



VOYAGING



INTO



SUSTAINABILITY

**ES GROUP (HOLDINGS) LIMITED
SUSTAINABILITY REPORT 2019**





ES GROUP (HOLDINGS) LIMITED

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Feel free to reach out to us on any feedback on this Sustainability Report at eng_soon@esgroup.com.sg.
A copy of this report can be found at our website or the SGX website at www.sgx.com.

This sustainability report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report including the correctness of any of the statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

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OUR LETTER TO STAKEHOLDERS

Dear Stakeholders,

Ever since the establishment of ES Group (Holdings) Limited and its subsidiaries in 1975, our vision and mission that have been instilled in us for over 40 years have brought us far, and even through tough times like previous downturns in the offshore and marine industry.

We seek to deliver steady value growth in our new building and repair segment, as well as our shipping segment through innovative supply chain solutions and sustainable long-term partnerships. Together with our management, our Board has determined the material environmental, social and governance (“ESG”) risks as well as the opportunities that are important steps to our Group’s long-term success.

Our Board has been providing ongoing oversight on a range of initiatives relating to enterprise-wide safety, protecting the environment, compliance, creating equal opportunities for all employees and giving back to the community. To ensure effective implementation, our Board is working closely with our management to monitor the progress of all initiatives targeted at these factors. This enables

our Board to respond to changing market developments while keeping in view our stakeholders’ inputs and expectations.

Our core business in the new building and repair segment remains a significant aspect of our Group’s operations and the focus on safety and performance of our workers continues to be of paramount importance for 2019. We remain committed to safety and training for our workers and we strive for a “Zero Accident” goal in the shipyards.

Our shipping segment continues to be a significant segment for reporting as it contributed to 22.8% of our Group’s revenue in 2019. Being part of the shipping industry, our Group is aware of the carbon emission damage and hopes that ongoing efforts in reducing carbon footprint will contribute towards the industry’s significant client action efforts given that over 90% of all global trades are carried out by ships.

As the world moves towards a lower emission future, our Group fully supports the decision of International Maritime Organisation (IMO) to implement a 0.5% sulphur cap (down

from 3.5%) for marine fuels in an effort to reduce the amount of sulphur oxide, from 1 January 2020 (“IMO 2020”). In view of this, our Group has switched from using heavy marine fuel oil to low sulphur fuel oil in November 2019 for our vessel, ES Aspire, to be in compliance with IMO 2020 as we strongly believe in “cleaner shipping for cleaner air”.

Our Group has been publishing sustainability reports for the third year now, since our inaugural sustainability report for 2017, which was published in November 2018. We have taken feedbacks on our past reports on board and this edition adopts a more structured and detailed explanation of our sustainability policies and efforts.

Understanding that sustainability is a long-term voyage, we believe in the continuous collaboration with each of our stakeholders to ultimately create a more sustainable operation in every aspect of our Group. We hope that this report will communicate our efforts to a broader audience as well as spur us to build an enduring and high performing business.

Join us in our *Voyage into Sustainability.*



On Behalf of the Board of Directors
LOW CHEE WEE
*EXECUTIVE DIRECTOR,
CHIEF EXECUTIVE OFFICER AND
CHIEF OPERATING OFFICER*

31st May 2020

OUR CORPORATE PROFILE

ES Group (Holdings) Limited (the “Company” and together with its subsidiaries, the “Group”) is a Singapore headquartered marine and offshore group that was established in 1975. With more than 40 years of operating experience, the Group builds, converts and repairs wide range of ocean-going vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers and cargo ships. It has been a prominent contractor of marine and offshore structures and vessels of all types and sizes, whether afloat or dry-docked for prominent Singapore shipyard operators including Sembawang Shipyard and Keppel FELS Ltd. We have operations in Singapore, Malaysia, Thailand, Myanmar, and China with a total of 491 workforce.

Since its successful listing in 2010, the Group has diversified into engineering, procurement and construction (“EPC”) projects, vessel owning and chartering, as well as ship chandling, which complement its core business.

Our capabilities are listed below:

- Ship building, repair and conversion
- Ship chartering
- Ship chandling and marine supplies
- Rig building and engineering services
- Offshore semi-submersible hull and jack up rigs hull fabrications
- Offshore and onshore oil and gas related modules
- Offshore support vessels building, rigs and vessels’ upgrading repair and conversion
- Marine and offshore electrical installation and automation services

Our operations are separated into two main segments, namely:

New building and repair segment

Building, converting and repair of a wide range of ocean-going vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers and cargo ships

Shipping segment

Providing ship chartering services as well as marine supplies

Our core operations are in the new building and repair segment (“core operations” or “new building and repair segment”).

ES GROUP (HOLDINGS) LIMITED			
Subsidiaries	%	Segment	
		New Building and Repair	Shipping
Singapore			
Eng Soon Investment Pte Ltd	100	●	
Wang Fatt Oil & Gas Construction Pte Ltd	100	●	
ES Offshore Engineering Pte. Ltd.	100	●	●
Eng Soon Engineering (1999) Pte Ltd	100	●	
Eng Soon Marine Pte Ltd	100		●
ES Shipping Pte. Ltd.	100		●
ES Energy Pte. Ltd.	100	●	
ES Oil & Gas Pte. Ltd.	100	●	
ESW Automation Pte. Ltd. ¹	100	●	
ES Chartering Pte. Ltd.	100		●
ES Aspire Pte. Ltd. ²	100		●
Thailand			
ES Offshore and Marine Engineering (Thailand) Co., Ltd.	50	●	
China			
Dalian ES Marine & Offshore Engineering Co., Ltd	100	●	●
Myanmar			
ES Offshore and Engineering (Myanmar) Company Limited ³	100	●	●
Malaysia			
ES Nautilus (M) Sdn. Bhd. ⁴	49	●	●

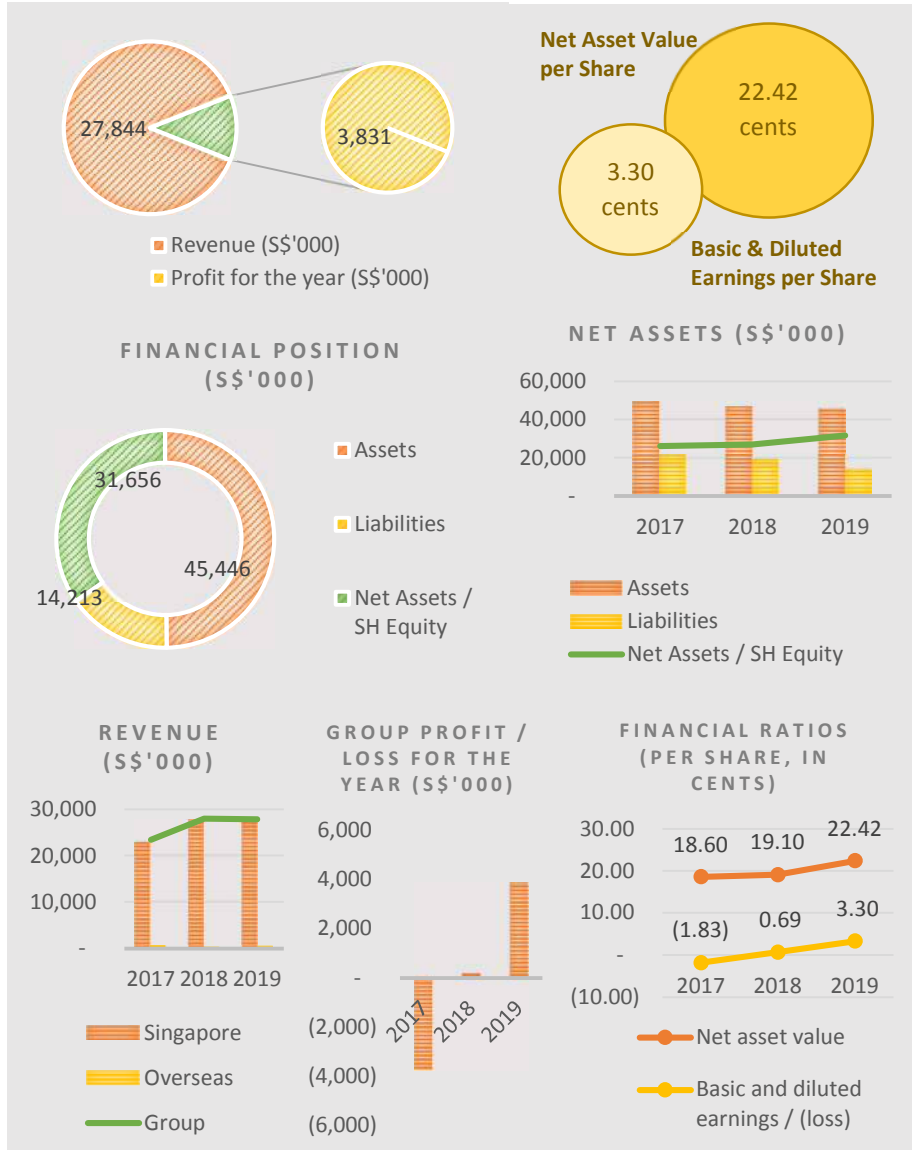
Notes:

- 1) ESW Automation Pte. Ltd. is a wholly-owned subsidiary of ES Oil & Gas Pte. Ltd..
 - 2) ES Aspire Pte. Ltd. is a wholly-owned subsidiary of ES Chartering Pte. Ltd..
 - 3) ES Offshore and Engineering (Myanmar) Company Limited is owned by ES Offshore Engineering Pte. Ltd. (50%) and ES Oil & Gas Pte. Ltd. (50%).
 - 4) The Group owns 49% equity shares of ES Nautilus Sdn. Bhd. (“ESN”). However, based on contractual agreements between the Group and other investor, the Group holds 51% of voting power that gives it the ability to direct the relevant activities of ESN based on simple majority votes. The non-controlling interest owns 51% equity shares and 49% of voting power of ESN. Therefore, the directors of the Group determined that the Group has control over ESN and accordingly ESN is consolidated in the financial statements of the Group.
- % Percentage indicated beside each subsidiary refers to the effective interest of the corresponding subsidiary held by the Company.

Information accurate as at date of publication.

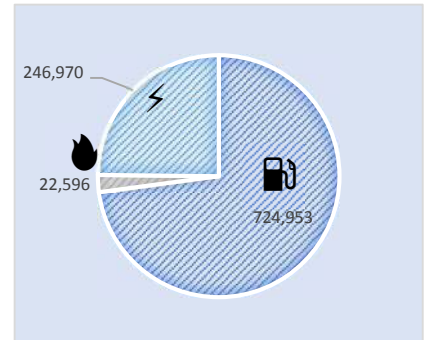
OUR PERFORMANCE HIGHLIGHTS

Financial Highlights in 2019



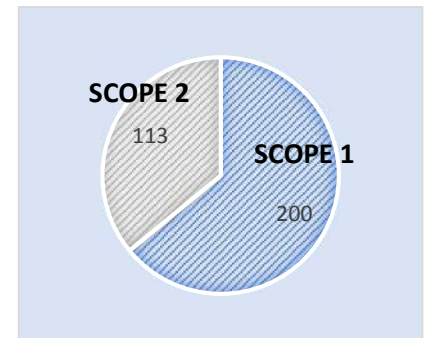
Financial highlights and trends for the financial year ended 31 December 2019

Environmental Performance Highlights



Energy consumption (kWh) in Singapore by type for 2019

- ⚡ : Electricity purchased from electricity provider.
- 🔥 : Gas purchased from gas provider.
- 🚗 : Petrol and diesel purchased from suppliers for the direct use on vehicles in the Group⁷.



Emissions in terms of CO₂ equivalent (MT) for 2019

• *Scope 1 Emissions* refers to direct GHG emissions occur from sources that are owned or controlled by the Group, expressed in CO₂ equivalent in MT, as defined in GHG Protocol "A Corporate Accounting and Reporting Standard". Figures exclude emissions from combustion of biomass, which the Group does not have.

• *Scope 2 Emissions* refers to GHG from the generation of purchased electricity consumed by the Group as defined in GHG Protocol "A Corporate Accounting and Reporting Standard".

OUR MILESTONES

1975

Eng Soon Engineering Pte Ltd was first established.



1977

Registered as a resident sub-contractor of Sembawang Shipyard Pte Ltd.

1992

Eng Soon Investment Pte Ltd was formed.

1997

Wang Fatt Oil & Gas Construction Pte Ltd was established to serve the marine industry of Singapore Technologies Marine Ltd.

1999

Eng Soon Engineering (1999) Pte Ltd was formed to provide marine piping work and mechanical installation catering for all major shipyards in Singapore.

2001

ISO 9001 was awarded to Eng Soon Investment Pte Ltd and Wang Fatt Oil & Gas Construction Pte Ltd for excellent commitment to quality.

2003

ES Offshore Engineering Pte. Ltd. was formed to provide oil rigs and semi-submersible new building and repair services for Keppel FELS Ltd.

2006

ES Offshore and Marine Engineering (Thailand) Co., Ltd. was formed and acquired a piece of land in Thapsakae, Thailand covering 70,000 sqm of land space to undertake EPC projects and provide new building services such as offshore modules and oil rigs structures.



2007

Built a 2-storey building at No. 10 Kwong Min Road with 4,700 sqft of office space and 43,000 sqft of workshop space. Therein also accommodates 383 of our marine skilled workers.

2009

Eng Soon Investment Pte Ltd, Wang Fatt Oil & Gas Construction Pte Ltd, ES Offshore Engineering Pte. Ltd. and Eng Soon Engineering (1999) Pte Ltd each attained OHSAS 18001 in Workplace Safety and Health management and BizSAFE Star Certification.

2010

IPO listing on the Catalist board of the SGX-ST as ES Group (Holdings) Limited.



Secured first direct order from an international offshore engineering and construction contractor and vessel owner - Subsea 7 S.A..

Acquired Dalian ES Marine & Offshore Engineering Co., Ltd. - a company incorporated in Dalian, People's Republic of China.

2011

Delivered an offshore barge to its first direct customer Subsea 7 S.A..



2012

Successfully launched two bunker vessels - Sea Tanker I and Sea Tanker II.



2013

Successfully delivered the two bunker vessels.

Incorporated a new subsidiary - ES Energy Pte. Ltd..

Set up Loyang workshop which designs and fabricates a range of offshore structures, such as geotechnical drilling rigs, as well as provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services.



2014

Incorporated a new subsidiary - ES Oil & Gas Pte. Ltd..

Entered into a joint venture with Heatec Jietong Pte. Ltd. and Mr. Stuart Edmund Cox to form Karnot Technology Pte. Ltd. to develop a heating and cooling system for marine and other industries.

2015

Entered into a joint venture with Mr. Tang Wei to establish ESW Automation Pte. Ltd. to provide marine and offshore electrical installation and automation services.

2017

Incorporated 2 new subsidiaries - ES Chartering Pte. Ltd. and ES Aspire Pte. Ltd..

Purchase of vessel, ES Aspire, in end FY 2016.

Created ship chandling/marine supplies division to broaden customer and supplier base.



2020

Disposal of ES Bristol, completed in February 2020

OUR ACCOLADES



**Please see certification number as presented in the respective subsidiaries' award(s).*

ISO 9001:2015

Awarded by BSI Singapore, ISO 9001:2015 sets out the criteria for a quality management system and is the only standard in the family that can be certified to. This standard is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement.



**Please see certification number as presented in the respective subsidiaries' award(s).*

OHSAS 18001:2007

SS 506 : Part 1 : 2009

Awarded by BSI Singapore, the Occupational Health and Safety Assessment Series ("OHSAS") 18001:2007 standards, along with the Singapore Standards ("SS") 506: Part 1: 2009 (Singapore's rendition of the OHSAS 18001:2007), provide us with the elements of an effective safety management system that help organisations achieve better occupational health and safety performance and economic objectives.



BizSAFE

Awarded by Workplace Safety and Health Council, we are awarded with the highest level of BizSAFE certification – the BizSAFE STAR, as a clear demonstration of the Group's commitment towards workplace safety and health.



SINGAPORE 1000
SINGAPORE SME 1000
INTERNATIONAL 100

Singapore SME 1000

We are proud to be identified as the top 1000 companies in Singapore, as a mark of our continuous success and commitment to quality and to our Stakeholders.

ES Group (Holdings) Limited		
SME 1000		
Eng Soon Investment Pte Ltd		
ISO 9001:2015	The fabrication and repair of steel works for vessels and offshore structures	FS 95003
OHSAS 18001:2007	The fabrication and repair of marine steelworks for vessels and offshore structures; and The provision of erection and dismantling of marine scaffolds for vessels and offshore structures	OHS 545900
SS 506 PART 1: 2009	The fabrication and repair of marine steelworks for vessels and offshore structures; and The provision of erection and dismantling of marine scaffolds for vessels and offshore structures	OHS 696393
BizSAFE STAR		E00215
Wang Fatt Oil & Gas Construction Pte Ltd		
ISO 9001:2015	The provision of fabrication and repair of steelworks for marine vessels	FM 60165
OHSAS 18001:2007	The fabrication and repair of marine steelworks for vessels and offshore structures; and The fabrication and repair of marine piping and mechanical works for vessels and offshore structures	OHS 551264
SS 506 PART 1: 2009	The fabrication and repair of marine steelworks for vessels and offshore structures; and The fabrication and repair of marine piping and mechanical works for vessels and offshore structures	OHS 696410
BizSAFE STAR		E03583
ES Offshore Engineering Pte. Ltd.		
ISO 9001:2015	The fabrication, repair and modification of steelworks, piping and mechanical works for marine vessels, oil and gas, offshore and onshore structures	FS 615591
OHSAS 18001:2007	The fabrication and repair of marine steelworks, piping, mechanical works and the provision of erection / dismantling of scaffolds for vessels and offshore structures	OHS 551266
SS 506 PART 1: 2009	The fabrication and repair of marine steelworks, piping, mechanical works and the provision of erection / dismantling of scaffolds for vessels and offshore structures	OHS 694792
BizSAFE STAR		E00048
Eng Soon Engineering (1999) Pte Ltd		
OHSAS 18001:2007	The fabrication and repair of marine piping and mechanical works for vessels and offshore structures	OHS 551265
SS 506 PART 1: 2009	The fabrication and repair of marine piping and mechanical works for vessels and offshore structures	OHS 696396
BizSAFE STAR		E00047

OUR STAKEHOLDERS

Stakeholders of the Company (“**Stakeholders**”) referred in this report are various groups of people who uses this report, alongside with the Annual Report published separately, to garner information on our sustainability efforts and the relevant risks, impacts, and opportunities arising from the relevant sustainability elements. Stakeholders include our shareholders, customers, suppliers, employees and government, as detailed below.

We reach out to the Stakeholders by means of published documents on our website and on the Singapore Exchange (“**SGX**”) website.

Stakeholders working within the Group correspond with us via whistle-blowing procedures or through their respective reporting lines, whereas Stakeholders outside the Group correspond with us via our contact details listed in our website or under the section “**Our Reporting Basis**” of this report.

The Group does not have an active engagement approach such as surveys and discussions group, as the Group is still in the process of maturing its Sustainability Report and its topics and factors (refer to the section “**Our Sustainability Topics**” of this report) before we are able to have a meaningful and fruitful engagement with our Stakeholders.

Shareholders

As the provider of capital and owners of the Group, Shareholders play an important role in the control, financing, and governance of the Group’s business. Shareholders are concerned with the going concern of the Group and the maximisation of returns on the capital they have invested. The Group’s commitment to a sustainable operation is their utmost interest as we continue to strive for excellence in alignment of their interest.

Customers

In line with the Group’s Vision and Missions, we believe in customers’ satisfaction and excellence in quality, and they in return will be concerned with our sustainability towards upholding, or perhaps exceed, their expectation on the quality of our services and products.

Suppliers

Strong and effective relationships with our suppliers give our business better strategic advantages, which includes access to resources, greater supplier support, and lower costs. Suppliers will be interested in our financial performance in terms of payment ability so as to decide on the continuance of our working relationship in the long run.

Employees

As a labour-intensive operation with a huge labour force, the Group focuses on human resource related policies (e.g. merit-based and non-discriminatory recruitment; grievance procedures) and the safety of our employees, which are crucial factors for attracting and retaining the best employees, and employees’ motivation and commitment to the Company.

Government

The relevant statutory boards of the Government will be interested in how we have imposed relevant internal controls and processes to ensure that all applicable laws and regulations have been adhered to.



OUR COMMITMENT TO A SUSTAINABLE OPERATION

For the past 40 over years, we have been a quality driven service provider in the offshore and marine industry committed to uphold high level of customers’ satisfaction. Along the journey, we have recognised that the Group’s activities have a broad impact on the social, environmental, and financial aspects within the Group and outside the Group. Hence, we are committed to work with the Stakeholders to address all sustainability concerns – minimising the unfavourable impact and taking advantage of the favourable opportunities – with our vision and mission in the heart of our operation and not deviating from that.

Voyaging into Sustainability

We have published our first Sustainability Report (for the financial year ended 31 December 2017) in November 2018, driven by the

requirement of SGX Catalist Rules, which marks our first embarkation to the road of sustainability.

In 2020, our third publication (for the financial year ended 31 December 2019) remains on on-going voyage into sustainability reporting, with key efforts to improve the quality of the report in terms of compliance (refer to the section “Our Reporting Basis” of this report for more information), depth, relevance, and understandability.

We believe that the driver for sustainability must first start from a sound and effective Corporate Governance that propagates across each function of our Group, which we will detail further below.

Our Vision

We endeavour to be a world leader in the offshore and marine industry, providing innovative products and solutions that surpass our clients’ expectations and align with their future growth.

Our Mission

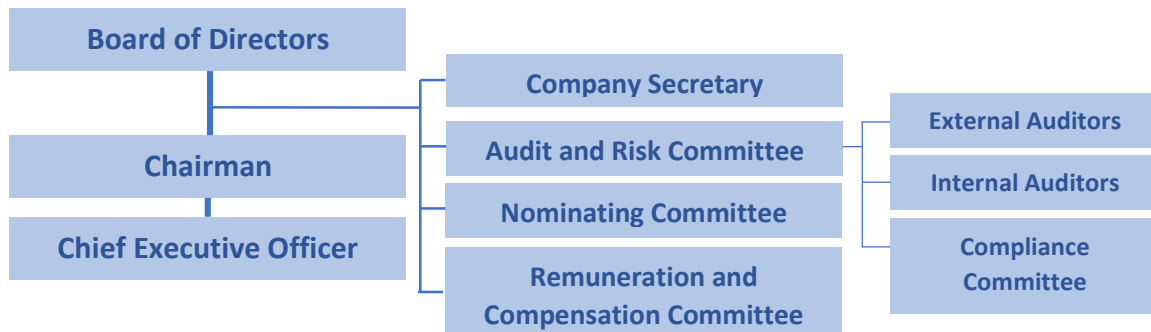
- To provide world-class services without compromising on safety.
- To continuously improve and enhance our technologies, work processes as well as the knowledge and skills of our workforce to cater to evolving customer demands.
- To be committed in working with all stakeholders in achieving common goals and results.

CORPORATE GOVERNANCE

In a glance

What was said in 2018	What happened in 2019	What we plan to do next
<ul style="list-style-type: none"> • No incident of reportable conducts during the financial year. 	<ul style="list-style-type: none"> • No incident of reportable conducts occurred during the financial year. 	Maintain the current performance of: <ul style="list-style-type: none"> • No incident of reportable conducts during the financial year 2020.

Group’s Corporate Governance Structure



Management Approach

The Group believes that it is important to establish good corporate governance within the Group as this provides the foundation for a well-managed and efficient organisation. This can in turn sustain good business performance and safeguard the interests of the Stakeholders. The Board of Directors of the Company (the “**Board**” or the “**Directors**”) is committed to continually develop and uphold high standards of corporate governance, guided by the principles and guidelines of the Singapore Code of Corporate Governance 2018 (the “**Code**”) issued by the Monetary Authority of Singapore. A full detailed Corporate Governance Report can be found in the Annual Report 2019 pages 14 to 37.

Whistle-Blowing

Whistle-blowing policies have been in place since 2010. The Group encourages employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the

chairman of the Audit and Risk Committee. Reportable conducts include, but are not limited to, fraud, corruption, illegality, safety violations, and serious misconduct that contravene the procedures set by the Group that may lead to losses for the Group. Losses can include financial losses, non-financial losses, and tarnish of reputation of the Group.

Whistle-blowing policy and whistle-blowing reports received (if any), will be assessed by the Audit and Risk Committee from time to time.

No incident of reportable conducts occurred during the financial year ended 31 December 2019. We aspire to maintain this record for the next financial year.

Sustainability Management

Sustainability matters are managed by the Compliance Committee (“**Committee**”). The Committee, was first set up in 2010 to implement and review the effectiveness of the

compliance framework of the Group with the SGX Catalist Rules, compliance with legislation and regulations imposed by the relevant authorities, as well as the liaison with professional advisors on all corporate documents and actions (e.g. announcements, circulars, etc.).

The Committee also spearheads and manages all sustainability management matters, align with the requirements imposed by the SGX Catalist Rules, which includes:

- Setting the direction of the Group’s sustainability efforts.
- Identifying and reviewing the sustainability factors.
- Reporting the identified factors to the Board at least once annually.
- Reporting identified factors to all Stakeholders via the published sustainability report.

The Committee reports to the Audit and Risk Committee.



Above: Our shipyard in Thapsakae, Thailand, with 70,000 sqm of land space to undertake EPC projects and provide new building services such as offshore modules and oil rigs structures. We have successfully completed two EPC projects in this shipyard, and have successfully launched and delivered them to our customers.

OUR SUSTAINABILITY TOPICS

Our Assessment Processes

Sustainability topics primarily revolve around the operational aspects of our businesses, and are inherent factors arising from within the Group. They are deemed material to either impact our businesses if these factors are poorly managed or will have a direct impact on our Stakeholders in their decision-making processes, or on the economic, environmental, and social factors of using our products and services.

Other factors include external factors outside the Group (such as political development internationally or locally, socio-economic factors, environmental issues, and so on) where these factors will have material impact over the Group’s operational performance, economically or socially.

As introduced in the section “**Our Corporate Profile**” in this report, our operations are separated into two main segments. In the application of materiality for the identification of material sustainable topics, we looked into these two main segments and their presence in the various geographical locations where the operations of the respective segments are. We further identify whether the operations are significant to focus in the scope of our reporting.

We then proceed to identify the material **Sustainability Topics** at a broad level, as presented in the **Material Topic Matrix** (see **Table 2**). The accompanying risks, impacts and opportunities factors under each Sustainability Topic (“**Sustainability Factors**”) are then assigned and presented in the following **Identified Sustainability Factors Table** (see **Table 3**).

Most of our Sustainability Topics revolve around the new building and repair segment as it is the core business of the Group. The Group continuously assess, based on events occurring both

Table 1: Segments and the corresponding geographical presence in 2019

		Segment	
		New Building and Repair	Shipping
Location	Singapore	●	●
	Malaysia	▲	▲
	Thailand	▲	✘
	Myanmar	▲	▲
	China	▲	▲

● Significant operation present ▲ Operation present but insignificant ✘ No operation present

internally and externally, information and feedbacks received from Stakeholders, the relevance and materiality of each Sustainability Topic and Factors and shall report based on the latest relevant material Sustainability Topics and Factors.

Specific management approach is further detailed in each Sustainability Topic.

Changes to Sustainability Topics

There are no changes to the Sustainability Topics from last year report. However, we would like to highlight that for the Sustainability Topic on Safety and Health, the statistics on injury for year 2019 have not been included in this report as the Group’s safety department head has not been able to collate and furnish the data as a result of lock-downs of sites due to the COVID-19 pandemic. We will follow up and publish the statistics for year 2019 as soon as data is available after the lock-downs end. For easy reference, information and statistics that are pending update in this report will be marked with asterisk.



Table 2: Material Topic Matrix

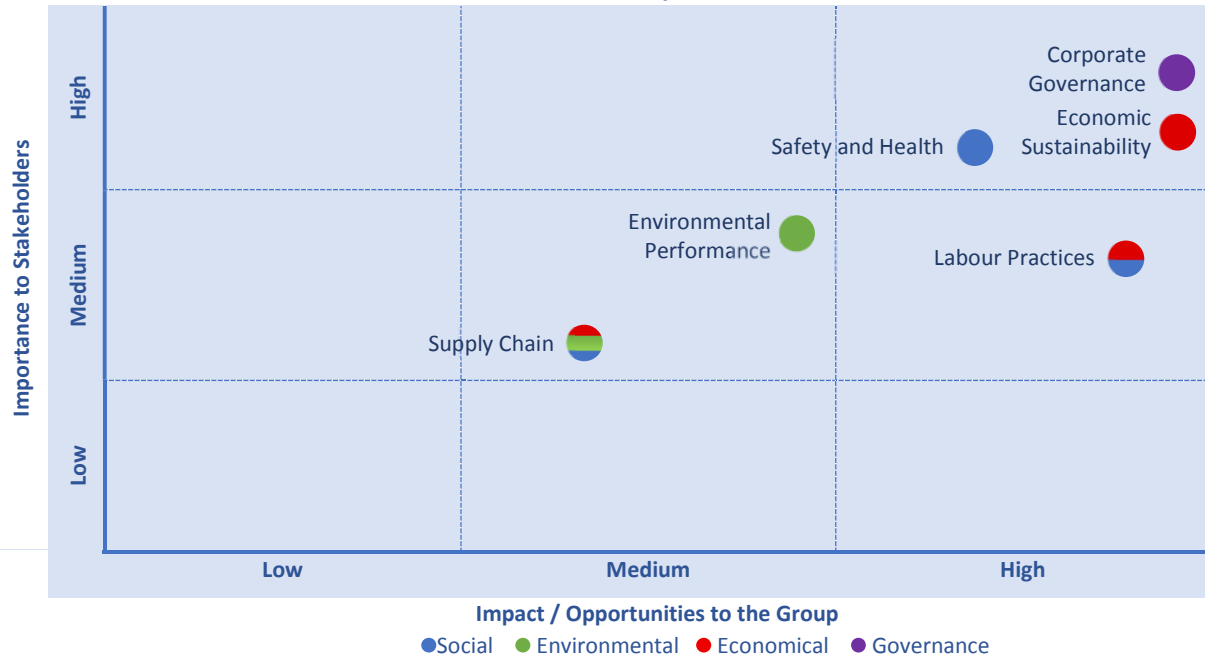


Table 3: Identified Sustainability Factors

Table 3: Identified Sustainability Factors			
	New Building and Repair	Shipping	
Material Sustainability Topics	Safety and Health ●	Health and Safety of Workers	
	Labour Practices ●●	Employment Practices	
		Diversification of Workforce	
		Career Development	
		Labour Policy and Relationship between Singapore and Other Countries and its Relevant Laws and Regulations	
	Economic Sustainability ●	True and Fair View of the Financial Statements	
		Project and Quality Management	
		Diversification of Trades	
		Mitigation of impact of Climate Change	
	Supply Chain ●●●	Supply Chain Management	
	Environmental Performance ●	Energy Consumption	
		Emissions	
		Water Consumption	
		Effluents and Waste	
	Corporate Governance ●	Corporate governance efforts can be found detailed in our Annual Report 2019 pages 14 to 37	

● Social ● Environmental ● Economical ● Governance

OUR SAFETY AND HEALTH

In a glance* 5

What was said in 2017	What happened in 2018	What we plan to do next
<ul style="list-style-type: none"> • 2017 LTA Cases: 7 • 2018 LTA Target Cases: Capped at 5 	<ul style="list-style-type: none"> • 2018 LTA Cases: 5 • 2018 IFR: 10 • 2018 ISR: 104 	<ul style="list-style-type: none"> • 2020 LTA Target Cases: Capped at 2 • 2020 IFR: Capped at 10 • 2020 ISR: Capped at 30

Management approach

Our core business is a manpower-centric operation, and this reflects the importance in maintaining a healthy workforce and a safe working environment. High accident rate in the shipyard will reflect a risky work environment that will impair the morale and the confidence of the workers towards the Group. It will also expose the Group to potential litigation as well as fines from authorities.

We are devoted in maintaining a healthy workforce and a safe working environment through the efforts detailed below, and further testified and audited with the attainment of OHSAS 18001:2007, SS 506: Part 1: 2009, and BizSAFE Star.

HEALTH AND SAFETY OF WORKERS

Accidents are unforeseeable events and may not be entirely avoidable. Nonetheless the Group aims to achieve a 'Zero Accident' goal with adopted measures such as educating workers and implementing accident preventive procedures. Further initiatives include inculcating a 'Safety First' mindset to all workers on the ground as well as having an adequate number of safety officers on board vessels to supervise and ensure safety regulations are followed by workers.

Safety starts from every individual, and that is where inculcating a 'Safety First' mindset is the utmost importance in achieving a 'Zero Accident' goal. This is done by emphasising safety matters during daily and weekly site briefings, putting up safety information posters around the site as well as implementing punitive system to penalise workers who knowingly breach safety regulations. During lunch time, workers are allowed to take a nap to recharge and remain alert for the remaining of the day.

To further encourage individuals to be responsible for the safety of their own and people around them, the Group awards top performers during our

annual Safety Award Presentation to recognise the efforts put in by individuals. Each worker is appraised individually by the Department Manager based on his safety knowledge, number of safety infringements, number of accidents and incidents, proficiency in material handling, and so on. Top performing workers are then selected and awarded a Certificate of Recognition for the outstanding performance in Workplace Safety and Health for the year.

Another level of safeguard over safety is by stationing safety officers on board vessels to supervise and ensure safety regulations are followed by workers. Supervisors working on board will provide an additional pair of eyes on safety. The Group ensures both the safety officers and supervisors are adequately trained and updated by sending them to courses (e.g. Shipyard safety induction course).

Our commitment to achieve a 'Zero Accident' goal is further demonstrated with the achievement of safety certification OHSAS 18001:2007, SS 506: Part 1: 2009 and BizSafe Star. Annual audit is required to ensure that safety procedures are intact and followed before certifications can be renewed.

Table 4* : Number of cases of injury by injury categories for 2018, actual versus

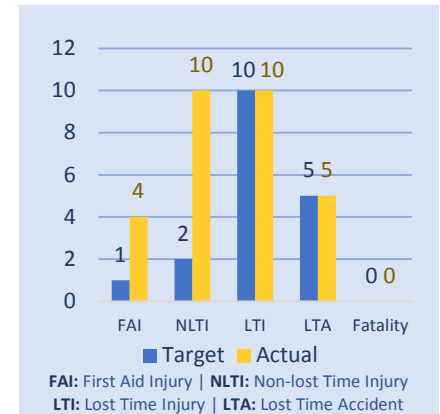


Table 5* : Number of cases of injury by injury categories 5

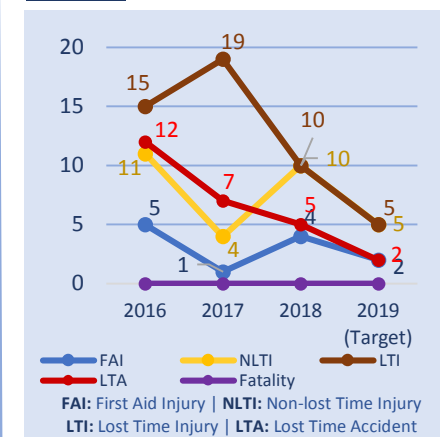
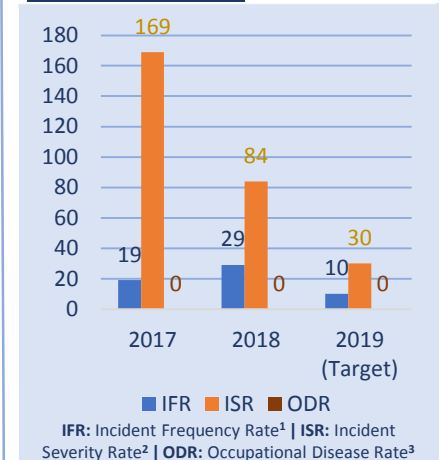


Table 6* : Injury statistics for past 2 years⁴ (per million man-hours)⁵



Footnotes

1. Incident Frequency Rate ("IFR"), also known as Injury Rate in the GRI Standards, are expressed in number of injury cases (all cases) against total man-hours (in millions) for the calendar year.
2. Incident Severity Rate ("ISR"), also known as Lost Day Rate in the GRI Standards, are expressed in number of man-days lost (LTA and Fatality) against total manhours (in millions) for the calendar year.
3. Occupational Disease Rate ("ODR") are expressed in number of occupational disease case against total manhours (in millions) for the calendar year.
4. Due to the new Human Resource IT system implemented in the beginning of 2017, we are unable to tabulate and report for 2016.
5. Statistics have not been updated for actual performance in FY2019. For tables 5 and 6, the numbers for 2019 relate to our targets set in our previous report for FY2018. Please refer to page 10 of this report for the detailed explanation and our intended follow up action.

Safe Working Environment

Injury statistics as seen in Tables 4 to 6 are data tabulated from the new building and repair segment in the shipyard in Singapore for the Group, and consists wholly of our own male employees (females non-executive holds administrative roles in the offices – refer to the section “**Employment Practices – Diversification of Workforce**” in this report for more information) in the shipyard. No third parties’ workers are engaged.

The categories of injury are defined below:

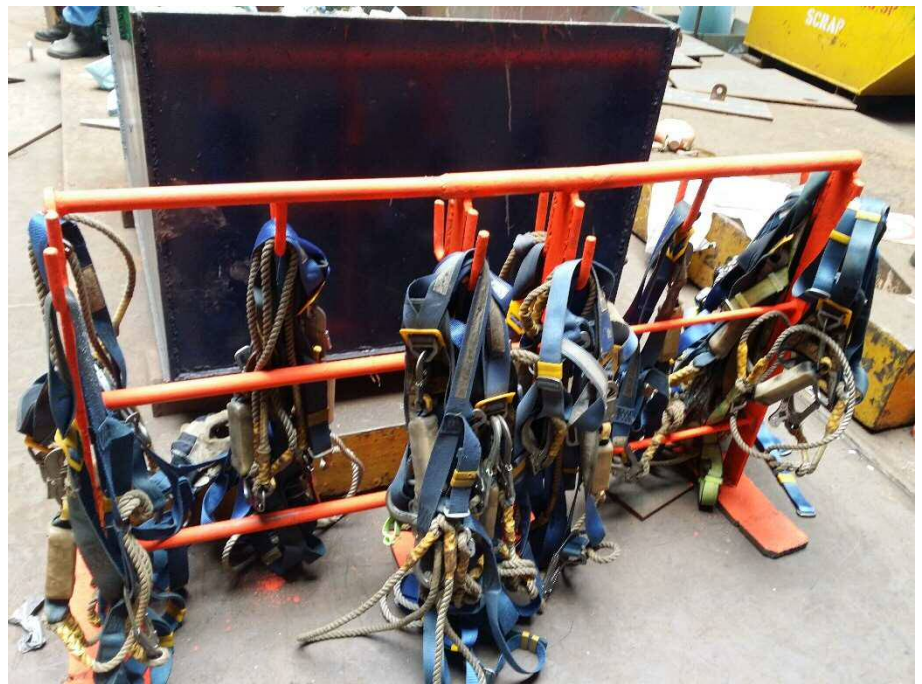
- **First Aid Injury (FAI):** Incidents that require first aid treatment and are considered minor. The worker will be able to work as per normal.
- **Non-lost Time Injury (NLTI):** Injury that are moderately light but require more medical attention as compared to FAI. According to doctor’s instructions / recommendations, the worker will still be able to work on the day of incident, but on work that are deemed to be light duty and will not aggravate his injury further.
- **Lost Time Injury (LTI):** Any work-related injury or illness which prevents an employee from doing any work after an incident and / or being hospitalised, but is not within the scope of Lost Time Accident below.
- **Lost Time Accident (LTA):** A recordable incident whereby an employee is not able to return to work or is assigned restricted work on the day following the incident and / or hospitalised. ‘Recordable’ is determined by a medical leave of more than 3 days, or hospitalisation for more than 24 hours.

The Group has seen an increased in Incident Frequency Rate from 18 cases per million man-hours in 2017 to 25 cases per million man-hours in 2018 (*We will follow up with the update to 2019 statistic). This was mainly due to the increase in number of cases of NLTI. LTI and LTA have decreased, which translates to a lower Incident Severity Rate of 84 man-days lost per million man-hours in 2018 from 169 man-days lost per million man-hours in 2017. The

number of LTA cases decreased from 7 cases in 2017 to 5 cases in 2018.

The Group continues to strive towards ‘Zero Accident’ goal and targets to cap the number of LTA cases in 2020 at 2 cases and the IFR, ISR and ODR to be capped at 10 cases per million man-hours and 30 man-days lost per million man-hours and zero cases per million man-hours respectively.

All safety accidents must be reported to the safety officer. In an event of a workplace injury, the worker is required to report directly to the immediate supervisor on the incident or accident. The supervisor will then immediately report to the safety officer with details on how the incident or accident occurred, the exact time and location, and the injury sustained by the worker during the incident or accident.



Above: Safety harnesses is a must for workers when working in height on-board vessels. **Below:** A worker welding, with a team of supervisor and safety officers doing their safety inspection rounds. All of them had donned their safety equipment.

For prompt medical attention, workers are directed to nearby general practising medical clinics and private hospitals, in addition to government hospitals. In compliance to the local foreign worker legislation, workers are covered with the necessary insurance policies.

Safe Living and Working Environment

Majority of our workers in the shipyard stays in the dormitory, which includes rented dormitory (approved by Ministry of Manpower) as well as our own dormitory. For rented dormitory, rules and regulations are imposed by the landlord to ensure that the dormitory is kept in healthy and liveable conditions. The onus of the creation and maintenance of a healthy and safe living environment for our own dormitory lies on our hand.

We have imposed rules and regulations to all living in our dormitory and ensure that all workers abide by them to maintain a healthy and safe living environment. Serious offences such as display of violence, indecent behaviour, gambling, shoplifting, drug abuse and money lending activity shall result in eviction of the workers from the dormitory. Other offences, such as smoking at undesignated area, indiscriminate parking of bicycles, failure to hang clothes on assigned racks, failure to tidy personal area and improper disposal of rubbish, attract fines. Spot checks by supervisors and human resource staff are conducted at random so as to ensure that rules and regulations are adhered to, where punitive measures are imposed against workers in breach of the rules.

We have also, in line with Building and Construction Authority’s rules and regulations, Ministry of Manpower Occupational Safety and Health (“**OSH**”) regulations as well as OHSAS 18001:2007, implemented an Operational Control Procedure (“**OCP**”). The OCP detailed the following:

- Responsibility to the relevant parties in the Emergency Response Team (“**ERT**”).
- Identification, assessment, and prevention of OSH Emergencies Risks.

- Emergency response protocol in the event of an emergency.
- Site clean-up and follow-up protocol.

The OCP is applicable to the workshop, office and dormitory (all situated at the same location at 10 Kwong Min Road) owned by the Group, in which it is extended to all personnel working at the workshop and office, a tenant renting partial of the workshop space, and workers staying in the dormitory. The effectiveness of the emergency response protocol is assessed every year by carrying out Emergency Evacuation Drill (the “**Drill**”). The Drill for financial year ended 31 December 2019 was conducted efficiently and successfully in accordance to the OCP, where all company personnel and tenants were accounted for at the muster point within 17 minutes from the start of the Drill.

Global warming and safety

Global warming has been affecting the whole world where extreme changes to the weather can be observed around the globe.

In Singapore, we are observing higher temperatures and intense heat, accompanied by erratic storms. This expose our workers in our core business working in shipyards on board vessels to higher risk of heat injury and lightning risks arising from erratic thunderstorm.

Safety officers are tasked to ensure that the workers, including themselves are protected against such weathers. Workers exposed to intense heat are given frequent breaks to properly hydrate and cool themselves to prevent heat injury, and in the case of wet weather workers on board will be evacuated from open space to sheltered areas.



Above: “Safe Cycling Starts With Me” – A safety cultivation message, an effort made by the Group together with the Shipyard.

Below: “Safety First” – A safety cultivation message on board the vessel to remind the crew that safety is the top-most priority.

OUR LABOUR PRACTICES

In a glance		
What was said in 2018	What happened in 2019	What we plan to do next
<p>The following information was presented:</p> <ul style="list-style-type: none"> • Employment practices • Diversification information based on employment categories, nationality, age group and gender • Labour policies, law and regulations • Career development efforts 	<ul style="list-style-type: none"> • Assessed and confirmed Sustainability Factors identified in earlier year remain valid • Update information for Sustainability Factors 	<p>Continue to assess the validity of the Sustainability Factors and the information contained therein.</p>

Management Approach

As our core business function relies heavily on manpower, labour practices in managing both employees’ welfare and development, labour supply and costs affected by macro-factors such as inter-country relationship, and fair and equal employment practices have a direct impact on the sustainability of our operation, in terms of the costs of our operations and the employees’ job fulfilment. The Group aims to create a working culture that is fair, equal, inclusive, diverse, and free from any form of discrimination.

EMPLOYMENT PRACTICES

The first step to achieving the ideal work culture is to have a sound system of employment policy. Such policy includes care of the responsible hiring and fair compensation commensurate with non-bias and commonly accepted indicators and rights of employees.

Work-life balance

The Group understands the importance for our employees to strike a balance between their work commitment and their personal life. We provide a certain degree of flexibility by supporting their need to apply urgent leave to take care of their personal matters, particularly to family related matters, or pre-approved tweak in their work schedule to enable them to pick their children or go for night classes for skill upgrade courses.

The Group also adheres to the applicable employment legislation to provide paternal, maternal and childcare leave for employees to take care of their children as and when required.

Fair compensation and benefits

The Group commits to compensating our employees fairly and commensurate with employees’ position and experience, free from any discrimination. Employee’s compensation in Singapore is not subjected to minimum wages.

Employees are also given benefits and compensation for overtime work prescribed by the applicable employment law and regulations.

Rights of employees

The Group does not currently have any policy to either advocate or restrict rights of our employees to associate freely, engage in collective bargaining, participate in trade / labour union, as well as seek representation as long as it is permitted by the governing law and regulations. There is no collective bargaining agreement for employees in the Group.

In any event of significant operational changes that affects an employee, the employee will be notified at least one month in advance for them to have the necessary preparation.

Ethical and responsible hiring

The Group practises ethical and responsible hiring. We do not practice nor accept any hiring of any persons that are either below the prescribed legal working age by the governing employment law and regulation of the country our operations are present (known subsequently as “child labour”) and the hiring of persons that are unwilling, forced, bonded, or other forms of compulsory forced labour that goes against the will and the natural course of the accepted norm of an employment process.

In Singapore, employments, where applicable, are approved and/or submitted to the respective Government authorities overlooking labour matters. This ensure that employees are of legal age and protected by the employment legislation which forbids child, forced and compulsory labour.

We ensure that our suppliers do their part in respect to their employees’ rights and practice ethical and responsible hiring through efforts detailed in [Supply Chain Management](#).

The Group has not been subjected to human rights review or human rights impact assessment in all geographical locations our operations are in.

DIVERSIFICATION OF WORKFORCE

An inclusive and diverse working culture requires an employment policy that accepts people of all backgrounds and not based on prejudicial selection.

The Group understands the importance and benefits of having a diversified workforce, which includes:

- Macro-factor relating to labour policy and relationship between Singapore and other countries, affecting supply of labour and the associated cost. By recruiting workers of different nationality, this

Table 7: Diversification of nationality for each employment category for 2019 & 2018 (%) ('Others' comprises Thai, Burmese and Danish nationals)

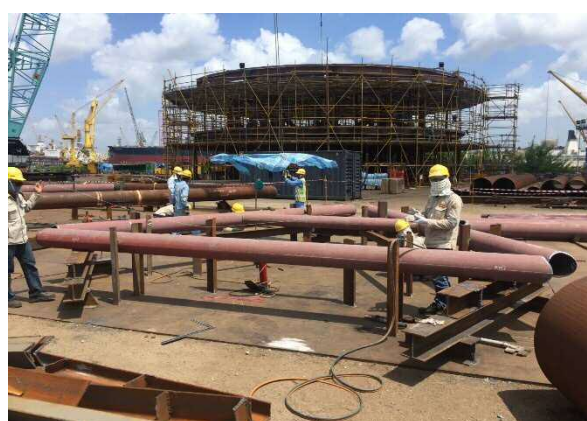
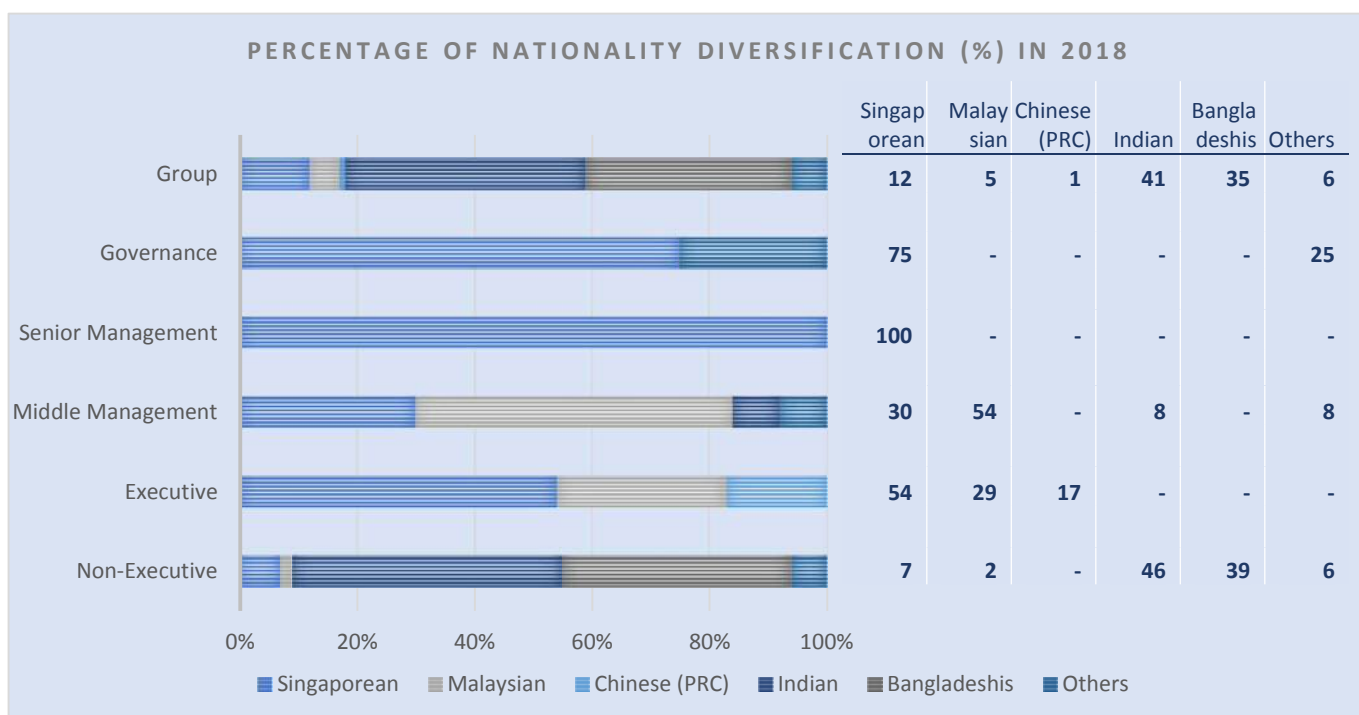
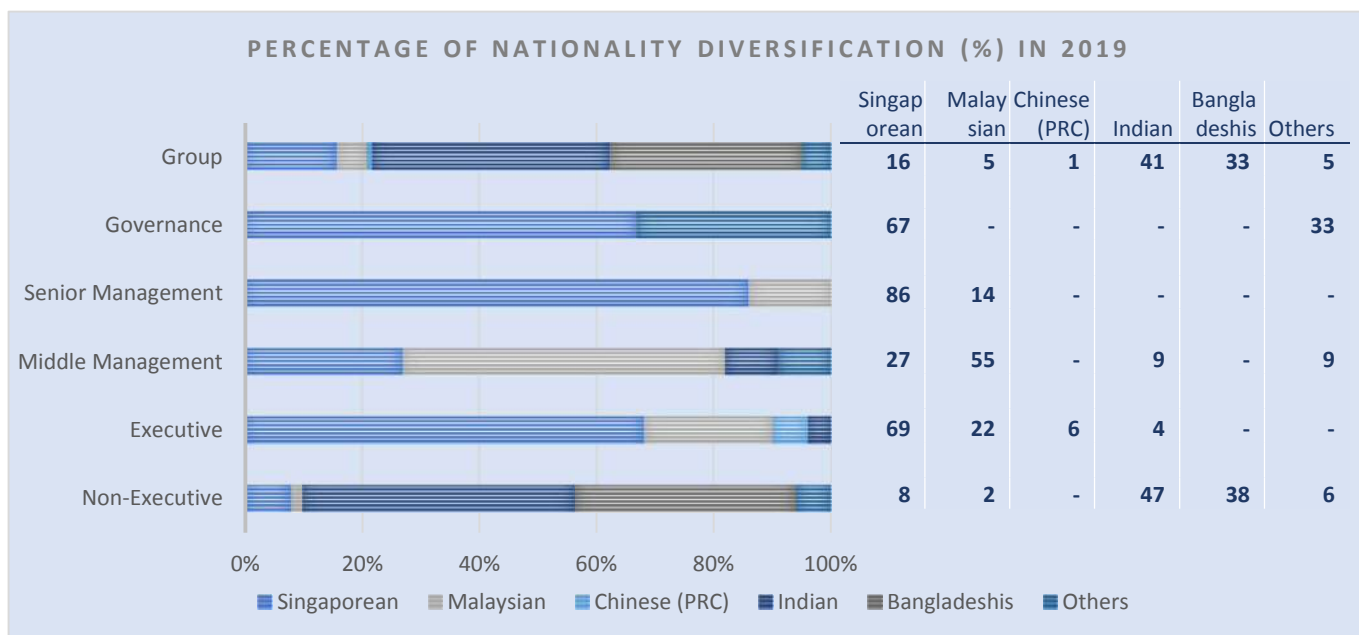


Table 8: Diversification of gender for each employment category for 2019 & 2018 (%)

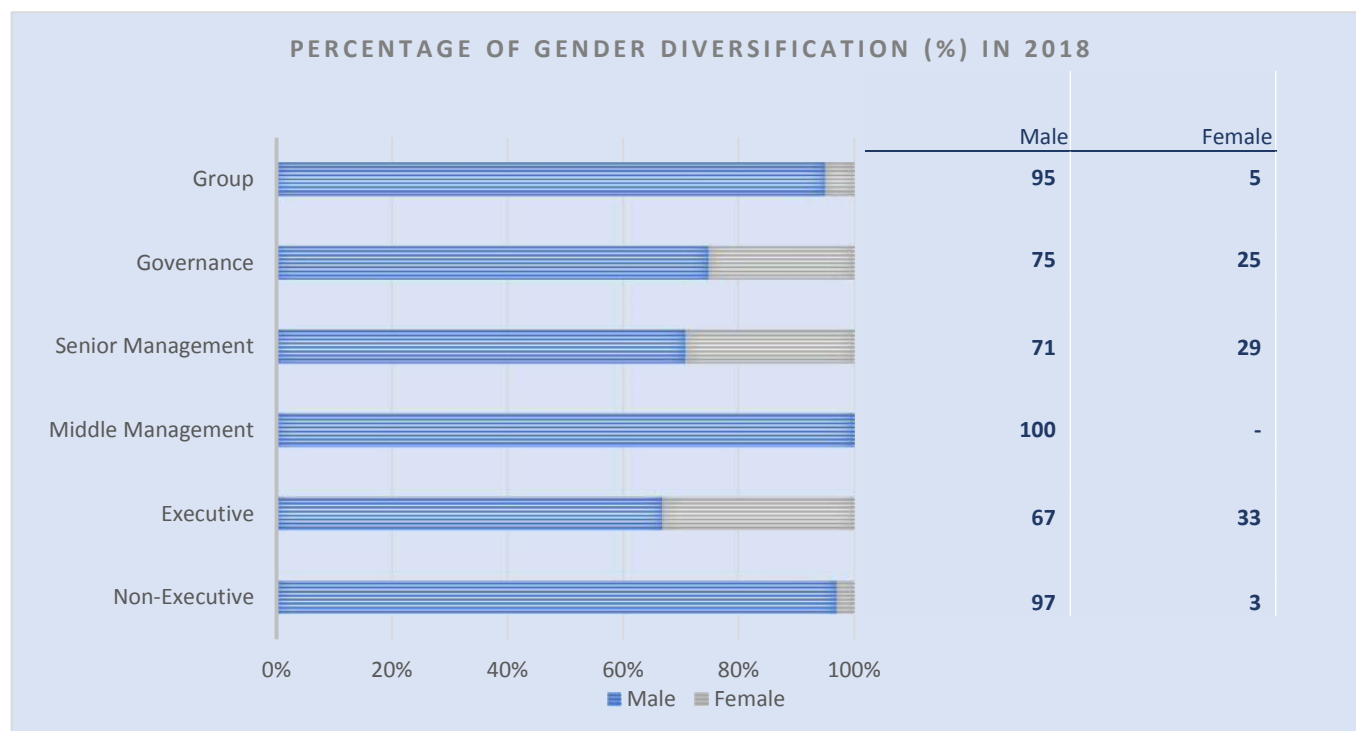
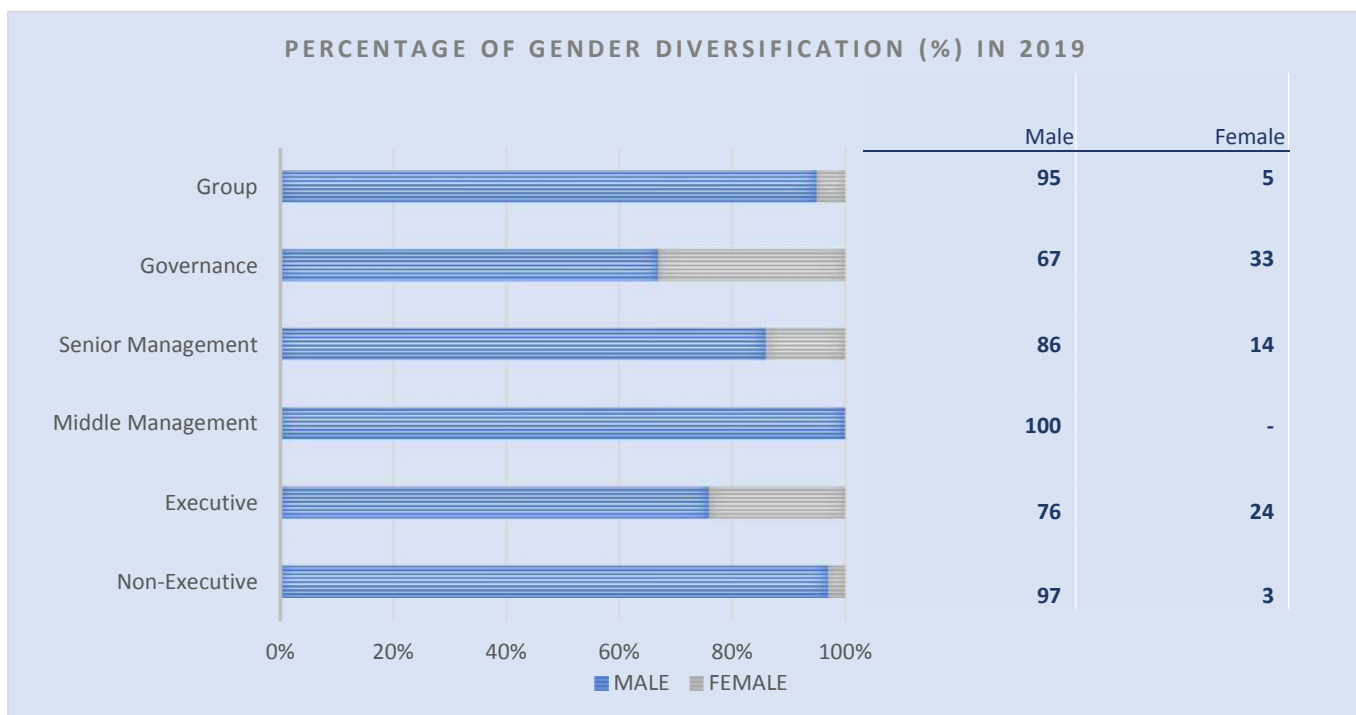


Table 9: Diversification of age group for each employment category for 2019 & 2018 (%)

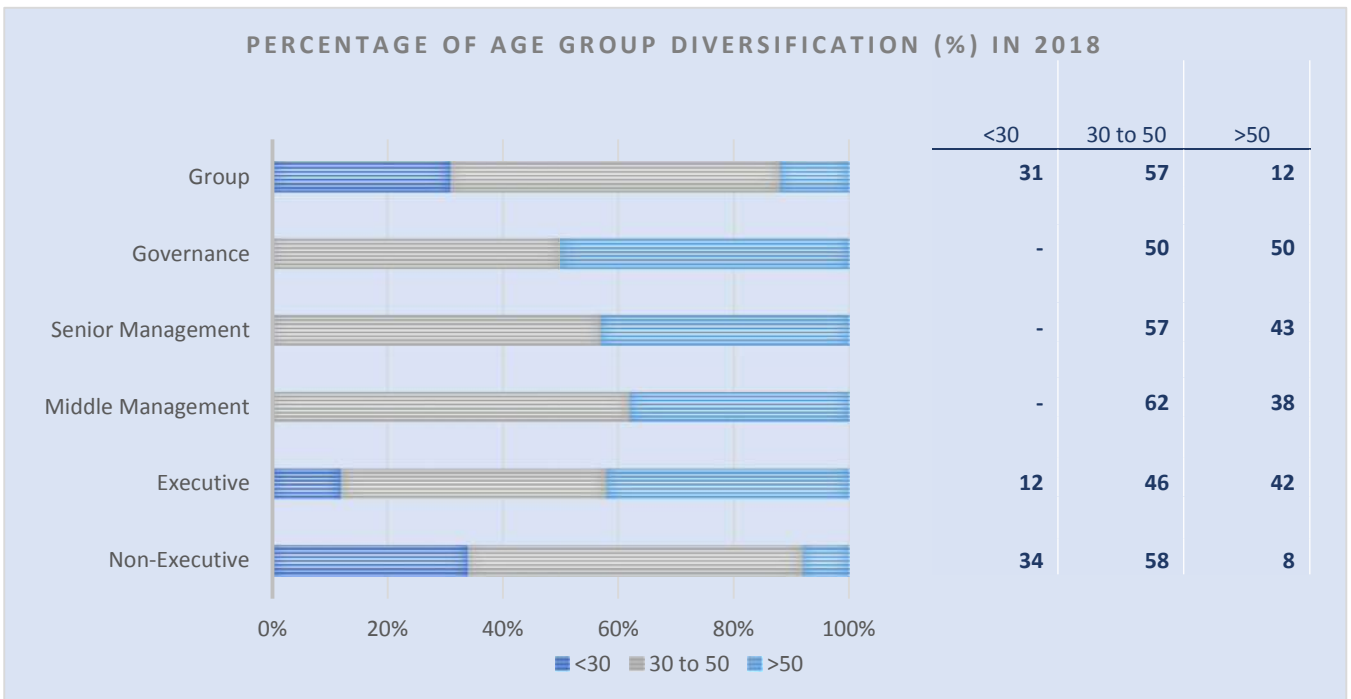
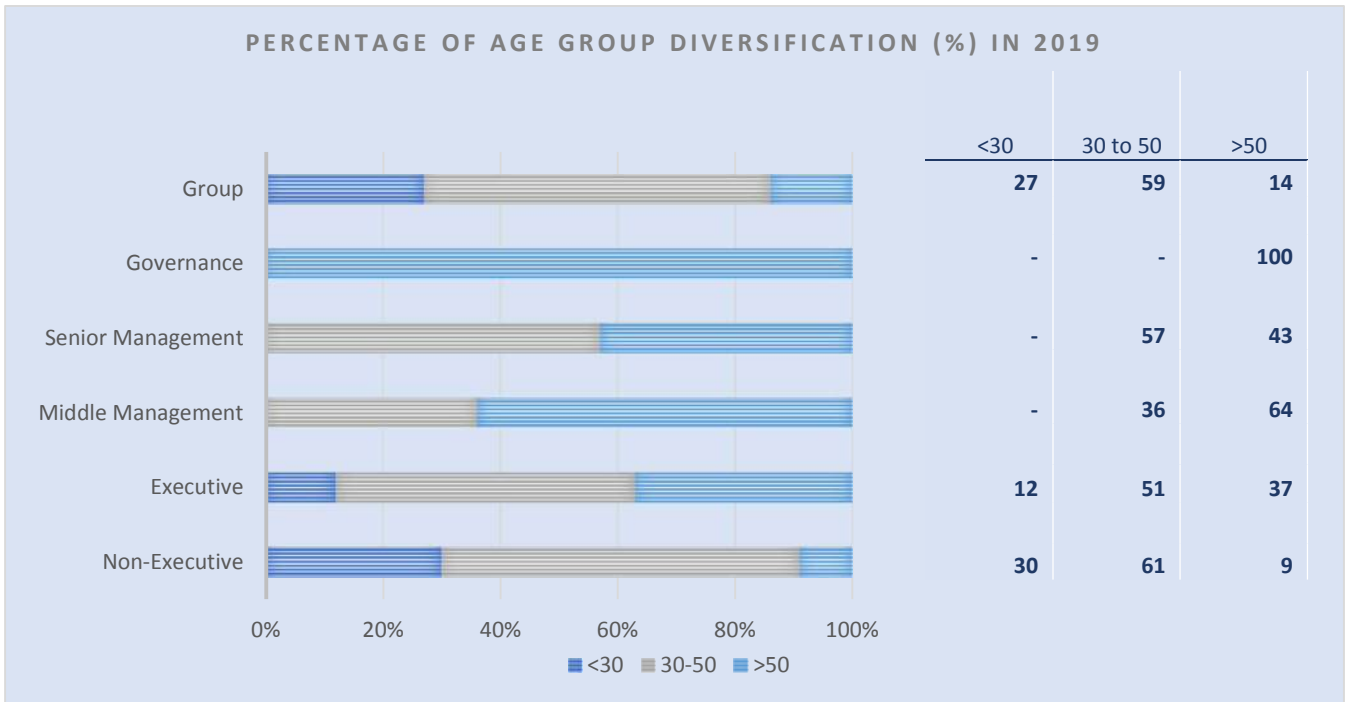


Table 10: Composition of workforce in the Group for 2019 (%)

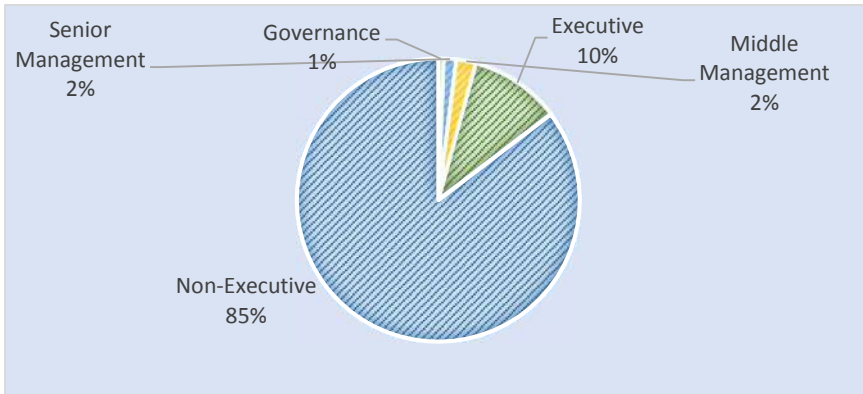


Table 11: Number of employees' turnover and employee turnover rate (%) for 2019

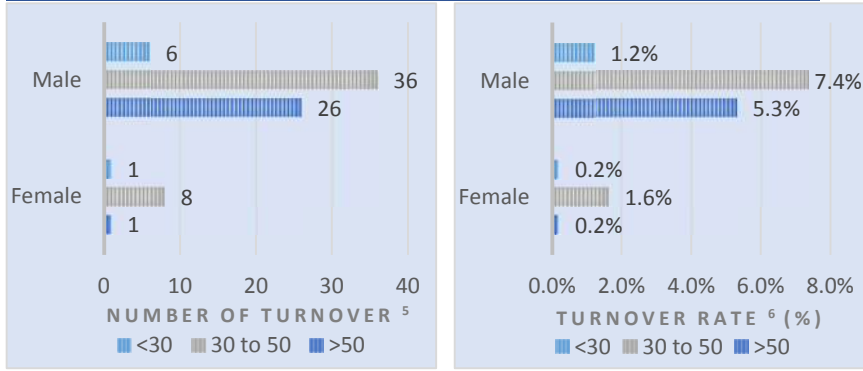


Table 12: Number of employees hired and employee hiring rate (%) for 2019

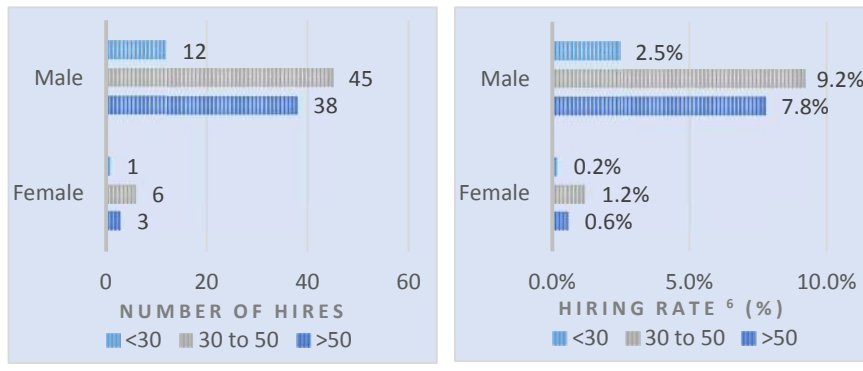
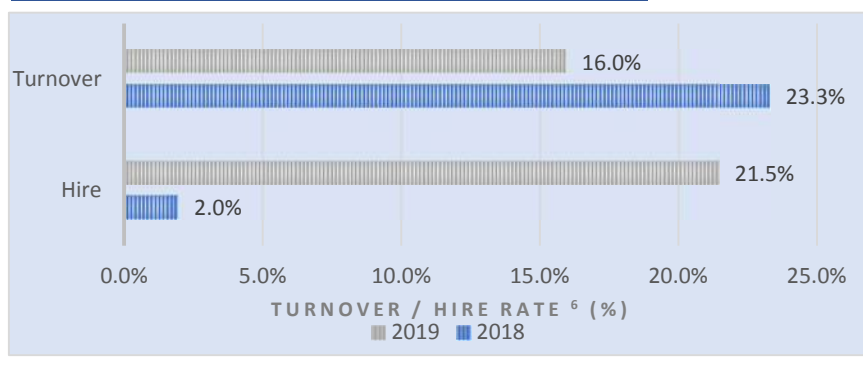


Table 13: Employee turnover and hire rate for 2019 and 2018 (%)



prevent the over-reliance on one or two nationality group(s) and mitigate the impact on unfavourable labour change in labour policy and relationship on the said countries.

- Socio-factor where workers learn how to interact, work and live with people of different ethnic groups and nationalities while working, and also adapting to the society outside work. This enable workers to be able to adapt and live in a cosmopolitan nation like Singapore.
- People from different location, coming from different culture, can propagate different positive work habits and input creative solutions to tackle challenges.
- Reduce the chance of possible strikes and bullying due to over-powering of one particular nationality, ethnic or religious group.

It is the Group's policy to be open in the recruitment of persons of different background (e.g. gender, nationality, age and so on) for all positions (including office positions).

Our challenges in diversification of workers lies on the gender diversification, where the bulk of our workforce in the core business is dominated by men. This is due to the nature of work in the shipyard demanding physical strength and exposure to the hot sun as well as the already male-dominated environment that female would normally refrain themselves from applying.

All employees are permanent and full-time staff during the years 2019 and 2018.

Please refer to **Tables 7 to 10** for the information on the diversity of our workforce.

Footnotes

5. Turnover refers to the total number of employees that left the Group.
6. Rate is expressed as turnover/hire against total employees as at year end excluding people from governance category.

CAREER DEVELOPMENT

Attracting and retaining talents is an important step in achieving the ideal work culture.

Furthermore, our reliance on skilled personnel (such as heavy equipment operators, draughtsmen, welders, grinders, etc) is unavoidable. Skilled personnel with the appropriate experiences and/or requisite certifications in our industry are limited and competition for such personnel is intense. Hence, there is a need to continue to retain the skilled personnel that we have trained.

Therefore, we believe in the development of our workers and this is in line with our mission. We send our employees for training not just for single trade but multiple trades so that workers can be re-deployed whenever reshuffling of workforce is required.

This give them a sense of job satisfaction, personal development and enhance job security and employability of each employee, which we hope will inspire greater intrinsic value within themselves.

This policy also enables us to be less reliance on the external labour market, improve efficiency and quality in the work produced by the workers, as well as give workers the opportunity to develop and excel within the Group.

Furthermore, all employees are subjected to performance review, regardless of employment category or gender and without prejudice. These performance reviews are conducted on

an annual basis where employees’ performance during the year are assessed. Through these appraisals, management can identify areas for development of each employee’s skill set.

New hire and turnover of employees

Despite the efforts stated above to retain our skilled workers, the Group practices lean cost management (since 2015) by managing and restructuring our headcount to align with the demand in the marine, oil and gas industries. The employee turnover and hire rates are expected to stabilise as the market stabilise. Please refer to **Tables 11 to 12** for the data on new hire and turnover of employees.

Our turnover rate has decreased from 23.3% in 2018 to 16.0% in 2019. However, the hire rate has increased from 2.0% in 2018 to 21.5% in 2019 (refer to **Table 13**). The Group increased its hire rate (notwithstanding a decline in turnover rate) to meet the demands as a result of an increase in business activities.

Training

We have not presented training for other employment categories as those are cyclical in nature and immaterial (15% of the Group’s workforce). Training provided to non-executives are only to all male non-executives due to the circumstances that all female non-executives holds administrative office roles.

Training hours per employee per year has decreased from 14 hours per employee in 2018 to 7 hours per

employee in 2019. This was due to majority of the core training for the workers being completed in 2017 and 2016 and these trained workers are still with the Group.

Table 14: Average training hours spend per employee per year for Non-Executive employees (in hours)



LABOUR POLICY AND RELATIONSHIP BETWEEN SINGAPORE AND OTHER COUNTRIES AND ITS RELEVANT LAWS AND REGULATIONS

A clear understanding of the applicable labour laws and regulations, as well as the labour policy and relationship between Singapore and other countries are required given that our shipyard business relies largely on foreign workers (including skilled workers) from Thailand, Bangladesh, China, India, Malaysia and Myanmar to meet our staffing needs.

Our labour supply and its associated costs are correlated to developments of labour policies of the abovementioned countries as well as the relationship between them and Singapore. In addition to the above, we are also subjected by local employment legislation, in terms of hiring quota, levies and security bonds. Any unfavourable changes to either of the above will definitely affect our operations.

We stay constantly updated to the labour policies between Singapore and other countries, and to the local legislation (largely in particular to the Singapore Budget), so as to react and tweak, at the earliest possible, our employment practices accordingly to minimise and mitigate any unfavourable impact.



Above: A worker welding steel beam.

OUR ECONOMIC SUSTAINABILITY

Management Approach

The going-concern and profitability of the Company is without a doubt the highest concern for Stakeholders. Financially sound strategy and operational method for the present and the future determine the profitability and sustainability of the Group. The accurate and transparent presentation of financial information in the financial statements will provide transparency of the performance and position of the Group for Stakeholders.

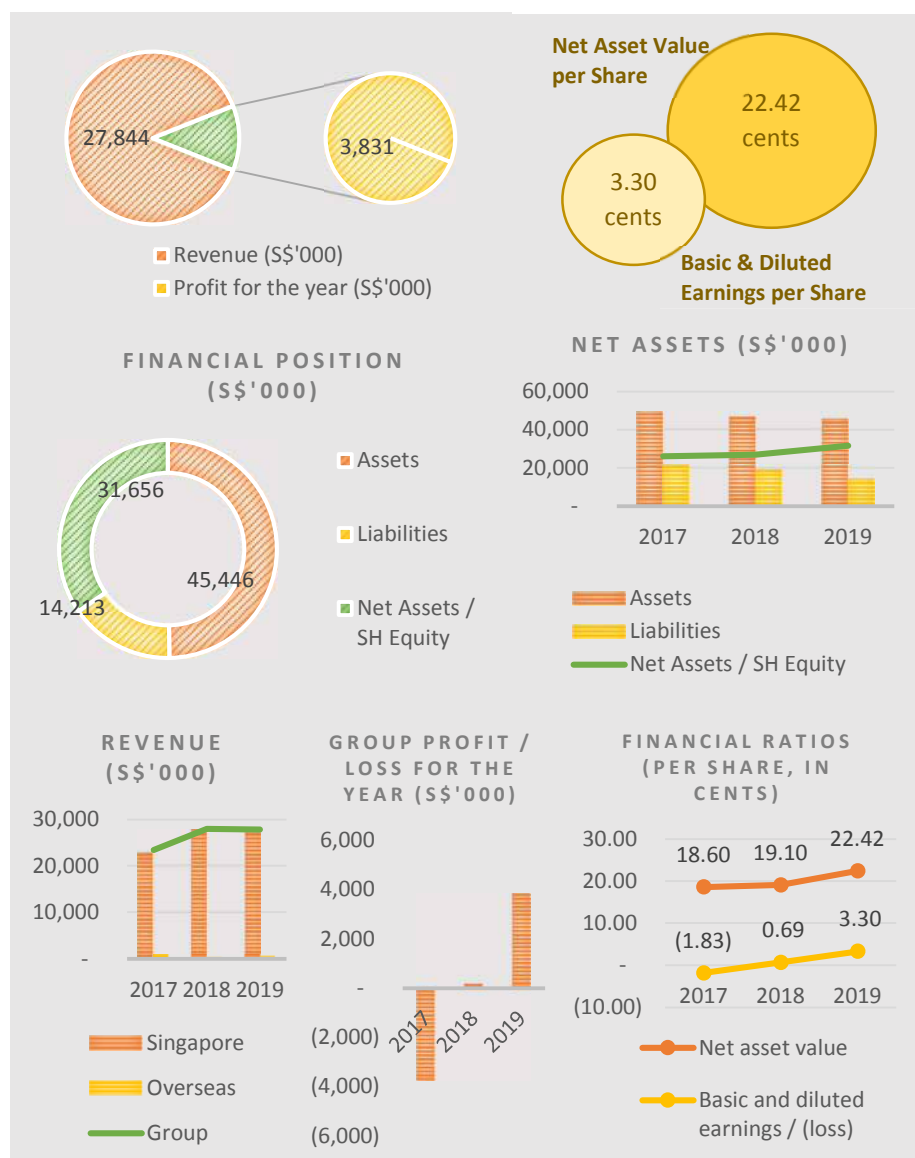
We constantly review our operation and strategy risks affecting the sustainability of our businesses. The Group is on constant lookout for changes in business trends and opportunities to shift our business directions accordingly. This is accompanied by consultation with professionals, to ensure that the Group's directions are on the right track.

We also seriously consider and assess any weakness and lapse in controls made known during audits and strive to enhance the internal controls to ensure the effectiveness of our controls, as well as to ensure the true and fair view of the financial statements.

PERFORMANCE IN 2019

Economic value generated by the Group was reported at S\$28.9 million in 2019, increased from S\$28.8 million in 2018. Total expenditure incurred by the Group, excluding Employee Wages & Benefits was S\$14.63 million in 2019, decreased from S\$17.0 million in 2018. Group net profit was S\$3.8 million in 2019, compared to S\$0.2 million in 2018.

The increase of Group net profit was mainly due to collection and recognition of revenue derived from final settlement of variation orders, income derived from settlement of finance lease receivables for a vessel and recovery of loss allowance made for third party trade receivables.



Financial highlights and trends for the financial year ended 31 December 2019

Earnings per share ("EPS") was 3.30 cents in 2019, up from EPS of 0.69 cents in 2018.

The Group incurred a cost of capital of S\$328,000 in 2019, decreased from S\$421,000 in 2018. Cost of capital includes interest paid on bank borrowings and finance lease. The Group declared a cash dividend of a total of 0.45 cents per ordinary share (comprising a first and final dividend of 0.15 cents, as well as a special dividend of 0.30 cents) for financial year ended 31 December 2019 (subject to approval from Shareholders at the forthcoming Annual General Meeting of the Company to be held on 5 June 2020). No

cash dividend was paid for the financial year ended 31 December 2018.

Government Taxes

In 2019, the Group received an amount of S\$50,640 from government grant for financial assistance for employee wages and benefits and capital investment matters.

The Group paid tax of approximately S\$902,000 in 2019. Taxes paid are net of any tax rebates granted by the government, where applicable.

Staff Costs

In 2019, staff costs amounted to S\$10.2 million for 490 employees, which

decreased from S\$11.6 million for 460 employees in 2018, in the form of salary, wages, pension scheme based on respective jurisdictions (mainly Singapore's Central Provident Fund ("CPF")), foreign workers' levy, skill development fund and other staff benefits (including, but not limited to, welfare given to staff and bonuses). Staff costs were lower despite rising headcount as the Group managed to source for cheaper labour in 2019, mainly from non-executive category.

Singapore's CPF contributions were made in accordance to prevailing Central Provident Fund Act. The total pension paid, which was included in the

total staff costs, was S\$467,000 in 2019, increased from S\$449,000 in 2018.

A detailed account of the full financial performance and position of the Group can be found in the Annual Report 2019.

Economic Value Delivered to the Society

In 2019, the Group generated S\$28.9 million of economic value for our Stakeholders, which was distributed to them through our business operations. The Group has generated employment opportunities, business opportunities to our suppliers, and tax revenues for the governments.

The Group has retained S\$2.9 million of economic value, where the Group had decided to conserve the economic value for its business operations.

Reportable Fines and Sanctions

There is no reportable significant fine paid to and sanction (including non-monetary form) imposed by laws and regulations in country where our operations exist, international declarations, conventions, and treaties relevant to our operations, and through cases brought against the organisation through the use of dispute mechanisms (both national and international) supervised by government authorities.

Economic Value Generated by the Group	S\$28.9 million
This includes revenue generated from the Group's operating activities, and other operating income (excluding government assisted grants).	
Economic Value Distributed to Others	S\$26.0 million
Operating Costs: S\$14.6 million	
<i>This refers to purchases and services received from suppliers for the generation of economic value.</i>	
Employee Wages and Benefits: S\$10.2 million	
Employee costs, which comprises salaries, wages, pension funds, and other staff benefits provided by the Group.	
Capital Providers: S\$0.3 million	
This refers to interest paid on bank borrowings and finance leases, as well as dividends declared (if any).	
Government: S\$0.9 million	
This includes taxes paid, net of any government grants received.	
Economic Value Retained by the Group	S\$2.9 million

Table 16: Economic value generated and distributed by the Group for the financial year ended 31 December 2019.

TRUE AND FAIR VIEW OF THE FINANCIAL STATEMENTS

Financial information presented in the Annual Report is a medium of communication to the Stakeholders in informing how the Group is performing. We understand the importance of our Stakeholders and management in making informed decisions based on the Annual Report that presents a true and fair view of the Group's financial performance and position.

We ensure that the information contained in our Annual Reports are both adequate and free from misstatement (which can arise from an error, or from a fraudulent activity that

remains undiscovered). Efforts made to ensure the true and fair view of the financial statements includes:

- Implementation of procedures;
- Sending the finance team for training and updates;
- Implementation of whistle-blowing procedures; and

Introduction of contractual provisions to allow the Company to reclaim incentive components linked to the performance of the Company.

Implementation of procedures

The Group has implemented procedures manual to govern the Group on how operational procedures should be carried out, and how

employees should behave and perform in the interest of the Group.

Training and Updates

We periodically sent our finance team for training and updates on the relevant reporting standards, such as those required by the Financial Reporting Standards of Singapore, the Code, SGX Catalist Rules, and so on. This is to ensure that the Annual Report is prepared in accordance to the required standards and rules so as to give a true and fair view of the financial position and performance of the Group. The above function is undertaken by the Committee (refer to the section "[Our Commitment to Sustainable](#)

Operation” of this report for the detailed responsibility of the Committee) to oversee compliance matters of the Annual Report.

Whistle-blowing

Whistle-blowing procedures have been implemented to ensure that all management personnel acts in the interest of the Stakeholders. All this information is reported as required under the Code and can be found in the Annual Report 2019 page 30. Whistle-blowing policy and whistle-blowing reports received (if any), will be assessed by the Audit and Risk Committee from time to time. Please refer to the section on **“Our Commitment to a Sustainable Operation”** in this report for further details.

Incentive-linked remuneration

The remuneration of the Executive Directors’ and the key Management is linked to the performance of the Company (please refer to the Annual Report 2019 page 23). With effect from 2018, the Company has adopted contractual provisions to safeguard against material misstatement of financial statements to deter and recover from the unlikely event of deliberate manipulation of the performance of the Company. Such contractual provisions allow the Company to reclaim incentive components of the remuneration from the Executive Directors’ and the key Management in the exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company.

PROJECT AND QUALITY MANAGEMENT

New building and repair segment

It is known that ineffective, poor planning and slow execution of a project plan can result in costly avoidable losses (such as wastages, disputable damages, overrun in project costs, liquidated damage claims and terminations from customers). At such, we have invested heavily on effective project management system to ensure

effective and safe project execution with high quality deliverables.

We have testified the above with the attainment of ISO, OHSAS and BizSafe Star certifications since 2009, which is a testament to our effective implementation of the processes across the Group. The certifications require us to be audited on an annual basis, which ensure that the above mention processes stay effective on a continuing basis.

Shipping segment

Similarly, we have high confidence on the operational processes in the ship chartering and marine supplies divisions to deliver high quality and timely charter services as well as efficient and timely supply of marine supplies.

The ship chartering division constantly monitors the performances and co-ordination between the relevant agents and brokers to ensure that the vessels are competently crewed and well maintained at all times so as to ensure high utilisation with repeated customers at profitable rates, as well as avoid any downtime arising from poor co-ordination and planning which will result in demurrages and loss of charter opportunities.

In the context of marine supplies, the division will ensure that the supply chain is properly managed, by fulfilling pre-requisites that may be imposed by suppliers so as to receive the supplies in good time shortly before fulfilling the promised delivery date to the customers. This mitigate risk arising from poor coordination with vendors, ship owners and ship managers that will result in poor customers’ satisfaction and loss of business opportunities.

DIVERSIFICATION OF TRADES

The Group understands the importance of diversification as the marine and offshore oil and gas industries are cyclical in nature. Any downturn in global or trade specific economic conditions such as the financial crisis in 2008 and 2009, as well as the downturn in marine and offshore oil and gas

industries due to the drastic fall in oil prices since 2015, will adversely affect us. There is no assurance that future economic downturns will not occur and hence steps to diversify are constantly being evaluated and implemented.

Furthermore, diversification creates synergy, and allows sharing of technical resources, reduction of operational costs, higher market penetration and expansion of customer and supplier base.

Besides expanding to undertake EPC, we are also constantly looking into possibilities of acquisition or establishment of complementary businesses or joint ventures with sustainable parties as and when opportunities arise.

In 2012, we launched our first bareboat charter vessel after assessing the performance of this segment and noted its potential. In 2016, we officially placed more resources to further develop the shipping segment, with the acquisition of an additional vessel and started spot chartering services in December 2016. In mid-2017, we started the marine supplies division.

In 2019, our focus of expanding the shipping segment continued from 2018, where revenue from the shipping segment stood at 22.8% (2018: 23.7%, 2017: 16.8%) of the Group’s revenue. With the diversification into the shipping segment, the Group’s revenue contribution concentration on new building and repair of offshore and marine structures and vessels has reduced.

MITIGATION OF IMPACT FROM CLIMATE CHANGE

The demand for oil and gas is likely to continue to change structurally in the coming years, with the **Paris Climate Agreement** first passed in 12 December 2015 and with the recent **COP42** in Katowice, Poland (also known as the 24th Conference of the Parties to the *United Nations Framework Convention on Climate Change* (“**UNFCCC**”)).

The conference continues to press nations to commit even tremendous global climate efforts to slow down global warming to under 2°C, emphasising that current efforts are far from efficient in achieving the goal. The conference also gave birth to a common climate rulebook, known as the Paris Agreement Rulebook (also common referred as the Katowice Rulebook) that aims to regulate on carbon emissions reduction and reporting.

Carbon emissions are directly correlated to the demand in the marine, offshore, oil and gas, where demand is likely to reduce over time with renewable energy sources sought for. This may drive oil prices to new low progressively which we expect this may affect us in the following manner:

New building and repair segment

Business activities in shipyards are expected to be impacted, and thus our

core business will take a hit financially. As the market demand changes in the marine, offshore, oil and gas industries alongside with global trend, we will have to adapt and grow with the new changes. For instance, we have since 2016 shifted our focus from the new building and conversion projects to the repair projects as we expected the demand for the new building and conversion to weaken over time. On the same note, we have also continued to focus on the expansion in our shipping segment this year.

Shipping segment

Our vessels are oil tank bunkers designed for the transportation of marine and gas oil for oil and gas companies. The impact of global warming will result in a change in market condition, either due to a change in the terrain throughout the region or the change in demand for chartering services.

We have been sensitive to the size of our fleet and the physical size of our vessels while we expand this new segment. We constantly monitor market conditions within Southeast Asia, assess market competition before we decide on the viability of expanding our fleet size and vessel type to satisfy the current market condition.

Please refer to section “**Diversification of Trade**” in this report for diversification efforts that further mitigate this risk.



Above: Mobilisation of full Remotely Operated Vehicle (ROV) System.

OUR SUPPLY CHAIN

In a glance		
What was said in 2018	What happened in 2019	What we plan to do next
<ul style="list-style-type: none"> • Continue to evaluate the impact at each point of supply chain in relation to sustainability and report on them. • Circulate the Supplier Code of Conduct within 2019. 	<ul style="list-style-type: none"> • Impact at each point of supply chain in relation to sustainability is evaluated and reported. • Circulated Supplier Code of Conduct on 21 November 2019. 	<ul style="list-style-type: none"> • Continue to evaluate the impact at each point of supply chain in relation to sustainability and report on them.

Management Approach

The effectiveness of our sustainability efforts can only be optimised with the proper management of each major point of our supply chain, which ranges from the beginning of the supply chain (i.e. suppliers and subcontractors) to the final end user (charterers, contractors and end-user). Their sustainable efforts affect the performance of ours indirectly.

The boundary of this topic can be wide, extending to a customer or supplier that we might not have direct contact, but may affect our sustainability efforts. We will however restrict our boundary to only active efforts that are applicable to our immediate suppliers, subcontractors, charterer, contractors, or end-user due to the practicality constraint.

SUPPLY CHAIN MANAGEMENT

New building and repair segment

In our core business, we primarily contract with and supply skilled labour and services to a shipyard (i.e. the contractor), acting as a resident subcontractor. The contractor is primarily responsible with the procurement of the required equipment and materials for the building, conversion and repairs work on the vessels. The contractor imposes regulations to regulate us, such as on areas of safety, material handling, and so on. We are responsible for the procurement of safety equipment, components and small equipment in the course of the supply of skilled labour and services. The completed job is first handed over to our contractor who will in turn handover the vessel once it is completed and ready for voyage.

Shipping segment

The shipping segment comprises of ship chartering, and the trading of marine

supplies to vessels. The execution of a complete ship charter starts by charterer engaging us to transport liquid oil from Singapore to a Southeast Asia destination, we then engage port agents (both local and the Southeast Asia region), commercial managers, ship managers, and suppliers supplying marine gas oil and other marine supplies for the operation of our vessels.

As required by the Marine and Port Authority of Singapore (“MPA”) and in line with International Maritime Organisation (“IMO”), we will periodically conduct surveys on the vessels to ensure that it is optimal for voyages. We engage professional surveyors, equipment manufacturers, and subcontractors to survey, supply equipment, and service the vessels.

In our marine supplies division, we engage suppliers and subcontractors for the bespoke fabrication of vessel’s components as well as the trading of consumables on board vessels that are required by the customer. Goods, components and services are acquired from suppliers, and the requested goods are subsequently delivered to the customers.

Management

We have finalised our first Supplier Code of Conduct and circulated it to all our suppliers on 21 November 2019. This Supplier Code of Conduct is expected to be abided by all suppliers and subcontractors to ensure the sustainability of their operations in all areas of economic, environment, social and governance, which comprises of topic on business conduct, labour practices, health and safety, and environmental management. We believe that this will positively value-add to our sustainability effort throughout our

supply chain and even benefit our suppliers themselves.

New suppliers are assessed for any bad reputation and records, together with any presence of applicable certifications and licenses. These are credentials towards key sustainability factors relevant to us. Continuing assessments, such as mandated reporting, inspection visits or enquiry of information, shall be made accordingly to ensure the standards of safety and health, quality, and environment. We will make the necessary changes upon observation of unsatisfactory standard.

As for customers, we will ensure that the provision of the sales or services are not directly associated to matters on breach of safety, financial and environmental scandals, or any other unethical practices.

For those parties who are other than our immediate suppliers, subcontractors, charterer, contractors, or end-user, we will made effort to disassociate in the event that it is made known to us through credible sources (such as professional consultants, public news, and etc.) that there is breach of safety, financial and environmental scandals, or any other unethical practices.

The Group is committed to make continuous efforts to work closely with parties in our supply chain to ensure best practices and alignment of policies. We are opened to listen to them.

Commitment

We practice fair competition in compliance of applicable competition laws and regulations in our businesses. In 2019, there are no legal actions taken against the Group for anti-competitive behaviour, anti-trust, and monopoly practices.

OUR ENVIRONMENTAL PERFORMANCE

In a glance		
What was said in 2018	What happened in 2019	What we plan to do next
<ul style="list-style-type: none"> Briefly describe our environmental efforts 	<p>Presented information on energy and water consumption, emissions, effluents and waste.</p>	<ul style="list-style-type: none"> Establish an energy intensity indicator that reflects our energy consumption activities. Expand topic boundary to include vessels.

Management approach

Environmental effort is an increasing hot topic around the world, and Singapore has committed on environmental effort with the signing of Paris Agreement on 22 April 2016 followed by the ratification on 21 September 2016. The Group is committed to participate in the effort of being “green” to be aligned with the nation and global effort.

The inaugural Sustainability Report published in November 2018 for the reporting year of 2017 has initiated our attention to environmental issues in relation to our sustainability. We had then identified the existing efforts we have made as well as the relating Sustainability Factors that we can work on as part of our effort and commitment. We have implemented controls since 2018 to record data on energy consumption and the associated emissions.

The boundary of this topic is restricted to the operations in Singapore, excluding vessels due to the limitation in control to capture data from vessels, and the insignificance of the overseas operations (as illustrated in “Our Sustainability Topics” in this report). We have chosen not to extend our boundary to the consumption made indirectly in our core business’ contractor’s shipyard due to the limited access to and availability of that information. We will only be able to report the consumption

directly from the service provider or supplier where consumption information is readily available. We apply the Precautionary Principle (as described in [The Rio Declaration on Environment and Development \(1992\)](#) Principle 15) via the applicable legislation and regulations in our business to stay in compliance to the abovementioned legislation and regulations, where efforts are detailed below.

ENERGY CONSUMPTION

We have started tracking our energy consumption data for the Group in 2018, but this is only for the direct consumption of energy purchased from service providers.

In 2019, the Group consumed a total of 994,519 kWh of energy in the form of electricity, gas and fuel purchased from service providers, representing a slight increase from 938,575 kWh in year 2018. Out of which 43,699 kWh (2018: 89,303 kWh) relates to energy used in dormitories and are subsequently reimbursed to the Group from workers staying in the dormitory. 100% of the energy consumed is non-renewable.

EMISSIONS

The Group reported a total emission⁸ of 313 Metric tonnes (“MT”) of carbon dioxide (“CO₂”) in 2019, increased by 13 MT from 2018. After deducting emission

related to the consumption subsequently reimbursed to the Group from workers staying in the dormitory of 18 MT (2018: 36 MT), of which all are Scope 2 Emissions, the Group would report a net emission of 295 MT (2018: 264 MT). Total emission figure comprises of Scope 1 Emissions⁹ of 200 MT and Scope 2 Emissions¹⁰ of 113 MT. The composition of emissions only includes CO₂. For 2019, we have not quantified the emissions from our vessels, and is confined within Singapore’s operations.

Scope 1 Emissions comprises direct emissions of fossil fuel consumed directly by the Group’s vehicles. Scope 2 Emissions comprises electricity and gas consumed by the Group. The resources reported here is the same as those reported in [Energy Consumption](#) Sustainability Factor.

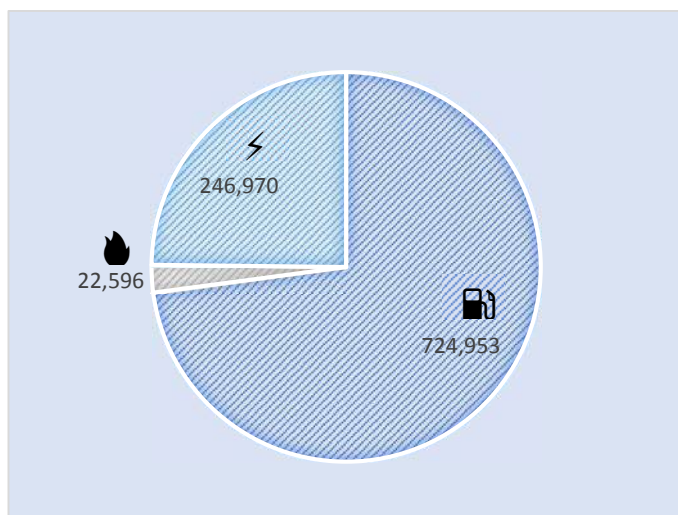


Table 17: Energy consumption (kWh) in Singapore by type for 2019

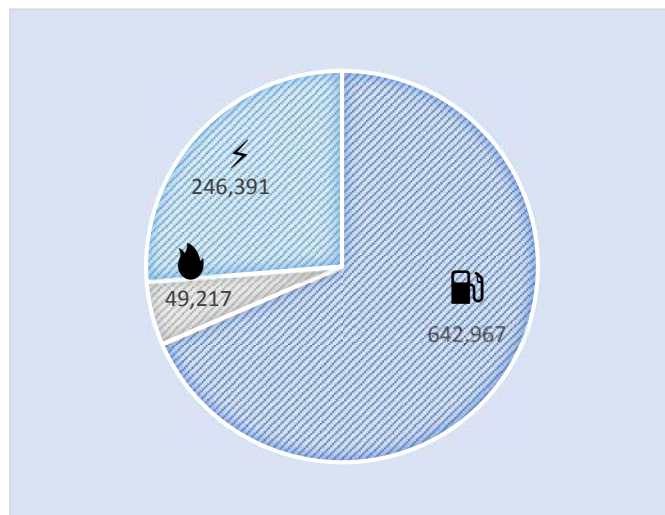


Table 18: Energy consumption (kWh) in Singapore by type for 2018

⚡ : Electricity purchased from electricity provider.

🔥 : Gas purchased from gas provider.

🚗 : Petrol and diesel purchased from suppliers for the direct use on vehicles in the Group⁷.

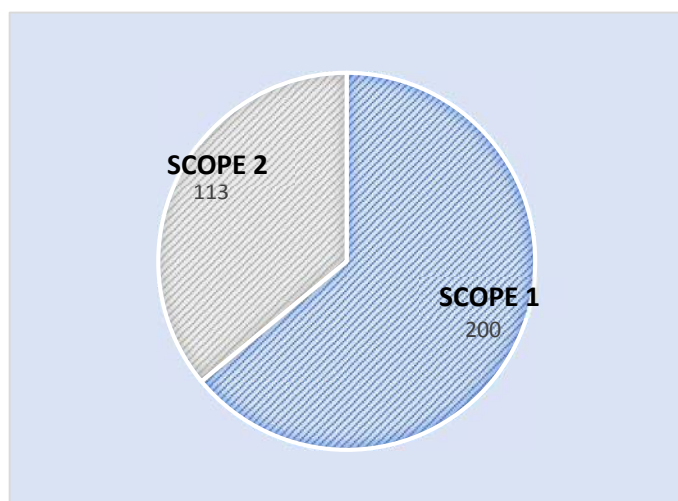


Table 19: Emissions in terms of CO₂ equivalent (MT) for 2019

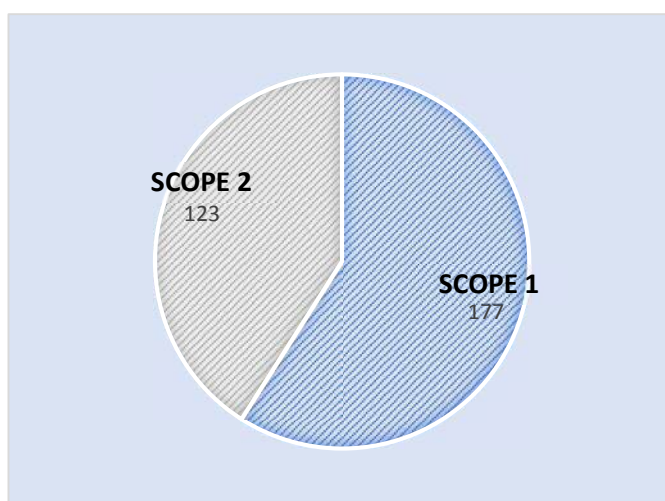


Table 20: Emissions in terms of CO₂ equivalent (MT) for 2018

Footnotes

7. Petrol and diesel energy are converted to kWh from litre consumed using a conversion factor of approximately 10.5 and 9.32 respectively. Conversion factors are obtained from U.S. Energy Information Administration ("EIA").
8. Emissions data are computed using the calculators from Greenhouse Gas Protocol website. We have applied financial control approach, as defined in GHG Protocol "A Corporate Accounting and Reporting Standard".
9. Scope 1 Emissions refers to direct GHG emissions occur from sources that are owned or controlled by the Group, expressed in CO₂ equivalent in MT, as defined in GHG Protocol "A Corporate Accounting and Reporting Standard". Figures excludes emissions from combustion of biomass, which the Group does not have.
10. Scope 2 Emissions refers to GHG from the generation of purchased electricity consumed by the Group as defined in GHG Protocol "A Corporate Accounting and Reporting Standard".

WATER COMSUMPTION

The Group reported a total consumption of 16,658 cubic metres (“m³”) in 2019 and 40,630m³ in 2018. The significant reduction is due to consumption being overcharged in earlier months. The Group receive a refund for the overpayment in August 2019. The water consumed is 100% from municipal water supplies.

EFFLUENTS AND WASTE

New building and repair segment

The core business involves heavy usage of materials. However, as a resident subcontractor based in our contractor’s shipyard, we are bounded by the regulations imposed by the shipyard on how materials are used and disposed. The onus is on us to abide to the regulations set out by the contractor. All materials for the purpose of new building and repair works, are issued by the shipyard. Excess materials unutilised are returned to the shipyard for reuse. Any minor remnants of material are disposed in locations designated by the shipyard, and subsequently collected by waste collector. This ensure that wastage contributed by our workers are minimised and properly handled.

On the part of the Group’s effort, we educate our employees on the importance of efficient usage to reduce material wastage. Trainings are provided to improve the skillset of the workers, which will also translate to lesser wastage arising from inefficient use of materials. The materials purchased directly by us are safety equipment and small materials and they are disposed according to the shipyard regulation.

Shipping segment

Our vessels are registered under MPA’s Ship Registry of Ships (“SRS”), and the pre-requisites relating to the vessels are fulfilled through the classification awarded by Bureau Veritas and Nippon Kaiji Kyokai, which covers the compliance to various key convention and regulations set by the IMO and the International Labour Organization (“ILO”). Included in the classification is

Our Certificates covering the Key Environmental Conventions

- *International Oil Pollution Prevention Certificate for International Convention for the Prevention of Pollution from Ships, 1973 (“MARPOL 1973”) Annex I*
- *International Air Pollution Prevention Certificate for MARPOL 1973 Annex VI*
- *International Sewage Pollution Prevention Certificate for MARPOL 1973 Annex IV*
- *International Anti-Fouling System Certificate for International Convention on the Control of Harmful Anti-Fouling Systems on Ships, 2001 (“AFS 2001”)*
- *International Ballast Water Management Certificate for International Convention for the Control and Management of Ships’ Ballast Water and Sediments, 2004 (“BWM 2004”)*

Table 21: Certificates covering the IMO’s Key Environmental Conventions

the various certifications covering key environmental conventions as seen in **Table 21**.

The certifications are credentials of efforts taken to ensure that the structure, equipment systems, fittings and material used for the vessels fully comply with the requirements to prevent environmental pollution, be it through improper, unintentional, and/or accidental discharge of oil, spill of oil, disposal of garbage waste, and discharge of ozone depleting substances.

OUR EFFORTS

We continue to commit in reducing the use of carbon-emitting transportation to transport our workers. We are still using dormitory that houses workers within walkable distance to the shipyard. Out of the total workforce of 492, 213 and 44 workers are currently staying in the shipyard and near (i.e. walking distance) the shipyard respectively.

To further reduce the indirect emission of GHG via the use of public transport, we have and are still providing each worker with a bicycle. This is in line with the nation’s effort of a “Car-lite” city. For other workers staying at our own dormitory which is located outside the

shipyard, we transport them to the shipyard using commercial buses and we ensure that the buses are fully occupied to maximise efficiency of each bus-trip.

As mentioned in “Our Letter to Stakeholders” above, our Group has switched from using heavy marine fuel oil to low sulphur fuel oil in November 2019 for our vessel, ES Aspire. This is in compliance with IMO 2020, and is also part of our Group’s effort to move towards a lower emission future.

OTHER COMPLIANCE MATTERS

The Group has no operations that are on or near any habitat that are protected or have high biodiversity value as identified by international bodies such as the International Union for Conservation of Nature (“IUCN”).

As of the reporting date of the Annual Report 2019, the Group has not been penalised for any non-compliance of environmental laws and regulations imposed by Singapore and will continue to work with the relevant authorities to stay updated so as to continue to comply with the laws and regulations.

OUR REPORTING BASIS

This report is published annually and covers the same period as the financial year of the Company (January to December 2019). There are no changes to the Sustainability Topics and their boundaries from last year report. There is no restatement made in this report too.

In addition, there is no reportable significant change to the organisation and its supply chain.

The report uses the Global Reporting Initiative (“GRI”) Sustainability Reporting Standards (“GRI Standards”) and Practice Note 7F on Sustainability Reporting Guide of the SGX Catalyst Rules. We have chosen to adopt the GRI Standards for the following reasons:

- GRI Standards has a long-standing history since 1977 and has been adopted by major organisations across the globe.
- GRI Standards are provided in clear structural format, which allow easier conformity and comparability by Stakeholders across years or across different companies.

We have built on the framework laid out in our inaugural report dated 9th November 2018. Please refer to the **GRI Content Index** below for the respective disclosure page references, as well as the specific standard’s edition used for each GRI Disclosure.

This report has been prepared in accordance with the GRI Standards: Core Option.

We have not sought any independent party’s assurance for this report.

As a continuous effort to improve the quality and relevance of the sustainability information addressed to our Stakeholders, we welcome feedback from all Stakeholders on how we can better address our sustainability information by writing to us via email at eng_soon@esgroup.com.sg or via mail at 8 Ubi Road 2 #06-26 Zervex, Singapore 408538.

GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core Option.

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