

## **SUSTAINABILITY REPORT 2019**

# 1 BOARD STATEMENT

We are pleased to present the third annual Sustainability Report of Mirach Energy Limited (“Mirach”, the “Company”, and together with its subsidiaries, the “Group”) for our financial year ended 31 December 2019 (“FY2019”). This report is prepared in compliance with the requirements of Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules 711A and 711B, and references the Global Reporting Initiative (“GRI”) Standards. We have chosen to report using the GRI Standards because it is an internationally recognised reporting framework that covers a comprehensive range of sustainability disclosures. Moreover, the structured framework promotes reporting a full and balanced picture of Mirach’s material matters and the management of its impact. This report highlights the key economic, environmental, social and governance (“EESG”) related initiatives carried throughout a 12-month period, from 1 January to 31 December 2019.

Sustainability is a part of the Group’s wider strategy to create long-term value for all its stakeholders. As such, the key material EESG factors for the Group have been identified and cautiously reviewed by the management. The data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy of data and information. The board of directors of the Group (the “Board”) oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group’s strategic direction and policies.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to consistently improve our policies, systems and results. Please send your comments and suggestions to [info@mirachenergy.com](mailto:info@mirachenergy.com).

28 August 2020

## 2 ORGANISATIONAL PROFILE

Mirach Energy Limited (“Mirach” or the “Company” or “Group”) has been listed on the Singapore Exchange since 2004. In recent years, after paring down a large part of its oil and gas business, the group has diversified into property construction and development, agriculture and e-commerce businesses.

For the oil and gas business, the Group is presently holding minority ownership of 9% in Gunung Indah Lestari Limited which holds 100% shares of a KSO operatorship in a marginal oil field in Indonesia.

For the property construction and development business, Mirach, via its subsidiary Premier Mirach Sdn. Bhd., pursues property and construction projects in West Malaysia. The Company hopes to grow further in this industry going forward, whenever the opportunity arises.

For the agriculture business, the Group acquired a 70% equity interest in RCL Kelstar Sdn. Bhd (“RCL”) in 2018, permitting Mirach to participate in an agriculture project in Malaysia.

For the management services business, the Company’s wholly-owned subsidiary Mirach HP Management Pte. Ltd. (“MHPM”) provides business and management consultancy services.

For the new e-commerce businesses, the Group acquired full equity interest in Smart Life International Investment Group Co., Limited (“Smart Life”) on 3 June 2019. On 11 November 2019, Smart Life then acquired a 30% equity interest in Hu Bei ZeGang Supply-Chain Limited (“Hu Bei ZeGang”), which specialises in e-commerce, trading of agriculture products and construction material etc. as well as provision of internet information services.

### OUR INTERESTS IN ASIA

#### Singapore

The Group’s wholly-owned subsidiary Mirach HP Management Pte. Ltd. (“MHPM”) provides business and management consultancy services. MHPM is currently working with partners in Malaysia to provide marketing and sales consultancy for their business development, and hopes to acquire more human resource along the way to further develop its business.

#### Malaysia

In 2017, the Company’s wholly-owned subsidiary, CPHL (HK) Limited (“CPHL”) and PRG Construction Sdn. Bhd. (“PCSB”) set up a joint venture company Premier Mirach Sdn. Bhd. (“PMSB”) to pursue property and construction projects in Malaysia. CPHL and PCSB has a 75% and 25% shareholding in PMSB respectively.

The first construction project in West Malaysia was delayed in 2019 for a considerable amount of time due to a restructuring exercise by the project's developer and PMSB has been in discussion with the relevant parties towards a recovery plan since 2019. The discussions were also delayed due to the Movement Control Order ("MCO") which was imposed by the government of Malaysia on 18 March 2020 as a result of the Coronavirus outbreak. On 25 August 2020, PMSB signed a final settlement agreement with the developer.

Due to the unexpected continuous delay of the second construction project, PMSB held discussions with the developer and both parties have mutually agreed to cancel the Partnership Agreement in relation to the development of individual residential unit of townhouses in West Malaysia. No cost will be incurred by the Group as a result of this cancellation.

On 18 July 2018, the Group acquired a 70% equity interest in RCL Kelstar Sdn. Bhd ("RCL"). RCL, in cooperation with the Kelantan State Economic Development Corporation ("KSEDC"), was set up to manage the development of a multi crop agriculture development project ("Project") in Malaysia. KSEDC has been granted a fifty-year land concession of approximately 5,500 acres. RCL has in turn secured the rights to jointly undertake the Project together with KSEDC.

As at 31 December 2019, RCL has entered into five separate cooperation agreements with business partners, for the purpose of developing a multi crop agriculture development project on approximately 2,750 acres or 50% of the concession land. The cooperation allows the business partners to engage in the planting, cultivation and harvesting of durian and other approved plant species.

RCL will provide services and work with the business partners to facilitate the operations and development of the agriculture land and in turn collect management fees from these business partners.

#### Indonesia

In 2013, CHPL acquired minority interests of 10% in Gunung Kampung Minyak Ltd in Indonesia. In 2018, the interest in GKM was diluted to 9%.

#### Hong Kong and The People's Republic of China

On 3 June 2019, the Group acquired full equity interest in Smart Life in Hong Kong. On 11 November 2019, Smart Life had acquired 30% of the share capital of Hu Bei ZeGang Supply-Chain Limited ("Hu Bei ZeGang") which specialises in e-commerce, trading of agriculture products and construction material etc. as well as provision of internet information services.

# 3 SUSTAINABILITY APPROACH

## OUR SUSTAINABILITY METHODOLOGY



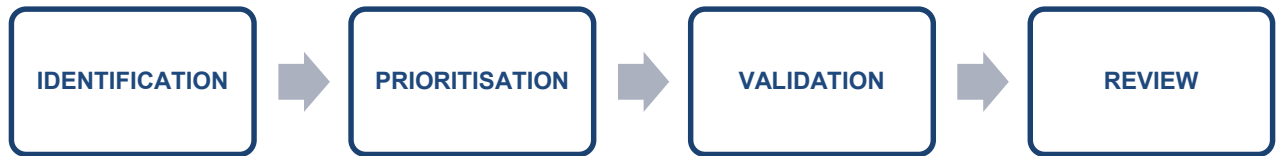
## STAKEHOLDERS ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material factors relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to shareholders, employees, customers, supplies, contractors and authorities. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

Key Stakeholders	Engagement Platforms	Key Concerns Raised
<b>Shareholders &amp; Investors</b>	Reports & Announcements	Annual and quarterly reports, Announcements on SGX, Investor relations section of the Company’s web-site, Press release and coverage
	Meetings	Annual General Meeting, Extraordinary Meeting, if any
<b>Employees</b>	Memos & Circulars	Circulation of internal memos, email communications on a need-to basis
	Meetings and Activities	Meetings with management, team building activities, festival gatherings at least once a year.
<b>Customers</b>	Project completion	Monthly meeting to ensure construction progress on track, Monthly progress report
<b>Suppliers</b>	Meetings & communications	Negotiations with suppliers, fair procurement process on an ongoing basis
<b>Contractors</b>	Project completion	Monthly site meeting to ensure the contractor abide by the contract terms and specifications.
<b>Authorities</b>	Emails & Letters	Compliance with regulations and guidelines via emails and letters to ensure adherence on need basis
	Dialogues	Dialogues with the authorities when requested or on a need to basis.

## MATERIALITY ASSESSMENT

Our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised to identify material factors which are subject to validation. The end result of this process is a list of material factors disclosed in the Sustainability Report. Process of which are as shown below:



The Group has conducted a materiality assessment during the year with the assistance of an external consultant. We engaged our employees from different departments, seeking our internal stakeholders' feedback for prioritisation of these topics. Going forward, materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagements.

In order to determine if a factor is material, we assessed its potential impact on the economy, environment and society and its influence on the stakeholders. Applying the guidance from GRI, we have identified the following as our material factors:



## 4 ECONOMIC

### ECONOMIC PERFORMANCE

Mirach is committed to grow our customer base and exceed our customers' expectations, providing them with competitive edge products by enhancing operational efficiency through incorporating effective use of technology, developing performance measures, communicating outcomes and results and implementing necessary changes, to provide fast and high quality services at low transactional costs.

Due to the weak economic climate in the Indonesian Oil Exploration sector, the Group ceased operations and surrendered the KM Oil Field in 2017, following the termination of the KSO agreement. The Group still retains minority ownership of Gunung Kampung Minyak Ltd in Indonesia.

For the financial year ended 31 December 2019, total revenue for the Group reported at US\$3.344 million.

The Group recognised US\$1.024 million from the sale of reports, US\$1.652 million from provision of management and advisory services and US\$0.630 million from timber logging activities, via its subsidiary, RCL Kelstar Sdn. Bhd., in relation to the agriculture segment.

For detailed financial results, please refer to the Operation Review section pages "6 to 7" in our Annual Report 2019.

### ANTI-CORRUPTION

Mirach does not tolerate corruption in any form. Any report of corruption will be escalated to the attention of the Chairman. There is no anti-corruption policy. We prohibit corruption in all forms, including extortion and bribery. As set out in our whistle-blowing policy, all complaints shall be reported to the Audit Committee Chairman of the Company either in person or via an email that is only accessible by the Audit Committee Chairman. Similar to FY2018, there were no reported incidents of corruption during FY2019.

**Target:** To maintain zero incidents of corruption.

## 5 ENVIRONMENTAL

### ENVIRONMENTAL COMPLIANCE

The Group takes measures to protect the environment such as energy savings on water and electricity and usage of recyclable office stationeries. Office air conditioners are set permanently at energy savings levels of 24 to 25 degrees Celsius. Lights are also turned off during lunch time so as not to waste unnecessary electricity. The Company has taken steps in trying to save the forest by printing its annual reports on recycled paper for many years.

With the Group having entered into the real estate and construction business, it is determined to work closely with its team to determine the variables that the Group can control in the construction and real estate environment in the new projects.

There was also no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions in FY2019.

**Target:** To maintain zero incidents of non-compliance.



## 6 SOCIAL

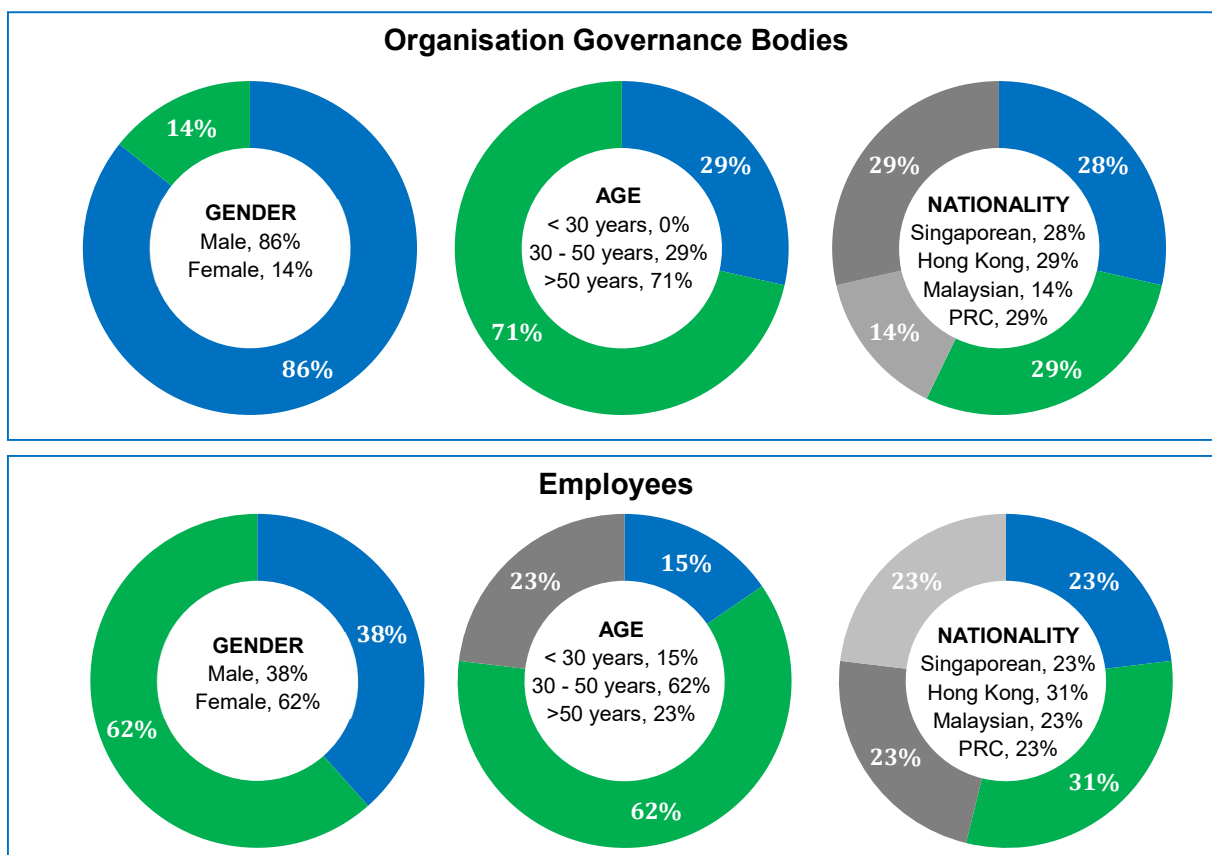
### OCCUPATIONAL HEALTH AND SAFETY

With the Group having gone into the real estate and construction business, we will strengthen and monitor the occupational health and safety of our employees. We will be committed to safeguarding our employees' health and safety against any potential workplace hazards. We create Occupational Health and Safety awareness by pasting the policy in a conspicuous place and put the safety signs on site. We are proud to report that there were also no work place incidents for FY2019.

**Target:** To maintain zero incidents of work place injury.

### DIVERSITY AND EQUAL OPPORTUNITY

Although the Group's staff strength is very small, Mirach ensures compliance with labour and employment laws, including working hours. Furthermore, we ensure that no colleagues should be discriminated against because of age, gender, national origin, disability, religion, sexual orientation, marital or maternity status, union membership or political opinion, among others. Non-compliance in relation to discrimination is reportable through our whistleblowing system. Below shows the Group's staff composition chart in FY2019. In FY2019, we had a 40% increase headcount in our Organisation Governance Bodies and 30% increase in headcount in our Employees level:



**Target:** To maintain zero instance of discrimination.

## TRAINING AND EDUCATION

Mirach understands that there is a continuous need to upgrade staff skills and knowledge. This is beneficial to staff development and also to the Company. Thus, staff are encouraged to go for courses and seminars to keep themselves updated of the latest rules and regulations and the market investment trends.

Employees are given the opportunity to select trainings they wish to attend, recommended by HR or on ad-hoc basis. Staff are required to have a minimum of 1 half day training session for staff in 1 year. This has been achieved in FY2019.

**Target:** We aim to provide more trainings to our employees in FY2020.

## LOCAL COMMUNITIES

The Group firmly upholds fair employment practices and values each employee in the organization. We are committed in developing each employee to its full potential by providing equality of opportunities and promoting a healthy, positive and cohesive environment. We strive to also contribute in each country it is in, in small ways of Red Cross donations, with the Company's limited resources currently.

**Target:** With more resources in future, the Group hopes to embark on some larger scale community work and engage its staff in values creation work for the benefit of the society.

## SOCIOECONOMIC COMPLIANCE

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. The Group is committed to conduct the business with integrity and to safeguard the interest of all our stakeholders, both internal and external.

**Target:** To maintain zero incidents of non-compliance.

## 7 GOVERNANCE

### CORPORATE GOVERNANCE

The Board and the Management of Mirach are committed to the best practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and its value to our shareholders. Please refer to the Annual Report 2019 pages 12 to 27 for details of the Group's Corporate Governance Report.

### BUSINESS ETHICS

All of our staff are reminded of the importance of upholding the highest standards when it comes to business ethics. The Group regularly updates relevant staff with development in international and local regulations. In FY2019, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations. There have also been no reported incidents of corruption during the reporting period.

## GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure	Reference / Description
<b>GRI 101: Foundation 2016</b>		
<b>GENERAL DISCLOSURE</b>		
<b>GRI 102: General Disclosures</b>	102-1	Name of organisation Mirach Energy Limited
	102-2	Activities, brands, products and services Sustainability Report (SR) page 3
	102-3	Location of headquarters Singapore
	102-4	Location of operations SR page 2, 3
	102-5	Ownership and legal form SR page 2
	102-6	Markets served SR page 2, 3
	102-7	Scale of the organisation SR page 2, 3, 8
	102-8	Information on employees and other workers SR page 8
	102-9	Supply chain Not applicable
	102-10	Significant changes to the organisation and its supply chain None
	102-11	Precautionary Principle or approach Mirach does not specifically address the precautionary approach.
	102-12	External initiatives SR page 9
	102-13	Membership of associations None
	102-14	Statement from senior decision maker SR page 1
	102-16	Values, principles, standards and norms of behaviour SR page 10
	102-18	Governance structure AR page 12 to 27
	102-40	List of stakeholder groups SR page 4
	102-41	Collective bargaining agreements None
	102-42	Identifying and selecting stakeholders SR page 4
	102-43	Approach to stakeholder engagement SR page 4
	102-44	Key topics and concerns raised SR page 3
	102-45	Entities included in the consolidated financial statements AR page 75 to 81
	102-46	Defining report content and topic boundaries SR page 1
	102-47	List of material topics SR page 5
	102-48	Restatement of information None
	102-49	Changes in reporting None
	102-50	Reporting period 1 Jan to 31 Dec 2019
	102-51	Date of most recent previous report 14 May 2019
	102-52	Reporting cycle Annually
	102-53	Contact point for questions about the report SR page 1
	102-54	Claims if reporting in accordance with the GRI Standards SR page 1
	102-55	GRI content index SR page 11
	102-56	External Assurance We may seek external assurance in the future.
<b>MATERIAL TOPICS</b>		
<b>GRI 201: Economic performance</b>	201-1	Direct economic value generated and distributed SR page 6
<b>GRI 205: Anti-corruption</b>	205-1	Operations assessed for risks related to corruption SR page 6
<b>GRI 307: Environmental compliance</b>	307-1	Non-compliance with environmental laws and regulations SR page 7
<b>GRI 403: Occupational Health and Safety</b>	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities SR page 8
<b>GRI 404: Training and Education</b>	404-1	Average hours of training per year per employee SR page 9
<b>GRI 405: Diversity and equal opportunity</b>	405-1	Diversity of governance bodies and employees SR page 8
<b>GRI 413: Local Communities</b>	413-1	Operations with local community engagement, impact assessments, and development programs SR page 9
<b>GRI 419: Socioeconomic Compliance</b>	419-1	Non-compliance with laws and regulations in the social and economic area SR page 9