

SANTAK 

SANTAK HOLDINGS LIMITED

Sustainability Report 2019

BOARD STATEMENT

The Board of Directors at Santak Holdings Limited (the “Company” or “Santak”) is pleased to publish the Group’s second sustainability report (the “Report”) for the Company and its subsidiary companies (the “Group”) for the financial year ended 30 June 2019 (“FY2019”). Santak believes sustainability is important for business and striving for sustainability in business has become more of a requirement rather than an option. We pursue our business goals and drive our sustainability initiatives forward so as to integrate economic, environmental, social and governance (EESG) considerations into our long-term business strategy.

We continue to focus on the material sustainability topics which we had identified in our first-year report for FY2018 deemed material to our business and stakeholders namely Economic Performance; Energy Consumption; Emissions, Effluents and Waste as well as Occupational Health and Safety. The Board reviewed the identification, management and monitoring of the material sustainability topics in this Report.

To be read in conjunction with its financial statements, this Report addresses the Group’s material EESG topics from 1 July 2018 to 30 June 2019. All data is reported in good faith and to the best of our knowledge. This report is aligned with Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules 711A and 711B – Sustainability Reporting Guide and has been prepared with reference to the internationally recognised Global Reporting Initiative (GRI) Standards (2016).

The Board would like to thank all stakeholders who have contributed to our sustainability effort and will continue to take a balanced approach in enhancing long term values which are sustainable to our stakeholders.

On behalf of the Board,

Lee Keen Whye

Chairman

25 November 2019

BACKGROUND OF SANTAK HOLDINGS LIMITED

ABOUT SANTAK HOLDINGS LIMITED

Established in 1978, the Santak Group is a manufacturing and trading group of companies with 2 divisions i.e. the Precision Engineering Division and the Trading and Distribution Division structured under the holding company, Santak Holdings Limited, a limited liability company incorporated in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Precision Engineering Division’s main business is in the manufacture of precision machined components specially tailored to meet our customers’ requirements. Its clientele include multi-national companies and other main contract manufacturers. Its products are mainly used in hard-disk drive, fibre optics connectors, consumer electronic devices, oil & gas equipment, telecommunication devices, mobile phones, optical instrument devices, medical equipment, connectors/contacts as well as computer peripherals.

The Trading and Distribution Division specialises in sourcing and supplying custom-made electronic, electrical and mechanical components/products. It acts as a representative for suppliers in the Asian region and facilitate the supply of these components/ products based on the specifications of customers. Its focus is on OEM assembly of card readers, contactless smartcards, die-cast & machined parts, metal enclosures and stamped parts, heatsinks, solenoids and coils.

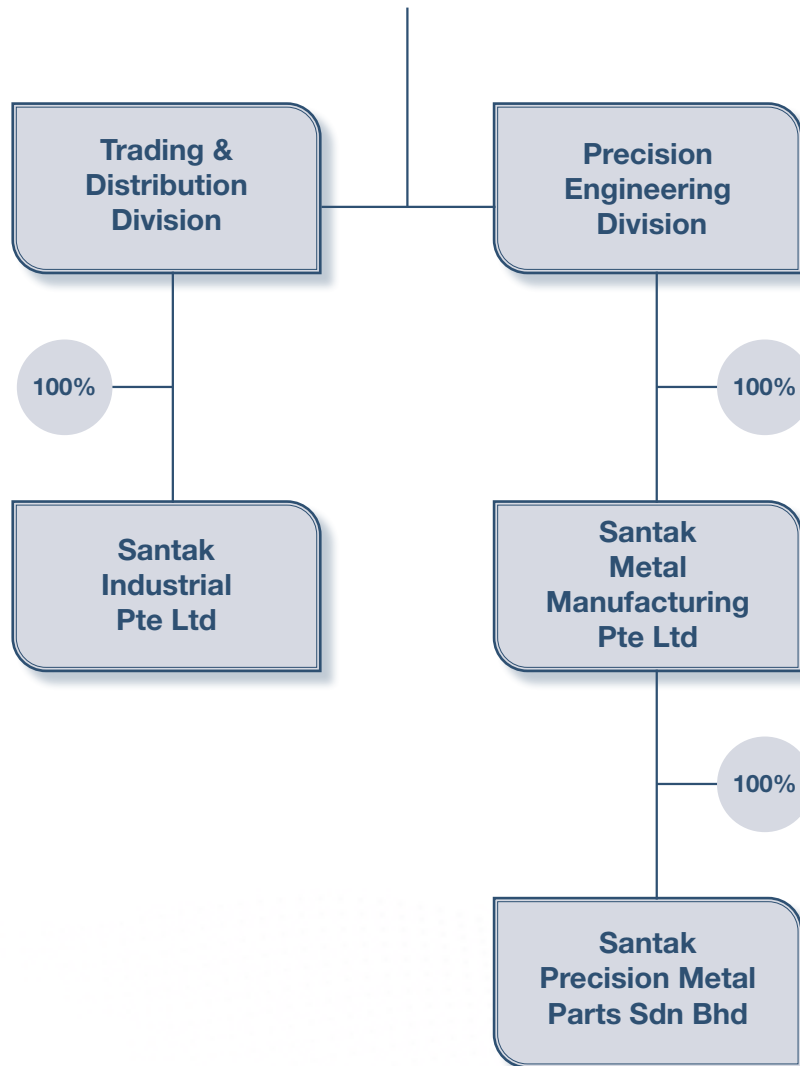
The Group’s customer base spans across Singapore, Thailand, Malaysia, USA, Europe, China, India etc. Strategic investments have been made in high precision and automated production machinery in addition to the training and development of the Group’s workforce. On-going marketing efforts are supported by manufacturing and engineering expertise, built up over the past 41 years.

Santak is also a member of the Singapore Precision Engineering and Technology Association as well as Singapore Business Federation.

CORPORATE STRUCTURE



Santak Holdings Limited

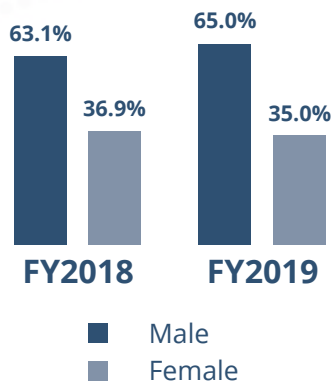


Note: The above chart shows the principal subsidiary companies of the Group.

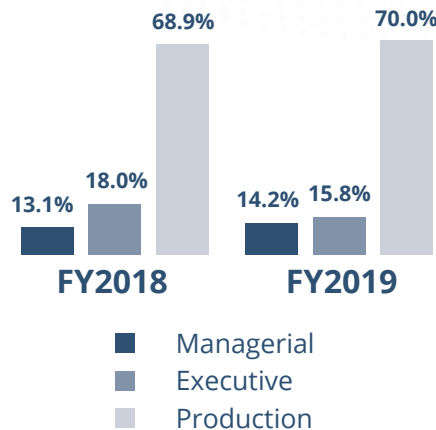
EMPLOYEES

Total full time employees headcount in Santak was 120 as at 30 June 2019 (FY2018: 122) and the demographics can be classified as follows:

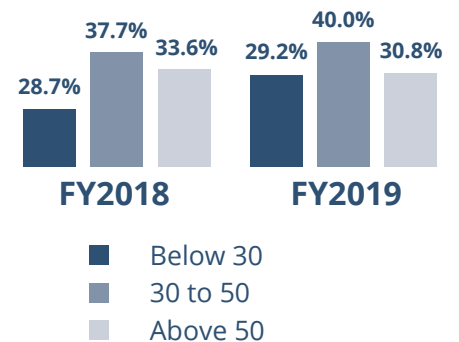
Employees by Gender



Employees by Category



Employees by Age Group



MISSION AND VISION

With over 41 years of operating history, we constantly strive to be the premium service provider for quality precision machining manufacturing solutions. Coupled with our highly experienced team, we aim to deliver every finished product on time with high quality and precision at competitive cost.

MISSION To be a leader in precision machining manufacturing solutions delivering products that meet our customers' requirements as well as developing and providing for our employees' welfare and growth.

VISION To be the strategic partner to our customers and delivering high customers' satisfaction through efficient and effective manufacturing solutions enabled by advanced machinery and a skilled and productive workforce.

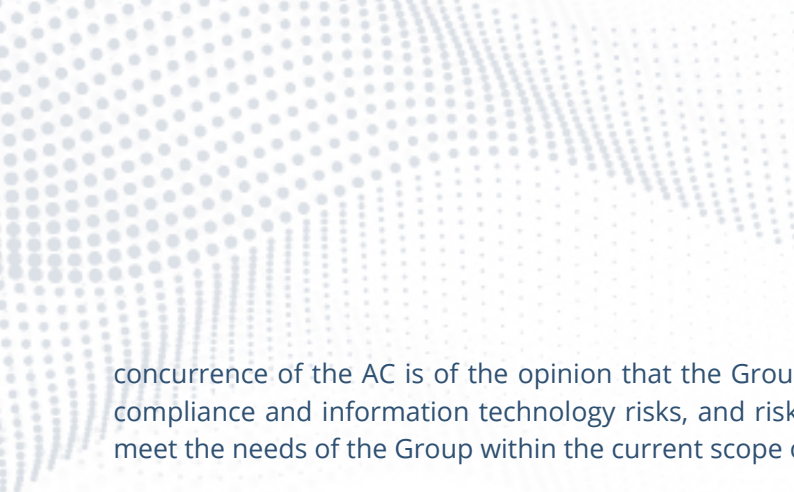
CORPORATE GOVERNANCE

The Board is committed to upholding high standards of corporate governance practices throughout the Group that are in line with the Code of Corporate Governance 2012. The Board will also ensure that there is compliance with the other relevant regulations, notices, circulars, and guidelines that may be issued by the Monetary Authority of Singapore ("MAS") and the SGX-ST. Explanations will be provided should there be any deviations.

The Board comprises Directors who provide core competencies in accounting and finance, business management experience, industry knowledge, strategic planning and customer-based experience and knowledge. Where appropriate, the Directors receive relevant briefings from time to time on new updates in relation to regulatory changes to accounting standards, Listing Manual, corporate governance and other regulations or statutory requirements. The Independent and Non-Executive Directors are encouraged to constructively challenge and help develop proposals on strategy. They are also encouraged to meet regularly and when circumstances require without management's presence. Each key executive at the Group's leadership is highly experienced in this industry and collectively as a whole, are able to competently handle all operational matters of the Group.

We carry out our operations responsibly so as to continuously create sustainable value for our customers and shareholders. Management team is responsible for implementing the risk management policies as well as a Group-wide system for internal assurance. The Group ensures that rigorous procedures are in place to adequately and effectively manage risks faced by its business divisions during the course of daily operations and long-term business planning.

The Group has in place a system of internal controls that address financial, operational, compliance and information technology risks, and risk management systems, to safeguard Shareholders' investment and the Group's assets. The internal controls maintained by the management, includes inter alia the SAP Enterprise Resources Planning (ERP) system and the ISO 9001: 2015 Quality Management System, are in place throughout the financial year to provide reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, compliance with appropriate legislation, regulations and best practices, and the identification and containment of operational and business risks. The Board recognises that the internal controls system provides reasonable but not absolute assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. The internal auditors and the external auditors in the course of their statutory audit, carry out a review of the effectiveness of the Group's material internal controls to the extent of their scope as laid out in their respective audit plans. Material non-compliance and internal control weaknesses noted during their audits, and the internal and external auditors' recommendations, are reported to the Audit Committee ("AC"). In addition, the AC and the Board reviews the Group's internal controls and risk management practices annually, taking into consideration the risks to which the business is exposed to, the likelihood of the occurrence of such risks and the cost of implementing mitigating controls. Based on the internal controls established and maintained by the Group, work performed by the internal auditors, the external auditors and ISO 9001 auditors as well as reviews performed by the management, AC and the Board, the Board with the



concurrency of the AC is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, are adequate and effective to meet the needs of the Group within the current scope of the Group's business operations.

SUSTAINABILITY GOVERNANCE

The Sustainability Steering Committee, comprising key management executives, identifies possible material topics and reach agreement on the action plan for the reporting process and reports to the Board of Directors on the sustainability management performance of the Group and material issues identified by stakeholders.

ANTI-CORRUPTION AND WHISTLEBLOWING

In ensuring that all laws and regulations including those related to anti-corruption practices, are complied with, the management has implemented a set of policy and procedures and put in place a whistle-blowing framework, which provide employees with accessible channels within the Group for reporting possible improprieties in matters of financial reporting or other matters in confidence to the Chairman of the AC or the other members of the AC if the Chairman is not available so that appropriate follow-up actions will be taken. This is done to instil high standards of good business practices within the Group.

Feedback

We welcome feedback as it enables continual improvement in the Group's sustainability policies, processes and performance. Please send your comments and suggestions to santak.holdings@santak.com.sg or the following address:

31 Senoko South Road,
Woodlands East Industrial Estate,
Singapore 758084
(65) 6755 4788

SUSTAINABILITY REPORT

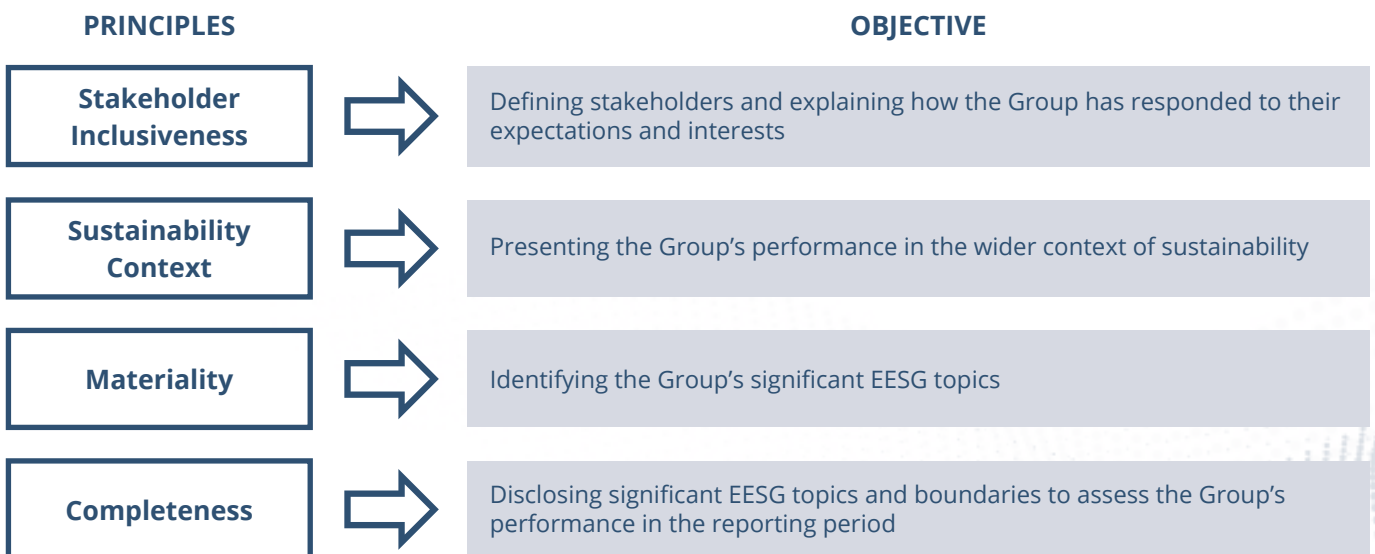
ABOUT THIS SUSTAINABILITY REPORT

This second sustainability report for the Group is prepared in accordance with the Global Reporting Initiative (“GRI”) Standards: “Core” option, the international standard for sustainability reporting which is appropriate for and suited to the Group’s industry and business model. The reporting period is for the sustainability performance of the Group for FY2019. All data and activities reported are with respect to the timeframe from 1 July 2018 to 30 June 2019, unless stated otherwise.

This Report is also prepared in accordance with SGX-ST Listing Rules 711A and 711B – Sustainability Reporting Guide and the relevant SGX Practice Notes. Our data is reported in good faith and to the best of our knowledge. Currently, there is no external assurance for this Report.

The Report aims to disclose our EESG performance against the issues that are considered most material to our company’s stakeholders and this includes shareholders, suppliers, customers, management and employees. The objective of preparing this Report is to inform our stakeholders of the initiatives and strategies related to sustainability that we are currently embarking on.

The content of this Report is defined by the 4 Content Reporting Principles established by GRI : Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness.



A copy of this report can be found on SGXNet and the Company’s website at www.santak.com.sg

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

Santak recognises that stakeholders play an important strategic role in maintaining the company's long-term growth. In FY2018, we engaged our key stakeholders through a stakeholder engagement and materiality assessment workshop to identify the EESG topics that the Group considered important to stakeholders. These key stakeholders were identified based on their ability to influence our performance and provide effective solutions to incorporate sustainability into our operations. The EESG factors were then prioritised based on their impact on the business and how important stakeholders considered each aspect. The materiality assessment process concluded with Santak's management identifying four EESG factors to be considered as top priorities in the sustainability report.

In FY2019, the material topics were reviewed to ensure their continued relevance. We will review the material topics again in subsequent reporting periods to ensure that material sustainability topics continue to be important and relevant to our stakeholders.

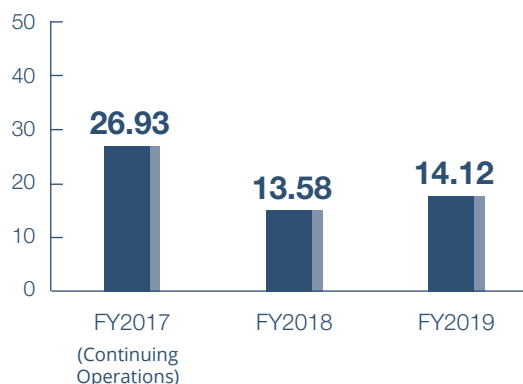
MATERIAL TOPICS IDENTIFIED

Topic	GRI Standard	Title
Economic	GRI 201-1	Economic Performance
Environmental	GRI 302-1	Energy Consumption Within The Organization
Environmental	GRI 305-7 and 306-2	Emissions, Effluents and Waste
Social	GRI 403-1&2	Occupational Health and Safety

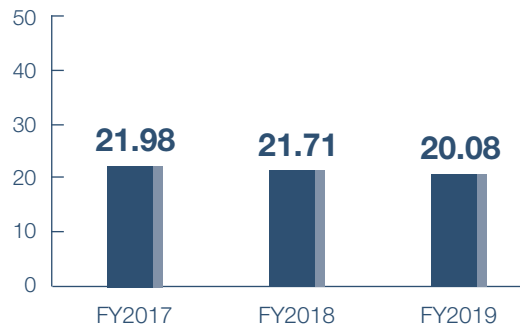
ECONOMIC PERFORMANCE (GRI 201-1)

For FY2019, the Group revenue was S\$14.12 million (FY2018: S\$13.58 million) and was in a net equity position of S\$20.08 million as at 30 June 2019 (FY2018: S\$21.71 million). Economic performance is defined as one of our most material aspect because, like most companies, our economic success ensures our long-term viability and enables the execution of our sustainability strategies. For a detailed breakdown of our FY2019 financial results, please refer to the Group's Annual Report for FY2019 which is available at www.santak.com.sg or financial highlights as follows:

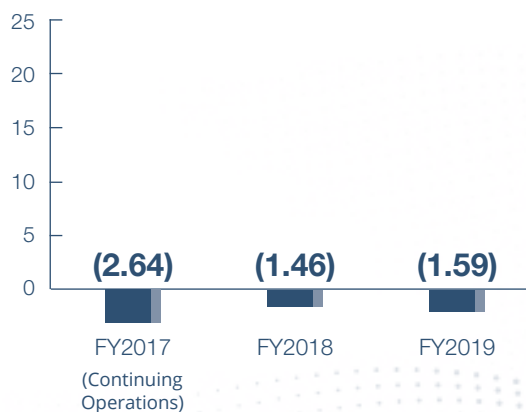
TURNOVER
(IN S\$MILLION)



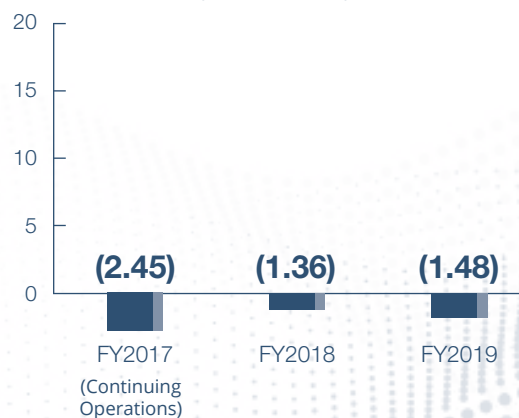
NET EQUITY
(IN S\$ MILLION)



LOSS AFTER TAX
(IN S\$MILLION)



BASIC/DILUTED LOSS PER SHARE
(IN CENTS)

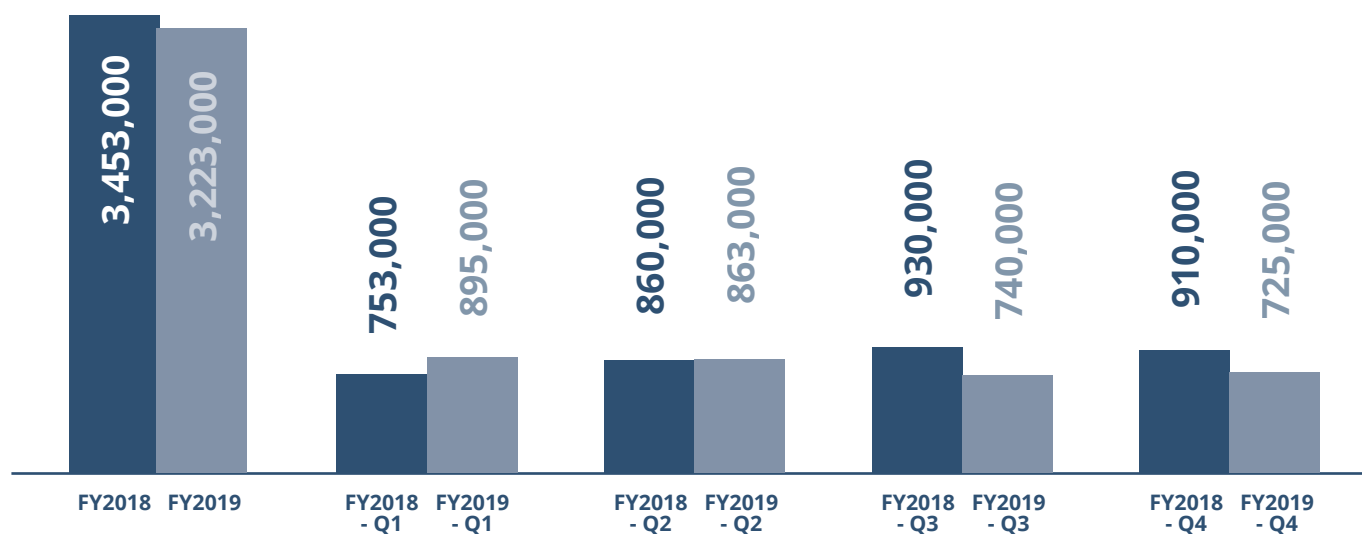


ENERGY CONSUMPTION (GRI 302-1)

At Santak, we utilise a wide variety of precision engineering CNC machines and equipment to deliver the best quality that a precision engineering manufacturer can offer. These high precision CNC machines and equipment as well as air-conditioning contribute to the majority of our energy consumption. We recognise the importance of properly managing and regulating our energy consumption so as to keep our operational costs low and help reduce the impact on the environment. We have a maintenance team of trained individuals to keep track of our energy consumption. The monitoring of our energy consumption is reviewed monthly by our maintenance team who will analyse the monthly energy consumption. Energy surges which rarely occur, if identified within different operational areas will be investigated for possible faults in the machines and equipment. If necessary, repairs will be carried out should faults be discovered. All employees switch off all lightings, air conditioners and other electrical appliances when not in use. With these practices established, we aim to improve efficiency in our energy usage to optimise our consumption.

In FY2019, the total energy consumption amounted to 3.22 million kWh (FY2018: 3.45 million kWh). The method used to calculate energy consumption is based on the compiled electricity bill taken for the reporting year. We are in the process of compiling performance data to form a trend for the purpose of setting targets. Accordingly, the process of target setting is deferred till a time when adequate data is available to set reasonable targets, in particular in view of the Group is in the process of gradually relocating in stages our current manufacturing facility from Singapore to our new factory in Johor Malaysia during the period FY2019-FY2020.

Electricity Consumption (kWh)



EMISSIONS, EFFLUENTS AND WASTE (GRI 305-7 AND 306-2)

Santak conduct business in a manner that respects the environment by minimising the negative environment impact. Santak is committed to protecting the environment and actively implement activities to meet relevant regulations. Employees are trained and encouraged to support these initiatives.

Emissions

Oil emission level from the machining process which uses coolant oil within factory premise is monitored to ensure minimal oil and particulate generation. Oil filters are installed on our CNC machines to reduce, if not eliminate, these exhaust. Permissible Exposure Levels (“PEL”) tests for oil mist performed in previous years have been below the analytical detection limit. The concentration of oil mist for all samples monitored were below the Long Term and Short Term PEL stated in the “Workplace Safety and Health (General Provisions) Regulations”, The First Schedule (Appendix 7A) “Permissible Exposure Limits of Toxic Substances”, published by Ministry of Manpower, Singapore on 1st March 2006 (the “Regulations”). We aim to maintain future PEL test for oil mist to be below the Long Term and Short Term PEL stated in the Regulations.

Effluents and Waste

Santak has actively seek to reduce its operational impact on the environment, and has stringent corporate responsibility and sustainability practices to manage its industrial waste by engaging licensed waste collectors and recycling and reusing where possible.

Waste generation is continually being monitored and reduced through internal process improvement activities. One way is through the usage of “to-size” material and constant monitoring and communication with customers to avoid or reduce any ad hoc purchase of unsuitable size raw materials which generates more scrap metal wastage from the manufacturing process. Our Engineering Department will continuously explore different materials, machines, processes, methods and measurements for improvement opportunities. Scrap metal from manufacturing process are collected and sold to scrap metal trading company for subsequent recycling. Chemical waste from machining and degreasing processes are segregated and stored in drums. These are sealed and kept in dedicated location to be collected for safe disposal by appointed licensed contractor approved by the Authority. We will continue to ensure the safe disposal of effluents and waste in the Group’s manufacturing facilities.

OCCUPATIONAL HEALTH AND SAFETY (GRI 403-1 & 2)

As a responsible employer, we take our responsibility to provide a healthy and safe working environment seriously. We believe it is very important to minimise the risks of work-related injury and illness. We are committed to adhering to local safety laws and regulations. A Safety and Health Committee (“SHC”) headed by the Operation Director had been established and an external qualified safety officer was appointed. Employees are required to abide by the relevant health and safety measures and undertake reasonably practicable steps to ensure workplace safety. Regular reviews are conducted to improve our existing safety standards and practices. In addition, we conduct regular safety inspections at our facilities to identify potential health and safety risks and take preventive measures wherever necessary.

To achieve this, we have introduced our Safety and Health initiatives as follows:

Work-Related Injury

We record all work-related injury, regardless of its severity and conduct follow up for implementation of corrective action plan. Employees are required to follow the emergency procedure by informing the manager and/or supervisor in-charge to take necessary actions.

For FY2019, the work-related accident injuries frequency rate at the Group’s manufacturing facilities were nil work-related accident injury or fatality (FY2018: nil). We continue to encourage employees to work towards and maintain the goal of zero work-related injury and fatality in future.

Noise Monitoring

Noise monitoring are conducted on a periodic basis under the Workplace Safety and Health (“WSH”) Act (Chapter 354a), WSH (Noise) Regulations, 2011. Audiometric Examination or hearing test is conducted annually by external MOM registered Audiometric Technicians for employees who work on the factory floor. Relevant employees are also provided with Personal Protective Equipment (“PPE”) to ensure exposure to noise is minimized. Ongoing improvement to reduce noise emission through use of machine guards, attachments such as silencer for airgun and proper maintenance etc is driven by the in-house SHC.

Safety Trainings

Safety course is attended by new employees and refresher courses by other employees. All operation workers working on the factory floor are required to undergo the “Apply Workplace Safety and Health in Metal Work Course” organised by MOM Approved Training Providers before starting work.

In addition, internal trainings on general safety and health such as trainings on proper usage of PPE, Noise Induced Deafness Prevention, Working At Height Accident Prevention and safety videos or demonstrations etc are conducted periodically.

Safety Audit and Review

Safety & Health Management System (“SHMS”) Internal Audit has been conducted in previous years by external consultant who is MOM Approved Workplace Safety & Health (“WSH”) Auditor in reference to the Workplace Safety & Health Act 2006, and Guideline for WSH (SHMS & Auditing) Regulation 2009. The objective of the audit is to evaluate the conformity of the SHMS implemented at the workplace to the relevant code of practices and legislations as well as to make recommendations to the management to further improve the SHMS.

Fire Drills

Fire evacuation exercise is conducted annually for emergency preparedness. In-house fire fighting equipment usage demonstration is also performed during the fire evacuation exercise. We will continue to hold fire evacuation exercise annually.

During FY2019, the Group’s new factory facilities in Johor Malaysia was awarded the Fire Certificate which certify compliance with the life safety, fire prevention, fire protection and fire fighting requirements of the Fire Services Act 1988 of Malaysia.

Train First Aiders

First Aiders Trainings was attended once every two years by selected employees which leads to the Occupational First Aiders Certification conferred on these employees.

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