



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



CHARTING SUSTAINABLE GROWTH

SUSTAINABILITY REPORT
2020



A Globally Renowned Shipbuilding Group

Strong capabilities in medium to large-sized cotainerships and dry bulkers. As one of the top shipbuilders, Yangzijiang consistently invests in R&D to ensure we design and build relevant, new-age and efficient vessels.



Astute Financial Risk Management

Net cash position with cash reserves of RMB 6.6 billion as at 31 December 2020. A strong balance sheet will enable the Group to weather any tough market conditions and enables the execution of strategies to ensure sustainable growth for the Group.



Commitment towards Green Shipping

R&D headcount accounts for 17% of our total staff strength and we remain committed to develop strategic growth in LNG-related capabilities. Major economies and international agencies have pledged for net-zero emissions and a massive shift towards shipping carbonisation by 2050. The Group stands by these initiatives.

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Yangzijiang is committed to continuously integrate and improve sustainability practices across our business operations, and considers sustainability issues as part of our long-term strategy formulation. Ultimately, our success is interwoven with the successes of all our stakeholders.



01 Introduction ● ● ●

About This Report

This report summarizes the financial and operational performance and activities of Yangzijiang Shipbuilding (Holdings) Limited (or the 'Group') and its sustainability efforts carried out for the financial year ended 31 December 2020. Our reporting framework will be in accordance with the Global Reporting Initiative ('GRI') Standards – Core Option, established by the GRI in 2016.

It is also prepared in accordance with Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules, including rules 711A and 711B on Sustainability Report and relevant SGX Practice Notes on Sustainability Reporting Guide.

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")

Assurance

There is currently no external assurance for this report but data included in this report is reported to the best of our knowledge and have gone through rigorous internal review and approval.

Feedback

We welcome all feedback on this report. Please address all feedback to jass@financialpr.com.sg.

About Us

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. The Group has four shipyards in the vicinity, which are strategically located along the Yangtze River. It has about 6,500 full-time employees.

Highlights	FY2018	FY2019	FY2020
Revenue	23,238,289	23,597,175	14,841,266
Total Assets	44,911,484	45,756,122	44,910,661
Total Liabilities	15,093,085	13,701,597	11,534,146
Shareholders' Equity	29,101,587	31,095,631	32,342,355
Vessels Delivered	46	59	45

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

Revenue by countries (RMB'000)	FY2018	FY2019	FY2020
PRC & Taiwan	14,128,345	13,340,227	9,362,074
Germany	94,079	523,960	264,300
Greece	2,326,528	2,242,247	1,524,814
Other European Countries	2,330,443	4,757,562	2,235,001
Other Asian Countries	3,581,192	1,232,848	411,272
North America	101,434	68,396	-
Norway	594,798	895,860	841,145
Korea	-	404,811	4,321
Others	81,460	131,264	198,339
Total	23,238,289	23,597,175	14,841,266

Our Vision

We are committed to building ships that represent the highest global industry standards and we aspire to be the world's leading shipbuilding group.

Our 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, drive shareholders' value, and contribute to the society as a responsible corporate citizen.

Core Values

Dedication, Efficiency, Excellence, Integrity, Responsibility



During the writing of the 2019 Sustainability Report, the COVID-19 pandemic had just begun to spread around the world and on hindsight, no one would have been able to predict the vast impact that the pandemic has left on the global economy. Apart from presenting the vulnerabilities of a tightly linked global economy, the pandemic is also a stark reminder of how various dimensions of sustainable development are inextricably linked and the need to accelerate progress towards sustainability goals.

As one of the top shipbuilding groups in the world, we are keenly aware that the Group's stakeholders could be directly or indirectly influenced by our business operations, decisions and outcomes. Yangzijiang is committed to continuously integrate and improve sustainability practices across our business operations, and considers sustainability issues as part of our long-term strategy formulation. Ultimately, our success is interwoven with the successes of all our stakeholders.

Yangzijiang has an important role to play towards sustainable development and I am glad that despite the uncertainties presented in 2020, Yangzijiang has made several strides towards our commitment. I believe that these progresses will ultimately come full circle to create a better future for the society, the environment and our business. On top of our continuous effort to drive sustainability, the Group will also continue to focus on maintaining a safe working environment for our employees and maintain good corporate governance practices.

While I remain proud of the significant progress that Yangzijiang has made on our journey towards sustainability, we recognize that this is simply a step in the right direction. We remain committed to drive performance across the Environmental, Social and Governance (ESG) factors that we have determined to be material to the Group and will continue to partner with other stakeholders to drive fundamental change.

In September 2020, China indicated its plans "to have CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060" at a virtual meeting of the UN General Assembly. In the same timeframe, Japan and South Korea formalized its zero-carbon agenda for 2050, similar to the mandate by the EU parliament. As one of the top global shipbuilders, Yangzijiang aligns its standards to global standards and prioritizes the design of and building of relevant vessels with higher energy efficiency.

The shift towards sustainability is irreversible and we are excited to be part of this positive change.

REN LETIAN

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

04 Sustainability Overview ● ● ●

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

Over the years, we have consistently made financial disbursements to the local community, tax payments to the government and economic value created through R&D and cost-saving.

(ii) Environmental Protection

Managing our environmental footprint

Yangzijiang has increased the usage of renewable energy as part of our total energy consumption in our business operations. Wherever possible, the Group also utilizes renewable materials including steel to reduce our environmental footprint.

Sustainable practices

Yangzijiang invests in R&D in processes and materials to reduce the impact of pollution from shipbuilding activities on the environment and worker health.

(iii) Social Development

Talent management and retention

Yangzijiang prioritizes the health and safety of our employees, and invest in our employees to ensure they have ample opportunities to develop in their personal and professional space. Yangzijiang has internal initiatives and external tie-ups with training opportunities to encourage our employees to engage in continuous learning and upskilling.

Diversity and Equality

Yangzijiang celebrates diversity and there is a continuous effort to promote diversity and gender equality amongst the Board of Directors, Group Management and our employees. The Group ensures women's effective participation and equal opportunities for leadership.

Doing good for the community

Yangzijiang gives back to the society through the Yuanlin Charity Foundation, solely funded by our Honorary Chairman Mr Ren Yuanlin with his annual dividend from his shareholdings in Yangzijiang.



04 Sustainability Overview ●●●



As part of the Group's efforts for sustainability, a power storage station was set up, utilizing lithium batteries to support and reduce electricity consumption.



Regular trainings conducted to ensure our employees are familiar with safety and precautionary measures. Various forms of trainings include regular fire drills at our major yards.



7 May 2021, Mr. Zhang Changping, Secretary of Jingjiang Municipal Party Committee, visited Yangzijiang to understand the current operations of the Group and was hosted by Chairman and CEO Mr Ren Letian.



In 2020, Yangzijiang was awarded the Jiangyin Charity Outstanding Contribution Enterprise, a testament to the Group's commitment in giving back to the society.



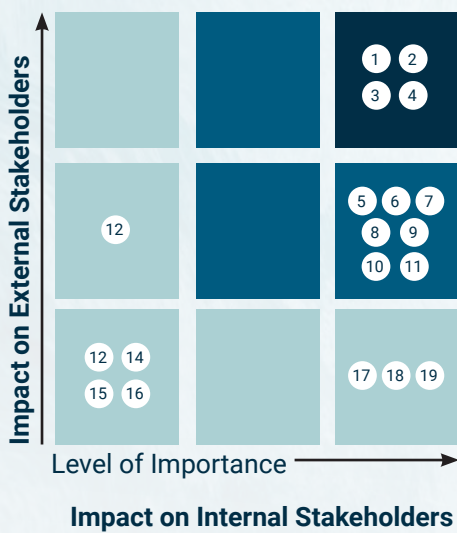
Yangzijiang welcomes its graduate hires.

05 Material ESG topics ● ● ●

The topics monitored and reported in this sustainability report were shortlisted after the consideration of environmental, social and governance risk factors that are most material to the Group. These material topics are reviewed annually to ensure relevance to the Group and the Group has considered the following:

- 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. We prioritize stakeholders with a strong track record of sustainable development integration, the extensiveness of their 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.



1. Stable profits
2. Contribution to local economy
3. Compliance with environmental laws
4. Greenhouse gas & other emissions
5. Community investment & development
6. Dividends
7. Anti-corruption
8. Risk management
9. Workplace health & safety
10. Management of effluents
11. Energy consumption
12. Supplier assesment
13. Customer privacy
14. Equity opportunity
15. Forced/ child labour
16. Freedom of association & collective bargaining
17. Employee training
18. Staff welfare
19. Efficient use of steel



06 Stakeholder Engagement ●●●

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 and Safety Management (ISO 45001)
- Energy Management System (ISO 50001)
- CSQA certification
- Our vessels are classified by CCS, ABS, BV, NK, GL, LR, DNV

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

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 also to provide 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.

06 Stakeholder Engagement ● ● ●

	Customers	Banks	Professional Associations	Government and Regulators
Engagement Process	<ul style="list-style-type: none"> • We interact with our customers at every step of the way to better understand their priorities and needs to ensure alignment of interests • Project tender process • Negotiation of vessel specifications, contract terms and conditions • Project progress update meetings • Project review • Vessel naming and delivery ceremonies • Recreational sports events involving customers' on-site representatives • Feedback from customers upon delivery of vessels 	<ul style="list-style-type: none"> • Dialogue between management teams • Yard inspection visits by management 	<ul style="list-style-type: none"> • Strategic alliance agreements • Facilitate conversation between classification societies and ship owners • Organise national-level technical appraisal meetings • Training and certifications 	<ul style="list-style-type: none"> • Dialogue between management team, government agencies and regulators • Yard inspection visits by leadership teams • Training conducted for workers at Yangzijiang's yards by government agencies • Management gives talks at government led sharing sessions
Key Topics	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Business stability • Strong financial position • Established global customer network • Relatively stable order book despite business cycles 	<ul style="list-style-type: none"> • Enhance R&D capabilities • Improve design of vessels for environmental protection • Vessel and workplace safety • Strategic planning for protocols in professional certification 	<ul style="list-style-type: none"> • Innovation • Environmental protection • Workplace safety • Compliance • Economic contribution

	Shareholders	Industry Peers	Suppliers	Communities
Engagement Process	<ul style="list-style-type: none"> • Timely disclosures via releases to SGXNet • Analyst briefings • Investor conferences • Non-deal roadshows • Investor relations team to assist with answering shareholders' queries • Annual General Meetings • One-on-one meetings • Email communication • Social media presence (i.e. WeChat to keep shareholders abreast of key developments) 	<ul style="list-style-type: none"> • Yard visits and sharing sessions 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Philanthropic donations • Build senior university and local hospital • Community service
Key Topics	<ul style="list-style-type: none"> • Financial performance • Operations, strategy and outlook, including relevant industry data and statistics • Dividend policy • Share repurchases 	<ul style="list-style-type: none"> • Improve management and operational efficiency • Improve the design of vessels 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Return to the community through the Honorary Chairman's philanthropic work • Encourage social volunteer work among employees

07 Economic Contribution ●●●

Despite the negative economic impacts due to COVID-19 pandemic, Yangzijiang remains in a strong financial position with a net cash position. A strong balance sheet will enable the Group to weather any tough market conditions and enables the execution of strategies to ensure sustainable growth for the Group.

Yangzijiang is consistently ranked amongst the top 500 Chinese Companies List based on its revenue. In the list released in September 2020, Yangzijiang was ranked 406th and 189th for the top 500 Chinese Companies and top 500 Chinese Manufacturing Companies, respectively, by The China Enterprise Confederation and the China Entrepreneurs Association. The Group was also ranked 385th in Fortune China 500 Companies in 2020, a list that takes into consideration the performance and achievements of the world's largest listed Chinese companies.

The Group has consistently paid out dividends to its shareholders over the years, benefiting all shareholders. In FY2020, the Group has also conducted share buybacks, increasing shareholders' interests in the firm.

For a detailed breakdown of our financial results, please refer to the Group's Financial Statements for FY2020.

Summary of Economic Contribution to Society			
	FY2020	FY2019	FY2018
Economic Value Generated			
Revenue	RMB 14.8 billion	RMB 23.6 billion	RMB 23.3 billion
Economic Value Distributed			
Operating Cost	RMB 12.0 billion	RMB 19.9 billion	RMB 19.8 billion
Employee Wages and Benefits	RMB 246.0 million	RMB 433.0 million	RMB 341.7 million
Of which: Employer's Contribution to Defined Contribution Plans	RMB 48.2 million	RMB 82.3 million	RMB 37.7 million
Payments to Providers of Capital			
Dividends Paid	RMB 884.8 million	RMB 986.6 million	RMB 857 million
Interest on Bank Borrowings	RMB 108.6 million	RMB 183.2 million	RMB 122.6 million
Payments to Government			
China and Singapore (Tax)	RMB 862.9 million	RMB 781.5 million	RMB 636.9 million
Financial Assistance			
Effect of Preferential Tax Rate	RMB 295.7 million	RMB 372.2 million	RMB 371.2 million



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 2020, the COVID-19 pandemic caused major uncertainties for the shipping industry, weighing on shipowners' sentiments and leading to a depressed shipbuilding market. Despite the 29% decline of global volume of new building orders in 2020 in dead-weight-ton ("DWT") terms, the Group secured new orders for 54 vessels worth USD 1.8 billion in 2020 (2019: 21 vessels worth USD 830 million). Its outstanding order book has consistently ranked among the top 10 in the world.

For FY2020, the Group paid income taxes of RMB 672.0 million to the Wuxi municipal government. Wuxi has a population of about 6.5 million people. The Group ranked No.11 in its top-100 corporate tax contributor list for FY2020 (FY2019: Ranked No.13).

Economic Contributions to Society

The Group employs 6,504 employees as at the end of 2020. Employees who are employed in the PRC participate in a defined contribution plan administered by the relevant provincial government. For FY2020, the Group was required to and continues to make 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, till 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.



07 Economic Contribution ●●●

Innovation of cost-saving, efficient vessel launching method



In January 2020, YAMIC delivered two 82,000DWT bulk carriers, its first batch of ships built and delivered after the yard adopted a semi-submerged ship launching method.

In 2019, the Group introduced the semi-submerged ship launching method which is more commonly used in relatively advanced Korean yards, and is a result of the joint teamwork with its partners from Mitsui.

This method uses a floating dock rather than a slipway or dry dock used in the traditional way of launching vessels. It removes the limitations of dock capacity and improves construction efficiency. It is also a cost-efficient way to increase capacity quickly. The 16,000DWT floating dock that was used in the semi-submerged launch was also designed and built by Yangzijiang.

The semi-submerged ship launching method



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 Our Employees ● ● ●

The success of Yangzijiang as one of the best shipbuilding enterprises is the result of the collective commitment and passion of our employees over the years. We recognise that attracting and retaining talents is pertinent to building a thriving organisation. We invest in our employees to ensure that they have opportunities to develop in their personal and professional spaces, and are equipped with relevant skillsets required for them to excel in their roles. In 2020, average training hours for our employees were 32 hours.

We strive to ensure a safe working environment for all our employees and workers. During the pandemic outbreak, the Group has also taken necessary steps to protect the safety of all our staff. Please see the section Workplace Safety for more details. The Group also conducts frequent training and drills to ensure workplace safety. The ultimate goal of the Group is to have zero injuries and fatalities at its shipyards.

Employee Engagement

The Group also engages its employees in staff meetings, keeping them posted on key developments taking place on the Group level and receives feedback from the ground. All our employees are employed permanently on a full-time basis and they are covered by agreements in line with fair practices. Employees can also take part in extra-curricular activities such as community service activities and sports and recreation activities organised by the Group.

Gender Diversity	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
Board of Directors	6	0	4	0	4	0
Senior management	8	1	8	0	9	0
First-level management	1,179	195	1,157	183	1,123	176
Professionals	1,316	127	1,296	119	1,202	106
All other employees	2,546	1,126	2,515	1,123	2,416	1,157
Total number of employees	5,055	1,449	4,980	1,425	4,754	1,439

Age Diversity	2020			2019			2018		
	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
Board of Directors	0	2	4	0	0	4	0	1	3
Senior management	0	7	2	0	6	2	0	5	4
First-level management	196	963	215	183	1,028	171	171	966	162
Professionals	431	914	98	471	813	72	467	774	67
All other employees	1,323	1,920	429	1,364	1,884	407	1,301	1,859	413
Total number of employees	1,950	3,806	748	2,018	3,731	656	1,939	3,605	649



08 Our Employees ●●●

Talent Capital

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

New Hires and Turnover	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
New Employee Hires	483	75	878	166	314	43
Resignations	319	36	745	138	53	18
Total turnover	802	111	1623	304	367	61

New Hires and Turnover	2020			2019			2018		
	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	163	389	6	548	474	22	281	76	0
Resignations	146	191	18	390	470	23	56	15	0

There was relatively higher turnover in 2019 due to increased competition for workers from other shipyards in China. In 2020, this situation has stabilized and the Group will continue our efforts for talent retention.

Training Hours by Gender	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
Total no. of training hours	161,664	46,368	159,360	45,600	112,360	28,090
Total number of employees	5,052	1,449	4,980	1,425	4,867	1,326
Average training hours	32	32	32	32	23	21



08 Our Employees ● ● ●

Building internal strengths

The Group's management steers the growth of Yangzijiang and has made tremendous contribution to the Group over the years. The Group aims to retain its key employees through a comprehensive employee compensation scheme and structure. In April 2019, the Group's Honorary Chairman (then Executive Chairman) donated 150 million shares of his personal shareholdings in Yangzijiang and set up a trust to reward the senior management of the Group and those who have made significant contributions to Yangzijiang's business. This also allows for the alignment of interests between the Group's senior management and its shareholders.



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, 9 are senior research fellows, 29 are senior engineers and 386 are engineers. As at the end of 2020, the Group had 710 technical staffs. Of these people, 475 staffs were based in the Group's new Yangzi yard, 42 staffs were based in Xinfu yard, 62 staffs in YAMIC and 131 staffs were based in Shanghai.

The Group strives to enhance its R&D capabilities and places a strategic focus on strengthening the educational profile of its employees. R&D headcount accounted for 17% of Yangzijiang's total staff strength as at the end of 2020.

Yangzijiang organises a groupwide technical skills competition annually, held over two days. Fitters and electricians from the Group's major shipyards formed teams and took part in this competition. Through this platform, employees are able to showcase their technical skills and learn from their counterparts. A total of 102 staff took part in this competition in 2020.



08 Our Employees ●●●

Tapping on the strengths of our joint venture partners

Termed “Project Chiba”, a team of 17 representatives from Yangzijiang participated in an on-site training in Japan at joint venture partner Mitsui’s yard in January 2020 on design, safety management, quality control, automation, and production planning.

This on-site training was first-of-its-kind, and had received positive reviews from participants of the program. Despite plans to send more representatives for similar trainings, the Group had to put these plans on hold due to the pandemic and travel restrictions. Yangzijiang expects to resume this training programme when it is feasible and appropriate.



Digital transformation

The implementation of digital transformation for Yangzijiang is a firm-wide process that has been ongoing for years. Ultimately, it will allow for an end-to-end process integration including design, planning, procurement, production, quality, cost and capital control across its major yards and other companies. This is also a strategic decision to improve the Group’s shipbuilding efficiency. The Group will provide training programs for our employees to ensure that they are on board the Group’s push for digital transformation.

Training Hours by Employee Category	2020			2019			2018		
	Total Training Hours	Average Training Hours	Average Training Days	Total Training Hours	Average Training Hours	Average Training Days	Total Training Hours	Average Training Hours	Average Training Days
Board of directors	1,200	200	25	800	200	25	1,260	315	39
Senior management	1,800	200	25	1,600	200	25	2,560	320	40
First-level management	68,700	50	6	67,000	50	6	39,030	30	4
Professionals	43,290	30	4	42,540	30	4	27,980	20	3
All other employees	91,800	25	3	90,950	25	3	69,620	20	3
All employees	206,790	32	4	202,890	32	4	140,450	23	3



Anti-Corruption Policy Statement

It is the policy of the Group to comply with all applicable laws and regulations across various jurisdictions that we operate in and the Group strictly prohibits corruption in all of our business operations. We expect the same of our business partners and employees. Any employee or representative of Yangzijiang who contravenes these policies and standards may be subjected to investigation, internal disciplinary action and possibly the termination of their employment contracts.

If there is any suspicion of violation of this Policy, we encourage our employees to report either internally to their manager or the Group's legal department, or anonymously through the following channels:

- Within Singapore, whistleblowers may contact the Chairman of the Audit Committee
- Within China, whistleblowers 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 anti-corruption policy. In 2020, there were no incidents of bribery or corruption cases within the Group.



09 Governance & Risk Management ● ● ●

Leadership

Yangzijiang adheres to an effective corporate governance framework in order to safeguard the interests of our shareholders, understanding that it goes a long way towards shareholder value creation. The Board oversees business operations and performance of the Group and provides general guidance to the management. The Board also play a crucial role in furthering the Group's efforts in sustainability and ensuring that Yangzijiang creates long-term value for our stakeholders with environmental, social and governance factors as guiding principles.

Our Board of Directors bring with them a broad range of business and financial experience, skills and expertise in finance, industry, business and management and general corporate matters.

Name of Director	Position Held	Date of appointment	Date of last re-election
Ren Letian	Executive Chairman	30 April 2020	N/A
Song Shuming	Executive Director	30 April 2020	N/A
Xu Wen Jiong	Non-Independent Non-Executive Director	30 April 2014	30 April 2020
Teo Yi-dar (Zhang Yida)	Lead Independent Director	28 July 2006	30 April 2019
Chen Timothy Teck Leng@ Chen Teck Leng	Independent Non-Executive Director	26 April 2013	27 April 2018
Toe Teow Heng	Independent Non-Executive Director	30 April 2020	N/A

Non-Executive Directors make up the majority of the Board, and at least one-third of the Board is made up of Independent Directors. Our Independent Directors also chair the Company's Audit Committee, Nominating Committee ('NC') and Remuneration Committee, ensuring a balance of authority within the Company.

Further information on our Board of Directors, such as their qualifications and their current directorships in other listed companies are set out on pages 14, 15 and 53 of the Group's Annual Report 2020.

Appointment and Re-election of Directors

The size and composition of the Board are reviewed annually by the NC, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is appropriate to facilitate effective decision-making, and that the Board has an appropriate balance of independent Directors. The Board NC will make recommendations to the Board concerning the appointment and re-election of Directors and to determine the independence of the Directors. The NC will also ensure board rejuvenation by appointing new members to the Board when it is deemed to be necessary.

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. Termination of contract by customers

- Shipbuilding contract terms and conditions are prudently negotiated to prevent customers from terminating 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 termination
- Agree to renegotiate on delivery schedule and rework of vessel types when the market condition is extremely challenging
- Ultimately, if the customer decides to terminate the contract, the deposit that was placed with the Group will be forfeited by Yangzijiang

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 down for a few weeks due to COVID-19 in February to March 2020, to ensure on-time delivery. All vessels were delivered on schedule eventually despite a shutdown in operations at our shipyards

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 encountered
- 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 as and when required.

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. These provisions will be reversed when the Group is no longer liable for the warranty coverage
- As majority of shipbuilding contracts are denominated in USD, the Group looks to hedge its exposure to future USD-denominated income through derivatives and has entered into USD/RMB forward contracts. In 2020, the Group also entered into USD/SGD cross currency swap to mitigate its borrowing costs of its one-year loan denominated in SGD

Investment business

- According to its investment guidelines, the business only invests in projects with limited risk while giving the Group a higher level of fixed return than bank deposits to supplement the Group's principal shipbuilding business, which is cyclical in nature
- It's the Group's policy to cap the loan-to-value ratio at a strict level (50% or below), backed by accepted collaterals such as publicly-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
- Even as these investments are backed up by collaterals, the Group makes provisions according to the risk characteristics of each project. The investment portfolio recorded on the Group's balance sheet is net of provisions

The management has been exploring feasible proposals regarding the Group's debt portfolio and these include placing a limit on the size of the portfolio in order to improve the Group's return on capital. The management is also looking towards further increasing information disclosure on our debt portfolio to ensure greater transparency. The Group has managed to maintain a strong financial position over the years through prudent management of financial risk and similarly, this anchors how we manage our debt portfolio.



“

**There are no passengers on Spaceship Earth.
We are all crew.**

”

Marshall McLuhan, Canadian philosopher



Irrevocable shift towards cleaner vessels

The global shipping industry accounts for about 90% of world trade and emits more than 1 billion ton of greenhouse gas ('GHG'), or accounts for over 2% of global CO₂ emissions every year. As carbon emissions remain high and with greenhouse gases at its highest levels, stakes for the planet are high.

In order to combat climate change and its impacts, the UN shipping agency, the International Maritime Organization (IMO) rolled out its aim to reduce the industry's total greenhouse gas emissions by 50% by 2050, compared to levels in 2008. IMO has adopted mandatory measures to reduce emissions of greenhouse gases from international shipping, under IMO's pollution prevention treaty (MARPOL) - the Energy Efficiency Design Index (EEDI) mandatory for new ships, and the Ship Energy Efficiency Management Plan (SEEMP).

Since 1 January 2020, the IMO 2020 came into effect, limiting sulfur content from 3.5% to 0.50% m/m (mass by mass) in the fuel oil used on ships operating outside designated emission control areas. Other "alternatives" to meet the IMO requirements include installing exhaust gas cleaning systems, also known as "scrubbers", or equipped for alternative fuels such as LNG. In 2020, among more than 60,000 trading ships, only 55 cases had trouble obtaining 0.50% compliant fuel, according to IMO's Global Integrated Shipping System (GISIS).

Vessels built between 2021 to 2025 will also have to be in compliance with EEDI phase 2 – ships need to have a 20% reduction in carbon intensity compared to 2008. The 2030 ambition (EEDI phase 3) is for vessels to have a 40% reduction in carbon intensity compared to 2008.

Any failure to comply with the global regulation could result in fines and vessels being impounded. As such, the demand for LNG vessels is expected to surge as shipowners move towards placing orders for vessels that are more efficient and in compliance with IMO requirements.

Sources:

<https://www.imo.org/en/MediaCentre/HotTopics/Pages/Sulphur-2020.aspx>;

<https://www.imo.org/en/MediaCentre/PressBriefings/Pages/02-IMO-2020.aspx> ;

<https://www.imo.org/en/MediaCentre/HotTopics/Pages/Reducing-greenhouse-gas-emissions-from-ships.aspx>



The march towards carbon neutrality

In September 2020, Chinese President Xi Jinping mentioned China's plans "to have CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060" at a virtual meeting of the UN General Assembly. In the same timeframe, Japan and South Korea formalized its zero-carbon agenda for 2050, similar to the mandate by the EU parliament. As one of the top global shipbuilders, Yangzijiang aligns its standards to global standards and prioritizes the design and building of relevant vessels with higher energy efficiency.

Building Capabilities in Clean Energy Vessels

Yangzijiang looks towards the building of LNG vessels as its next phase of growth. This focus also represents the Group's commitment to combat climate change. While Yangzijiang has expertise in and has developed LNG vessels, the Group believes that it can further strengthen its capabilities in this area through partnerships. In order to strengthen capabilities across the LNG supply chain, the Group will seek both vertical and horizontal integration in LNG-related sectors.

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, represents part of Yangzijiang's strategy to develop the techniques and capabilities to build LNG-related vessels and play its part to reduce carbon emissions.

In 2021, Yangzijiang also formed a company, Jiangsu Run Yuan Energy Co., Ltd. ("JREC") with our venture partners Wuxi China Resources Gas Co., Ltd and Jiangyin Xinyangchuan Enterprise Management Center, which will operate in the gas utilities and energy space respectively. The main business activities of JREC will be the construction of LNG storage facilities, natural gas trading and businesses related to parts of the LNG supply chain. Through this joint investment, Yangzijiang will gain initial exposure to a broader range of LNG-related business and develop relevant expertise which will allow us to capture the long-term growth potential in this market segment.



Traditional Large Vessels, Made Environmentally Friendly

In line with global environmental standards and regulations, Yangzijiang's continuous R&D and investment in efficient vessels has led to it delivering vessels (including large vessels) meeting various regulations.

In April 2021, Yangzijiang delivered the tenth and the last unit of 208,000DWT bulk carrier built for CDB Leasing, named CL BAISE. CL BAISE is the largest dry bulker in the second generation of Newcastlemax Dry Bulk Carriers, with a total length of 294.4m, width of 50m and a cruising speed of 14.5 knots per hour. The main engine emission of this vessel fulfills the requirement of EEDI phase II and Tier III NOx emission standards as well as allowing for better route adaptability.

Backed by the accumulation of experience over the years, Yangzijiang's new generation ships are more energy efficient, with lighter structural steel weight, better navigation against wind resistance and wave drag control amongst others, optimizing vessel performance and can provide shipowners with customized solutions to ensure environmental protection.

Yangzijiang will continue investing in and improving its vessel capabilities in order to bring to the market, vessels with greater energy efficiency and create a ripple effect in reducing its carbon footprint.

10 Environmental Protection ● ● ●

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 have 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 Chinese government has tightened the environmental regulations and adopted the “2020 Action Plan for the Control of VOCs”, a series of stricter standards and regulations put in place, with greater efforts placed on controlling harmful or toxic VOCs.

The Group has a long-lasting relationship with Jotun Coatings (“Jotun”), 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 was 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 has 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

Water Usage

Water is an important and scarce resource, especially in China where water pollution has affected 90% of the groundwater in our cities, contaminated by the dumping of toxic human and industrial waste.

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
- Conscious effort to reduce water consumption

Water withdrawal	2020	2019	2018
Produced Water (tons)	2,082,918	2,090,083	2,051,876
Municipal Water (tons)	147,462	234,180	245,120
Total Water Consumption (tons)	2,230,380	2,324,263	2,296,996

10 Environmental Protection ● ● ●

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. Whenever possible, Yangzijiang makes use of renewable energy such as natural gas and solar power as well as renewable materials.

In November 2019, the Group's power storage station begun operations. Utilizing lithium batteries, the station releases the power in its storage during 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.

Energy Consumption	2020	2019	2018
Natural Gas (Gigajoules)	5,516	4,137	4,791
Solar Power (Gigawatt-hour)	11	11	10
Electricity (Gigawatt-hour)	118	156	160
Total Energy Consumption (Gigajoules)	5,644	4,304	4,960

Materials used	2020	2019	2018
Renewable materials - Steel usage (thousand tons)	611	796	810

R&D Expense (RMB million)	2020	2019	2018
New Yangzi	219	216	238
Xinfu Yard	150	157	189
Old Yard	0	10	0
Total	327	383	427



11 Workplace Safety ●●●

Yangzijiang put continued efforts in improving workplace safety in 2020, 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
- The Group has set up one clinic at each of its major yards (3 in total) to ensure that all employees can have immediate access to medical care whenever necessary

The safety of our employees remains the top priority of the Group and we aim to have zero accidents at our yards.

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 hydration drinks and cooling medical supplements for workers
- Requirement 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 who are in inadequate working state are allowed on the production premises), 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 made investments to purchase more dust removal equipment. Visibility at the production workshop premises improved significantly and the processed emissions met the regulatory requirement once the dust removal system was in use.



11 Workplace Safety ●●●

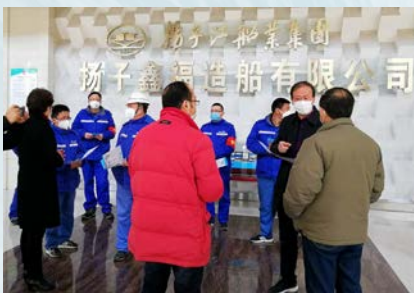
Accident Frequency Rate ¹	2020	2019	2018
Fatalities as a result of work-related injury	0	0	0
High-consequence work-related injuries ²	0	0	0
Recordable work-related Injuries ³	2.8	3.3	2.5

Coping with the COVID-19 pandemic

In the face of the on-going COVID-19 pandemic, Yangzijiang stepped up on our efforts in order to ensure the health and well-being of our employees, their families and our community.

The Group has undertaken the following measures to protect our employees and their families against the COVID-19 pandemic:

- Establish prevention and control mechanism, improve effectiveness of precautionary measures
- Timely delivery of epidemic prevention kits, providing our employees with masks
- Split-team work arrangements, social distancing measures, contact tracing
- Adhering to all social distancing guidelines set out by the government



1 Based on million man-hours worked for an estimated 38.5-hour work week for each employee.
 2 Injuries (excluding deaths) that take more than 6 months to recover to pre-injury health.
 3 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.



12 Community Development ●●●

Giving back to the community

In 2020, Yangzijiang was awarded the Jiangyin Charity Outstanding Contribution Enterprise, a testament to the Group's commitment in giving back to the society. This award is given to enterprises that have been supportive of charity organisations, fulfils its social responsibilities and have made donation of above RMB 1 million from 2015 to 2019. The Group makes donations towards various charitable causes and organisations from time to time.

Yuanlin Charity Foundation's Movement of Light Cataract Sight Restoration project was also awarded the Jiangyin Charity Outstanding Contribution Project in 2020. This project was incepted in August 2014 and till date, has disbursed over RMB 51 million to finance cataract surgeries for over 20,000 patients. In 2020, the Yuanlin Charity Foundation made a contribution of approximately RMB 26 million to the Yuanlin Rehabilitation Hospital for the purchase of medical equipment.

The Yuanlin Charity Foundation is solely funded by the Group's Honorary Chairman Mr Ren Yuanlin with dividends from his shareholdings in Yangzijiang.

Social service

The Group encourages its employees to do their part in giving back to the society through volunteering activities. Campaigns hosted by the Group include mass participation in blood donation drives.



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Strategy		
GRI 102-14	Statement from senior decision-maker	Page 6
Organizational Profile		
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 170 to 171 of Yangzijiang Shipbuilding (Holdings) Ltd's Annual Report 2020.
GRI 102-6	Markets served	Page 4
GRI 102-7	Organization scale	Page 4,13
GRI 102-8	Workforce	Page 16
GRI 102-9	Supply chain	Page 4
GRI 102-10	Significant changes	Page 25
GRI 102-11	Precautionary principle	N.A.
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 4
Governance, Ethics and Integrity		
GRI 102-16	Core values	Page 5
GRI 102-18	Governance structure	The Group's governance structure and its responsibilities are documented in our annual report FY2020 page 27-67.
Stakeholder Engagement		
GRI 102-40	Stakeholder groups	Page 10 to 12
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GRI 102-48	Restatements of Information	N.A.
GRI 102-49	Changes in reporting	N.A.
GRI 102-50	Reporting period	FY2020
GRI 102-51	Date of most recent report	31 December 2020
GRI 102-52	Reporting Cycle	1 January to 31 December
GRI 102-53	Contact point for questions regarding the report	Page 3
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 32 to 33
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

16 RAFFLES QUAY
#41-02 HONG LEONG BUILDING
SINGAPORE 048581