AVIC International Maritime Holdings Limited

Sustainability Report FY2018

Contents

1 About the report 1
2 Statement from the Chairman 2
3 About the Group 4
4 Stakeholder engagement 5
5 Materiality Assessment 7
6 Corporate Governance 11
7 Economic 12
8 Environmental 16
9 Social 18
GRI Content Index 28

1 About the report

Reporting Scope and Period

This is the second Group Sustainability Report ("SR") by AVIC International Maritime Holdings Limited ("AIMHL" or together with its subsidiaries, the "Group"). This report covers the sustainability performance of the operations of AIMHL in the People's Republic of China ("PRC") and our major subsidiary[1], Deltamarin Ltd ("Deltamarin") in Finland from 1 January 2018 to 31 December 2018. The report provides a holistic view of the Group's performance, highlighting the Environmental, Social and Governance ("ESG") factors that we deem critical to our activities and developments.

Reporting Process

For the purpose of this report, we engaged an external sustainability consultant to collaborate with the SR Committee, led by Mr Sun Yan, our Chief Executive Officer ("CEO"). The committee's members include department heads to provide an oversight on the integration of sustainability practices into all aspects of the business. Additionally, the committee focuses on areas of formulating, implementing and reviewing the Group's sustainable policies and practices, and sustainability development programs and initiatives. The SR Committee carried out an in-depth review of the contents of the report to determine its relevance to our business and ensure the interests of our stakeholders are addressed.

The Group has not sought external assurance from an independent consultant for this reporting period and will consider doing so in the future as sustainability reporting matures.

Reporting Framework

This report has been prepared in accordance with the GRI Standards: Core option. They are the most widely adopted global standards for sustainability reporting, provide businesses and organisations worldwide the framework to measure, understand and communicate their critical sustainability issues on environmental, economic, social performance ability issues to stakeholders. The GRI content index and the relevant references are provided on pages 27 to 30.

Feedback

We are fully committed to listening to our stakeholders, and welcome feedback on any aspect of our sustainability policies, processes and performance. Kindly address all feedback to sr@avicship.com. Your feedback is vital to us in achieving our goals to build a sustainable and thriving business. As an attempt to promote environmental conservation, there will be no hard copies of this report.

[1] AVIC owns 79.57% of Deltamarin Ltd.

2 Statement from the Chairman

Dear Stakeholders,

Currently, the shipbuilding industry is still amid the early stages of recovery, largely influenced by economic growth, supply and demand of shipbuilding, and geopolitics. The continued consolidation of PRC's shipbuilding industry will assist in maintaining shipyards' competitive advantages, thereby strengthening their market position.

While facing with myriad challenges, we put our utmost effort to maintain relevance by upgrading and improving our strategy to build a sustainable future for our business. Leveraging our capital, brand, networks, technology and mechanisms, we seek to maximize the business potential of our core competencies in ship design and management. Notwithstanding the uncertainties of the global economy and trade climate, there still holds opportunities for environmentally friendly and high-tech vessels. Thus, we remain confident that we will be able to position at the forefront of the industry by continuity efforts.

2019 will be an eventful year ahead of us. AIMHL has prepared itself for the challenges ahead by accelerating product up-gradation and ensuring safety production.

We will continually develop our core capabilities in shipbuilding project management services and ship design, and constantly explore new technologies and ideas. Carrying on our philosophy of "Go Beyond Commerce for A Better World", we strive to make further progress in becoming a leading provider of integrated maritime services and thereby enhancing the financial performance and sustaining the business growth for shareholders.

In the past year, we have also taken the necessary measures to ensure that our business partners, suppliers and sub-contractors alike, are aligned with our sustainability concept. We source sustainably, offering a suite of products that are cost-efficient, superior and environmental-friendly, whilst increasing the organisation's competitiveness.

While advancing our business objectives, we also recognize the value of applying the Principles of the Code of corporate governance as a key aspect of our sustainability practices. As part of AIMHL's corporate governance framework, various checks and balances are put in place to ensure business integrity and operation responsibility and accountability. The Group is vigilant of potential impacts and adopts a precautionary approach in identifying and assessing strategic, operational and commercial risks.

As part of the Group's benchmarking efforts against global best practices, AIMHL plans to align its sustainability practices with the United Nations Sustainable Development Goals in 2019. These include achieving sustainable economic growth by having employment and decent work for all; encouraging sustainable industrialization and innovation; promoting an inclusive workplace; addressing climate change and its impacts; and exploring opportunities for meaningful impact through business partnerships.

With utmost gratitude,

Dr. Diao Weicheng
Executive Chairman
AVIC International Maritime Holdings Limited

3 About the Group

We are a part of the AVIC Group that is ranked 161st among Fortune Global Top 500 corporations in 2018, and one of the largest industrial groups authorized and managed by the PRC Central Government, with key business units such as defence, transport aircraft, aviation engine, helicopters, avionics, general aviation aircraft, aviation research and development, flight test, trade logistics and asset management. This gives us the competitive edge to get strong support from major financial institutions in the PRC.

The Group aims to seek business opportunities in line with our growth strategy and to deliver value to our customers and stakeholders as we continue to explore and expand our business operations. Within the industry, we have also upheld a reputation for quality and high standards in our operations, as well as excellence in our operations management.

Goals and Achievements

The following subsidiaries under the Group have attained the ISO 9001:2015 certification on a yearly basis and had undergone the DNV GL inspection in FY2018 as well:

- AVIC International Ship Development (China) Ltd
- AVIC International Ship Development (Beijing) Co., Ltd
- AVIC International Offshore Xiamen Co., Ltd

Membership of Associations

1. People's Republic of China Shipbuilding Industry Association 中国船舶工业行业协会
2. Shanghai Shipbuilding Industry Association 上海船舶工业行业协会

As a member of the ship industry associations, we get to communicate with other like-minded and related professionals in the industry. We also actively participate in activities organised by these associations to upgrade ourselves and to obtain the latest industry information.

In recent years, Deltamarin, our ship design subsidiary based in Finland, has also joined as a member of The Finnish Association of Consulting Firms SKOL to widen our exposure to industry standards, and to constantly seek methods of improvement in our sustainability practices.

4 Stakeholder engagement

As part of the business transformation process, the Group has performed comparative studies in the region as well as obtained feedback from the investment community to identify and map stakeholders who influence, or are influenced by, AVIC and its operations. In identifying the key groups of stakeholders, we assessed the level of significance of stakeholders' interests in sustainability issues as found below:

Stakeholders	How we engage	Main concerns and expectations	How we respond
Employees	• Meetings • Training and development • Teambuilding activities • Annual performance appraisals • Recreational activities • Long-service awards • Annual dinners	• Department updates • Training and career development opportunities • Workplace safety and health • Engaging and retaining employees	We adopt sound human resource policies and practices that promote fair treatment, safe working conditions, rewards and recognition for performance, work-life balance and career growth. As a result, AIMHL's employee satisfaction rate has steadily improved.
Customers	• Monitoring product sales • Contacts to our customer service • Feedback channels through email	• Product and service quality • Group's reputation in the market	We establish policies for quality control and assurance that ensure our goods are of excellent quality and to promptly address customer complaints. As a result, AIMHL is able to retain our customers and attract more orders from such existing customers.
Shareholders and Investors	• Annual General Meeting • Meetings with institutional investors • Survey of institutional investors	• Group's strategic development • Current financial performance • Future business outlook	Our dedicated investors relations team, regularly conveys pertinent information, gathers views or input, and addresses shareholders' concerns. In addition, the Group's general meetings provide the forum for dialogue with shareholders and allow the Board and Management to address shareholder questions and concerns. There were no incidents whereby our shareholders' indicated dissatisfaction.

Stakeholders	How we engage	Main concerns and expectations	How we respond
Business Partners	• Regular meetings • Visits • Emails • Tender process	• Integrity and effectiveness of the tender process • Workplace safety and health • Energy-efficient fittings and products with Green labels • Product and technology updates • Performance reviews	We establish policies and guidelines that ensure a fair selection and procurement process, and ethical business practices. As a result, AIMHL is able to maintain and select efficient and supportive business partners.
Community	• Phone and email channels • Media relations • Volunteering activities	• Contribution to communities • Business decisions' impact on their environment • Pollution (air, land, water)	We raise awareness through sustainable business practices and assessing the potential harmful impacts on the environment. As a result, AIMHL is able to positively impact our communities.

5 Materiality Assessment

Following an extensive materiality assessment in FY2017, we conducted a Group-wide exercise during the year to review the relevance of our material topics, and to identify if there has been any shift in priorities among our stakeholders and examine any emerging areas of concern. The assessment was conducted according to GRI's standards' Principles for defining report content and covered our operations in the PRC and Finland. Our associates, regional businesses and minority stakes were not included in this exercise. We applied the materiality principle for defining report content based on a review of industry practices and global peers.

Material ESG Factors

The SR Committee has identified the following material ESG factors for FY2018, as well as provided a review on our upcoming targets for FY2019 and the Group's performance in the past year:

Material topics	FY2017 Commitments	Key Highlights in FY2018	FY2019 Targets
Economic performance	• Keep strengthening our financial performance • Penetrate and expand our markets in the Belt-and-Road countries and other developing countries as well as China • Build up our orderbook through global-based marketing, R&D, design and procurement • Grow Deltamarin's business and financial performance through providing comprehensive support and creating synergies and good coordination	• 28% increase in gross profit to RMB 34.9 million • Highest net profit achieved since FY2012 • New contracts secured for provision of consultancy and engineering, site assistance services, and several other major vessel design orders • Maximise internal efficiencies and business operations • Even though Belt-and Road countries did not contribute any orders to the Group in FY2018, AIMHL will keep working on these markets to seek	• Continue to maximise efficiencies on strategic planning, supply chain, design and coordination, production safety and quality management • Streamline processes to aid in cost control

		any potential opportunities. • Deltamarin's business and financial performance achieved a positive return in 2018.	
Material topics	**FY2017 Commitments**	**Key Highlights in FY2018**	**FY2019 Targets**

Material topics	FY2017 Commitments	Key Highlights in FY2018	FY2019 Targets
Environmental compliance	• Monitor and maintain full compliance with the environmental requirements in our customers' country/region jurisdiction • Continuously invest in research and development on environmentally friendly designs	• Zero cases of non-compliance in FY2018 • No significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations • Participation by Deltamarin in the Project Forward Initiative to reduce carbon intensity	• Continue to strengthen our expertise in the areas of environmental programs • Be selective about the strategic initiatives that will yield a greater positive impact in the future • Maintain zero tolerance for environmental non-compliance
Employment	• Maintain and seek opportunities to improve on attrition rate • Internal and external training courses relevant to the job scopes of individual staff • Promote work life balance	• Low employee turnover rate[2] of 11.1% • Employees at all levels participate in trainings and courses to upgrade their skills • Employee welfare to boost morale and sufficient parental leave; 100% return-to-work rate	• Building a talent pool with deep knowledge of regional and global markets to support our growth and expansion • Create an inclusive workplace where each individual is valued and recognised for their contribution • Strive to minimize attrition rate and retain talents as best as possible

[2] Employee turnover rate is calculated as the total number of employees who left the Group during the financial year as a percentage of the average number of employees remaining; average is calculated by adding the number of employees at the beginning of the year to the number at the end and dividing the number by two.

Anti-Corruption	These topics were not considered as material in FY2017; hence this section is not applicable.	• No confirmed cases of corruption and whistle-blowing cases in FY2018 • Whistle-blowing policy and internal feedback channels in place	• Provide continuous internal communication and training to ensure that employees at all levels understand their roles and responsibilities in protecting the Group • Maintain zero tolerance for corruption and bribery practices
Supplier Environmental Assessment		• Procurement policies and guidelines in place to govern vendor selection • 100% of our vessel designs are in accordance with the International Association of Classification Societies ("IACS") rules • One major supplier faced environmental penalties	• Remain fully committed to ensure that procurement is undertaken responsibly • Ensure that corrective actions are taken promptly in the event of breach resulting in detrimental impacts on the environment
Training and education		• Clocked a total of 12,646 hours in training during FY2018 • Employees undergo cross-departmental training, overseas learning and development programs	• Introduce a gradual learning and development program within the next five years and increase the number of training hours year on year • Continue to provide a two-way communication channel via annual performance appraisals to all employees alike
Occupational health and safety		• Zero fatalities in FY2018 • 1 reportable injury	• Maintain zero fatalities • More employees to join the Safety Committee • Enforcing mandatory safety policies and procedures, advocating a proactive approach

6 Corporate Governance

The Group is committed to uphold high standards of corporate governance and we believe a high standard of corporate governance is integral in ensuring our business' viability and sustainability as well as safeguarding shareholders' interests and maximizing long-term shareholder value. This commitment is aligned with the Principles of the Code of Corporate Governance 2012 ("the Code").

The promotion of effective and fair communication with the stakeholders is under the purview of our Executive Chairman and CEO. We fulfil our obligation to furnish timely information to shareholders and ensure full disclosure of material information to comply with statutory requirements and the Listing Manual of the SGX-ST. The Group firmly believes in high standards of transparency in corporate disclosure, in line with the continuous obligations of the Company.

The Board and Management strongly believe that our quest for good governance lies in putting in place an effective framework of risk management and internal controls that are in line with market standards and best practices. Having this in place will lead to increased levels of internal discipline, accountability and transparency.

There was no instance of non-compliance with relevant laws and regulations that resulted in significant fines and non-monetary sanctions. We will continue our commitment in achieving zero incidents of non-compliance with relevant laws and regulations. In addition, we will closely monitor the Internal Audit issues and ensure that internal controls for all processes are in place.

For detailed disclosure on the application of its corporate governance practices with reference to the Code, please refer to the Corporate Governance section on pages 28 to 68 of AIMHL's Annual Report FY2018. Where there were deviations from the Code's guidelines, the required explanations had been provided in the Annual Report.

6.1 Anti-Corruption

With our significant workforce size operating across different geographies globally and multiple partnerships across the value chain, the Group is exposed to the potential for corruption. This is a critical factor that our stakeholders have highlighted during our materiality assessment. The Group wishes to reaffirm its zero tolerance towards unethical acts in totality.

We have in place a whistle-blowing policy and an internal feedback channel that allow the Group's employees and external parties who have dealings with the Group, accessible and trusted channels to report suspected fraud, corruption, dishonest acts or other improprieties in the workplace. For example, AIMHL has signed an agreement with each of our suppliers requiring the supplier to report any suspicious transactions on a timely basis. Our policies and procedures provide for an independent investigation of any reported incidents and appropriate follow up actions. As at the end of FY2018, there had been no confirmed case report received through any whistle-blowing channels.

In pursuance of its zero tolerance for misconducts, and the Group will strive to provide continuous internal communication and training to ensure that employees at all levels understand their roles and responsibilities in protecting the Group from the risk of bribery and corruption.

7 Economic

7.1 Economic Performance

Financial Highlights

The Group recorded a 29% increase in gross profit to RMB 344.9 million for the financial year ended 31 December 2018 ("FY2018") and a 46% increase in net profit to RMB 38.8 million. This was the highest net profit that the Group has achieved since FY2012.

Leveraging on our strong capabilities in ship design and a wide range of shipbuilding related services, we attained another year of growth. In 2018, Deltamarin continued to build up its strong order book, with new contracts secured for the provision of consultancy and engineering services, provision of basic and detailed designs as well as site assistance services for a Global class mega cruise ship. Together with several other major vessel design orders in its order book, Deltamarin will see high capacity utilization until 2022.

In 2018, we navigated the challenging market conditions, and made increased efforts, both internally and externally, to drive the Group's business and performance. Internally, we continued to improve our management system, including processes such as strategic planning, supply chain, design and coordination, production safety and quality management. These helped us streamline our processes to achieve better cost control.

Presented below is the key financial highlights extracted from pages 13 and 14 of AIMHL's Annual Report FY2018. For the Group's detailed financial statements, please refer to pages 15 to 17 of the Group's Annual Report FY2018.

Direct Economic Value Generated and Distributed

The following table provides an overview of our economic value generated and distributed at the group level in FY2018 based on GRI's disclosure categories:

FY2018	RMB'000
Total economic value generated	**587,660**
Operating costs	326,561
Employees compensation and benefits	113,503
Payment to providers of capital	100,669
Payment to government	21,061
Community Investments	-
Total Economic Value Distributed	**561,794**
Net Economic Value Retained	**25,866**

Defined Benefit Plan Obligations and Other Retirement Plans

Pursuant to the relevant regulations of the PRC and Finland government, the subsidiaries of the Group have participated in central pension schemes operated by local municipal governments and statutory earnings-related pension schemes managed by licensed not-for-profit pension insurance companies under the government's monitor respectively.

The Group makes monthly contributions to the employees' compulsory saving / retirement plans, as mandated by the local government in different jurisdictions. The fund is a social security system that tackles our employees' financial concerns regarding healthcare, home ownership, family protection and asset enhancement. We view this scheme as a means to help ease our employees' financial burden arising from their healthcare and housing costs. In FY2018 we made a total contribution of RMB 13.4 million to all our employees' defined contribution plans. As our companies are set up in various countries, we follow different schemes and their corresponding employer's contribution rates under different jurisdictions:

	Percentage of salary contributed by employer (%)	Percentage of salary contributed by employee (%)
Singapore		
Central Provident Fund ("CPF")	17.0	20.0
PRC[3]		
Retirement Insurance	12.0 - 20.0	8.0
Medical Insurance	6.0 - 10.0	2.0
Workplace injury Insurance	0.2 - 0.4	-
Maternity Insurance	0.7 - 1	-
Retrenchment Insurance	0.2 - 0.5	0.5 - 0.8
Provident Fund	7.0 – 12.0	7.0 – 12.0
Supplementary Fund[4]	5.0	5.0
Finland		
Social Security payments	19	8.25
Medical Insurance	0.7	

[3] Includes Shanghai, Beijing and Xiamen; as the rates differ in these three cities, it is presented in the form of a range of rates.

[4] Supplementary fund is only applicable in Shanghai.

Financial Assistance Received from Government

Our Group receives monetary assistance under different government schemes in recognition of efforts and expenditure expended for skill or technology upgrading programs or for promoting international business. As a group, we received an aggregate amount of approximately RMB 34.9 million from the governments as incentives[5] and subsidies in FY2018.

Tax rebates

- As a group, we received RMB 15.8 million in export tax rebates in FY2018. As at November 2018, the PRC government increased the export tax rebates to encourage foreign trade, and this has contributed significant savings to us.

Subsidies

- We received government subsidies for key shipping companies from the PRC government that amounted to RMB 10.9 million.

Grants

- Our projects "Full 3D Design Platform" and "LNG Dual Fuel Main Engine Air Supply System" were granted an allowance of RMB 4.3 million for industrial and internet research for future development goals

Financial Incentives

- Beijing - Received a subsidy from the government for exports amounting to RMB 3.9 million, and a tax refund fee of RMB 37,218
- Shanghai - Received a tax refund fee of RMB 47,653

[5] With regards to the government's increase on export tax rebates, goods that currently enjoy a 13% or 15% rate will be increased to 16%; 9% rate will be raised to either 10% or 13%; and goods at 5% will be lifted to 6% or 10%. Some products that could hamper the government's campaign to crackdown on pollution, however, will remain at their current rates. For more information, visit the State Council's announcement at http://www.gov.cn/premier/2018-10/08/content_5328559.htm

8 Environmental

To address global issues of resource scarcity and climate change, we recognise the importance of integrating environmental considerations into the Group's business decisions. We are committed to understanding, managing and minimizing our environmental footprint across our value chain, including our business operations, suppliers and customers. Our environment efforts are largely focused on maximizing material utilization and optimizing energy consumption. We will continue to strengthen our expertise in the areas of environmental programs and be selective about the strategic initiatives that will yield a greater positive impact in the future.

The PRC government has also stepped up a multitude of environmental regulation measures which have significantly affected our operations in the PRC. Although the disruption posed by regulatory shifts did impact our production yield initially, we have been able to expeditiously adjust and realign our processes to meet the new market conditions and regulations.

Project Forward initiative

Deltamarin participated in the Project Forward initiative led by Athens-Based Arista Shipping, demonstrating that with Liquefied Natural Gas ("LNG") as fuel, an advanced hull design and highly efficient propulsion machinery, it will be possible to meet the International Maritime Organisation's ("IMO") target for a 40% reduction in carbon intensity by 2030. Model tests of the Project's concept vessel indicate that the Energy Efficiency Design Index ("EEDI") is well below the currently most stringent Phase III level. The EEDI reflects the carbon dioxide emissions per transport work and is a measure of carbon intensity. EEDI Phase III is applicable to ships built after 2025 and signifies a 30% reduction from the 2008 reference level.

Project Forward also shows that the reduction in carbon dioxide emissions target can be met, even without lowering service speeds, through the use of carbon neutral fuels mixed with LNG. Such carbon neutral fuels can be transported, stored and consumed in a similar way to that of fossil LNG.

8.1 Environmental compliance

We believe that adhering to our Group's codes, policies and procedures and applicable laws and regulations is critical as they underpin our stakeholders' trust and our license to operate. We have zero tolerance for non-compliance and encourage our stakeholders to report any incidences via our established whistle blowing channels. In the course of 2018, the Group had zero incidents of non-compliance with environmental and socioeconomic regulations and did not receive any judicial penalties for environmental issues. We view it as an important mission to maintain this unblemished record.

8.2 Supplier Environmental Assessment

Suppliers' due diligence

Our Group maintains a strong working relationship with other key players in the industry and aims to establish a strong foothold and a reputable name in the industry. We conduct random periodic checks to ensure that our suppliers adhere to the relevant laws and regulations. In this respect, the Group maintains a rigorous process in vendors selection, and will perform the required on-boarding due diligence exercise, so as not to compromise on quality and/or allow our suppliers to have any detrimental effects on the environment. There were no new suppliers in FY2018.




Members of our Health and Safety Committee (dressed in blue) conducting periodic inspections on one of our major suppliers (dressed in orange)

We also have procurement policies and guidelines in place to govern vendor selection. These include:

- Guidelines and procedures in selecting and evaluating vendors
- Code of conduct when dealing with vendors

Our major subsidiary, Deltamarin, ensures that 100% of our vessel designs are in accordance with the International Association of Classification Societies ("IACS") rules. The IACS would verify the structural strength and integrity of essential parts of the ship's hull and its appendages, reliability and function of propulsion and steering systems, power generation and other features and auxiliary systems which have been built into the ship in order to maintain essential services on board.

The Group remains fully committed to ensure that procurement is undertaken responsibly while generating positive economic and social benefits for the local community we operate in.

Environmental impacts in the supply chain and actions taken

In May 2018, one of our major suppliers, AVIC Dingheng Shipping Co., Ltd ("AVIC Dingheng"), faced a penalty of RMB 20,000 from Yangzhou Jiangdu District Environment Protection Bureau in accordance with the Law of the PRC on Solid Waste Pollution Prevention and Control. Their workers had disregarded instructions and placed sandblasting waste residue in an illegal dumping ground.

AVIC Dingheng immediately took the following measures:

1. Educate the painting department on the correct procedures in collection, storage and disposal of sandblasting waste
2. Submitted proposals for the proper disposal of the waste materials to the local environmental protection bureau. As a result, the issue was resolved promptly.
3. Internally, the "Waste Management Regulations" were reviewed and revised to specify departments in charge of all three processes – waste collection, storage and disposal. Additionally, provisions on the punishments and penalties which may be meted to the workers responsible for non-adherence have been incorporated.

It is important that our suppliers are aligned with our vision of preserving the environment. Apart from the stringent screening process, we do periodic reviews on our suppliers to ensure that corrective actions are taken in the event of breach resulting in detrimental impacts on the environment.

9 Social

9.1 Employment

We strive to be an employer of choice, through recognising the contributions of each employee and providing opportunities for staff to grow beyond their abilities. We wish for them to maximise their potential and look beyond this cycle to seek opportunities that will position them for success in their careers. Additionally, we are also focused on building a talent pool with deep knowledge of regional and global markets to support our growth and expansion. Preparing the next generation of leaders as part of succession planning is important to AIMHL's long-term progress and competitiveness as well.

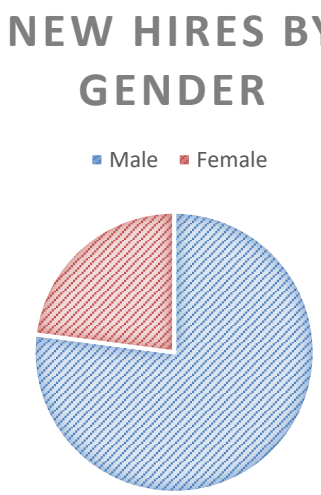
As part of our commitment to developing talents, we strive to create an inclusive workplace where each individual is valued and recognised for their contribution. We recognise the importance of diversity in strengthening our core values of teamwork, communication and creativity, and in forming a competent and united workforce. We provide equal opportunities to all employees without discrimination.

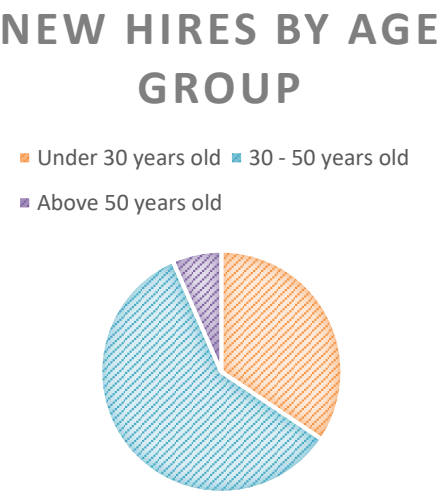
As of 31 December 2018, we had a total of 515 full-time employees. We had 61 new hires in FY2018, whereas 57 employees left the Group. We aim to attract and retain talent, by rewarding them based on what they deliver and demonstrating that they are in line with our values. Employment numbers for high-skilled positions remains consistent, with our key management personnel unchanged. To promote equal opportunities, we have in place various human resource related processes as follows:

- An interview assessment form is in place to guide interviewers to assess candidates based on merit and competency
- Staff recruitment advertisements do not state age, race, gender or religion preferences as a requirement

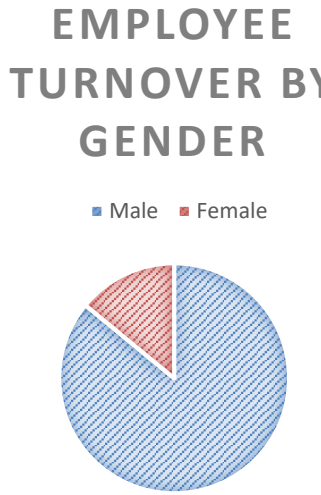
New Hires and Resignations

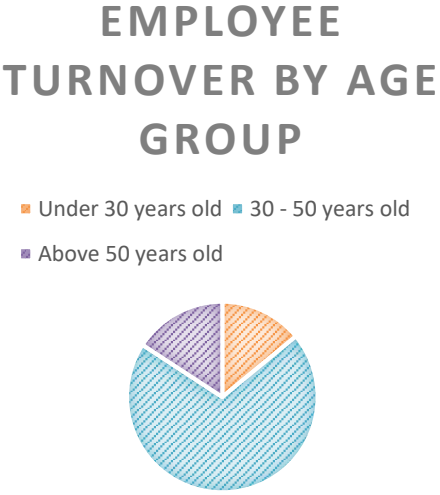
We value diversity among our workforce, and seek to hire from a mixture of different genders and age groups, to enhance creativity and innovation and promote generation of new ideas. In jobs which are labour-intensive, the demographics are predominantly male. However, our middle management has equitable mix of both genders and different age groups. The gender balance across AIMHL as a whole is steadily improving. Of our 61 new hires in FY2018, we had a gender ratio of 23% females to 77% males. Traditionally, the proportion of female job applicants have been lower than male applicants. In terms of age profile, 34% of the new hires were under 30 years old; 59% between 30 and 50 years old; and 7% above 50 years old. Going forward, the Group aims to continually refine our hiring strategy and continue to commit to fair employment practices by offering equal opportunities to all.





We believe a low turnover improves the sustainability of operations and allows us to contribute positively to the development of social and human capital in a wider committee. Despite market conditions, we will strive to minimize attrition rate and retain talents as best as possible. Employment numbers for high-skilled positions remains consistent, with our key management personnel unchanged.





Employee volunteerism

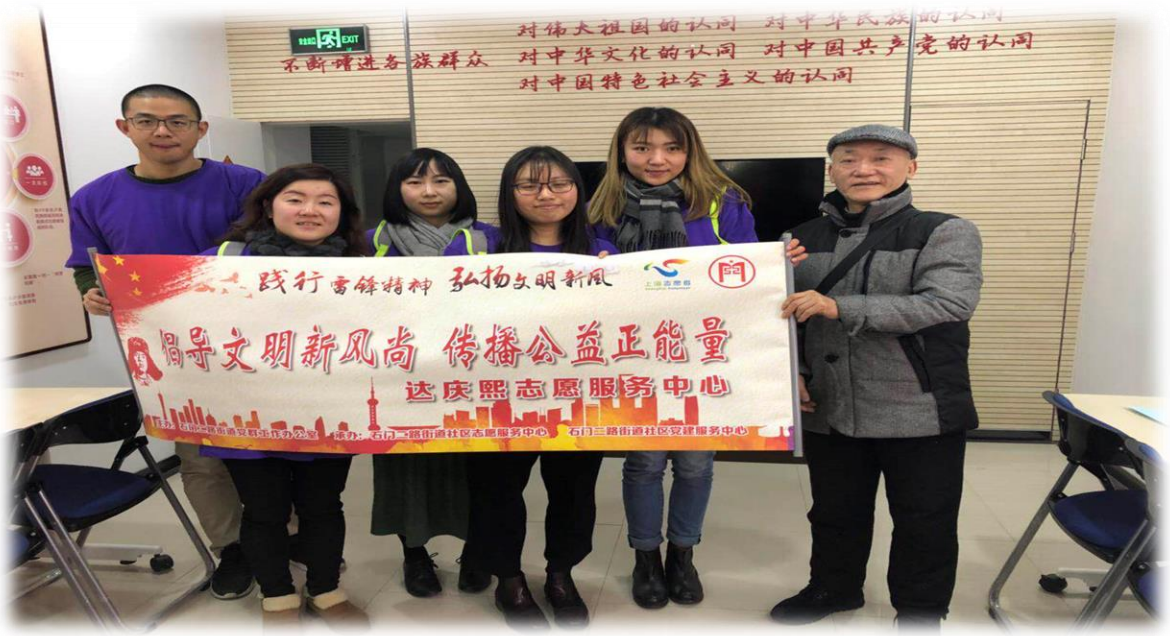
In line with our mission to give back to our community, we strive not only to set a good example but also to encourage individuals and other corporates to embrace the spirit of giving. We recognise that long-term success of the business is closely related to the health and prosperity of the communities. Over the last few years, the Group has organised donation events to fund the AVIC International Holding Corporation Charity Foundation. The foundation was set up to support needy students in remote areas in the PRC, through establishment of schools, and provision of learning facilities and financial aid.

In 2018, the Group continues to provide financial support to Xianghua village in Shanghai, which has helped improve the living conditions in the village through improvement in the basic infrastructure there.

We also encourage our employees to involve themselves in volunteer work and give back to the community by serving local needs. In this regard, we have organised events such as cleaning of carpark spaces, free hair-cutting services, free medical diagnosis and treatments, non-staple food exhibition and sales, anti-fraud education lectures, free legal and finance consulting and volunteering with the Shimen ErLu Yu De Lin Li Community in Shanghai.







Employee welfare

Amongst other company-wide events that we have organised for employees, a key annual event was the "Traditional Four-Country Tournament", a full day event to engage our employees in fun-filled activities and competitions, to build relationships among the team and to improve collaboration among employees of all levels. It also provided an opportunity to our staff to take a break from work to recharge and boost their morale and connect with their colleagues.







The annual "Aviation Ship" Cup in the "Traditional Four-Country Tournament" sponsored by the China Aviation Shipbuilding Union held on 20 October 2018

Parental Leave

The Group adopts welfare practices and strives to build a family-friendly workplace culture by implementing family-friendly working policies. This not only creates a healthier work-life balance, but it also drives productivity, reduces absenteeism, attracts new staff and helps retain current staff. We pride ourselves as a big advocate of equitable gender parental leave entitlement, and these are closely aligned with the government requirements.

In FY2018, the Group had a return-to-work rate of 100%. Out of the 4 female employees and 10 male employees who had taken parental leave, all of them had resumed work with our Group thereafter.

In the past 12 months, amongst the 4 female employees and 11 male employees who resumed working with us after their parental leave, 100% of these employees have remained with the Group for more than a year since.

The group will continually work towards building a pro-parent workplace by enhancing our Group's welfare practices and culture.

9.2 Training and Education

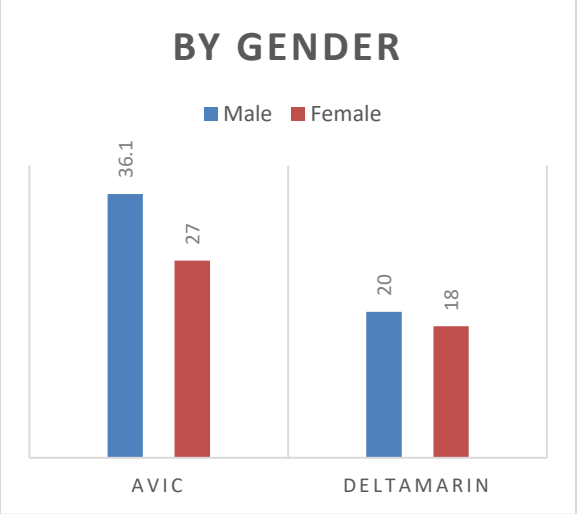
Today's readily changing business environment calls for a competitive workforce attuned to the latest developments in skills and manufacturing capabilities. Investing in employee learning and development helps build a resilient and future-ready workforce, which will in turn provide a competitive edge for AVIC's future growth and success. Our employees acquire skills and expertise which will distinguish them from the market through opportunities provided by us and our industry partner networks.

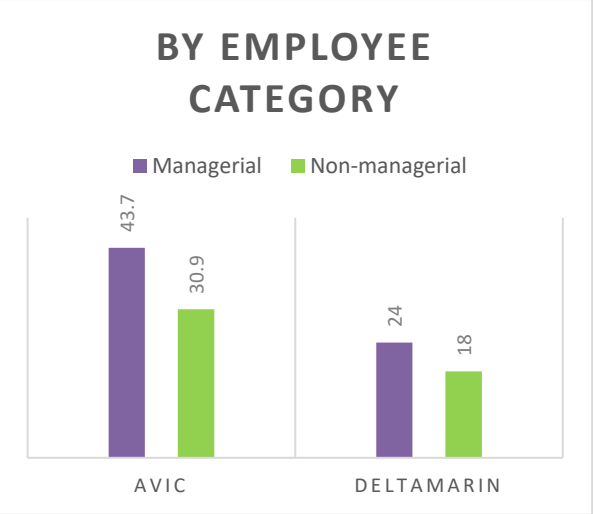
All new employees are required to attend our on-boarding program which aims to integrate new hires into our organisation seamlessly. Additionally, we conduct an annual training needs analysis to ensure that there are necessary training interventions to enhance employee competencies and professional knowledge.

Training programs and hours

In 2018, over 500 employees invested over 12,600 hours[6] attending training and development sessions. 100% of the workforce was provided the opportunity to attend the training, as we believe in an equal opportunity for all to achieve career advancement and upgrading of skills.

[6] A combination of AVIC China and Deltamarin training hours, with 6,050 hours and 6,596 hours respectively





The top management attended relevant external conferences and workshops to strengthen their sustainability knowledge and management skills. The organisation strongly encourages and supports the middle management's learning programs, including cross-departmental training, and overseas training opportunities for the project managers to obtain international certifications. Courses pertaining to skills upgrading with respect to legal and accounting knowledge would be eligible for expense claims as well. We aim to introduce a gradual learning and development program within the next five years and increase the number of training hours year on year.





Employees taking the AVIC International IPMP International Project Manager Training Certification Exam



Employees undergoing training on Official Document-writing in Business English to more effectively aid in globalisation

Annual performance appraisals

As an organisation committed to meritocracy, our rewards and compensation policies are fairly based on employees' performance. At the same time, we also emphasize on having a two-way communication channel with our employees, while contributing to our human capital's personal development and skills management. In 2018, we redesigned the performance review system to measure and align cross-functional and individual employee performance to support AIMHL's key business strategies and corporate objectives. The system will provide us with a tool for communicating and reinforcing the philosophy and guidelines of incentivising performance. We also conduct annual performance appraisals which covers career development, for 100% of our employees, including managerial and non-managerial positions alike.

9.3 Occupational Health and Safety

We take pride in building a safe, conducive and healthy workplace as our commitment to developing our people. As a labour-intensive organisation, we regard workplace safety as of utmost importance and recognise our duty of care to safeguard the safety and health of each of our employees. We are constantly striving to build a safe and conducive workplace by ensuring that our Group complies with all relevant safety and environmental legislations, with the aim of minimizing the likelihood and impact of any possible hazardous occurrence.

Safety Committee

To facilitate the physical supervision of the workplace safety and communication of workplace safety and health ("WSH") related information; we have established a Production Safety Committee. Collectively as a Group, the Committee comprises 31 members, with a good mixture of representation from senior management and ordinary employees. The Committee oversees the subsidiaries' operations to ensure that safety standards are upheld at all times and also up to industry leading practices. The role and responsibilities of the Production Safety Committee include reviewing, effectively implementing and reinforcing safety standards and regulations to ensure all areas of safety are adequately covered. The Committee members meet on a quarterly basis to review safety inspection results, infrastructures and incidents, as well as to coordinate and organise safety-related activities. Moving forward, in order to facilitate the effectiveness of the supervision of workplace safety, the Group plans to have more employees join the Committee.

All accidents and near-miss incidents would be promptly reported to the Committee, which will further investigate and provide timely incident analysis briefings to relevant employees. These safety briefings aim to strengthen the safety awareness of employees, and also to remind them of established safety measures and precautions, as well as safety protocols, in the event of similar incidents.



WSH committee meeting held on 12 April 2018 by the CEO engaging in a discussion

Total Workplace Safety and Health at our Facilities

As with our commitment to the safety and health of our people, we are continually striving to reduce the likelihood and impact of accidents and keeping our injury rates as close to zero as possible.

The Group has categorised our workplace incidents according to the severity of the accident, ranging from minor injury to permanent disability or death. All incidents are reported to the Safety Committee with a report on the details of the incident. Please refer to the following for the respective incident rates for FY2018.

Incident type	Number of Incidents
Minor injury (first aid cases)	0
Injury requiring medical attention	1
Injury resulting in permanent disabilities	0
Occupational injury and disease	0
Death	0

There was approximately an aggregate of 955,032 working hours[7] during FY2018. Our Group had a workplace injury frequency rate of 1.0[8], considering all minor injuries and others included in the table above. We had a total of 120 lost days[9] due to 1 accident, as an employee had a traffic accident on the way home that impacted his mobility, resulting in a workplace lost day rate of 12.6[10].

With everyone's full cooperation, there were zero cases of work-related injuries or occupational diseases in FY2018. We will continue to maintain our high standards of employee health and safety by enforcing mandatory safety policies and procedures, advocating a proactive approach, and at the same time, spreading the message that employees must also take responsibility for their own safety and health.

[7] These working hours include that of the management, admin staff as well as production staff; attributable to AVIC China and Deltamarin with 373,752 hours and 581,280 hours respectively.

[8] Workplace Injury Frequency rate is calculated by the number of new cases of injury during the calendar year divided by the total number of hours worked by workers in the reference group during the year, multiplied by 1,000,000.

[9] Lost days indicate scheduled workdays, and we standardized the count to commence the day after the accident.

[10] Lost day rate is calculated as the days lost as a result of new cases during the calendar year divided by the total amount of hours worked by workers in reference group during the calendar year, multiplied by 1,000,000.

GRI Content Index

Category	Disclosure	Description	Page Reference and Remarks
GRI 102: General Disclosures	102-1 *	Name of the organisation	Cover Page of Annual Report FY2018
	102-2 *	Activities, brands, products, and services	Page 3 of Annual Report FY2018
	102-3 *	Location of headquarters	Page 82 of Annual Report FY2018
	102-4 *	Location of operations	Page 154 of Annual Report FY2018
	102-5 *	Ownership and legal form	Pages 117 and 118 of Annual Report FY2018
	102-6 *	Markets served	Pages 15 and 154 of Annual Report FY2018
	102-7 *	Scale of the organisation	Page 15 of Annual Report FY2018
	102-8 *	Information on employees and other workers	Page 17 of Sustainability Report
	102-9 *	Supply chain	Pages 15 and 16 of Sustainability Report
	102-10 *	Significant changes to the organisation and its supply chain	None
	102-11 *	Precautionary Principle or approach	Page 3 of Sustainability Report
	102-12 *	External initiatives	Page 4 of Sustainability Report
	102-13 *	Membership of associations	Page 4 of Sustainability Report
GRI 102: Strategy	102-14 *	Statement from senior decision-maker	Pages 2 to 3 of Sustainability Report
GRI 102: Ethics and Integrity	102-16 *	Values, principles, standards, and norms of behaviour	Page 0 of Annual Report FY2018
GRI 102: Governance	102-18 *	Governance structure	Page 1 of Sustainability Report
GRI 102: Stakeholder Engagement	102-40 *	List of stakeholder groups	Pages 5 and 6 of Sustainability Report
	102-41 *	Collective bargaining agreements	None

Category	Disclosure	Description	Page Reference and Remarks
	102-42 *	Identifying and selecting stakeholders	Pages 5 and 6 of Sustainability Report
	102-43 *	Approach to stakeholder engagement	Pages 5 and 6 of Sustainability Report
	102-44 *	Key topics and concerns raised	Pages 7 to 9 of Sustainability Report
GRI 102: Reporting Practice	102-45 *	Entities included in the consolidated financial statements	Pages 117 and 118 of Annual Report FY2018
	102-46 *	Defining report content and topic Boundaries	Page 1 of Sustainability Report
	102-47 *	List of material topics	Pages 7 to 9 of Sustainability Report
	102-48 *	Restatements of information	None
	102-49 *	Changes in reporting	None
	102-50 *	Reporting period	FY2018 (1 January 2018- 31 December 2018)
	102-51 *	Date of most recent report	Published the FY2017 Sustainability Report on 21 Dec 2018
	102-52 *	Reporting cycle	Annual
	102-53 *	Contact point for questions regarding the report	Page 1 of Sustainability Report
	102-54 *	Claims of reporting in accordance with the GRI Standards	Core options (33 items)
	102-55 *	GRI content index	Pages 27 to 30 of Sustainability Report
	102-56 *	External Assurance	None

Category	Disclosure	Description	Page Reference and Remarks
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	Page 12 of Sustainability Report
	201-3	Defined benefit plan obligations and other retirement plans	Page 13 of Sustainability Report
	201-4	Financial assistance received from government	Page 14 of Sustainability Report
GRI 205: Anti-Corruption	205-3	Confirmed incidents of corruption and actions taken	Page 10 of Sustainability Report
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	Page 15 of Sustainability Report
GRI 308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	Page 15 and 16 of Sustainability Report
	308-2	Negative environmental impacts in the supply chain and actions taken	Page 16 of Sustainability Report
GRI 401: Employment	401-1	New employee hires and employee turnover	Page 18 of Sustainability Report
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 13, 20 and 21 of Sustainability Report
	401-3	Parental leave	Page 22 of Sustainability Report
GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint Management–Worker Health and Safety Committees	Page 25 of Sustainability Report
	403-2	Types of injury and rate of injury	Page 26 of Sustainability Report

Category	Disclosure	Description	Page Reference and Remarks
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Pages 22 and 23 of Sustainability Report
	404-3	Percentage of employees receiving regular performance and career development reviews	Page 24 of Sustainability Report