



CHINA NAVIGATION



Carriage of Coal Cargoes Policy

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1. Purpose

The China Navigation Company (CNC Co) has a primary vision and goal:

- To be the leading provider of sustainable supply chain solutions, and
- To protect and enhance the environment in which we trade.

As a fossil fuel burned for heat, coal supplies about a quarter of the world's primary energy and two-fifths of its electricity. However, the extraction and use of coal causes many premature deaths and much illness. The use of coal as fuel damages the environment, including by climate change as it is the largest anthropogenic source of carbon dioxide, 14 gigatonnes in 2016, which is 40% of the total fossil fuel emissions and almost 25% of total global greenhouse gas emissions. As part of the worldwide energy transition, many countries have stopped using, or use less coal, and the UN Secretary-General has asked governments to stop building new coal plants by 2020. To meet the Paris Agreement target of keeping anthropogenic global warming to "well below 2°C", usage of coal needs to halve from 2020 to 2030.

Because of these issues, responsible investors are actively disinvesting from the carbon market and reducing their exposure to companies that generate their revenues from thermal coal production. At the time of writing this initial version of this policy, Blackrock, for example, has said it will disinvest where the relevant revenues exceed 25% of their total; the Norwegian Government Pension Fund and AXA set an upper limit of 30%. ING will only support new clients if their reliance on coal is 10% or less and if they have a strategy to reduce their coal percentage to close to zero by 2025.

It is therefore incumbent on CNC Co, as a key player in the shipping value chain, to work in step and consider our support for the carriage of thermal coal cargoes, and concurrently support initiatives to accelerate the global transition towards a low carbon economy, as part of our on-going due diligence and social responsibility policy.

2. Policy Statement

The business has set our own internal targets to phase out the carriage of thermal coal, in a manner that supports a just and equitable transition for individuals and communities in the markets we service, at the more conservative end of the spectrum as clearly articulated by major responsible international investors such as those referenced in section 1.

3. Application

This policy applies to both Swire Bulk and Swire Shipping operations where CNC Co has direct management.

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4. Definitions

Coal	<p>Coal is a black or dark-brown combustible mineral substance consisting of carbonised (fossilised) vegetable matter. Coal is mostly carbon with variable amounts of other elements; chiefly hydrogen, sulphur, oxygen, and nitrogen.</p> <p>Coal was formed when dead plant matter decayed into peat and was converted into coal by the heat and pressure of deep burial over millions of years. Vast deposits of coal originate in former wetlands—called coal forests—that covered much of the Earth's tropical land areas 300-360 million years ago.</p>
Coal Products	<p>“Coal Products” include Thermal Coals used to generate electricity such as Peat, Lignite, Bituminous, Sub-Bituminous, Anthracite and also Metallurgical Coals used to make iron and steel such as Petcoke, Nutcoke and other coking coals”.</p> <p>The Coal Products referred to herein are irrespective of the method of coal extraction (principally surface: open-cut, contour strip mining, area strip mining and auger mining, or any of the six principal methods of underground mining).</p>

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5. Policy Details

5.1 Swire Bulk Targets

5.1.1 Permissible Coal Product Cap

Swire Bulk will use the 2019 trade flows for the carriage of coal products as the baseline for its cap going forwards. This cap figure will be based on the absolute weight of thermal coal carried (2019: 2.8 million tonnes).

Swire Bulk will continue to reduce the permissible coal product cap in each year going forward, starting in 2020, with the end target of reducing the tonnage of thermal coal carried by 10% each financial year, as a straight line to zero by the beginning of 2030.

5.1.2 Reporting of Carbon Related Activities

The Swire Bulk business will also report its carbon-related activities as a percentage of total coal products fixtures (2019: 5.2%) by its owned, managed and operated fleet.

5.2 Swire Shipping Targets

Swire Shipping will decline to quote for and/or knowingly carry cargoes that will primarily support the extraction of coal products. These are defined by Swire Shipping as "those destined to be used by a mining principal, or their contractor/s, primarily or totally within the boundary of their mining concession, as far as can be reasonably established by Swire Shipping in a timely manner".

5.2.1 Social and/or Environmental Value to Communities

This policy does not prevent our carrying cargoes that will either partially or wholly add direct and demonstrable social and/or environmental value to communities. This may include, for example, where there are benefits to communities in parallel to a mining development, or those in developing countries that use the coal to primarily generate energy for food production, such as wheat milling, and where there is no viable alternative. We will seek to engage and collaborate with such communities that are involved in the consumption of thermal coal to encourage them to shift away from coal-related activities by a specified date.

5.2.2 Relation to External Findings

This CNCo policy is irrespective of the purported results and/or findings of any Environmental Impact Assessment (EIA) that may have been completed for any coal extraction project, or regulatory approvals for any projects that may or may not have been granted by relevant authorities, or purported levels of local population support for any coal extraction project.

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5.3 Operations where CNCo has no direct management control

Where CNCo does not have management control of operations but has a minority interest in an entity, we will work closely to inform and educate, and to develop solutions to mitigate any negative social and environmental effects, to the best of our ability and where viable.

6. Governance

This policy will be reviewed for efficacy by the CNCo Executive Leadership Team within 30 days of the end of each financial year.

6.1 Policy Owner

The policy owner is stated at the beginning of this policy. If the policy owner changes, the policy must be re-issued to document this.

6.2 Failure to Comply

Employees must adhere to the conditions of this policy at all times. Non-compliance must be communicated to the policy owner immediately.

6.3 Exceptions

From time to time instances arise where exceptions to this policy may be required. Any exception requests must be submitted to the policy owner for consideration and approval.

6.4 Changes to Policy

CNCo reserves the right to amend this policy at its sole discretion. In case of amendments, the policy owner will inform staff appropriately.

8. Policy History

Amendment Date	Section	Revision Number	Description
21-05-2020		2	Formatting changes

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