Leader Environmental Technologies Limited
利德环保技术有限公司

Sustainability Report 2019

Table of Contents

About this Report ... 3
Board Statement ... 4
About LEN ... 5
Supply Chain Management ... 6
Key Stakeholders Engagement ... 7
Materiality Assessment ... 8
Targets and Strategies ... 9
Risk and Opportunities ... 10
Our Economic and Environmental Efforts ... 11
  Business Discipline ... 11
  Product Excellence ... 12
Our Social ... 13
  Occupational Health and Safety ... 13
  Response to COVID-19 ... 14
  Human Capital Development ... 15
Our Governance ... 16
  Code of Conduct ... 16
  Business Continuity Plan ... 16
  Board of Directors ("BOD") ... 17
GRI CONTENT INDEX ... 18
GRI SPECIFIC DISCLOSURE CONTENT INDEX ... 19

About this Report

This annual Sustainability Report ("SR" or the "Report") outlines the sustainability strategy, efforts and performance of Leader Environmental Technologies Ltd ("LEN", and together with its subsidiaries, the "Group") in the financial year ended 31 December 2019. It is aimed at stakeholders who want to learn more about our commitment and approach to business sustainability. Our strategies in addressing sustainability in our business is to continuously develop and improve our existing industrial wastegas technological treatment systems to meet the stringent requirements of the emission standards, and to expand our industrial wastewater business so as to create a long-term value for all our stakeholders. These strategies envelop the economic, environmental and social aspects of our business.

We stay focussed on the 4 material topics of our sustainability strategies which are aligned to our business priorities. We continue to identify and evaluate the impact of these topics highlighted in our previous Sustainability Report in 2018 through a materiality exercise in 2019 that considers the developments of our business and evolving stakeholder concerns.

In response to our stakeholders' expectations and for a better understanding of our performance, we continue to disclose the relevant information from previous years.

The Group has continued to adopt a phased-in approach and we have taken steps to further refine our practices to identify key environmental, social and governance ("ESG") factors that are material to the Group and our valued stakeholders. This Report describes management's roles and responsibilities over these ESG factors, together with the alignment of the Group's interests to the key needs and importance of our stakeholders.

This Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core Option, and with reference to Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules (711A and 711B): Sustainability Reporting Guide.

The content of this report has not been externally audited by independent parties. The Group may consider doing so when our reporting matures.

The GRI Content Index is identified at the end of this Report.

Feedback

We value feedback and encourage contributions and suggestions from all our stakeholders to enable continual improvement in our sustainability policies, processes and performance. You may contact Mr. Lim Poh Yeow, our Chief Financial Officer ("CFO").

Board Statement

The SR, already in its third edition, was prepared in accordance with the Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules and guidelines and the internationally accepted GRI Standards as a reporting framework. We did not seek any external assurance on the SR for the financial year ended 31 December 2019, but we may consider obtaining such assurance in the future. We encourage you to read this Report in conjunction with our Annual Report 2019 which provides important information about our operations and financial performance, as well as details about our corporate governance.

Management has taken the positive step to review previous year's ESG factors and we identified key ESG factors which are material to the Group and which are also of great interest to the stakeholders. We focus on managing these material ESG factors by aligning the Group's interests to the key needs and importance of our stakeholders. Certain policies and procedures are put in place to track the performance and progress of our sustainability efforts. With the evolving risks and the business challenges that the Group faces, management refines and updates these policies and procedures so that they remain relevant and effective in achieving the targets set, especially in face of the unprecedented coronavirus pandemic.

The Board acknowledges that the journey to sustainability is a long and on-going process. Each and every employee in the organisation has an important role to play. There is a need to constantly upgrade and enhance our technical knowledge and know-how, increase operational efficiencies and improve our capabilities so as to continuously deliver sustained value to all of our key stakeholders, while we pursue sustainable profitability for our business.

Last but not least, we express our appreciation to our management and staff for their hard work and dedication in 2019 including the preparation of this Report, and we thank our shareholders, customers, business partners and other stakeholders for your kind support.

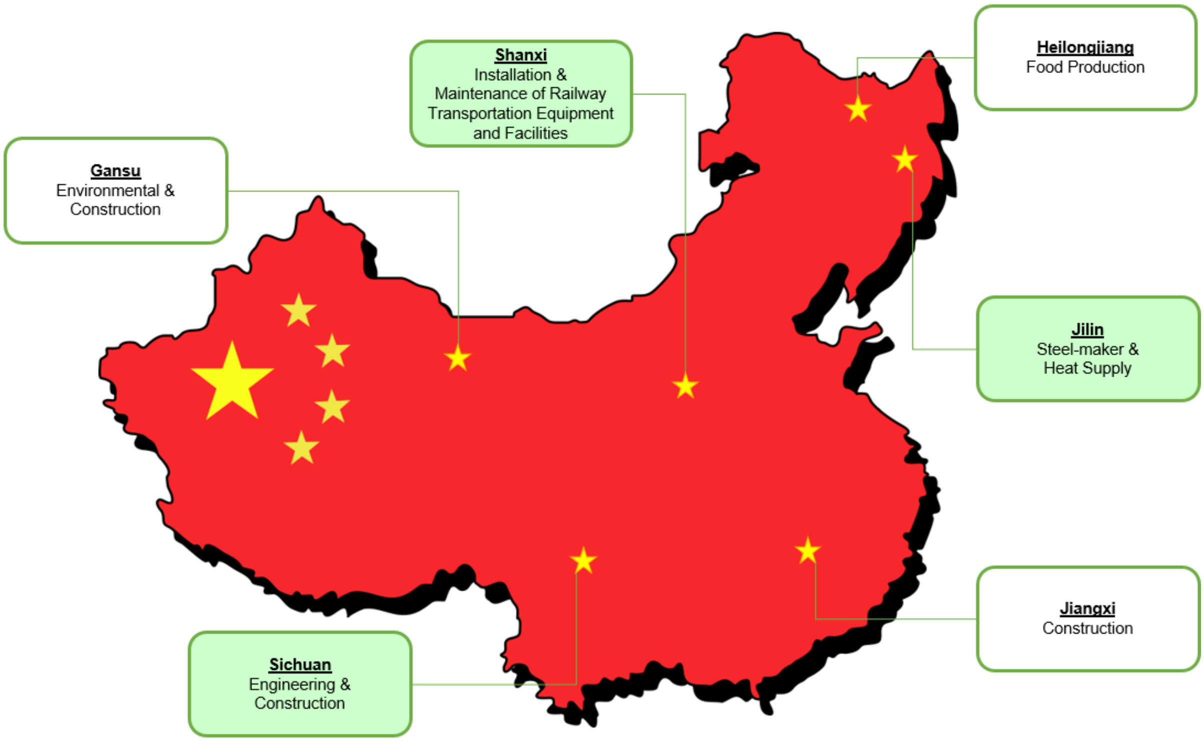
On behalf of the Board
Lin Baiyin
Executive Chairman and CEO

About LEN

The Group's customer base for financial year ("FY") 2019 remains similar to FY 2018. We stay focussed on operating our businesses in the northern regions of the People's Republic of China ("PRC"), looking to explore the markets in Shanghai and Fuzhou regions and expanding our roles in contributing to a greener environment in the areas that we operate in.

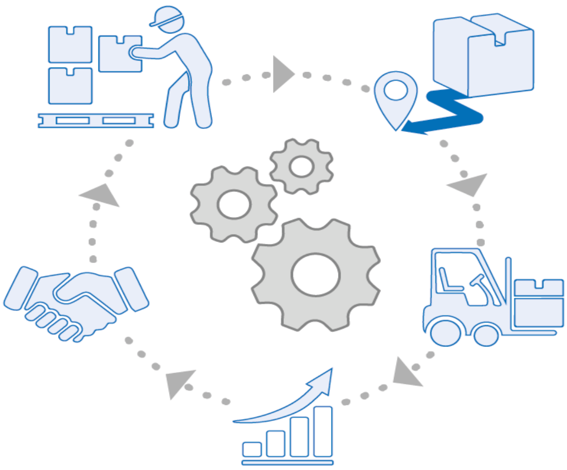
We are listed on SGX-ST and headquartered in Singapore. Our head office in China is located in Changchun, Jilin province and we serve a wide variety of clients spanning across different sectors and industries across the nation. Our markets served includes:

Figure 1: Our markets served



Our Group's activities are largely confined to engineering, procurement and construction contracts to design, fabricate, manufacture and install environmental protection systems primarily for industrial wastegas and wastewater treatments. In addition, we do offer maintenance services for the systems, primarily for the treatments of industrial wastegas and wastewater, that we built for customers who wish to focus their operations and resources on their core businesses.

Supply Chain Management



The Group's main suppliers comprise subcontractors and suppliers of raw materials to our business operations. Subcontractors are normally engaged for scavenging, excavation, installation and other civil engineering works that are required for our projects. Our subcontractors are selected based on experience, expertise and service quality amongst other factors, for responsible and ethical procurement. On suppliers, we perform background checks on their reputation, financials, product quality and delivery lead time before entering into any transaction with them.

Some of our contracts with suppliers and subcontractors are back-to-back contracts with our customers. The payment terms to our suppliers for raw materials and to our subcontractors mainly correspond to the payment terms in the contract with our customers which are based on percentage of completion or milestones. We are committed to build a sustainable and responsible supply chain through our procurement policies which provide guidelines on the selection of suppliers and our procurement process.

Key Stakeholders Engagement

We strive to foster a lasting relationship with our valued stakeholders by understanding their key concerns and addressing them accordingly. To communicate well is to understand, and be understood.

We continue to communicate with our key stakeholders with our identified platforms with no changes from the previous reporting year as illustrated below:

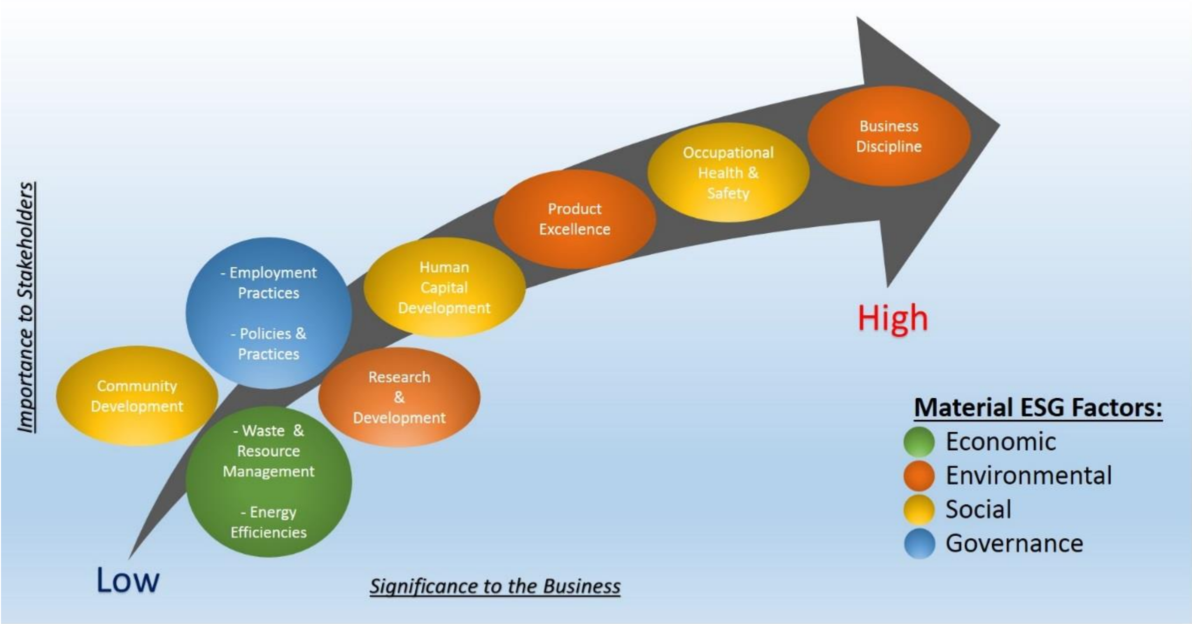
Figure 2: Key Stakeholders Engagement

Materiality Assessment

The Group adopts the same approach as disclosed in our prior years' sustainability reports. We continue to evaluate the materiality of the sustainability topics based on the ESG factors affecting our business and operating environment.

With the use of questionnaires, we stay focussed on our key ESG factors and material topics for monitoring and disclosure. We sought concurrence with our Sustainability Committee led by the Group's Deputy General Manager to validate our prioritisation of ESG factors and present them in the illustration below:

Figure 3: Material ESG factors



The ranking of our ESG factors continues to be based on the same two parameters: importance to key stakeholders and impact on the Group's business. The Group places additional emphasis on occupational health and safety due to the recent development of the Coronavirus Disease 2019 ("COVID-19") as addressed in our "Response to COVID-19".

Our ranking of the existing topics remains unchanged since there are no significant changes to our business environment. We stay focussed to address our material topics in "Our Economic and Environmental", "Our People" and "Our Governance" section of this Report.

Targets and Strategies

We categorised our current year's targets and strategies against prior year's targets as illustrated below:

Figure 4: Targets and strategies

Key ESG Factors	Prior year targets	Present year strategies	Present year targets
Business Discipline	Explore public-private partnership projects with third-parties, financial institutions and government agencies. We are targeting wastewater related projects which have reasonably higher margins and their operation and maintenance segments will provide regular, stable and long-term cash flows to the Group. The Group will evaluate the financial and operational requirements before deciding on whether to venture into such partnerships.	Improve the Group's cash flows by constantly following up with customers to expedite final settlements of projects, and to embark on larger scale industrial wastewater and wastegas projects which offer better profit margins. Improve Group's revenue and operating results by completing remaining on-going 6 industrial wastewater and 1 dust elimination contracts from FY2019 amounting to approximately RMB68.0 million.	Explore public-private partnership projects with third-parties, financial institutions and government agencies with detailed evaluation over the financial and operational requirements prior to venturing into the partnerships.
Product Excellence	The Group endeavours to keep up its efforts in retaining the above positive attributes so that we can continue to play a pivotal role in helping customers to substantially reduce emissions of harmful and toxic gases into the environment.	Maintain consistency with our robust project attributes to play a pivotal role in helping customers to substantially reduce emissions of harmful and toxic gases into the environment. Commit resources for research and development activities by sending employees to industry events, seminars or conferences to obtain latest updates and availability of new products in the market.	Maintain consistency with our robust project attributes to play a pivotal role for customers in reducing emissions of harmful and toxic gases into the environment. Continuous commitment of resources into our Research and Development activities to stay ahead of our competitors in this rapid changing business environment.
Occupational Health and Safety	Our approach to OHS is largely influenced based on prevention. Our target is to achieve zero-accident which we have achieved again this year.	Maintain zero incident via continuous compliance with our Occupational Health and Safety ("OHS") Management system and proactive approach to identify potential threats. Strictly adhere to government measures over limiting the risk of exposure to COVID-19.	Maintain zero accident rate by continuous compliance with our stringent policies in place.
Human Capital Development	The Group sees succession planning as a key aspect of our talent management strategy and our long-term sustainability. With a majority of our key executive officers at near or past their retirement age, the Group knows and understands the critical need to rejuvenate the team with younger members.	Bridge the knowledge gaps by sending employees for periodic trainings. Build cohesive working team by identifying leaders and commit to nurture them to create a positive working environment for the team.	Retain talents and raise employees' competency level by conducting regular trainings. Stay focussed to build a cohesive working team to achieve goal congruence and business objectives.
Corporate Governance	Adherence to the revised Code of Corporate Governance 2018.	Uphold best practices in corporate transparency, strict adherence to legislations and environmental laws to protect the interests of our valued stakeholders through continuous efforts of strengthening the Group's policies and manage risk efficiently.	Commit resources to revamp its corporate website for shareholders to be kept informed on the business developments of the Group. Maintain compliance with the mandatory listing requirements and revised code of corporate governance.

Risk and Opportunities

Continual evaluation of the Group's risks and opportunities remains crucial to recalibrate the Group's risk tolerance and risk management in a timely manner. Below illustrations address the Group's approach over the identified risks and opportunities based on the material ESG factors:

Figure 5: Risk and opportunities

Our Economic and Environmental Efforts

The Group consistently seeks to incorporate environmental and economic efforts in our sustainability strategy. Due to the nature of business, the Group evaluates the impact on environmental damage for every economic decision and constantly seeks innovation and enhancement in our processes to future-proof our business in this rapidly changing environment, and preserve resources for our valued future generation.

Our efforts and performance in 2019 are elaborated below:

Business Discipline

During the current reporting year, the Group remains focussed on improving the Group's revenue and cash flow by adopting the following strategies:

Business Sustainability

The Group proactively engages its customers to expedite the final settlements of projects and improve the Group's cash flows. The Group targets to complete the six on-going industrial wastewater and one dust elimination contracts amounting to approximately RMB 68.0 million before November 2020.

Potential Collaborations

The Group strives to maintain their reporting year target by exploring public-private partnership projects with third-parties, financial institutions and government agencies. They are targeting wastewater related projects which have reasonably higher margins. To lessen risk exposure, the Group will evaluate the financial and operational requirements before deciding on whether to venture into such large-scale partnerships. For example, the Group placed a refundable tender deposit of RMB 25.0 million for a project relating to a large-scale industrial wastewater plant in the second quarter of 2019, but the award of the tender was unfortunately delayed due to the recent COVID-19 pandemic. Upon award of the tender, additional detailed assessment and evaluation of the market condition will be performed to make informed decisions on the project due to the economic uncertainty brought by the COVID-19 pandemic.

Product Excellence

Product excellence is a key aspect of our business. There are no changes in the following project characteristics as prescribed below as we continue to focus on our Research and Development ("R&D") activities:

Figure 6: Project attributes

Higher Treatment Efficiency Rates and Lower Emission Rates

- Our dust elimination and desulphurisation systems have wastegas treatment efficiency rates of up to 99.9% and more than 90%, respectively. Both systems have the capabilities of achieving emissions of 10 mg/Nm^3 and 35 mg/Nm^3, respectively, which are significantly lower than the stipulated national emission standards of 30 mg/Nm^3 and 200 mg/Nm^3, respectively.

Simple & Compact

- The simplicity and compactness of our dust elimination and desulphurisation technological systems help our customers save space when these systems are constructed with the new power plants or industrial boilers as they can be easily fitted into the old or existing power plants and industrial boilers, which typically have limited space.

Longer Shelf Life of Fabric Dust Bags

- The fabric dust bag of our dust elimination system is durable and can be used for a longer period of time. Costs of maintenance for both systems are low.

Lower Energy Consumption

- The systems in operation consume lesser energy.

Prior to project completion, the Group performs on-site testing of the dust elimination and desulphurisation technological systems to ensure that the systems fall within the limits of regulatory requirements. Nevertheless, the Group strives to commit their resources to enhance existing features and/or develop new technologies to stay competitive.

The Group remains a member of the Provincial Environmental Protection Industry Association of the Jilin province ("Association"), with the primary objective of mandatory compliance with local laws and regulations with relevant governmental decisions within the province they operate.

Our Social

Sustainability is fully embedded in LEN's values, which is reflected in how we enable innovation for our customers, as well as in the way we operate as one team of 52 engaged employees around the region.

Occupational Health and Safety

Health and safety remain the most fundamental part of the Group's sustainability efforts. The Group aims to do its utmost to create a work environment that is based on the consideration of the employees' mental and physical well-being.

The Group also works to strengthen its occupational health and safety management system to be in line with its goal of eliminating occupational accidents as discussed in our last Report. The Group raises safety and awareness by setting up a list of programmes to strengthen its occupational health and safety management system. This management system covers all employees at their respective workplace.

Pre-employment training is one of the activities rolled-out. This takes on a critical role to the well-being of the employees since their nature of work exposes them to unlevelled construction sites and manoeuvre of equipment and machineries at work.

Additional supervision and guidance from competent and qualified project managers are scheduled to be on-site of work, especially in a case whereby specialised machinery is required to be used and on-site evaluation on the suitability for project usage.

With our preventive health and safety measures in place, the Group again achieved their goal of zero occupational accident during the financial period of 2019. The Group appreciates the effort put in by the employees to actualise this goal.

Response to COVID-19

In light of COVID-19, the Group strictly adheres to the guidelines established by the PRC government on work performed at construction sites.

The employees were tasked to stay within their household to minimise contact during this period of pandemic. In an extra effort placed by the Group, strict compliance with the guidelines set out by the government and additional measures are duly in place to protect employees upon their return to the work place.

Mandatory use of masks and hand sanitisation of workers on project sites

Mandatory temperature taking exercise

These include the distribution of masks and disinfectants to all employees and measurement of each employee’s body temperature daily before commencement of work at project site and in office. In addition to the above measures, regular cleaning and disinfection of office premises is conducted.

The quarantine imposed (i.e. restrictions on human and vehicle movements) during the winter period (i.e. November to April) posed no significant impact on the Group's operations as there was minimal work performed.

Human Capital Development

The Group believes that human resources are the Group's vital assets. The Group stays focussed on enhancing one's skill set and work environment, enabling employees to maximise their potentials and capabilities, to drive long term success.

Ensuring the sufficiency and relevance of training and education received by our employees is critical to bridge the knowledge gaps between employees. The Group conducted training and education courses for their employees. During the reporting year, all employees attended training courses catered to them according to the skill sets required for their roles.

Figure 7: Training hours

Trainings conducted during FY2019

Technical (35 Hours)	Finance (57 Hours)	Administration (2 Hours)
• Gongzhuling City, Hong Sheng Thermoelectricity Training • Lanzhou City, Haishiwan Town, On-site Training on Wastewater Treatment Plant	• Discussion Meeting on Bureau Tax and Fees Adjustment Policy • Annual Training on Settlement of Tax and Payment. • Jilin Province, Continuing Education for Accounting • Continuing Education for Certified Accountant	• Changchun City, Notice of Adjustment to Social Insurance Payment Policy

We aim to maintain our committed training hours and heighten employees' skill sets through continuous evaluation of the efficacy of the course programmes and the stipulated training hours.

The Group has set the target of succession planning as a key aspect of our talent management strategy and long-term sustainability during the financial year of 2018. With a majority of our key executive officers at near or past their retirement age, the Group understands the importance of rejuvenating the key management team and to upgrade the employee with the latest skill set and knowledge that is in par with current industry standards.

In December 2019, we are pleased to announce the on-boarding of the two senior appointments for the Sales and Finance department for the position of Vice President of Sales and Finance cum General Manager.

The Group has been directing its focus to build a cohesive performing team which work well together and grow our business. We strive to identify future leaders amongst the team and we stay committed in providing resources to nurture them.

Our Governance

With the evolving risks and the business challenges that the Group faces, management needs to fine-tune and update these policies and procedures so that they remain relevant and effective in achieving the targets set.

The Board of Directors will continue to uphold their overall responsibility with close monitoring of the internal control measures in place. Policies and procedures, coupled with our corporate governance framework, are put in place to track the performance and progress of our sustainability commitments. We continuously conduct periodic evaluation of our existing policies and procedures to stay relevant in this dynamic business environment.

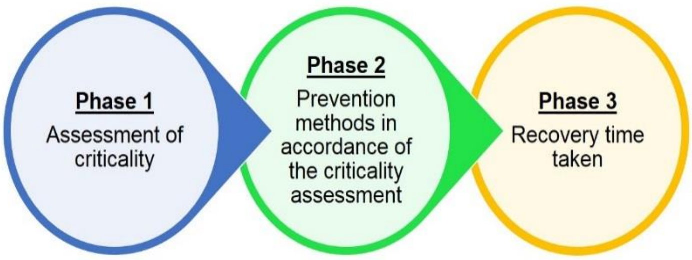
Code of Conduct

The Group recognises the importance of upholding a high standard of corporate governance. An ethical corporate environment is essential for good corporate governance practice, as this will protect the interests of the shareholders and promote investors' confidence.

The Group has placed the Code of Conduct as a cornerstone for effective governance in the business. Our Code of Conduct provides clear guidelines to our employees on acceptable standards of ethical behaviour and raises the employees' awareness of their corporate and social responsibilities towards shareholders and the expected strict adherence to the Company's established guidelines.

Business Continuity Plan

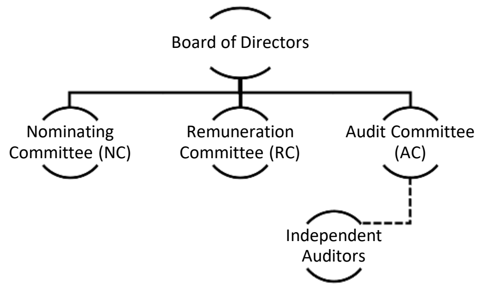
Figure 8: Phases of assessment



The Group's BCP sets out various potential scenarios that could impact the continuity of the business in times of emergency and segregate the level of criticality within each occurrence. It further details the recovery plan and establishment of instructional guidance to allow the stakeholders to put them into action. To adhere to the standards as set out within the industry, the Group is committed and has since rolled out the disaster recovery testing during the financial year of 2019 in the following phases as prescribed in the diagram.

Board of Directors ("BOD")

The board of directors has formed a Strategic Review Committee ("Committee"), which comprises the Directors and the CFO, led by the newly appointed Executive Director, Dr. Lin Yucheng, a key member in the committee with expertise and substantial experience in the water and wastewater treatment industry.



The objective of the Committee includes driving the strategic direction, innovations and initiatives of the Group by making recommendations to the Board and strengthen the Group's existing business.

We express our warm welcome to our newly appointed Independent Non-Executive Directors, Mr. Liu Kaiyi and Mr. Lim Kuan Meng. We also express our gratitude to both of our resigned Independent Non-Executive Directors, Ms Zhai Guihua and Mr. Goh Kay Seng Edwin for their contributions to the Group. With our new board composition, the Group is committed to protect the interests of stakeholders by upholding best practices in corporate transparency and timely disclosures, in accordance to legislations and environmental laws.

The Group strives to strengthen its internal controls and risk management policies and procedures, in adherence to the latest corporate governance standards.

The Group also aims to place the emphasis on resource commitment to revamp the corporate website so that shareholders can be kept informed on the business developments of the Group.

Refer to www.sgx.com for latest updates of our Company's announcement.

GRI CONTENT INDEX

GRI No.	Description	Page or direct references
GENERAL DISCLOSURES		
Organisational profile		
102-1	Name of the organisation	LEN Ltd.
102-2	Activities, brands, products, and services	Pg. 5
102-3	Location of headquarters	Pg. 5
102-4	Location of operations	Pg. 5
102-5	Ownership and legal form	Pg. 5
102-6	Markets served	Pg. 5
102-7	Scale of the organisation	Pg. 13
102-8	Information on employees and other workers	Pg. 13
102-9	Supply chain	Pg. 6
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Pg. 16
102-12	External initiatives	No external initiatives
102-13	Membership of associations	Pg. 12
Strategy		
102-14	Statement from senior decision-maker	Pg. 4
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Pg. 16
Governance		
102-18	Governance structure	Pg. 16
Stakeholder engagement		
102-40	List of Stakeholder Groups	Pg. 7
102-41	Collective bargaining agreements	No Collective Bargaining Agreement
102-42	Identifying and selecting stakeholders	Pg. 7
102-43	Approach to stakeholder engagement	Pg. 7
102-44	Key topics and concerns raised	Pg. 7
Reporting practice		
102-45	Entities included in the consolidated financial statements	This is adopted in the FY 2019 Annual Report
102-46	Defining report content and topic Boundaries	Pg. 5
102-47	List of material topics	Pg. 8
102-48	Restatements of information	None
102-49	Changes in reporting	None
102-50	Reporting period	January to December 2019
102-51	Date of most recent report	31 May 2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Pg. 3
102-54	Claims of reporting in accordance with the GRI Standards	Pg. 3
102-55	GRI content index	Pg. 18
102-56	External assurance	None

GRI SPECIFIC DISCLOSURE CONTENT INDEX

Our People		
GRI No.	Description	Page or direct references
Occupational Health and Safety		
403-1	Occupational health and safety management system	Pg. 13
403-3	Occupational health services	Pg. 13
403-5	Worker training on occupational health and safety	Pg. 13
403-6	Promotion of worker health	Pg. 13
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pg. 13
403-8	Workers covered by an occupational health and safety management system	Pg. 13
Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	Pg. 15