

**Implementing Global Compact, Building Harmonious
Enterprises and Promoting World Harmony**

Speech at the UN Global Compact Leaders Summit 2007

By Captain *Wei Jiafu*, President and CEO of COSCO

5 Jul, 2007

**Your Excellency Chairman --
Moderator --
Distinguished Leaders and Colleagues
Ladies and Gentlemen,**

Good afternoon.

I feel honoured to be kindly invited by Your Excellency Mr Ban Ki-moon and come to attend this great event as a representative of the Chinese business community. The Summit gives us a nice opportunity to share with the companies and organisations of other countries their good practices in the implementation of the UN Global Compact. Indeed, we have already been enlightened by the excellent speeches and presentations made by high-profile political leaders and successful companies, such as Mr Ban Ki-moon, UN Secretary General, Mr Goh Chok Tong, Former Prime Minister of Singapore, as well Goldman Sachs and McKinsey & Co in today's opening plenary and other sessions.

Now, I would like to take this opportunity to brief you the views, practices, commitment and recommendation of the Chinese business community in the implementation of the UN Global Compact. And my speech is entitled "Implementing Global Compact, Building Harmonious Enterprises and Promoting World Harmony".

I. Implementation of the Global Compact - Imperative to Face up the challenges of Sustainable Development and Corporate Citizenship

As discussed in McKinsey & Co's presentation, there has been more

globalised economy, freer trade, investment and public information access, which have brought about more intensified restructuring of world economy. Those new trends have given rise to many prominent and much concerned problems around the world - development gap between the north and the south, marginal disparity between the rich and the poor, unemployment, excessive exploitation of natural resources, global warming, ecological and environmental deterioration, and to name a few. The sensible solution of those problems holds the key to the sustainability of world economic development. In this context, more importance has been attached to the sustainable development concept, which requires the economic growth to be achieved on the basis of social justice and ecological and environmental sustainability.

In the process of economic globalisation, multi-national enterprises, as important players in micro-economic operation, represent a major driving force in affecting world economic growth both positively and negatively. “It is up to the doer to undo the knot” , the business community, including the MNEs bears the significant and arduous responsibility in promoting the sustainable development of world economy. That is why the corporate citizenship campaigns have become more prominent in recent years, focusing on the broader corporate responsibilities to stake holders including share holders, employees, customers, society and environment, than merely being responsible to the share holders before.

The way out may be that the business community and MNEs in particular, should adopt voluntary practices to exercise corporate social responsibilities and business ethics, comply with the international recognised codes and standards in human rights, labour and environment, taking the lead in promoting the establishment of a long-term effective mechanism for coordinated and sustainable economic, social and environmental development.

The Global Compact initiated by former UN Secretary General Mr Kofi Annan and officially launched at the UN headquarters in July 2000 is very much consistent to the current situation and our goals. The

Compact has been playing an important role since its implementation in igniting the awareness of corporate citizenship and encouraging collective actions of world business community against globalisation challenges.

II The process and practice of Chinese Enterprises in CSR and Global Compact implementation

Since China adopted reform and opening-up policies almost thirty years ago, the Chinese enterprises have paid increasing attention to corporate social responsibilities, reinforced by the pledge of developing market economy and globalising the Chinese enterprises. In China, since the turn of 1990s, the Project of Hope that has sponsored the compulsory education of many children from poor families and the Guangcai Program that has supported the economic development of many poor areas, as well as other charitable activities have long been the champions in the promotion of CSR in this country. Later than that, there has seen China's export companies being more focused on the exercise of CSR. As the new century ushering in, the Chinese enterprises have taken actions and get them more engaged in the exercise of CSR and the promotion of harmony within the enterprises and the society.

The UN Global Compact has met with positive responses from the Chinese government and business community. Now, 76 Chinese enterprises and organisations have officially joined the Compact and the China's Federation of Enterprises is the first national employers' organisation in the world that has joined the Compact. In practice, China has honoured its responsibilities as a big and influential country and made great contribution in dealing with global climate changes. According to stats, China's energy cost per ten thousand yuan GDP has reduced by 47% from 1990 to 2005 , equivalent to the reduction of 1.8 billion tons of carbon dioxide emission. Furthermore, 5 billion tons of carbon dioxide has been absorbed through our plantation and protection of forests. In the Eleventh Five Year Plan for National Economic and Social Development of China (2006 - 2010) adopted last year , some regulatory and numerical objectives concerning energy-saving, emission reduction and environmental protection have been incorporated into the government

work agenda, for instance, per GDP cost of energy to be reduced by 20%, total volume of major pollutants emission to be cut by 10%, forest coverage to be 20%. By doing so, the Chinese business community has taken up its social responsibilities not only in compliance with the Global Compact but also our own objectives.

In Oct 2006, the COSCO delivered its CSR report on sustainable development, which was the first one in China devoted to the issues of environmental protection, resources saving and anti-corruption, and got approved by competent international organisations. This January, our report was recognised as one of the UN Global Compact performance models , the first Chinese company and the first shipping company in the world enlisted on the Chart.

As a China-based MNE and world's second largest shipping company, COSCO has long been focused on the CSR and corporate citizen's duties in the pursuit of economic returns. Since Jan, 2005 , COSCO has officially joined the UN Global Compact and earnestly implemented the Compact's principles in human rights, labour, environmental protection and anti-corruption so as to promote sustainable development.

In the respect of human rights and compliance of labour standards, COSCO has employed more than 4,000 foreign staff in over 50 countries in the world now, contributing its own part in the promotion of global employment. In Mar 2002, COSCO successfully opened up the ocean communal route for container shipping between Boston of the US and the Far East, thus keeping up 9,000 shipping related job opportunities in Boston and safeguarding the employment and subsistence rights of workers in Boston port. Last month, I attended the 5-year Anniversary Celebration of COSCO's calling at Port Boston, which was organized by Massachusetts Government, and also received the Job Creation Award presented by International Longshoreman Association. Being one of the largest ship repairing groups in the world, COSCO Shipping Engineering Group hires more than 30,000 migrant workers coming to the cities from countryside every recent years. Not only the employment and

development opportunities are provided to the migrant workers, but also their health and safety, living and cultural needs are taken great care of. For all the good performance in that, COSCO was awarded as the Best Employer of Migrant Workers this Mar. We have also paid much attention to the improvement of pays and work conditions for our crews as COSCO is China's largest international shipping company employing over 30,000 crew members in total. We have successfully pushed forward the "Shipping Day of China" become officially recognised and the endorsement of The *Regulations for the Shipping Crew of the People's Republic of China*. We are currently working on the final approval and implementation of International Nautical Organisation's "Nautical Labour Convention 2006) in China. COSCO has also taken the lead in adapting crew's pay rise and work conditions improvement to the market and international practices.

In the energy-saving and environmental protection, for the past years, the company has been developing very fast and the fuel consumption has seen much increase. To deal with the rise of fuel cost, we have taken measures to restructure our fleets, enhance the operational capacity of our ships, rationalize our route design, apply advanced technologies and develop new technologies. By all the means, fuel efficiency has been reduced from 7.39 kg per thousand tons mile in 2004 to 5.16 kg per thousand tons mile in 2006. COSCO has got a fleet of oil tanks with total capacity of 4.5 million tons. To ensure the safety and environmental standards, we have invested much to build up double-shell tankers and adopted the highest international standards in the management of those tankers. In Apr 2007, COSCO got awarded for the third consecutive year with the Green Flag Prize by the US Long Beach Port Bureau for the excellent performance of our porting ships in meeting up the environmental standards.

In the fight against corruption and terrorism, COSCO has been building up its own corruption prevention and punishment system balancing education, mechanism and supervision that is consistent with China's actual conditions. Efforts have been made to prevent and combat

business bribery, and a “broader supervision” framework has also been effectively implemented. COSCO has always been supporting the fight against terrorism in global ocean shipping. In recent years, we have been active in the implementation of SOLAS Convention Amendment and ISPS Rules and other relevant instruments. Our ships have all been awarded with security licenses for international carriers.

In the participation of social undertakings , COSCO seconds its officials every year down to the less developed areas of China, such as Luolong County in Tibet, Yanshan and Haixing County in Hebei and helped the government in local development. COSCO also earmarks nearly 10 million RNB yuan every year to those areas. We participate in various social donations. In Jan, 2005, 10 million RNB yuan was donated to the Indian Ocean Tsunami relief via China’s Red Cross. At the end of 2005, the first company-initiated charity foundation in China was established and funded with 100 million RNB yuan by COSCO.

COSCO has identified its strategic development objectives as to be a harmonious and sustainable company and got itself more geared to overall, balanced and sustainable development. We believe COSCO will be even more capable to implement the Global Compact and CSR and contribute more to the social harmony.

III Commitment and Recommendation

COSCO’s practices in CSR and Global Compact implementation has shown that the exercise of CSR could never hinder but only promote the corporate development. And in return, the corporate development will increase the corporate capability to deliver more significant social responsibilities. In the times of corporate citizenship, the CSR competitiveness has been a new indicator of a company’s global competitiveness. In this sense, enterprises around the world should be willing but not reluctant, conscious but not only voluntary to implement the Global Compact and CSR. There might be various practices in the implementation, as the principle of “more capabilities, more responsibilities” might also apply here. Therefore, enterprises of the developed countries are expected to shoulder up more social

responsibilities.

The Chinese President Mr Hu Jintao called up to build a harmonious world at the Summit of celebrating the 60th anniversary of UN on 15 Sept, 2005. The achievement of each harmonious enterprise reflecting the principles of UN Global Compact will definitely help us realise world harmony at an earlier date.

Ladies and Gentlemen,

As economic globalisation intensifies, people in this world have never been so tied together. There is only one earth for human-beings, so let us join hands more closely, taking up our responsibilities under the framework of the Global Compact and building up harmonious enterprises, and make unswervingly efforts toward the achievement of sustained development and common prosperity in a harmonious world.

Thank you.