expenditure for new ships in 2024 is expected to be US\$160 million.	At present, the company has completed the medium-term goal of reducing carbon emission intensity by 40% in 2030. A more aggressive medium-term goal has been formulated by the Company.	<p>By 2050, carbon emission intensity will be reduced by 70%, and will be further reduced by 50%, and zero carbon will be achieved by 2060.</p> <p>According to the size of the existing fleets, the total capital expenditure is estimated to be about US\$3 billion. Assuming replacement in 10-20 years, the annual capital expenditure is US\$120-200 million, therefore:</p> <ul style="list-style-type: none"> • Increase cost of operations and vessel modification which could lead to loss of revenue. • Increase disruptions in supply chains that interrupt production, raise costs, decrease corporate revenues, and lead to higher prices or shortages for consumers.

Energy Conservation and Environmental Protection

Risks	Description of Potential Climate-related Financial Impacts	Potential Financial Impacts to SITC		
		Short Term	Medium Term	Long Term
Market Trend and Preference	There are many alternative decarbonising fuels in the market such as renewable e-fuels, methanol and ammonia, biofuels and hydrogen, etc. However, the cost of these alternative fuels is determined by the cost and availability of feedstock, the process used for production, and the maturity of the production technology. The cargo revenue could be affected on the fuel of choice and the type and size of a given vessel, cargo capacity and thus cargo revenue could be affected.	The Company builds an intelligent automated depot project, and all the machinery and equipment in the yard are powered by electricity and powered by solar panels. The total investment is expected to be US\$32 million. In 2023, the expenditure of fuel to electricity of depots was approximately US\$280,000. It is expected that the expenditure in 2024 will be US\$1.30 million.	Continue to promote intelligent automated depot project, capital expenditure is expected to be US\$50 million.	Continue to pay attention to the research and development of decarbonized fuels such as bio-energy, and actively prepare for the adoption of new energy sources. New energy fuels are about three times more expensive than traditional fuels, and their prices will drop as they are produced on a large scale. Moreover, possible increase/decrease cost of alternative fuels subjected to the market availability, feedstock, technology development and impacts on cargo revenue due to cost of alternative fuels.
Increase of Energy Price	The stringency of emission standard would increase the cost of fuels which increase production prices and output requirement (e.g., waste treatment)	The Company is currently using low-sulphur oil, and the fuel cost increased by approximately US\$89 million in 2023 compared with 2022.		Increase the cost of fuels which increased production prices and output requirement.
Reputation	An organisation's reputation would affect by shifts in consumer preferences and increased stakeholder concern or negative stakeholder feedback. The financial implication might foresee revenue reduction from decreased demand for goods/ services, decreased production capacity (e.g., delayed planning approvals, supply chain interruptions), negative impacts on workforce management and planning (e.g., employee attraction and retention) and reduction in capital availability.			<ul style="list-style-type: none"> Reduced demand, reduced capacity from goods/services (e.g., planning approval delays, supply chain disruptions) Negative impact on workforce management and planning (e.g., attracting and retaining employees) Reduced availability of capital (higher financing costs)

Energy Conservation and Environmental Protection

Climate-related risk exposures by geographic location

Upon the above mentioned climate-related risks, sea level rising is identified as the most impacting risk among the marine logistic industry, which in long run will severely affect the low-lying areas where SITC's seaport, offices and outlets are located. Assuming the current carbon path, below illustrates impacts associated with SITC's operation locations could arise from Sea Level Rising:

Port Location	Description of Impacts	Financial Impacts from Sea Level Rise
Shanghai (China)	Higher than the global mean sea level rise is projected on Asian coasts especially high risk for a large number of Asian megacities facing the ocean: China, Indonesia and Vietnam which have the highest numbers of coastal populations exposed. Exposure of population and economic assets to coastal hazards is projected to increase over the next decades, particularly in coastal regions with fast growing populations in Africa, Southeast Asia and Small Islands ¹	<ul style="list-style-type: none"> • Permanent closed of local manufacturing and impacted port traffic • Changing needs of customers and supply chain would lead to asset and business model adjustments • Stopped receiving inbound containers due to yard congestion and container ships being rerouted • Increases the average yearly cost of adaptation measures
Qingdao (China)		
Tianjin (China)		
Dalian (China)		
Ningbo (China)		
Bangkok (Thailand)		
Chabang (Thailand)		
Jakarta (Indonesia)		
Klang (Malaysia)		
Joburg (South Africa)		
Cape Town (South Africa)		

Office/Outlet Location	Description of Impacts	Financial Impacts from Sea Level Rise
China	Relative sea level rise contributes to increases in the frequency and severity of coastal flooding in low-lying areas. Cities that are of low-lying areas are prone to experience high land loss due to submergence and it is estimated that land subsidence could be as influential as climate-induced sea level rise over the 21st century, particularly China, Vietnam, Indonesia, Thailand, Philippines and Japan. In East Asia and the Asia-Pacific in general, without adaptation, 1 million people (range of 0.3-2.2 million) are projected to be affected by submergence by 2095 ¹	Rising sea levels affects economic growth and welfare outcomes due to permanent loss of land and natural capital, loss of infrastructure and physical capital and loss of social capital and migration. These impacts would lead to office relocation for SITC and increase expenditure cost as well as property loss due to purchase of new lands and warehouse.
Vietnam		
Singapore		
Philippines		
Thailand		
Indonesia		
Cambodia		
Malaysia		
Myanmar		
Japan		
Korea		

Climate-Related Opportunities

Risks create opportunities and climate-related opportunities can benefit a company from transiting to a low-carbon climate-resilient economy. SITC will continue to explore opportunities to expand its renewable footprint as the market develops.

Based on the above potential financial impacts caused by climate-related risks, below are the climate-related opportunities to facilitate SITC's transition to a low-carbon economy:

¹ IPCC, 2022: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change

Energy Conservation and Environmental Protection

Overview of Climate-Related Risks and Opportunities

The following tables present a summary of climate-related financial issues that may arise in different time horizons, potentially affecting SITC's business operations and presenting opportunities.

Risks	Climate-related Opportunities	Potential Financial Impacts to SITC
Physical Risk Heatwaves (Acute) Extreme Weather (Acute) Floods and Disasters (Acute) Rise of Global Temperature (Chronic) Sea Level Rise (Chronic) Biodiversity ¹ (Chronic)	Resource Efficiency – <ul style="list-style-type: none"> Use of more efficient production and distribution processes Use of recycling Energy Source – <ul style="list-style-type: none"> Maximise the use of renewable energy such as solar energy From the transition to alternative fuels such as biofuels, hydrogen, and ammonia, which can help reduce greenhouse gas emissions and comply with emerging regulations. Adopt digital technologies such as automation scheme to help optimize vessel operations, improve safety, and reduce fuel consumption and emissions. Improving the energy efficiency of vessels by optimizing vessel design and energy efficient equipment which can help reduce fuel consumption and costs, most importantly also reducing greenhouse gas emissions. Installing a desulfurization tower to minimise the risk of high fuel cost Products and Services – <ul style="list-style-type: none"> Expansion of low emissions goods and services Enhanced brand value, acquire high-end customers and increase added value Resilience – <ul style="list-style-type: none"> Implement sustainable shipping practices such as slow steaming and route optimisation, which can reduce the environmental impact of the industry on marine ecosystems and biodiversity 	<ul style="list-style-type: none"> Reduce exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon Returns on investment in low-emission technology Reduce exposure to future fossil fuel price increases Increase capital availability (e.g., as more investors favour lower-emissions producers) Increase revenue through demand for lower emissions goods and services Improve profitability and create higher value and returns for stakeholders Increase reliability of supply chain and ability to operate under various conditions

Energy Conservation and Environmental Protection

Risks		Climate-related Opportunities	Potential Financial Impacts to SITC
Transition Risk	Environmental Technology	<ul style="list-style-type: none"> Adopt digital technologies such as automation scheme to help optimize vessel operations, improve safety, and reduce fuel consumption on and emissions. 	<ul style="list-style-type: none"> Returns on investment in low-emission technology Increased capital availability (e.g., as more investors favour lower-emissions producers)
	Policy and Legal	<ul style="list-style-type: none"> Green value creation New business model led to access to new supply chains. 	<ul style="list-style-type: none"> Halving emissions from operation Avoid penalty from policies Increase trust from customers Gain competitive advantages in the market
	Market Trend and Preference	<ul style="list-style-type: none"> Access to new markets Use of public-sector incentives Access to new assets and locations needing insurance coverage 	<ul style="list-style-type: none"> Increase revenues through access to new and emerging markets (e.g., partnerships with governments, development banks) Increase diversification of financial assets (e.g., green bonds and infrastructure)
	Increase of Energy Price	<ul style="list-style-type: none"> From the transition to alternative fuels such as biofuels, hydrogen, and ammonia, which can help reduce greenhouse gas emissions and comply with emerging regulations. Reduce exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon Reduce exposure to future fossil fuel price increases 	<ul style="list-style-type: none"> Halving emissions from operation and increase capital availability (e.g., as more investors favour lower-emissions producers)
	Reputation	<ul style="list-style-type: none"> Provides long-term goals that will be resistant to changes in management and shifts in business priorities 	<ul style="list-style-type: none"> Gain reputation and company image Increase productivity as staff feel sense of belonging Increase brand value
	Accidents & Safety Management	<ul style="list-style-type: none"> Serve to align the interests of society with those of investors 	<ul style="list-style-type: none"> Gain reputation and company image

1 Based on the results of consultation with experts participating in an industry-working group convened by SASB and defined as the most important sustainability issues that will drive competitiveness within the marine transportation industry.

Energy Conservation and Environmental Protection

Scenario Analysis

Scenario analysis is recommended by TCFD to help companies effectively identify and assess the potential implications of climate-related risks on business performance from a range of plausible future conditions. Based on the potential financial implication as identified in section 4.1.1, the most significant impacts on the industry were selected and different climate-related scenarios were conducted. In this section, two scenarios analysis tools — the Net Zero Emissions by 2050 Scenario used by the International Energy Agency (“IEA”) and the Shared Socioeconomic Pathways (SSP) scenarios (SSP 1-1.9 and SSP 8.5) used by the Intergovernmental Panel on Climate Change (“IPCC”) were adopted. The scenarios provide comprehensive data to evaluate the exposure to risks to SITC’s assets and operations across different timeframes which could be used to understand the impacts SITC likely facing and to identify relevant resilience measures.

Scenario 1: IEA Net Zero Scenario

The Net Zero Emissions by 2050 Scenario (NZE) is a normative IEA scenario that shows a pathway for the global energy sector to achieve net zero Carbon dioxide (CO₂) emissions by 2050, with advanced economies reaching net zero emissions in advance of others. This scenario also meets key energy related United Nations Sustainable Development Goals (SDGs) which is consistent with limiting the global temperature rise to 1.5 °C with no or limited temperature overshoot (with a 50% probability), in line with reductions assessed in the IPCC in its Sixth Assessment Report.

Scenarios 2: IPCC the Shared Socioeconomic Pathways (SSP) Scenarios

The SSP Scenarios is a method adopted by IPCC for systematically examining possible futures. They were reported in the Synthesis Report (SYR) of the IPCC Sixth Assessment Report (AR6) published under IPCC. This sixth assessment report summarises the state of knowledge of climate change, its widespread impacts and risks, and climate change mitigation and adaptation. SSP1-1.9 scenario reflects most closely a 1.5° C target under the Paris Agreement whilst SSP 5-8.5 marks the upper edge of the SSP scenario spectrum with a high reference scenario.

Scenario Comparison Overview

	IPCC (SSP 1-1.9)	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2050 (NZE)
Climate Scenario			
Heatwaves	Assume the frequency, intensity and duration of heatwaves are reduced	Assume the frequency, intensity and duration of heatwaves are increased	Assume the frequency, intensity and duration of heatwaves are increased
Temperature	Assume the global warming is limited to 1.5 °C	Continue to increase rapidly	Assume the global warming is limited to 1.5 °C
Sea level	Assume sea level rise is limited to around 0.15-0.23 m by 2050	Assume to sea level rise is approximately 0.20-0.29m by 2050	Low
Floods and Disasters	Assumes the frequency and severity of floods are reduced	Assumes the frequency and severity of floods are increased	Assumes the frequency and severity of floods are reduced
Biodiversity	Assume the rate of biodiversity loss is reduced due to implementation of policies and measures to protect and restore ecosystems	Biodiversity loss continues	Assume the rate of biodiversity loss is reduced due to implementation of policies and measures to protect and restore ecosystems
Market Trend	Widespread uptake of renewable energy technologies	Limited uptake of renewable energy technologies	Widespread uptake of renewable energy technologies

Energy Conservation and Environmental Protection

	IPCC (SSP 1-1.9)	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2050 (NZE)
Energy Price	Assumes the cost of renewable energy technologies continues to decline rapidly, making them increasingly competitive with fossil fuels	The decrease in demand for renewable energy is attributable to the absence of measures and policies that facilitate the development of renewable energy.	Oil demand is reduced due to significant reductions in fossil fuel use
Policy and Legal	Assume commitment to climate action by governments, with policies and regulations that support the rapid transition to a low-carbon economy, such as price on carbon, incentivize the deployment of low-carbon technologies, and support research and development of new technologies	Likely to impose more stringent policies and regulations	Assume commitment to climate action by governments, with policies and regulations that support the rapid transition to a low-carbon economy
Technology	Rapid growth of technologies as governments provide strong support and continue to invest on new technologies development	Urgent research on new technologies development	Further deployment of available technologies and innovative efforts

Scenario analysis is a dynamic exercise and iterative process that is meant to help envision potential future outcomes, rather than predict the future. This climate scenario analysis exercise provided a structured way to evaluate climate-related risks and opportunities — both in a quantitative and qualitative manner, and it opened a wider discussion as to how physical and transition risks could affect SITC’s business.

It is important to note scenario analysis is not used for predicting climate change. This analysis is to refine SITC’s understanding and equip itself of potential climate-related risks and opportunities.

By 2030, low-carbon fuels represent about 15% of total energy demand in the Net Zero Scenario. While about half of low-carbon fuel use in 2030 is in the form of biofuels, which can be used in existing vessels, technological development and associated policy support will be important to enable the use of other fuels, particularly ammonia and hydrogen, in order to reduce dependency on oil-based fuels in international shipping. Because of long vessel lifetimes and thus slow stock turnover, near-term innovation and zero-emission technology adoption are critical to putting international shipping on the Net Zero Scenario pathway.

Energy Conservation and Environmental Protection

Resilience Strategy

The exposure to climate-related risks and opportunities facilitates SITC to make improvements and plan ahead to tackle the impacts of climate change. The resilience measures indicated in the “Climate-Related Risks and Opportunities” in this report are responding to the potential financial impacts brought by a range of major climate scenarios including a 2°C or lower scenario.

Risk Management

Management Process

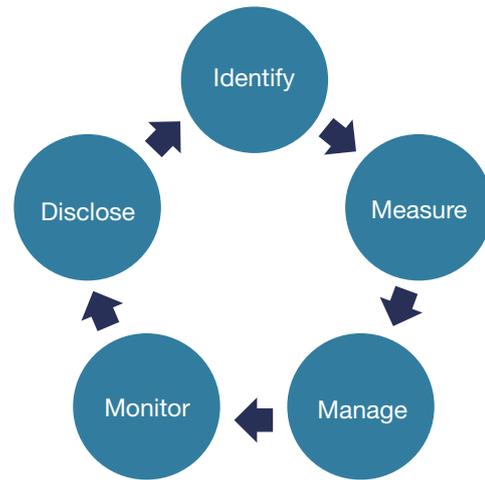
As mentioned in “Governance” in this Report, the Board and the Sustainable Development Committee (the “Committee”), which comprises representatives from each department of SITC are responsible to oversee and review ESG issues at least once every six months. Taking into account the risks and opportunities to the Company’s business, the Board works along with the committee to develop specific plans to address them.

Materiality Analysis

Materiality assessment can help organizations identify the climate-related risks and opportunities that are most significant to their business and stakeholders.

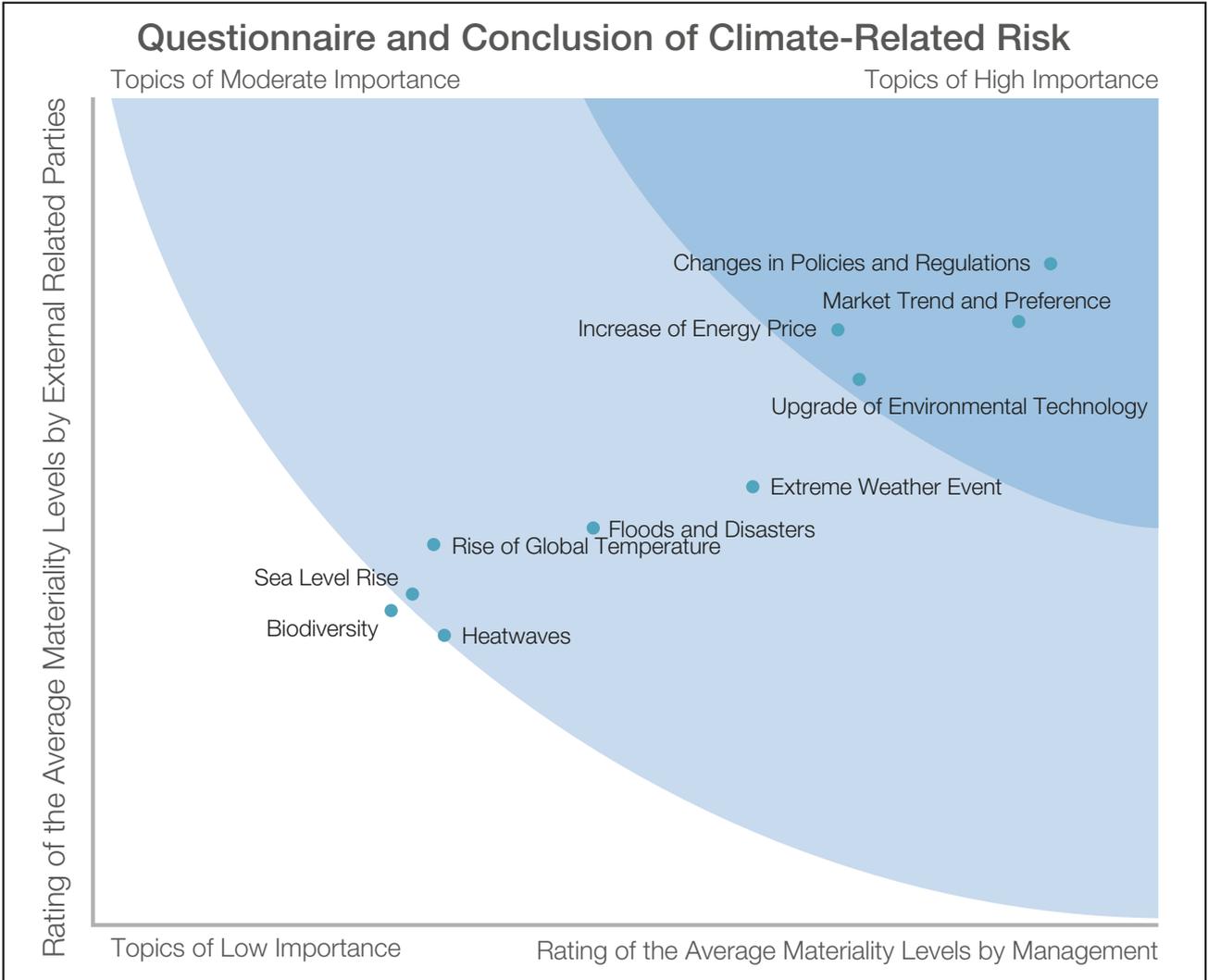
Climate-Related Risks Analysis

SITC applies a systematic approach to identifying, assessing and managing climate-related risks. The comprehensive risk assessment program is reasonably designed to identify and manage climate change-related enterprise-wide risks that have the potential to significantly affect SITC’s businesses over the short, medium, and longer terms. This risk assessment program covers exposures to both physical and transitional climate-related risks and their respective financial impacts.



Illustrative and simplified risk management process

The risk management assessment process takes into account the perceptions, concerns and opinions of both internal and external stakeholders. SITC understands the importance of stakeholders’ involvement and their feedbacks could facilitate SITC to prioritizing climate-related risks. By understanding the potential risks arising from different climate scenarios that would impact SITC’s business performance, SITC conducts materiality assessment on a yearly basis through analysing concerns and feedback from the employees, major customers, suppliers, financial institutions, shareholders, government regulators, media and other stakeholders. A separate materiality assessment was made for each of the identified climate risks. The materiality matrix as indicated below plots the ratings that are shown on of each topic. The x-axis represents the importance of economic, environmental, and social issues to stakeholders, while the y-axis represents the importance of the concerned environment, social and economic factors impacting SITCs business.



Energy Conservation and Environmental Protection

Based on the prioritised climate scenarios, the below table evaluates the potential resiliency of SITC's strategic plans and actions that took place in the range of scenarios. In this context, the time horizons for the risks and resilience would be from 2030 to 2050 which the Company considers appropriate as there are uncertainties if the time horizon is either too short or too long:

Climate Scenario	IPCC (SSP 1-1.9) Description of Risks	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2021 (NZE)	SITC's Resilience Actions and Strategies
Policy and Legal	Assume commitment to climate action by governments, with policies and regulations that support the rapid transition to a low-carbon economy, such as price on carbon, incentivize the deployment of low-carbon technologies, and support research and development of new technologies	Likely to impose more stringent policies and regulations	Assume commitment to climate action by governments, with policies and regulations that support the rapid transition to a low-carbon economy	<ul style="list-style-type: none"> • Keep up with new policies and regulations, allow for early adaptation and reduce the cost of violations • Keep track to technological changes for cargo ships • Maintain a rating of C or higher for all cargo ships • Dispose of older ships and update the fleet for other newer ship model to improve the ability to comply with new regulations • Ensure the chartered ships are complying with relevant clauses • Participate in the carbon trading market
Energy Price	Assumes the cost of renewable energy technologies continues to decline rapidly, making them increasingly competitive with fossil fuels	The decrease in demand for renewable energy is attributable to the absence of measures and policies that facilitate the development of renewable energy.	Oil demand is reduced due to significant reductions in fossil fuel use	<ul style="list-style-type: none"> • Adopt environmentally friendly fuels for ships to alleviate the increase in fuel costs. • Optimize routes and maintain economical speeds to reduce consumption • Use low energy consumption equipment • Maintain stable speed and reasonably control the energy consumption peak to avoid energy demand. • Optimize the process, promote energy conservation and emission reduction to all employees, introduce consumption management assessment indicators to control costs and consumption.

Energy Conservation and Environmental Protection

Climate Scenario	IPCC (SSP 1-1.9) Description of Risks	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2021 (NZE)	SITC's Resilience Actions and Strategies
Market Trend	Widespread uptake of renewable energy, environmental-friendly vessels and zero emission equipment	Limited uptake of renewable energy, environmental-friendly vessels and zero emission equipment	Widespread uptake of renewable energy, environmental-friendly vessels and zero emission equipment	<ul style="list-style-type: none"> • Grasp the latest energy technology information • Pay attention to the development of alternative energy and its application in the market • Approach only suppliers which meet the environmental requirements to maintain business reputation. • Promote automation technology and zero emission equipment, optimizing the existing system and asset portfolio to achieve net zero in supply chain • Building SITC's self-independent green and low-carbon development to enhance competitiveness in the industry
Technology	Rapid growth of technologies as governments provide strong support and continue to invest on new technologies development	Urgent research on new technologies development	Further deployment of available technologies and innovative efforts	<ul style="list-style-type: none"> • Conduct pilot test on potential technology to avoid unnecessary loss. • Conduct research to check the development and maturity of technology as to ensure better performance.

Energy Conservation and Environmental Protection

Climate Scenario	IPCC (SSP 1-1.9) Description of Risks	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2021 (NZE)	SITC's Resilience Actions and Strategies
Extreme Weather	Assume the rate of extreme weather reduced given that the global warming is limited to 1.5 °C	Assume the rate of extreme weather increased as the global warming exceeded the limited level	Assume the rate of extreme weather reduced as the global warming is limited to 1.5 °C	<ul style="list-style-type: none"> • Continue to research and invest in technologies for predicting extreme weather in advance. • Advance planning on shipping schedule and routing to allow early arrangement for detours if necessary. Analysing the time of deviation and suspension to minimise or avoid vessels and property loss • SITC has established a prevention plan and emergency plan which would be reviewed regularly and updated according to the latest regulatory standards and business operation, and ensure all employees are well aware of the procedures stipulated in the plans. • Strengthen lashing to containers to prevent falling into the sea and causing damage to the cargo. • Purchase relevant insurance • Conduct regular safety inspections to eliminate hidden dangers of accidents.

Energy Conservation and Environmental Protection

Climate Scenario	IPCC (SSP 1-1.9) Description of Risks	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2021 (NZE)	SITC's Resilience Actions and Strategies
Floods and Disasters	Assumes the frequency and severity of floods are reduced	Assumes the frequency and severity of floods are increased	Assumes the frequency and severity of floods are reduced	<ul style="list-style-type: none"> • Keep track of weather information, media and government notice to take precautions in advance • Early warning systems to give advance notice of impending floods and other natural disasters, allowing employees to take action to protect themselves and SITC's facilities • Enrich site bases and cargo structure to improve the ability to resist risks • Good land use planning to reduce the risk of floods and other natural disasters by avoiding business development in high-risk areas, such as floodplains and coastal zones. • Strengthen safety training and drills, improve employee's safety awareness • In case of flooding, implement SITC's crisis management plan • Purchase relevant insurance for recovering from the impacts of floods and other natural disasters • Engaging with customers to build trust, improve communication, and ensure that disaster preparedness and response efforts are tailored to the specific needs and circumstances of the business

Energy Conservation and Environmental Protection

Climate Scenario	IPCC (SSP 1-1.9) Description of Risks	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2021 (NZE)	SITC's Resilience Actions and Strategies
Heatwaves	Assume the frequency, intensity and duration of heatwaves are increased	Assume the frequency, intensity and duration of heatwaves are increased	Assume the frequency, intensity and duration of heatwaves are increased	<ul style="list-style-type: none"> • Shorten the outdoor operation time and reduce the number of outdoor operation sites • Provide heatstroke prevention and cooling materials to employees • Pay attention to the weather forecast and install smart detection equipment allow early prevention • Deploy automated operation system to reduce personnel demand when necessary • Purchase accident insurance in advance • Established customer handling procedures to ensure efficient respond to customers • Actively explore different markets to increase customer groups and optimize customers and supply sources to reduce dependence on a single source
Temperature	Assume the global warming is limited to 1.5 °C	Continue to increase rapidly	Assume the global warming is limited to 1.5 °C	<ul style="list-style-type: none"> • Renovate and adopt energy-saving equipment, such as solar panels and other renewable power facilities, to business operation. • Contingency plan on shipping routes • Adopt physical cooling methods • Switch off idled equipment • Adopt energy storage system to reduce fuel consumption • Adjust working hours if necessary to reduce energy usage

Energy Conservation and Environmental Protection

Climate Scenario	IPCC (SSP 1-1.9) Description of Risks	IPCC (SSP 5-8.5)	The Net Zero Emission Scenario by 2021 (NZE)	SITC's Resilience Actions and Strategies
Sea level	Assume sea level rise is limited to around 0.15-0.23 m by 2050	Assume to sea level rise is approximately 0.20-0.29m by 2050	Low	<ul style="list-style-type: none"> • Assess the risk of sea level rise during the site selection • Inspect and assess the risk of the existing sites regularly in accordance with the sea level rise guidelines promulgated by the different countries • Keep track of the rate of sea level rising as this will help for sourcing suitable spots in case of the need for site relocation. • Land and warehouse rental instead of buying to prevent damage to long-term assets
Biodiversity	Assume the rate of biodiversity loss is reduced due to implementation of policies and measures to protect and restore ecosystems	Biodiversity loss continues	Assume the rate of biodiversity loss is reduced due to implementation of policies and measures to protect and restore ecosystems	<ul style="list-style-type: none"> • Pay attention to policy changes. • When designing or constructing new ships, SITC has always put into consideration of environmental requirements to protect biodiversity • Select shipping routes that would avoid harming the sensitive marine areas • Select environmentally friendly suppliers

Energy Conservation and Environmental Protection

Record of Extreme Weather Events

Extreme weather (type)	Number of occurrences			Period-on-period changes	Number of voyages affected			Period-on-period changes	Countermeasures
	2021	2022	2023		2021	2022	2023		
Typhoon	12	15	10	-33.33%	95	212	159	-25.00%	Shelter, anchoring and deviation
Strong cold and high-pressure	9	5	12	140.00%	50	46	214	365.22%	Anchoring, deviation and shelter
Severe tropical cyclone	2	2	26	1,200.00%	10	23	39	69.57%	Anchoring, deviation and shelter
Others	-	-	5	-	-	-	5	-	
Total	23	22	53	140.91%	155	281	417	48.40%	
Single-vessel impact rate	-	-	-	-	1.65	2.81	4.09	45.49%	

The Company focuses on Asian routes. According to the Company's vessel records, typhoons, strong cold and high-pressure and severe tropical cyclones are the most common types of extreme weather encountered in shipping, with typhoons being the most significant. In 2023, occurrences and the impact on voyages of strong cold and high-pressure systems significantly increased, while the number of typhoon occurrences slightly decreased, though still having a considerable impact on voyages. To address these extreme weather events, the Company's vessels may experience delays in arrival. Additionally, the data indicates that the severity of extreme weather's impact on vessels is increasing year by year, and the rate of affected voyages is also rising. Therefore, the Company's vessels need to enhance their alertness and response capabilities to extreme weather to ensure the safety of our routes.

Due to the fact that the Company has been facing much more impacts from climate change, we had carried out further analysis by addressing impact of climate warming to weather, and focusing on the possible impact of global warming to the Pacific Ocean (the principal operating region of the Company):

1. the frequency and intensity of the climatic phenomenon known as El Nino and La Nina have been increased by global warming, which may cause wide-spread impact to the global climate and ecosystem. Extensive and abnormal marine temperature will affect the overall climate of the region, and also provoke particularly serious threat to the marine life. It is due to the disorder of thermocline and halocline, eutrophication and hypoxia caused by abnormal marine temperature, which may result to red tide or massive death of marine life. This will

change the variety of marine life and affect biodiversity, causing the area of marine protection zone to further expand.

2. In addition, abnormal marine temperature will affect the temperature-driven ocean current. The Equatorial Current, the Australian Current, the Northwest Pacific Current, the Komodo Current, the tropical western Pacific Current and Kuroshio Current within the Pacific Ocean region will be weakened or slow down. It may also affect the intensity and location of the coastal current and in turn affecting the climate and ecosystem of Asia. Besides, the change in ocean current may also cause impact to the oil consumption of vessels.
3. The frequency and intensity of extreme weather such as typhoon and rainstorm will be increased, which may cause serious influence to the normal navigation of vessels, enhance the risk of loss of cargo or crew, reduce vessel punctuality, increase enterprises' risk and insurance cost and lower profit rate.

All in all, we consider that global warming may result to irreversible changes to the Asia-Pacific Ocean atmosphere-marine system, and will bring adverse impact to the operation of the Company in terms of operation stability, navigation safety, operating costs, transformation cost, etc., including but not limited to:

- 1) in respect of acute climate risk, climate change may increase the frequency of extreme weathers such as heat wave, storm, flooding. Due to unexpected and abnormal weather, the punctuality of vessels will be decreased, which in turn affecting

Energy Conservation and Environmental Protection

the operating costs and return on investment of the Company. More dangerously, it may increase the rate of accidents in the shipping industry. The higher intensity of extreme weather, the higher vessel damage will be caused, and lead to crew injury or death and loss of cargo. In case of realization of acute climate risk, the Company may face massive loss. To response to this kind of possible incidents, the Company has to bear higher employee training costs, costs for disaster contingency facilities and vessel reinforcement costs.

- 2) in respect of chronic climate risks, climate change may cause chronic climate risks such as increase sea level, coastal erosion, ocean acidification and hypoxia. These risks will be intensified gradually under the higher global temperature, which in turn causing long-term impact to the shipping industry. For example, the increase of sea level may result to change in routes and ports, while ocean acidification may affect the durability of vessels and port facilities. Ocean hypoxia will cause serious impact to biodiversity and result to increasing area of marine protection zone, which means circumnavigation will become necessary. In case of realization of chronic climate risks, the Company has to explore routes with higher costs, and has to install emission and purification facilities on a compulsory basis due to regulatory requirements. Thus, to response to such possibility in advance, the Company needs to carry out prior selection of ideal ports for cooperation and appropriate route planning.
- 3) in respect of transformation risk, global warming will result to changes in global environmental policies, which may enhance market and technology risks. Costs of fossil fuel may surge. Changes in environmental policies may impose more stringent limitations and requirements to vessel emission, which will in turn increase the vessel operating costs and the market prices of green patents and technologies. Thus the Company may need to make prior increase in investment in emission reduction equipment and technologies.

All in all, global warming will enhance the Company's navigation risk, insurance costs, energy costs and costs for emission reduction equipment, affect port and route stability, safety and punctuality of cargo transportation. To alleviate these risks, the Company needs to adopt a series of measures, including improvement in vessel design and building, route planning and port management, adoption of more environmental friendly vessel fuel, promotion of waste recycling and rescue, formulation of contingency measures for climate change, etc.

Metric and Targets

SITC is committed to achieving the goal of reducing global CO2 emissions to net zero by 2050, ahead of the original target of 2060, limiting the long-term increase in average global temperatures to 1.5°C. As for this, SITC has established carbon reduction targets and initiatives to prepare for the transition to a low-carbon economy and has designed a reduction curve and roadmap.

To achieve the carbon reduction targets, SITC's business has been strictly operating in accordance with environmental regulations, in particular full compliance with mandatory technical and operational measures and emission standards set by the International Maritime Organization (IMO). The IMO wholly supports the United Nations development goals and is the United Nations specialized agency with responsibility for the prevention of marine and atmospheric pollution by ships.

In 2023, SITC launched 12 low-cost and high-efficiency new ships to cut down emissions. The new ship model has an enhanced fleet capacity and greatly improved the efficiency of energy use. The Company has also been actively focusing on the development of new energy ships. Please refer to section 3.1 and 3.2 of this report for detailed energy conservation and emission reduction pathway of the Company.

Metric and Targets

SITC has formulated detailed climate-related metric and targets, please refer to section 3.1 of this report for details.

Harmonious Development

Based on the people-oriented concept, and upholding the value of “personnel is SITC’s greatest asset”, the Company has practically protected the rights and interests of employees, and 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 being actively involved in community welfare programs to give back to society and build a harmonious community.

Future targets:

Labor and employment:	The proportion of female onshore employees will increase to 50%;
Development and training:	The proportion of employees trained will reach 100%;
Health and safety:	The employee physical examination rate will reach 100%, and to achieve net-zero incident target;
Welfare and incentives:	The limit of awarded shares in 2023 will be 5% of the Company’s net profit

4.1 HUMAN RIGHTS PROTECTION

SITC strives to safeguard human rights and labor rights and provide employees with a working environment of safety, health, fairness, and respect. This will be regarded as a core value of the Company. We protect human and labor rights, prohibit discrimination and harassment, ensure fair and equal treatment and equal pay policies for all employees, and prohibit the use of child labor and forced labor. Meanwhile, we attach great importance to the health and safety of our employees, comply with relevant laws and regulations, prohibit the use of child labor, and ensure freedom of association, collective negotiations, liberty of employment, and rights to appeal. While ensuring reasonable salaries, benefits, and working hours, we also lay great emphasis on employee training and development, providing diversified training opportunities and career development plans to help employees continuously improve their skills and knowledge.

1. List of undertakings for human Rights protection

In 2023, we have expanded our list of undertakings to protect human rights, which has incorporated more kinds of human rights of the stakeholders. We are dedicated to protect rights of all people involved in our value chain. We require our suppliers and other upstream and

downstream partners to comply with the same requirements. We are committed to continuously reviewing and improving our policies and practices to fully protect human and labor rights. We believe that only when employees, the environment, and society are fully protected can an enterprise develop steadily and achieve long-term success.

2. Human rights due diligence

We are committed to respecting human and labor rights in our business operation and taking steps to prevent and mitigate the risks and impacts associated with these rights. We have developed a human rights due diligence process to identify and assess potential impacts and risks associated with human rights. Our human rights due diligence process is in place and we will regularly assess and improve our process on a yearly basis to ensure that our business activities do not have a negative impact on human rights.

Our human rights due diligence process includes the following:

Risk identification: We identify potential human rights-related impacts and risks as well as the affected groups.

Risk assessment: We assess identified risks to determine their potential impact and severity.

Control measures: We adopt appropriate controls to mitigate or eliminate potential impacts and risks.

Monitoring and reporting: We regularly monitor and report on the performance and results of our human rights due diligence processes, and communicate and engage with stakeholders to ensure that our processes are fully implemented and continuously improved.

We disclose to the public our specific human rights due diligence policies and processes, the challenges that we face and the improvement plans regarding our human rights due diligence, and our communications and engagement with stakeholders. The Company’s website will disclose relevant information to build transparency and trust and improve social responsibility and sustainable development.

3. Identified Human right risks and groups

As of the reporting period, the Company’s identification results of human rights risks and affected groups for the year are as follows. The following potential risks are considered important by the Company, listed in no particular order of importance.

Harmonious Development

- 1) The Company's onshore employees – fair promotion: We have not found any significant human rights issues within the Company for the general employee group. During the reporting period, the Company did not have any non-compliance with relevant laws and regulations in relation to employment and labor practices. We will continue to work on improving human rights-related education and training, and plan to increase the length of human rights-related training in employee training.
- 2) The Company's offshore employees – health and safety: The Company's offshore employees account for over 30%. During the reporting period, the Company did not have any incidents involving crew members that were not in compliance with relevant laws and regulations in relation to employment and labor practices. The Company attaches great importance to the rights and interests of offshore employees. The Company has entered into employment agreements and supplementary employment agreements with employed crew and strictly follows the International Maritime Labor Convention and the Company's Occupational Health and Safety Operation Control Procedures to safeguard the rights and interests of seafarers. We emphasize that we attach great importance to the physical and mental health of crew members during work and are committed to continuously improving the safety of the working environment and mental health counseling for crew members. We ensure crew members are treated well at work. We believe that crew member's potential human rights risks are the most worthy of our attention and control, and we will continue to report and improve crew-related human rights due diligence results.
- 3) Female-pay equality: The risk of inequality in pay
- 4) Third-party employees-employee benefits: The risks of inequality in remuneration or risks of incomprehensive benefits compared to regular employees of the Company

4. Human rights evaluation

In 2023, we have conducted human rights evaluation, covering 100% of our self-operated business, 49% of the joint ventures and 9.1% of the first-class suppliers. The evaluation methods included interviews, desk research, questionnaires, letter of social responsibility undertaking, etc. As of 31 December 2023, upon our request, 526 first-class suppliers have signed the letter of social responsibility undertaking. Besides, we have also conducted a human rights survey on more than 3,000 employees in the subsidiaries which have more than 20% of the shareholding. Among them, 99.6% of employees were satisfied with the current human rights status of the Company. Only 0.4% of the employees believed that there were issues related to freedom of employment and supplier human rights protection.

- 1) Most of the employees who raised concerns were Thai employees. Due to cultural and regional differences, their understanding of personal freedom and rights was different;
- 2) The issues related to human rights were mainly "awareness of the existence of harmful behaviors of suppliers."

To address the above human rights survey results, the Company appointed dedicated personnel to communicate with employees who raised concerns to further understand their reasons and responses:

- 1) When formulating employment, salary, and welfare systems, the Company will fully consider cultural and regional differences and protect the human rights of employees from different cultures, regions, and different employees;
- 2) We will pay more attention to the current status of the human rights of suppliers and include human rights assessment in supplier reviews.

Harmonious Development

4.2 LABOR AND EMPLOYMENT

The Company strictly complies with all laws and regulations regarding labor and employment in the places where it operates, formulates internal policies, and enters into labor contracts with employees according to the labor laws and regulations of each country or region.

The Company strictly prohibits child labor and 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 minimum age for new hires in 2023 was 20 years old.

The Company participates in large-scale campus recruitment and social recruitment on a regular basis every year. In addition, the Company cooperates with 5 regular universities and vocational and technical schools to offer directional training courses. Suitable talents selected from interviews will take public administration courses and SITC internal training courses. Further, recruiting qualified talents through regular recruitment websites has effectively prevented us from hiring underage applicants incidentally.

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. The Company provides equal recruitment and employment opportunities, encourages and maintains employee diversity in all its branches worldwide, and gives fair and equitable opportunities to local employees. In terms of employment, remuneration, promotion, dismissal, and retirement, the Company has insisted on equal treatment regardless of citizenship, nationality, race, color, gender, disability, maternity, religious belief, and cultural background, to avoid discrimination. In a strict implementation of local nationality policies, the Company pursues freedom of religious belief and respects the habits and beliefs of employees of different nationalities.

During the reporting year, based on the employee questionnaires and the human right due diligence, there was no incident involving child labour, forced labour and discrimination in the Company.

SITC strives to create a fair, equal, respectful, and inclusive work environment. We oppose any form of discrimination or harassment, towards which we have adopted a zero-tolerance attitude. Our policies and measures include but are not limited to a clear statement prohibiting discrimination and harassment, a zero-tolerance policy for discrimination and harassment, reporting procedures for relevant training and similar incidents, handling procedures, corrective actions and disciplinary actions, requirements for upstream and downstream partners as well as public commitments. We will publicly declare this commitment and regularly review and update our anti-discrimination and anti-harassment policies and statements to ensure that all employees can work in a safe, healthy, and harmonious workplace. We hope that all employees, upstream and downstream partners, and customers can understand our position and attitude and work with us to create a respectful and inclusive working environment.

Harmonious Development

The Company fully respects employees' rights to freedom of career, resolutely prohibits forced labor of any cause, and will not restrict the 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 an employment agreement and supplementary employment agreement with crew members employed and safeguards their rights and interests under the Declaration of Maritime Labour Compliance (DMLC).

The Company provides employees with clear complaint channels, and all problems can be resolved in a fair, consistent, prompt, and effective manner under strict confidentiality. All matters regarding unfair treatment, anti-human rights, anti-labor laws, etc. encountered by employees in the workplace can be complained through the ways published by the Company in the office area. 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. There are 11 labor union organizations established by branches of the Company. In 2023, the proportion of unionized employees in the Company has reached 12.5% according to statistics, representing an increase as compared with last year. We are committed to continuing to promote more employees to join the union in the future and put forward their suggestions to the Company.

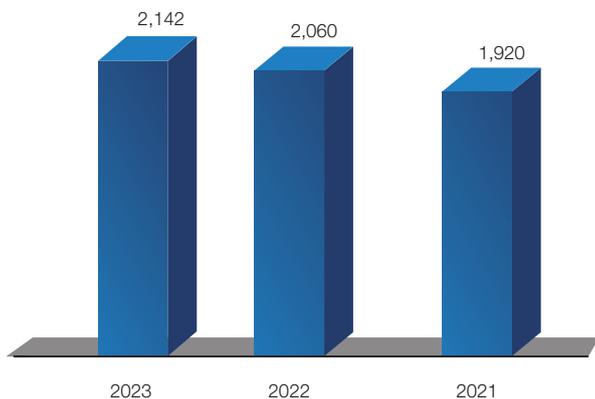
In 2023, the Company had 3,384 full-time employees (including crew members), representing an increase of 7% from that in 2022.

Onshore Employees

In 2023, the total number of onshore employees was 2,142, representing an increase of 82 or 4% as compared with that in 2022, which was mainly due to the expansion of the Company's business scale and the increase of business outlets.

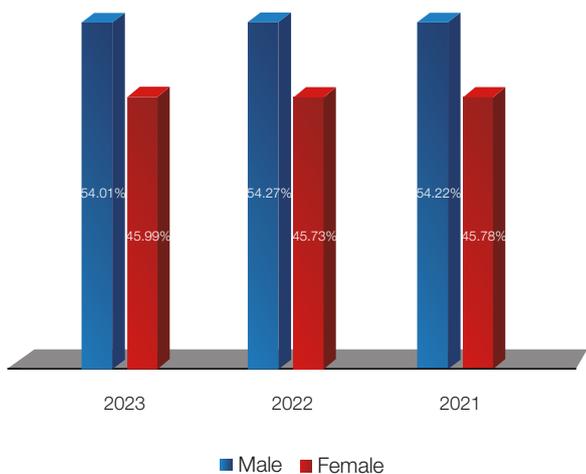
Harmonious Development

Total Number of Onshore Employees



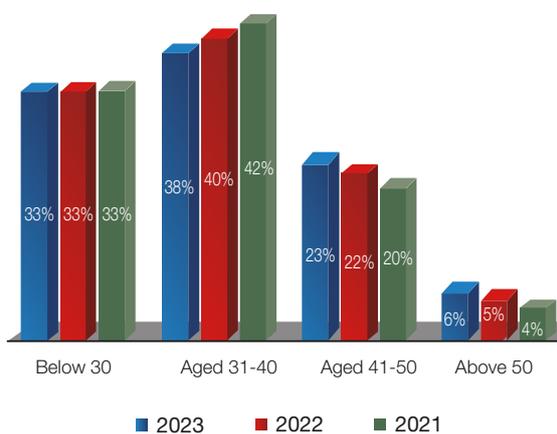
In terms of gender, there were 1,157 or 54% male employees and 985 or 46% female employees.

Employee Proportion by Gender

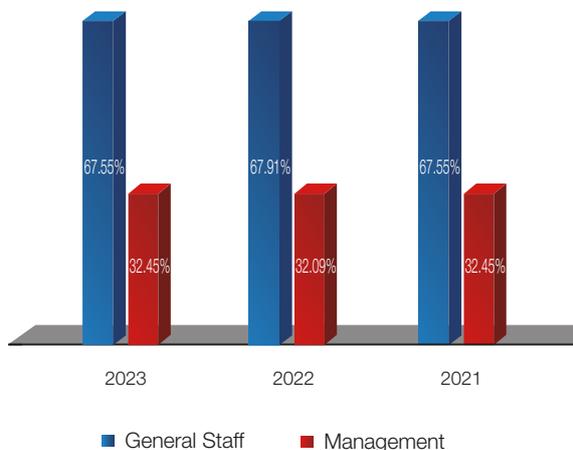


In terms of age group, there were 715 or 33% employees aged 30 or below, 811 or 38% employees aged 31 to 40, 498 or 23% employees aged 41 to 50, and 118 or 6% employees over the age of 50.

Employee Number/Proportion by Age Group



Proportion of Employees by Rank

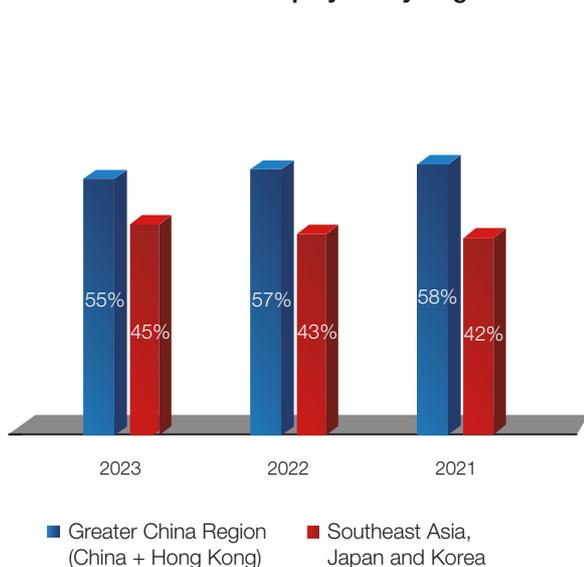


Harmonious Development

In terms of geographical region, 1,185 or 55% of employees were from Greater China, and 957 or 45% of employees were from Southeast Asia, Japan, and South Korea. The continuously rising proportion of employees from Southeast Asia, Japan, and South Korea reflects that more local employees are employed and the Company is growing in an increasingly international manner.

Among the employees from Southeast Asia, Japan, and South Korea, Thai employees had the largest number of 269, followed by Indonesian of 157, Vietnamese of 128, Malaysian of 106, Filipinos of 98, Japanese of 60, and South Korean of 59.

Number of Employees by Region



In 2023, the recruitment of our new employees has fully reflected the diversity of employees in terms of age, nationality and gender, enriching our team of talents.

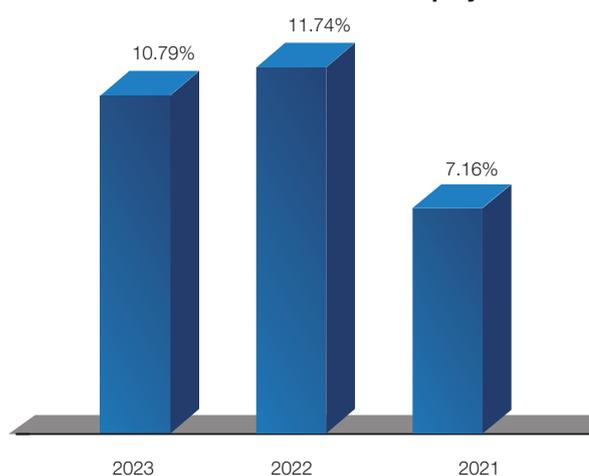
Breakdown of New Employees

		Number of Employees
Gender	Male	181
	Female	157
Age	Below 20	0
	20-30	229
	31-40	78
	41-50	26
	51-60	5
Rank	Management	62
	General Staff	276
Nationality	Greater China Region	114
	Southeast Asia and Others	224

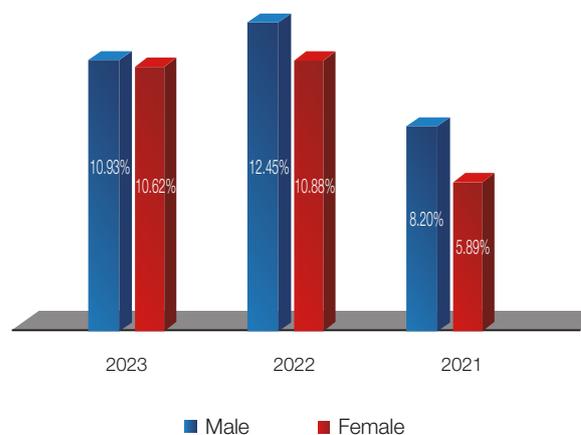
In 2023, the turnover rate of the Company decreased by 0.95% over 2022. The turnover rates between male and female employees are similar, while the turnover rate of general staff was lower than that of the management staff.

The turnover rate of international employees from Greater China region, Northeast Asia and Southeast Asia decreased, reflecting our improvements in employee remuneration and benefits as well as working environment and thus our attractiveness to employees in the post-pandemic era. The voluntary dismissal rate of employees has been basically remained unchanged. We respect the decision of our employees and avoid dismissal of employees as far as possible.

Turnover Rate of Onshore Employees

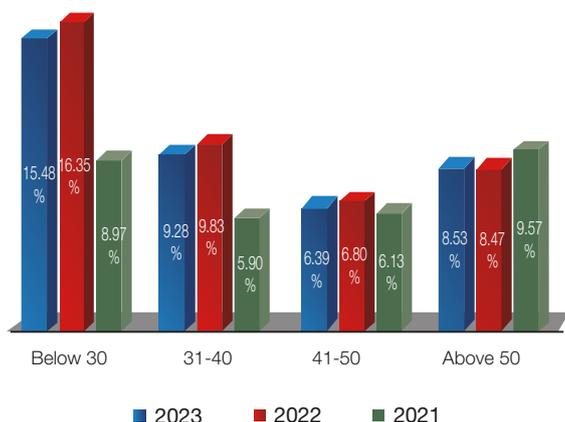


Employee Turnover Rate by Gender

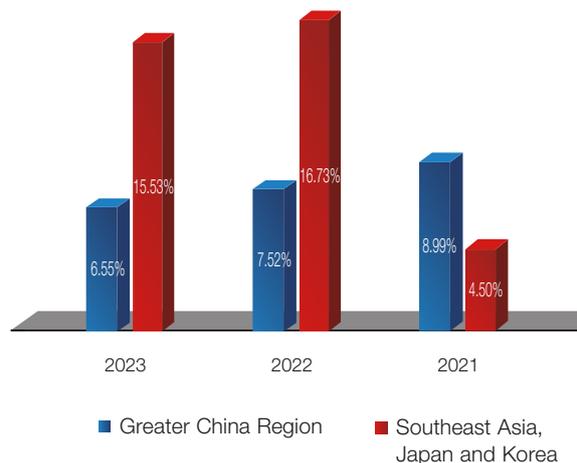


Harmonious Development

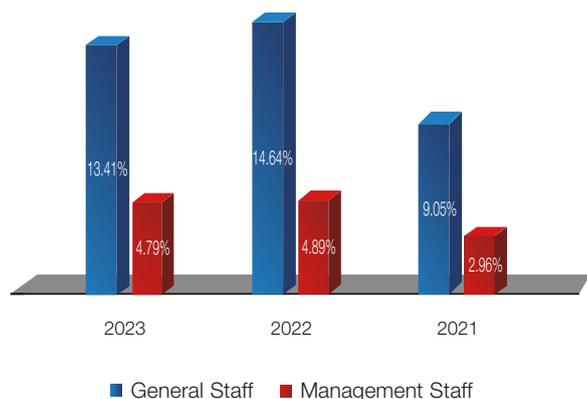
Employee Turnover Rate by Age



Employee Turnover Rate by Region



Employee Turnover Rate by Rank



- Note: 1. For the calculation of the turnover rate of employees, please refer to the Reporting Guidance on Social KPIs on the website of the Hong Kong Stock Exchange (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)
2. The relevant headcount calculations in this report were based on the headcount as at 31 December.

	2020	2021	2022	2023
Total Dimission Rate	6.67%	7.16%	11.74%	10.79%
Voluntary Dismission Rate of Employees	6.58%	6.96%	10.93%	10.16%

Remark: Employees' voluntary dismissal rate represents number of voluntarily dismissed employees divided by the total number of employees.

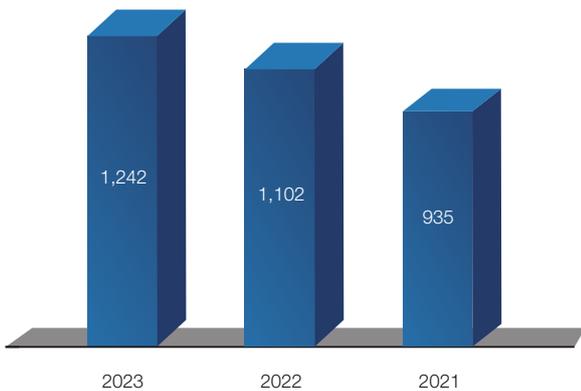
In addition to the above full-time onshore employees, 140 workers were serving the Company through labor outsourcing, mainly engaged in operation, finance, cleaning, and vehicle driving.

Harmonious Development

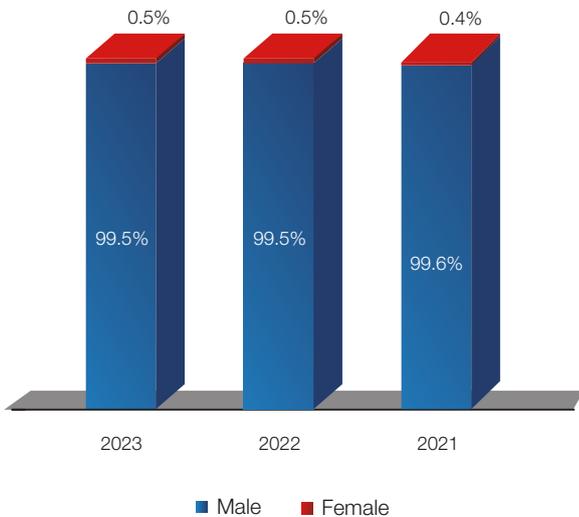
Offshore Employees

As at 31 December 2023, the Company had a total of 1,242 crew members, representing an increase of 140 crew members as compared with 2022. In 2023, the Company retained the same number of female crew members. The Company adheres to the principle of gender equality in the industry to provide employment opportunities for outstanding shipping professionals. With the development of modern ship technology and the application of automation systems, the position of crew members will no longer be the exclusive occupation of male employees. The addition of fresh members makes our fleet composition more dynamic, richer, and more diverse.

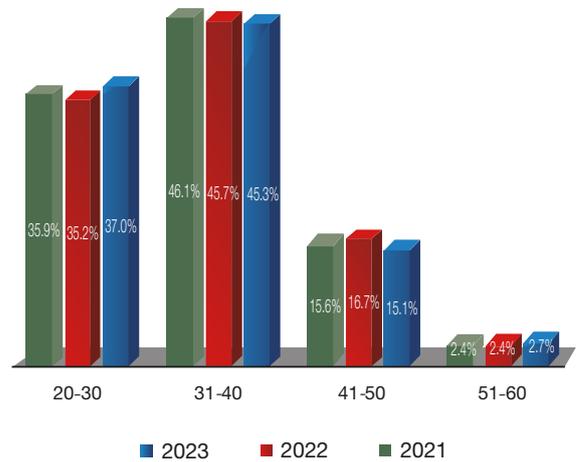
Total Number of Crew Members



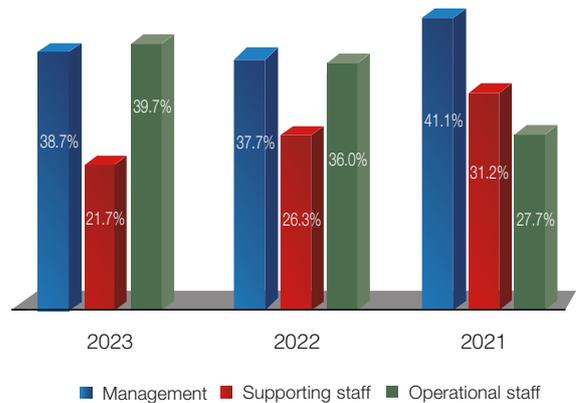
Number/Proportion of Crew Members by Gender



Number/Proportion of Crew Members by Age

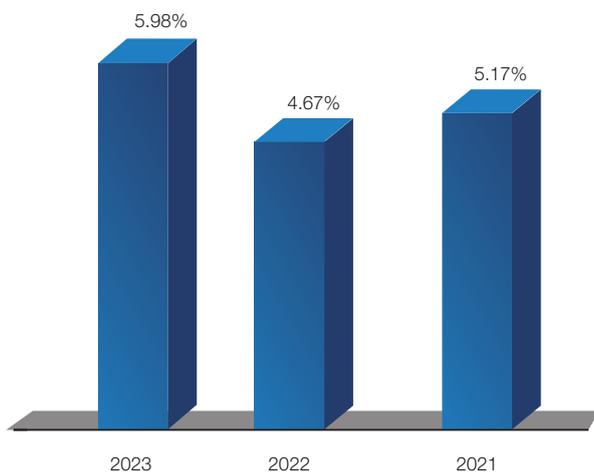


Number/Proportion of Crew Members by Rank



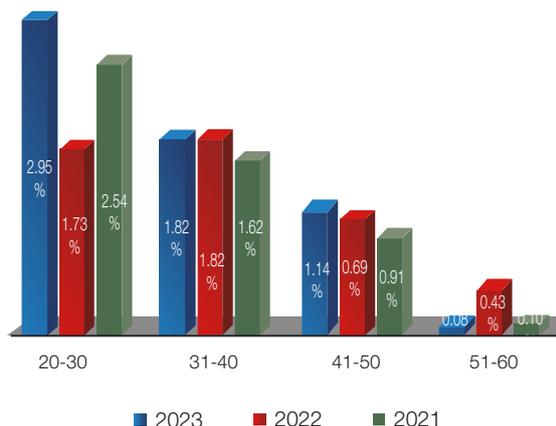
Harmonious Development

Turnover Rate of Crew Members

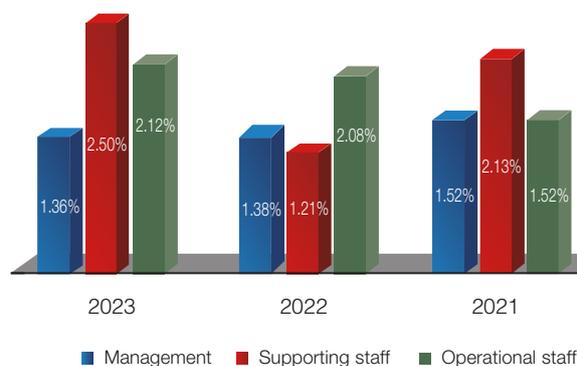


In 2023, SITC's crew member turnover rate increased, which mainly consisted of crew members under 30 years old. In the future, we will plan to take initiatives to increase the appeal to young crew members.

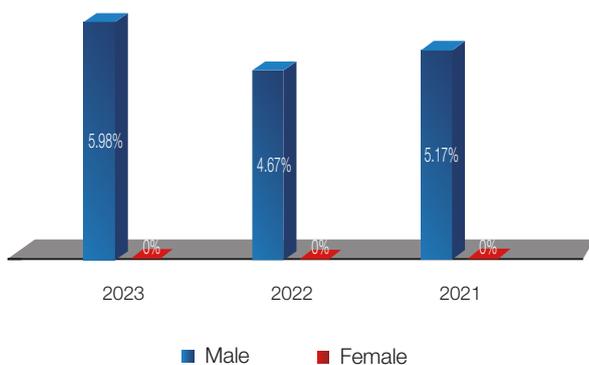
Turnover Rate of Crew Members by Age



Turnover Rate of Crew Members by Rank

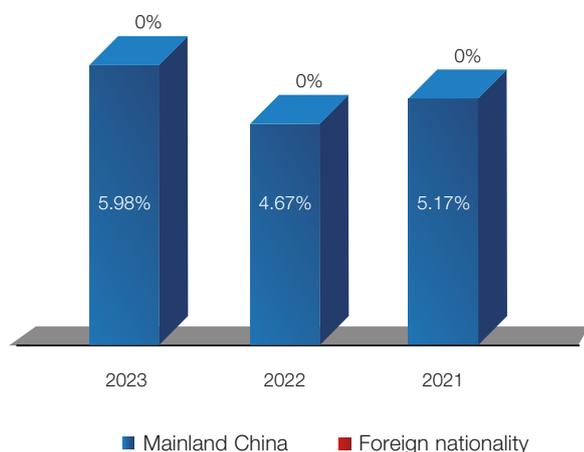


Turnover Rate of Crew Members by Gender



Harmonious Development

Aggregated Turnover Rate of Crew Members by Region for the Year



In addition to the Company's crew members above, the Company also employed 1,083 outsourced crew members through labor outsourcing companies in 2023.

4.3 GENDER EQUALITY AND NATIONALITY DIVERSITY

The Company strives to offer equal treatment to employees of different nationality, background, age and gender in respect of recruitment, promotion, salary increase, etc. All employees are treated equally based on their personal competence and the specific duties of their positions.

Diversity of Employees' Nationalities

Nationality	Total	Total	Total	Proportion	Number of Proportion of Employees	
	Number of Employees in 2021	Number of Employees in 2022	Number of Employees in 2023		Employees of Management level in 2023	Employees of Management level
Total Number of Employees	1,920	2,060	2,142		695	
Greater China Region	1,114	1,169	1,185	55.32%	503	72.37%
Thailand	213	221	269	12.56%	37	5.32%
Indonesia	139	163	157	7.33%	22	3.17%
Vietnam	120	129	128	5.98%	34	4.89%
Philippines	106	97	98	4.58%	21	3.02%
Malaysia	47	82	106	4.95%	18	2.59%
Japan	64	65	60	2.80%	23	3.31%
Korea	65	60	59	2.75%	14	2.01%
Others	52	74	80	3.73%	24	3.45%

Remarks:

1. Only onshore employees are taken into account when analysing the diversity of employees' nationalities
2. Proportion of employees of management level represents the proportion of the employees of management level with specific nationality to all employees of management level, including junior, middle and senior management members (percentage of total number of management members)

Thus, in 2023, we have decided to disclose our remuneration indicator and to deal with the currently existing differences in remuneration. In addition, the proportion of female and non-Chinese crew members is relatively small, which is caused by the industry and operation traits, therefore, crew members are not taken into account in respect of remuneration equality indicator.

Proportion of Female Employees

	Total Number of Employees	Total Number of Female	Percentage
Total Number of Employees	2142	985	45.99%
All Management ranks	444	141	31.76%
Junior Management Positions	337	123	36.50%
Middle Management Positions	101	18	17.82%
Highest Management Positions	6	0	0.00%
Profit-making Management Position	353	100	28.33%
STEM-related Position	34	2	5.88%

Remarks:

1. Junior management positions: represent front line management members, junior management members and the management members of the lowest rank under the management hierarchy of the Company, who are mainly responsible for guiding and executing daily operation targets;
2. Middle management positions: represent managers who lead specific departments (e.g. accounting, marketing, production) or business units, or managers who assume the position of project manager within a flat organization.

Harmonious Development

- Highest management positions: represent management positions with a maximum of two reporting hierarchies from chief executive officer, including personnel who plan, guide and formulate policies within the scope as approved by the Board or other management institutes, set strategies and provide overall direction to enterprise/organizations in respect of product or service development and delivery.
- Profit-making positions: represent direct management roles in sales department, or those who directly make contribution to product or service output, excluding supporting functions such as human resources, IT, law, etc.
- STEM: science, technology, engineering, mathematics. STEM positions include but not limited to the followings: computer programmer, network developer, statistician, supporting staff, engineer, physicist, scientist.

Salary Comparison Between Male and Female Employees

Employee Rank	Average per year for Female (US\$)	Average per year for Male (US\$)
Salary of Employees of High Rank (Salary only)	NA	521,091
Higher Rank (Basic Salary + Other Cash Incentives)	NA	1,562,900
Management Rank (Salary only)	33,738	50,577
Management Rank(Basic Salary + Other Cash Incentives)	101,594	162,335
Non-management Employees (Salary only)	14,172	17,069
Non-management Employees (Basic Salary + Other Cash Incentives)	27,176	30,964

Indicator	Differences in Hourly Salary	
	Differences between Male and Female Employees (%)	Differences between Male and Female Employees (US\$/hour)
Difference in average salary	-31.16%	-3.86
Difference in median salary	-22.08%	-1.94
Difference in average cash incentives	-37.57%	-5.21
Difference in median cash incentives	23.25%	0.47

Remarks:

High rank represents CEO, CFO of the Group; management rank includes department heads, independent operational management staff and independent financial officers, the person in charge of each centers at the Group's headquarters, president of the Group, etc.

Other cash incentives: these are monetary incentives apart from normal salary of the employees to recognize their working performance, which include bonus and share options, etc, and will be calculated by monetization.

The percentage of difference is calculated by using the salary of male employees as denominator. The difference will be positive if the salary of female employees is higher, and the difference will be negative if the salary of the female employees is lower.

In general, the Company maintains proper proportion of female employees of 45.99%, which is near to the target of 50%. Nevertheless, the proportion of female employees in STEM and profit-making positions is relatively small. The Company undertakes non-existence of gender discrimination in recruitment and internal transfer of position. We strive to increase the proportion of female employees in all positions to nearly 50%. Yet, we respect the preference of our female employees in their choices of position and working environment. We will try our best to compensate the salary differences between female and male. However, these differences are mainly attributable to:

Harmonious Development

- 1) Most of the management, expatriates and sales employees are male with higher salary and bonus;
- 2) It is attributable to regional differences such as Thailand, Vietnam, Philippines, Indonesia where female employees are mostly working on basic positions like customer services officers with lower salary, accounting for 65% of the total female employees, and resulting to lower average salary of the female employees. Most Japanese and Korean employees are male with higher remuneration, resulting to higher average salary of male employees.

We plan to offer more position transfer opportunities and choices for our female employees in the future.

4.4 HUMAN CAPITAL 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 through training. Talents have been actively trained to adapt to the future market demand and continuously inject vital force for our future development.

1. Recruitment and Internal Promotion

New employee is a vital driving force of our development. The Company attaches high importance to recruitment. With business expansion, our need for talent is increasing. For the previous three years, our average number of recruitment reached more than 20% of the number of employees for that year. In the meantime, we encourage internal staff to apply for filling up of vacant positions, which offer a lot of promotion opportunities to the employees, increasing employees' diversity of skills, extending their occupational life. In 2023, the Group has offered 68 positions for each country and region, with 101 applications received, 165 employees being promoted (inclusive of position advancement and promotion), creating opportunities for personal development and growth. Overall speaking, the proportion of internal promotion and position transfer will be increased gradually. We believe that, through new recruitment and training of internal talents, our team will be stronger and more diversified, paving a solid foundation of the long-term development of the Company.

The Company always attaches attention to talent recruitment and cultivation. For the past four years, the average yearly increase of our total recruitment cost was 7%. Through long-term cooperation with relevant academies, we have established a stable talent pool system by organizing SITC training course to ensure our talent quality. We will continue to maintain the vitality of our talents and the sustainable development of the Company through various external channels, such as campus recruitment and social recruitment, and other ways including internal job rotation and promotion, etc.

	2020	2021	2022	2023	
Total Number of New Employees	279	416	414	338	Employee
Number of Vacant position filled up by Internal Candidate	61	95	53	68	Employee
Proportion of Vacant position filled up by Internal Candidate	17.94	18.59	11.35	16.75	%
Number of Internal Promotion	92	240	262	165	Employee
Proportion of Internal Promotion	5.57	12.50	12.72	7.70	%
Recruitment costs	112,544	125,670	129,748	136,686	US\$
Average Recruitment Cost (US\$)/FTE	403	302	313	404	US\$

Remarks:

Total vacant positions = number of new employees + number of vacant position filled up by internal candidate

Proportion of internal promotion = number of internal promotion/total number of employees for the year

Recruitment costs include internal and external recruitment costs, such as salaries for recruitment staff, travelling expenses and relocation expenses in relation to interview, agency fees, advertisement fees, recruitment fair, etc.

Harmonious Development

2. Performance Management and Employee Development Plan

The Company has adopted a scientific and multi-dimensional performance assessment policy for employee performance assessment, which combines a comprehensive evaluation of team performance and employees' individual performance targets. Firstly, corresponding plans are set accordingly for branches, departments, and personnel at each level. The assessments are carried out on a monthly, quarterly, and annual basis. Team performance evaluation corresponds to the branch and department levels. Multi-dimensional evaluations are carried out according to individual benefit indicators, business volume indicators, effectiveness indicators, efficiency indicators and due diligence indicators, etc. For example, the fuel department is assessed based on energy saving and emission reduction indicators while the shipping business is assessed based on safety indicators. Secondly, employee performance targets include multi-dimensional evaluation of business volume/workload/turnover, benefits/effectiveness, efficiency, system implementation, synergy, bonus items, etc.

In addition to the comprehensive all-round performance assessment policy, we also follow a flexible performance management approach to manage employee performance throughout the year and support their personal development. We believe in fully and regularly open communication and constructive feedback between management and employees to establish specific performance targets and employee development plans. While focusing on the process of goal achievement, we also clarify quantitative indicators and scoring standards. After employees submit their performance reports, both parties participate in the joint assessment, feedback, and corrections to further improve employees' personal performance and promote career development. This is one of the most critical communication tools used by the Company for effective management.

3. Employee training and development

In addition to a well-designed training system, the Company has set up the "SITC Training System Establishment Committee" to determine the training courses for employees at each level and each position, and the unified training courses for employees at each level and each position are published on the Company's intranet, which can meet the needs of employees to expand knowledge and improve ability, provide a wide range of learning opportunities, improve the breadth of professional knowledge, and enrich the knowledge structure and vision. At the same time, the Company has created an internal learning atmosphere, in which employees are encouraged to express

their thoughts and summarize their views, which will be imparted to other colleagues in the form of internal lectures or discussions.

Onshore Employees

Through work assignment adjustment, short-term rotation training, rotation cultivation, etc., the Company provides various learning opportunities to employees to improve their communication and teamwork skills. Employees, through internal recruitment announcements and voluntary registration, and subject to fair competition, will be appointed to different positions, different departments, and different companies in the long or short term, which can provide employees with development opportunities, to realize their own potential and career planning, and improve the Company's organizing ability.

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 tutorials, and professional technical workshops, the Company helped employees master essential professional knowledge and application skills to meet their personal development demands. The Company's self-developed online training system can provide a more convenient way for employee training.

In the past few years, the Company has spared no effort to create a variety of external training atmospheres, such as encouraging academic degree promotion, supporting certification examination, and providing various training on management ability, industry skills, production safety, corporate culture, network security, and fraud prevention. KNX management skills training was organized throughout the Company in 2023, in which employees participated offline through the unified organization of optional courses. The courses cover leadership, management, personal development, interpersonal relations, professional ability, learning programs, and other fields, through which employees can apply what they have learned to their daily work, to continuously improve themselves and enhance management efficiency.

Harmonious Development

In 2023, the Company has provided a total of 57,191 hours of training for 2,142 onshore employees. The average training hours increased by approximately 7%, and the average expenses of trainings for each employee was US\$143.

		2022	2023
Total number of employees trained		2,035	2,142
Average training hours		24.86	26.50
Average training hours per employee by gender			
	Male employees	25.02	26.70
	Female employees	24.68	26.20
Average training hours per employee by position			
	General employees	21.77	24.04
	Management	31.55	29.54
Percentage of employees trained		99.00%	100.00%
Percentage of employees trained by gender			
	Male employees	97.41%	100.00%
	Female employees	100.00%	100.00%
Percentage of employees trained by position			
	General employees	98.07%	100.00%
	Management	100%	100%

Offshore Employees

In 2023, the Company has provided a total of 47,371 hours of training for crew members, representing an increase of 50.9% as compared with the total hours last year. Training for crew members mainly includes onshore training and onboard training. During the period of crew disembarkation, the Company organizes crew members to receive training in respect of certificates, electronic charts, system documents, and various operating instructions for maritime management and mechanical maintenance, safety incident analysis, mental health, and other aspects. The captain will organize onboard training according to the annual training plan of the vessel on a monthly basis, including but not limited to the vessel training manual, the latest information and instructions provided by the onshore base (notices/announcements/circulars, document modifications, conventions and rules modifications, etc.), vessel safety incident analysis and prevention, anti-pollution awareness, emergency response, etc.; and new crew members shall complete the training concerning life-saving, fire-fighting equipment, and emergency system within two weeks after embarking.

	Number of crew members trained	Percentage of crew members trained	Average training hours per crew member
Number of crew members trained	1,142	100%	38.1
Male crew members	1,136	100%	38.1
Female crew members	6	100%	38.1
Crew members at the management level	480	100%	39.2
Crew members at support level	269	100%	46.4
Crew members at operation level	493	100%	32.6

Harmonious Development

Employee Development Programme

Programme 1: Management Skill Training (Shipping and Logistic Business)

Employees of the Company are encouraged and supported to further enhance their professional skills and management competence for their own positions and related areas, to understand market information, to continuously expand their horizon, so as to increase their personal capability and to achieve the same ultimate goal along with the development of the Company. The Company offers different training course of management skills to employees of different positions and ranks with a coverage of 100%. Network resources are shared by all subsidiaries, and through a series of management skill-related video programmes, it aims at enhance the level of skills of the employees, strengthen coordination ability between teams, cultivate leadership and management capability, establish enterprise culture and a sense of recognition, increase overall performance and intensify competitiveness. By joining these professional training programmes, employees can obtain new industry expertise and skills, expand their horizon and mindset, thereby enhancing personal working efficiency and quality. During the trainings, enterprise is able to discover and cultivate potential staff, and provide room and opportunities for their growth. Through trainings, enterprise can disseminate its core value, mission and concept to employees, establish enterprise culture and a sense of recognition, which in turn increasing employees' sense of belongings and loyalty, and benefiting the long-term and stable development of the enterprise. By offering valuable and meaningful trainings, an image of highly responsible enterprise with good human resources management capability can be built, which bring more commercial cooperations and customers' trust. Trainings organized by enterprise has paved a solid foundation for its long-term development and competitiveness, which help maintain its leading position in a highly competitive market.

Programme 2: Marketing Training

The Company arranges trainings for marketing staff and for marketing projects through online and offline trainings which is customer-oriented to set up annual sales plan, increase the skills and quality of marketing staff. The trainings cover 80% of the employees. Method of trainings include:

- 1) Internal leadership training: targeted content of the trainings are designed and executed based on the understanding of the Company, market and industry, passing on expertise and skills to marketing staff.
- 2) Discussion and analysis on relevant topics by marketing staff during the trainings to enhance competitiveness comprehensively from source exploration, port services, customer management to route products, etc, and explore new points for profit increase.

Programme 3: Trainings for container management

The Company offers professional trainings for container management staff through online and offline trainings to enhance the working competence and efficiency. The trainings covers 5% of the employees. Through training, employees are able to understand the deficiencies, difficulties and weaknesses of the daily operation of each port branch, align each business section and process of the container management, formulate standardized operational standards, analyze and improve the working capability and efficiency in respect of purchase and lease, allocation and use, costs and expenses, informationization of shipping containers, enhance customer satisfaction, reduce costs and increase effectiveness.

Harmonious Development

4. Return on investment in human resources

HC ROI has been used to measure the Company's profitability as compared to the total employee-related costs. By considering only the profitability relating to human capital costs, we are able to understand the degree of economic value created. In last year, due to the increase in the unit price of container transportation business, the Company showed good profitability, thus significantly enhancing

our HC ROI. The Company has offered 5% of the profit for that year as share option incentives for employees. In this year, since our profit, value of share option incentives and amount of bonus decreased, the employee-related expenses declined. However, overall speaking, our average profit made by employees, average relevant expenses and HC ROI remained outstanding in the market.

Human Capital Investment

	2020	2021	2022	2023
Total revenue (US\$'000)	1,708,078	3,036,714	4,273,274	2,498,424
Total operating expenses (US\$'000)	1,364,398	1,885,481	2,345,634	1,982,050
Total employee-related expenses (US\$'000)	124,840	197,352	240,274	210,222
Return on investment in human capital (US\$'000)	468,520	1,348,585	2,167,914	726,596
Human capital rate of return on investment (HC ROI)	375.30%	683.34%	902.27%	345.63%
Total number of employees	2,555	2,855	3,162	3,384
Average profit made by employees (US\$'000)	668.52	1,063.65	1,351.45	738.30
Average employee-related expenses (US\$'000)	48.86	69.13	75.99	62.12

Remarks:

- Human capital rate of return on investment (HC ROI) = (total revenue – total employee-related expenses)/total employee-related expense;
- Revenue and operating expenses include principal business and other business;
- Employees include onshore and offshore employees.

4.5 OCCUPATIONAL HEALTH AND SAFETY

1. Health and Safety core values and net zero safety incident target

Upholding the philosophy "Personnel is SITC's greatest asset" as its core value, the Company always prioritizes the protection of the life, health, and safety of its employees. Our operation's success is founded on the importance of protecting our employees' safety and well-being throughout all our operations. SITC has established a strict occupational health and safety management system (OHS) policy and KPI targets.

The Company considers "employees' health and safety within the value chain" as a critical sustainable development issue, sets a target of net-zero accidents in the value chain as the most important goal, and sets goals related to safety and quality, KPIs, and action plans. Accordingly, the Company has formulated the "5 Zeros" target to achieve net zero safety and health incident:

Zero occurrences of serious accidents at sea, marine pollution caused by oil and gas leaks, serious cargo accidents, industrial accident-related fatal accidents, and cargo worker overwork accidents.

Harmonious Development

In order to achieve this target, we objectively evaluate safety quality through the safety performance index (SPI) and pursue the world's highest level of safety and quality. We base most of the indicators on the approximately 100 ships operated by the Group, including owned and leased ships. Our health and safety indicators also cover all our employees, whether they are employed or outsourced. At the same time, a culture of safety is promoted by providing regular training to enhance employees' safety awareness to eliminate accidents on board or in the workplace. Additionally, we have established comprehensive and rigorous Occupational Health and Safety Operation Control Procedures and other related documents.

We are dedicated to achieving the highest level of safety and quality within the Company's value chain. We are committed to assisting our upstream suppliers and downstream partners in enhancing their safety standards while achieving a net-zero record of internal safety incidents. We require our suppliers to comply with our safety standards, including net-zero targets for accidents, and to have health and safety policies in place.

2. Employee Health and Safety Policy and Commitment

SITC reflects the organization's long-term direction in health and safety through a company-wide OHS policy and commitment, which stipulates the approach of the Company to health and safety and clearly stipulates the expectations of the Company for employees and other stakeholders. The commitments contained in the policy will then be reflected in the processes established by the Company to ensure a sound, credible, and reliable OHS management system. The occupational health and safety commitment is therefore a valuable and necessary step in developing further measures.

The Company has implemented an occupational health and safety management system and complied with the ISO 45001 standard and other applicable national or international OHS standards and regulations, voluntary schemes, and OHS collective agreements. During maritime transportation, special attention is paid to complying with the regulations issued by the International Maritime Organization (IMO) in respect of occupational health and safety for maritime workers. The Company is committed to respecting human rights and abiding by the OCED Code for Multinational Enterprises, the Due Diligence Guidelines for Responsible Business Conduct, and the United Nations Guiding Principles on Business and Human Rights. The Company has promised to introduce occupational health and

safety standards into contract requirements across the Company, applicable to employees under the Company's overall operations, as well as contractors and individuals under the Company's supervision (hereinafter collectively referred to as workers).

In order to perform the above commitments, the Company has established a systematic occupational health and safety risk assessment process, continuously completed work-related hazard identification and risk assessment processes, and applied risk control systems and structures to minimize these hazards. We ensure that workers can easily exit from potentially hazardous work environments and report risk issues. The Company is committed to protecting workers from retaliation, improving work environment risks, and performing equipment maintenance and updates to prevent and mitigate negative and direct health and safety risks during operations.

In addition, the Company provides occupational health services to workers to ensure that workers' health conditions are protected in specific work environments and to protect their health privacy and security and promotes workers' access to other non-occupational health care services. The Company is committed to providing workers with adequate occupational health and safety training to raise their awareness and reduce operational health and safety incidents from work-related hazards. We have also institutionalized procedures for investigating work-related injuries, illnesses, diseases, and accidents to ensure workers are fully compensated for work-related injuries and to reduce the likelihood of future occurrences.

During the development, implementation, and evaluation of the occupational health and safety management systems, the Company extensively consults workers for their opinions and incorporates them into the systems. The Company is committed to continuous and regular internal assessments of occupational health and safety performance. While implementing the OHS management system, we try to discover current issues in the system and make improvements, and adopt best practices and new technologies to improve OHS performance. We also develop priorities and action plans, combined with quantified targets for improving occupational health and safety performance indicators, to address these risks and take actions to prepare for and respond to emergencies. In addition, we assess progress in reducing/preventing health problems/target risks on a regular basis.

Harmonious Development

The Board of the Company recognizes the implementation strategy of the occupational health and safety policy and clarifies the responsibilities and obligations of the management and employees of the Company in occupational health and safety. The top decision-maker is the Board. The safety policy of the Company is more than just a document. It is considered an integral part of our organizational culture, values, and performance standards. We adhere to the principles of “zero accidents” and “zero injuries” to ensure that all workers can be returned home safely. We are committed to being responsible for the communities and environment involved in maritime transport and protecting the well-being of workers and communities through occupational health and safety management.

The Company is not only committed to ensuring the occupational health and safety of workers within the company but also extends this commitment to the level of suppliers and partners. The Company requires suppliers and partners to comply with relevant occupational health and safety regulations and standards. During cooperation with the Company, we implement occupational health and safety management measures that meet the requirements of the Company. The Company will evaluate the occupational health and safety management of suppliers and partners and work with them to provide necessary trainings, and improve occupational health and safety performance. Meanwhile, the Company encourages suppliers and partners to develop and implement their own occupational health and safety management systems to ensure occupational health and safety in the global supply chain. Through these measures, SITC has expanded its occupational health and safety commitment to the entire supply chain, thereby ensuring that both the workers of the Company and our partner can work in a safe and healthy environment.

Through the above series of actions, SITC ensures the establishment of a sound, credible, and reliable OHS management system to protect the occupational health and safety of workers.

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. The Company has formulated management regulations on accident-level evaluation and emergency response measures. Immediately after an accident occurs, the Company shall start an emergency handling plan, and at the same time submit a standardized report at the first time, then different departments cooperate to deal with the accident quickly to reduce the risk of the accident to the health and safety of personnel, and finally the Company shall write a risk description and control plan as a corrective and preventive measure.

To protect the occupational health and safety of all employees, the Company provides free annual physical examination and provides employees with social security under the regulations of relevant countries, as well as labor insurance, allowances and subsidies, occupational health training, and other guarantees for employees involved in a special type of work. In 2023, the Company paid a total of US\$12.90 million to its employees' social insurance and provident fund.

Harmonious Development

For example, in Shanghai, China, “five insurances and one housing fund” shall be paid according to the following ratios

Endowment insurance		Basic medical insurance		Unemployment insurance		Employment injury insurance		Maternity insurance		Housing fund	Supplementary housing fund
Entity	Individual	Entity	Individual	Entity	Individual	Entity	Individual	Entity	Individual	Entity/Individual	Entity/Individual
16%	8%	10%	2%	0.5%	0.5%	0.2%-1.9%	0%	0%	0%	7%, 7%	3%, 3%

Note: There may be slight differences in contribution ratios in different places due to different policies and company conditions.

3. Frequency of safety incident and work-related injury

In addition to the “five insurances and one housing fund” for all employees, accident injury insurance and accident supplementary medical insurance are provided for positions with higher risks, such as positions in ship management companies that frequently board ships, as well as ship repair, and sea trial roles. Shipping agents in logistics companies, field offices, and on-site workers in the yard and warehouse, are also insured accident insurance.

In 2023, one employee was injured and no employee died on duty in the Company. The injured employee was a crew member. In 2023, the lost time injury frequency rate (LTIFR) for all regular employees of the Group was 0.15, representing a decrease of 75% as compared to 2022. The lost workday rate for regular employees (LWR) was 3.45. Overall, the Company has made progress in ensuring the health and safety of employees. Employee safety indicators have improved in all aspects, preliminary realizing “5 Zero” net zero safety and health incident target. We will be dedicated to maintaining proper level of safety and health in the future.

The number of work-related fatalities and injuries in the Company in the past three years is as follows:

Year	2021	2022	2023
Number of work-related fatalities	1	0	0
Number of work-related injuries	2	4	1
Lost hours	1,136	1,804	896

- In September 2023, while aboard the ship “SITC Incheon” en route from the Port of Kota Kinabalu to the Port of Kuching,

trainee third officer Zhao Yaohui was injured while arranging the steel plate of the bow peak tank. He was pinched on the middle finger of his right hand. Following the accident, the Company immediately arranged for his disembarkment for treatment. He is currently recovering well.

Immediately after the safety incidents occurred, the Company organized a special meeting attended by the general manager, captain, maintenance manager, marine manager, crew supervisor, and other personnel to retrospect the process of each incident, drawing lessons from solutions, risk assessments, emergency plans and cause analysis, formulated the following corrective and preventive measures, and send the same to the entire crew.

- 1) To guide the crew members on board to strictly implement the rules and regulations for vessel safety and security systems according to the requirements of the Company’s systems;
- 2) To instruct the crew members on board to strictly implement the regulations on deck operations according to the requirements of the Company’s systems, and reserve sufficient time to check the lashing and securing operations of the cargo before sailing;

Apart from our employees, the Company also attaches high emphasis on the health and safety of other suppliers or partners in the value chain. We call for undertaking of the responsibility of protecting employees’ health and safety by suppliers. Health and safety protection standard has been incorporated in trainings for suppliers. Upon our request, at least 526 suppliers have signed the letter of social responsibility undertaking inclusive of employees’ health and safety.

Harmonious Development

4. Measures to protect employees' health and safety 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 the 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.

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 employee safety awareness, organized safety practices and training sessions on a regular basis, and provided employees with safe and comfortable workplaces.

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.

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 the safe and orderly operation of each link.

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 the 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 2023, the Company organized various occupational safety and health training

Harmonious Development

activities to help employees familiarize themselves with our safety regulations and work procedures, and master the latest safety measures and technologies, and sent staff to participate in training courses on IMDG Code (International Maritime Dangerous Goods Code) in some regions, which enriched the professional knowledge of employees, improved their work ability and quality, strengthened their competitiveness, and enhanced their work health and safety awareness, thereby promoting safety and health philosophy development.

In 2023, no major safety incidents happened to onshore employees.

5. Mental Health Concern

In addition to providing strong protection for employees' occupational health and safety, the Company also pays special attention to employees' mental health. We organize a variety of team-building activities and provide professional mental health training to our employees. SITC Container Lines Japan organized a special and meaningful training on how to relieve stress at work. The training analyzed the causes of common negative emotions and provided psychological insights on specific types of emotions to help employees correctly understand and cope with the pressure caused by work. During the training, everyone paid close attention and took notes. After the session, everyone shared their experience of reducing stress with each other.



The Zhangjiang office building organized a yoga and meditation event that centered around the theme of “Yoga Together for Health”. The event aimed to promote the benefits of meditation and yoga, which include reducing eye fatigue, improving blood circulation in the eyes, enhancing concentration, quickly releasing the accumulated negative energy in the body, and reducing work-related stress, worries, depression, and low mood. Through meditation, the inner energy potential is released, from the breath regulation on the body to the mind's purification, leading to a peaceful and healthy state of the body and mind.



4.6 EMPLOYEE REMUNERATIONS, BENEFITS AND INCENTIVES

Putting people first, the Company takes employees as valuable corporate assets, respects human rights and labor rights, and provides employees with a safe and comfortable working environment and reasonable work schedule. The Company pays attention to the air quality of the office environment. All newly renovated offices have installed fresh air systems. The Company offers competitive compensation and benefits and has established a well-designed vacation and insurance system in our places of operation to provide good welfare and benefits. The Company has established an internal rescue system to assist employees in difficulty. Professionals have been invited to offer emotional counseling 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 the active involvement of the employees to promote harmony and unity among the employees.

1. Remuneration and Benefits

The Company has a sound and competitive employee remuneration system in the industry and evaluates the consumption level of each country and region every year to raise the remuneration standard. In addition to the basic salary in the remuneration package, there are monthly performance, project bonuses, equity incentives, year-end bonuses, subsidies, and allowances for suitable positions. Employees are entitled to certain benefits such as transportation subsidies, communication subsidies, special subsidies, full attendance rewards, dispatching subsidies, children's educational subsidies, and service bonuses. Remunerations for all employees are set and increased annually under internal equity principles. The Company conducts monthly or quarterly performance appraisals for more than 95% of onshore employees, and regular performance appraisals for crew

members in terms of length of time and performance on board. Save for individual employees with exceptional circumstances, a general adjustment to the salaries of basically all staff will be completed every year. In 2023, the total remuneration amounted to US\$191 million (including equity incentives). Based on the statistics, in the year 2023, the average annual salary of the Company's employees (except CEO) was approximately US\$47,000 with medium salary of approximately US\$27,000. The annual salary of the CEO was approximately US\$1.82 million. The annual salary of the CEO was 39 times of the average annual salary of the employees, and 7 times of the medium annual salary of the employees.

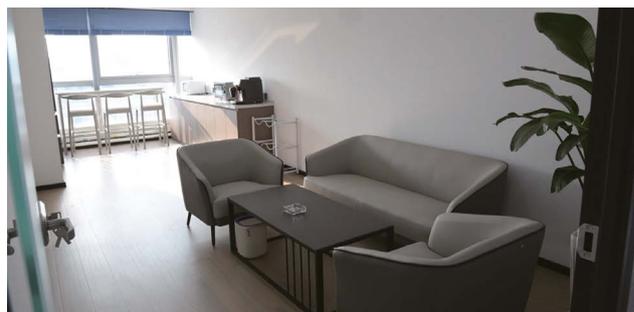
The Company has adopted flexible work schedules and vacation regulations for employees as per the place of operation. Part-time and remote work options are provided according to the circumstances. Working hours and statutory holidays are established based on the laws and regulations of different countries or regions. It also implemented paid leaves, maternity leaves, sick leaves, and family leaves to relieve the pressure from intense work, promote harmonious family ties, and enhance the unity of employees and the cohesiveness of the enterprise. In 2023, a total of 9,277 onshore employees were entitled to paid leave for a total of 17,563 days. The number of employees who took paid leave increased by 16.5%.

The Company attaches great importance to the promotion of parental leaves and encourages employees to apply for parental leaves according to the regulations of their respective countries and regions. In most regions in China, women are entitled to 98 days of paid maternity leave and 10 days of paid childcare leave per year while male employees are entitled to 10 days of paid shared childcare leave per year until the child is 3 years old pursuant to the regulations. Our female employees enjoy 128 days of paid maternity leave and paid childcare leave while our male employees enjoy 30 days of paid childcare leave. In addition, we also provide employees with other paid family-care leave, such as parental care leave. In accordance with regional regulations, such leave ranges from 5 to 15 days depending on the policy. The number of people who took childcare leave, the return rate, and the retention rate of the Company in 2023 increased as compared with 2022.

Harmonious Development

	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Number of employees with entitlement for the year	35	77	51	51	57	52
Actual number of applicants for the year	1	12	12	19	13	20
Estimated number of employees returning to work for the year	3	14	12	17	15	21
Actual number of employees returning to work for the year	2	10	11	12	15	21
Actual number of employees returning to work in the prior year	3	10	8	11	12	19
Total number of employees who returned to work after parental leave in the prior year and are still employed after 12 months	3	9	7	10	12	17
The actual number of employees who should have returned to work but applied for an extension for the year	0	2	0	0	0	0
Return rate of employees on parental leave	66.67%	71.43%	91.67%	70.59%	100.00%	100.00%
Retention rate of employees taking parental leave	100.00%	90.00%	87.50%	90.91%	100.00%	89.47%

The Company places great importance on employees' benefits regarding parental leave. Additionally, we also offer independent mother and child rooms for employees who return to work after giving birth. For instance, SITC Container Lines Lianyungang provides a mother and child room with independent space, a good environment, privacy, comfort, and hygiene for new mothers who breastfeed or pump milk for their newborns. The room is also equipped with a refrigerator, sofa, coffee table, water dispenser, central air conditioning, and other facilities. SITC Container Lines Ho Chi Minh City provides a benefit for female employees who have children under the age of 1. They can choose to arrive at work one hour late or leave an hour earlier to arrange their time more flexibly for childcare. This initiative aims to create an easier working environment for female colleagues so that they can better balance their professional and family responsibilities. The Company hopes to provide employees with more flexibility and support through this benefit and create a more warm and harmonious working atmosphere with them. We would like to extend our gratitude to all female employees for their contribution to the Company and society. We hope that these benefits will make their lives easier and more convenient. We plan to expand this policy to more regions.



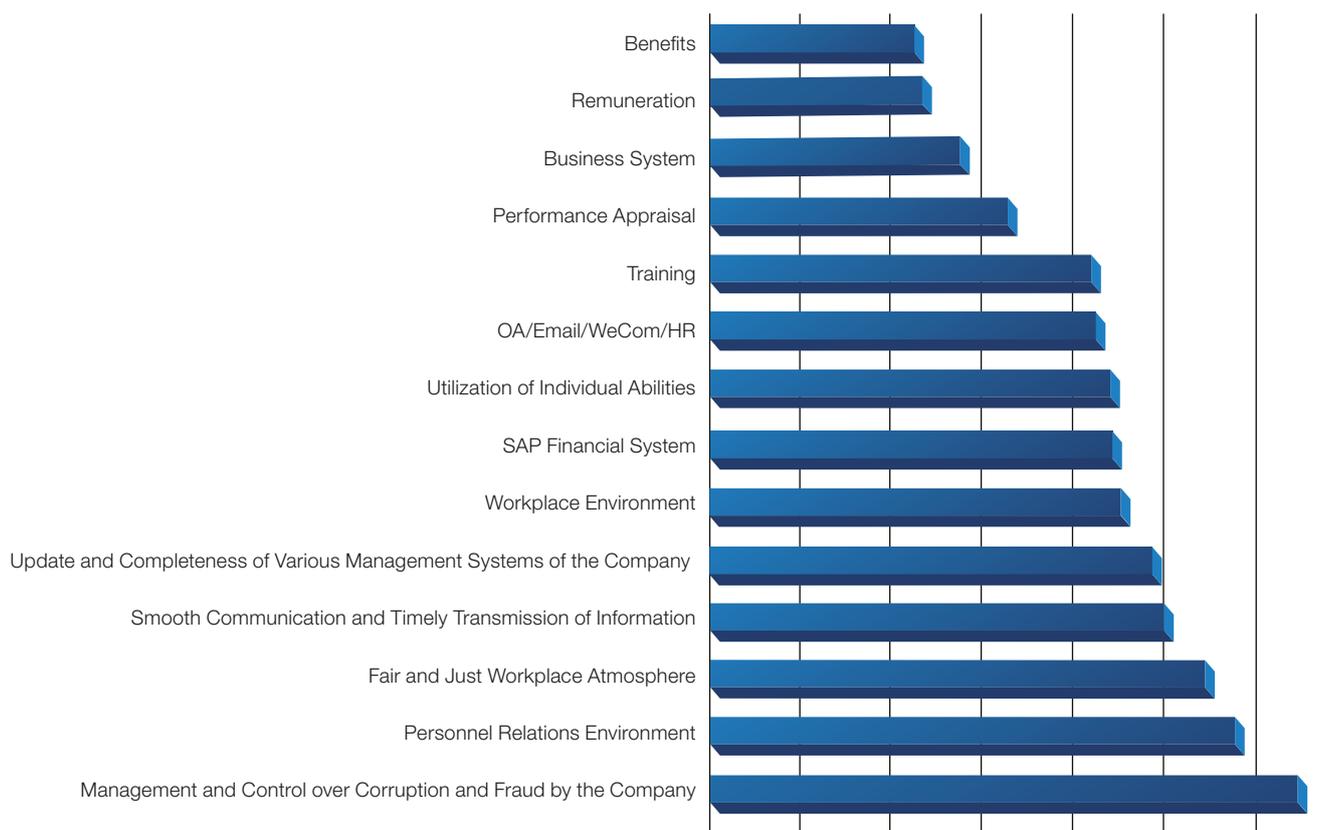
2. Satisfaction and Happiness Survey

Apart from optimized 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 2023, the Company conducted an employee satisfaction survey questionnaire with over 2,000 participants with a coverage of over 93%, which surveyed 14 items concerned employees, such as salary, benefits, business system, and performance assessment. According to the survey results, the following matrix has been formulated to present satisfaction levels from low to high.

Harmonious Development

Table of Comparison	2020	2021	2022	2023
Employee satisfaction	73%	86%	85%	89%
Statistical coverage	50%	50%	56%	63%

Employee Satisfaction Level



Compared with 2022, the overall employee satisfaction score in 2023 improved. There has been a significant improvement in satisfaction levels concerning personnel relationships, office environment, the Company's atmosphere, and the financial and information systems of the Company. This is a result of our investment in employee care and creating a comfortable work environment, as well as our continuous efforts to update and improve electronic systems. For areas where employee satisfaction is low, the Company will take the following improvement measures:

- As the pandemic's impact wanes, all branches will optimize the remuneration structure and adjust the remuneration standards;

- Communicating with employees in detail to understand their needs in time, putting forward appropriate improvement suggestions, and improving the training and performance assessment;
- Strengthening the development of collaborative interfaces between business systems and suppliers, and formulating standardized specifications for system products and services as soon as possible.

Apart from employee satisfaction, we have conducted survey on employee happiness with 1,883 feedbacks received, covering 87.9% employees. The survey on employee happiness reflects the overall satisfaction of employees towards their current positions and remunerations.

Harmonious Development

	Average Point (0-10)	(Net)Number of Happy Employees(9-10 points represent being satisfied)	Proportion of happy employees
Proportion of the happiest employees	8.84	1,262	67.02%
Employee Net Promoter Score (eNPS)	N/A	1,195	63.46%
Breakdown as follows			
Level of satisfaction in terms of work and occupation	8.82	1,239	65.80%
Sense of purpose and self-motivation	8.71	1,112	59.05%
Level of happiness	8.62	1,121	59.53%
Level of stress	6.62	308	16.36%

Remarks: scoring method: within 0-10, 9-10 means being happy; 7-8 means being neutral or not fully satisfied; 0-6 means being critics or unsatisfied; Employee Net Promoter Score (eNPS) = (number of promoters – number of critics)/number of interviewees

In respect of the result of the survey, we consider that our employees have high level of satisfaction towards the Company. We will continue to improve the remuneration package of our employees, formulate better occupational training programmes and offer more benefits and services to our employees.

3. Equity Incentives

The Company emphasizes 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 an employee share plan, employee options, and an active restricted share plan:

As at 31 December 2023, the shareholding of the employees and management represents approximately 64% of the Company's total issued shares;

Options granted represent approximately 3.90% of the Company's total issued shares, and the number of shares subject to options outstanding is 840,000 shares:

The active restricted share plan is as follows:

Year	Total incentive shares granted	Number of employees granted
2017	3,890,033	518
2018	6,570,360	542
2019	6,348,743	552
2020	6,769,105	604
2021	4,887,657	630
2022	15,160,293	639
2023	21,487,433	724
Total	65,113,624	

The awarded share will be vested to employees three years after grant or other time as approved by the Board. As of 31 December 2023, 718 employees below senior management rank were granted share incentives, representing 33.60% of the number of employees. The Company will continue to explore ways and intensities of equity incentives to leverage the role of incentives.

4. Team Building Activities

In addition, the Company has always adhered to people-oriented principles in the course of daily operations, which includes organizing various team-building activities. In 2023, the Company's branches across all locations took on healthy sports initiatives and conducted team-building activities under the theme of "Getting Fit and Ready for Success". These activities aimed to improve physical fitness and enrich the lives of employees while fostering stronger team cohesion and promoting corporate culture.

Harmonious Development

The company in Dalian jointly organized sports games



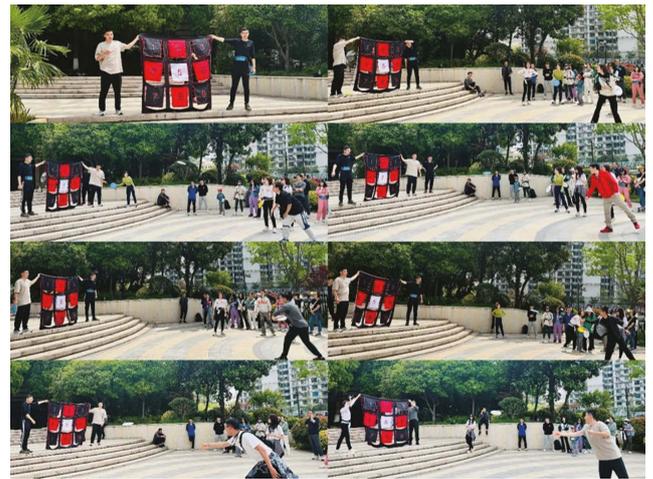
The company in Thailand held color games



The company in Indonesia held a hiking event



The company in Shanghai held the “Shanghai Spring City Walk” activity



Harmonious Development

The Company also places significant importance on the health of its crew members. We establish fitness awareness through the program “Fitness for the Whole Crew”, and encourage the concept of a healthy lifestyle, which includes “exercising for one hour every day and going to work healthily every day to live happily for a lifetime”. A tug of war was held on SITC Renhe.



A jump rope competition was held on Shengde



A table tennis competition was held on Xincheng



4.7 COMMUNITY SUPPORT

The Company cannot grow without the support of the local community. The Company has been actively involved 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. The Company strengthens communication with the communities where it operates to understand the concerns and needs of the communities and determine the focus areas of the Company’s contributions based on its own business advantages and characteristics. In 2023, the Company made contributions to poverty alleviation through education, training of shipping talents, updating of education facilities, and construction of scientific innovation by investing a total of more than US\$570,000 in public welfare.

The Company does not make any offer, payment, or gift of material value, or promise of such, directly or indirectly, to any government or public official, political party or its representatives, or candidate for political or governmental office.

Harmonious Development

Case:

On 2 June 2023, the SITC Cup, a university student career planning competition, was successfully held at Shandong Jiaotong University. At the same time, the event saw a donation of RMB1 million being made to Shandong Jiaotong University in order to support the construction and professional certification of navigation, while also furthering the cooperation between the university and the enterprise. The competition allowed students to have a deeper understanding of the enterprise, while also improving their ability to practice, create, and find jobs. In addition, it helped establish correct views on success, career selection, and employment among university students.



Case:

On 29 December 2023, the second "SITC Class" which was jointly organized by Shandong Foreign Trade Vocational College and SITC concluded, and the "SITC Scholarship" was awarded. SITC stands by its established social responsibilities and actively contributes to society. We will continue to provide a social practice platform for Shandong Foreign Trade Vocational College to improve the quality and abilities of students, aiming to make constant contributions to the sustainable development and diversity of students as they enter the workforce.



Harmonious Development

Case:

On 24 June 2023, Indonesia Depot celebrated its third anniversary by organizing a charity event coinciding with the major holiday Eid al-Adha in Indonesia. Indonesia Depot sent employee representatives to orphanages in the area to carry out charity donations. Indonesia Depot has always adhered to SITC's glorious tradition, implementing the "people-oriented" corporate principle, actively fulfilling social responsibilities, integrating into the local community, integrating into the local area, and giving back to society as much as the Company can. This event not only brought happiness and warmth to the children but also provided employees with profound education and spiritual cleansing. Indonesia Depot plans to continue to organize this meaningful public welfare event.



Case:

From 30 September to 1 October 2023, SITC Container Lines Myanmar held a charity team-building event that centered around the theme of "Caring for Children". All employees of the Company went to Zaytawun Orphanage for a visit, interacted cordially with the orphans, and held a love donation ceremony. As the first team-building of the company, the employees worked closely together to enhance team cohesion and a sense of common mission. Guided by warmth and humanistic care, the event demonstrated the "people-oriented" corporate principle of the company. It also highlighted the good image and sense of social responsibility of the company, and brought more hope and care to society and people in need.



Case:

On 18 March 2023, SITC Indonesia participated in a charity donation event for the Sacred Heart Orphanage in Jakarta and donated 10 million Indonesian rupiah.



Harmonious Development

Case:

SITC Logistics Thailand and EDF Student Aid Foundation, an educational charity organization in Thailand, jointly organized the event with the theme of “Under the Same Sky—To Create a Better Future for Out-of-School Children in Thailand”. Over the past five years, the Company has donated to 6 children who are out of school due to poverty, disability, or being orphans, etc. for their tuition fees. In addition, one-on-one care and companionship are provided by our employees to help 30 Thai children become stronger and more confident in facing future difficulties and challenges in life.



Case:

In July 2023, SITC Container Lines Thailand donated 10,000 Thai baht, and together with Mr. Dhanin Chearavanont of Charoen Pokphand Group in Thailand and his family, as well as other guests who participated in the funeral of Khunying Tewee Chearavanont, jointly donated for the construction of the medical and public health comprehensive service center building project at the Red Cross Chulalongkorn Hospital in Thailand. The project aims to extend outpatient treatment services, improve outpatient screening standards, and provide medical services through a remote system so that people can gain more comprehensive and faster access to modern medical services.

Case:

On 31 January 2023, SITC Container Lines Thailand partnered with the Mirror Foundation in Thailand to send warmth and love to the local poor and homeless people in Thailand. SITC Container Lines Thailand set up donation boxes within the company. The donations for this event came from daily donations from employees. The Company and its employees expressed their concern for the less fortunate and contributed their efforts to help society.



Outlook

In 2023, the Board of the Company will continue to adhere to the strategy of sustainable development and constantly seek development opportunities.

In terms of environment:

- To update and monitor mid-to-long term environmental indicators and implementation path;
- To ensure the vessels of the Company are in compliance with the latest IMO requirements;
- To promote more green investment and financing projects;
- To track any change in new energy vessels and fuel technology;
- To enhance data accuracy and comparability;

In terms of society:

- To pay attention to the major topics of stakeholders and to facilitate the green development of supply chain;
- To enhance review and supervision of supply chain ESG-related matters;
- To expand talent pool and build talent echelon;
- To complete survey on stakeholder satisfaction;

In terms of governance:

- To participate MSCI/CDP/S&P ratings and to learn from the best practices of outstanding companies;
- To renew members of the Board and the committees;
- To strengthen management and control of all risks involving in the industry and regions.

Appendix I: Independent Verification Statement



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by SITC International Holdings Co., Ltd., (hereinafter referred to as “SITC”) to undertake an independent verification for its Environmental, Social and Governance Report 2023 (hereinafter referred to as “the Report”). The scope of this verification covers the sustainability performance data and information of SITC’s business operations in Mainland China, Hong Kong, Japan, Korea and countries in Southeast Asia during 1 January 2023 to 31 December 2023, as defined in the Report.

The aim of this verification is to provide a reasonable assurance of the reliability of the contents. The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Guide”) of The Stock Exchange of Hong Kong Limited (“SEHK”), and reference to Global Reporting Initiative (“GRI”) Standard.

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the ESG Guide of SEHK and GRI Standard.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data; reviewing relevant documentation; interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative samples of data and information. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification process according to the sampling plan.

Independence

SITC is responsible for the collection and presentation of the information presented in the Report. HKQAA is not involved in calculating, compiling, or developing the Report. Our verification activities are independent from SITC.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is of the opinion that:

- The Report has been prepared in accordance with the ESG Guide of SEHK, and reference to GRI Standard;
- The Report illustrates the sustainability performance of SITC, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA’s attention indicating that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria. In conclusion, the Report provides clear information with regards to the sustainability performance of SITC in a factual, responsive, consistent, fair and truthful manner.

Signed on behalf of Hong Kong Quality Assurance Agency

KT Ting
Chief Operating Officer of HKQAA
March 2024

Appendix II: HKEX ESG Reporting Guide Index

Areas, Aspects, and KPIs	Section/ Reference Guideline	Page
A1 Emissions		
General Disclosure	Energy Conservation and Environmental Protection	49
1.1 The types of emissions and respective emissions data	Energy Conservation and Environmental Protection	49
1.2 Greenhouse gas emissions	Energy Conservation and Environmental Protection	49
1.3 Total hazardous waste and intensity	Energy Conservation and Environmental Protection	55
1.4 Total non-hazardous waste and intensity	Energy Conservation and Environmental Protection	55
1.5 Emissions target(s) set and steps taken to achieve them	Energy Conservation and Environmental Protection	50
1.6 Handling of wastes and reduction target(s) and steps taken to achieve them	Energy Conservation and Environmental Protection	55
A2 Use of Resources		
General Disclosure	Energy Conservation and Environmental Protection	57
2.1 Direct and/or indirect energy consumption and intensity	Energy Conservation and Environmental Protection	57
2.2 Water consumption in total and intensity	Energy Conservation and Environmental Protection	61
2.3 Energy use efficiency target(s) set and steps taken to achieve them	Energy Conservation and Environmental Protection	57
2.4 Description of whether there is any issue in sourcing water that is fit for purpose, and water efficiency target(s) set	Energy Conservation and Environmental Protection	61
2.5 Total packaging material used for finished products and with reference to per unit produced	Energy Conservation and Environmental Protection	57
A3 The Environment and Natural Resources		
General Disclosure	Energy Conservation and Environmental Protection	62
3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken	Energy Conservation and Environmental Protection	62
A4 Climate Change		
General Disclosure	Energy Conservation and Environmental Protection	65
4.1 Description of significant climate-related issues that have impacted, and those which may impact the issuer	Energy Conservation and Environmental Protection	66

Appendix II: HKEX ESG Reporting Guide Index

Areas, Aspects, and KPIs		Section/ Reference Guideline	Page
B1	Employment		
	General Disclosure	Harmonious Development	89
1.1	Total workforce by gender, employment type, age group, and geographical region	Harmonious Development	90
1.2	Employee turnover by gender, age group, and geographical region	Harmonious Development	91
B2	Health and Safety		
	General Disclosure	Harmonious Development	101
2.1	Number and rate of work-related fatalities occurred in each of the past three years	Harmonious Development	104
2.2	Lost days due to work injury	Harmonious Development	104
2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Harmonious Development	105
B3	Development and Training		
	General Disclosure	Harmonious Development	97
3.1	The percentage of employees trained by gender and employee category	Harmonious Development	99
3.2	The average training hours completed per employee by gender and employee category	Harmonious Development	99
B4	Labour Standards		
	General Disclosure	Harmonious Development	86
4.1	Description of measures to review employment practices to avoid child and forced labor	Harmonious Development	86
4.2	Description of steps taken to eliminate such practices when discovered	Harmonious Development	86

Appendix II: HKEX ESG Reporting Guide Index

Areas, Aspects, and KPIs	Section/ Reference Guideline	Page
B5 Supply Chain Management		
General Disclosure	Responsible Operations	37
5.1 Number of suppliers by geographical region	Responsible Operations	37
5.2 Description of practices relating to engaging suppliers	Responsible Operations	38
5.3 Description of practices used to identify environmental and social risks along the supply chain	Responsible Operations	38
5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers	Responsible Operations	38
B6 Product Responsibility		
General Disclosure	Responsible Operations	34
6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	Responsible Operations	37
6.2 Number of products and service-related complaints received and how they are dealt with	Responsible Operations	37
6.3 Description of practices relating to observing and protecting intellectual property rights	Responsible Operations	37
6.4 Description of quality assurance process and recall procedures	Responsible Operations	37
6.5 Description of consumer data protection and privacy policies	Responsible Operations	30
B7 Anti-corruption		
General Disclosure	Responsible Operations	27
7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees and the outcomes of the cases	Responsible Operations	29
7.2 Description of preventive measures and whistle-blowing procedures	Responsible Operations	28
7.3 Description of anti-corruption training provided to directors and staff	Responsible Operations	28
B8 Community Investment		
General Disclosure	Harmonious Development	112
8.1 Focus areas of contribution	Harmonious Development	112
8.2 Resources contributed to the focus area	Harmonious Development	112

Appendix III: GRI Content Index

Statement of use SITC has reported the information cited in this GRI Content Index for the period from 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

GRI 1 used GRI 1: Foundation 2021

GRI Standard	Disclosure	Page
GRI 2: General Disclosure 2021	2-1 Organizational details	2
	2-2 Entities included in the organization's sustainability reporting	1
	2-3 Reporting period, frequency, and contact point	1
	2-4 Restatements of information	1
	2-5 External assurance	1
	2-6 Activities, value chain, and other business relationships	2, 33, 37
	2-7 Employees	89
	2-8 Workers who are not employees	92
	2-9 Governance structure and composition	9
	2-10 Nomination and selection of the highest governance body	10
	2-11 Chair of the highest governance body	3
	2-12 Role of the highest governance body in overseeing the management of impacts	10
	2-13 Delegation of responsibility for managing impacts	10
	2-14 Role of the highest governance body in sustainability reporting	10
	2-15 Conflicts of interest	12
	2-16 Communication of critical concerns	12
	2-17 Collective knowledge of the highest governance body	10
	2-18 Evaluation of the performance of the highest governance body	11
	2-19 Remuneration policies	12, Refer to 2023 Annual Report of the Company
	2-20 Process to determine remuneration	12, 107
	2-21 Annual total compensation ratio	107
	2-22 Statement on sustainable development strategy	7, 40
	2-23 Policy commitments	9,28,30,45,62,86,102
	2-24 Embedding policy commitments	9,10,11,23,39,47,87
	2-25 Processes to remediate negative impacts	26,33,36,41,62,87
	2-26 Mechanisms for seeking advice and raising concerns	13,16,19,20,24,32,35
	2-27 Compliance with laws and regulations	36,37
	2-28 Membership of associations	6
	2-29 Approach to stakeholder engagement	12-20
	2-30 Collective bargaining agreements	86-89

Appendix III: GRI Content Index

GRI Standard	Disclosure	Page
GRI 3: General Disclosure 2021	3-1 Process to determine material topics	12
	3-2 List of material topics	12
	3-3 Management of material topics	12
GRI3 Material Topics 2021: Voluntary Disclosure:		
GRI 201_ Economic Performance 2016	201-1 Direct economic value generated and distributed	5,22, 101, Please refer to 2023 Annual Report of the Company
	201-2 Financial implications and other risks and opportunities due to climate change	65-85
	201-3 Defined benefit plan obligations and other retirement plans	104, 107-110
GRI 202: Market Performance 2016	202-1 Ratio of standard starting salary level salary to local minimum wage by gender	96, 107-110
	202-2 Percentage of executives hired from local communities	95
GRI 204_ Procurement Practices 2016	204-1 Proportion of purchase expenditure from local suppliers	37
GRI 205: Anti-corruption 2016	205-1 Operations that have undergone a corruption risk assessment	27-30
	205-2 Communication and training on anti-corruption policies and procedures	12, 28-31
	205-3 Confirmed incidents of corruption and actions taken	29
GRI 206: Anti-Competitive Behavior 2016	206-1 Legal actions against competitive misconduct, antitrust and antitrust practice	27, 37
GRI 302:Energy 2016	302-1 Energy consumption within the organization	50-51, 57
	302-2 Energy consumption outside the organization	53-54
	302-3 Energy intensity	49-60
	302-4 Reducing energy consumption	49-62
GRI 303:Water and Wastewater 2018	303-1 Interaction of organizations and water as a shared resource	61
	303-2 Managing impacts related to drainage	54-56, 64-65
GRI 304:Biodiversity 2016	304-1 Organizations own, lease, manage operations located in or adjacent to protected areas and biodiversity-rich areas outside protected areas	62-65
	304-2 Significant impacts of activities, products and services on biodiversity	62-65
GRI 305:Emissions 2016	305-1 Direct (Scope 1) GHG emissions	49-51
	305-2 Energy indirect (Scope 2) GHG emissions	49-51
	305-3 Other indirect (Scope 3) GHG emissions	53-54
	305-4 GHG emissions intensity	49-51, 53
	305-5 GHG emission reduction	49-53
	305-7 NOX, SOX, and other significant gas emissions	49-51

Appendix III: GRI Content Index

GRI Standard	Disclosure	Page
GRI 306:Waste 2020	306-1 Generation of waste and significant wasterelated impacts	54-56
	306-2 Management of significant impacts related to waste	54-56
	306-3 Waste generated	54-56
GRI 308:Supplier Environmental Assessment 2016	308-1 New suppliers screened using environmental criteria	38-42
	308-2 Negative impacts of the supply chain on the environment and actions taken	38-42
GRI 401:Employment 2016	401-1 New hires and employee turnover	89-95
	401-2 Benefits provided to full-time employees (excluding temporary or parttime employees)	104-112
	401-3 Parental leave	107-108
GRI 403:Occupational Health and Safety 2018	403-1 Occupational health and safety management system	86, 101-103
	403-2 Hazard identification, risk assessment and incident investigation	88, 101-103, 22-24
	403-3 Occupational health services	101-106
	403-4 OH&S matters: Worker engagement, consultation, and communication	88, 101-103, 22-24
	403-5 Occupational health and safety training for workers	105
	403-6 Promote worker health	103-106, 111-112
	403-7 Prevent and mitigate occupational health and safety impacts directly related to business relationships	105
	403-8 Workers covered by the occupational health and safety management system	86, 101-103
	403-9 Work injury	104
	403-10 Work-related health problems	104
GRI 404:Training and Education 2016	404-1 Average hours of training per employee per year	98-99
	404-2 Employee upskilling programs and over-assistance programs	100
	404-3 Percentage of employees receiving regular performance and career development reviews	98-100
GRI 405:Diversity and Equal Opportunity 2016	405-1 Diversity of governing body and staff	89-95
	405-2 Ratio of basic wages and remuneration for men and women	95-97
GRI 406:Anti-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	86-88
GRI 408:Child Labour 2016	408-1 Operations and suppliers at significant risk of child labour incidents	38,41,86,88
GRI 409:Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk of incidents of forced or compulsory labour	86-88
GRI 414:Supplier Social Assessment 2016	414-1 New suppliers screened using social criteria	38-41
	414-2 Negative impacts of supply chains on society and actions taken	38-41
GRI 418:Customer Privacy 2016	418-1 Substantiated complaints involving violations of customer privacy and loss of customer data	30-31