THE HOUR GLASS

SUSTAINABILITY REPORT 2018

Contents

Board Statement

The Board is pleased to present the inaugural Sustainability Report for The Hour Glass Limited (the "Company") and together with its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2018 ("FY2018"). As we continue our journey to become the watch world's leading cultural retail enterprise, the Group is aware of how our business practices impact the environment and communities we operate in.

With the introduction of mandatory sustainability reporting for all listed companies on the Singapore Exchange Securities Trading Limited ("SGX-ST"), our Group views this report as an opportunity to share our current practices as we seek to embed sustainability into our day-to-day operations. The Board strives to align the Group's strategic policies and practices with leading standards in the Environmental, Social and Governance ("ESG") themes.

Regulatory Compliance, Training and Talent Management and Security of Information, have been identified as our material ESG matters. The Board has overseen and monitored the management of these sustainability matters.

As we commence our sustainability journey, the Group reiterates our commitment towards sustainability practices and assures our stakeholders that we will continue conducting our business in a rational, transparent and sustainable manner.

Introduction

About The Hour Glass

The Hour Glass Limited (Co Registration: 197901972D) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Having pioneered the awareness and appreciation of horological culture, the Group endeavours to be the watch world's leading cultural retail enterprise, making it the primary port of call for all enthusiasts and collectors alike.

The Group is proud to be the official retailer for a thoughtfully curated selection of the world's finest watch brands. Our products are supplied from both local and overseas distributors. The Group has further augmented its retail offerings to provide an uniquely immersive retail experience with the advent of our thematic salons and a team of highly knowledgeable watch specialists. The Group's boutiques are strategically located in the main retail corridors of Singapore, Malaysia, Thailand, Vietnam, Hong Kong, Japan and Australia.

About the Report

This is the Company's inaugural sustainability report. This report attempts to encapsulate our approach and performance in managing significant ESG matters for our business. The sustainability report has been prepared in accordance with the Global Reporting Initiatives ("GRI") Standards – "Core" option.

The scope of this inaugural report covers our retailing and distribution of watches and related products in Singapore[1]. The data displayed in this sustainability report covers the period from 1 April 2017 to 31 March 2018 ("FY2018"), while comparative data from 1 April 2016 to 31 March 2017 ("FY2017") has been incorporated wherever possible. The Company has not sought external assurance for this inaugural report, however we may consider doing so for future report.

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[1] The retailing and distribution of jewellery has been excluded from the coverage of this report as the scope and contribution of this business is not material to the Group.

Sustainability at The Hour Glass
Governance Structure

A Sustainability Committee, comprising key employees from relevant departments, has been established to review the Group's sustainability performance. The Committee is overseen by the Chief Financial Officer ("CFO"), who reports directly to the Board of Directors. The CFO is supported by the working committee, comprised of representatives from various departments.

Figure 1: THG's Sustainability Committee
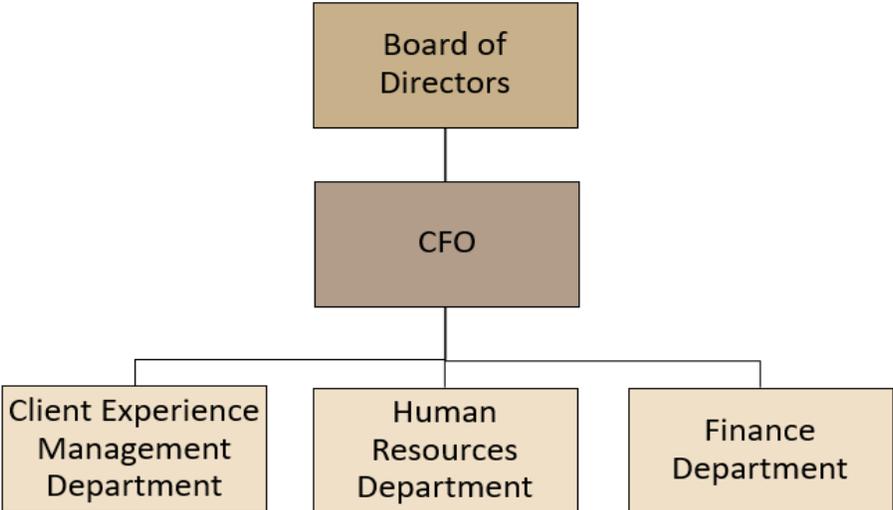
Stakeholder Engagement

The Hour Glass seeks to maximise value for all its key stakeholders. The Group proactively reaches out to understand the key concerns of all stakeholders and seeks to address these concerns by engaging them on a regular basis, the results of which are summarised in the table below.

Table 1: Stakeholder engagement table

Engaged Stakeholder Group	Key Concerns raised by Stakeholder Group	Modes of Engagement	Frequency of Engagement	The Hour Glass' Response
Shareholders/Investors	▪ Profitability and Performance ▪ Relevant results and information about the Group are provided on a timely basis	▪ Annual General Meeting ("AGM") ▪ Annual Report	Yearly	▪ Announcements on quarterly and annual results, material transactions, and other developments related to the Group are released on SGX-ST via SGXNET on a timely basis
		▪ Announcement of quarterly financial results	Quarterly	
		▪ Corporate announcements on SGXNET	Ongoing	
Employees	▪ Job security and fair remuneration ▪ Career progression, training and upgrading of skills ▪ Workplace safety	▪ Performance appraisals	Yearly	▪ Conduct performance evaluation and reward staff members with appropriate recognition based on acquired KPIs ▪ Talent Management policy in place to identify and develop talents, and to ensure they acquire the desired skills and knowledge ▪ Enhance specific safety measures and awareness at workplace: Staff participation in Community Emergency Preparedness Programme
		▪ Induction and Orientation programme for new staff members ▪ Training, workshops and seminars on developing product knowledge, and technical and soft skills ▪ Team lunch sessions between staff and Exco Team to gather staff's feedback on issues and challenges at work	Ongoing	

Engaged Stakeholder Group	Key Concerns raised by Stakeholder Group	Modes of Engagement	Frequency of Engagement	The Hour Glass' Response
Customers	▪ Excellence in service ▪ Good product quality ▪ Good product knowledge offered by trained Watch Specialists ▪ Unique retail experience ▪ After-sales service	▪ Client Experience Management ("CEM") system to manage customer enquiries and feedback ▪ The Group's website showcasing a rich collection of articles and videos on horology ▪ Engaging with customers through events and workshops	Ongoing	▪ Prompt response to customers' enquiries and feedback in a professional manner ▪ Renovate, refurbish and upkeep the Group's boutiques to improve and enhance customers' shopping experience
Suppliers	▪ Conduct of business ▪ Prompt payment ▪ Provision of retail environment that is in line with the brand positioning	▪ Correspondence through emails and phone calls ▪ Review meetings ▪ Appraisal of boutiques and merchandise presentation	Ongoing	▪ Code of Ethics and Business Conduct in place for all suppliers and subcontractors to be treated with fairness and integrity ▪ Renovate, refurbish and upkeep the Group's boutiques to be in line with the brand image
Government/Regulators	▪ Regulatory compliance ▪ Timely reporting	▪ Raising awareness on any change in regulatory rules by attending workshops and seminars organised by relevant regulatory bodies ▪ Company Secretary updates listing rules and other regulations in board meetings	Ongoing	▪ Compliance with all relevant laws and regulations in place ▪ Commit to high standards of corporate governance

Materiality Assessment

Under the guidance of independent sustainability consultants, material matters for this report were assessed through a four-step materiality assessment process as detailed in Figure 2.

Figure 2: Materiality assessment process

1 **IDENTIFICATION**
A long list of Environmental, Social and Governance ("ESG") matters were identified through a desktop analysis of sustainability reports published by peers and interviews with key personnel from various departments.

2 **PRIORITISATION**
The identified ESG matters were rated and prioritised by representatives from the various departments. Both internal and external stakeholders' perspectives were taken into account during the prioritisation process.

3 **VALIDATION**
Material matters that were identified in step 2 were presented to the Board for their validation.

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

The results of the materiality assessment are presented in the materiality matrix in Figure 3. Three material matters were identified.

Figure 3: THG's materiality matrix
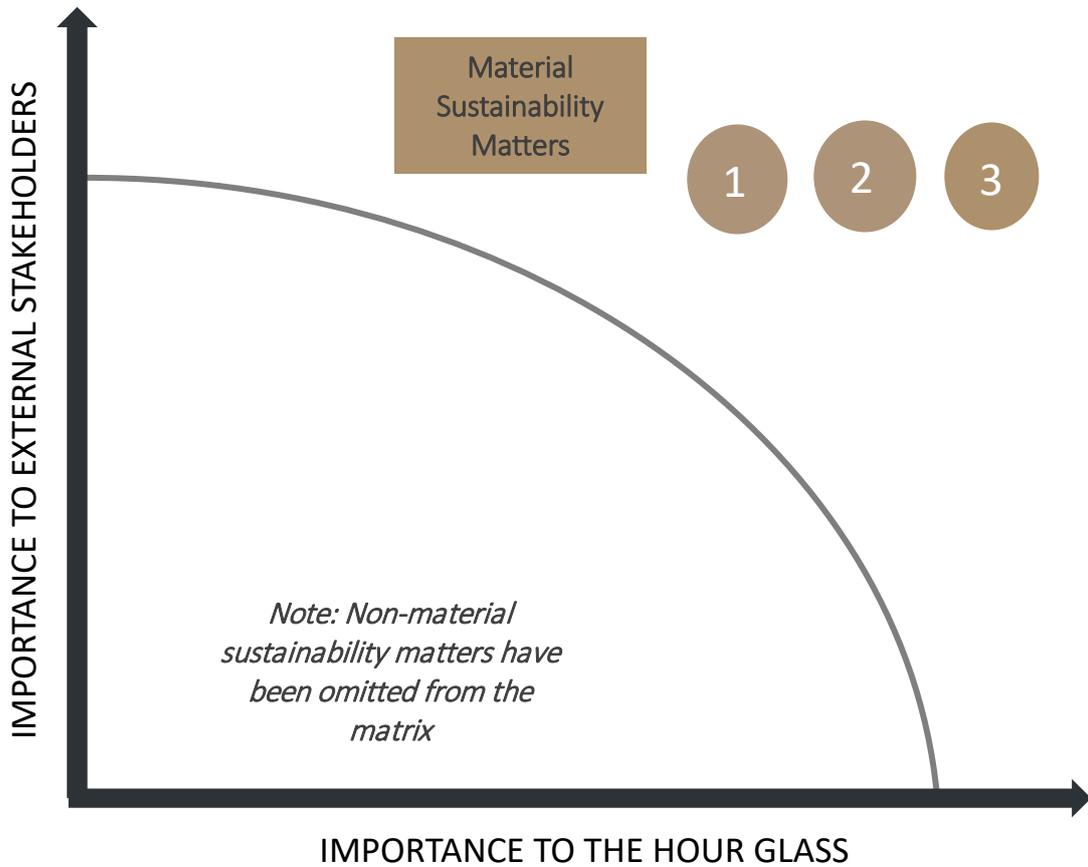
No	ESG Matter	Category	Mapping to GRI Disclosures
1	Regulatory Compliance	G	GRI 103: Management approach
			GRI 419-1: Non-compliance with laws and regulations in the social and economic areas
2	Training and Talent Management	S	GRI 103: Management approach
			GRI 404-1: Average hours of training per year per employee
3	Security of Information	S	GRI 103: Management approach
			GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data

Regulatory Compliance

Our key stakeholder groups expect us to ensure a high standard of corporate governance throughout the Group. Apart from exposing the Company's brand to adversity and reputation risk, non-compliance with the applicable laws and regulations may result in potential financial losses for the Group in the form of fines and penalties.

The laws and regulations relevant to the Group include the SGX-ST Listing Rules, Companies Act, Income Tax Act and GST Act, Employment Act, CPF Act, Code of Corporate Governance 2012 and Personal Data Protection Act.

Code of Ethics and Business Conduct

The Group has in place a Code of Ethics and Business Conduct that requires all personnel to act with utmost integrity, objectivity, and in compliance with both the letter and spirt of the law as well as with company policies and procedures. This code is available on the Group's intranet and is accessible by all employees. On top of the code, the Group also has a set of policies to provide guidance to employees on how they should conduct their business and uphold the code in specific circumstances.

Guidance provided on issues such as:
- Conflict of interest
- Procurement activity
- Integrity of records and accounting procedures
- Protection of proprietary information
- Workplace behaviour

Dealing in Securities

The Company has adopted an internal policy with respect to dealings in securities modelled on the SGX-ST's best practice recommendations. Directors and staff are to refrain from dealing in the securities of the Company during the periods commencing two weeks before the release of the Company's results for each of the first three quarters of its financial year and one month before and up to the date of announcement of the Company's full year results. Staff are cautioned against dealing while in possession of material price sensitive non-public information. They are also encouraged not to deal on considerations of a short-term nature.

Whistle-blowing Procedure

Staff may, in confidence, raise concerns about possible impropriety in matters of financial reporting, fraudulent acts or behaviour that might constitute a contravention of any rules, regulations or internal policies. The Audit Committee ("AC") oversees this policy, ensuring that procedures are in place for independent investigations and appropriate follow up actions. Reporting to AC Chairman is possible via a dedicated email account or by mail. The procedures for submission, the dedicated email address and the PO Box mail address are explained by way of a circular addressed to all employees of the Group and posted on the Group's intranet website.

Corporate Governance

More information on the Group's corporate governance policies and practices can be found in the Corporate Governance Report on pages 18 to 33 of the 2018 Annual Report.

The Board is entrusted with the overall management of the business affairs of the Company, and sets the overall strategy for the Group. The Board assumes full responsibility for matters pertaining to corporate governance. At the operational level, the senior management team which includes the Executive Chairman and the Group Managing Directors, provides decisiveness and clarity in the implementation of corporate policies and objectives.

The Group takes a proactive approach towards compliance. Some of the actions taken by the Group are detailed in Figure 4.

Figure 4: Practices to manage regulatory compliance

EMPLOYEES	INCOMING DIRECTORS AND SENIOR EXECUTIVES
▪ All new employees are briefed on the Code of Ethics and Business Conduct, and the Whistle-blowing policy during the orientation and induction programme. ▪ Regular updates are received from relevant authorities on changes to regulations. Staff members may also attend seminars to familiarise themselves with technical updates.	▪ Incoming directors and senior executives are furnished with information on the Group's corporate governance practices as part of their induction, orientation and training. ▪ Where necessary, the Group will arrange training for a first-time director in areas such as accounting, legal and industry-specific knowledge. ▪ Incoming directors and senior executives are updated on relevant developments, including revisions to accounting standards, listing rules, laws and regulations.

Figure 5: Evaluation of the management approach for regulatory compliance

MONITORING THE EFFECTIVENESS OF THE APPROACH	RESULTS OF MONITORING THE EFFECTIVENESS
• Established internal audit functions to conduct audits and review internal controls. • Developed and implemented a Board Assurance Framework with an Enterprise Risk Management Framework to identify significant risks facing the Group, their potential impact and likelihood, and effective action plans being taken to mitigate those risks.	• Audit Committee (AC) and the Board reviewed the effectiveness of the Group's internal controls in relation to significant risks, including financial, operational, compliance-related and information-based technology controls, as well as the risk management system and found them to be adequate and effective as of 31 March 2018.

Perpetual Target	Performance for FY2018
To achieve zero incidents of non-compliance with laws and regulations that would result in financially punitive measures	100% compliance or zero incidence of reported non-compliance with rules and regulations in FY2018. The Group will continue to strive to maintain this record.

Profile of Our Workforce

At The Hour Glass, we consider our employees to be one of our most treasured assets as they contribute to the success of our business. The Group is committed to ensure that we actively engage with, and retain our highly valued employees.

In line with the scope of this inaugural sustainability report, our Singapore watch retail and distribution operations involve a total of 240 employees in FY2018, a decrease from our workforce strength of 262 employees in FY2017. All our employees are full-time employees. Our workers[2] do not perform a significant portion of our business activities. In both FY2017 and FY2018, we hired only two contractors to provide cleaning services for our office.

Figure 6: Employees by gender

EMPLOYEES BY GENDER FOR FY2017 — 40% — 60%
■ Female ■ Male

EMPLOYEES BY GENDER FOR FY2018 — 37% — 63%
■ Female ■ Male

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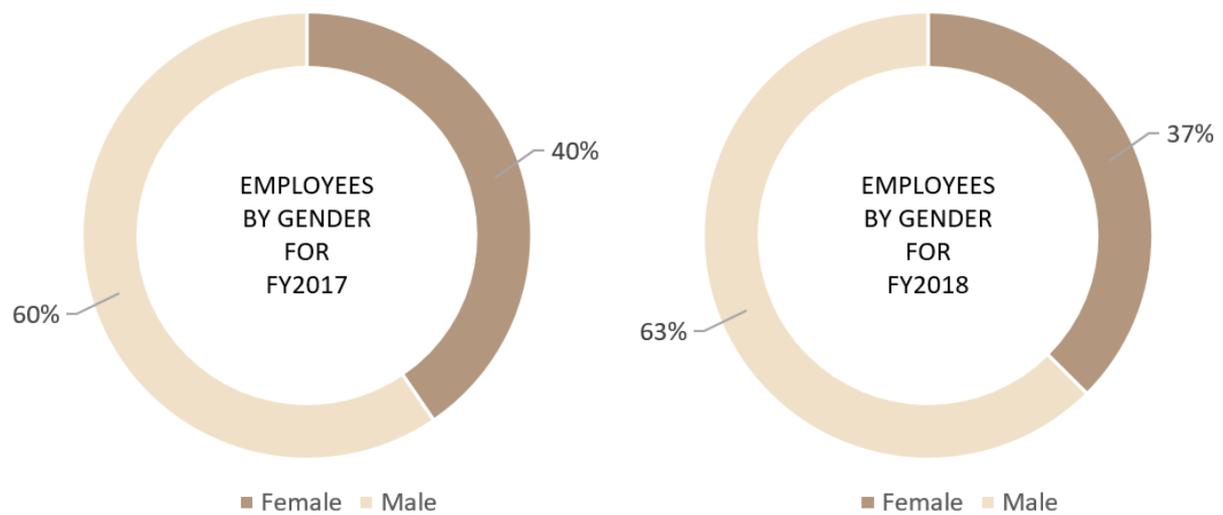
[2] Referring to non-employees.

Training and Talent Management

Training and talent management is essential to ensure the continuity of the Group's talent pipeline and bench strength at The Hour Glass. A robust and structured approach to managing and developing our talents guarantees the acquisition of desired management skills, knowledge and abilities that are in tune with essential competencies required from managers of the 21st century. This also ensures that our employees are engaged and more motivated to work towards the Group's business goals.

The Group is committed to hire, manage, develop and retain our most talented employees. This commitment arises from the need for a newer and younger generation of managers who are digitally inclined and service-oriented, to cope with the rising expectations of new and younger watch buyers. The Hour Glass identifies Prospective Managerial Candidates ("PMC"), talents who can take on managerial roles within the next three to five years as a result of their positive personality attributes and good sales performance. The Group has a Talent Management and Development Policy that outlines the critical activities covered under the "PMC Talent Development Programme", including the recruitment and development of these PMCs. The programme is overseen by the Regional Learning and Development Manager. Some of the details of the programme are shown in Figure 7.

Figure 7: Details of the PMC Talent Development Programme

PMC Talent Development Programme

- PMCs have to undergo a PMC Talent Development Programme which lasts 36 months
- Senior management members are assigned as mentors to PMCs
- Retail managers are assigned as coaches to PMCs
- PMCs to be attached to corporate departments for a defined period to gain cross-department exposure
- PMCs have access to a digital learning platform and have to complete a minimum number of learning modules which adds up to more than 1,000 learning hours
- A minimum of 32 learning hours is dedicated to formal leadership training

For the rest of the employees who are not part of the PMC Talent Development Programme, they will have to undergo a Watch Specialist Programme which covers 12 months. This programme requires them to complete a minimum of 48 formal learning hours and more than 600 hours of e-learning study.

MONITORING THE EFFECTIVENESS OF THE APPROACH	RESULTS OF MONITORING THE EFFECTIVENESS
• PMCs have a feedback avenue to allow them to raise concerns about any potential challenges they may be facing at work. This feedback avenue is a review session conducted twice a year with management personnel.	• Activities and programmes in the PMC Talent Development Programme are adjusted and moderated according to recommendations from the management team after every bi-annual evaluation is completed.
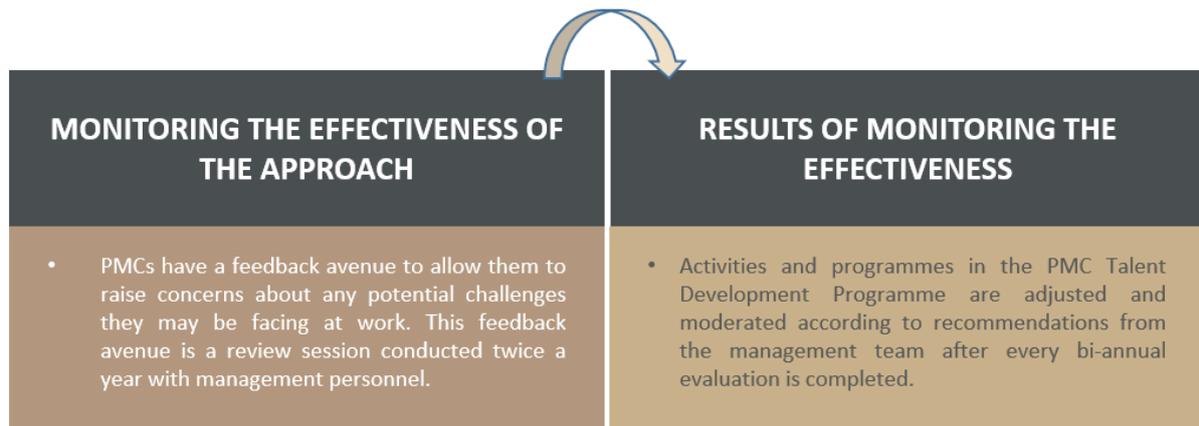
Targets for FY2019
To have a minimum of 25 PMCs in development.

Targets for FY2021
To achieve 20% PMC retention rate and at least to assume +1 level up promotion[3].

Figure 9: Average training hours by employee category and gender[4]
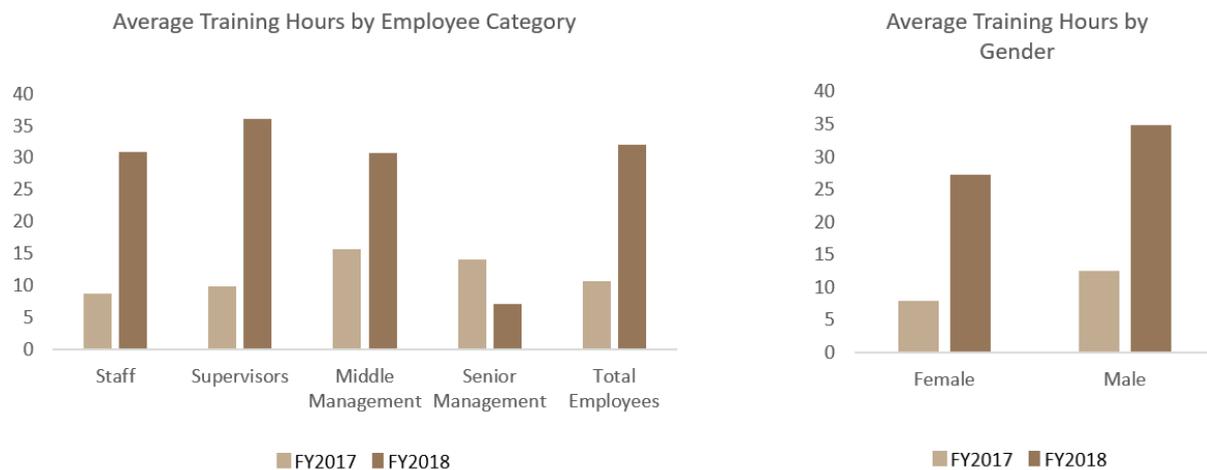
The significant increase in training hours recorded in FY2018 was due to the rollout of a series of service experience programmes. These programmes were designed and implemented for all our frontline employees as part of The Hour Glass' business transformation plans. Some of our new workshops include The Hour Glass Sales process, Telephone Etiquette and Brand Storytelling.

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[3] A "+1 level up promotion" refers to one level job grade promotion.
[4] The average training hours are calculated by taking the total number of training hours provided to that employee category or gender divided by the total number of employees of that employee category or gender.

Security of Information

Security of information is of utmost importance to The Hour Glass as we value and respect our customers' privacy.

We are committed to complying with the Personal Data Protection Act 2012 ("PDPA") and data protection laws. We have in place a Privacy Policy which we have made available on our corporate website[5]. The policy details the purposes of data collection, uses, disclosures and transfers of personal data. Details on how customers may access and correct their personal data and how they can make a privacy-related complaint can be found on the website as well. Any reported cases of non-compliance are assessed thoroughly. In cases where any risk or non-compliance is identified, the team will be 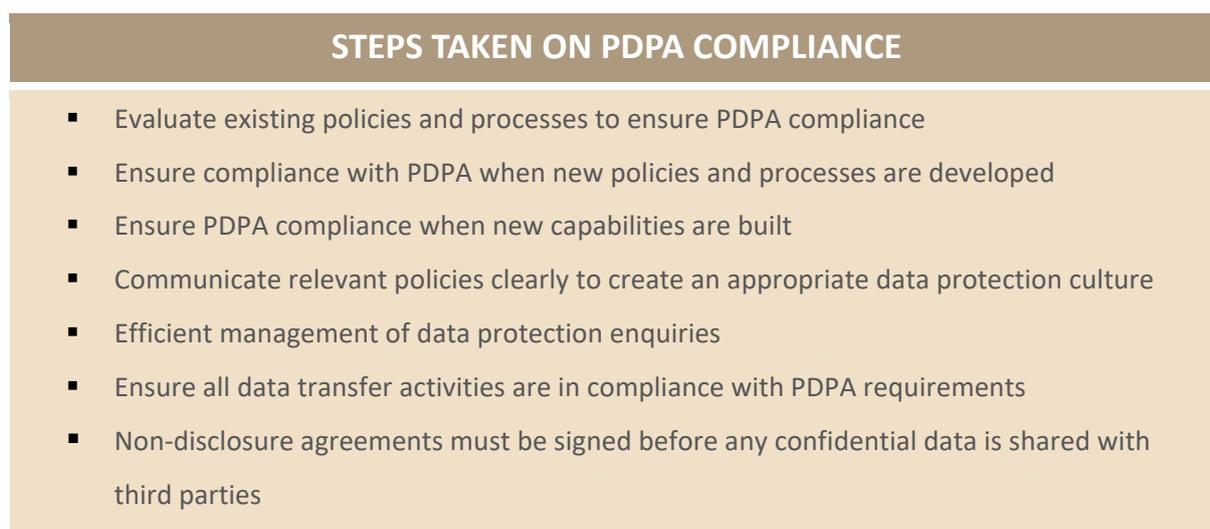re-educated on the respective laws and regulations. In cases where the severity of non-compliance is high and could possibly involve a data breach, the Personal Data Protection Committee ("PDPC") is informed and necessary actions in line with PDPA are taken. The policy is overseen by The Hour Glass' Data Protection Officer ("DPO").

To ensure compliance with PDPA and prevent a breach of data security, the Group undertakes a series of steps which have been listed in Figure 10.

Figure 10: Steps taken on PDPA compliance

STEPS TAKEN ON PDPA COMPLIANCE
▪ Evaluate existing policies and processes to ensure PDPA compliance
▪ Ensure compliance with PDPA when new policies and processes are developed
▪ Ensure PDPA compliance when new capabilities are built
▪ Communicate relevant policies clearly to create an appropriate data protection culture
▪ Efficient management of data protection enquiries
▪ Ensure all data transfer activities are in compliance with PDPA requirements
▪ Non-disclosure agreements must be signed before any confidential data is shared with third parties

The Group also recognises that our stakeholders require continuous guidance in the area of data security. To keep our staff members informed and updated on this topic, the Group's Learning and Development scheme enables the DPO to provide training in this area. Furthermore, the team is currently working on an online quiz on PDPA to assess our employees' understanding on the subject.

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[5] https://www.thehourglass.com/privacy-policy/

Figure 11: Evaluation of the management approach for security of information

MONITORING THE EFFECTIVENESS OF THE APPROACH	RESULTS OF MONITORING THE EFFECTIVENESS
• The Group conducts internal evaluation of all departments handling sensitive data and educate them on various policies. For example, the marketing team may engage with third parties to communicate with customers and only those who have given their consent to have their data shared are included in the recipient list. For the finance department, they have to ensure that data shared with them, such as credit card details, are stored securely. • Any findings from the internal evaluation will be highlighted to the relevant departments who will have to rectify it with immediate effect. There will be a follow-up evaluation to ensure that corrective actions have been taken.	• Existing processes are aligned with obligations of PDPA. • Data shared among multiple departments is password-protected. • Contracts include a PDPA clause. • Terms and Conditions of Non-Disclosure Agreements ("NDAs") have been updated and teams have been educated on the fact that the NDA has to be signed before any data can be shared with third parties.

Perpetual Target	Performance for FY2018
To achieve zero incidents of non-compliance with PDPA and data protection laws that would result in financially punitive measures	100% compliance or zero incidence of reported non-compliance with PDPA and data protection laws in FY2018. The Group will continue to strive to maintain this record.

GRI Content Index

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102-8	Information on employees and other workers	Profile of Our Workforce	12
102-9	Supply chain	About The Hour Glass	4
102-10	Significant changes to the organisation and its supply chain	There were no significant changes to the organisation and its supply chain during the reporting year.	
102-11	Precautionary principle or approach	THG's 2018 Annual Report	25-26
102-12	External initiatives	Official Title Sponsor for the Ground Zero Run for Humanity 2017	
102-13	Membership of associations	Singapore Clock and Watch Trade Association Singapore Retailers Association Singapore National Employers Federation	
Strategy			
102-14	Statement from senior decision-maker	Board Statement	3
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102-16	Values, principles, standards, and norms of behavior	THG's 2018 Annual Report (page 33)	
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102-41	Collective bargaining agreements	None of our employees in Singapore are covered by collective bargaining agreements.	
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102-47	List of material topics	Materiality Assessment	8-9
102-48	Restatement of information	Not applicable as this is THG's inaugural sustainability report	
102-49	Changes in reporting	Not applicable as this is THG's inaugural sustainability report	
102-50	Reporting period	About the Report	5
102-51	Date of most recent report	Not applicable as this is THG's inaugural sustainability report	
102-52	Reporting cycle	Annually	

GRI Standard Disclosure Reference	Description	Section of Report/Reasons for Omission	Page Reference(s)
GRI 102: General Disclosures 2016			
Organisational Profile			
102-53	Contact point for questions regarding the report	You may contact Mr Ng Siak Yong, our Chief Financial Officer, at siakyong.ng@thehourglass.com or 6730 1180.	
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	5
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103-3	Evaluation of the management approach	Regulatory Compliance	11
GRI 419-1: Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic areas	Regulatory Compliance	11
Material Topic: Training and Talent Management			
GRI 103: Management Approach 2016			
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GRI 404: Training and Education 2016			
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Material Topic: Security of Information			
GRI 103: Management Approach 2016			
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103-2	The management approach and its components	Security of Information	15-16
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