

Yangzijiang adheres to SGX guidance on sustainability reporting by publishing details on the environmental, social and governance (ESG) aspects of our business and strategy for investors to make informed investment decisions. Our sustainability performance is supervised by a dedicated department and the sustainability reporting process is managed by the Investor Relations team.

SHIPBUILDING AND ENVIRONMENTAL PROTECTION

It is the responsibility of all mankind to preserve the environment and contribute to its sustainability. Environmental protection requires us to increase production efficiency, save energy, and build and promote the use of clean-energy vessels. Yangzijiang has made increasingly significant progress in these aspects, which not only contributes to our operational and financial performance, but also positioned us as a responsible and environmental-friendly shipbuilder.

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 the R&D capabilities in green vessels, and have made significant progress.

We established a Research Institute through the acquisition of two major naval architectural firms, which occupy an office building in Shanghai and are dedicated to the R&D of high tech and green vessels. Over the years, we have built up a team of over 300 professionals specializing in vessel design.

The Research Institute's diligent work on product upgrading has led to several innovative fuel-efficient models, including the 2500-TEU, 4250-TEU, and 4800-TEU containerships and the 64000-DWT, 82000-DWT, and 93000-DWT dry bulkers. These products were 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 carries 10% more capacity, but consumes 20% less fuel and generates 20% less emission.

In 2015, we also secured orders for two units of Very Large Gas Carriers ("VLGC"), these orders marked the debut of Yangzijiang's production of clean energy vessels, in line with our long-term commitment towards environmental protection.

We also collaborate with a renowned French partner on the development of the Liquefied Natural Gas ("LNG") carriers, and successfully secured orders for two such vessels in early 2015. This is the first clean energy carrier that Yangzijiang has ever built, marking a milestone for the Group's product upgrading and building of green vessels. The construction process has been smooth with zero accident, and the construction was completed in 2017, which was two months ahead of schedule.

In December 2015, New Yangzi, a major yard of Yangzijiang, was granted the status of a national level R&D base for Ph.D students. This was in recognition of Yangzijiang's superb capabilities in R&D and talent development. In 2016, a laboratory at the R&D base was established and the first batch of the Ph.D students came on board. Their work is expected to further enhance Yangzijiang's R&D capabilities.

The Group has comprehensive management procedures and action plans for R&D, with specific annual targets for innovations in advanced technology for product development. In 2016, we submitted 30 new patent applications, of which, 4 were innovation patents, and 26 were practice patents. We have so far received approval for 55 patents,



including 7 innovation patents and 48 practice patents. The Group spent a total of RMB124 million in R&D in 2016. Most of the new R&D projects were pertaining to containerships and the LNG Carriers.

In 2017, we plan to submit the application for our 27,500 CBM LNG carrier and 2,700 TEU containership for the High-and-New Technology status in Jiangsu, file for 30 patent applications, and establish 9 R&D projects.

GOVERNMENT RECOGNITION ON R&D EFFORTS

In 2016, New Yangzi's status as a High-and-New Technology enterprise was renewed. In the first list of "Top 100 most innovative enterprises in Jiangsu" released by the Jiangsu Research Institute of Development Strategy, New Yangzi was ranked No. 15.

The national High-and-New Technology Enterprises status is jointly awarded by the Ministry of Science and Technology, Ministry of Finance, and the State Administration of Taxation. Eligibility criteria include R&D capability, track record in the development of intellectual property rights, use of technological innovations and improvements, and the proportion of technological personnel in the organization.

Since commencing operations in 2013, Xinfu Yard has placed great effort in R&D investment and recruiting in R&D personnel. We set up dedicated teams responsible for research, development, design, manufacturing, and client service, leading to several breakthroughs in technological innovation. Following New Yangzi, Xinfu yard was also equipped with the similar capabilities in building high technology, high value-added, large size, world class containerships and dry bulkers which will enable it to be recognised as a High-and-New Technology enterprise. The status of a High-and-New Technology enterprise of Xinfu Yard will greatly enhance its brand value, and is expected to



entitle it to government incentives in tech innovation, project R&D, and taxation. This will help Xinfu accelerate its growth as an enterprise and gain further competitive edge in the market.

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 at each production phase.

Our internal environmental protection procedures take a plan-do-check-adjust (PDCA) approach, and are improved on a continuous basis. We have zero tolerance towards any waste of energy and resource. Our KPIs require employees to demonstrate effort 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 continuous

optimization of production efficiency and cost structure. We implemented 5,595 cost-saving and efficiency improvement ideas in 2016, which led to total savings of RMB293.7 million in 2016, ahead of our targeted total saving of RMB270 million. We in turn reward employees contributing these ideas with prizes and bonuses of various forms, so as to encourage a constant flow of cost-saving innovations.

By improving our infrastructure for "green shipbuilding" over the years, Yangzijiang qualified for ISO9001 certification 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 production.

Total electricity usage in production was 202.5 million kWh in 2016, a decrease of 19.2% compared to 2015. Total water usage in production was 2.7 million tonnes, a decrease of 12.9% compared to 2015. Electricity and water consumption tend to be



correlated to the level of production activities, which explains in part the decreases. The Group's stringent rules on utilities saving as well as technological breakthrough have also contributed to lower water and electricity consumption.

SOCIAL RESPONSIBILITY

Occupational Safety and Health

We have a Safety Production Committee at each yard that looks after safety in production related matters, as well as environmental protection, fire safety, and industrial hygiene. The committee is headed by the yard's general manager and organizes safety training on a regular basis. We exercise periodical fire drills. We provide all the necessary safety equipment and have rigorous rules on the enforcement of safety procedures. We also organize regular health checks for employees and provide complementary vaccination for early identification and prevention of 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, manpower recruitment through M&A, and continued training scheme for existing staff.

Our collaboration with vocational schools has effectively created a talent pool for the Group, especially for technical personnel. We introduced an incentive program to encourage our staff to pursue technical certificates and improve English language skills through continuous learning. We also set up various teams focusing on the training and development of fitters, welders, and engineers with overseas exposure.

We organize regular training for employees of all departments, especially for work unit heads on production sites and quality assurance staff. In 2016, each employee received 98 hours of

training on average. We invite external speakers to conduct training on management procedures and organize various contests for technical staff to constantly improve their skills.

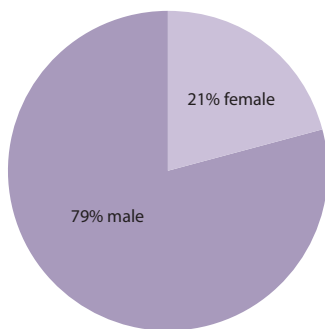
We retain employee loyalty through a comprehensive incentive/reward scheme. A clear incentive structure gives our employees better visibility for their career and compensation paths. This has led to a low staff turnover, reduced training costs, and improved production efficiency.

The Group also places a strategic focus on strengthening the educational profile of its employees that is in line with our target to enhance R&D capabilities. For 2016, 25% of the Group's employees were deployed in technology-related roles, and R&D headcount accounted for 14% of our total staff strength.

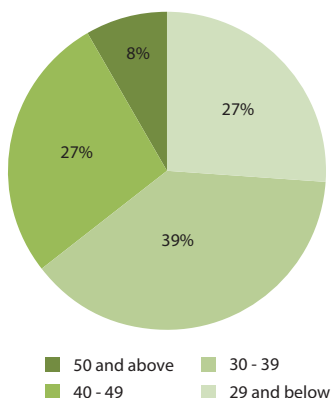
We organize regular recreational activities to promote employees' work life balance and team building. These include sporting activities such as participation in night marathons and photography competitions.

We also draw existing human resources within the Group to help the workers on the yard with their children's education needs. We organized younger employees with university degrees to provide free tuition to the children of the workers. In return, these tutors receive a certificate for their volunteer work, and enjoy priority status should they apply to be evaluated for entitlement for financial support. The project started in 2014. Over 30 volunteers participated and it has helped over 30 families.

Gender profile of all employees



Age profile of all employees



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 society for various purposes.

In fact, Mr. Ren Yuanlin is renowned for his charity work, and was listed as No. 4 in the China Philanthropist List by Forbes in 2014. He donates the dividends from his one billion Yangzijiang shares to the Yuanlin Charity Foundation which he founded in 2011.

The Foundation primarily funds charitable work in elderly service facilities, disaster rescue, and assistance of the financially needy. It also finances technological innovation. The Yuanlin University for Senior Citizens in Jiangyin, with a capacity for 5,000 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. The principal donation to Yuanlin Charity Foundation was made from Mr. Ren's personal wealth. The Foundation is managed by an independent institution with 3rd party supervision.

In 2016, Mr. Ren received accolades such as "Outstanding Entrepreneur of Jiangsu Province", "Outstanding Contribution Award for the Internationalization of Jiangsu's Businesses", and "Most Respected Businessman of Jiangsu".

EXEMPLARY CORPORATE GOVERNANCE

Along with our financial and operational excellence, the Group has taken concrete action to improve corporate governance. One major step taken in 2015 was to appoint Mr. Ren Letian as the Group CEO. 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. We improved corporate governance by separating the roles of Chairman and CEO.



We keep close check on the cost structure to ensure minimized cost in production, procurement, administration, sales and marketing. One vehicle for achieving this is to fight corruption. Our whistle blowing relating to improper, unethical, or fraudulent conduct. All employees are informed of the policy. In FY2016, there were no incident 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 2010 to 2012. In 2015, Yangzijiang re-entered the Straits Times Index as one of its constituent stocks, an endorsement on Yangzijiang as a quality listed company on the SGX.