

YANG MING

YANG MING MARINE TRANSPORT CORP.
陽明海運股份有限公司

2018

Corporate Social Responsibility Report



Editorial Principle

● Reporting Period

Yang Ming Marine Transport Corporation (hereinafter referred to as Yang Ming) has published a Corporate Social Responsibility Report annually on the company website since 2012. This report deals with our efforts on social responsibility of Year 2017 (2017/01/01-2017/12/31).

We also provide the data of the past few years for reference. The date of the most recent report is 2017/9/30 which covers the period from 2016/01/01 to 2016/12/31.

● Reporting Scope

This report is about the performance of sustainable development in Yang Ming (Taiwan), including economic, environmental and social topics. In addition, environmental topic is covered by the affiliated companies, Hong Ming Terminal & Stevedoring Corp. (hereinafter referred to as Hong Ming) and Kao Ming Container Terminal Corp. (hereinafter referred to as Kao Ming) while social topic is covered by Yang Ming Cultural Foundation. Moreover, the financial information used and prepared is certified by CPA.

The content structure of this report was made by consulting the Global Reporting Initiative G4 Core in the appendix of the report for your reference. Both English and Chinese version will be posted on Yang Ming website.

https://www.yangming.com/investor_relations/Corporate_Governance/CorporateSocialResponsibility.aspx

● DNV GL Business Assurance Co. Ltd. ("DNV GL") undertakes independent assurance of the 2017 Corporate Social Responsibility Report (the "Report") based on VeriSustain™ and Global Reporting Initiative G4 for the year ending on 31 December 2017. The information of financial statement was verified.

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From the Chairman and Chief Executive Officer



Dear readers,

In 2016, shipping industry underwent a devastating depression period ever happening before, accompanied with Hanjin shipping bankrupt and shippers merge, then climbed up gradually from 2017 restructuring into three alliances, including 2M, Ocean Alliance and THE Alliance. Although this situation helps market stability, supply is still over demand in the shipping market of 2018. For the past recessive year, all colleagues put much emphasis on operation performance and made some progress. No matter what kinds of challenge in the future, we have kept providing best service as our highest principle and put "Teamwork, Innovation, Honesty and Pragmatism" into effect. It is expected that Yang Ming can create more possibility not just for itself but for investors and related parties.

In retrospection of 2017, to strengthen the network of eastern south Asia, a line based customer query application, Chatbot, was launched. On the other side, Yang Ming aimed to enlarge the fleet and lower the average age of its ships. YM Wind and YM Wreath were the last two of five 14,000 TEU full-container vessels chartered by Yang Ming under construction at CSBC. Yang Ming strived for environmental protection, adopts the most advanced and latest equipment to prevent environmental pollution. Yang Ming's improved financial status

was substantially driven by strategic actions and initiatives designed to control operating costs, and helped by the concerted efforts of its team members worldwide. Recent efforts to centralize management and optimize container flow have helped to reduce operating costs. Also, Yang Ming has been able to achieve volume and revenue growth through utilizing marginal contribution data as criteria for cargo booking and setting miscellaneous business policies. Yang Ming emphasizes on the development of country's marine transportation and nurture country's professional seafarers. Moreover, exhibitions and local activities, held by YM Oceanic Culture & Art Museum and YM Museum of Marine Exploration Kaohsiung, created a communicative channel between people and groups. We always keep social responsibility in mind.

According to Feb. 2018 report of Alphaliner, the growth rate of cargo freight demand of 2017 is 6.6%, raising up 4% compared with that of 2016. On the side of space supply, the growth rate of 2017 is 3.7%, lifting 1.9% compared with that of 2016. It implies that the imbalance of global trade has slow down but shipping industry still faces the challenge of oversupply in the near future. To meet the challenges of global market recession, Yang Ming collaborates with THE Alliance to enlarge its shipping service network in Middle East, Red Sea, South Asia, Australia and South America, which not only disperses operation risks but also reaches up to group's overall synergy. In addition to cargo shipping, there are continuous improvements of our subsidiaries to provide consistent logistics service for our clients. Moreover, accompanied with global logistics trend, the development and upgrade of information technology is inevitable so that we aim to carry out the delicate management and application of block chain, artificial intelligence, E-commerce API and BOT. Last but not least, headquarters centralizes business, administration, management and information to improve operative efficiency. Living up to its promise of protecting clients, Yang Ming, it is believed, will constantly provide the best and safe delivery in the future.

Yang Ming offers global marine transportation service and tries its best to work on it. When its financial status is gradually becoming better, vessel equipments and vessel efficient management system are implemented to monitor fuel consumption and reduce gas emission as well. Besides, a ballast water management system is adopted to reduce water pollution. To preserve marine cleanliness, prevent all kinds of pollution and feed back to our society is the responsibility on our shoulders.

Bronson Hsieh
Chairman

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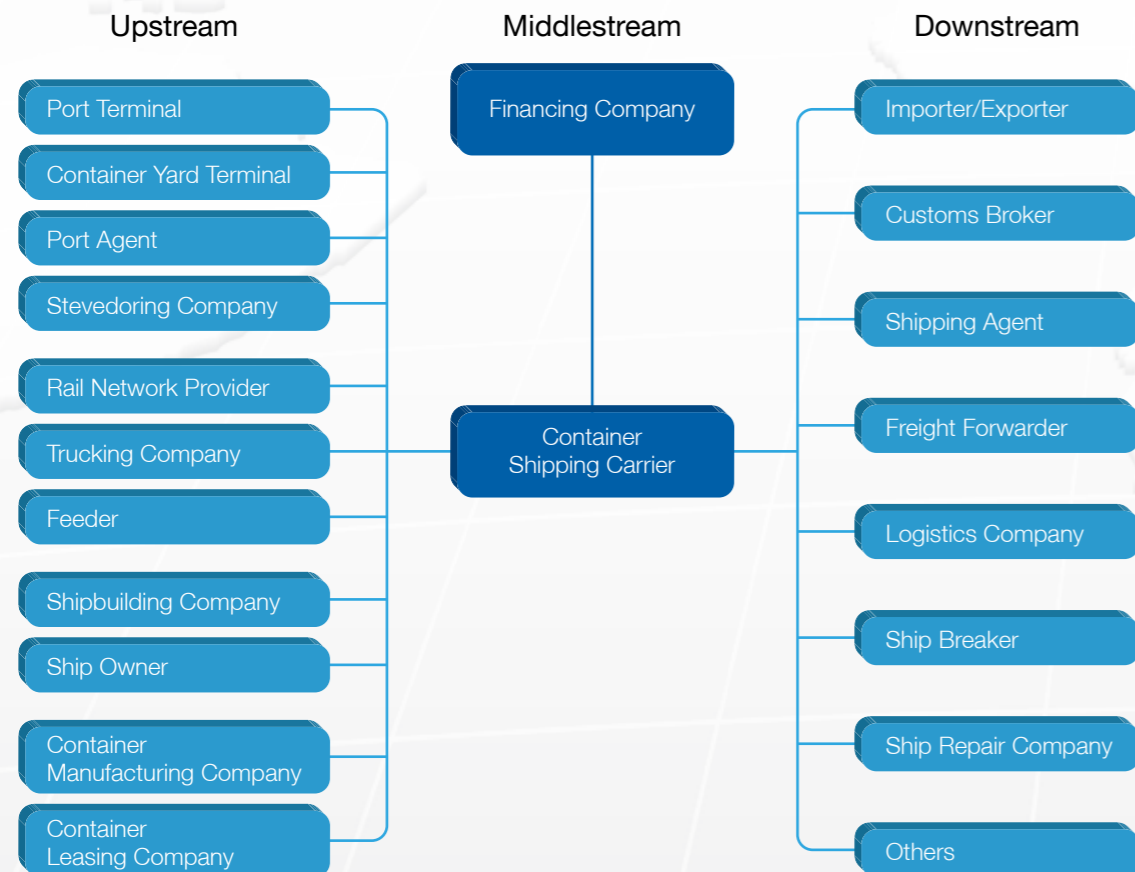
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CH1 Yang Ming, Deliver Good for Life

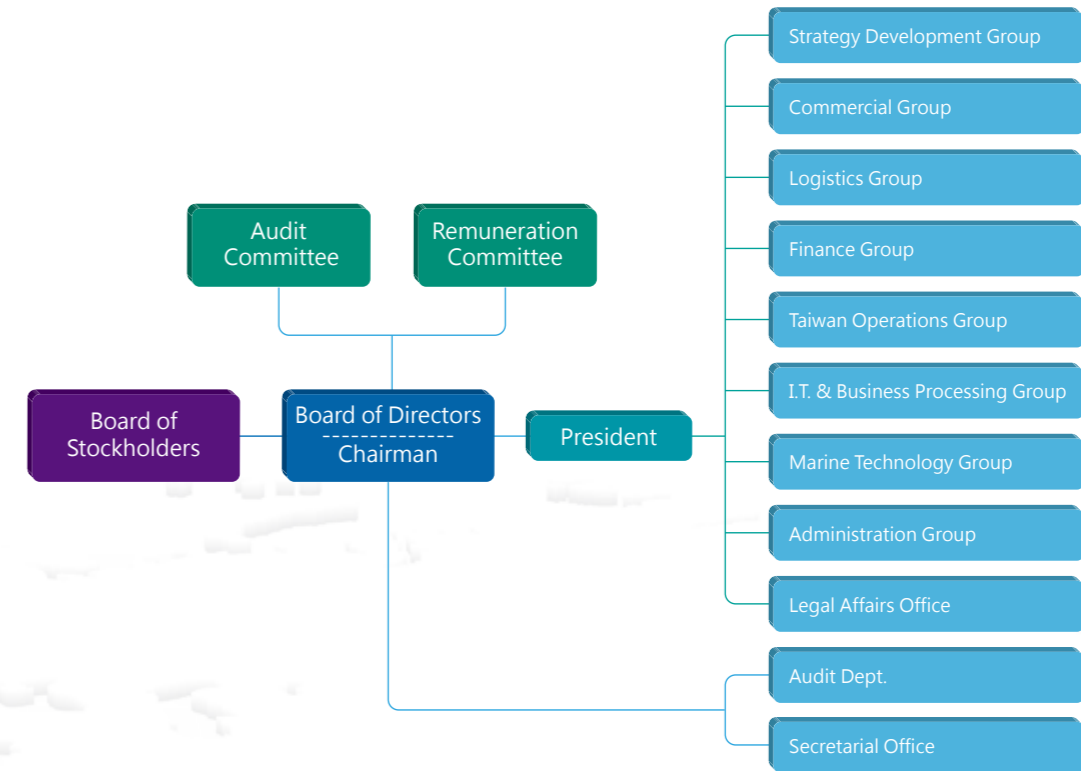
1.1 Company Profile

Yang Ming was established on December 28, 1972. Its headquarters is located in Keelung City, Taiwan. At the end of December 2017, Yang Ming operated a fleet of 102 containerships totaling 6.99 million DWT/600 thousand TEUs. The paid-in capital amounts to TWD 23.23 billion. We focus on container shipping business with a worldwide service network and have set up more than 237 subsidiaries. Our business ranges from ocean freight transportation, warehouse storage, terminals, tugboats, barges, inland container yards, ship repairing, chartering and selling/ purchasing, containers to chassis-related business, a part of our diversified operation.

In line with our core value "Teamwork, Innovation, Honesty and Pragmatism," we dedicate ourselves to providing global and elaborate shipping services, with "Punctual, Speedy, Reliable, and Economical" as guideline for strengthening operational performance, strategy and quality service. Devoted to improving our efficiency by integrating operational resource, enhancing cooperation with other carriers and sustaining a healthy expansion, Yang Ming has become the eighth largest shipping company in the world. The industry chain is shown in the illustration.



Organization Chart of Yang Ming Marine Transport Corp



1.2 Business Plan

1.2.1 Business Strategy

Yang Ming, as a member of THE Alliance, together with alliance partners plan to deploy a fleet of more than 250 modern ships in the Asia /Europe, North Atlantic and Trans-Pacific trade lanes, as well as the Middle East and the Arabian Gulf/Red Sea from April 2018. The comprehensive network of 34 services would connect more than 81 major ports throughout Asia, North Europe, the Mediterranean, North America, Middle East, and Red Sea with a wide range of direct port-port connections. The scope of our container liner service of year 2018 is as follows.

Trade	Number of services	Description
Asia-North Europe	5	Offering direct service between Japan, Southeast Asia and North Europe.
Asia-Mediterranean	3	Offering direct service between Far East, Spain, Italy, Turkey and Israel with expanding network to Norther Europe Continent and Mediterranean via Greece port.
Transpacific – North America West Coast South (PSW)	8	<ul style="list-style-type: none"> Enhancing transpacific network from Japan, Korea, Taiwan, China and Southeast Asia to South of Pacific West Coast. Providing direct link from India Sub-continent through pendulum service.

Trade	Number of services	Description
Transpacific – North America West Coast North (PNW)	3	Adjusting port rotation through service harmonization.
Transpacific – North America East Coast	5	<ul style="list-style-type: none"> Upgrading service connecting Taiwan, South China and Southeast Asia to North America East Coast. Providing an exclusive Japan direct service in the market to North America East Coast. Offering extended service to Mexico, Latin America and the Caribbean through new Panama call.
Asia-Middle East	4	Providing services between China, Korea, Taiwan, Southeast Asia and Middle East/Arabian Gulf area.
Asia-Red Sea	1	Providing service between Korea, China, Southeast Asia, Jeddah, Sokhna and Aqaba.
Transatlantic	7	Offering various services covering North Europe, Mediterranean, North America and Mexico.

Additionally, we persistently intensify regional service network in harmony with the direct services to those ports in the emerging markets in coordination of THE Alliance East-West trade network in order to create the niche to our business. To optimize our fleet structure and reinforce our long-term competitiveness in terms of capacity, we plan to gradually strengthen our fleet deployment on the East-West main lane trades in the coming three years. Meanwhile, we will continue proceeding with vessel upgrade and old vessel phase-out plans with a view to manage our fleet and services flexibly.



1.2.2 Non business strategy

Non Business Plan	Vision	Strategy
Short term	Advance service quality	<ul style="list-style-type: none"> Delicate management and tech application Vessel Broad-Band and Big-Data project Optimization of Continuous Integration & Continuous Delivery
Mid. Term	Strengthen internal management	<ul style="list-style-type: none"> Fleet Network Architecture Improvement Project Centralize headquarters management Big Data Operating Analyses Project-U3 type vessel Customer Relationship Management project Digitalization, Block Chain & IOT, project
Long term	Company's sustainability	<ul style="list-style-type: none"> Advance service quality and cut down operating cost. Environmental protection and sustainability

1.3 Awards of 2017

1.3.1 Business related awards

- (1) 2016's award of delivering cargos on time, revising bill of loading correctly and so on among global shippers from Allenberg Cotton Co., (branch of Louis Dreyfus Company"LDC").
- (2) 2017's Best Shipping Line-Intra-Asia award of Asia Cargo News in Singapore.



1.3.2 Environmental related awards



(1) Yang Ming Marine Transport Corp. (Yang Ming) was granted the "2016 Blue Circle Awards" by Port Metro Vancouver.

1.3.3 Safety and Health related award

The 1st grade of lactation room assessment from Keelung Health Bureau since 2012.



1.4 Association Membership

Yang Ming is actively involved in many association activities. Our executives have been elected chairmen or managing supervisors of associations and institutes. They often show interests in offering suggestions on public affairs that affect the shipping industry and economy.

(1) Position on the governance body

Association
National Association of Chinese Ship Owners
Taipei Ship Owner's Association
Association of Shipping Services, ROC
Taipei Shipping Agencies Association
National Association of Shipping Agencies, ROC
Commerce Development Research Institute
Taiwan Russia Association
Taiwan Strait Shipping Association
CR Classification Society

(2) Environmental membership

Association	Participation
World Shipping Council (WSC)	The World Shipping Council (WSC), consisted of 29 shippers which stand 90% capacity among all, its goal is to provide a coordinated voice for the liner shipping industry in its work with policymakers and other industry groups. Yang Ming, appointed by IMO, has served as consultant since 2009 and is dedicated to adoption of latest international ship standard and reduction of pollution.
International Council of Containership Operators, the Box Club	The council aims to provide a communication channel for global shippers and related industries. The main target at this stage is the sustainable management of the environment by amending the laws with international organizations. Through amendments to the law and communication with governments and international organizations, it seeks to reduce the pollution caused by marine transportation on the environment.
Clean Cargo Working Group (CCWG)	CCWG focus on reducing environmental impact of transportation and evaluates shippers' CO ₂ emission annually. Yang Ming has joined as a member since 2006 and acquired Verification Statement of Greenhouse Gas Assertions from DNV GL. (Appendix I)



(2) Y.M. Milestone joined Automated Mutual Assistance Vessel Rescue System (AMVER) of U.S. Coast Guard (USCG). With tough condition of the north pacific ocean in February, 2015, it gave a hand to AMVER and got award in January, 2017.

1.5. Identifying Stakeholders and Significant Aspects

1.5.1 Identifying Stakeholders

In order to get integrated information of external attentive issues and solution and deliver correct responses, we identified the stakeholders related company's operation, the government, customers, investors, suppliers, employees and community should be included. Each department is in charge of the external and internal issues collected by each communication method or market trend, regulation requirement, environmental tendency, industrial news and labor union, then discuss undergoing sustainable issues in monthly meeting.

Communication channels and frequency of stakeholders

Stakeholders	Sustainable Issue	Frequency	Communication channel
Investors	Operating performance	Any time	Official documents or phone calls
	Risk management	Any time	Official documents or phone calls
	Information disclosure	Monthly	Meetings, official documents or phone calls
	Operation strategy and realization	Monthly	Meetings, official documents or phone calls
Clients	Operating performance	Quarterly	Company's website, market observatory post system
	Customer satisfaction	Any time	Phone/ Email
	Risk management	Any time	Phone/ Email
	Operation strategy and realization	Irregularly	Company's website
	privacy of clients	Any time	Company's website
	Energy saving and emission management	Annually	Quotations
	Safety of vessels and cargos	Any time	Phone/ Email
Government (including Maritime Port Bureau, each port, Taiwan stock exchange, Environmental protection bureau and Ministry of Labor)	Operating performance	Irregularly	Visit or meetings
	Legal compliance	Irregularly	Official documents
	Anti-graft	Annually	Evaluation of corporate government
	Information disclosure	Irregularly	Official documents
	Operation strategy and realization	Irregularly	Official documents
	Occupational safety and health	Irregularly	Visit or meetings
	Energy saving and emission management	Annually	Official documents
	Local employment	Irregularly	Visit or meetings
	Waste and water management	Irregularly	Official documents
	Air pollution management	Irregularly	Official documents

Stakeholders	Sustainable Issue	Frequency	Communication channel
Suppliers (including vessels, containers, material and accessories suppliers)	Operating performance	Quarterly	Company's website, market observatory post system
	Anti-graft	Annually	Evaluation of corporate government
	Supply chain management	Any time	Phone/ Email or visit
Employees	Operating performance	Quarterly	Company's website or market observatory post system
	Corporate governance	Any time	Phone/ Email
	Employee-employer relationship	Quarterly	Phone/ Email
	Employee's training and development	irregularly	Depends on instructions of management, arrangement of Human resources and related departments.
	Operation strategy and realization	Irregularly	Electronic bulletin
	Occupational safety and Health	Every 2 months or annually	Health checkup and education
	Diversity and equal chances of employee	Any time	Phone/ Email
Communities (including Keelung and Kaohsiung's residents)	Air pollution management	Irregularly	Through activities held by "YM Oceanic Culture & Art Museum" and "YM Museum of Marine Exploration Kaohsiung"
	Operating performance	Quarterly	Company's website, market observatory post system
	Operation strategy and realization	Irregularly	Company's website
Media	Legal compliance		
	Safety of vessels and cargos	Any time	Phone/ Email or visit
	Operation strategy and realization		
Social groups and non-profit environmental organizations	Operating performance	Monthly	Market observatory post system, Phone/ Email or visit
	Impact of local society	irregularly	Phone/ Email or visit
	Energy saving and emission management	Annually	Email and online platform

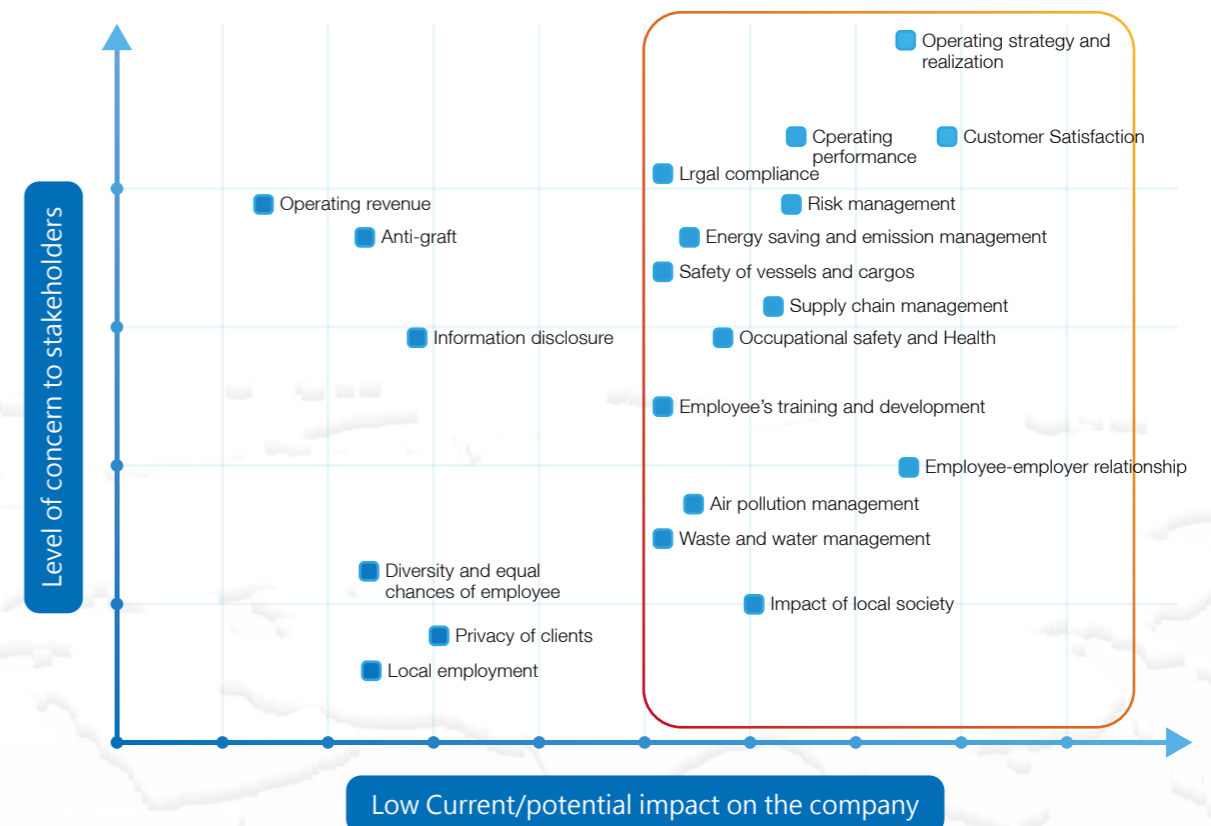
1.5.2. Identifying Significant Issues

At least 160 questionnaires were sent to suppliers, clients, employees and social groups and non-profit environmental organizations. 63 questionnaires were received. By gathering questionnaires, we examined how much emphasis related parties see sustainable issues. Moreover, potential impacts on the company of the related economic, environmental and social issues are decided and evaluated in the annual strategy meeting. Finally, significant and subordinate issues of economics, environment and society are disclosed in the report.

Items	Significant issues	Issues to Yang Ming
Economics	Operating performance	Yang Ming will try its best to improve its operation performance and strategy and realization of the value of the company's existence.
Corporate governance	Operation strategy and realization	
Corporate governance	Risk management	In order to bring controllable risks under control, Yang Ming has complete measures.
	Legal compliance	Legal compliance is priority requirement of operation. Yang Ming complies to the policies.
Economics	Customer satisfaction	In order to know customer's satisfaction toward our service, Yang Ming executes satisfaction survey every year.
	Safety of vessels and cargos	Because of commitment to customers, Yang Ming ought to keep the safety of vessel and cargos.
Environment	Energy saving and emission management	Yang Ming knows the environmental impact of shipping industry and is dedicated to reducing the effect.
Society	Supply chain management	Without good supply chain, without good service group. Yang Ming has to take it into control.
	Occupational safety and Health	The workforce of shipping industry is more risky than that of others. Therefore, Yang Ming puts much emphasis on prevention of employees' health risks.

Item	Subordinate issues	Issues to Yang Ming
Environment	Air pollution management	Yang Ming knows the environmental impact of shipping industry and is dedicated to reducing the effect.
	Waste and water management	
Society	Employee's training and development	Yang Ming regards employees as company's assets and tries the best to provide trainings and cares better than regulations.
	Employee-employer relationship	In order to raise the rate of employment and renew manpower, Yang Ming recruits every year.
	Impact of local society	Bearing construction of community and education of marine culture in mind, Yang Ming, no doubts, takes the lead in the industry.

The consequence of significant and subordinate issues



The boundary of significant and subordinate issues

Issue	Chapter	Significant aspect	Internal border	External border	Managerial policy	Evaluation mechanism	Performance of 2017	Objective
Operating performance	2.1.3	Economic Performance	G4-EC1	Yang Ming	<ol style="list-style-type: none"> 1. According to internal procedure, proceed with related investment and fund management. 2. Ensure to meet regulation requirement, the financial statement was presented and disclosed fairly. 	<ol style="list-style-type: none"> 1. Related significant investment or fund management are both revealed in the financial report and declared to government. 2. The financial statement was reviewed (audited) by CPA and declared to government. 	The declaration of financial statement and related significant financial information in 2017 was all made in accordance with regulation.	In a conscientious attitude toward relevant regulations, Yang Ming reveals financial information immediately and transparently.
Operation strategy and realization	1.2.2	Company Aspect	None	Yang Ming	<ol style="list-style-type: none"> 1. In 2017, Yang Ming deployed a fleet of 240 modern ships in the Asia, Europe, North Atlantic and Trans-Pacific trade lanes, as well as in the Middle East. 2. The performance of Energy Conservation and Carbon Reduction Committee is reviewed every half year. 	<ol style="list-style-type: none"> 1. Manage vessel schedule and evaluate the performance of voyages strictly. 2. The performance of Vessel Team, Container Yard Team, Container Team, Building Team and Social Responsibility Team is reported to director. 	<ol style="list-style-type: none"> 1. Consolidated operating income and net income of 2017 was TWD131.1 billion and TWD491.87 million. 2. Gathering the suggestions of related parties provides information for internal improvement. 	<ol style="list-style-type: none"> 1. Strengthen competition power of alliance continuously. 2. Keep implementing issues of social corporate responsibility.
Legal compliance	2.1.4	Compliance	G4-EN29	Yang Ming	Ensure group's vessel comply to regulation of port country.	To meet regulations, provide report to relevant departments for further arrangement.	Yang Ming had no violations of environmental protection laws and regulations in 2017.	No violations of environmental protection laws and regulations.
		Anti-competitive Behavior, Compliance	G4-SO7, G4-SO8	Yang Ming	Reinforce the awareness of compliance with the rules and regulations with regard to the competition law, anti-bribery, prevention of workplace bullying and sexual harassment.	<ol style="list-style-type: none"> 1. Initiate Legal Compliance Guidelines in internal routine meetings. 2. Implement the training course for the management and employees. 	<ol style="list-style-type: none"> 1. Initiate relevant regulation regarding the competition law/anti-trust and the principles of meeting or assemble with other shipping lines in every internal monthly meeting. 2. Implement training course of "Code of Conduct and Code of Ethical Management" for all the management and employees. As such, we have recorded in total 774 people who had taken and completed the course. 3. In 2017, no case were noted or fined for violation of Code of Conduct, Code of Ethical Management or competition law. 	Maintain compliance with competition law of each jurisdiction and make sure not been fined or otherwise punished for violation of competition law.
Risk management	2.1.2	Corporate Governance	None	Yang Ming	<ol style="list-style-type: none"> 1. The risk of expanding vessels 2. Interest rate risk · foreign currency risk and oil price risk. 3. The risk of information system outage. 	<ol style="list-style-type: none"> 1. Periodically supervise the trend of maga vessels and focus on issues of how the competition law affect alliance existence. 2. Financial department works well with operating department in identifying, evaluating and preventing financial risks. 3. IT department follows internal policy to fulfill management process. 	The risk management of 2017 was executed according to internal procedure and reported to chairman.	Continuously supervise the impact of the fluctuation of fund and ensure that all relevant operation complies to regulation and internal procedure.
Safety of vessels and cargos	2.2	Safety Aspect	None	Yang Ming, Employee	<ol style="list-style-type: none"> 1. Keep sailing safe. 2. Keep cargos safe. 	<ol style="list-style-type: none"> 1. Prevent casualty through the use of navigational simulator and BRM training courses. 2. Provide customers related safety loading procedures and cargo protection rights and interests. 	<ol style="list-style-type: none"> 1. The training on the use of navigational simulator and BRM has been in operation since 2017. Safety training courses are also given to offshore crew. 2. In April 2017, Yang Ming together with The Alliance partners introduced a new and unique contingency plan. 	The safety of vessels, cargos and people is Yang Ming's consistent goal.

Issue	Chapter	Significant aspect	Internal border	External border	Managerial policy	Evaluation mechanism	Performance of 2017	Objective
Energy saving and emission management	3.3.1	Energy	G4-EN3, G4-EN6, G4-EN7	Yang Ming	Comply with IMO Ship Energy Efficiency Management Plan.	<ol style="list-style-type: none"> Ship Energy Efficiency Operating Index (EEOI, g/TEU-Km) is used as assessment standard. Use the amount of carbon dioxide (CO₂ g/teu*km) produced per kilometer of each 20-foot container as standard for assessing annual fuel consumption. 	<ol style="list-style-type: none"> 2017 EEOI (51.39 g/TEU-Km) was less than 2015, marking a 10.12% increase in efficiency. The annual fleet carbon dioxide emission rate was 51.39 g/TEU-Km, a slight increase of 0.43% from 2016. 	<ol style="list-style-type: none"> Reduce the level of EEOI of fleet by year. It is expected that by 2020 the fleet carbon dioxide emission rate (CO₂ emissions per TEU-Km) could be reduced by 5% from the 2014 base year.
Air pollution management	3.3.2	Emissions	G4-EN15, G4-EN19, G4-EN21	Yang Ming, Honming	<p>At sea: Compliance with MARPOL Convention</p> <p>On land: Paper, water and electricity consumption in offices was reduced or maintained at a certain level</p>	<ol style="list-style-type: none"> Ship's diesel engine has its certificate of EIAPP, and Technical File to implement NOx management Reduce the sulphur content of marine fuel oil to reduce the amount of SOx gas emissions 	<ol style="list-style-type: none"> The annual fleet NOx emission rate was 1.4 g/TEU-Km, slightly increased by 0.7% compared with 2016. Annual fleet sulphur oxide emission rate was 0.82 g/TEU-Km less than 2016 by 2.4%. Green purchase of 2017 was TWD 1,963,843. 	Not exceed the current emission levels.
Waste and water management	3.3.3, 3.3.4	Effluents and Waste, Products and Services	G4-EN23, G4-EN24, G4-EN27, G4-EN29	Yang Ming, Kao Ming	Compliance with MARPOL convention.	Entrust qualified facility to recycle the ship waste, and achieve the purpose of resource reuse.	<ol style="list-style-type: none"> Average waste water and sludge production per ship: 370 m³ more than 2016 by 3%. Plastic garbage volume: 18 m³, 13% more than 2016. The increase was mainly due to docking repair of more than 17 ships and increase of garbage pending recycling. Ash coming from incineration: 0.09 m³, 18% less than 2016. 	Not exceed the current emission levels.
Employee-employer relationship	4.1	Employment	G4-LA1, G4-LA2, G4-LA3	Yang Ming, Employee	Diversity of employee	Recruit with company's policy.	<ol style="list-style-type: none"> Recruit 91 on shore personnel and 38 seafarers. Female staff totals 637, accounting for 34% of domestic staff. Female seafarers amount to 42, accounting to 8% of whole seafarers. 	Check manpower and complement new comers if needed.
Employee's training and development	4.2	Training and Education	G4-LA9, G4-LA11	Yang Ming, Employee	<ol style="list-style-type: none"> Set up annual training program according to procedure. Arrange training courses according to business and management requirement. 	The achievement of annual training program and courses.	<ol style="list-style-type: none"> The training hours of each staff on shore is 17.1 hours. On the other hand, the training hours of each seafarer is 21.6 hours. In order to foster international talent, the rate of overseas job rotation in 2017 is approximately 11%. 	Strengthen sharing information among departments.
Occupational Health and Safety	4.4	Occupational Health and Safety	G4-LA5, G4-LA6	Yang Ming, Employee	<ol style="list-style-type: none"> Contracts in consistence with government regulations and safety and health requirements. Prevent occupation injury and things that harm health. Keep improvement on safety and health management. High level management aggressively participates safety and health management and periodically audit, performance evaluation as well. Impel safety and health related trainings and activities. Encourage employees to participate in safety and health issues aggressively. Impel health check and management of employees. 	<ol style="list-style-type: none"> Performance report on the occupational safety and health committee is made quarterly. Periodical review and check. Internal audit and management review annually. External audit annually. 	<ol style="list-style-type: none"> Work safety trainings were held 66 times, involving an accumulation of 1600 people. The disabling frequency rate (FR, the average disabling cases/ per million hours) of Yang Ming's employees in Taiwan was 1.7 and the disabling severity rate (SR, the average loss working days/per million hours) was 6.12. 	<ol style="list-style-type: none"> Continuously impel health and safety items to meet regulation requirement. Comply with rules of ISO45001 system, revise the procedure of health and safety management and improve operation process. Let domestic employees in the group have standard health care. Assist each work place and subsidiaries in impelling safety and health business. Reduce the accident occurring frequency.

Issue	Chapter	Significant aspect		Internal border	External border	Managerial policy	Evaluation mechanism	Performance of 2017	Objective
Customer satisfaction	2.3.3	Product and Service Labeling	G4-PR5	Yang Ming		<ol style="list-style-type: none"> Invest in mobile business system to provide good service. Depending on different areas, set up specific satisfaction questionnaires and methods to bring up good service. 	Evaluation by satisfaction investigation.	<ol style="list-style-type: none"> Launch mobile business system <ol style="list-style-type: none"> Yang Ming updates APP LINE BOT Query Service In addition to survey of global customer's satisfaction, there is particularly one more survey of specific group to identify customer's unsatisfied items. 	<ol style="list-style-type: none"> Provide no-paper billing service. Provide more details about local information and gather more customer's feedbacks.
Supply chain management	2.4	Procurement Practices	G4-EC9	Yang Ming	suppliers	<ol style="list-style-type: none"> Ensure the quality standard of purchase target in compliance with international regulations. Proceed procurement and dispose of items according to internal procedure. The safety of supply chain follows the rules of C-TPAT and AEO. 	<ol style="list-style-type: none"> Compliance rules are written in purchase contracts. Besides, follow procurement and disposal procedure and invite internal audit participating by case. Periodical evaluation, including supplier's international or professional certification, quality of supply and dispute arrangement. Update related parties' data to ensure safety of supply chain annually. 	<ol style="list-style-type: none"> Each procurement follows contracts, no violation. Each procurement and disposal item follows managerial standards. No violation with customs' regulations. 	Important items are revised with regulations.
Impact of local society	5.1, 5.2, 5.3	Local Society	none	Yang Ming, YM Oceanic Culture & Art Museum, and YM Museum of Marine Exploration Kaohsiung	communities	Activities follow the policy of internal process and accidental insurance of outdoor activities.	In addition to numbers from related parties' report, Chunghwa Telecom recorded precise numbers by phone signal.	<ol style="list-style-type: none"> Keelung Ocean Fairy Tale Festival attracted more than 200 thousands participants. More than 10 units Oceanic Culture Mobile Museums were set, attracting 5-6 thousand visitors. YM Oceanic Culture & Art Museum, the Shihshang Museum of Archaeology and the Lanyang Museum engaged in sister museum partnerships, promoting the exchange of marine conservation, underwater cultural assets and oceanic culture. 	<ol style="list-style-type: none"> Continually cooperates with government, business and cultural workers. Cooperate with education enthusiasts. Support sister museums Demonstrate and increase horizontal alliance cooperation.



CH2 Yang Ming, Keep safety for cargo

2.1. Corporate Governance

2.1.1 The Structure of Corporate Governance

The Board is the top management of Yang Ming. The Chairman also serves as CEO. The Board is composed of 11 directors, including 3 independent directors and 1 labor director. In order to review the company's operation and discuss crucial issues, such as economics, environment, social responsibility, the Board meeting is held periodically according to Article of Incorporation. The crucial issue of the Board is published on Market Observation Post System of Taiwan Stock Exchange. There were 10 meetings held in 2017 and the average attendance of Board members was 95.2%.

Position	Name	Attend BOD meeting in person (times)	Attend BOD meeting by proxy (times)	Attendance Rate (%)
Chairman / Board of Directors	Representatives of MOTC: Chih-Chien Hsieh	10	0	100
Director	Representatives of MOTC: Ding-Huan Huang	2	0	100
Director	Representatives of MOTC: Lien-Chuan Lee	5	2	71
Director	Representatives of MOTC: Cherng-Chwan Hwang	10	0	100
Director	Representatives of MOTC: Youn-Ger Wu	9	1	90
Director	Representatives of MOTC: Yi-Chih Yang	9	1	90
Director	Representatives of MOTC: Ping-Jen Tseng	10	0	100
Director	Representative of Taiwan Chinachem Investment Co Ltd.: Wing-Kong Leung	4	2	67
Independent Director	Kuen-Mu Chen	3	1	75
Independent Director	Jin-Ru Yen	10	0	100
Independent Director	Heng-Chih Chou	10	0	100
Independent Director	Ming-Sheu Tsai	6	0	100

Ministry of Transportation and Communications holds most shares of Yang Ming, having 6 representatives of government among directors. Meanwhile, it is revealed in the Article of Incorporation that liability insurances are prepared for directors so as to prevent directors from being accused while performing their duties.

2.1.2 The Structure of Risk Management

Yang Ming established a department for integrating all risk management affairs through periodical risk assessment, risk analysis and risk control in 2004 according to the requirement of Corporate Governance and Internal Audit. The organization of Yang Ming's risk management is based on the characteristics of specific risks. The risk management & insurance claim department is responsible for integrating all risk management affairs, while the initial risk identification, risk assessment and risk control, and general operation risks are directly handled by the respective departments in charge. High-risk projects are assigned to designated committees or audit department for further examination in accordance with the characteristics of risks and investment amount, and the projects whose investment amounts are over internal management standards are required to be sent to the boards for approval. Risk Management Policy of Yang Ming is revealed on the official website under the "Investor".

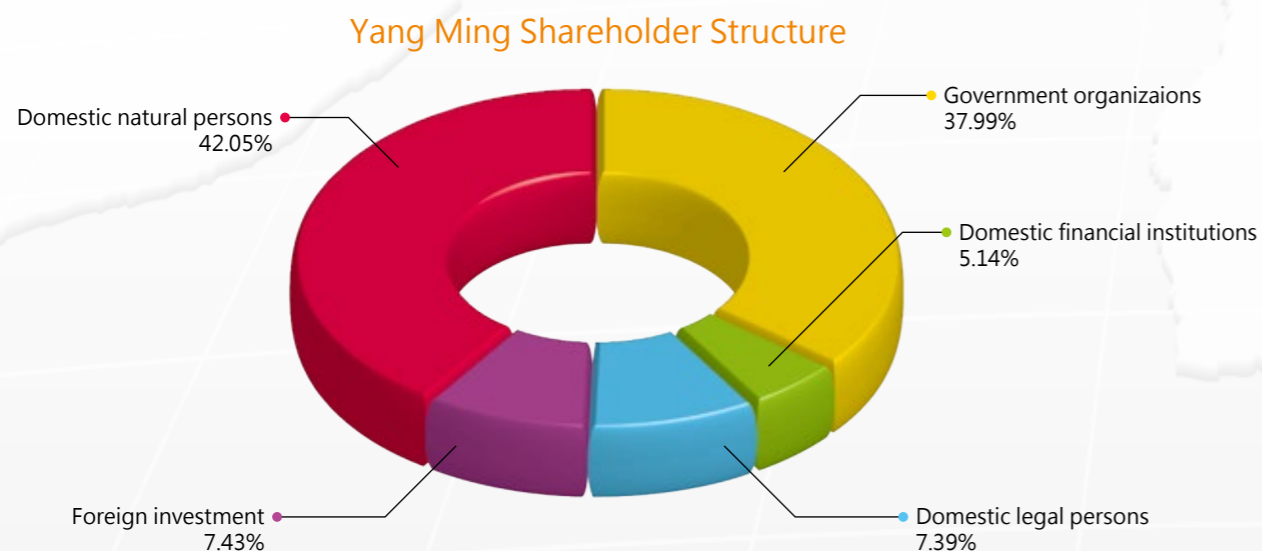
Risk management and actions :

Main risks	State of market	Actions
The risk of expanding the fleet	Fleet expansion helps Yang Ming enlarge business, increase revenue and diversify services; we can also lower unit cost by operating bigger vessels. However, in view of the forecasted containership overcapacity in the following years, Yang Ming has controlled the supply to stay flexible and responsive to changes, aiming to reduce our risk exposure.	<p>(1) Strategic cooperation</p> <p>With aim to stay competitive by reducing the unit cost, enhancing the capacity utilization, widening the service scope, and increasing the sailing frequency, Yang Ming participates in and cooperates with THE Alliance. Through the expanded coverage, Yang Ming will seek the opportunity to enhance the service quality, reduce the operation cost and lower the risk of expanding fleets. Moreover, we look for further cooperation opportunities to explore new markets and diversify the deployment of vessel capacity as well as optimizing our vessel deployment on different routes to better meet the changing market demand and achieve operational efficiency.</p> <p>Through cooperation with Alliance members and strategic partners, Yang Ming can better deploy its fleet deployment, increase the operational flexibility and enhance the competitiveness.</p> <p>(2) Seasonal service adjustments</p> <p>Yang Ming makes service and/or capacity adjustments to cope with seasonal decline or short-term swing in cargo volume during the specific periods (such as Chinese Lunar New Year holiday, China Labor Day holiday, China National Day holiday, Golden Week in Japan and the traditional winter slack season), aiming to reduce the operating costs and enhance service utilization.</p>
Interest rate risk	The United States may raise interest rates, but the other major economies such as Europe and Japan still adopt negative approaches or cut interest rate.	For interest rate risks, the company will continuously manage asset and liability which are sensitive to interest rate.

Main risks	State of market	Actions
Foreign currency risk	Due to industry characteristics, the company faces the risk of currency appreciation or depreciation.	For foreign exchange rate risks, the company will keep seeking natural hedge by balancing the positions.
Oil price risk	The trend of oil price is going upward slowly to the highest point in these two years. The geopolitics, US shale oil exploration, inventory of fuel factors and the movement of OPEC will still affect the risk of oil prices fluctuations.	For the fuel oil price risks, we will continue to reduce the impact of the fluctuation of bunker price on our business performance through price transfer, bunker saving and fuel oil hedge.
The risk of information system service outage	The main computer host or database of the head office is attacked by hackers or hampered by malfunction and then causes the risk of damage to the core application system.	The core database host uses a higher security system. For each important host, mutual backups are taken, and the databases are instantly synchronized to the storage devices in a remote backup center. To set the protection of firewalls and anti-virus software, and monitor them regularly.

2.1.3 Ownership Structure and Economic Value Distribution

(1) Ownership structure: The major shareholders of Yang Ming are domestic/foreign legal persons and natural persons. According to statistics of October 2, 2017, the shareholding ratios of government organizations, domestic natural persons, and foreign investments were 37.99%, 42.05% and 7.43% respectively.



(2) Economic value distribution: The consolidated operating revenue of 2017 was about TWD131.1 billion. The 3 year's concise consolidated income statement is shown as follow. The identified consolidated entities of financial statement are contained in the scope.

(UNIT:TWD1,000)

Item/Year	2015	2016	2017
Operating Revenue	127,559,424	115,400,150	131,077,812
Operating Cost	128,350,817	124,463,909	124,582,587
Operating Profit (Loss)	(791,393)	(9,063,759)	6,495,225
Income (Loss) Before Income Tax	(7,942,527)	(15,695,574)	634,790
Tax Expense (Gain)	(154,036)	(806,075)	142,924
Net Income (Loss)	(7,788,491)	(14,889,499)	491,866
Net Income (Loss) Attributable to Shareholders of the parent	(7,721,756)	(14,912,060)	320,849
Net Income (Loss) Attributable to Noncontrolling Interests	(66,735)	22,561	171,017
Earnings Per Share	(4.80)	(9.22)	0.17

(3) 2015–2017 Yang Ming's employee salary and welfare amount.

Item/Year	2015	2016	2017
Employee salary and welfare amount(UNIT:TWD1,000)	2,234,528	2,195,435	2,249,613

(4) In December, Yang Ming held a charity bazaar, collecting donated items from colleagues and external society institutions in the anniversary celebration. Those unsold items were gifted to the disadvantaged minority and group, which showed up our warm heart and how we treasured resource. The donated amount is as below.

Item/Year	2015	2016	2017
Charity bazaar (UNIT:TWD)	24,676	55,680	65,643

2.1.4 Legal Compliance

To demonstrate our compliance with the rules and regulations with regard to the environment, health and safety, discrimination, bribery, conflicts of interests and the protection of investors' and company's assets, Yang Ming has regulated the "Code of Conduct for Board Directors and Managers," the "Code of Conduct" and the "Code of Ethical Management" as guidelines for the directors, managers, and all employees of Yang Ming Group when they are engaged in any business activities. They are required not only to follow all national and international conventions and the company's rules, but also observe the trade practices and social ethics in order to establish the principle of consistent behavior and good company image of Yang Ming Group. The Training Courses include various topics as below.

Topic	Description	Hours
Legal Documents Related to Joint Venture Company	Introduce the legal documents and reinforce legal awareness related to setting up a Joint Venture Company.	2hr
Personal Information Protection Act	Reinforce the legal awareness of collecting or disposing personal data appropriately under Personal Information Protection Act.	2hr
Corporate Risk Management	Enhance colleagues' understanding and legal awareness of corporation corruption.	2hr

Besides, we initiate our Legal Compliance Guidelines in internal routine meetings to enhance the awareness of complying laws and regulations. We also set up a channel via e-mail conduct@yangming.com for reporting concerns about unethical or unlawful behaviors, and shall keep it strictly confidential and handled with extreme care. By the end of 2017, Yang Ming had never been fined or otherwise punished for violation of any law and regulation regarding the restriction of unfair competition, antitrust and monopoly. There is no internal contravention to Yang Ming's "Code of Ethical Management" and "Code of Conduct" either.

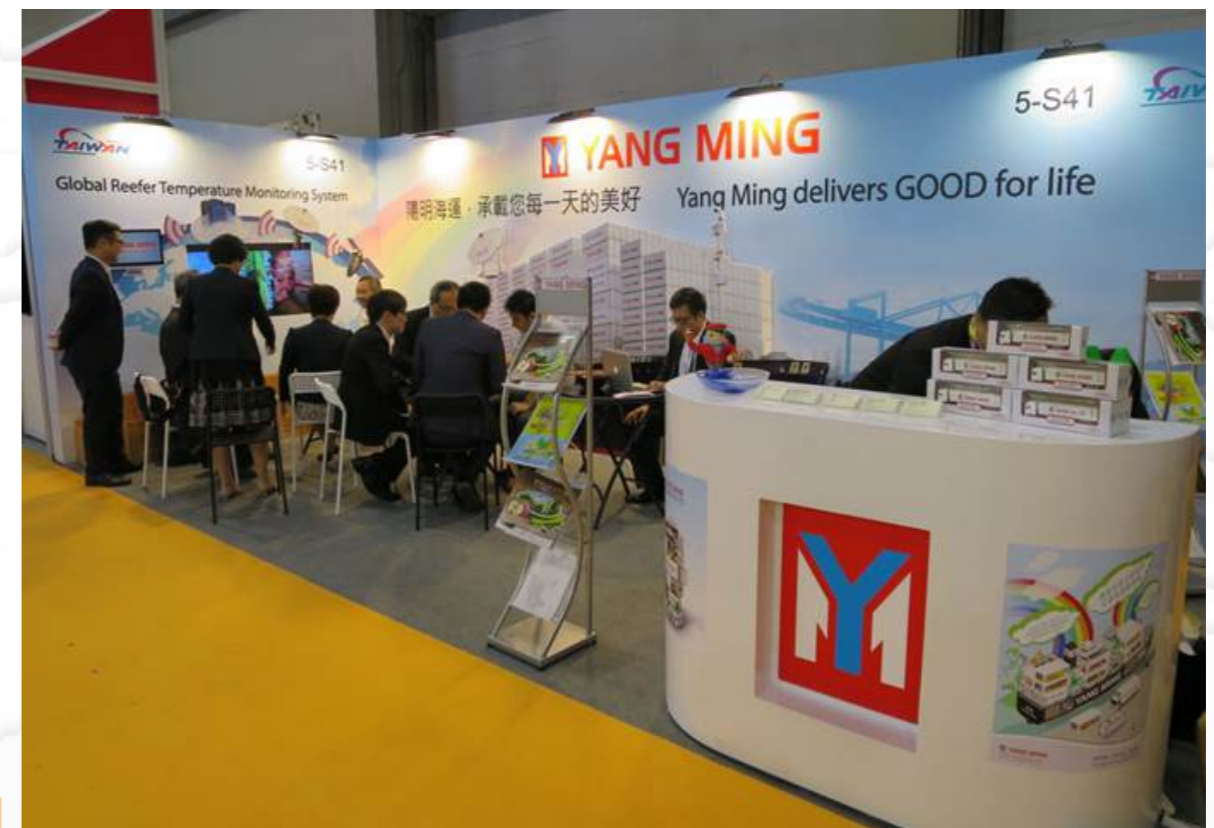
2.2. Safety Aspect

2.2.1 Ship Safety

To maintain safety of navigation, Yang Ming Marine Transport Corp. cooperates with National Taiwan Ocean University (NTOU) in monthly training for Captains and officers ashore with the use of simulators in the hope that they can handle any emergency under any circumstances and senior captain's direction. We dispatch senior captain and chief engineer to ships to verify executive condition of Security Management System and give guidance of operations. All ships have got safety certificate for ship management system from DNV GL.

Except for the training and monitoring, we arrange the surveyor of classification society on board to verify the ship borne computer system yearly, with regard to cargo loading distribution, Logistics Group Operation Department completes the calculation to enable the chief officer to load after checking all safety factors. Marine Department conducts training courses of professional care of special goods such as bulk goods, dangerous goods, refrigerated container and cooperates with famous weather routing company to provide immediately ocean/weather information; simulate and analyze the ship type and the loading condition through computer to decide which is the safest and the most economic route.

2.2.2. The Safety of Cargos



- (1) To ensure each Frozen/Chilled Shipment carried by Yang Ming to be duly delivered to the destination at customers' request, Yang Ming has held customer seminars in several major reefer export cities, especially in Asia, to familiarize our valued customers with the reefer safety procedure, precautions and imperative knowledge such as the necessity of pre-cooling, the packing material applied and the importance of ventilation access setup during cargo stuffing to reduce the possible cargo damage and to highlight Yang Ming's competence and expertise in cold chain logistics.

Furthermore, Yang Ming had been invited to provide professional advice and services on reefer transportation in "2017 Asia Fruit Logistica" at Hong Kong, which drew in over 13,000 buyers and suppliers from 76 countries all over the world. With our Service Promotion and Publicity activities, Yang Ming is seeking for more opportunities to serve more customers in the continually growing cold chain logistics markets.

(2) In April 2017, Yang Ming together with The Alliance partners introduced a new and unique contingency plan in the unlikely event a member of THE Alliance suffers a bankruptcy. The five member lines will establish an independent trustee to manage funds to be used in case there is insolvency within the group. It is envisioned that the fund will be used to continue alliance operations in the event of insolvency of one or more member lines. The independent trust fund safeguards that a customer's cargo on board of the affected member's ship will be carried to the port of destination.

2.2.3 The Safety of Suppliers

To provide better service for our customers, Yang Ming has ramped up the security of our supply chain and been a member of C-TPAT since 2003. Besides, Yang Ming's Keelung, Taichung, Kaohsiung Branches and the affiliates YES logistic and Kao Ming container terminal received AEO (Authorized Economic Operator) certificate.

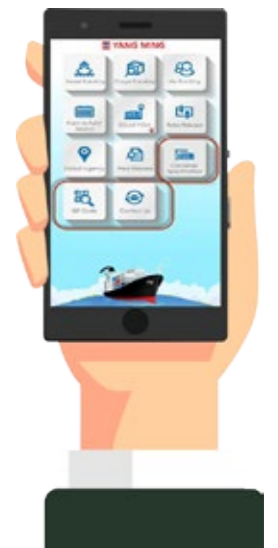
2.3 Customer Aspect

2.3.1 Partnership with Customers

Yang Ming aims to create the best customer service to gain customer's trust. We provide multiple contact ways for customers, not only by phone or fax or e-mail but also a [Contact Us] function on both website and APP platform. All comment, criticism and suggestion will be collected by customer service team and seriously reviewed, to identify problems and fix them effectively; customer's feeling in each service experience is our primary concern. In addition to actively stabilizing the existing basic services in e-commerce, including cargo tracking service and vessel schedule related information through our website immediately and easily, Yang Ming has invested in the development of cloud service and launched a mobile business system APP for customers to track the latest status, shipping schedules, and other information through any handheld device easily anywhere in the world.

(1) Yang Ming APP

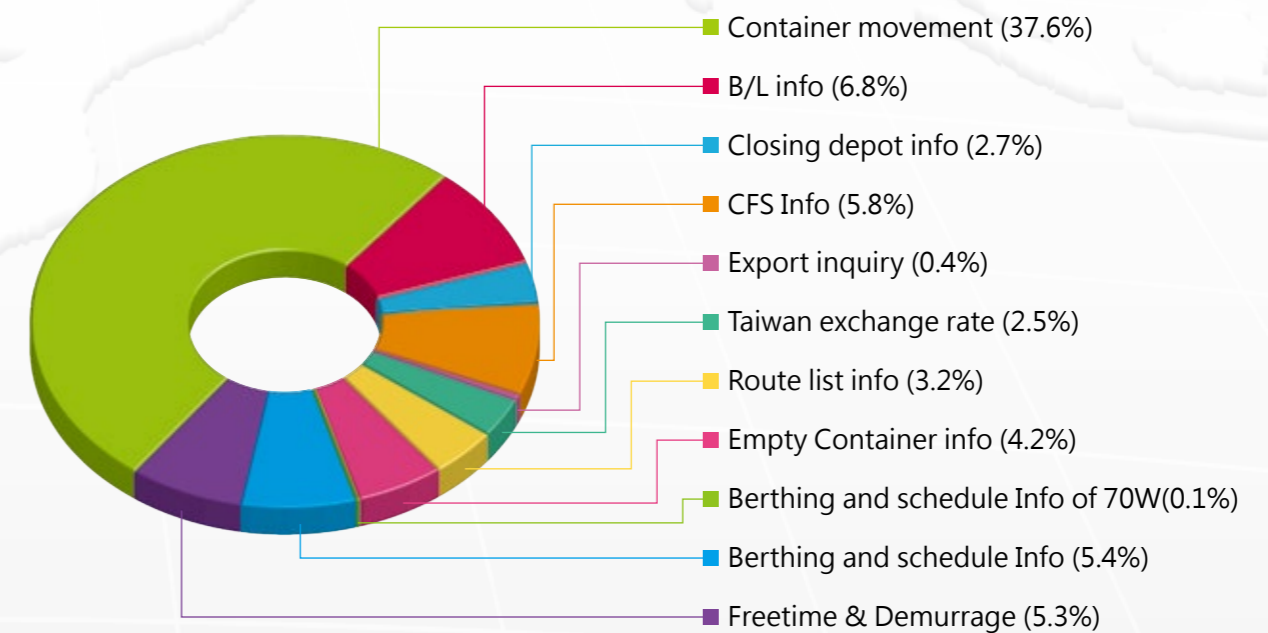
In September of 2017, there was a renewal of Yang Ming APP, [QR Code] and [Contact Us] functions was launched. The QR Code function allows customers to view bill of lading's content and current status by directly scanning the QR Code on Yang Ming's electronic bill of lading. This can be applied on devices of Apple iOS and Google Android. The functions include Cargo Tracking, Point-to-Point Search, Vessel Tracking, Telex Release, Container Specification, Global Agency's locations, Press Release and Solas VGM multiple services.



(2) LINE BOT Query Service

To avoid customers waiting for telephone response to their inquiries, LINE BOT offer services, such as cargo tracking, releasing and picking up. This service not only provides more query services but also greatly increase user convenience and usage. This service was formally launched on 2017/05/03 in Taiwan Business Department, Yang Ming Keelung Branch, Yang Ming Kaohsiung Branch/Hong Ming Terminal and Kao Ming Terminal. According to user query record statistics, the most inquiries are containers movement, B/L information, Freetime & Demurrage, and schedule illustrated as below.

Pie chart of query statistics



Customers can get more information and announcements from local agent/terminal by LINE BOT service.



加入好友查詢更便利

直接輸入[櫃號]可快速查詢貨櫃動態
 直接輸入[提單號碼]可追蹤提單資訊
 直接輸入5+[提單號碼]可查貨櫃免費期與延滯費用

或輸入下列代碼進行查詢：
 輸入1船舶掛號與靠泊資訊
 輸入2各航線結關表
 輸入3各結關地船期資訊
 輸入4台灣地區匯率表



歡迎掃描上方QR CODE 加入好友

2.3.2 Self-evaluating system

Regarding customer complaints, during the middle of 2017 a Taiwanese importer complained that he did not receive the arrival notice in time. Then, we found the shipment was discharged 4 hours late due to Typhoon Nisha. As July and August is the typhoon season in Taiwan, we will remind customers the vessel schedule might be affected. However, we still tried our best to meet customer's requirement by assisting coordination between the customer and our Import documentation team and further investigating whether other customers also have the same problem. Although we didn't find any other of it, the person in charge still phoned and mailed to each customer about the original schedule had been affected by Typhoon and also decided to issue complainant's arrival notice half a day earlier just the same as for reefer cargo. In the end, the customer expressed understanding and appreciated our solution even the delay wasn't caused by us. Yang Ming treats every customer complaint seriously and responsibly, and this is why we always get a good word of mouth among our customers.



2.3.3 Customer Satisfaction Survey

Every two years Yang Ming will hold global customer satisfaction surveys for all customers. This year, we conduct a regional customer satisfaction survey in Greater China in order to know customers' satisfaction with Yang Ming marine service and comparison with other global carriers. This survey is composed of 4 parts: "Booking and Delivery", "Container", "E-Commerce" and "Complaint", and one local question: "Yang Ming service routing coverage", total 16 questions for customers to fill out their satisfaction degree with Yang Ming provided services.

We received 75% responded questionnaires from this survey, and overall satisfaction was 4.54 out of 5 points, which was better than the 4.25 points in 2016. Obviously Yang Ming service quality has received higher approval by customers in Great China.

In comparison with other global carriers, the ratio of customers who clicked "worse" was quite lower, and the items accounted for around 2% were: "Efficiency of Noticing Change of Vessel Schedule" and "Usefulness of Yang Ming Web Site".


Each customer voice we received will be treated very seriously, and we conduct internal process of review on the parts that need improvement. We are confident our experience and local knowledge will bring the best service and grand satisfaction to our valued customers.



2.4 Supplier Aspect

To ensure the supplier not only meets Yang Ming's operation requirement on quality, price and credit but also supports the Company's social responsibility on environmental protection and safety and health. Yang Ming strictly controls and supervises the procurement's quality, price, service and delivery schedule. We require the suppliers to comply with the Code of Ethical Management of Yang Ming, and the transaction must be done in public and with transparency in order to achieve our CSR concept with suppliers. A brief description of suppliers management standard.

- Avoid direct/indirect give or take of any unreasonable benefit.
- Hold safety and health educational training periodically.
- Comply with safety and health working procedure.
- Provide information on safety and health regulations in advance.
- Set up qualified contractor list, and take annual evaluation as reference for renewal of contract; Important purchase items, such as vessels, containers, chassis and equipment are arranged by headquarters.



For example, in order to maintain the quality of parts and repair suppliers, we audit the existing approved suppliers and evaluate new suppliers every year. We would stop the business or punish the unqualified suppliers who have incorrect record or no trade record with Yang Ming for a long time. Besides, if the purchase orders are over 100 and a supplier heads the list of incorrect rate, we request the supplier to come to Yang Ming to explain and provide the improving solutions; if purchase orders are less than 100 but incorrect rate is more than 1%, we request them to provide solutions by documents.



Purchase items and location from 2015 to 2017

Item	Content	America	China	Asia (including Taiwan)	Europe/the Mediterranean
Dry container					
2015	Numbers	-	4	-	-
	Ratio of purchase amount	-	100%	-	-
Oil (fuel, lubricant and material)					
2015	Numbers	14	14	51	22
	Ratio of purchase amount	18.19%	14.96%	46.94%	19.91%
2016	Numbers	15	15	47	26
	Ratio of purchase amount	21.70%	15.33%	41.22%	21.75%
2017	Numbers	14	19	52	17
	Ratio of purchase amount	24.68%	14.46%	39.57%	21.29%
Terminal equipments					
2015	Numbers	-	-	1	-
	Ratio of purchase amount	-	-	100%	-
2017	Numbers	-	-	1	-
	Ratio of purchase amount	-	-	100%	-
Office supplies					
2015	Numbers	-	-	22	-
	Ratio of purchase amount	-	-	100%	-
2016	Numbers	-	-	22	-
	Ratio of purchase amount	-	-	100%	-
2017	Numbers	-	-	23	-
	Ratio of purchase amount	-	-	100%	-

CH3 Yang Ming, Carry Mission of Environmental Protection and Safety

3.1 Sustainable Environmental Management

Yang Ming upholds the protection of Earth's environmental concept, to provide customers with safe and efficient transport services, in addition to efforts to enhance energy efficiency, reduce pollution emissions to ensure the clean sea and the sustainable development of the shipping industry. Yang Ming implements the company's Environmental Management System through promoting the energy-saving measures taken in line with the management and business strategies, monitoring and measuring the daily operation, auditing, and tracking the corrective and preventive actions against nonconformity to ensure that the environmental policy and goal are achieved. Yang Ming's headquarters, Keelung/ Taichung/Kaohsiung branches, and fleet have been accredited with ISO 14001 "Environmental Management System" since 2004, and continue to maintain effective, cumulative cornerstone of sustainable operation. We set the following policies for all staff to go out of way to follow.

- Complying with domestic environmental laws/regulations and international conventions in order to prevent pollution and to preserve marine ecosystems
- Avoiding unnecessary waste of resources
- Strengthening the control of the root causes of pollution in order to prevent environmental pollution
- Recycling resources for reuse in order to reduce unnecessary waste
- Establishing an environmental management system to continuously improve the environmental management
- Intensifying environmental education and promotion to enhance awareness and the capabilities of employees with regard to the environment



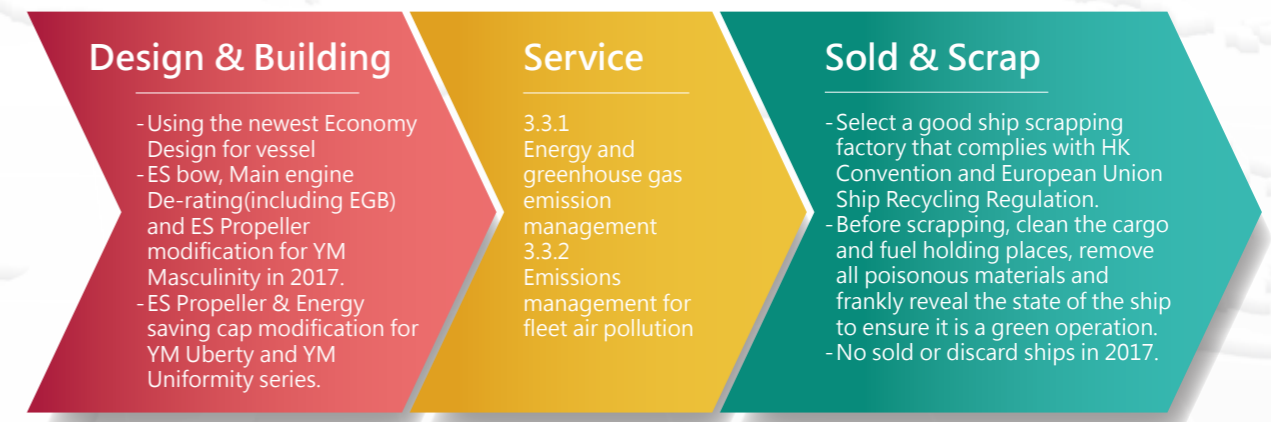
Yang Ming owned ships, office building and operating terminal yards are in line with international or domestic environmental standards. Yang Ming had no violations of environmental protection laws and regulations in 2017 and the fleet did not cause any major oil spill pollution incidents, relevant loss or fine. As for the environmental goal, it is estimated that the CO₂ emission (g/teu-km) of Yang Ming's fleet in 2020 will be 5% lower than that of 2014. We will follow-up annual environmental performance.

3.2 Energy Conservation and Carbon Reduction Committee

To manage and implement energy consumption plans, we established the Energy Conservation and Carbon Reduction Committee, which is composed of Vessel Team, Container Yard Team, Container Team, Building Team and Social Responsibility Team. The work includes collecting information for new technology, monitoring the relevant laws and regulations, checking current available items for the company, evaluating each item's benefit, proposing if any energy-saving measures can be made, helping each department conduct energy conservation, reviewing the performance every half year and then establishing a standard operation procedure. The effort of our fleet and the improvement of performance have been introduced in social responsibility report every year.

3.3 Implementation and energy saving performance for ship

The life cycle of vessels includes the processes of design, construction, material supplements, purchase, service and sale/discard. Yang Ming puts much emphasis on environmental protection and gives a premium on sustainable policy.



Greenhouse gas effects cause global warming, and for climate change, emerging from the following phenomena, such as frequent and intense storm shocks, dissolved sea-level changes in icebergs, changes in ambient temperature, changes in available water resources, and the impact on the workforce, these risks and financial burdens to the shipping industry. Yang Ming closely monitors the global climate change trends and related laws and regulations to develop the company's energy-saving and greenhouse gas reduction strategy.

Yang Ming fleet follows the Ship Energy Efficiency Management Plan (SEEMP) which was issued by the International Maritime Organization (IMO), aiming at different ship types and routes, using the following best management and operation measures to reduce the energy consumption, minimize the pollution and GHG emission of the ship, to mitigate the impact on the environment. The measures include:

Category	Measures	Vessel type (TEU)
Voyage Optimization Program	Speed optimization	All vessel
	Trim Optimization	All vessel
	Weather routing	All vessel
	Port Time Control	All vessel
Propulsion Resistance Management Program	Hull inspections and cleaning	All vessel
	Propeller polish	All vessel
	Anti-fouling paint	5500
	Main engine de-rating	8600/5500/4600
Machinery Optimization Program	ES Bow modify	8600/6600/4600
	Rudder Skeg modify	8600/6600/5500/4600/1800
	ES Propeller modify	8600/6600
	Propeller PBCF modify	8600/6600
	Inverter control motor modify	5500/4600
	Main engine EGB modify	8600/4600
	Mass flowmeter modify	8600
	Shaft Generator	6600
	EGE for Aux. engine	8600

3.3.1 Energy and greenhouse gas emission management

The energy consumption of shipping almost concentrates on the fuel use of the fleet; Yang Ming's new ships are eco-friendly, and the existing ships have also carried out various modifications with energy saving equipment in recent years. Great efforts had been made in reduction of CO₂ emission rate. The average CO₂ emission during transport operations is 51.39 g/teu-km in 2017, which is lower than the 2015 reduction of 10.12%.

The Greenhouse Gas Emission and Energy Utilization statistics in the past 3 years

Year	Heavy fuel oil consum. (ton)	Diesel fuel oil consum. (ton)	Total sailing distance (mile)	CO ₂ emission (ton)	CO ₂ emission rate (g/teu-km)
2017	1,655,495	115,433	8,820,244	5,525,283	51.39
2016	1,512,074	98,870	8,055,983	5,025,576	51.17
2015	1,418,588	87,501	7,817,018	4,698,011	57.17

Note : 1) Formula of CO₂ discharge: one kilo of heavy oil discharges 3,114 grams of CO₂, one kilo of diesel oil discharges 3,206 grams of CO₂.
 2) Fuel consumptions include: main engine, aux. engine and boiler.

a. Relevant environmental regulations, laws and measures

Yang Ming is convinced that the climate change and greenhouse gas related issues are a longer term challenge which deserves continuous attention. We pay attention to all aspects of "risk identification" and "opportunity mastery" so that we can identify the risks and explore improvement measures to reduce the risks; and actively respond to climate change issues whether it is in "Management," "Implementation," and "Communication" in order to enhance energy efficiency, ensure environmental sustainability, and develop a global partnership for development.

Carbon risk identification

IMO

- MARPOL Annex VI, Chapter 4 introduces two mandatory mechanisms intended to ensure an energy efficiency standard for ships:
 - Energy Efficiency Design Index (EEDI) for new ships.
 - Ship Energy Efficiency Management Plan (SEEMP) for all ships.

European Commission, EU

- In 2017, owners of 5000-ton and larger ships sailing in EU waters were required to submit a Monitor Plan to an EU-recognized credible third party before 31st August for assessment. Beginning on January 1, 2018, ships were subject to emission monitoring based on the satisfied assessment and their owners were obliged to report to the EU Commission the amount of earth-warming gases emitted in the previous year before April of every other year. Beginning in 2019, it is provided that the Emission Report shall be made every year before April 30.

United Nations, UN

- Paris Agreement, an international carbon reduction arrangement, is under United Nations Framework Convention on Climate Change (UNFCCC). It is said the Convention's biggest attempt is to combat climate change and global warming. It came into effect on 4th November 2016.

IAPH

- The World Port Climate Initiative (WPCI), which belongs to the global ports, proposes a voluntary Environmental Ship Index (ESI) which is a network-type international ship in the air pollution of the Environment impact assessment system. The port can use the index as a pointer to provide concessions, incentives, to promote the clean environmental protection of ships.

Taiwan, R.O.C

- The Greenhouse Gas Reduction and Management Act was promulgated on July 1st 2015. This marks a milestone in Taiwan's effort to curb CO₂ emission and contribute to the combat against climate change. It's the first law that serves as the legal foundation for domestic measures designed for mitigating and adapting climate change.

Other

- Some countries intend to levy carbon taxes or push carbon emissions trading.
- Risk of port station and ship navigation safety arising from climate change

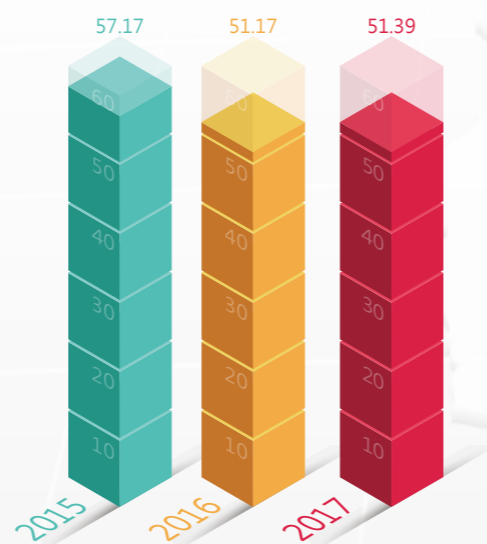
Carbon risk strategies		
Management	Specific responsibility	<ol style="list-style-type: none"> 1. Coordinate quality/environmental management policies and operations. 2. Set up the Energy Conservation and Carbon Reduction Committee on energy Saving to help departments to review energy-saving carbon reduction space, set energy-saving targets, formulate and implement the promotion measures, and convene a work review meeting to assess energy saving and carbon reduction efficiency and target compliance rate.
	Management system	Introduction of the ISO14001 environmental management system in 2004.
Implementation	Fuel saving measures for fleet	<ol style="list-style-type: none"> 1. Continue to carry out the fuel-saving and carbon reduction programs. 2. Keep on the study of the new policy of saving energy and reducing carbon on ships. 3. Effective use of insurance mechanisms to carry out the cause and control risk.
	Greenhouse gas/carbon emissions calculations	<ol style="list-style-type: none"> 1. Calculate the energy efficiency operating index of the fleet. 2. Calculate the annual carbon emissions of the fleet. 3. Provide Web Carbon Calculator for customers to calculate carbon emissions.
Disclosure	Report	Issue CSR Report
	Financial statements	Explain fleet Energy saving and carbon reduction practices in annual corporate financial statements
Communication	Technical interchange	<ol style="list-style-type: none"> 1. Continue to participate in WSC/BSR environmental dialogue. 2. Participate in CCWG/ECO VADIS/BICEPS, strengthen the communication of environmental protection knowledge, information and technology.

b. Fleet Energy Efficiency Operational performance

Yang Ming continues to pursue to implement the objectives of environmental protection and sustainable shipping by monitoring the performance of the ships by taking reference of the energy efficiency operation index (EEOI) to measure the efficiency of ship operation.

Our fleet's EEOI was 51.39 g/teu-km in 2017 dropping by 10.12% compared to 2015. This decrease can be attributed to various energy saving measures such as optimization for voyage, ship trim, ship speed, hull condition and modification for machineries.

CO₂ Emission (g/teu-km)



Note: The emissions calculation covers the owned ship as well as the leased ship. The general container is equivalent to a 20-foot container including a reefer container.

3.3.2 Emissions management for fleet air pollution

a. International Maritime Organization (IMO) ship air pollution rules are contained in the "International Convention on the Prevention of Pollution from Ships," known as MARPOL 73/78, which includes Annex VI titled "Regulations for the Prevention of Air Pollution from Ships." MARPOL Annex VI sets limits on NOx and SOx emissions from ship exhausts, and prohibits deliberate emissions of ozone depleting substances. We have adopted the following measures to reduce air pollution.

Pollutants	Requirement	Countermeasures
Nitrogen oxide (NOx)	To minimize global NOx emissions, IMO Regulation 13 sets NOx emission limitations on installed marine diesel engines (>130kW) and varied by RPM. The NOx limitations for diesel engines are regulated under Tiers I, II and III.	<ol style="list-style-type: none"> 1. Ship has the certification of Engine International Air Pollution Prevention (EIAPP) and Technical File (TF) to implement the NOx management. 2. In order to maintain the stability of the NOx emission of the host and generator, the ship shall periodically replace the parts according to the technical documents and record the relevant parameters in TF for inspection by the Association of Ports and Surveyors.
Sulphur oxide (SOx)	Use of fuel with a sulphur content of less than 0.1%, including: Baltic/North Sea/North America Region/other regional competent authorities restricted areas.	<p>For ships entering the Sox emission control zone, the captain should inform the chief engineer to plan the fuel switchover procedure:</p> <ol style="list-style-type: none"> 1. Before entering ECA, the chief Engineer shall ensure that the crew does complete the fuel replacement procedure. 2. At the time of completion of the fuel switchover process, the engine log and oil record book are recorded to record the low sulphur fuel stock, timing and location in each tank.
ODS	The Montreal Protocol calls for preventive measures to curb emissions of ozone-depleting substances to protect the Earth's ozone layer. Reef container	Reef Container, ship's Provision Plant and Air Condition Plant are designed with freon-free refrigerant to control ozone-depleting substances emissions.
Incinerator	Incineration on board shall be carried out in areas above 12 nautical miles of land. Incineration of the following substances is prohibited: the residue of sludge, containing heavy metal waste, refined petrochemical products containing halogen compounds, sewage treatment residues, MARPOL ANNEX I, II, packaging materials of cargo residues or related pollution, polychlorinated biphenyls.	<ol style="list-style-type: none"> 1. The incineration process ensures that the exhaust temperature is above 850°C. 2. Incineration operations shall be recorded in the oil record book.

b. Fleet air pollution emissions

In 2017, 151,000 tons of NOx emissions from the fleet was recorded and the NOx emissions rate (1.4 g/teu-km) was lower than that of 2015; the SOx emission of sulfur oxides was 88,000 tons and SOx emissions rate (0.82 g/teu-km) was lower than that of 2015.

	NOx		SOx	
	Total emission (ton)	Emission rate (g/teu-km)	Total emission (ton)	Emission rate (g/teu-km)
2017	150,608	1.40	88,278	0.82
2016	137,186	1.39	82,715	0.84
2015	128,405	1.56	69,909	0.85

Note: 1) SOx emission (gram) = Fuel oil consumption (g)* sulfur concentration (%)*2
 2) NOx emission (gram): two strokes, every one kilo of heavy oil discharges 87 grams of nitrogen oxide; four strokes, every one kilo of heavy oil discharges 57 grams of nitrogen oxide.

3.3.3 Fleet waste and water resources management

a. Shipping waste and water resources management mainly follow IMO issued the MARPOL Convention, and its annex V to prevent ship garbage pollution rules, annex IV-to prevent the pollution of the ship's domestic sewage regulations, and Ballast Water Management Convention, as well as national laws and regulations, the main points of law to limit the dumping of marine litter, cargo residues, and the prohibition of the discharge of water, deck water and ballast water containing damage to marine environmental substances to waters, the relevant specifications such as table.

Type of garbage	Ships outside special areas	Ships within special areas	Offshore platforms and all ships within 500 m of such platforms
Food waste comminuted or ground	Discharge permitted ≥3 nm from the nearest land and en route	Discharge permitted ≥12 nm from the nearest land and en route	Discharge permitted ≥12 nm from the nearest land
Food waste not comminuted or ground	Discharge permitted ≥12 nm from the nearest land and en route	Discharge prohibited	Discharge prohibited
Cargo residues ¹ not contained in wash water	Discharge permitted ≥12 nm from the nearest land and en route	Discharge prohibited	Discharge prohibited
Cargo residues ¹ contained in wash water		Discharge only permitted in specific circumstances ² and ≥12 nm from the nearest land and en route	Discharge prohibited

Type of garbage	Ships outside special areas	Ships within special areas	Offshore platforms and all ships within 500 m of such platforms
Cleaning agents and additives ¹ contained in cargo hold wash water	Discharge permitted	Discharge only permitted in specific circumstances ² and ≥12 nm from the nearest land and en route	Discharge prohibited
Cleaning agents and additives ¹ contained in deck and external surfaces wash water		Discharge permitted	Discharge prohibited
Carcasses of animals carried on board as cargo and which died during the voyage	Discharge permitted as far from the nearest land as possible and en route	Discharge prohibited	Discharge prohibited
All other garbage including plastics, domestic wastes, cooking oil, incinerator ashes, operational wastes and fishing gear	Discharge prohibited	Discharge prohibited	Discharge prohibited
Mixed garbage	When garbage is mixed with or contaminated by other substances prohibited from discharge or having different discharge requirements, the more stringent requirements shall apply		

Note: The special areas established under Annex V are: the Mediterranean Sea area, the Baltic Sea area, the Black Sea area, the Red Sea area, the Gulfs area, the North Sea area, the Wider Caribbean Region and the Antarctic area.

With regard to the disposal of ship waste, Yang Ming fleet is equipped with a waste management plan, planning the disposal of waste. Ships are requested to register their garbage proposal in a book in line with international environmental regulations. Garbage is classified into food waste (which should be sent ashore for disposal), plastic products, oily rags and materials, burning ashes and other categories, which are to be held in garbage cans of different colors. A standard layout of the cabin garbage cans shall be set up and a unified central office shall be established in the rear deck to facilitate garbage classification and disposal. According to regulations, fleet garbage, including plastic rubbish, must be disposed of on the shore and not thrown into the sea. This explains why Yang Ming fleet produces more waste during the voyage than others for disposal by the contractor on the shore. Statistics of the collection of waste disposal over the past years are tabled below.

Category/Year	2015	2016	2017	Source	Treatment
Waste oil/sludge (m ³ per ship)	358	336	370	Machine operation and maintenance	By authorized garbage treatment facility ashore
Plastic garbage (m ³ per ship)	820	858	962	Daily Waste on board	By authorized garbage treatment facility ashore
Ashes after incineration of life garbage (m ³ per ship)	0.15	0.11	0.09	Waste produced by onboard incineration	By authorized garbage treatment facility ashore

The fuel consumption of ships and the treatment of fuel oil by purifier will produce waste oil and sludge so that fuel consumptions of fleet in 2017 were more than that in 2015. In addition, there were 17 vessels on dry dock in 2017. The plastic and other garbage generated in the shipyard is massive. At the same time, a large amount of waste would be thrown away in the shipyard. The Polar Code entered into force on 1 January 2017, prohibits dumping garbage; Yang Ming has abided by the provisions and included the provisions in the management plan, although our fleet routes do not pass the polar region currently.

b. Oily wastewater, sewage and greywater

The oily wastewater was produced by the operation and maintenance of the engine, while sewage and greywater were generated by crew living. Yang Ming implemented and supervised in accordance with the rules of the MARPOL Convention and local regulations. We installed the Oily Water Separator and contracted licensed facility for their recycling and disposal.

Category	Specification	Measures
Oily wastewater	With the use of Oily Water Separator, the oil content was reduced to 15ppm and below, qualifying it for discharge into the sea.	<ul style="list-style-type: none"> Oil-containing sensor is used to control the treated water. The pipeline is cut off immediately if the treatment efficiency is not up to standard. To ensure the efficiency of the oil content alarm, a calibration test is arranged every 5 years. Regular maintenance of the main, auxiliary and piping systems to reduce the amount of waste water production.
Sewage (toilets, medical rooms and living biological compartments, domestic wastewater)	<ul style="list-style-type: none"> After crushing and disinfection of sewage: more than 3 nautical miles offshore. Waste water not crushed and disinfected: more than 12 nautical miles offshore. Stored in the storage tank : not instantaneous discharge and speed must not be less than 4 knots. 	<ul style="list-style-type: none"> Ships are equipped with Sewage Treatment Plant and special sewage water storage tanks, In recent years, our new vessels, equipped with a vacuum-polluted water system, can significantly reduce the demand for fresh water and the production of dirty water.
Graywater (kitchen water, general living water such as bathing, washing hands, laundry)	MARPOL Convention does not have relevant requirement	At present, MARPOL does not have the discharging standard of graywater. Our new vessels are equipped with special gray water storage tank to keep its onboard to avoid pollution of the port.

3.3.4 Ship ballast water management

The Ballast Water Management Convention (BWM Convention), originally scheduled to take effect on September 8, 2017, was postponed to November 2019 due to the availability of equipment, but the United States began implementing the provision in early 2017; ships shall comply with ballast water replacement (D-1) or performance standard (D-2) requirements. At the end of 2017, we have installed a total of 9 sets of ballast water treatment equipment for fleet, the future will be in line with the regulatory requirements and the various docking time, and then completed the installation by 2021.

3.3.5 Vessel biofouling management

Biofouling has been defined by the IMO as the accumulation of aquatic organisms such as plants, animals and micro-organisms on surfaces and structures submerged or exposed to the aquatic environment. Biofouling becomes a risk for the environment when invasive aquatic species are transferred to new ecosystems; so IMO published the "2011 GUIDELINES FOR THE CONTROL AND MANAGEMENT OF SHIPS' BIOFOULING TO MINIMIZE THE TRANSFER OF INVASIVE AQUATIC SPECIES," Vessels are recommended to have a Biofouling Management Plan on board, and all details of the implementation should be documented in the record book. In addition, California requires that, as of October 1, 2017, all ships must submit a full "annual ship report for the Marine Invasive Species Plan" for inspection at least 24 hours before arrival at the port for the first visiting.

Yang Ming fleet already has their Biofouling Management Plan with clear procedures. The economic benefit of doing so will improve vessel performance and lower the fuel consumption.

3.4 Energy saving performance for container yards

The Terminal Energy Saving Project consists of personnel from logistics department and terminal.

- (1) Hong Ming Terminal & Stevedoring Co.(HM), a Yang Ming invested terminal, is equipped with sewage treatment equipment. HM also got effluent discharge permit from Environmental Protection Bureau of Kaohsiung City. On the other hand, HM is planning to replace all light bulbs with LED lights.

(2) Kao Ming Container Terminal Corp.(KMCT), a Yang Ming invested terminal, is a green terminal with solar photovoltaic panels, which generated 165,249kWh in 2017. The 16 sets of solar-powered street lights can save 6,900kWh per year. Based on carbon calculation, one kwh electricity generates 0.529kg carbon emission. The solar-powered street lights save 3650kg carbon emission. Besides, we continue to replace the old light bulbs into LED and provide alternative maritime power to reduce carbon emission.

3.5 Energy saving performance for containers

From 2nd half of 2016, Yang Ming had hired dry containers, coated by waterborne paint in Southern China. Waterborne paints use water instead of traditional paint thinners to adjust the viscosity of paints. Its main advantage is to significantly reduce the production of volatile organic compounds (VOC) and the impact on the environment and human health. We have started to use waterborne paint in China since April, 2017. There were approximately 94,200 TEU of Yang Ming's new containers put into services throughout the year 2017, of which 45,600 TEU were waterborne paints, reducing about 1,668 tons of VOC.

3.6 Energy saving performance for building

Items	Our measures																
Paper saving	<ul style="list-style-type: none"> Promote paperless working environment by utilizing emails for communication, online sign-off systems for approval, and projectors for displaying meeting materials. Encourage double-sided printing and reuse the back side of paper. Set paper-recycling bins to recycle used paper. Use personal cups during meetings and provide porcelain cup for guests. The amounts of paper used by headquarters do not exceed the amounts used in previous year, excluding the use due to increasing business, and this can be adjusted in proportion to the business increase. <table border="1"> <thead> <tr> <th>Cidu Building</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Paper used (package)</td> <td>2,400</td> <td>2,120</td> <td>1,550</td> </tr> </tbody> </table>	Cidu Building	2015	2016	2017	Paper used (package)	2,400	2,120	1,550								
Cidu Building	2015	2016	2017														
Paper used (package)	2,400	2,120	1,550														
Electricity saving	<ul style="list-style-type: none"> Control air conditioning chiller and blower's operation time and set appropriate temperature. During lunch break, turn off part of the office lighting and set PC on power saving mode. Turn off the power of PC, copiers, printers, etc. and unplug the unused electronic devices after work. In 2017, the amount of electricity used was decreased by 159,867 kwh and 84.56 tons of CO₂ emission. <table border="1"> <thead> <tr> <th>Cidu Building</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Annual used electricity (kwh)</td> <td>2,776,880</td> <td>2,587,307</td> <td>2,427,440</td> </tr> <tr> <td>Annual CO₂ emission (ton/year)</td> <td>1,466</td> <td>1,369</td> <td>1,284</td> </tr> <tr> <td>Annual unit electricity used (kwh/ m²)</td> <td>140.29</td> <td>130.72</td> <td>122.64</td> </tr> </tbody> </table>	Cidu Building	2015	2016	2017	Annual used electricity (kwh)	2,776,880	2,587,307	2,427,440	Annual CO ₂ emission (ton/year)	1,466	1,369	1,284	Annual unit electricity used (kwh/ m ²)	140.29	130.72	122.64
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Annual unit electricity used (kwh/ m ²)	140.29	130.72	122.64														

Items	Our measures																
Water saving	<ul style="list-style-type: none"> Gradually complete the Installation of water-saving devices on faucets and toilets Recycle reverse osmosis (RO) waste water and take other water conservation measures. Continue to urge colleagues to conserve water and control water flow. Ensure the water used by headquarters does not exceed the previous year's amount. <table border="1"> <thead> <tr> <th>Cidu Building</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Annual used water (kwh)</td> <td>17,259</td> <td>17,143</td> <td>15,826</td> </tr> </tbody> </table>	Cidu Building	2015	2016	2017	Annual used water (kwh)	17,259	17,143	15,826								
Cidu Building	2015	2016	2017														
Annual used water (kwh)	17,259	17,143	15,826														
Building sewage treatment	<ul style="list-style-type: none"> Clean building's septic tanks regularly by qualified companies and carry the sewage to places designated by the environmental protection authority. The value of sewage sampling test is superior to the standard value of current sewage emission. 																
Waste, waste edible oil treatment	<ul style="list-style-type: none"> Set up trash cans and recycling bins for paper, glass, batteries, plastics, etc., to facilitate garbage classification. This could reduce garbage disposal cost and achieve recycling purpose. Manage and store cooking and frying oil exclusively by the company's cafeteria, which shall hand the waste oil over to professional firms for recycling, and declare this in accordance with regulations to environmental protection authority. <table border="1"> <thead> <tr> <th>Cidu Building</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Recycle (ton)</td> <td>6.425</td> <td>13.37</td> <td>5.79</td> </tr> <tr> <td>Waste(ton)</td> <td>40.55</td> <td>37.76</td> <td>38.23</td> </tr> <tr> <td>waste edible oil (Litre)</td> <td>288</td> <td>342</td> <td>630</td> </tr> </tbody> </table>	Cidu Building	2015	2016	2017	Recycle (ton)	6.425	13.37	5.79	Waste(ton)	40.55	37.76	38.23	waste edible oil (Litre)	288	342	630
Cidu Building	2015	2016	2017														
Recycle (ton)	6.425	13.37	5.79														
Waste(ton)	40.55	37.76	38.23														
waste edible oil (Litre)	288	342	630														
Refrigerant use	<ul style="list-style-type: none"> Abide by the "Montreal Protocol," which strictly bans chlorofluorocarbons (CFCs), Halon and other harmful substances. Limit all refrigerants used by the company's ships and containers to R404a and R134a. 																
Encourage green procurement	<ul style="list-style-type: none"> Replace interior decoration repair materials such as paint, ceilings and automatic flushing devices in men's toilets with green products. Encourage sustained green procurement. Total amount of green procurement reached TWD1,963,843 in 2017. Lease copy machines carrying Green Mark and use environment friendly renewable toner cartridges and copy paper. 																



CH4 Yang Ming, Carry Care of Employees

4.1 Employment

4.1.1 Employees Structure

At the end of December 2017, there were 1,853 employees in Yang Ming including 1,341 on-shore and 512 off-shore employees. On-shore employees are responsible for managing ship owned ships and container yard business but not including local charter management. The reason of the off-shore employee decrease in recent years is that we diverted more employees to delivery, but now they are returning to their original posts.

Number of Employee	On-Shore Employee	National Off-Shore Employee	Total
2017	1,341	512	1,853
2016	1,338	533	1,871
2015	1,377	543	1,920

Employee Composition				
2017/12/31		Female	Male	Total
Age Distribution	Over 60	13	107	120
	Between 50-59	52	230	282
	Between 40-49	146	275	421
	Between 30-39	215	366	581
	Between 20-29	211	238	449
Education Distribution	Master degree or above	99	252	351
	College	442	538	980
	Junior college	72	173	245
	High school	24	216	240
	Junior high school or below	-	37	37
Position Distribution	Supervisor	72	321	393
	General Employee	565	895	1,460
Functional Distribution	Sales/Expatriated	411	502	913
	Logistics	75	152	227
	Administrative Management	108	93	201
	Off-shore	43	469	512
District Distribution	Taiwan	603	1,097	1,700
	Europe	11	34	45
	Asia	11	61	72
	America	12	24	36
Total		637	1,216	1,853

4.1.2 Employees Recruiting

Yang Ming has continually held recruiting activities in the recent three years. In addition to publishing advertisements through the Yang Ming website, media, and human agency, we also went to universities and colleges to recruit fresh graduates. On the other hand, we also post our recruiting information to each marine school or training organization to recruit off-shore employees. Moreover, we cooperate with these schools or organizations to enhance the chance of internship, a way to increase the possibility of getting talented employees.

New

On-Shore Employee	Female	Male	Total	Off-Shore Employee	Female	Male	Total
2017	42	49	91	2017	3	35	38
2016	40	34	74	2016	5	69	74
2015	39	53	92	2015	15	78	93

Leave (not including retirement)

On-Shore Employee	Female	Male	Total	Off-Shore Employee	Female	Male	Total
2017	35	44	79	2017	3	18	21
2016	46	42	88	2016	10	8	18
2015	23	35	58	2015	5	22	27

4.1.3 Prohibition of Child Labor Employment

The Labor Standards Act bans employers to hire anyone aged under 15 for labor work, and Yang Ming strictly adheres to the law in this respect. The youngest on-shore employees are 22 years old and according to recruiting regulation, all applicants for crewmember positions need to be older than 18.

4.1.4 Protection of disabled people's and indigenous people's working right

In other to protect disabled people's and indigenous people's working right, Yang Ming hires 12 disabled people and 8 indigenous people at present.

4.1.5 Gender Equality and Sexual Harassment Prevention

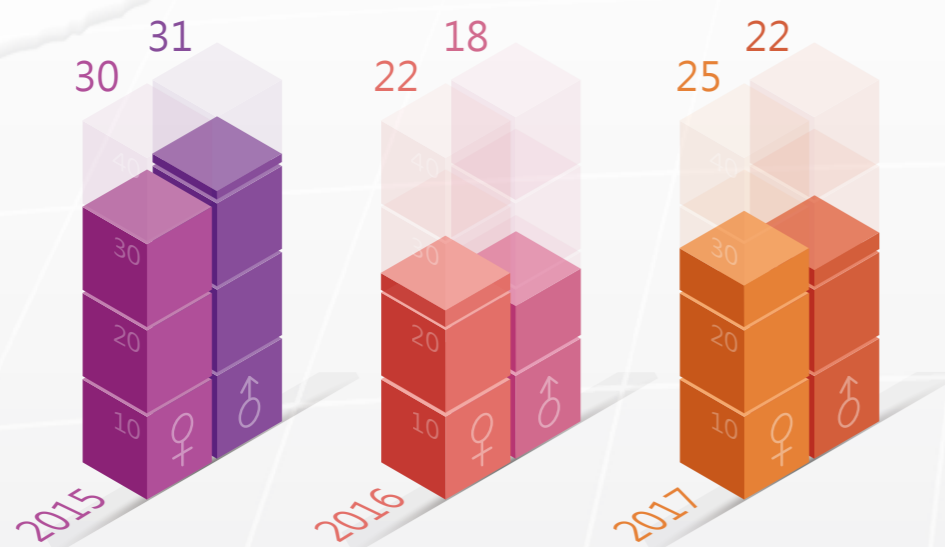
Our female employees numbered 637, accounting for 34% of total on-shore workforce. Off-shore female employees numbered 42, accounting for about 8.0% of all employees. According to Act of Gender Equality in Employment, we established measures for preventing, correcting sexual harassment, related complaint procedures and disciplinary measures. In addition, the recruitment, selection, hire, assessment and promotion of employees are also based on the Act of Gender Equality in Employment. All men and women are equal. If off-shore female employees are unable to serve on ships after giving birth, upon inquiry of personal wishes and considering the business needs of the company, they will be transferred to onshore work. Employees may apply not only for parental leave, but also new born allowance.

On-Shore Unpaid Parental Leave in 2017

Item	Male	Female	Total
Qualified number*	76	70	146
Applicants	2	19	21
Expected number of reinstatement in 2017	0	17	17
Actual number of reinstatement in 2017	0	12	12
Number of reinstatement in 2016	1	12	13
Number of reinstatement in 2016 and keep working for more than one year.	1	12	13
Reinstatement ratio (%)	N/A	71%	71%
Reinstatement and keep working ratio (%)	100%	100%	100%

*The above numbers are based on the on-shore employees. The unpaid parental leave would be applied according to the labor law and our policy of unpaid Leave.

New-born subsidy application in latest 3 years



4.2 Employees Training

4.2.1 Seafarers

Yang Ming Marine Transport Corp. make training plan to arrange seafarers ashore to attend the education and training courses regularly to conform to the rule of International Conventions and Regulations, the training courses include International Safety Management Code training, ISPS International Ship and Port Facility Protection Training, Dangerous goods loading and delivery, and Ship anti-oil pollution and environmental protection advocacy. The 2017 courses were as list below.

Courses	Periods	Days	Hours	Male	Female	Numbers
2017 annual training	2	9	63	74	11	85
Britannia P&I Club's Seminars	2	2	9	24	9	33
Dangerous goods loading and delivery training	2	4	27	87	0	87
BRM & shimanoeuvring Simulation Training	12	12	84	117	35	152
promotion training of captain	1	1	8	6	0	6
promotion training of Chief Officer	1	2	14	6	0	6
deck training	2	8	56	62	25	87
Main Engine Training	1	5	35	15	0	15
rope end splice	5	5	30	36	4	40
Welding Training	1	5	40	18	0	18
Lathe Training	1	5	40	17	0	17
Reefer Container Training	1	4	28	19	0	19
Category C Supervisor in charge of labor safety and health	4	12	84	9	1	10
physical safety training of hazard prevention	6	6	36	35	5	40
NKMU engine Competency improvement	6	18	138	90	0	90
engine training	2	6	36	51	0	51
Total	49	104	728	666	90	756

Yang Ming Marine Transport Corp. treats every seafarer fairly with the training, and we pay much attention to ratings' level. We have cooperated with the southern training center of the Ministry of Labor's workforce development agency, to conduct lathe and welding courses to sustain the capability growth of all seafarers. Besides, in order to enhance awareness of labor safety, we have conducted physical safety training of hazard prevention with Steel Castle Technology Corporation since 2014, to strengthen the understanding of risk, in order to make sure protective measures to reduce occupational injury.



4.2.2 Seafarers' education

Facing the increasingly fierce competition in the Marine industry, manpower demand of seafarers has toward professional progressively, as a international maritime corporation, as Yang Ming Marine Transport Corp. extend the transport service, so must we also devote every effort to train the seafarers. Yang Ming Marine Transport Corp. cooperates with NTOU-National Taiwan Ocean University of industry-university cooperative research project promotion; provide an opportunity of interest cultivation, concentrate study and development of personality for campus students with the existing resources and equipment.

The MOU has already been signed for this cooperation plan on November, 2017 through both side's impetus, students of NTOU marine/engine department will join the relevant cultivation plan during summer/winter vacation to familiar with the future working environment in advance, and gain some experience, to get the Certificate of competency and work for Yang Ming Marine Transport Corp. Moreover, we plan to arrange the Yang Ming special lecture in the future in order for school teachers/students realize the status and development of the marine industry, and provide the chance to visit and sail with our ship to teachers and students, to strengthen the bilateral cooperation, to make theory integrate with the practice.

Besides, depending on the cabins quantities of each vessel (excluding from the quota for seafarers in service), every year company will adopt as many graduating students as possible to allow them having practical training on board and help them obtain their diploma smoothly. The amount of cadet finished the practical training program, please refer to below table:

Name of University	Deck Cadet	Engine Cadet	Total Amount
National Kaohsiung Marine University	19	20	39
National Taiwan Ocean University	14	19	33
Taipei University of Marine Technology	3	15	18



4.2.3 On-shore Training Plan

Talented employees are most valuable capital of a corporation. Our company emphasizes employees' cultivation. To meet needs of group development, we have human resources development policies such as: team learning, omnipotent employees, versatile managers and international talent. We provide complete training program to our employees.

(1) Orientation for New Comers

Yang Ming took orientation training courses to establish their recognition about Yang Ming's management concept, mission and vision. Through the courses, new employees can also obtain the basic knowledge of shipping industry as well as culture and ethics of Yang Ming.



(2) Internal Trainers Training

By holding a series of advanced courses of shipping management via internal tutors, we are not only accumulating our training database of shipping core knowledge, but also cultivating Yang Ming's internal trainers as well.

(3) Management Skills Training

Besides mandatory training courses such as Human Resources System and basic management skills, several assessment tools are used to help middle-rank managers to recognize their strength and weakness and help them develop their talents. By sending managers to attend several management courses, or by inviting external lecturers to open relative courses, it also helps managers to improve their managing skill. In addition, "Yang Ming Lectures" which are held from time to time create opportunities for us to invite successful managers from outside of Yang Ming to share their success experiences and managing ideals.



The average training hour is 17.1 per person in 2017.

Item	On-shore employee				Total
	Management		Non-Management		
	Male	Female	Male	Female	
Headcount	207	69	540	525	1,341
Total training hours	3,891	1,131	8,668	9,187	22,877
Average training hours	18.8	16.4	16.1	17.5	17.1

4.2.4 Multiple Development and Learning Approaches

(1) Professional training, language training, after-work school education and the second language study. The following table reveals the external training courses hours in 2017.

External Training Courses	Hours	Headcounts	hours/per person
Language Training Subsidy (Including: English, Japanese, German, Spanish...and etc.)	7,440	186	40hr
Professional Training Subsidy (Including: Quality Control, Auditing, Finance, Human Resources, Transportation, Occupational Safety,... and etc.)	1,792	224	8hr

(2) We set up courses on e-learning platform to enlarge learning group and scope.



(3) We have established online reading party since 2010 and recommended more than 70 books. We build up an up-to-down independent learning environment via top management's books recommendation.

(4) Via survey and questionnaire on training needs, we can catch on the training circumstances of our overseas subsidiaries. In keeping with Yang Ming's character as a transnational enterprise, we assist employees with resource sharing and mutual support to strengthen global-wide employees' learning effect.

4.3 Employees Development

4.3.1 Evaluation of Employees' Performance

Seafarers' performances on board will be evaluated by their primary superiors (Chief Officer, 2nd Engineer) on board with the scorecard listing each performance item and then the score will be reviewed by the Chief Engineer and the Master. The result of evaluation will be used as the basis for promotion and reward in the future. Every year, according to the result of evaluation, seafarers who have excellent performances will be recommended for promotion.

In recent years, the company has enlarged the scale of its operation and the size of its fleet and therefore the number of people serving on board has increased rapidly. The company continually and enthusiastically selects and promotes outstanding seafarers. From January 2015 to December 2017, company promoted 18 seafarers to be Masters, 42 seafarers to be Chief Officer, 7 seafarers to be Chief Engineers and 16 seafarers to be 2nd Engineers. Hence the company has achieved the goal of cultivating talent and providing a fair and unblocked promotion channel.

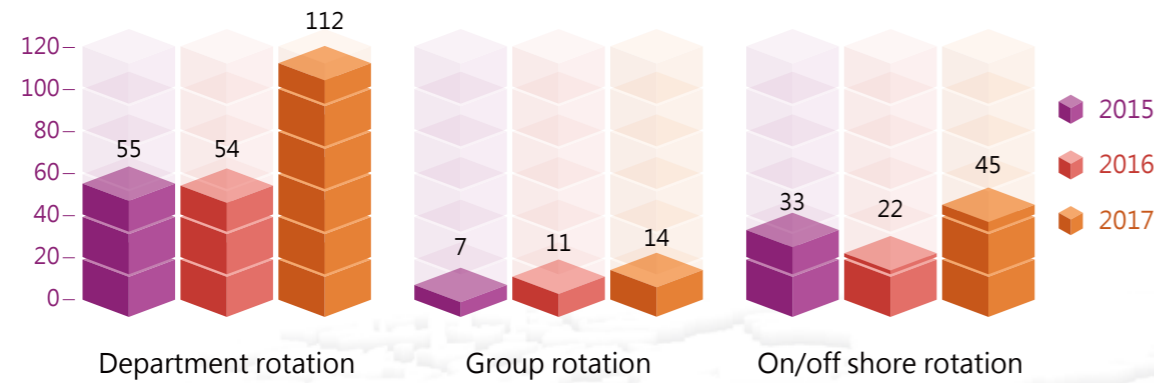
The performance of on-shore worker is managed via PMS (Performance Management System), a standardized system. All employees and supervisors are requested to periodically evaluate their performance and make development plans. Through annual target setup, periodic evaluation and progress tracking, it can help employees grasp the consequence and achievement degree. With respect to working attitude and capability appraisal, it strengthens working attitude and capability build-up. The supervisors would have performance interview with employees to counsel and intensify mutual communication. Via periodic evaluation, we invite employees to speak out their career development ideas before executing our career development plans and relative training programs. At last we give reward to outstanding employees according to their work performance and appraisal result to improve their accountability and capability.

4.3.2 Foster International Talents

Employees will be more experienced and have international perspective through domestic or overseas job rotation. Yang Ming provide expatriates physical examination, training course, welfare and so on to make them more focus on job. We also hold international talent exchange program or invite local employee to visit HQ to make them understand business operations and management culture in the hope they can take their learning back to local company.

4.3.3 Rotation

To motivate and foster employees, we focus on professional skills and promote department rotation in these years. Colleagues can express their willingness for rotation and apply position through the announcement by Human Resource Department.



4.4 Occupational Safety and Health

4.4.1 Occupational Safety and Health Committee

Yang Ming follows OHSAS18001 and TOSHMS (CNS15506) standard to set up an Occupational Safety and Health Committee in accordance with the regulations, chaired by the Executive Officer of Global Management Group. The committee has three labor representatives (more than the regulation requires) and holds regular meeting quarterly. Regulatory changes and government OH&S policies are conveyed in the meeting and then announced to all employees.

Yang Ming operates container yards and marine transportation which carries high work risk in daily operation on fleet and in container yards. The rate of risk is particularly high in such operations as fleet in the sea, container handling on deck, high-temperature operation and maintenance of machinery and equipment in the engine room, as well as container handling and trailer transportation in container yard. All work processes comply with the rules of maritime and local safety and health regulations. We also offer courses on dangerous goods, fire management, first aid, operation safety management, road safety, safety and health management and so on, in totally 66 events and to totally 1,600 participants in 2017.

2017 Safety and health trainings

Training Item	Events	Attendees
Health seminar	16	530
First aid training	11	165
Fire fighting training	11	819
Orientation for new employees	11	95

In 2017, the disabling frequency rate (FR, the average disabling cases/ per million hours) of Yang Ming was 1.7 and the disabling severity rate (SR, the average loss working days/per million hours) was 6.12, which stayed ahead the previous three year's average of storage and transportation in Taiwan, with FR and SR being 2.15 and 106 respectively.

2015~2017 FR/SR

	2015	2016	2017
Working injury	3	6	5
Lost working days	8	213	18
FR	0.97	2.02	1.7
SR	2.6	71.74	6.12

4.4.2 Health Management and promotion

- (1) Every two years health checkup is offered to all employees, which is better than local regulations.
- (2) AED is set in workforce for first aid.
- (3) Health counsel, health management, health risk assessment and health promotion are held with the doctor.
- (4) Health lectures with subjects, such as: "neck and shoulder pain prevention," "better nutrition," "keep good health from the view of traditional Chinese medicine," "caring for women's health," " stress and emotion management," "road safety", were held with experts. Besides, health activities such as healthy weight loss, physical fitness test, stretch gymnastics, hiking and exercise walking, quit smoking, EAPS(Employee Assistance Programs) and massage to relieve stress were carried out as well.



- EAPS(Employee Assistance Programs) was put into practice from 2015 to help employees to solve problems about emotion, law , health and so on by professional physiological counsel. In respect of satisfaction, the record is about score 5.5-6 on a scale of 6. According to statistics of issues, the ratios of family issue was 38.4% and law, emotion and friendship issue was 15.4% respectively.

Head count	First stage : telephone consultation	Second stage : Professional consel
2017	16	13
2016	13	7
2015/07	16	10



- Keelung's disadvantaged minority offered massage to employees from August 2017 and had serviced 800 people by the end of 2017.The service not only takes care of the disadvantaged but also relieves the stress of employees.

- There is an internal health knowledge section, sharing health information irregularly for all staff.
- The company and the Keelung Hospital signed an agreement of remote medical services. Once a crew member suffers a major injury on the ship and the captain or a cadre needs shore medical advice, he or she may fax the Keelung Hospital's emergency room for it. The physician provides written medical advice on the basis of the medical resources available on board. Seafarers' injuries and emergency medical care can also be dealt with in accordance with the instructions of the consultation book. In short, the crew's health care is given considerable protection.

4.5 Compensation & Benefits

Yang Ming believes that employees are the most valuable assets in the company. In order to stimulate employees to develop their potentials and demonstrate high quality of work, we provide appropriate compensation for on-shore and off-shore employees, and improve the welfare system in compliance with legal requirements and the provisions of the crew's group agreement. Take care of our employees and reward them in accordance with the company's operational goals and personal performance so as to attract and retain outstanding talent. The overall salary of the company is based on the spirit of equal pay for equal work. There is no gender difference in the starting salary of the grass-roots staff. Moreover, Yang Ming establishes an Employee Stock Ownership Trust with a fixed allowance to encourage employees' participation and reinforce their coherence.

4.5.1 Employees' welfare

Welfare	Description
Appropriate for welfare	The welfare benefits will be provided at a rate of 0.5 thousandth of the operating income, and deductions will be made on a monthly basis for 5 thousandth of the employee's payroll, which will be handed over to the Employee Welfare Committee for various welfare services.
Leave	Annual paid leave in line with the provisions of Labor Standards Law, in addition to 5 days with paid leave for sick and personal affairs
Pension	Based on "Labor Standards Law" and "Labor Pension Act," Yang Ming has set up employee retirement pension. The company sets aside a monthly pension to the designated account to protect employee's pension charges and payments as an encouragement for an employees' long-term job involvement.
Entrustment	Company compensates workers for 30% employee Stock Ownership Trust.
Insurance	Labor, national health and business trip safety insurance.
Health Care & Promotion	Integrated health examination, health seminars and distribution of health education to employees of recent epidemics.
Benefits	Multiple subsidies such as birthday, wedding, retirement, child birth, relief payments to hospitalized employees, and scholarships and education grants to employees' children.
Club Activity	Currently there are over 30 clubs, such as Ping-Pong, badminton, golf, tennis, basketball, swimming, bowling, photography, mountain climbing, aerobic dancing, yoga, and board games.
Hiking Activity	Annual hiking activity was held for on/ off shore coworkers, their family and retired coworkers as well.

4.5.2 Freedom of Association

The Yang Ming Marine Union has existed for more than 20 years. Employees can join or quit at will. There was 71% of participation tallied at the end of 2017 in the Union. In order to strike a balance between work and life and enhance coworkers' relationship, we encourage our coworkers to form different kinds of clubs with adequate subsidy. Currently we have over 30 clubs.



4.6 Open Communication Channels

As a transnational shipping company, Yang Ming believes an unobstructed flow of prompt and correct information to our employees is necessary. We also regard assisting our employees all over the globe in solving problems on their jobs as our important responsibility. In order to foster unobstructed two-way communication, we conduct opinion polls and employee satisfaction surveys regularly to listen and respond to employees' opinions for enhancing management efficiency.

In order to enhance team harmony, protect employees' rights, and help employees solve problems related to human resources, the company also set up an exclusive employee mailbox: employeebox@yangming.com. An employee can make suggestions, inquiries, and complaints to this mail box. The mailbox can only be handled by dedicated unit managers or designated managers, so the process is handled confidentially.

CH5 Yang Ming, Carry Care of Community

5.1 Terminal Construction

Yang Ming has been devoted to port and terminal development. For instance, we have invested and run terminal business known as Hong Ming Terminal & Stevedoring Co. locates in No.3 container center at berth 70 and Kao Ming Container Terminal Corp., a BOT project in No.6 container center at berth 108 to 111, providing outstanding terminal operation service to meet the demand of the trend of mega ships.

5.1.1 Hong Ming terminal (HM) is our main terminal of Intra-Asia services in Kaohsiung, which has a berth window of 320m in length and -14m of draft, meanwhile, HM was equipped with 4 gantry cranes to serve Yang Ming services and to strive for services of international liner to call Kaohsiung. Consequently, our effort brought 98% outstanding utility rate of Hong Ming terminal.

5.1.2 Kao Ming container terminal (KMCT) is our main terminal of long-haul and THE Alliance services in Kaohsiung. The terminal, designed as a modern, automated green terminal, equipped with 12 dual-hoist gantry crane which can be controlled by the "remote control station", has a berth window of 1,500m in length and -16.5m of draft. By the high productivity and facility, it was chosen to be the first modern terminal that operated mega ship in Taiwan.

Investment in 2017	Amount(TWD:Thousand)	Items
Kao Ming Terminal	1,752,300	3*Gantry Cranes, Maintenance/Repair, Material & Accessories
Hong Ming Terminal	39,300	Maintenance/Repair, Material & Accessories

5.2 Global Transportation for Social Charity

Yang Ming is dedicated to global transportation for social charity. To show our concern about human care and our determination to make contributions to society, we deliver our care to all around the world.

5.2.1 Yang Ming has donated marine transportation to the Asian-Canadian Special Events Association for years. We deliver their exhibition stuffs made from Taiwan artists to the Taiwanese Festival and Lunar Fest in Canada to promote Taiwan's exquisite arts.

5.2.2 Yang Ming offers five 40-foot containers for Taipei Universiade cultural activities which coated blue, yellow, black, green and red represent Europe, Asia, Africa, Oceania and The Americas. By this sponsorship, Yang Ming could echo the important sports event as well as implement social responsibility.



5.3 Yang Ming Cultural Foundation

Yang Ming combines its own maritime expertise with its ideal of promoting social and humanistic spirits. In order to promote marine culture, the company established the "Yang Ming Cultural Foundation." In 2004, it built the "YM Oceanic Culture & Art Museum," and in 2007, the "YM Museum of Marine Exploration Kaohsiung" was built in the city's Cijin district. These institutions organized various marine cultural exhibitions, activities and actively promoted local culture and education. While aiming to engage the general public, they hope to spread the idea and aesthetics of freedom, openness, adventure particular to marine culture.

5.3.1 Exhibitions and Activities Associated with Oceanic Culture

The YM Oceanic Culture & Art Museum and the YM Museum of Marine Exploration Kaohsiung have organized numerous thematic exhibitions related to the ocean. Through these exhibitions, we have established a bridge for the oceanic spirit and culture to interact with different communities and the public in general, creating many sparks along the way.

(1) TEU -Yang Ming Shipping Global Container Transportation Exhibition

While the exhibition was presented in a industrial and chic style, the exhibit itself reminded participants that before the dawn of plane travel, canoes and boats were the main means of connecting this island and the outside world. Taiwan's trading business started by trading between riverbanks and this evolved into transoceanic international commerce. Today shipping remains the most important mode of transportation in global trade. Container ships that run between the ports of every nation are like numerous floating islands that string together not only commerce, but also the expectations of both ends.



(2) Journey to Taiwan Wetlands Exhibition

In order to promote ocean and wetland environmental conservation, the exhibition introduced different types of wetlands as well as the respective fauna and flora inhabiting these wetlands, as well as wetland-friendly industries. The diversity and attraction of wetlands were further emphasized with displays of winning entries of the "Beauty of Wetlands in Taiwan Photo Contest."



5.3.2 Local Cultural Education



(1) Yang Ming Marine Transport Corp sponsored the Keelung Ocean Fairy Tale Festival. The festival has now entered its thirteenth year. Every year, Yang Ming cooperates with the Keelung City Government to plan a number of exciting activities throughout the entire April, in celebration of Children's Day. In 2017, the Paper Windmill Theater was invited to participate for the first time, and Keelung was introduced to a series of children's theater, outdoor games, and large-scale installation art. Sea animals and fairy-tale dolls of up to 15-meters in height connected the Keelung Marine Plaza, YM Oceanic Culture & Art Museum, and Smile Harbor, which is located at the west bank of Keelung Harbor. These sites were integrated into a large-scale interactive park, subverting the public impression of Keelung as a gloomy harbor city and transforming it into a happy city filled with marine art. The event attracted more than 200,000 visitors. At the same time, the festival also invited corporate sponsorship and attracted many shipping-related businesses to participate.

(2) Floating House! - A Maker Competition Series Event

The Yang Ming Cultural Foundation promotes marine culture and education, and pays more attention to the climate and oceanic crisis brought forth by global warming. In 2017, in collaboration with the Keelung City Educational Web Information Center, Da Ai Television, and Keelung's Bureau of Environmental Protection, they promoted "Floating House, a Maker Competition," an event that involved maker spirit, climate change awareness and design aesthetics. Orientations were held before the competitions, broadening the creative skills of teachers servicing Keelung. The event was documented on film and presented at the Keelung Maritime Plaza. Participating works were explained to curious citizens. Works that entered the preliminary contest were presented as 2D and 3D models with mobile functions, demonstrating an advanced craftsmanship. Kids took this opportunity to express themselves as they built their own green architectural home in the name of environmental protection.



During the finals, the YM Oceanic Culture & Art Museum also launched a science DIY booth to allow other participating citizens to dabble in creative science and have a taste of the maker spirit.

5.3.3 Historical Value

(1) The YM Oceanic Culture & Art Museum

The building was completed in 1915, and was originally the property of Nippon Yusen Kaisha (NYK). The building became the property of the China Merchants Bureau and later the office for the Yang Ming Marine Transport Corp's Keelung Branch. It has always been an important historical building for the West Keelung port. In 2017, various maintenance works of the building were carried out, such as: signboard construction, external wall lighting maintenance, reinstallation of the light gallery plaza, protruding floor tiles repair, as well as shop updates and redecoration of the restaurant interior. Under the care and management of Yang Ming Marine Transport Corp, the life of this old building has been extended, bringing beauty and vitality to Keelung.

(2) Oceanic Culture Mobile Museum

We traveled to remote elementary schools to offer mobile exhibitions, activity courses, educational handbooks and DIY activities. We also encouraged elderly volunteers to work with children living in remote areas. Mobile exhibitions included "Giants Hold Up the Light — Special Exhibition of Lighthouses in Taiwan," "Harbor Impression: Fishing Village Photo Exhibition," "Yang Ming International Adolescents Painting Competition" and "A Poetic and Picturesque Historical Boats Itinerary Exhibition" etc. These mobile exhibitions allowed one to spread marine culture without the restrictions of architectural space, like sailing boat, it is able to traverse to tangible boundaries such as counties, cities, and towns, marking a new milestone for museum displays. In 2017, more than 10 units applied for the visit. There were 5 to 6 thousand visiting guests.

(3) North Coast Sister Museum Partnerships

Taiwan's historical development is closely related to maritime activities. The location of the YM Oceanic Culture & Art Museum, the The Shihsanhang Museum of Archaeology and the Lanyang Museum were once all important ports in the history of Taiwan's development. In order to gather more participants in the promotion of maritime culture, the three museums engaged in sister museum partnerships. A cooperation agreement has been signed in hopes to promote the exchange of marine conservation, underwater cultural assets and oceanic culture. They aimed to work together with the public to protect the global marine environment and launch a substantive guardianship of the ocean.



5.3.4 Received Awards

Organization	Awards won in 2017	Details
Yang Ming Cultural Foundation	The Social Education Public Service Award (Group Category) presented by the Ministry of Education	The Ministry of Education presents awards each year to groups and individuals who have made significant contributions to social education.
YM Museum of Marine Exploration Kaohsiung	National Environmental Education Award (Excellence Award)	The Environmental Protection Agency of the Executive Yuan gives out awards to organizations, institutions, private enterprises, schools, communities, and individuals that promote environmental education with excellence.
YM Oceanic Culture & Art Museum	National Outstanding Cultural Volunteer Award, presented by the Ministry of Health and Welfare	Most of the winning teams came from public sectors. The Yang Ming Volunteer Team was the only team from a private sector that won the award in the cultural category.
	Received Creative Life Industries Charter	In order to create value for creative lifestyle brands, discover new business opportunities, and highlight the achievements of existing creative life industries, the Bureau of Industry decided to promote the certification of creative lifestyle industries. The YM Oceanic Culture & Art Museum has received the Creative Life Industries Charter continuously since 2013.



Appendix I · Verification Statement of Greenhouse Gas Assertions



VERIFICATION STATEMENT OF GREENHOUSE GAS ASSERTIONS

Statement No.: 00010-2018-AG-TWN
Issued date: 30 March, 2018
Page 1 of 2

This is to verify the reported Clean Cargo Working Group (CCWG) CO₂ and SO_x data submission (2017) of


YANG MING MARINE TRANSPORT CORP.

Scope of Verification
DNV GL Business Assurance (hereafter "DNV GL") has been commissioned by YANG MING MARINE TRANSPORT CORP.(hereafter "YM") to perform a verification of the greenhouse gas assertion of the reported Clean Cargo Working Group (hereafter "CCWG") CO₂ and SO_x data submission for the year ended of 31st Dec., 2017 (hereafter "the Reported Data" or "the Data Submission").

Verification Criteria and GHG Programme
The verification was performed on the basis of CCWG's assurance methodology "Procedure and guidance for verifying the CO₂ and SO_x emissions data submission Version 2.0", which is based on BSR's professional experience, as well as criteria given to provide for consistent GHG emission identification, calculation, monitoring and reporting.
The verification was conducted in accordance with recognized international standards in this area, in particular ISO 14064-3:2006 "Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions".

Verification Statement
It is DNV GL's opinion that with limited assurance, on the basis of the verification undertaken, nothing came to our attention to suggest that the Reported Data does not properly describe YM's adherence to the verification criteria identified as stated above. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

For and on behalf of DNV GL Taipei Office
Hsiantim Tim Kuo
GHG Verifier




Place and date:
Taipei, 30 March, 2018

For the issuing office:
DNV GL Business Assurance Co., Ltd.
29Fl., No. 293, Sec. 2, Wenhua Rd.,
Banqiao District, New Taipei City 220,
Taiwan



Management Representative

Lack of fulfillment of conditions as set out in the Certification Agreement may render this Certificate invalid.
This Verification Opinion is based on the information made available to us and the engagement conditions detailed above. Hence, DNV GL cannot guarantee the accuracy or correctness of the information. DNV GL cannot be held liable by any party relying or acting upon this Verification Opinion.
立鼎國際驗證股份有限公司, 新北市板橋區文化路二段 293 號 29 樓, TEL: +886-2-82537800, website:www.dnvgl.com.tw



Statement No.: 00010-2018-AG-TWN
Place and date: Taipei, 30 March, 2018
Page 2 of 2

Supplement to Statement

Process and Methodology
The reviews of the Data Submission and the subsequent follow-up interviews have provided DNV GL with sufficient evidence to determine the fulfilment of stated criteria. The verification process including,

- Desk review: Initial review of data submitted in the CCWG Turnkey system and supporting documentation, including completeness check and review of the methodology used.
- Office audit:
 - Review of monitoring and reporting processes,
 - interview with personnel responsible for the aggregation and submission of CO₂ and SO_x emissions data and qualitative information, and sampling of historical data.
 - Verify the effective implementation of the system for collecting and reporting emissions data and information for the sampled vessels,
 - Sample vessel emissions data, and
 - Cross-check the data against the carrier database and other supporting documentation made available.

In this stage, DNV GL verified 8 sampling vessels within 94 vessels in total.

- Final review and audit report: Final review of data submitted in the Turnkey system after corrections and audit report stating the level of assurance, observations and recommendations.

DNV GL's verification engagements are based on the assumption that the data and information provided by YM as part of review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Materiality
YM have established the data collection and aggregation process for the CCWG project. The process to determining the issues that are most relevant to YM for CCWG CO₂ and SO_x data collection and reporting from each vessel. Nothing came to our attention that the Reported Data does not properly.

Completeness
Per CCWG requirement, the Data Submission should cover the full reporting period (1st Jan. to 31st Dec. 2017) and all vessels (owned and chartered) operated by YM, excluding spot charter vessels hired for less than six months. Nothing came to our attention that the Reported Data does not properly.

Accuracy and Reliability
Per the requirements of limited level of assurance, we believe the data/information presented in the Data Submission are accurate and detailed for stakeholders to understand YM's performance on the Data Submission.

Verification Opinion

Verified without Qualification
 Verified with Qualification, explain Qualifications:
 Unable to Verify

Lack of fulfillment of conditions as set out in the Certification Agreement may render this Certificate invalid.
This Verification Opinion is based on the information made available to us and the engagement conditions detailed above. Hence, DNV GL cannot guarantee the accuracy or correctness of the information. DNV GL cannot be held liable by any party relying or acting upon this Verification Opinion.
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Appendix II · Independent Assurance of CSR Report



Independent assurance statement

Scope and approach

Yang Ming Marine Transport Corporation, ("Yang Ming" or "the Company") commissioned DNV GL Business Assurance Co. Ltd. ("DNV GL") to undertake independent assurance of the 2017 Corporate Social Responsibility Report (the "Report") for the year ended 31 December 2017.

We performed our work using DNV GL's assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

We evaluated the performance data using the reliability principle together with Yang Ming data protocols for how the data are measured, recorded and reported. The performance data in scope was against Yang Ming's significant CSR issues and sustainability commitment and the core indicators set forth in the GRI G4.

We understand that the reported financial data and information are based on data from Yang Ming's Annual Report and Accounts, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a "moderate level" of assurance.

Responsibilities of the Directors of Yang Ming and of the assurance providers

The Directors of Yang Ming have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of Yang Ming; however our statement represents our independent opinion and is intended to inform all of Yang Ming stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL provides a range of other services to Yang Ming, none of which constitute a conflict of interest with this assurance work.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our opinion


A multi-disciplinary team of sustainability and assurance specialists performed work at headquarters and site level. We undertook the following activities:

- Review of the current sustainability issues that could affect Yang Ming and are of interest to stakeholders;
- Review of Yang Ming approach to stakeholder engagement and recent outputs;
- Review of information provided to us by Yang Ming on its reporting and management processes relating to the Principles;
- Interviews with selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. People who worked in functions for financial, legal, environment, human resource, safety, purchasing, wellness, and ship management were chosen to interview;
- Site visits to HQ in Taiwan to review process and systems for preparing sustainability data and implementation of sustainability strategy. Sites chosen were based on materiality issues;
- Review of supporting evidence for key claims and data in the report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated corporate level;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation. Where financial data had been checked by another third party, we tested transposition from these sources to the report; Where relevant data and information has been generated from a certified management system note which data and management system certification and that this was considered;
- An independent assessment of Yang Ming's reporting against the Global Reporting Initiative (GRI) G4 Guidelines.
- The verification was conducted based only on the Chinese version Report.

¹ The VeriSustain protocol is available on dnvgl.com

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This Assurance Statement is based on the information made available to us and the engagement conditions detailed above. Hence, DNV GL cannot guarantee the accuracy or correctness of the information. DNV GL cannot be held liable by any party relying or acting upon this Assurance Statement.
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Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Yang Ming's adherence to the Principles. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Observations

Without affecting our assurance opinion, we also provide the following observations:

- The stakeholders engagement process should be improved. It is suggested to identify specific stakeholders of maritime and to positively collect more CSR's issues from stakeholders.
- To establish a procedure of ranking CSR issues ensures objective and impartiality determine the significant issues.
- The management approach should be by improved involving all significant aspects. Enhancing demonstrate top manager commitment by establishing specific objectives/ targets for continuous performance improvement.

Materiality

The materiality determination process was revalidated based on survey from key stakeholders including employees, customers, suppliers, governments, shareholders, investors, regulatory bodies, local communities and senior management of Yang Ming. A methodology has been developed to evaluate the priority of these issues and identified priority issues are covered in the Report.


Completeness


The reporting of performance and data are within the Company's reporting boundary and reporting period except for certain material aspects. Some of the information about employees should be more widely involving all sailors no matter what their nation are or what employed type are.

Accuracy and Reliability

The majority of data and information verified at the Corporate Office were found to be accurate and nothing came to our attention to suggest that reported data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been communicated for correction

For and on behalf of DNV GL Business Assurance Co. Ltd.
Date: 1 June, 2018


 Johnny Wu
 Lead Verifier
 DNV GL – Business Assurance
Statement Number: 00006-2018-ACSR-TWN


 David Hsieh
 Reviewer
 DNV GL – Business Assurance

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Appendix III · Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

disclosure ●

General Standard Disclosures				
Indicator	Description	Status	Related Section	Notation
Strategy and Analysis				
G4-1	Provide a statement from the most senior decision-maker of the organization.	●	From the Chairman and Chief Executive Officer	
Organizational Profile				
G4-3	Report the name of the organization.	●	1.1 Company Profile	
G4-4	Report the primary brands, products, and services.	●	1.1 Company Profile	
G4-5	Report the location of the organization's headquarters.	●	1.1 Company Profile	
G4-6	Report the number of countries where the organization operates, and names of countries.	●	1.1 Company Profile	
G4-7	Report the nature of ownership and legal form.	●	2.1.3 Ownership Structure and Economic Value Distribution. Please refer to Consolidate Financial Statement.	
G4-8	Report the markets served.	●	1.1 Company Profile	
G4-9	Report the scale of the organization.	●	1.1 Company Profile 2.1.3 Ownership Structure and Economic Value Distribution. 4.1.1 Employee Structure Please refer to Consolidate Financial Statement.	
G4-10	Report the total number of employees.	●	4.1.1 Employee Structure	
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	●	4.6 Open Communication Channels	
G4-12	Describe the organization's supply chain.	●	1.1 Company Profile	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	●	No significant change.	Capital reduction then increase
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	●	1.5 Identifying Stakeholders and significant Aspects 2.1.2 The Structure of Risk Management 4.6 Open Communication Channels	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	●	1.4 Association Membership	Commitment without signature
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	●	1.4 Association Membership	
Identified Material Aspect and Boundaries				
G4-17	Report all entities included in the organization's consolidated financial statements or equivalent documents.	●	Editorial Principle 1. Please refer to Consolidate Financial Statement. 2. The environmental topic is covered by the affiliated companies, Hong Ming Terminal & Stevedoring Co., Ltd. and Kao Ming Container Terminal Corp while social topic is covered by Yang Ming Cultural Foundation. 3. Others reveal in the corporate social report.	

General Standard Disclosures				
Indicator	Description	Status	Related Section	Notation
G4-18	Explain the process for defining the report content and the Aspect Boundaries.	●	1.5 Identifying Stakeholders and significant aspects	
G4-19	List all the material Aspect identified in the process for defining report content.	●	1.5 Identifying Stakeholders and significant Aspects	
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	●	1.5 Identifying Stakeholders and significant Aspects	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	●	1.5 Identifying Stakeholders and significant Aspects	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	●	No significant change	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	●	None	
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization.	●	1.5 Identifying Stakeholders and significant Aspects	
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	●	1.5 Identifying Stakeholders and significant Aspects	
G4-26	Report the organization's approach to stakeholder engagement.	●	1.5 Identifying Stakeholders and significant Aspects	
G4-27	Report key topics and concerns that have been raised through stakeholder engagement.	●	1.5 Identifying Stakeholders and significant Aspects	
Report Profile				
G4-28	Reporting period.	●	Editorial Principle	
G4-29	Date of most recent previous report (if any).	●	Editorial Principle	
G4-30	Reporting cycle.	●	Editorial Principle	
G4-31	Provide the contact point for questions regarding the report or its contents.	●	Editorial Principle	
G4-32	Report the 'in accordance' option the organization has chosen.	●	Editorial Principle	
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	●	Editorial Principle	
Governance				
G4-34	Report the governance structure of the organization.	●		No committee
Ethics and Integrity				
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	●	2.1.4 Legal Compliance	

Specific Standard Disclosures				
Indicators	Description	Status	Related Section	Notation
Category: Economic				
Aspect: Economic Performance				
G4-EC1	Report the direct economic value generated and distributed.	●	2.1.3 Ownership Structure and Economic Value Distribution. Please refer to Consolidate Financial Statement.	
Aspect: Procurement Practices				
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	●	2.4 Supplier Aspect	
Category: Environmental				
Aspect: Energy				
G4-EN3	Energy consumption within the organization.	●	3.3.1 Energy and greenhouse gas emission management	
G4-EN6	Reductions of energy consumption.	●	3.3.1 Energy and greenhouse gas emission management	
G4-EN7	Reductions in the energy requirements of products and services	●	3.3.1 Energy and greenhouse gas emission management	
Aspect: Emissions				
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	●	3.3.1 Energy and greenhouse gas emission management	
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	●	3.3.1 Energy and greenhouse gas emission management	
G4-EN21	NOX, SOX, and other significant air emissions.	●	3.3.2 Emissions management for fleet air pollution	
Aspect: Effluents and Waste				
G4-EN23	Total weight of waste by type and disposal method.	●	3.3.3 Fleet waste and water resources management	
G4-EN24	Total number and volume of significant spills.	●	3.1 Sustainable environmental management	
Aspect: Products and Services				
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	●	3.1 Sustainable environmental management 3.3 Implementation and energy saving performance for ship	
Aspect: Compliance				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	3.1 Sustainable environmental management	
Category: Social				
Sub-Categories: Labor Practices and Decent Work				
Aspect: Employment				
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender and region.	●	4.1 Employment	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	●	4.5 Compensation & Benefits	
G4-LA3	Return to work and retention rates after parental leave, by gender.	●	4.1.5 Gender Equality and Sexual Harassment Prevention	
Aspect: Occupational Health and Safety				

Specific Standard Disclosures				
Indicators	Description	Status	Related Section	Notation
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	4.4 Occupational Safety and Health	
G4-LA6	Type of injury, and rates of injury, occupational diseases, lost day, and absenteeism and total number of work-related fatalities, by region and by gender.	●	4.4 Occupational Safety and Health	
Aspect: Training and Education				
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	●	4.2 Employees Training	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	●	4.2 Employees Training	
Sub-Categories: Society				
Aspect: Anti-competitive Behavior				
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	●	2.1.4 Legal Compliance	
Aspect: Compliance				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	2.1.4 Legal Compliance	
Aspect: Product and Service Labeling				
G4-PR5	Results of surveys measuring of customer satisfaction.	●	2.3 Customer Aspect	