



Mencast

MENCAST HOLDINGS LTD

Being Your Perfect Partner

Sustainability Report FY2017



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About this Report

Mencast Holdings Ltd ("Mencast", and together with its subsidiary corporations, the "Group") is pleased to present its inaugural sustainability report covering its sustainability efforts in the financial year ended 31 December 2017 ("FY2017"). This sustainability report provides an account of Mencast's material sustainability matters that are of importance to the Group's business and its stakeholders.

Mencast has been built on thirty-six years of strong business results. Our commercial breadth and acumen, industry relationships and leadership inform our service and capabilities. We recognise the interdependence we have with our communities and our environment; hence we are committed and take responsibility in setting the standards of sustainable practices within our industry.

Reporting Scope and Period

As our first sustainability report, the report provides an overview of Mencast's strategies and practices to ensure sustainable performance, while highlighting the economic, environmental and social impacts of the Group's business and developments. This report covers FY2017 from 1 January 2017 to 31 December 2017. To reaffirm our commitment towards sustainability, we will be publishing our report no later than May on an annual basis from the financial year ending 31 December 2018 ("FY2018") onwards.

Reporting Process

In each reporting cycle, Mencast's Sustainability Reporting Committee ("SR Committee") reviews the content of the report to ensure that the current and emerging material issues of significance pertaining to sustainability and the interests of our stakeholders are addressed. The sustainability committee includes the Executive Chairman and Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Financial Controller, and the Director (or equivalent) of each of the Group's subsidiaries.

GRI Guidelines

This report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards. The GRI Standards are the most widely adopted global standards for sustainability reporting, and provide businesses and organisations worldwide the framework to measure, understand and communicate their critical sustainability issues on environmental, economic, social performance ability issues to stakeholders.

Feedback

We value feedback from our stakeholders as it allows us to continually improve our sustainability policies, processes and performance. Kindly address all feedback to the SR Committee at sr@mencast.com.sg. Your feedback and suggestions are important to us and will be considered as part of our on-going initiatives to improve on our future reporting.

Statement from the CEO

Dear Stakeholders,

On behalf of the Board of Directors, I am delighted to present our inaugural sustainability report, detailing the approach and practices our Group uses to create sustainable long term value for shareholders.

Forward Strategy

Despite the current highly challenging industry environment, we are committed to developing sustainable practices as a key driver of durable competitive advantage.

To address the downturn, we are in the process of right sizing our balance sheet to support our short and medium term business strategy and priorities. Beyond this, we anticipate the pressure of climate change will continue to drive the O&G industry towards higher environmental standards. Key amongst the higher standards will be lower carbon emission, energy efficiency and waste management.

Over the years, we have built our Environmental Remediation business into an important component of our business, and it represented 30% of the Group total revenue in FY2017. Mencast is currently developing a Slop Water Treatment Plant ("SWTP"), which meets the social imperative for greater sustainability while being a significant opportunity to create business value. This plant cleans contaminated mud and water from offshore units, such as drilling rigs and ships, while operating with a small carbon footprint.

To expand the scope of our sustainability initiatives, we entered into a Memorandum of Understanding ("MOU") with Houston Technology Centre-Asia ("HTC-Asia") early last year. This gave us access to innovative technologies and hard science technology companies, many of which reduce environmental impact and carbon footprint. We also established Mencast Innovation Centre Pte. Ltd. ("MIC") as a platform to manage these new businesses and revenue initiatives. As well as providing mentorship, equipment, work space we provide networking opportunities and the opportunity to work closely with the Group's business units to drive opportunities for growth.

Building Sustainable Value

Our Group understands and is energized to build a sustainable value chain that also serves as a source of durable competitive advantage.

Our strategy has increasingly focussed on addressing business needs from social, economic and environmental perspectives. This has led us to a natural adoption of sustainability oriented approaches to deliver value to shareholders.

One of the core values is balancing organisational success with our contribution back to society. This means we seek to create sustainable positive impact for communities around us as well as partnering with suppliers that also share our vision of sustainability.

Engaging our Stakeholders

Lastly, Mencast believes that stakeholder engagement plays a key role in our Group's journey towards creating sustainable value. We would like to extend our deepest appreciation to all our stakeholders, including shareholders, investors, customers, employees, suppliers, bankers and business partners, for the strong support and guidance through these difficult times.

As we prepare to greet a sustainable future together, we look forward to partnering with you to achieve greater growth. With your support, we are confident that we will ride out the challenges and be solidly positioned for future growth.

With utmost gratitude,

Mr Sim Soon Ngee Glenndle

Executive Chairman and Chief Executive Officer
Mencast Holdings Ltd

Overview of the Group

Corporate Profile

Mencast Holdings Ltd is a regional Engineering and Maintenance, Repair and Overhaul ("MRO") solutions provider. Headquartered in Singapore, our Group was successfully listed in June 2008 as the first sponsor-approved listing on Singapore's SGX Catalist and later became the first such company to transfer to the SGX Mainboard. From its establishment in 1981, the Group has grown into a leader in the manufacture and repair of propellers and sterngear equipment and has built on its core competencies to steadily expand business into new areas. Today, through organic growth and acquisitions, Mencast is a complete Engineering and MRO solutions provider with three business segments, being Offshore & Engineering, Marine and Energy Services.

Vision

Our vision is to be the most admired MRO partner and employer in the world.

Mission

Our mission is to champion the Oil & Gas MRO profession of technical excellence.

Group's Strategy and Enablers

Revenue

- Seek new revenue streams
- Cross-selling
- Leverage existing capabilities into new markets

Margins

- Productivity and processes
- Rightsizing assets and operating overheads
- Lean costs

Capital spread

- High ROCE & ROE
- Low WACC
- Fund growth business

"Partner Perfect"

- Culture of adding value
- Leverage teamwork
- Ownership culture
- Leverage existing platforms and relationships

Talent

- Passion for performance
- Leverage teamwork
- Ownership culture

Scale

- Cost efficiency
- Market presence
- Able to invest in R&D

Focus

- Excellence of execution
- Speed
- Invest in the best



Employee Information

As of 31 December 2017, the Group has an aggregated total of 620 employees across the holding company and its subsidiary corporations.

Business Philosophy and Values

Fundamental Beliefs

The Board recognises the importance of a sustainable business, and the Group's business strategy includes integrating the needs of the society and the environment into its business goals. The Board believes that to grow sustainably, the Group has to actively engage and deliver value to its stakeholders, from its employees to the community, and to be responsible stewards of its natural environment.

This philosophy has been formalised in our slogan "Partner-Perfect", which embodies the mindset and core values that have guided our business for the past over three decades.

"Partner-Perfect" is a long-term way of thinking that requires every business relationships and transactions to benefit every stakeholder involved. Through aligning our business model with our customers' needs, we harness the enormous power that is generated when all stakeholders work in unison towards a common goal. Even as we continue to position our business towards attractive new opportunities, Mencast will be guided by the same principles that we were founded upon. We will resolutely strengthen our capabilities and seek to drive synergy and productivity across our businesses. Above all, we shall adhere to the principle of financial prudence, which includes measuring the attractiveness of every business opportunity by the time tested yardsticks of profit, margins, cash flow and value creation for stakeholders.



In support of our service principles, we have 6 pillars of strengths.

01

**Commercially
minded/
corporate
ethos**

Mencast has been built on thirty years of strong business results. Our commercial breadth and acumen, industry relationships and leadership inform our service and capabilities. Our corporate ethos and structure approach to every project helps us deliver the most comprehensive solutions to benefit our customers' businesses.

02

**Full
engagement**

Mencast remains rooted to our humble origins and despite our growth we retain the dedication and humility of our small business heritage. Through our strong team structure and easy-to-access top management, and our systems and processes, we are highly responsive, attentive and engaged.

03

**Responsiveness
/speed**

Every moment is valuable in the world of energy and no one understands this better than Mencast. Our equipment is of the highest quality, our systems are uncompromising and our strategically located infrastructure allows us to complete projects reliably and respond to mission critical emergencies quickly.

04

**Superior
technical
ability**

Mencast's accumulated workforce embodies expert technical expertise with a deep understanding of our industry sectors. Whether it be in the factory, engineering or the boardroom, our skills, knowledge and judgment in engineering design, fabrication and servicing creates shared value for customers.

05

**Resourceful/
solution
oriented/
dependability**

Innovation is not just about the big projects. It's about individuals, collaboration and creativity. At Mencast, "innovative" is not just a word in the marketing department, but a mindset that affects everything we do. Our flexibility, resourcefulness, creativity and innovative approach equips us to anticipate, avoid and overcome any obstacles you might face.

06

**Environmental
championship**

Mencast recognises the interdependence we have with our communities and our environment and the effects our industry can have on nature and tomorrow. Our eco-friendly sourcing of materials, green processes and high safety standards makes us the preferred partner of customers who value both cost and eco-consciousness.



Protecting the Environment

We also commit to sustainable practices to reduce our environmental footprint as we strive to make our operations more energy-efficient. As a firm that helps other firms meet their Corporate Social Responsibility ("CSR") goals through our waste treatment, recycling and remediation services, we ourselves put in utmost effort in preserving the environment and reducing negative impacts.

In our day-to-day operating activities, the Group also continues to play its part in energy conservation. For example, lights are turned off during lunch hours to save energy, and a portion of our energy consumption consists of solar energy generated from the panels installed on the rooftop of our offices and factory facilities. These initiatives reduce carbon emissions, and also act as means of diversifying the energy sources in the market. The solar panels at 42B Penjuru Road and 42E Penjuru Road had generated some cost savings in FY2017.

Goals and Achievements

The Group aims to continuously seek for business opportunities in line with our strategic growth and to deliver value to our customers and stakeholders as we continue to explore and expand our business operations. Within the industry, we have also upheld a reputation for quality and high standards in our operations, as well as excellence in our operations management. Our long track record possesses world class capabilities with international accreditations.

OFFSHORE & ENGINEERING SEGMENT



MARINE SEGMENT



ENERGY SERVICES SEGMENT



Membership of Associations

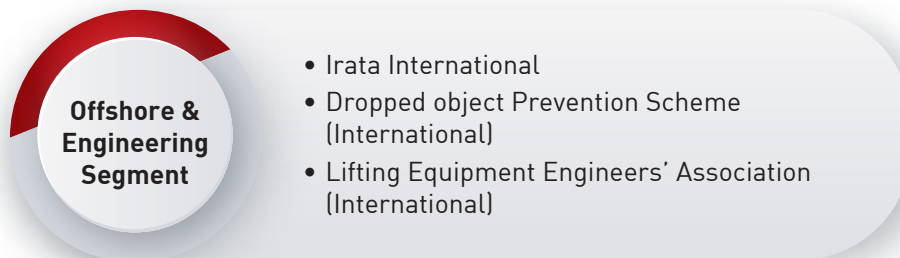
Aspiring to widen our exposure to Industry standards and collaborate within and beyond the industry to improve on current sustainable practices, Mencast and its subsidiaries have joined and taken active participation in the following industry associations:



The Group

- Singapore Business Federation
- Association of Singapore Marine Industries ("ASMI")
- Singapore Chinese Chamber of Commerce & Industry
- Young Presidents' Organisation Singapore Chapter and International Chapter

This infographic features a circular graphic with an orange and grey gradient, containing the text 'The Group'. To its right is a light grey rounded rectangle containing a bulleted list of four industry associations.



Offshore & Engineering Segment

- Irata International
- Dropped object Prevention Scheme (International)
- Lifting Equipment Engineers' Association (International)

This infographic features a circular graphic with a red and grey gradient, containing the text 'Offshore & Engineering Segment'. To its right is a light grey rounded rectangle containing a bulleted list of three industry associations.



Marine Segment

- Commercial Diving Association (Singapore)
- Association of Diving Contractors International
- The American Society of Mechanical Engineers
- The National Board of Boiler and Pressure Vessel Inspectors

This infographic features a circular graphic with a blue and grey gradient, containing the text 'Marine Segment'. To its right is a light grey rounded rectangle containing a bulleted list of four industry associations.



Energy Services Segment

- Association of Process Industry
- Stichting Industriële Reiniging

This infographic features a circular graphic with a green and grey gradient, containing the text 'Energy Services Segment'. To its right is a light grey rounded rectangle containing a bulleted list of two industry associations.

Sustainability Approach

Our Approach

Mencast's strategic approach has transformed across the years, from a classical economic-based strategy to a sustainability-oriented approach. This approach encompasses balancing holistic goals of economic, environmental and social perspectives with our commitment to actively engage stakeholders throughout the value-delivery process; our sustainability approach extends beyond meeting stakeholder requirements to enhancing stakeholder participation in our chain of sustainable value creation.

Upon recognising key challenges and risks involved in sustainable development against the backdrop of our competitive manufacturing industry, we established the SR Committee to balance our sustainable goals with our dedication to delivering quality performance to our stakeholders.

Committee Structure

The SR Committee is headed by the Chief Executive Officer, Mr Sim Soon Ngee Glenndle, and formed by the top management across all the subsidiaries. The focus of the SR Committee lies in the areas of formulating, implementing and reviewing the Group's sustainable policies and practices, sustainability development programs and initiatives. Periodical reviews are made to ensure the effective implementation and engagement of the Group as a whole and in line with the Group's strategic development.

Identifying Material Aspects

Materiality Assessment

The Group engaged a team of external sustainability consultants to assist the Group's SR Committee in identifying and prioritising issues that are most material and relevant to the Group and its stakeholders.

These issues are then linked to the overall strategy and risk management approach. The Environment, Social and Governance ("ESG") materiality assessment was performed with the facilitation of the team of external consultants, where each ESG factor in the GRI ESG universe was thereafter ranked by the SR Committee members according to the influence on stakeholder decisions and significance of environmental and social impacts. Subsequently, a reporting plan on the identified GRI factors has been established based on the aggregated assessment results.

Material ESG Factors

The SR Committee has identified the following material ESG factors for FY2017:

- GRI 201 – Economic Performance
- GRI 401 – Employment
- GRI 403 – Occupational Health and Safety



Stakeholder Engagement

Bearing in mind the Group's fundamental business philosophy of "Partner Perfect", we assessed the level of significance of the stakeholders' interests in sustainability issues, alongside the potential impact and influence of these stakeholders on the Group's businesses and operations.

The following six key stakeholder groups have been identified:

1) Our Employees

We strive to be an employer of choice, through recognising the contributions of each employee, and providing opportunities for staff to grow beyond their abilities. We would wish for them to maximise their potential and look beyond this cycle to seek opportunities that will position them for success in their careers. Additionally, we are also focussed on building a talent pool with deep knowledge of regional and global markets to support our growth and expansion.

As part of our commitment to developing talent, we strive to create an inclusive workplace where each individual is valued and recognised for their contribution. We recognise the importance of diversity in strengthening our core values of teamwork, communication and creativity, and in forming a competent and united workforce. We provide equal opportunities to all employees without discrimination.

2) Our Customers

With a customer-focused culture, we know our customers' needs to reach the right people at the right time, and this is a critical factor in our high-pressure industry. We offer our clients direct access to senior management and around-the-clock contact with project leaders who are highly responsive, attentive and engaged.

Using the highest-quality equipment, systems, strategically located infrastructure and internal manpower enables us to offer a high level of project organisation, control and reliability to get the job done when our customers need it, where our customers need it, reliably and rapidly responding to mission-critical requirements.

Understanding the complexity of our industry and needs to deploy new technologies, systems and processes to be competitive, we continually meet these challenges through a highly trained workforce, dedicated quality assurance and multimillion-dollar investment strategy in customised machinery to provide our customers with the most advanced services and products.

Whether large or small, each project needs a customised, tailored solution, and we will work with an innovative approach, together with our customers, to overcome obstacles and realise the opportunities ahead.

3) Our Shareholders and Investors

We aim to build on strong fundamentals to deliver continued earnings growth and maximize shareholders' return. We also strive to maintain good corporate governance and improve levels of transparency through financial and sustainability reporting, as well as timely communication.

4) Our Business Partners

We work closely with our business partners to ensure that they act in accordance with our code of conduct, and expectations of suppliers. We take corrective actions with those who fail to meet our expectations, which may include terminating contracts.

5) Our Bankers

Due to the downturn of the oil and gas economy, our relationship with our bankers will be very critical in the next few years. We would require their great assistance to speed up our decision-making process, and cooperation in the Group's plan in restructuring.

6) Our Communities

Mencast recognises the interdependence we have with our communities, our environment, and the effects our industry can have on nature and tomorrow. Much of our business is dedicated to conserving raw materials and energy through the production of high-quality products with a longer lifespan, and the repair, reconditioning and recycling of existing materials to reduce wastes. We work hard to maintain our ISO 14001 certification and are proud of our Greenmark-approved facilities.



Economic

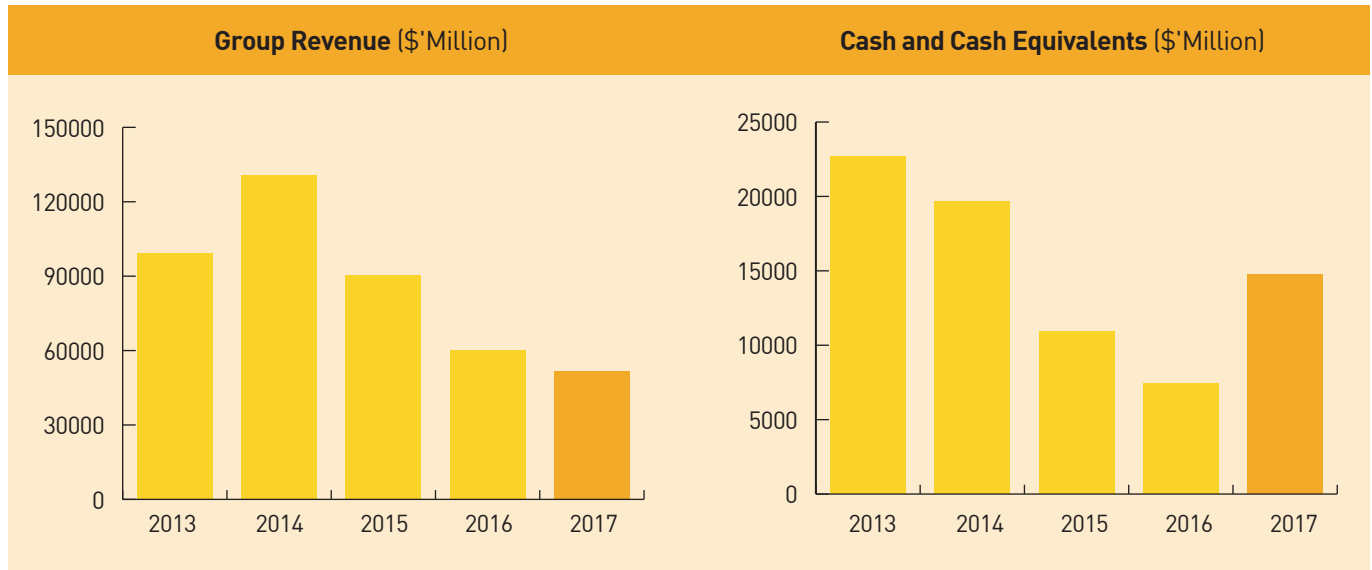
Financial Highlights

The Group recorded revenue of **S\$51.7 million** for the financial year ended 31 December 2017 ("FY2017"). Our Loss before tax for FY2017 was at **S\$80.2 million**.

Presented below are two of the key financial highlights extracted from page 7 of Mencast's Annual Report FY2017.

For detailed financial results, please refer to:

- Financial highlights and financial review – page 7 and 9 of Annual Report FY2017;
- Financial statements – page 49 to 117 of Annual Report FY2017.



Direct Economic Value Distributed

It is of utmost importance to create wealth for our stakeholders, to the best of our abilities. Hence, we strive to drive operational and financial improvements constantly.

The following table provides a summary of economic value distributed in FY2017 based on GRI's disclosure categories:

FY2017	\$'000
Operating costs	32,303
Employees compensation and benefits	22,450
Payment to providers of capital	8,499
Payment to government	1,646
Community Investments	46
Total Economic Value Distributed	64,944

Financial Implications and Other Risks and Opportunities Due to Climate Change

We are cautious that the harmful effects on the global environment will trigger the government regulators to further tighten their control on the O&G industry. Hence, to cushion the adverse implications on O&G related industries, much emphasis has been placed on energy services. Not only it is in line with the global initiatives to ensure more sustainable business operations, it has proven itself to be successful in FY2017. Amidst extremely challenging industry conditions, the energy services segment has emerged as the top performer in the Group, with a 30% contribution to our revenue.

The upcoming slop water treatment plant is currently undergoing inspections from various authorities, and the process has been smooth sailing thus far.



Defined Benefit Plan Obligations and Other Retirement Plans

The Group makes monthly contributions to the employees' compulsory saving/retirement plans, as mandated by the local government in different jurisdictions. The fund is a social security system that tackles our employees' financial concerns regarding healthcare, home ownership, family protection and asset enhancement. We view this scheme as a good opportunity to reward our employees and relieve them from the burden of personal finances. Contribution rates for employers vary depending on the country/city jurisdiction and is subject to changes on a yearly basis. As our companies are set up in various countries, we follow different schemes and their corresponding employer's contribution rates:

- Singapore – Central Provident Fund ("CPF")
- Malaysia – Employment Provident Fund ("EPF")
- Indonesia – Badan Penyelenggara Jaminan Sosial ("BPJS")
- China – Five social insurances and one housing fund ("五险一金")

Financial Assistance Received from Government

In conjunction with multiple government agencies such as Ministry of Manpower ("MOM"), Spring Singapore and Singapore Workforce Development Agency, Mencast is assisting our local Professionals, Managers, Executives and Technicians ("PMET") to build their capabilities and enhance productivity. For example, the Professional Conversion Programme ("PCP") initiated by Skills Future SG has been an asset to allow us to acquire relevant knowledge and skills for new business streams we would like to venture into. Furthermore, it acts as a timely assistance in helping our workers to stay relevant in a fast-moving industry, an important aspect to support our global market growth and expansion in the future. Across the Group, the government has subsidised S\$337,000 in FY2017, with Spring Singapore's Capability Development Grant ("CDG") taking up 44% of the total subsidy.

Environmental

Our Energy Services take pride in providing custom-designed environment and energy solutions to our clients. Under our strong environmental championship, we are determined to deliver green programmes to minimise environmental impacts for our clients. We offer a comprehensive set of services including decontamination of exhumes, semi-robotic oil tank de-sludging, Air-Fin cooling cleaning, Tank Tower hydro-cleaning, Ultra High Pressure hydro cleaning, furnace decoking and pigging, and Heat-Exchange re-tubing.

We are among the few in the market to possess high technological and mobile decontaminating plants, comprising a localised feed system for the contaminated material, dry and liquid reagent storage, metering and weight transfer equipment, process mixers, dust control and product transfer, and all of which can be housed within twenty-foot containers for ease of mobility of disposal.

Throughout our stabilisation process, we physically and chemically encapsulate wastes prior to landfill disposal. This valued service will mitigate the potential release of hazardous constituents from the waste.



**Tank
Desludging
and Cleaning**

Tank Desludging and Cleaning

One of our specialised activities is tank desludging and cleaning with man or man less entry for oil majors, chemical manufacturing and process industries.



**Sludge and
Slop
Treatment**



Sludge and Slop Treatment

As refineries are upgraded to keep pace with changes, Mencast is able to adapt our technology to the needs of individual companies. Same with business strategies, Mencast is now closer with our clients, establishing alliance type contracts to handle all their waste needs.

We have established permanent plants within refineries for the immediate treatment of various and ongoing waste streams. Our plants have integrated the processes of screening, segregation, chemical treatment, phase separation, thermal, vapour recovery, water treatment, laboratory analysis and technical management of final disposal of residues.



Sludge Dewatering



Sludge Dewatering

Geo Tube technology has become an effective method for sludge dewatering. Pumps withdraw water and sludge from the basins, after which a small amount of environmentally safe polymer is added to the sludge in order to accelerate flocculation. This mixture of sludge and polymer is then transferred in Geo Tubes in which the dewatering takes place. A Geo Tube is a long cylinder-shaped bag made of porous fabric in which solid particles are retained through filtration.

Once the Geo Tubes are completely filled, they will be kept onsite to allow further dewatering. This would allow the solid content of the matters within the tube to be greatly increased. Upon completion, the filter cakes will be excavated and, together with the filter fabric, and removed for waste treatment. There is no air emission resulting from this mechanical dewatering process.



Recovery Waste System

This treatment plant is designed to treat the oil sludge from vessels and inland storage tanks. The waste to be treated includes tank cleaning oil sludge, ship cleaning oil sludge, waste treatment plant filter cake, waste plastic and contaminated soil. We pride ourselves as the only Group in Singapore that utilises this technology, giving us a competitive edge over our industry peers. This process allows valuable hydrocarbons to be recovered from processed materials. Additionally, the organic wastes may be converted into useful products such as synthetic gas and oil, which is then recovered and sold as fuel. This mechanism of reusing the most important natural resource, aims to reduce greenhouse gases ("GHG") emissions and criteria air pollutants by decreasing consumption of fossil fuel-based energy. We have confidence in the long-term sustainability of this technology as it is still in the process of upgrading and continuous improvement.

Solid Liquid Treatment (SLT)

Our Solid Liquid Treatment (SLT) is a valuable process to our clients. By means of mechanical separation, we are able to recover oil from tank bottoms sludge which provides cost savings for our clients. In addition, through this separation process we are minimising the waste volume generated ultimately reducing the costs of disposal for our customers.

Our Energy Services segment has selected, designed and engineered our equipment to overcome the broad variations found in sludge compositions from tank bottoms. The process is a state-of-the-art closed loop system prudently managed to achieve high productivity while providing waste minimisation and maximum resource recovery.

Stabilisation/Encapsulation

Stabilisation processes are provided to physically and chemically encapsulate wastes prior to landfill disposal. This valued service will cease the potential release of hazardous constituents from the waste. Contaminated material is located, collected and transferred to a stabilisation plant located within the site.

Our stabilisation plant comprises the feed system for the contaminated material, dry and liquid reagent storage, metering and weigh transfer equipment, process mixers, dust control and product transfer and all are housed within twenty foot containers for ease of mobility.



Social

Our People, Our Strength

As of 31 December 2017, we have a total of 620 employees. We had 143 new hires in FY2017, whereas 194 employees left the Group. While the turnover rate is mainly attributed to low-skilled workers, we faced minimal difficulty in employing workers who can substitute the existing low-skilled workers. That being said, we still aim to attract and retain talents, by rewarding them based on what they deliver and how they demonstrate behaviour that reflects our values. Employment numbers for high-skilled positions remains consistent, with our key management personnel unchanged except for CFO.

People are our core assets and Mencast is committed to being the employer of choice through recognising the contributions of employees and providing opportunities for staff to maximise their potential and develop their abilities.

Employees are treated with respect at Mencast. Human resources policies and standards are documented in the Employee Handbook and Performance Appraisal Handbook and made available to all staff. To allow long-term career planning, Mencast ensures that job descriptions are clearly defined, allowing the strengths of each staff to be identified and maximised.

Mencast invests in a variety of culture and team building resources, including motivational lectures, huddle reporting sessions and strategy roadmap sessions throughout the year. Mencast supports the government's initiatives to promote training and continuing education. External courses that are eligible for the Skills Development Fund ("SDF") are available for employees' consideration.

Mencast's culture emphasises both "doing the right things" (behaviour) as well as "doing things right" (skills). Over the years, Mencast has built a culture where employees are committed to looking out for one another, seeking solutions, retaining technical expertise and maintaining long-term client relationship so as to achieve excellence and progress for the Group.

Compensation is structured to include a base salary and performance-based incentives with both short and long-term rewards to encourage retention. Managers and teams are also recognised and rewarded for working across departments to achieve organisational goals. Mencast's remuneration strategy has built a performance-based culture in which staff is transparently rewarded for their contribution to the Group's objectives and targets. This spurs staff to perform to the best of their ability while aligning with the goals of creating customer satisfaction and shareholder value. This balanced remuneration strategy drives superior financial performance, engages staff while aligning with shareholders' interests and is one of the many factors that help make Mencast one of the best companies to work for in Asia.

Mencast's philosophy of "hiring for attitude and training for skill" helps to set the positive behaviour for the staff. The Group believes that the right behaviour results in a good system on Process and Cost Management, Standard Operating Procedures and Operational Efficiency to reach the direction or strategy it has set out for itself.

The top three things Mencast's employees value about the Group are from its established culture:

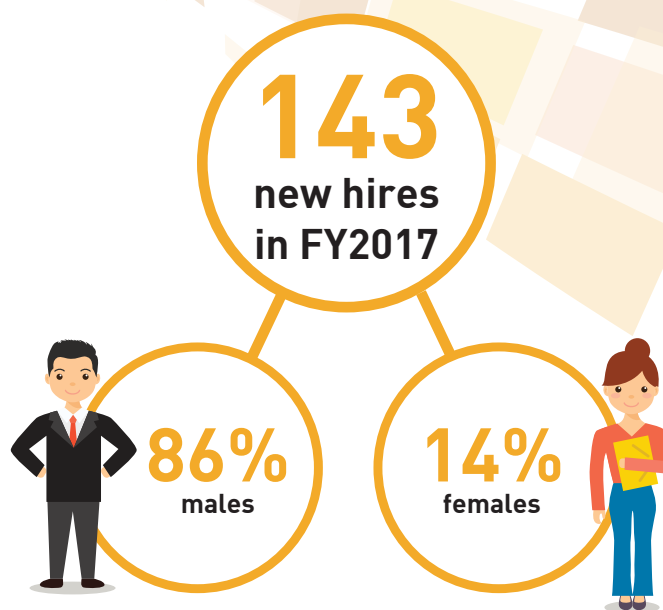
- seeks solutions (meaningful job);
- provides opportunities to upgrade their skills (career and personal development);
- and that everyone looks out for one another (teamwork and connection).

Another factor that pulls everyone together is the Group's Corporate Social Responsibility ("CSR") program, which reaches out to a broad range of stakeholders with the aim of integrating CSR into the Group's core business processes and operating as a socially responsible corporate citizen. Our CSR plan is reviewed annually to align with the interests of targeted stakeholders and achieve active corporate citizenship. In the process, we hope to contribute and support the community with a focus on life transformation and charitable causes for the less fortunate.

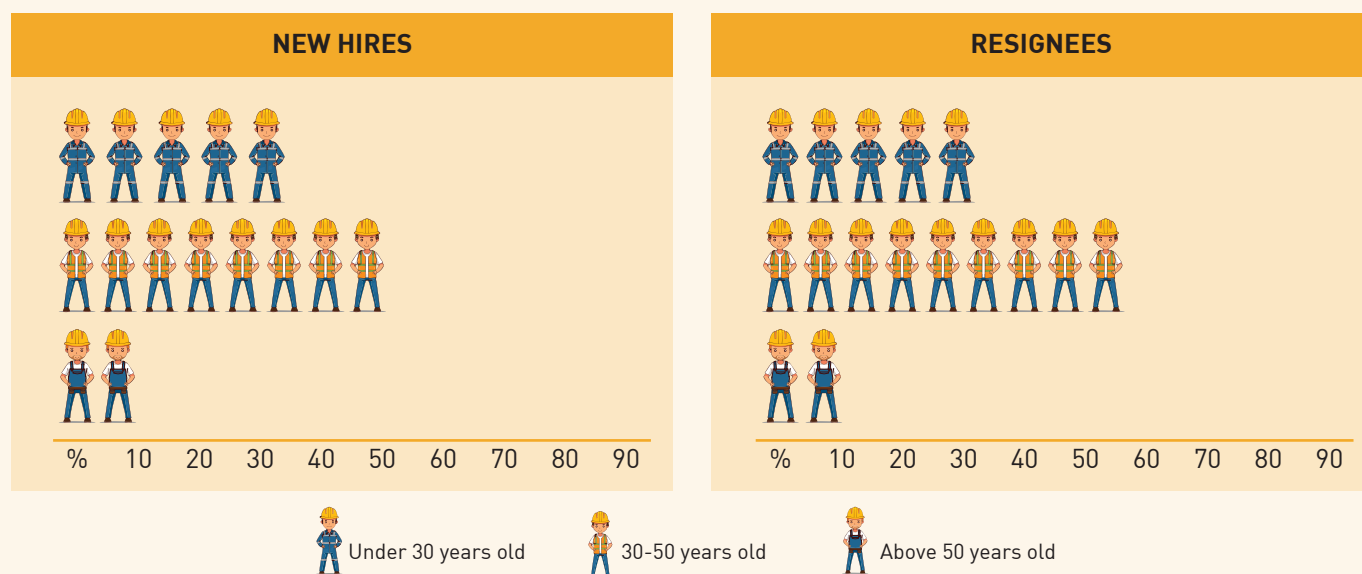
New Hires and Resignations

We value the importance of diversity among our workforce, hence we hire from a mixture of different genders and age groups, to enhance creativity and innovation and improve the organization's culture. On one hand, due to the industry characteristics and work nature, our frontline is male dominated. On the other hand, our supporting functions at back offices, such as finance and human resource, are well gender-balanced. Nevertheless, the gender balance across the Group as a whole is steadily improving. Of our 143 new hires in FY2017, we had a gender ratio of 14% females to 86% males, an improvement from FY2016 of 10% females to 90% males in total.

We hire our people across various age groups unbiasedly. Of our new hires, 36% are aged 30 and below, while the remaining 64% are above 30 years old.



NEW HIRES AND RESIGNATIONS IN FY2017



Moving forward, we aim to improve our employee retention rate and firmly commit on providing our employees with more development opportunities to ensure a sustainable operations model. We also aim to continuously refine our hiring strategy and improve on the workplace culture, with the aim of engaging, retaining and grooming our talents.

Benefits and Welfare

We believe in valuing and recognising our people's achievements through rewards and competitive remunerations. Each of our employees is entitled to a set of attractive benefits including but not limited to:

Item	Benefits	Descriptions
1	Provident fund	Employees are entitled to the Group's monthly contribution to saving/retirement plan in different jurisdictions: <ul style="list-style-type: none"> • Singapore – Central Provident Fund ("CPF") • Malaysia – Employment Provident Fund ("EPF") • Indonesia – Badan Penyelenggara Jaminan Sosial ("BPJS") • China – Five social insurance and one housing fund ("五险一金")
2	Medical benefits and health screenings	Employees are reimbursed for medical expenses. We also arrange health screenings for new hires and employees who reach the age of re-engagement, to ensure that they are medically fit for employment.
3	Disability and Life Insurance	All our employees are covered under insurance for work-related injuries. This accords them with some financial protection in the event of incidents arising under working circumstances. Our life insurance applicable to Singapore employees, also provides financial support and risk coverage to immediate families in the event the employee suffers from critical illness or permanent disability.
4	Year-end performance bonus	Employees are entitled to year-end performance bonuses depending on the performance of the Group and individual upon appraisal.
5	Annual appreciation events and festival celebrations	We organise company events annually to celebrate and recognise the efforts of our employees. Embracing diversity and to honour our rich heritage and culture, we celebrate important festivals as a Company and often provide festival gifts to our employees as a token of appreciation.

The Group is periodically reviewing and enhancing our resource policies and practices to provide a fair and safe workplace for our employees. In line with our Group's core values of teamwork, we strive to promote a safe and conducive workplace for our people to perform efficiently and effectively.

Parental Leave

The Group adopts welfare practices and strives to build a family-friendly workplace culture by implementing family friendly working policies. This not only creates a healthier work-life balance, but also drives productivity, reduces absenteeism, attracts new staff and helps retain current staff. We are currently following the government requirements closely.

In FY2017, the Group had a return-to-work rate of 98%. Out of the 13 female employees and 27 male employees who have taken parental leave, 12 female employees and 27 male employees have resumed work with our Group thereafter. The 1 female employee left the Group on her own accord to progress her career elsewhere.

In the longer term, amongst the 12 female employees and 27 male employees who resumed working with us after their parental leave, 69% and 85% of these female and male employees respectively have remained employees of the Group for more than a year since.

The Group will continuously work towards building a pro-parent workplace through enhancing our company welfare practices and culture.

Building a Safe and Conducive Workplace together

Whilst keeping our strength of superior technical ability close at heart, we take pride in building a safe, conducive and healthy workplace as our commitment to developing our people. Being a largely labour intensive company, we regard workplace safety with utmost importance and recognise our duty of care to account for the safety and health of each of our employees, especially paying attention to highest risk occupational disease, namely decompression sickness. We are constantly striving to build a safe and conducive workplace by ensuring that our company complies with all relevant safety and environmental legislation, with the aim of minimising the likelihood and impact of any possible hazardous occurrence.

Safety Committee

To facilitate the physical supervision of the workplace safety, and the relaying of workplace safety and health ("WSH") related messages; we have established a Safety Committee. Collectively as a Group, the Safety Committee comprises of both employee and employer representatives. The Safety Committee oversees the subsidiaries' operations to ensure that safety standards are upheld at all times and are up to industry leading practices. In addition, the role and responsibilities of the Safety Committee includes reviewing, and effectively implementing and reinforcing safety standards and regulations to ensure all areas of safety are adequately covered. The Committee members meet at least once a month to review safety inspection results, infrastructures and incidents, as well as to coordinate and organise safety-related activities. Going forward, in order to facilitate the effectiveness of the supervision of workplace safety, the Group plans to have more workers join the safety committee.

All near-miss incidents and accidents would be promptly reported to the Safety Committee, which will further provide timely incident analysis briefings to the employees. These safety briefings aim to strengthen the safety awareness of employees, and also to remind them of established safety measures and precautions, as well as safety protocols in the event of similar incidents.

Each year, safety exercises are conducted to test and review our safety precautions and protocols, as well as to ensure that our employees are sufficiently equipped with the relevant Personal Protective Equipment ("PPE"). The supervisors also conduct random inspections on a weekly basis, to ensure that the workers are properly equipped. The Safety Committee also facilitates the safety education training programs, which aim to educate and equip employees with safety knowledge and skills in handling emergency situations. The list of mandatory courses conducted by external vendors in FY2017 is as follows:

- Shipyard Safety Induction Course;
- Shipyard Supervisor Safety Course; and
- Work/Supervisor in Process Plant.

Aside from the external courses, our in-house Safety personnel perform safety talks on a weekly basis. For example, with reference to our Life saving rules (below), the talks focus on one rule every month.



Be Safe - Obey our Mencast Life Saving Rules

Fire Drills

Fire drills are conducted twice a year to ensure that employees and workers are prepared in times of emergency, and both drills in FY2017 had a participation rate of 99% and above. The fire drill report consists of a brief description of the observations and comments, accompanied with a list of defects and recommendations aimed to improve the company's reactivity to such emergencies. The aforementioned report is prepared by the Fire Safety Manager.



Remotely Operated Vehicle ("ROV")

One of our innovations to reduce the likelihood of work-related injuries is the ROVs for the automation of our subsea inspection operations. They are operated by teams of ROV pilots and support technicians, leveraging on ROV technology and robotics to complement manual diving activities. The use of ROVs makes work safer and more efficient to perform inspections that were previously with high safety risk for human divers to deal with single-handedly.

Total Workplace Safety and Health at our Facilities

As with our commitment to the safety and health of our people, we are continually striving to reduce the likelihood and impact of accidents and keeping our injury rates as close as to zero.

To briefly illustrate the scope of the incidents, the Group has categorised our incidents according to the severity of the accident, ranging from minor injury to permanent disability and death. All incidents are reported to the Safety Committee with a report on the details of the incident. Please refer to the following for the respective incident rates for FY2017.

Incident type	Number of Incidents
Minor injury	5
Injury requiring medical attention	4
Injur resulting in permanent disabilities	0
Occupational injury and disease	0
Death	0

With everyone's full cooperation, the Group managed to achieve zero Reportable occupational injury and disease and zero serious injury or death in FY2017. The 5 minor injuries were mainly minor cuts and scratches, or getting dust in the eyes, which were treated in-house by medical first aid. Injuries that required medical attention included burns or broken bones when operating machines and traffic accidents on journey to work. All injured employees have been sent for proper medical treatment immediately and have returned to work without sustaining any permanent disabilities. For each of these injuries reported, the Group Quality, Health & Safety, Environmental ("QHSE") Manager prepares an Investigation report, consisting of mainly the details of the accident, and a corrective action plan to minimize the likelihood of similar accidents occurring again. Additionally, we ensure that our employees attend medical consultations stated in the WSH act, which, more importantly, act as a detection method for these occupational diseases. These medical consultations include:

- Audiometry tests for employees exposed to excessive noise hazards; and
- Medical examinations for employees exposed to oil and tar.

Enhancing Safety Precautions and Procedures

Ideally, this aspect should not be incentivised or deterred by penalties set by the authorities. Alongside the mandatory WSH requirements and considering the employees' holistic health, we are currently advocating a proactive approach; the idea of the employees taking responsibility for their own safety and health. To complement that, we have put up relevant notices on the bulletin board, handouts and constant reminders.

As we are willing to go the extra mile to better equip ourselves with relevant knowledge, the Safety Committee is often sent for suitable training sessions to keep updated with industry leading practices as well as new/updated applicable safety requirements. Thus, in addition to the mandatory training sessions, which are attended by all employees, the Safety Committee members have supplementary knowledge about the subject. The said training sessions include:

- Environment Health & Safety ("EHS") Internal Auditor Course;
- Fire Safety Manager Course;
- Port Security Officer Course;
- WSH Leadership Programme; and
- Singapore Civil Defence Force ("SCDF") Fire Extinguisher Exercise.



GRI Content Index

Category	Disclosure	Description	Page Reference and Remarks
GRI 102: General Disclosures	102-1 *	Name of the organization	Cover Page of Annual Report FY2017
	102-2 *	Activities, brands, products, and services	Pages 81 and 82 of Annual Report FY2017
	102-3 *	Location of headquarters	Page 55 of Annual Report FY2017
	102-4 *	Location of operations	Pages 81 and 82 of Annual Report FY2017
	102-5 *	Ownership and legal form	Pages 81 and 82 of Annual Report FY2017
	102-6 *	Markets served	Pages 81 and 82 of Annual Report FY2017
	102-7 *	Scale of the organization	Pages 49 to 51 and 118 of Annual Report FY2017
	102-8 *	Information on employees and other workers	Page 13 of Sustainability Report
	102-9 *	Supply chain	Page 3 of Sustainability Report
	102-10 *	Significant changes to the organization and its supply chain	None
	102-11 *	Precautionary Principle or approach	Page 10 of Sustainability Report
	102-12 *	External initiatives	Page 8 of Sustainability Report
	102-13 *	Membership of associations	Page 9 of Sustainability Report
GRI 102: Strategy	102-14 *	Statement from senior decision-maker	Pages 2 to 3 of Sustainability Report
GRI 102: Ethics and Integrity	102-16 *	Values, principles, standards, and norms of behaviour	Page 3 of Annual Report FY2017 Pages 4 to 6 of Sustainability Report
GRI 102: Governance	102-18 *	Governance structure	Pages 22 to 40 of Annual Report FY2017 Page 10 of Sustainability Report
GRI 102: Stakeholder Engagement	102-40 *	List of stakeholder groups	Page 11 of Sustainability Report
	102-41 *	Collective bargaining agreements	None
	102-42 *	Identifying and selecting stakeholders	Page 11 of Sustainability Report
	102-43 *	Approach to stakeholder engagement	Pages 38 to 39 of Annual Report FY2017 Page 11 of Sustainability Report
	102-44 *	Key topics and concerns raised	Page 10 of Sustainability Report
GRI 102: Reporting Practice	102-45 *	Entities included in the consolidated financial statements	Page 20 of Annual Report FY2017
	102-46 *	Defining report content and topic Boundaries	Page 1 of Sustainability Report
	102-47 *	List of material topics	Page 10 of Sustainability Report
	102-48 *	Restatements of information	Not applicable as this is the first year of SR reporting

Category	Disclosure	Description	Page Reference and Remarks
	102-49 *	Changes in reporting	Not applicable as this is the first year of SR reporting
	102-50 *	Reporting period	FY2017 (1 January 2017- 31 December 2017)
	102-51 *	Date of most recent report	Not applicable as this is the first year of SR reporting
	102-52 *	Reporting cycle	Annual
	102-53 *	Contact point for questions regarding the report	Page 1 of Sustainability Report
	102-54 *	Claims of reporting in accordance with the GRI Standards	Core options (33 items)
	102-55 *	GRI content index	Page 23 of Sustainability Report
	102-56 *	External Assurance	None
GRI 201: Economic Performance	DMA	Disclosure of Management Approach	Pages 2 to 3 of Sustainability Report
	201-1	Direct economic value generated and distributed	Page 12 of Sustainability Report
	201-2	Financial implications and other risks and opportunities due to	Page 13 of Sustainability Report
	201-3	Defined benefit plan obligations and other retirement plans	Page 13 of Sustainability Report
	201-4	Financial assistance received from government	Page 13 of Sustainability Report
GRI 401: Employment	DMA	Disclosure of Management Approach	Page 17 of Sustainability Report
	401-1	New employee hires and employee turnover	Page 18 of Sustainability Report
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 19 of Sustainability Report
	401-3	Parental leave	Page 19 of Sustainability Report
GRI 403: Occupational Health and Safety	DMA	Disclosure of Management Approach	Pages 20 to 21 of Sustainability Report
	403-1	Workers representation in formal joint Management-Worker Health and Safety Committees	Page 20 of Sustainability Report
	403-2	Types of injury and rate of injury	Page 22 of Sustainability Report
	403-3	Workers with high incidence or high risk of diseases related to their occupation	Page 22 of Sustainability Report



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