

SUSTAINABILITY REPORT

This section summarizes the highlights of the Group's sustainable development integration in 2018. A full report will be published at the end of May 2019.

STAKEHOLDER ENGAGEMENT

The following stakeholder engagement development took place in 2018, in line with the Group's strategy to expand its vessel range of intelligent ships.

- The Group recently joined the PRC Alliance of Innovation for Intelligent Ships. On 22 March 2018, we co-hosted a forum on intelligent ship design with Ship Design and Research Institute (China).
- Signed 3-year collaboration agreement with Beijing Hailanxin Data Technology Co Ltd on 16 March 2018 to promote the development of intelligent ships.



The Group actively engages its suppliers, PRC industry associations, banks, government bodies and academic institutions to improve the standards of shipbuilding in China. These include formal collaboration agreements, exchanges, site visits, and industry forums. It regularly submits its R&D findings to industry bodies for adoption.

Within the organization, it has many initiatives for employee skills upgrade as well as volunteer work to assist the needy in the community. There is a strong incentive reward program to encourage employees to come up with innovative methods of improving the Group's productivity and efficiency.

MATERIAL TOPICS

The Group's material topics in sustainability matters are as follows:

1. Economic Contribution – Financial disbursements to the local community in as well as tax payments to the government.
2. Environmental Protection – R&D in processes and materials to reduce the impact that pollution from shipbuilding activities have on the environment and worker health.
3. Workplace Safety – Training, drills, and industry forums are regularly conducted.
4. Community Training & Development – Improving industry practices, Internal training program such as Project Voyage, collaboration with vocational institutions to nurture talent for the industry, college internship.

ECONOMIC CONTRIBUTION

Yuanlin Charity Foundation's Sight Restoration Project Helps Over 20,000 Cataract Patients.

GRI 201-1 Direct Community Investments Distributed

Yuanlin Charity Foundation's Movement of Light Cataract Sight Restoration project was recognized as the Most Influential Charity Project – Jiangsu Charity Award on 5 September 2018 at China's 3rd Zhonghua Charity Day organized by the Jiangsu Provincial Government. Since its inception in August 2014, the initiative has disbursed over RMB50 million to finance cataract surgeries for 20,031 patients from Jiangyin, Jingjiang and Taixing. This is a high profile project that received widespread attention.

Awarded biennially, Jiangsu Charity Award is the most prestigious award for charity work awarded by the Jiangsu government.



SUSTAINABILITY REPORT

ENVIRONMENTAL PROTECTION

GRI 416-1 Assessment of the safety impact of product

Valemax Safety Forum for Navigating Yangtze River

The Group has been contracted by ICBC Financial Leasing to construct six 400,000 dwt VLOCs (Valemax) worth a total of US\$510 million from 2017 to 2019. In February 2018, more than 40 experts assembled to discuss safe navigation of the Valemax in the Jiangsu section of the Yangtze River.

Yangzijiang Shipbuilding participated in the safety forum organized by the Taixing City People's Government of Jiangsu province. Participants included representatives from the maritime authorities of the following cities: Jiangyin, Zhangjiagang, Nantong, Taizhou, Changzhou, Changshu, Taicang; as well as the Taizhou Port Bureau of Transportation, Hongqiao Industrial Park Management committee.

R&D Breakthrough to Lower Paint VOCs

The Group participates in research initiatives by global leaders that supply its raw materials and equipment to eliminate hazards in the industry. In recent years, its effort to reduce workplace exposure to volatile organic compounds has borne fruit.

GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Paints play the function of anti-corrosion agents in shipbuilding. Surface preparation, paint, and other protective coatings used in shipbuilding and ship repair pose a hazard to workers. Potentially harmful substances can enter the body through inhalation, ingestion, and contact with the eyes or skin. The Three-Year Action Plan for Winning the Blue Sky Defence War released by the PRC State Council in July 2018 creates an action plan to reduce 2015 VOC emissions 10% by 2020.

The Group has a strategic co-operation relationship with Jotun Coatings, the marine antifouling coating arm of a leading chemicals company based in Norway. The Group's R&D findings from this co-operation had the following contribution to the industry:

- Significantly decrease the production cycle time in coating work thereby decreasing worker exposure to VOC.
- Significantly decrease the VOC emission level in paints used at Yangzijiang.
- Reduce use of raw materials.
- Protect the environment.

- Reduce the Group's emission of pollutants.
- Reduce the cost of handling hazardous waste.

The practice to lower VOC is currently used for the Group's construction of 400,000 dwt bulk carriers (Valemax Very Large Ore Carriers). It is being rolled out for 208,000 dwt bulk carriers. The Group plans to roll out safe paints on its own fleet of vessels.

The findings in Yangzi Xinfu Yard's collaboration with Jotun were so significant that they were published in 2017 in leading PRC academic journal China Paint. This new coating method is expected to be adopted as the industry's protocol.

WORKPLACE SAFETY

Water Search and Rescue Exercise

The Group participated in a provincial water search and rescue exercise at Yangtze River for companies that use the Taicang City Port. Other participants included Party leaders and representatives from Jiangsu Maritime Authority, Taicang City Municipal Government, Water Search and Rescue Centres from Taicang City, Nantong City, Changshu City, Jiangsu Taicang Port Administration, Taicang City Work Safety Administration.



SUSTAINABILITY REPORT

COMMUNITY DEVELOPMENT

Improving Jiangsu's Vocational Education for Engineers

413-1 Operations with local community engagement, impact assessments, and development programs

The Group signed a collaboration agreement with Jiangsu Vocational Institute in April 2018 to provide practical training for diploma students and develop research initiatives in the field of mechanical and electrical engineering. The collaboration aims to integrate production, formal academic education and R&D into one unified system. The initiative is expected to create for the marine industry a fresh cohort of talented mechanical and electrical engineers every year.

