



SUSTAINABILITY REPORT

Yangzijiang adheres to the SGX guidance on sustainability reporting, and wishes to provide the details on environmental, social and governance (ESG) aspects of our business and strategy for investors to make informed investment decisions.

CARE FOR THE ENVIRONMENT

Environmental protection is our responsibility. In addition, the approaches to it, such as increasing production efficiency, energy saving, and promoting clean-energy vessels, make business sense to us as well.

R&D Efforts in Green Shipbuilding

In line with the growing popularity of fuel-efficient and lower-emission vessels in the shipbuilding market, we made continuous efforts in building up R&D capabilities in green vessels, and have gained tangible outcome.

We established a Research Institute through the acquisition of two major vessel design houses. With investment of over RMB100 million in an office building in Shanghai, we built up a professional team of over 300 designers focusing on the R&D of high-tech and green vessels.

The Research Institute's diligent work on product upgrading has led to several innovative, fuel-efficient models, including the 2500TEU, 4250TEU, 4800TEU containerships and the 64000DWT, 82000 DWT and 93000DWT dry bulkers. These products were very well received by the market.

We collaborated with the Marine Design and Research Institute of China (MARIC) for over two years on the key design and manufacturing technologies of ultra-large containerships, and successfully launched the 10,000 TEU containership, which provides 10% more capacity, but consumes 20% less fuel and generates 20% less emission.





In view of the increasing demand for clean energy and related vessels, we teamed up with a renowned French partner on the development of the Liquefied Natural Gas ("LNG") Carrier, and successfully secured the orders for two such vessels in early 2015. With substantial research and development on the Very Large Gas Carriers ("VLGC"), we secured orders for two units of 84,000 CBM VLGCs in 2015. These orders marked the debut of Yangzijiang's production of clean energy vessels, in line with our long-term commitment towards environmental protection.

In December 2015, New Yangzi yard, a major yard of Yangzijiang, was granted the status as a national-level R&D base for Ph.D students. This was a recognition of Yangzijiang's superb capabilities in R&D and talent development.

The Group has comprehensive management procedures and action plans for R&D, with specific annual targets for high-and-new-technology product development. We made 80 patent applications in 2015, of which, 13 were innovation patents, and 67 were practice patents. 45 Patents were granted, including 2 innovation patents and 43 practice patents. The Group spent a total of RMB254 million in R&D in 2015.

Operational Framework for Green Shipbuilding

To ensure that our vessel products are in line with the requirements of international accords, and rules and regulations on safety, environmental protection, energy efficiency and product quality, we established a comprehensive production workflow that is conducive for building green vessels. The use of TRIBON, SB3DS and other software ensures

the effectiveness and efficiency of our workflow process, with performance targets for parts and components in each production phase.

Our internal environmental protection procedures take a plan-do-check-adjust (PDCA) approach, and are improved on a continuous basis. With zero tolerance towards any waste of energy and resource, our KPIs require employees to demonstrate efforts in effective energy consumption, and be responsible citizens in preserving the environment. Employees of all levels are encouraged to contribute ideas on the saving of raw materials and other production costs, which contributes to a continuous optimization of production efficiency and cost structure. We implemented 5832 and 5987 cost-saving and efficiency-improvement ideas in 2014 and 2015 respectively, which led to a total saving of RMB14.7 million and RMB9.0 million respectively. We in turn reward employees contributing these ideas with prize and bonus of various forms, so as to encourage a constant flow of cost-saving innovation.

With the infrastructure for "green shipbuilding" implemented and improved over years, Yangzijiang is ISO9001 qualified by the China Classification Society. Our environmental management system is ISO14001 and CSQA certified, our quality management system has obtained BV ISO9002 and CCS ISO2000 certificates, and our vessels are CCS, ABS, BV, NK, GL, LR, DNV and RINA certified. Regular reviews by government agencies have always found the Group compliant with national and international standards on emissions, such as wastewater, waste gas, solid waste, dust, and noise generated in the production process.

Data on Energy Consumption

Total electricity usage in production was 257 million kWh in 2015, up 12.1% compared to 2014



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(a lower growth rate than the 45.4% yoy from 2013 to 2014). Total water usage in production was 3.1 million tonnes, up 29.7% compared to 2014 (a lower growth rate compared to the 30.8% from 2013 to 2014). Electricity and water usages tend to increase along with higher production activities, and Group's stringent rules on utilities saving as well as technological breakthroughs have contributed slower growth in energy consumption.

Group disposed production waste of 4000 tons in 2015.

SOCIAL RESPONSIBILITY

Occupational Safety and Health

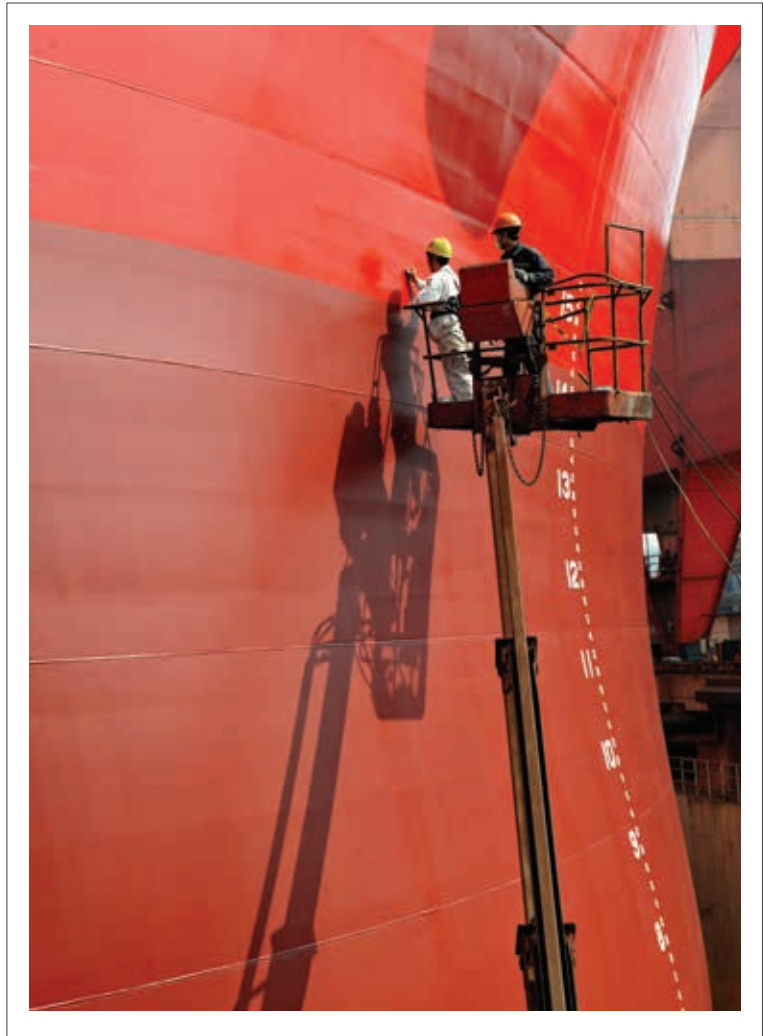
We have a Safety Production Committee at each yard that looks after safety production related matters, as well as environmental protection, fire safety and industrial hygiene. Headed by the yard's general manager, the committee organizes safety training on a regular basis. We provide all necessary protection equipment and have rigorous rules on the enforcement of safety procedures. We also organize regular check-up sessions for employees for early identification of their health issues.

Although there has been no major safety incident in the last few years, we have a comprehensive rescue plan in place.

Promoting Talent Growth

Yangzijiang's achievements today are built on the effort of all in the Group. The Group has a comprehensive plan on human capital growth, which extends from collaborative training programs with vocational schools, to manpower recruitment through M&A, to continued training scheme for existing staff.

Our collaboration with vocational schools has effectively created a talent pool, especially for technical personnel, for the Group. We have also



introduced an incentive program to encourage our staff to pursue technical certificates and improve their English language skills, through continuous learning.

We organize regular training for employees of all lines, especially for work unit heads on production sites and quality assurance staff. In 2015, employees received 62 hours of training on average. We also invite external trainers/speakers to give training on management procedures, organize various contests for technical staff to constantly improve their skills, and organize regular recreational activities to promote staff wellbeing as well as for team building.

We retain employee loyalty through a comprehensive incentive/reward scheme. With a clear incentive structure that employees can refer to, we give employees better visibility for their career paths and the corresponding compensation. This has led to a low staff-turnover, reduced training costs, and improved production efficiency.

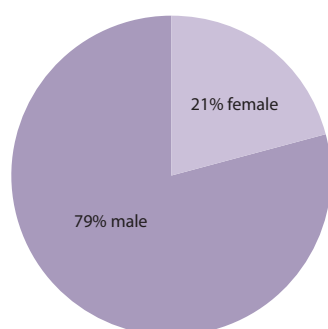
The Group also placed a strategic focus on strengthening the educational profile of its employees, in line with our target to enhance our R&D capabilities. For 2015, 37% of the Group's employees worked on



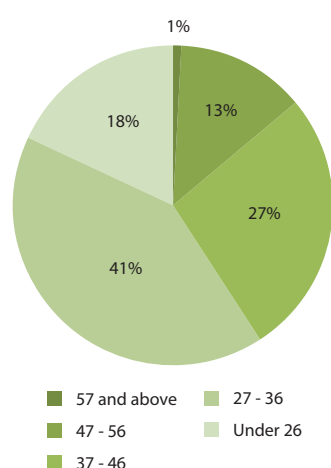
technology-related roles, and R&D headcount accounted for 17% of our total staff strength.

The nature of our shipbuilding business determines a higher proportion of male employees than female employees. However, the Group is committed to a well-diversified employment profile wherever possible.

Gender profile of all employees – 2015



Age profile of all employees – 2015



Care for the Community

The Group and Mr. Ren, our Executive Chairman, believe in returning to the society. Over the years, the Group and Mr. Ren have given hundreds of millions of RMB to the society for various purposes. Mr. Ren personally has committed two years of dividends from his shareholdings in Yangzijiang, which worth RMB500 million, to the

Yuanlin Charity Foundation that he founded in 2011. He was listed No.4 in the China Philanthropist List by Forbes in 2014.

The Foundation primarily funds a charity for improving elderly service facilities, finances technological innovation, helps in disaster rescue and helps poor people. The Yuanlin University for Senior Citizens in Jiangyin, with a capacity for 5000 people and 100 classes, has substantially improved the quality of life for the elderly. The Foundation also plans to donate one billion RMB to another eight to ten such universities in neighbouring cities, and one to two geriatric rehabilitation centres. In summer 2014, the charity started a program catering to the treatment of cataract, and over RMB30 million has been dedicated to the subsidy of cataract treatment for 12,000 eyes.

The principal donation to Yuanlin Charity Foundation was made from Mr. Ren's personal wealth, and the Foundation is managed by an independent institution with 3rd party supervision.

EXEMPLARY CORPORATE GOVERNANCE

Along with our financial and operational excellence, the Group has made concrete actions to improve corporate governance. One major step taken in 2015 was to appoint Mr. Ren Letian as the Group CEO, while Mr. Ren Yuanlin, the former CEO of the Group, remains as Executive Chairman. This was part of the Group's succession planning strategy for sustained growth, and through separating the roles of Chairman and CEO, we improved corporate governance.

We keep close check on the cost structure to ensure minimized cost in production, procurement, administration, sales and marketing, and one vehicle to achieve this is the established and detailed procedure in governing anticorruption. The policy with meticulous rules for bribery and corruption is intended to facilitate whistle blowing relating to improper, unethical or fraudulent conduct. All employees are informed of the policy. In FY2015 there were no incidents of bribery or corruption within Yangzijiang.

Through various business cycles and social conditions, Yangzijiang has developed into a large-scale shipbuilding company with an established business concept and strategy, a stable and competent management team, and a defined corporate culture. Our public listing in 2007 on the Singapore Exchange has further enhanced our framework in corporate governance that caters to the interests of shareholders, customers, suppliers, the government and society. The Group won the SIAS Most Transparent Company Award 3 times in a row from 2009 to 2012. In 2015, Yangzijiang re-entered the Straits Times Index as one of the constituent stocks, an endorsement on Yangzijiang as a quality listed company on the SGX.