

# THE HOUR GLASS

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### **BOARD STATEMENT**

The Board is pleased to present the third Sustainability Report for The Hour Glass Limited (the "Company") and its subsidiaries (collectively, the "Group"), for the financial year ended 31 March 2020 ("FY2020"). As the Group strives towards becoming the leading cultural retail enterprise for watches, it is acknowledged that managing the socio-environmental impact of our business operations is crucial for achieving excellence in our field, and for ensuring the long-term sustainability of our business.

It is the Board's responsibility to drive the Group's policies and performance in key Environmental, Social and Governance ("ESG") matters. The Board also provides oversight for and monitors the management of these material ESG matters. The Group has conducted a review of the material ESG matters in FY2020 and made some amendments to them which will be elaborated in the rest of the report. Given the COVID-19 pandemic, the Group has prioritised and focused its attention on safeguarding the stakeholders' health and safety.

As we continue in our sustainability journey, the Group is committed to further incorporating sustainability into our business decisions, and assuring our stakeholders that our business is conducted in a transparent and sustainable manner.

**BOARD OF DIRECTORS** 

27 August 2020

## INTRODUCTION AND SUSTAINABILITY AT THE HOUR GLASS

#### **ABOUT THE HOUR GLASS**

Founded in 1979, the Company is a limited liability company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"), incorporated and domiciled in Singapore. Having pioneered the awareness and appreciation of horological culture, the Group endeavours to be the watch world's leading cultural retail enterprise, making it the primary port of call for all enthusiasts and collectors alike.

The Group is proud to be the official retailer for a thoughtfully curated selection of luxury timepieces from the world's finest watch brands. Each of the Group's boutiques are strategically located in the main retail corridors in Singapore, Malaysia, Thailand, Vietnam, Hong Kong, Japan, Australia and New Zealand. Other principal activities of the Group include those of investment holding, retail and distribution of jewellery and other luxury products, and investment in properties.

#### **ABOUT THIS REPORT**

This is the Company's third Sustainability Report, which presents our approaches and performance in respect of our key ESG matters for FY2020. The report has been prepared in accordance with the Global Reporting Initiatives ("GRI") 2016 Standards – "Core" option.

The scope of this report covers the retailing and distribution of watches and related products in Singapore<sup>1</sup>. The data displayed in this report covers the period from 1 April 2019 to 31 March 2020 ("FY2020"), while comparative data from 1 April 2018 to 31 March 2019 ("FY2019") has been incorporated where relevant. The Company has not sought external assurance for this Sustainability Report. However, the Company may consider doing so in the future as our sustainability reporting practice matures.

#### **GOVERNANCE STRUCTURE**

The Board sets the Group's sustainability direction and is responsible for ensuring that expectations by our key stakeholders, including ESG expectations, are understood and met. The Board is supported by the Group Sustainability Committee, comprising key employees representing various relevant departments.

With the Board's endorsement, the Group Sustainability Committee (comprising of the Group's management that reports directly to the Board) continues to revise and supervise the management of sustainability-related risks and opportunities in these areas as well as the Group's performance and targets for the upcoming year.

Operations in Malaysia, Thailand, Vietnam, Hong Kong, Japan, Australia and New Zealand; and retail and distribution of jewellery and investment in properties have been excluded from the coverage of this report.

### STAKEHOLDER ENGAGEMENT

The Hour Glass' sustainability approach remains focused on delivering value for all stakeholders. The Group is committed to understanding the key concerns of our stakeholders, and we seek to address these concerns by engaging stakeholders on a regular basis. The Group's main stakeholder engagement activities (including the Group's engagement with stakeholders in response to the COVID-19 situation) are summarised in the table below.

Table 1: Stakeholder Engagement Approach

Engaged Stakeholder Group	Key Concerns Raised by Stakeholder Group	Modes of Engagement	Frequency of Engagement	The Hour Glass' Response
	Profitability and performance	Annual General     Meeting     Annual Report	Yearly	Announcements on quarterly and annual results, material
Shareholders/ Investors	Relevant results and information about the Group are provided	Announcement of quarterly <sup>2</sup> financial results	Quarterly	transactions, and other developments related to the Group are released on SGX-ST via
	on a timely basis	Corporate announcements on SGXNET	Ongoing	SGXNET on a timely basis
		Performance     appraisals	Yearly	Conduct performance evaluation and reward staff members with appropriate recognition based on
Employees	<ul> <li>Job security and fair remuneration</li> <li>Career progression, training and upgrading of skills</li> <li>Workplace Safe Management Measures ("SMM") in response to COVID-19</li> </ul>	Induction and orientation programme for new staff members Training, workshops and seminars on developing product knowledge, and technical and soft skills Training on SMM Updates on COVID-19 through email and briefing sessions	Ongoing	<ul> <li>acquired KPIs</li> <li>Talent management policy in place to identify and develop talents, and to ensure they acquire the desired skills and knowledge</li> <li>Enhance specific safety measures and awareness at workplace: Staff participation in fire drills</li> <li>Strict adherence to Ministry of Health ("MOH"), Ministry of Manpower ("MOM") and Enterprise Singapore ("ES") guidelines on safe-distancing measures, work-from-home arrangements, contact tracing and personal hygiene protocol</li> <li>Split team arrangements to lower the risk of COVID-19 spread</li> <li>Regular communications with employees to update on the COVID-19 situation</li> <li>Equipping employees with protective face masks, thermometers and hand sanitisers</li> </ul>

<sup>&</sup>lt;sup>2</sup> With effect from 1 April 2020, the Group will be announcing financial results on a half-yearly basis, in accordance with the SGX rules on results announcements.

# STAKEHOLDER ENGAGEMENT

Engaged Stakeholder Group	Key Concerns Raised by Stakeholder Group	Modes of Engagement	Frequency of Engagement	The Hour Glass' Response
Clients	Excellence in service     Good product quality     Good product knowledge offered by trained Watch Specialists     Good after-sales service     Safe shopping experience	<ul> <li>The Group's website and social media</li> <li>Engaging with clients through events, workshops and social media</li> </ul>	Ongoing	Prompt response to clients' enquiries and feedback in a professional manner  Renovate, refurbish and upkeep the boutiques to improve and enhance clients' shopping experience  Full compliance with government guidelines on safe-distancing and crowd control  Staff trained to ensure safe and hygienic shopping environment
Suppliers	<ul> <li>Conduct of business</li> <li>Prompt payment</li> <li>Provision of retail environment that is in line with the brand positioning</li> </ul>	Correspondence through emails and phone calls     Review meetings     Appraisal of boutiques and merchandise presentation	Ongoing	<ul> <li>Code of Ethics and Business Conduct in place for all suppliers and subcontractors to be treated with fairness and integrity</li> <li>Renovate, refurbish and upkeep the boutiques to be in line with the brand image</li> </ul>
Government/ Regulators	<ul> <li>Regulatory compliance</li> <li>Timely reporting</li> <li>Risk management policies and framework in place</li> </ul>	Raise awareness on any change in regulatory rules by attending workshops and seminars organised by relevant regulatory bodies  Conduct updates on changes applicable to listing rules, financial reporting standards and other regulations at Board meetings  Monitoring of key risks using established framework and processes	Ongoing	<ul> <li>Compliance with all relevant laws and regulations in place</li> <li>Commit to strong principles and high standards of corporate governance</li> <li>Monitor, report, manage and mitigate key risks identified</li> </ul>

### MATERIALITY ASSESSMENT

In FY2018, the Group assessed and identified ESG matters that were important to The Hour Glass and our stakeholders through a four-step process as shown in Figure 1 below.

Figure 1: Materiality Assessment Process

#### Identification

A comprehensive list of ESG matters was identified through a desktop analysis of sustainability reports published by peers and interviews with key personnel from various departments.

### **Prioritisation**

The identified ESG matters were rated and prioritised by representatives from the various departments. Both internal and external stakeholders' perspectives were considered during the prioritisation process.

#### Validation

Material matters that were identified in Step 2 were presented to the Board for their validation.

#### Review

Material matters that were approved by the Board will continue to be re-assessed in successive reporting periods to ensure that the reported topics remain relevant and material.

This year, the Group conducted a review of the ESG matters to ensure that we continue to stay focused on relevant priorities, resulting in several updates to our material ESG matters. We have retained two of the three material matters – Regulatory Compliance and Security of Information – and added two additional ESG matters – Occupational Health and Safety and Risk Management – given the COVID-19 pandemic and its expected long-lasting implications to the business and our stakeholders.

In view of these developments and addressing the increased adversity in the business environment, the previously identified matter on Training and Talent Management has been assessed to be relatively less material and was not included in the list of material matters. However, we continue to stay committed to developing our employees and will continually review our material matters to anticipate and address stakeholder and business imperatives.

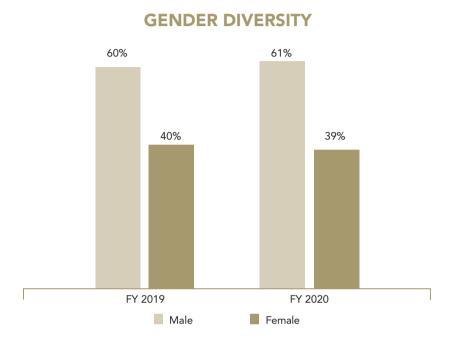
Table 2: The Hour Glass' Reported ESG Matters

Materiality	Sustainability Category	ESG Matter	
Matarial	Governance	Regulatory Compliance	
Material	Social	Security of Information	
A distate and	Social	Occupational Health and Safety	
Additional	Governance	Risk Management	

### PROFILE OF OUR WORKFORCE

The Hour Glass values our employees as assets of the Company, and we recognise the importance of maintaining a diverse group of employees in a workforce.

Figure 2: Employees by Gender



In FY2020, our operations in Singapore employed a total of 234 employees<sup>3</sup>, as compared to 236 employees in FY2019. Five other workers (non-employees<sup>4</sup>) included contractors who provided cleaning services at the corporate office and part-timers and interns who delivered service support.

<sup>&</sup>lt;sup>3</sup> Full-time, permanent employees

<sup>&</sup>lt;sup>4</sup> Workers (non-employees) do not perform a significant share of our business activities

## **REGULATORY COMPLIANCE**

The Group is committed to complying with all applicable statutory and regulatory requirements, as expected by our key stakeholders. Maintaining a high standard of corporate governance enables the Group to manage the Company's exposure to regulatory and reputational risks, and potential financial losses incurred in the form of fines and penalties.

These laws and regulations include the SGX-ST Listing Rules, Companies Act, Income Tax Act and GST Act, Employment Act, CPF Act, Code of Corporate Governance 2018 and Personal Data Protection Act ("PDPA").

The following table describes the key policies that the Group has put in place to guide our employees' behaviours at the workplace.

Table 3: The Hour Glass' Policies and Guidelines

Policy	Elaboration
Code of Ethics and Business Conduct	<ul> <li>All staff are obliged to act in alignment with the code, which is accessible to all via the Group's intranet</li> <li>Staff should act with integrity, objectivity and compliance with the law and company's policies relating to:         <ul> <li>Conflict of interest</li> <li>Procurement activities</li> <li>Integrity of records and accounting procedures</li> <li>Protection of proprietary information</li> </ul> </li> <li>Workplace behaviour</li> </ul>
Dealing in Securities	<ul> <li>Adopted an internal policy with respect to dealings in securities modelled on the SGX-ST's best practice recommendations</li> </ul>
Whistle-blowing Policy	<ul> <li>Provides a channel for staff to raise concerns about possible impropriety in confidence, with submission instructions explained to all employees via circular and the Group's intranet</li> <li>Overseen by the Audit Committee which ensures that procedures are in place for independent investigations and appropriate follow-up action</li> </ul>
Corporate Governance	<ul> <li>The Board is fully responsible for managing the Company's business affairs, corporate governance matters and to drive the overall strategy for the Group</li> <li>At the operational level, the senior management team provides leadership in decision-making with regard to the implementation of corporate targets and policies</li> </ul>

### REGULATORY COMPLIANCE

The Group believes that its proactive approach towards compliance has underpinned its performance in corporate governance, and that its actions continue to be effective. Figure 3 shows several actions taken to ensure and assess the standards of regulatory compliance within the Group.

Figure 3: The Hour Glass' Practices for Ensuring and Assessing Regulatory Compliance

### **Ensuring Regulatory Compliance**

- All new employees are briefed on the Code of Ethics and Business Conduct and Whistle-blowing Policy during orientation and induction
- Employees are regularly updated by relevant authorities on regulatory changes and may also request to attend related seminars to familiarise themselves with technical updates
- Senior executives and incoming directors are updated on key financial reporting standards, listing rules, relevant laws and regulations

# **Evaluating Effectiveness of Regulatory Compliance Management**

- Established internal audit functions to conduct audits and review internal controls
- Continuous learning and upgrade of regulatory knowledge and know-how for all levels of employees
- Workshops are conducted to update employees of regulatory requirements

#### **Our Perpetual Target**

To achieve zero incidents of non-compliance with laws and regulations that would result in financially punitive measures

#### **Performance for FY2020**

100% compliance or zero incidences of reported non-compliance with rules and regulations in FY2020 The Group will continue to strive to maintain this record

A key regulatory update that The Hour Glass noted during the year was the introduction of the Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019 by the Ministry of Law. The Act was established with the aim to counter money laundering and the financing of terrorism regulatory standards for precious stones and precious metals dealers in Singapore. Effective from 10 April 2019, a person who carries on a business of regulated dealing or business as an intermediary for regulated dealing is required to register with the Registrar of Regulated Dealers within six months, unless exempted. In response to the Act, The Hour Glass has registered as regulated dealers for all its boutiques in Singapore in a timely manner.

More information on the Group's corporate governance policies and practices can be found in The Hour Glass' 2020 Annual Report, Corporate Governance section (pages 18 to 41).

### SECURITY OF INFORMATION

Security of information is of utmost importance to The Hour Glass as we recognise our duty of confidentiality towards our clients, prospects, employees and other stakeholders.

We are compliant with local data protection laws and the PDPA. The Group has also aligned our Privacy Policy to the seven key principles of the General Data Protection Regulation ("GDPR"), a European Union regulation on data protection and privacy, which is widely regarded as the global standard.

The Group's Privacy Policy is available on our corporate website<sup>5</sup>, which details the purposes of data collection, uses, disclosures and transfers of personal data. This policy is overseen by The Hour Glass' Data Protection Officer ("DPO"). Details on how clients and prospects can access and correct their personal data and make a privacy-related complaint can also be found on the website. The Company takes any reported cases of non-compliance seriously, and will perform a thorough assessment should such cases arise. In cases where any risk or non-compliance is identified, the respective laws and regulations will be reiterated to the team. Where the severity of non-compliance is high and may involve a data breach, the Personal Data Protection Committee will be mobilised and necessary actions in line with PDPA will be taken.

To ensure the security of our stakeholders' information and to prevent a breach of data security, the Group undertakes a series of steps to ensure compliance with our Privacy Policy (Figure 4).

Figure 4: Steps Taken to Ensure Information Security

PDPA & GDPR Compliance	Implementation of Data Protection Procedures	Training	Internal Audits
Continuous education on privacy policies Ensure compliance of data protection regulations	Prospect and client data collection only conducted upon consent  Data is stored digitally in the Customer Relationship Management system, which can only be accessed within The Hour Glass' network  Marketing information sent on an opt-in basis based on prospects and clients' preferred mode of contact  Request for identification only if required (e.g. watch collection post-servicing)	DPO provides training relating to security of information     In FY2020, all departments went through a PDPA and GDPR refresher training session to stay abreast of new information security processes	The Hour Glass conducts internal audits and reports audit findings on area of improvement

### **Our Perpetual Target**

To achieve zero incidents of non-compliance with PDPA and data protection laws that would result in financially punitive measures

### **Performance for FY2020**

100% compliance or zero incidence of reported non-compliance with PDPA and data protection laws in FY2020

There were zero substantiated complaints concerning breaches of customer privacy and identified losses of customer data

The Group will continue to strive to maintain this record

<sup>&</sup>lt;sup>5</sup> https://www.thehourglass.com/privacy-policy/

### OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety is important to the Group. The COVID-19 pandemic has resulted in the Group prioritising this key concern as an additional ESG matter.

The Group strives to provide a healthy and safe working environment for all its employees at all times. The pandemic heightens the awareness of the need for a safe working environment during COVID-19 and the Group has implemented workplace safe management measures to enhance the safety and health of all employees. Our emphasis is on the prevention of the spread of COVID-19 and the protection of well-being of employees and clients. The SMM used in Singapore is developed in conjunction with MOH, MOM and ES guidelines, which may evolve over time.

Figure 5: Workplace Safe Management Measures

Appointment of Safe Management Officers ("SMO")	Ensure Safe Distancing at Boutiques	Contact Tracing	Observe Good Personal and Work Place Hygiene	Implement Health Checks and Protocols to Manage Potential COVID-19 Cases
Identify risks,     recommend mitigating     measures and     implement measures     Conduct and keep     records of inspections     and checks     Report non-compliance     to Management	Proper queue and crowd control processes  Work in split teams with no cross deployment between teams  Staggered working hours and break hours for employees	Record entry of employees and visitors	Team members wear masks in boutiques and offices  Train team members on hygiene expectations  Clean and disinfect common spaces, high-touch surfaces and equipment frequently	Check for fever and respiratory symptoms for all team members and visitors  Team members who are feeling unwell must not go to work and should see a doctor

All employees have been informed of the requirements of the SMM and are promptly updated of new developments and protocol with regards to COVID-19.

### RISK MANAGEMENT

The Group has added Risk Management as an additional ESG matter to reflect the importance of managing risks in the Group. Besides maintaining a sound system of risk management and internal controls, the Group has developed and implemented a Board Assurance Framework which includes an Enterprise Risk Management ("ERM") Framework to identify the significant risks faced by the Group, the potential impact and likelihood of those risks occurring, the control effectiveness and action plans being taken to mitigate those risks. The Group has also developed a risk governance structure, which provides details on the roles and responsibilities for the Board and management in risk monitoring, escalation, mitigation and reporting.

The Group's ERM process aims to achieve the following:

- A structured, disciplined and systematic approach to managing risks;
- Robustness of risk information;
- Accountability for outcomes and risk treatment action plans; and
- Sustainability

The following are steps that the Group follow for identifying, assessing and reporting risks:

Figure 6: Steps in Identifying, Assessing and Reporting Risks

STEP 1 Communication and Consultation	STEP 2 Establish Context	STEP 3 Risk Assessment	STEP 4 Risk Treatment	STEP 5 Monitor and Report
Communication of risks and consultation of all relevant external and internal stakeholders to support risk management decisions	A) Establish internal and external context:     Understanding of our objectives, key performance indicators ("KPIs") and the external and internal organisational environment in which we operate  B) Review risk parameters to assess the likelihood and impact of risks	A) Identify and prioritise key risks: Identification and prioritisation of key risks based on the strategic objectives which we aim to achieve  B) Risk analysis and evaluation: Analysis of risk drivers, consequences and existing controls and evaluation of whether the risks identified are managed properly and within the tolerance limits	Implementation of risk treatment action plans to further manage risks to an acceptable level	A) Risk monitoring activities ensure risks are managed in a structured and timely manner  B) Risk reporting and escalation to Management and Board / Audit Committee

The Group has established risk appetite statements and tolerance limits to monitor shifts in its significant risks and to proactively manage them within acceptable levels.

The Group's approach to risk management focuses on ensuring that appropriate controls are in place to effectively manage those risks. Measures are adopted to manage such risks, and risk management policies are monitored by management, and periodically reviewed and approved by the Board.

# **GRI CONTENT INDEX**

GRI Standard Disclosure Reference	Description	Section of Report/Reasons for Omission	Page Reference(s)	
GRI 102: General Dis	closures 2016			
Organisational Profi	le			
102-1	Name of the organisation	About The Hour Glass	04	
102-2	Activities, brands, products, and services	About The Hour Glass	04	
102-3	Location of headquarters	About The Hour Glass	04	
102-4	Location of operations	About The Hour Glass	04	
102-5	Ownership and legal form	About The Hour Glass	04	
102-6	Markets served	About The Hour Glass	04	
102-7	Scale of the organisation	About The Hour Glass Profile of our Workforce The Hour Glass' 2020 Annual Report	04 08 51-53	
102-8	Information on employees and other workers	Profile of our Workforce	08	
102-9	Supply chain	About The Hour Glass	04	
102-10	Significant changes to the organisation and its supply chain	There were no significant changes to the organisation and its supply chain during the reporting year		
102-11	Precautionary principle or approach	Risk Management The Hour Glass' 2020 Annual Report	13 26–29	
102-12	External initiatives	Nil		
102-13	Membership of associations	Singapore Clock and Watch Trade Association Singapore Retailers Association Singapore National Employers Federation		
Strategy				
102-14	Statement from senior decision-maker	Board Statement	03	
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behaviour	The Hour Glass' 2020 Annual Report	34-35	
Governance				
102-18	Governance structure	Governance Structure	04	
Stakeholder Engage	ment			
102-40	List of stakeholder groups	Stakeholder Engagement	05-06	

# **GRI CONTENT INDEX**

GRI Standard Disclosure Reference	Description	Section of Report/Reasons for Omission	Page Reference(s)	
GRI 102: General Di	sclosures 2016			
102-41	Collective bargaining agreements	None of our employees in Singapore is covered by collectiv bargaining agreements.		
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	05-06	
102-43	Approach to stakeholder engagement	Stakeholder Engagement	05-06	
102-44	Key topics and concerns raised	Stakeholder Engagement	05-06	
Reporting Practice				
102-45	Entities included in the consolidated financial statements	About The Hour Glass	04	
102-46	Defining report content and topic Boundaries	Materiality Assessment	07	
102-47	List of material topics	Materiality Assessment 07		
102-48	Restatement of information	No restatements		
102-49	Changes in reporting	No changes in reporting		
102-50	Reporting period	About this Report	04	
102-51	Date of most recent report	Sustainability Report 2019	04	
102-52	Reporting cycle	Annually	04	
102-53	Contact point for questions regarding the report	You may contact <u>ir@thehourglass.com</u>		
102-54	Claims of reporting in accordance with the GRI Standards	About this Report 04		
102-55	GRI content index	GRI Content Index 14-16		
102-56	External assurance	About this Report 04		

# **GRI CONTENT INDEX**

GRI Standard Disclosure Reference	Description	Section of Report/Reasons for Omission	Page Reference(s)			
Material Matter: Regulatory Compliance						
GRI 103: Management	Approach 2016					
103-1	Explanation of the material topic and its boundary	Materiality Assessment	07			
103-2	The management approach and its components	Regulatory Compliance	09-10			
103-3	Evaluation of the management approach	Regulatory Compliance	09-10			
GRI 419-1: Socioecono	mic Compliance 2016	'				
419-1	Non-compliance with laws and regulations in the social and economic areas	Regulatory Compliance	09-10			
Material Matter: Secu	urity of Information					
GRI 103: Management	Approach 2016					
103-1	Explanation of the material topic and its boundary	Materiality Assessment	07			
103-2	The management approach and its components	Security of Information	11			
103-3	Evaluation of the management approach	Security of Information	11			
GRI 418: Customer Pri	GRI 418: Customer Privacy 2016					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Security of Information	11			

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