



**Yangzijiang Shipbuilding (Holdings) Ltd.**  
扬子江船业(控股)有限公司

**SUSTAINABILITY REPORT**  
2019



## A GLOBALLY RENOWNED SHIPBUILDING GROUP



With strong capabilities in large-sized containerships and dry bulkers

## ASTUTE FINANCIAL RISK MANAGEMENT



Net cash position with cash reserves of RMB10.2 billion as at 31 December 2019

## INNOVATION FOR GREEN SHIPPING



R&D headcount accounts for 17% of our total staff strength, and seeking strategic growth in LNG-related capabilities

A shipbuilder's commercial activities exist in the context of environmental, social, and governance issues. The Board and the Group's management team regularly review and oversee the management of the material Environmental, Social and Governance factors of Yangzijiang Shipbuilding (Holdings) Ltd, and considers them in the determination of the Group's strategic direction and policies.

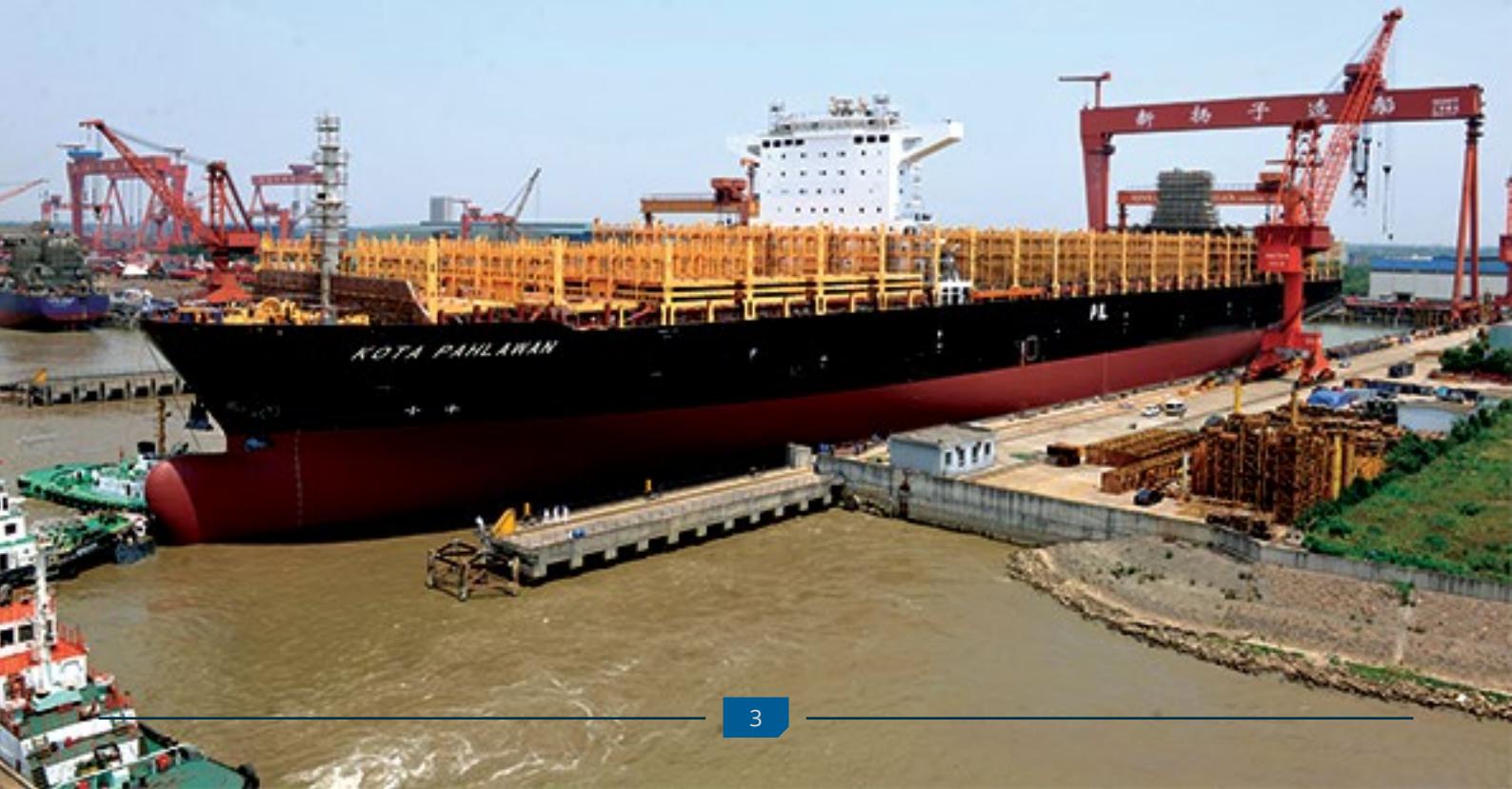
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## SUSTAINABILITY STRATEGY

Care for sustainability requires us to have the wisdom and vision to balance the interests among the pursuit of profit, protecting the welfare of our people, and preserving the planet, both in the near term and the long term. At Yangzijiang, we take sustainability as a business approach to creating long-term, collective value with consideration on how we operate in the economic, social, and ecological environment.



## 01 - CORPORATE PROFILE

Yangzijiang Shipbuilding Holdings Limited (or 'the Group') is incorporated in the Republic of Singapore. It has been publicly listed on the Mainboard of Singapore Exchange since 2007.

The Group is primarily engaged in the construction of commercial vessels including containerships and dry bulk carriers, and is actively building up its capabilities in the design and construction of mid-sized LNG carriers. Its customers are primarily ship owners from Canada, United Kingdom, Germany, France, Greece, Norway, Argentina, Turkey, Bulgaria, Poland, Australia, Japan, South Korea, Singapore, India, Thailand, Bangladesh, Mainland China, Hong Kong, Taiwan, etc. Its shipbuilding business is complemented by the management of its treasury portfolio of debt investments at amortised cost products.

It also has the following businesses that support its core shipbuilding business:

- Fabrication of large-scale steel structures
- Shipping logistics & vessel chartering
- Ship design
- Trading in shipbuilding related materials

The Group is headquartered in Jingjiang Industrial Park, Jiangyin City, Jiangsu Province, China, and has four shipyards in the vicinity. It has about 6,400 full-time employees.

| Highlights                  | 2017       | 2018       | 2019       |
|-----------------------------|------------|------------|------------|
| <b>Revenue</b>              | 19,205,596 | 23,238,289 | 23,597,175 |
| <b>Total Assets</b>         | 43,583,032 | 44,911,484 | 45,756,122 |
| <b>Total Liabilities</b>    | 16,304,258 | 15,093,085 | 13,701,597 |
| <b>Shareholders' Equity</b> | 26,650,399 | 29,101,587 | 31,095,631 |
| <b>Vessels Delivered</b>    | 33         | 46         | 59         |

The Group's revenue distribution based on customer locations is as follows:

| Revenue by countries            |            |            |            |
|---------------------------------|------------|------------|------------|
| (RMB'000)                       | 2017       | 2018       | 2019       |
| <b>PRC&amp;Taiwan</b>           | 3,327,219  | 14,128,345 | 13,340,227 |
| <b>Germany</b>                  | 1,362,512  | 94,079     | 523,960    |
| <b>Greece</b>                   | -          | 2,326,528  | 2,242,247  |
| <b>Other European Countries</b> | 2,860,310  | 2,330,443  | 4,757,562  |
| <b>Other Asian countries</b>    | 11,242,124 | 3,581,192  | 1,232,848  |
| <b>North America</b>            | 413,431    | 101,434    | 68,396     |
| <b>Norway</b>                   | -          | 594,798    | 895,860    |
| <b>Korea</b>                    | -          | -          | 404,811    |
| <b>Others</b>                   | -          | 81,460     | 131,264    |
| <b>Total</b>                    | 19,205,596 | 23,238,289 | 23,597,175 |

## 02 - VALUES & ETHICS

### Vision

We are committed to building ships that represent the highest industry standards globally and building our reputation into the world's leading shipbuilding group.

### Mission

We are committed to being a responsible public listed organisation that fulfills the potential of our employees, delivers high-quality ships to our customers, creates value for shareholders, and contributes to the society as a responsible corporate citizen.

### Values

Dedication | Details | Efficiency | Knowledge | Responsibility



## 03 - STATEMENT FROM SENIOR DECISION-MAKER



**Ren Letian**

*Executive Chairman and Chief Executive Officer  
Yangzijiang Shipbuilding (Holdings) Limited*

### Dear Stakeholders,

It is my pleasure to present to you Yangzijiang Shipbuilding (Holdings) Limited's ("Yangzijiang" or "the Group") sustainability report for the financial year ended 31 December 2019 ("FY2019")

Sustainability has become an increasingly pressing issue as the global economy progresses and its structure evolves. The COVID-19 pandemic spreading around the world with growing severity now has reminded us again of the implication of humans' economic and social activities on the earth and on our lives. It reminded us to always be humble and respect nature, and take a balanced approach when we make business decisions. This requires us to have the wisdom and vision to balance the interests in the pursuit of profit, protecting the welfare of our people and preserving the planet, both in the near term and the long term.

At Yangzijiang, we take sustainability as a business approach to creating long-term value by considering how we operate in the economic, social, and ecological environment. We recognise the need to act on sustainability well before the expectations on corporate responsibility increased in the recent years, and now we are glad to take several steps further to engage our stakeholders on the communication of relevant sustainability matters in recognised reporting frameworks.

Our sustainability reporting revolves around the three pillars of sustainability issues under the Global Reporting Standard (GRI) system, namely, economic development, environmental protection, and social development. As a summary, we will be discussing the following matters in detail:

### (I) ECONOMIC CONTRIBUTION

Since its public listing on the Singapore Exchange in 2007, Yangzijiang has been consistently profitable every year. While delivering hundreds of quality vessels to ship owners globally, we provided employment for tens of thousands of workers, paid a dividend every year to thousands of shareholders, and Yangzijiang has also been one of the largest taxpayers to the local government in the People's Republic of China ("PRC").

Based on the Group's financial performance, particularly revenue, the Group was ranked 359th in the top 500 Chinese Companies List in September 2019 by The China Enterprise Confederation and the China Entrepreneurs Association. This was up by 90 places from that of 2018. This list consisted of 265 state-owned companies and 235 private enterprises. The Group was also ranked 361st in Fortune China 500 Companies in 2019, up 19 places from 2018.

## (II) ENVIRONMENTAL PROTECTION

In recent years, the shipping sector has been in the spotlight and in the discussion of sustainability issues, especially in environmental protection amid the accelerated climate change, pollution, and the pursuit of a zero-carbon economy. As such, a good part of our sustainability strategy is to address the challenges that our customers – the ship owners face. These challenges include meeting the regulatory cap on the sulphur content in fuel oil, and the choice of environmental-friendly and economically feasible fuels.

As shipbuilding technologies advance rapidly to find new ways to improve efficiency and reduce emissions, we made tireless efforts to make sure that our technology and construction procedures represent the latest development in the industry and the trends for the future. In 2019, we completed the delivery of all the six units of the generation II Very-Large-Ore-Carriers (VLOCs) to our customer. These VLOCs were designed with improved shape and specifications, which save energy consumption by 19% under the same speed and draught.

## ABOUT YAMIC

Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC), our joint venture with prominent Japanese shipbuilding companies, Mitsui E&S Shipbuilding Co., Ltd. ("MES-SC") and Mitsui & Co., Ltd. (together with MES-SC, "Mitsui"), started operation in August 2019. Combining the advanced shipbuilding technologies and extensive resources at Mitsui and Yangzijiang's strengths in shipbuilding and cost control, YAMIC will play an important role in fulfilling our sustainability strategies, by introducing high-tech, high-specification vessels, especially gas carriers. Over time, we would like to build YAMIC into the best shipyard in the world for mid-sized clean energy vessels and LNG carriers,



Aug 2019

### Opening ceremony of YAMIC

The ceremony took place at the Group's Taicang yard. The joint venture between Yangzijiang and Mitsui started operation in August 2019.



Jan 2020

### Inaugural delivery by YAMIC

YAMIC delivered its first two 82,000DWT vessels to a customer, only four months since its start of operation in August 2019. The vessels were proprietarily designed by Yangzijiang.

### (III) SOCIAL DEVELOPMENT

Given the nature of our business, health and safety is a key factor to promote the wellness of both our employees and the Group. It is a duty and moral responsibility for us to look after our employees' health and safety. In the report, we will provide a detailed update on Yangzijiang's practice in promoting workplace safety, including training, monitoring, reporting, and rescue procedures. We will also discuss our practice in general training and development, including the efforts in improving industry practices, our internal training programs such as Project Voyage, as well as our collaboration with local universities and vocational institutions to nurture talent for the industry.

Yangzijiang's long tradition of returning to society has its roots in our Honorary Chairman, Ren Yuanlin's deep belief in giving and sharing. Yuanlin Charity Foundation, which is solely funded by our Honorary Chairman with his annual dividend from his shareholdings in Yangzijiang, has helped improve the life quality for thousands of retired senior citizens and cured cataract for thousands of patients. Yuanlin Rehabilitation Hospital, a new charity initiative under the Yuanlin Charity Foundation, started operation in May 2019. Upholding the sharing spirit, Yangzijiang has also been giving donations to various individuals and organisations for a variety of causes.

### MANAGING THE BUSINESS THE SUSTAINABLE WAY

We live in an interdependent world. It is in our own interest to manage the business for the greater good of sustainability. Care for sustainability allows us to gain a deeper understanding of our customers' needs and improve trust and stakeholder engagement. It spurs us to promote innovation and contribute to environmental protection. It reminds us to strengthen community relations and enhance our brand value.

We welcome ideas and suggestions on sustainability matters from all our customers, suppliers, employees, regulators, and shareholders; your views and suggestions will be considered in our regular review of the sustainability strategy in the board meetings. I would also like to encourage all our stakeholders to stay mindful of our activities and their implications on the environment and the community, and contribute our part to a sustainable future together.



#### May 2019

##### **Outstanding Entrepreneur**

Chairman Ren Yuanlin was awarded "Outstanding Entrepreneur" in the Innovation China Award organized by Technology Daily of China, for his efforts in leading Yangzijiang to achieve phenomenal technological breakthroughs in both the R&D of vessels and the management system.

#### July 2019

##### **Government-endorsed achievement**

Chairman Ren Yuanlin was awarded "Most Respected Entrepreneur of Jiangsu Province" in part of the celebration event series of the 70 Anniversary of the Founding of the People's Republic of China. The award was recognition of Mr. Ren's outstanding leadership and achievement in establishing Yangzijiang as a global brand, creating employment, and making substantial economic contributions to society.

#### May 2019

##### **Top Outstanding Businessman**

Chairman Ren Yuanlin was awarded "Top 100 Outstanding Businessmen of Wuxi City".

## 04 - CHANGES IN GROUP STRUCTURE

### BUILDING UP GAS-CARRIER CAPABILITIES

As Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC) prepared for the start of operation in 2019, the Group made two acquisitions to grow its capability in vessel design and terminal facilities.

In February 2019, the Group acquired 51% of the stake in Shanghai Econovo Marine Engineering Co., Ltd ("Shanghai Econovo"). Shanghai Econovo is a professional engineering company with leading design capabilities in gas carriers (LPG, LEG & LNG), tankers, bulk carriers, containerships, and other vessel types. The acquisition was part of its strategy to enhance its competitiveness by developing new concepts and introducing new technologies to vessel construction and fortify its leading position in the shipbuilding industry. The acquisition was also expected to help the Group build up the capabilities in gas carriers.

In July 2019, the Group acquired 100% of the stake in Odfjell Terminals China Holding Pte. Ltd. ("OTCH"), which held a 55% equity interest in Odfjell Terminal (Jiangyin) Company Ltd ("OTJ"). OTJ owns and operates a tank terminal, which handles various types of petrochemical products and provides complete terminal services for petrochemical distribution in the downstream Yangtze River region. The Group has since taken steps to convert it into a terminal that can handle and store gas products, to stay closer to the gas-related transportation market, and facilitate the growth of its gas carrier-related business.

### OTHER ACQUISITIONS AND DISPOSALS

In January 2019, the Group, through its wholly-owned subsidiary, Jiangsu Yanghong Marine Import and Export Co., Ltd. ("Yanghong") acquired 40% of the equity interest of shareholdings of Jiangsu Yangzi Zhuoneng Industrial Co., Ltd. ("Zhuoneng"). Further to the acquisition, Zhuoneng has become a wholly-owned subsidiary of the Group. Zhuoneng is in the business of trading of metals, paper products, plastic products including raw materials and products and sales, research, and development of mechanical equipment. Zhuoneng has brought in an additional revenue stream to the Group and helped to reduce the Group's dependency on the import and export of steel-related product from third party for its shipbuilding activities.

In January 2019, the Group's wholly-owned subsidiary, Jiangsu Jiangyin-Jingjiang Industry Zone Barber-CS Marine Technology Co., Ltd ("Barber-CS"), a company registered in Jiangyin City, People's Republic of China, had completed the dissolution process following the relevant laws and regulations of People's Republic of China. The dissolution of Barber-CS did not have any significant impact on the earnings per share and net tangible assets of the Group for the financial year 2019.

In July 2019, the Group announced that its wholly-owned subsidiary of the Company, Jiangsu New Yangzi Shipbuilding Co.Ltd has disposed of the entire 95% equity interest in the registered capital of Nanjing Saiyang Equity Investment Enterprise, a company registered in the Nanjing City, People's Republic of China, for a consideration of RMB 65,550,000 (equivalent to approximately SGD13.1 million). The disposal was part of the structure streamlining exercise and to control the overall administrative expenses.



## 05 - STAKEHOLDER ENGAGEMENT

### APPROACH TO STAKEHOLDER ENGAGEMENT

The Group actively engages its suppliers, 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 organisation, it has many initiatives for employee skills upgrade and 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 to improve the Group's productivity and efficiency.

#### External initiatives

The Group qualifies for the certifications under the following external initiatives:

- Quality Management (ISO9001) certification by the China Classification Society
- Environmental Management (ISO 14001)
- Occupational Health & Safety Management (OHSAS 18001)
- Energy Management system (ISO 50001)
- CSQA certified
- Our vessels are classified by CCS, ABS, BV, NK, GL, LR, and DNV-GL.

#### Membership of Associations

Yangzijiang is a member of the following associations:

- China Association of The National Shipbuilding Industry
- China Smart Shipbuilding Alliance
- Jiangsu Provincial Technical Innovation Association
- Jiangsu Shipbuilding Industry Association
- Jiangsu Su-Shang Development Association
- The Alliance of Ship Design System Application and Development
- Wuxi Overseas Investment Association



**Dec 2019**

#### Christmas party

Over 400 guests, including representatives of customers from several European and Asian countries, and representatives of classification societies of major countries, attended the Christmas party hosted by Yangzijiang and its senior management.

## 1. EMPLOYEES

### Key topics

#### Economic Performance

- Economic incentive for employees contributing to the improvement of product quality
- Encouraging reduction of various costs arising from changes in vessel design
- Alignment of products and services to market demand
- Stable supply of manpower

#### Staff Welfare

- Economic distribution to employees
- Recognition of work contribution, performance incentives
- Training and development to ensure that employees have continual skills upgrade
- Greater attention to protecting the interests of frontline workers
- Strengthen the implementation of workplace safety

#### Management

- Effective planning for the Group's long term development
- Greater adoption of delicacy management
- Management of production cost
- Continual enhancement of the Group's brand equity

#### Environmental Protection

- Strengthen the implementation of environmental protection



Jan 2020

#### CNY party for graduate hires

Over 150 recent graduate hires joined the CNY party organized by the Group's Human Resource department and the training center.

## 1. EMPLOYEES CON'T

## Engagement

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. The table below shows a summary for the past four years.

| Year | No. of suggestions/<br>innovative ideas | Energy<br>consumption/<br>production cost<br>saved (RMB<br>million) |
|------|---|---|
| 2019 | 7,859                                   | 383   |
| 2018 | 6,496                                   | 336   |
| 2017 | 5,948                                   | 331   |
| 2016 | 5,595                                   | 294   |

- Skills upgrade training and certification
  - Technical skills competition
  - Inter-department learning & sharing sessions with R&D team
  - Team building activities
  - Performance incentive holidays
  - Work-life balance recreational activities
  - Internal monthly newsletter
  - Employee survey and feedback

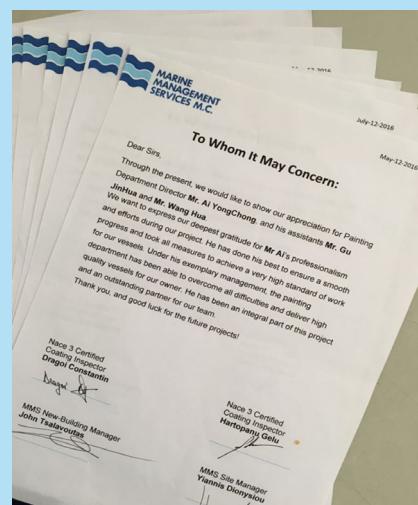
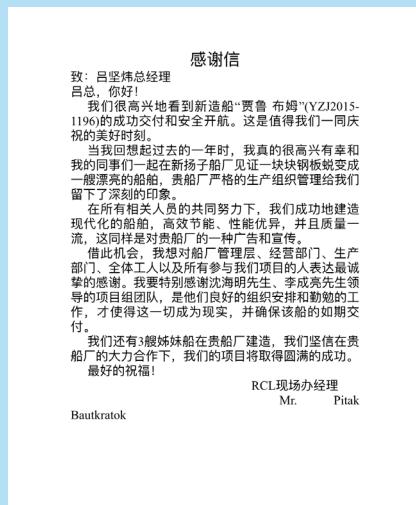
## 2. CUSTOMERS

## Key Topics

- The Group's financial strength
  - Strong support from financial institutions
  - Timely vessel delivery
  - Customised solutions
  - Environmentally-friendly and fuel-efficient vessels
  - Compliance with IMO regulations
  - Good safety record

## Engagement

- Project tender process
  - Negotiation of vessel specifications, contract terms & conditions
  - Project progress update meetings
  - Project review
  - Vessel naming and delivery ceremonies
  - Recreational sports events involving customers' on-site representatives



#### Some letters of appreciation from customers

### 3. BANKS

#### Key Topics

- Business stability
- Strong financial position
- Established global customer network
- Relatively stable order book despite business cycles

#### Engagement

- Dialogue between leadership
- Yard inspection visits by leadership

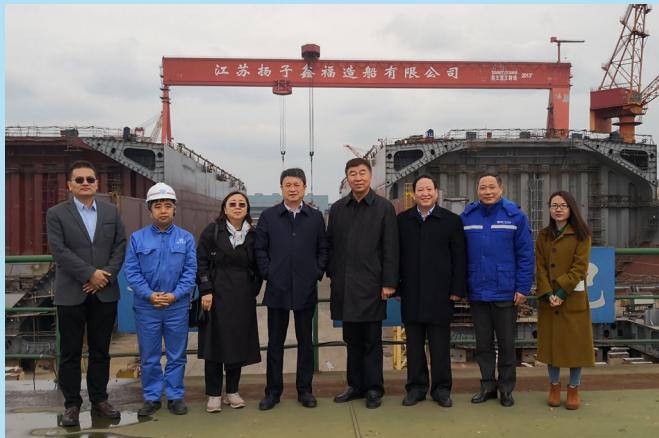
### 4. PROFESSIONAL ASSOCIATIONS

#### Key Topics

- Enhance R&D capabilities
- Improve design of vessels for environmental protection
- Vessel and workplace safety
- Strategic planning for protocols in professional certification

#### Engagement

- Strategic alliance agreements
- Facilitate conversation between classification societies and ship owners
- Organise national-level technical appraisal meetings
- Training and certifications



Mar 2019

Senior management of China Classification Society visited Yangzijiang, and had an in-depth discussion with then Executive Chairman Ren Yuanlin and team on the outlook of the shipbuilding industry. The visiting team gave high remarks on Yangzijiang's strategic focus on high-end, clean energy vessels, and expressed willingness to support in Yangzijiang's business development.



Nov 2019

**CEO and team visit Japanese customers**

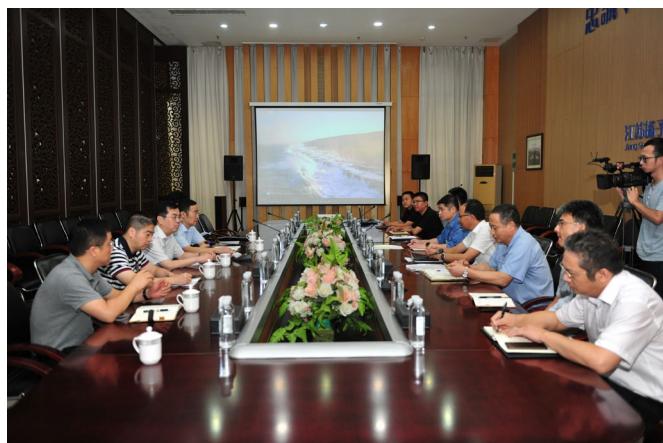
Group CEO Ren Letian, leading a senior management team, visited several key customers in Japan to learn their feedback on the vessels delivered earlier and the after-sales service. Yangzijiang has made significant progress in growing its business in the Japanese market in 2019.



## 5. GOVERNMENT AND REGULATORS

### Key Topics

- Innovation
- Environmental protection
- Workplace safety
- Compliance
- Economic contribution



### Engagement

- Dialogue between leadership
- Yard inspection visits by leadership
- Training conducted for workers at Yangzijiang's yards by government agencies
- Leadership gives talks at government-led sharing sessions

Sep 2019

### Mayor of Jiangyin City visits Yangzijiang

The Mayor and team listened to CEO Mr. Ren Letian's review on the operations of the Group. The Mayor also instructed relevant governmental agencies to give Yangzijiang all necessary support for its business growth.

## 6. SHAREHOLDERS

### Key Topics

- Financial performance
- Operations, strategy and outlook
- Dividend payout

### Engagement

- Analyst briefings
- Investor conferences
- Annual General Meetings
- One-on-one meetings
- Email communications

## 7. INDUSTRY PEERS

### Key Topics

- Improve management and operational efficiency
- Improve the design of vessels



### Engagement

- Yard visits and sharing sessions

Sep 2019

### Chief of Jiangsu Transportation and Construction Bureau visits Yangzi Xinfu

The Chief inspected the operations of the yard and construction progress of a local infrastructure (bridge) project that Yangzijiang participates in, and gave high remarks on Yangzijiang's contribution to the local economy.

## 8. SUPPLIERS

### Key Topics

- Quality of product
- Quality of after-sales service and warranties
- Shipyard's financial strength, project stability, and its ability to collect its receivables
- Payment terms, timely payment of credit dues
- Efficient collaboration with ship owners
- Brand equity of the shipyard
- Trustworthiness
- Regulatory compliance
- Long term relationships with the shipyard
- Balance between price and quality



### Engagement

- Yard visits
- Supplier provides technical training to the yard's employees
- Talks on industry issues
- Regular review meetings with ship repair services provider
- Supplier conference

Sep 2019

### Annual Supplier Conference

The Group organised the annual supplier conference to give feedback on their supplies and highlight the significance of quality control. Suppliers shared their tips on quality assurance. 71 qualified suppliers attended the conference in 2019.

## 9. COMMUNITIES

### Key topics

- Return to the community through Chairman's philanthropy work
- Encourage social volunteer work among employees



### Engagement

- Philanthropic donations
- Build senior university and local hospital
- Community service

Sep 2019

### Groupwide basketball tournament

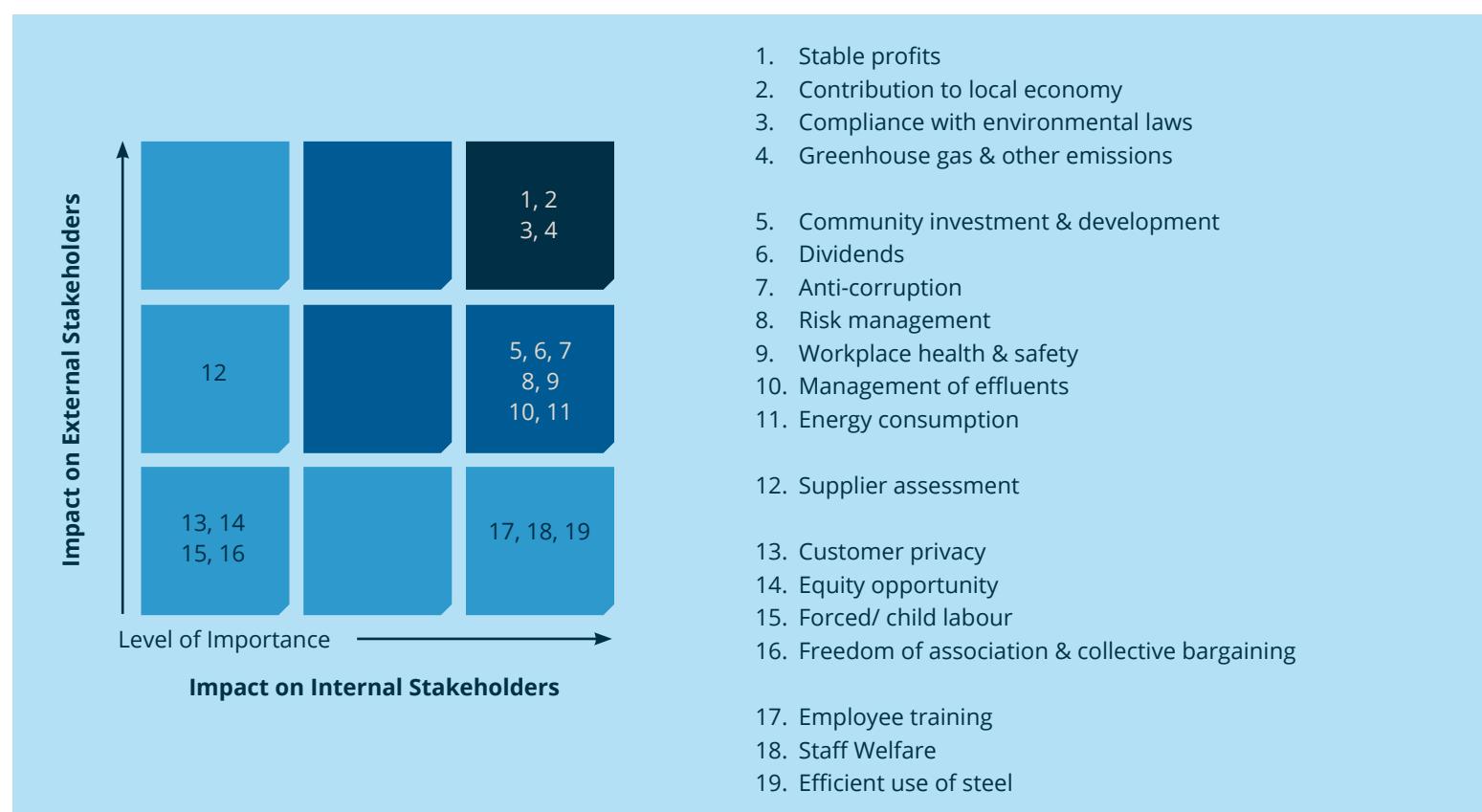
The second season of the annual tournament took place in September, where 13 teams from various subsidiaries and divisions took part in.

## 06 - DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

The topics monitored and reported in this sustainability report were shortlisted in consideration of environmental, social, and governance risk factors relevant to the Group as follows:

- Benchmarking against global peers
- Impact on the Group's ability as a business to address challenges in the industry
- Demand trends that arise from regulatory requirements
- Supplier Code of Conduct published by the Group's existing and prospective customers
- Survey of internal priorities

We seek to consider the opinion of all the stakeholder groups in our business value chain. Priority is given to stakeholders with a strong track record of sustainable development integration, the extensiveness of its best practices, as well as transparency and availability for dialogue. To enhance the Group's competitive business advantage, we seek to align our sustainability policies with the requirements stipulated in supplier codes of conduct published by our target market.



The consolidated financial statements include the financial performance of the following subsidiaries:

- Jiangsu New Yangzi Shipbuilding Co., Ltd ("New Yangzi")
- Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd ("Xinfu")
- Jiangsu Yangzijiang Shipbuilding Co., Ltd ("Jiangsu Yangzijiang")
- Jiangsu Yangzijiang Offshore Engineering Co., Ltd ("JYOEC")

This report includes the information and review of the Group's financial and operational performance and activities regarding sustainability matters in the financial year ended 31 December 2019 ("FY2019").

The Group issues the Sustainability Report annually, and it is published on the Singapore Exchange's website in May.

## 07 - ECONOMIC CONTRIBUTION

### ONE OF THE LARGEST CORPORATE TAX CONTRIBUTORS TO THE LOCAL GOVERNMENT

The Group is one of the 50 largest enterprises in Jiangsu, the most developed and densely populated province in China. In FY2019, despite a very low level of new build orders globally, the Group still secured new orders for 21 vessels with a total contract value of USD830 million. Its outstanding order book has consistently ranked among the top 10 in the world in dead-weight-ton ("DWT") terms.

For FY2019, the Group paid income taxes of RMB 890.2 million to the Wuxi municipal government. Wuxi has a population of about 6.5 million people. The Group ranked No.13 in its top-100 corporate tax contributor list for FY2019<sup>1</sup>.

<sup>1</sup>[https://www.thepaper.cn/newsDetail\\_forward\\_6682108](https://www.thepaper.cn/newsDetail_forward_6682108)

| Materials Used   | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------|------|------|------|------|
| <b>Renewable materials<br/>- Steel usage<br/>(thousand tons)</b> | 796  | 810  | 850  | 500  | 480  |

| <b>Summary of Economic Contribution to Society</b>              |  | 2019              | 2018              |
|---|--|-------------------|-------------------|
| <b>Economic Value Generated</b>                                 |  |                   |                   |
| Revenue   |  | RMB 23.6 billion  | RMB 23.3 billion  |
| <b>Economic Value Distributed</b>                               |  |                   |                   |
| Operating Cost  |  | RMB 19.9 billion  | RMB 19.8 billion  |
| Employee Wages and Benefits                                     |  | RMB 433.0 million | RMB 341.7 million |
| Of which: Employer's Contribution to Defined Contribution Plans |  | RMB 82.3 million  | RMB 37.7 million  |
| <b>Payments to Providers of Capital</b>                         |  |                   |                   |
| Dividends Paid  |  | RMB 986.6 million | RMB 857 million   |
| Interest on Bank Borrowings                                     |  | RMB 183.2 million | RMB 122.6 million |
| <b>Payments to Government</b>                                   |  |                   |                   |
| China and Singapore (tax)                                       |  | RMB 781.5 million | RMB 636.9 million |
| <b>Financial Assistance</b>                                     |  |                   |                   |
| Effect of preferential tax rate                                 |  | RMB 372.2 million | RMB 371.2 million |

## ECONOMIC CONTRIBUTIONS TO SOCIETY

The Group had a total of 6,405 employs as at the end of 2019. The employees who are employed in the PRC participate in a defined contribution plan administered by relevant provincial government bodies. For FY2019, the Group was required to make a monthly defined contribution to these plans at approximately 45% to 47% of eligible employees' monthly salaries and wages as stipulated by local rules and regulations.

## TAX BENEFITS FOR HIGH/NEW TECHNOLOGY

Two major yards of the Group, Jiangsu New Yangzi Shipbuilding Co., Ltd ("JNYS"), and Jiangsu Yangzi Xinfu Shipbuilding Co.,Ltd ("JXF"), enjoy the status of High-and-New Technology Enterprise granted by the government. The status is granted based on the Group's consistent effort in enhancing its R&D capabilities and gives the yards preferential tax rates of 15% instead of the standard tax rate of 25%. The status was granted initially in November 2016 for three years. In 2019, the two yards successfully obtained an extension of the status for the reduced income tax rate of 15% for another 3 years, to November 2022.

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 R&D personnel in the organization.



### July 2019 Vessel delivery

Delivery of an 83,500DWT chemical carrier to a Norwegian customer. This vessel type represents several technological breakthroughs at Yangzijiang given some specific requirements in the design of the vessel.



### Jan 2020 Vessel delivery

Yangzijiang delivered a 2,200TEU containership to CMA CGM, the first in this batch of orders. The vessels were installed with rear propellers to enable free movement in the port area without using a tug boat.



**Aug 2019**  
**Innovation of cost-saving, efficient vessel launching method**

Yard and dock capacity is a key factor that affects the efficiency, cost control, and production cycle in shipbuilding. To constantly improve efficiency and cost controlling measures, in 2019, the Group introduced the semi-submerged ship launching method that is commonly used in more advanced Korean yards. With the joint teamwork with its partners from Mitsui, three 82,000 DWT dry bulkers were launched this way at YAMIC.

This method uses a floating dock rather than a slipway or dry dock used in the traditional way of launching vessels. It doesn't require vessels to be built in docks, and hence removes the limitations of dock capacity, allows increased production volume and output, and substantially enhances shipbuilding efficiency. It is also a cost-efficient way to increase capacity quickly. The 16,000 DWT floating dock that was used in the semi-submerged launch was also designed and built by Yangzijiang.



Moving the vessel onto the floating dock



The tug boat drives the floating dock with the vessel to the launching point in the Yangtze River



The floating dock submerges, the vessel is launched in the Yangtze River

## 08 - GOVERNANCE & RISK MANAGEMENT



### ANTI-CORRUPTION POLICY STATEMENT

It is the policy of the Group to comply with all applicable laws and regulations prohibiting corruption in our operations. We expect the same of our business partners. Yangzijiang's representatives at any level who fail to comply with this Policy, or to support guidelines and procedures or relevant legislation will be subject to internal disciplinary action, and possibly the termination of their employment contract.

Those who believe a violation of this Policy has occurred or is about to occur are expected to speak up, either internally to their manager or the Group's legal department, or anonymously through the following parties:

- Whistleblowers in Singapore may contact Chairman of the Audit Committee
- Whistleblowers in China may deposit a physical letter into a feedback box next to the stairway on level one of our main HQ building at 1 Lianyi Road, Jiangyin-Jingjiang Industry Zone, Jingjiang City, Jiangsu, People's Republic of China 214532, or via the Group's office automation system.

The Group adheres to the Singapore Code of Corporate Governance issued in August 2018.

It strictly adheres to integrity in business practice and keeps close checks on the cost structure to minimize the cost in production, procurement, administration, sales, and marketing. A detailed procedural guide containing meticulous rules to counter bribery and corruption is in place. It is intended to facilitate whistleblowing concerning improper, unethical, or fraudulent conduct. All employees are informed of the policy. In 2019, there were no incidents of bribery or corruption cases within the Group.

## RISK MANAGEMENT

### Managing Operational Risk

The Group's shipbuilding customer base is well diversified geographically, with sales contributions from Asia, Australia, Europe, and Canada. Its customer base consists of some of the most prominent shipowners in the world, and many of them have been Yangzijiang's customers for decades.

In the shipbuilding business, a company should primarily focus on the prevention of the following operational risks, and under each item, we will discuss how the risk is managed at Yangzijiang.

#### 1. Cancellation of contract by customers

- Shipbuilding contract terms and conditions are prudently negotiated to prevent customers from cancelling contracts unjustifiably.
- The Group proactively liaises with ship owners to understand the charter demand outlook and customers' needs to pre-empt and work out solutions to lower the risk of contract cancellation
- Agree to renegotiate on delivery schedule and rework of vessel types when the market condition is extremely challenging

#### 2. Customer is unable to obtain bank financing or guarantee for the contract

- The Group provides assistance to customers where needed and feasible

#### 3. Delay in construction schedule

- Technology-powered, seamless workflow to ensure that the production is on schedule
- Enhance the integrity of the product in each module/section through all-year-round, systematic training to remove the need to rework
- Proactive communication with customers in uncontrollable situations such as the shipyards' shut for a few weeks due to COVID-19 in February to March 2020, to ensure on-time delivery

#### 4. Disruption in the supply of raw materials and equipment

- Using an established supplier qualifying system to manage a pool of qualified suppliers and reserve suppliers for each category of supplies
- Regular review and feedback to suppliers on their product and service
- Regular review of the supplier system to ensure the best cost for value and quality

#### 5. Cost overrun

- Strict accountability to the head of the production unit on the control of production time and unit cost
- Encourage all employees to contribute cost-saving ideas in every aspect of the production, provided that quality standard is not compromised. Often cost-saving ideas lead to a win-win situation for both the Group and the customer

#### 6. Dispute on specification

- Determine all the specification to the finest detail in the negotiation stage to prevent such dispute
- Close communication with the customer during the construction process, seeking a feasible solution to problems occurred
- All communication and meeting records are well documented

## MANAGING FINANCIAL RISK

The Group adopts a prudent and arguably, conservative approach in its financial management and accounting policies. It takes a conservative view in its budgeting in operations and makes provisions to reflect market conditions.

### Shipbuilding business

- The Group considers the expected adverse movement in the price of raw materials and the USD/RMB exchange rate, among other factors, between the time when a contract is signed and the time of vessel delivery, and makes provisions during the construction process accordingly. The provision is reviewed and adjusted regularly during the construction process
- The Group also makes provisions on warranties for vessels delivered as a standard practice and writes it back after some time when the Group is no longer liable for the warranty coverage.

### Investment business

- According to its investment guideline, the business only invests in projects with limited risk while giving the Group a higher level of fixed return than bank deposits to support the Group's principal shipbuilding business
- It's the Group's policy to cap the loan-to-value ratio at a strict level (50% or below), with the backing by accepted collaterals
- Accepted collaterals include public-traded shares, land, government guarantee (backed by government tax revenues) and other guarantee backed by various types of assets
- The investment committee conducts thorough due diligence and the projects need to be approved by the voting of the investment committee
- The interest payment is closely monitored and actions are taken immediately as soon as any late payment is identified
- The investment portfolio is reviewed at least once every quarter
- Despite that the investment is backed up by collaterals, the Group makes provision according to the risk characteristics of each project

In fact, prudent management of financial risk is one important reason that the Group maintains a strong financial position over the years.



#### An idea to improve the use of space, from frontline workers

As painting was brought forward to an earlier part of the construction process (to streamline the production and improve efficiency), certain space needs to accommodate an increased number of steel pipes. Frontline workers came up with the idea of storing the pipes by piling up the racks of the same width.



#### Use of QR code for supply management

The Group rolled out the QR code-assisted supply management in phases at various divisions. The QR code enables the trackability on the use of each item and is expected to enhance the quality control and feedback loop. The application of the QR system was highly welcomed by shipowners.

## 09 - TALENT AND TRAINING

### TALENT CAPITAL

All our employees are permanent full-time and covered by collective bargaining agreements.

| Gender Diversity                 | 2019  |        | 2018  |        | 2017  |        |
|----------------------------------|-------|--------|-------|--------|-------|--------|
|                                  | Male  | Female | Male  | Female | Male  | Female |
| <b>Board of directors</b>        | 4     | 0      | 4     | 0      | 4     | 0      |
| <b>Senior management</b>         | 8     | 0      | 9     | 0      | 9     | 0      |
| <b>First-level management</b>    | 1,157 | 183    | 1,123 | 176    | 1,079 | 155    |
| <b>Professionals</b>             | 1,296 | 119    | 1,202 | 106    | 1,096 | 93     |
| <b>All other employees</b>       | 2,515 | 1,123  | 2,416 | 1,157  | 2,207 | 1,264  |
| <b>Total number of employees</b> | 4,980 | 1,425  | 4,754 | 1,439  | 4,395 | 1,512  |

| Age Diversity                    | 2019               |                 |                   | 2018               |                 |                   | 2017               |                 |                   |
|----------------------------------|--------------------|-----------------|-------------------|--------------------|-----------------|-------------------|--------------------|-----------------|-------------------|
|                                  | Under 30 years old | 30-50 years old | Over 50 years old | Under 30 years old | 30-50 years old | Over 50 years old | Under 30 years old | 30-50 years old | Over 50 years old |
| <b>Board of directors</b>        | 0                  | 0               | 4                 | 0                  | 1               | 3                 | 0                  | 1               | 3                 |
| <b>Senior management</b>         | 0                  | 6               | 2                 | 0                  | 5               | 4                 | 0                  | 5               | 4                 |
| <b>First-level management</b>    | 183                | 1028            | 171               | 171                | 966             | 162               | 149                | 935             | 150               |
| <b>Professionals</b>             | 471                | 813             | 72                | 467                | 774             | 67                | 427                | 711             | 51                |
| <b>All other employees</b>       | 1,364              | 1,884           | 407               | 1,301              | 1,859           | 413               | 1,167              | 1,926           | 378               |
| <b>Total number of employees</b> | 2,018              | 3,731           | 656               | 1,939              | 3,605           | 649               | 1,743              | 3,578           | 586               |



**July 2019**  
**Off-site team-building program**  
 122 graduate hires that joined Yangzijiang in 2019 participated in a full-day team-building program in a nearby village.

| New Hires and Turnover | 2019 |        | 2018 |        | 2017 |        |
|------------------------|------|--------|------|--------|------|--------|
|                        | Male | Female | Male | Female | Male | Female |
| New Employee Hires     | 878  | 166    | 314  | 43     | 555  | 116    |
| Resignations           | 745  | 138    | 53   | 18     | 375  | 53     |
| Total turnover         | 1623 | 304    | 367  | 61     | 930  | 169    |

| New Hires and Turnover | 2019               |                 |                   | 2018               |                 |                   | 2017               |                 |                   |
|------------------------|--------------------|-----------------|-------------------|--------------------|-----------------|-------------------|--------------------|-----------------|-------------------|
|                        | Under 30 years old | 30-50 years old | Over 50 years old | Under 30 years old | 30-50 years old | Over 50 years old | Under 30 years old | 30-50 years old | Over 50 years old |
| New Employee Hires     | 548                | 474             | 22                | 281                | 76              | 0                 | 372                | 299             | 0                 |
| Resignations           | 390                | 470             | 23                | 56                 | 15              | 0                 | 206                | 214             | 8                 |

**Note to the two charts above:** The higher turnover in 2019 compared to the previous two years was due to increased competition for workers from other shipyards in China. The situation has stabilised in October 2019.



**Oct 2019**  
Groupwide contest of technical skills  
among fitters and electricians

## FOCUSED ON BUILDING R&D STRENGTH

Over the past few years, the Group has hired over 100 senior technology management experts, of whom 2 are recipients of State grants for technology development, 10 are college professor-level engineers, 23 are senior engineers, and 374 are engineers. The total staff strength in R&D and design was 720 people as of end of 2019. Of which, over 500 people are based in the Group's New Yangzi yard, 40 in Xinfu Yard, 35 in YAMIC and 124 in the Group's R&D and research center in Shanghai.

The Group retains employee loyalty through a comprehensive incentive/reward scheme. A clear incentive structure gives its employees better visibility for their career and compensation paths. This has led to reduced training costs and improved production efficiency. In April 2019, the Group's Honorary Chairman (then Executive Chairman) donated 150 million of his personal shareholdings in Yangzijiang and set up a trust to reward the senior management of the Group and those have made significant contributions to Yangzijiang's business.

The Group also places a strategic focus on strengthening the educational profile of its employees in line with its target to enhance R&D capabilities. R&D headcount accounted for 17% of Yangzijiang's total staff strength as of December 2019.



**Jan 2020**

### Yangzijiang's visiting team to Mitsui E&S

A team of 17 people from Yangzijiang participated in on-site training in Japan at joint venture partner Mitsui E&S in January 2020 on design, safety management, quality control, automation, and production planning.

| Training Hours by Gender           | 2019    |        | 2018    |        | 2017   |        |
|------------------------------------|---------|--------|---------|--------|--------|--------|
|                                    | Male    | Female | Male    | Female | Male   | Female |
| <b>Total no. of training hours</b> | 159,360 | 45,600 | 112,360 | 28,090 | 64,427 | 3,222  |
| <b>Total number of employees</b>   | 4,980   | 1,425  | 4,867   | 1,326  | 4,642  | 1,265  |
| <b>Average training hours</b>      | 32      | 32     | 23.1    | 21.2   | 13.9   | 2.5    |





**August 2019**

### Supplier-provided training

Technical experts from MEC, a supplier of lashing products to Yangzijiang, gave a training session to Yangzijiang's technical team on the procedures of lashing, solutions for each containership type and things to note.



**Aug 2019**

### Promote the use of advanced software

To encourage the use of AVEVA MARINE vessel design software, the R&D centre organised a series of contests as part of the training program.



**July 2019**

### Training of internal trainers

As part of the Project Voyage training program, 41 internal trainers participated in the kick-off meeting for a sub-program, with a focus on the design of key curriculums and the training of internal trainers. These trainers had attended the training courses and passed the exams in the Project Voyage Program in 2018 to become certified internal trainers in the Group.

| Training Hours by Employee Category | 2019                 |            |                        | 2018                  |                      |            | 2017                   |                       |                      |            |                        |                       |
|-------------------------------------|----------------------|------------|------------------------|-----------------------|----------------------|------------|------------------------|-----------------------|----------------------|------------|------------------------|-----------------------|
|                                     | Total Training Hours | Head count | Average Training Hours | Average Training Days | Total Training Hours | Head count | Average Training Hours | Average Training Days | Total Training Hours | Head count | Average Training Hours | Average Training Days |
| <b>Board of directors</b>           | 800                  | 4          | 200                    | 25                    | 1,260                | 4          | 315                    | 39                    | 1,300                | 4          | 325                    | 40.6                  |
| <b>Senior management</b>            | 1,600                | 8          | 200                    | 25                    | 2,560                | 8          | 320                    | 40                    | 1,339                | 9          | 149                    | 18.6                  |
| <b>First-level management</b>       | 67,000               | 1,340      | 50                     | 6                     | 39,030               | 1,301      | 30                     | 4                     | 4,279                | 1,234      | 3                      | 0.4                   |
| <b>Professionals</b>                | 42,540               | 1,418      | 30                     | 4                     | 27,980               | 1,399      | 20                     | 3                     | 28,849               | 1,189      | 24                     | 3                     |
| <b>All other employees</b>          | 90,950               | 3,638      | 25                     | 3                     | 69,620               | 3,481      | 20                     | 3                     | 31,000               | 3,471      | 9                      | 1.1                   |
| <b>All employees</b>                | 202,890              | 6,408      | 32                     | 4                     | 140,450              | 6,193      | 23                     | 3                     | 66,767               | 5,907      | 11                     | 1.4                   |



**Oct 2019**  
Contest of general technical skills (with a focus on welding) at YAMIC



**Oct 2019**  
Contest of pipe welding skills at the Xinfu Yard



**Oct 2019**  
**Mentorship from Shanghai Econovo**  
Further to the Group's acquisition of the 51% stake in Shanghai Econovo Marine Engineering Co., Ltd ("Econovo") in February 2019, a mentorship program was set up for R&D experts at Econovo to give 1-1 training to the R&D team at Yangzijiang, especially in the design of gas carriers (LPG, LEG & LNG).



Dec 2019

**Conclusion of the Project Voyage Program in 2019**

95 participants to the training program shared their thoughts and learnings at the course conclusion session, and eight case studies were selected as outstanding.

**Project Voyage and Internal Training**

Project Voyage is a training program that incorporates the Group's strategic focus, and is jointly led by the Group's senior management, the HR department and the Group's R&D Centre. Its curriculum was designed through the engagement of an external training services provider and is regularly reviewed and updated according to the feedback and input from the management of each division.

The program comprises three stages, taking a total of 6 days over 2 months in 2018. In 2019, the program was intensified in line with the major strategy to upgrade the Group's product mix with more focus on clean energy vessels. Mid-level and above managers participated in two full-day training each month from April to December.

Yangzijiang's achievements today are the result of the combined effort of all its employees. The Group has a comprehensive plan for human capital development, which extends from collaborative training programs with vocational schools, manpower recruitment through M&A to on-going training schemes for existing staff. All employees receive regular performance reviews and career development advice from their direct supervisors, their mentors and/or the human resource department.

**Collaboration with Local Educational Institutions**

The Group's collaboration with vocational schools has effectively created a talent pool, especially for technical personnel. An incentive program is in place to encourage its staff to pursue technical certificates and improve English language skills through continuous learning. It also set up various teams focusing on the training and development of fitters, welders, and engineers, incorporating overseas placement and exchanges.

It organises regular training for employees of all departments, especially for work unit heads on production sites and quality assurance staff. It also invites external speakers to conduct training on management skills and organises various contests for technical staff to constantly improve their knowledge and skills.

## 10 - ENVIRONMENTAL PROTECTION

***"We are the first generation to feel the effect of climate change and the last generation who can do something about it."***  
***Barack Obama, Former US President***

### Dealing with a Major Challenge Facing Humanity

Seaborne trade accounts for 90% of global trade. Energy consumption and waste and gas emission of ships have a profound impact on the climate. Typical issues are water pollution through the discharged ballast water and toxic chemicals used in anti-fouling paints, and air pollution through the emission of sulphur dioxide, nitrogen oxides, and carbon dioxide.

Since 1 January 2020, the IMO's new requirement on the sulphur content in fuel oil used onboard ships has become effective. This means for ships operating outside designated emission control areas, the limit for the sulphur content in fuel oil has reduced to 0.5% m/m (mass by mass). According to the IMO, "This will significantly reduce the amount of sulphur oxides emanating from ships and should have major health and environmental benefits for the world, particularly for populations living close to ports and coasts".

Under the new requirement, only ships fitted with sulphur-cleaning devices known as scrubbers will be allowed to continue burning high-sulphur fuel. Shipowners can also opt for other sources of cleaner fuel such as liquefied natural gas (LNG). Failure to comply with the global regulations will not only affect the normal operations of the vessels, but also result in fines or vessels being detained, which could, in turn, affect the insurance coverage for the vessels, a vital requirement for its operation.

A second important development is IMO's intention to bring forward the deadline for energy efficiency in vessels by 3 years to 2022<sup>1</sup>. This covers gas carriers, general cargo ships, and LNG carriers. The revised Energy Efficiency Design Index (EEDI) requirement is 30% to 50% lower than what is currently allowed. Demand for LNG is likely to get a big boost both from the 2020 rules and from the move to reduce carbon dioxide.

<sup>1</sup> <https://safetyatsea.net/news/2018/low-sulphur-rule-to-go-ahead-as-planned-imo-says/>; <https://www.maritime-executive.com/article/imo-moves-to-strengthen-energy-efficiency-design-index>

### Operational System approved by the China Classification Society

China Classification Society ("CCS") conducted thorough inspection and review on the Group's operational system from January 8th to 10th 2020 on quality control, energy consumption, environmental impact, and safety production, and concluded that the operating system was functioning effectively and was adequate for its day-to-day business operation. The review is conducted annually.

### Building Capabilities in Clean Energy Vessels

Yangzijiang aligns its interest with that of its customers (shipowners) by seeking constant improvement in the design of vessels for higher energy efficiency. Yangzi-Mitsui Shipbuilding Co., Ltd. (YAMIC), the Group's joint venture with Mitsui E&S Shipbuilding Co., Ltd. ("MES-SC") and Mitsui & Co., Ltd. (together with MES-SC, "Mitsui") of Japan, holds long term significance not only to Yangzijiang for its next phase of growth, but also to the global shipping market by advancing the design and technology of clean energy vessels. YAMIC represents Yangzijiang's ultimate determination in contributing its part to fighting climate change, through enabling ships operating more efficiently with less emission.

### Traditional Large Vessels, Made Environmentally Friendly

In March 2019, Yangzijiang delivered the last vessel in the orders for the six generation-II 400,000DWT very-large-iron-ore carriers (VLOC) placed by ICBC Leasing and China Merchants Energy Shipping in 2016. With 362 metres in length, these VLOCs were the largest vessels ever built at Yangzijiang. It also made a world record with four of such big vessels being built simultaneously in one shipyard. The VLOC is equipped with four ballast pumps that can discharge 4,000 cubic metres of water per hour, which matches the high-speed handling at Brazil port and saves the docking time and port cost for shipowners. Compared to the first generation of VLOCs, the second generation is designed with improved shape, which saves energy consumption by 19% under the same speed and draught. The VLOC is also LNG ready, with space and other elements equipped for potential alteration for LNG-fuelled engines and fuel storage.

## R&D BREAKTHROUGH TO LOWER PAINT VOCs

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

For example, paints are 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 by 10% by 2020.

The Group has a long time relationship with Jotun Coatings, the marine anti-fouling coating arm of a leading chemicals company based in Norway. In 2017, Yangzi Xinfu Yard's joint R&D findings with Jotun to reduce emissions from volatile organic compounds ("VOC") found in paints were published in the leading PRC academic journal, China Paint. It has applied this new coating method to the construction of its VLOC vessels. The breakthrough was so significant that the new method has gradually been adopted as an industry protocol.

In summary, this finding 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 the use of raw materials.
- Protect the environment.
- Reduce the Group's emission of pollutants.
- Reduce the cost of handling hazardous waste.

## R&D INVESTMENT

### Accountability in Energy Consumption

The Group has a comprehensive appraisal system on equipment maintenance and energy saving. Every production worker is held responsible for the proper upkeep of the equipment that he handles. Punitive action is also taken against the line manager, district manager and equipment manager if rules are breached.



**Nov 2019**

### Launch of a new power station

The Group's power storage station started operation in November 2019. Utilizing lithium batteries, the station releases the power in its storage in peak hours to support construction and help the company rationalize its cost on electricity. The power storage station is expected to save close to RMB 1 million in electricity costs every year.

## Water Usage

Water is an important and scarce resource, especially in China where water pollution has affected 90% of the groundwater in our cities. The Group has the following procedures to protect its natural water resources:

- Responsible disposal of hazardous waste
- Conservation of water used for drinking and in toilets



Improved structure, lower energy consumption compared to the first generation, and LNG ready. The ballast tank meets the IMO-PSPC requirement. The loading system is also improved; 400,000DWT iron ore could be loaded in 20 hours, improving loading efficiency and saving port time for charterers.

| Water Withdrawal                      | 2019      | 2018      | 2017      |
|---------------------------------------|-----------|-----------|-----------|
| <b>Produced Water (tons)</b>          | 2,090,083 | 2,051,876 | 1,980,440 |
| <b>Municipal Water (tons)</b>         | 234,180   | 245,120   | 179,737   |
| <b>Total Water Consumption (tons)</b> | 2,324,263 | 2,296,996 | 2,160,177 |

| R&D Expense       | 2019 (RMB)     | 2018 (RMB)     | 2017 (RMB)     |
|-------------------|----------------|----------------|----------------|
| <b>New Yangzi</b> | 215.51 million | 238.14 million | 144.23 million |
| <b>Xinfu Yard</b> | 156.69 million | 189.04 million | 138.95 million |
| <b>Old Yard</b>   | 10.32 million  | 0              | 660,000        |
| <b>Total</b>      | 382.52 million | 427.18million  | 283.84 million |

| Energy Consumption  | 2019     | 2018     | 2017     | 2016     | 2015     |
|---|----------|----------|----------|----------|----------|
| <b>Natural Gas (Gigajoules)</b>                                       | 4,137    | 4,791    | 4,533    | 2,921    | 5,347    |
| <b>Solar Power (Gigawatt-hour)</b>                                    | 10.5     | 9.6      | 11       | 10.3     | 5.2      |
| <b>Electricity (Gigawatt-hour)</b>                                    | 156.47   | 159.6    | 112.7    | 116.9    | 139.6    |
| <b>Total Energy Consumption (Gigajoules)</b>                          | 4,303.97 | 4,960.20 | 4,656.40 | 3,048.40 | 5,492.00 |
| <b>Energy Intensity (Kilojoule/earnings of the year in RMB terms)</b> | 1.4      | 1.6      | 1.6      | 1.5      | 2.1      |

## 11 - WORKPLACE SAFETY

Yangzijiang put continued efforts in improving workplace safety in 2019, and here are some highlights of such actions at various divisions:

- Annual complimentary health check-up for employees
- Emergency drills and machinery/equipment inspection at all relevant divisions throughout the year, especially ahead of rainy season and summer heat
- Thorough monthly inspection at each division to identify safety hazards
- In 2019, the Group set up an additional clinic (cum. pharmacy). Now the Group has two clinics on its premise, one major yard each.

There were no fatal or major accidents at the Group in 2019. The overall incidence of small accidents and injuries declined in 2019 compared to 2018.

### Heatstroke Prevention

The Group has a comprehensive heatstroke prevention program every summer to minimize accidents. The program includes:

- Clear assignment of accountability on each risk item;
- Constant monitoring of temperature and flexible working schedules;
- An emergency plan that is reviewed and refined regularly, which also specifies the reporting mechanism;
- Frequent and regular talks and review on safety production in morning and weekly meetings;
- Provide sufficient salted water and cooling medical supplements for workers;
- Requires that at least two workers are working together (in each other's sight) at all times, counting staff every day after work, closely monitor the physical state of workers (no workers of inadequate working state are allowed on the production premise), requires all workers to have 10-15 minutes break for every one hour of work, etc.

In addition, cooling buckets and towels are placed in the engine rooms for workers to use.

### Dust Removal

To decrease debris from greater construction volumes and more cutting machinery at its production premises, the Group invested RMB 1 million to purchase more dust removal equipment in 2018. Visibility at the production workshop premise improved significantly and the processed emissions met the regulatory requirement once the dust removal system was in use.

### Fire Drills

The Group conducts regular fire drills at its major yards. The fire drill includes six procedures – alarm, evacuation, firefighting, security, medial rescue, and performance review.



Jun 2019

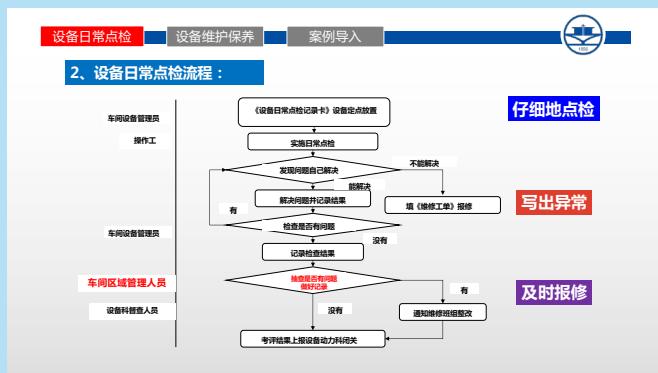
### Workplace safety and fire prevention campaign throughout June

Representatives of Jinjiang Emergency Rescue Bureau joined Yangzijiang's fire drill on 19 June 2019. The fire drill was conducted in a scenario of one vessel under construction catching fire. The fire drill covered the entire rescue process, including reporting, evacuation, firefighting, and damage control. Responsible teams from the Group's all three major yards attended.



July 2019

Local government representatives visit Yangzijiang in the summer heat, sending necessary cooling gears to frontline workers.



Sep 2019

### Equipment and space management manual

The manual was updated in September to streamline the workflow in space management, equipment maintenance, and clarify the accountability. The manual aimed to help production divisions enhance workplace safety and ensure the proper functionality of all equipment.

| Accident Frequency Rate <sup>1</sup>          | 2019 | 2018 | 2017 |
|---|------|------|------|
| Fatalities as a result of work-related injury | 0    | 0    | 0.51 |
| High-consequence work <sup>2</sup>            | 0    | 0    | 0.17 |
| Recordable work-related Injuries <sup>3</sup> | 3.28 | 2.5  | 3.13 |

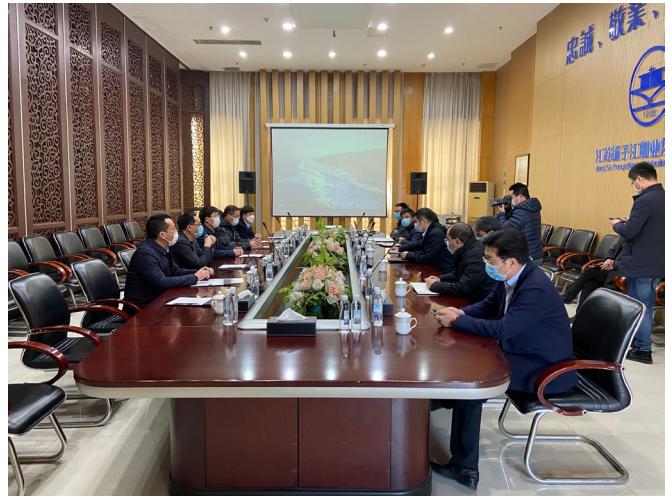
<sup>1</sup>Based on million man-hours worked for an estimated 38.5-hour work week for each employee.

<sup>2</sup>Injuries (excluding deaths) that take more than 6 months to recover to pre-injury health.

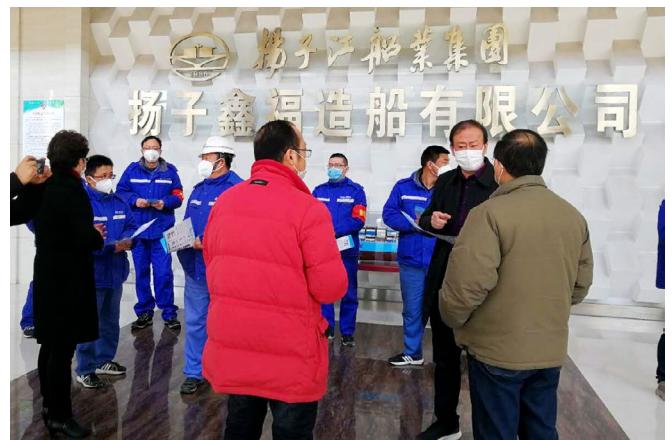
<sup>3</sup>Work-related injury or ill-health that leads to death, medical leave, restricted work, transfer to another job, medical treatment beyond first aid, loss of consciousness, or other significant injury or ill-health as diagnosed by a physician or licensed healthcare professional.

## AN UNUSUAL TIME - FIGHTING COVID-19

Due to the outbreak of the COVID-19 pandemic in China since late January 2020, work resumption after the Chinese New Year was delayed for a few weeks while all at Yangzijiang made their best efforts in fighting the spread of the virus. Yangzijiang received heartwarming support from the local government and business partners, and at the same time, it gave back to society with its own contributions.



Mayor of Jingjiang City visits Yangzijiang and gives guidance and support on the prevention measures and preparation for work resumption.



Yangzijiang received several batches of donations of protection gears from various local government authorities and its joint-venture partner, Mitsui of Japan.



Safety measures in place as work gradually resumed



Yangzijiang's staff volunteer at various community checkpoints, helping with the screening, temperature taking, and record-keeping to prevent the spread of the virus.

## 12 - COMMUNITY DEVELOPMENT

### Participate in a local maritime service project

The Group entered into an agreement with the local government in December 2019 for the construction of an Integrated Marine Service Zone. The service zone is designed to provide port services, information centre, medical treatment, power station, and supplies to vessels for port users, among other services.

### Close collaboration with local universities

Senior management from Jiangsu University of Science and Technology visited the Group in May 2019. The university and the Group have been working together for many years on R&D, master and PhD stations, and talent training programs.



Dec 2019

### Commencement of construction of a local maritime service center

Yangzijiang entered into an agreement with the local government in December 2019 for the construction of an Integrated Marine Service Zone. The service zone is designed to provide port services, information centre, medical treatment, power station, and supplies to vessels for port users, among other services.

### Giving to community

Yuanlin Rehabilitation Hospital, a new charity initiative under Yuanlin Charity Foundation, started operation in May 2019. With a total investment of RMB500 million, the hospital provides medical consultation and treatment in seven major disciplines, with 500 beds on a floor area of 60,000 sqm. The hospital has also been approved as a designated healthcare institution under the national healthcare insurance system in China.

The Group also makes donations from time to time to local schools and other causes.



### Yuanlin Hospital

The Group's Honorary Chairman Ren Yuanlin solely funded Yuanlin Charity Foundation with his annual dividend from his shareholdings in Yangzijiang.

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| GRI 102-14                              | Statement from senior decision-maker                       | Page 6 to 8   |
| <b>Organizational Profile</b>           |  |   |
| GRI 102-1                               | Organization name  | Yangzijiang Shipbuilding (Holdings) Ltd   |
| GRI 102-2                               | Activities, brands, products, services                     | Page 4  |
| GRI 102-3                               | Location of headquarters                                   | 1 Lianyi Road, Jiangyin-Jingjiang Industry Zone, Jingjiang City, Jiangsu, PRC 214532                            |
| GRI 102-4                               | Location of organization                                   | Page 4  |
| GRI 102-5                               | Ownership and legal structure                              | Please refer to page 162 to 163 of Yangzijiang Shipbuilding (Holdings) Ltd's Annual Report 2019.                |
| GRI 102-6                               | Markets served   | Page 4  |
| GRI 102-7                               | Organization scale   | Page 4, 17  |
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| GRI 102-10                              | Significant changes  | Page 9  |
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| GRI 102-12                              | External Initiatives                                       | Page 10   |
| GRI 102-13                              | Membership of Associations                                 | Page 10   |
| GRI 102-45                              | Entities included in the consolidated financial statements | Page 16   |
| <b>Governance, Ethics and Integrity</b> |  |   |
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| GRI 102-18                              | Governance structure                                       | The Group's governance structure and its responsibilities are documented in our Annual Report 2019, page 28-54. |
| <b>Stakeholder Engagement</b>           |  |   |
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| <b>About this Report</b>    |  |  |
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| GRI 102-47                  | List of material topics                                | Page 10 to 15  |
| GRI 102-48                  | Restatements of Information                            | Page 4, financial numbers were restated, please refer to the details in the Annual Report 2019   |
| GRI 102-49                  | Changes in reporting                                   | N.A.   |
| GRI 102-50                  | Reporting period                                       | FY2019   |
| GRI 102-51                  | Date of most recent report                             | 31 December 2019   |
| GRI 102-52                  | Reporting Cycle  | 1 January to 31 December   |
| GRI 102-53                  | Contact point for questions regarding the report       | Reyna Mei, reyna@financialpr.com.sg  |
| GRI 102-54                  | Claims of reporting in accordance to the GRI Standards | This report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2016), applied to "Core" extent. |
| GRI 102-55                  | GRI content index                                      | Page 37 to 38  |
| GRI 102-56                  | External assurance                                     | The disclosures in this report are not externally assured.   |
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**Yangzijiang Shipbuilding (Holdings) Ltd.**

扬子江船业(控股)有限公司

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