ECOWISE HOLDINGS LIMITED

Sustainability Report 2018

Contents

1. Executive Summary

1.1 About ecoWise Holdings Limited

Founded in 1979, ecoWise Holdings Limited ("**Company**", and together with its subsidiaries, the "**Group**" or "**ecoWise**") is a leading integrated environment solution company that focuses on three (3) core business segments, namely (1) Resource Recovery, (2) Renewable Energy and (3) Integrated Environmental Management Solutions. Headquartered in Singapore, the Group has projects and operations which span across 3 countries – Singapore, Malaysia, and China. The Group combines its innovative expertise and cost-effective management through research and development. To date, the Group has managed many notable waste-to-energy and resource up-cycling projects, constantly positioning itself prominently in the waste management value chain and contributed to the development of sustainable environment solutions for the world.

The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**" or "**Singapore Exchange**"**).** For more information on the Group, please visit the Company's website at www.ecowise.com.sg.

1.2 Report Scope

The Group's approach towards sustainability is set out in our organisational mission, which includes (i) establishing awareness, propagation, promotion of use of environmental friendly products derived from recycled waste, (ii) establishment of best practices in coming up with innovative value-added products that are in harmony with ecological principles, and (iii) continuous research and development to create higher value for all stakeholders. This sustainability report ("**Sustainability Report**") outlines our practices in keeping our business sustainable amidst the challenging economic climate for the 12-month period from 1 November 2017 to 31 October 2018 ("**FY2018**"). This Sustainability Report will be based on three (3) material issues – Environment, Social and Governance ("**ESG**"). Key issues that are likely to have impact on the Group have been discussed, assessed from both quantitative and qualitative aspects and reviewed across the three (3) business segments of the Group.

1.3 Methodology

This Sustainability Report has been produced in accordance with the International Integrated Reporting Council's Framework ("**IR**"). We have chosen IR as the sustainability reporting framework as it brings greater cohesion and efficiency to the reporting process, and adopting 'integrated thinking' as a way of breaking down internal silos, reducing duplication and improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital. In this Sustainability Report, we focus on the identified material issues in determining the sustainability of our business. As this is our first Sustainability Report to all stakeholders, a Sustainability Steering Committee was formed on 1 November 2018, comprising department heads across the Group's business units, led by the board of directors of ecoWise ("**Board**" or "**Directors**"), to address all the sustainability material issues concerning the Group.

This Sustainability Report has not been externally assured. We welcome feedback from our stakeholders on this report at sustainability@ecowise.com.sg

2. Board Message

Dear stakeholders,

We are pleased to present ecoWise's inaugural Sustainability Report. Listed since 2003 on the Singapore Exchange, ecoWise has transformed itself from resource recovery provider to a pioneer in integrated waste management in Singapore. Aligning to the pressing topic of sustainability, ecoWise had the opportunity to convene with many partners to participate in the zero-waste movement with our global ecological footprint.

The topic of sustainability has become one of the top conversations today as we face rapid and significant environmental challenges. Being in the resource management business for over 40 years, we are not only heartened to see the growing awareness of our business but the committed people behind the scenes who fuelled our operations tirelessly. In this inaugural Sustainability Report, we are pleased to share with our stakeholders a perspective of our sustainability efforts.

Our business has expanded and evolved tremendously over the years to address the demand within the resource recovery segment. From industrial waste recovery to providing integrated environment management solutions in prominent sectors, we would like to provide a snapshot of ecoWise's endeavour on the business sustainability across our three (3) geographical segments – Singapore, Malaysia, and China.

In 2018, the Group experienced the impact of the slower economy. Despite the uncertain economic landscape in the coming year, investment returns continue to remain as one of our key priorities to our stakeholders. As part of our long term plan, strategic business review was undertaken in terms of operations efficiency, innovation in our services and retaining our talents in the industry within ecoWise. We hope this gives our stakeholders the confidence in recognising the long-term and sustainable benefits over the short-term gains.

As an active player in environment conversation, ensuring the success of the organisation in a sustainable and responsible manner is an imperative part of our organisation goals. On the operational front, safety remains the utmost important policy in our operations. Strict safety protocols are emphasized and regulated from time to time, without compromising our service delivery to our clients.

We believe steering a zero-waste society can be promoted by starting from the community. As part of our corporate social responsibility, through our sponsorship program to Tampines Rovers Football Club (TRFC), we distributed reusable bags at the football matches to encourage Singaporeans to take up the Green Challenge, reducing the use of plastic bags by promoting a conscious effort in daily lives.

Integration of sustainability in our strategic planning is a fundamental principle. ecoWise has achieved its success today because of various stakeholder groups, actively participating in the value chain we created. We strive to create an impact, but not limiting to what we do as a business for the environment. We are committed to building trust by being steadfast in our values when realizing the new frontiers in the coming years.

Beyond this Sustainability Report, we seek to expand our reporting boundaries in the next year to inform our stakeholders of our endeavours and commitments concerning the material issues the Board and Steering Committee have identified.

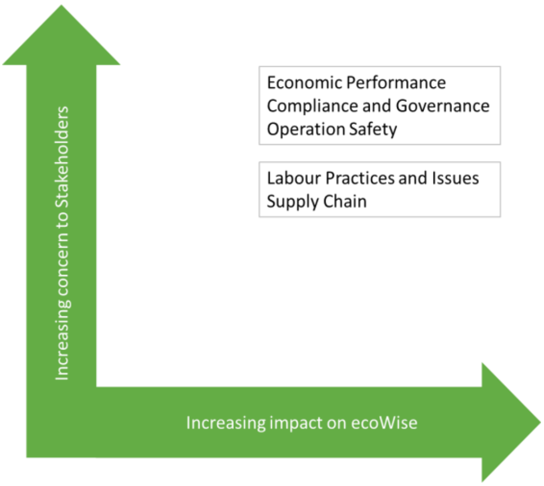
3. Sustainability evaluation

As ecoWise values the importance of business sustainability, a Sustainability Steering Committee was formed to identify, evaluate, prioritise and determine all sustainability issues concerning the organisation in a cohesive manner.

As this is the first Sustainability Report, we have adopted the IR framework in accounting for our sustainability development. Various materiality assessments were made based on the IR framework before we identify material issues on the 'ESG' factors that are significant and have an impact to our organisation and stakeholders.

The following material factors are determined after an internal evaluation of issues, risks, and opportunities corresponding to the sustainability objectives. This is aligned with the Group's business strategy set out in FY2018 and being the first Sustainability Report submitted for stakeholders' knowledge. This Sustainability Report aims to complement our 2018 annual report on the organisation's progress amidst the challenging outlook of the economy coupled with the growing interest of sustainability issues in the wider community.

The following factors will provide an overview of the Group's risks and opportunities that await us and will have an impact on our organisation.



Like every operating business, economic performance has a direct impact on the sustainability of the business when considering the operating maintenance costs and the ability to support investment opportunities. It is in ecoWise's interest to ensure the Group's financial performance and position can fulfil the organisation's endeavour in a top-down manner in tandem with a diversification of our supply chain and evaluation of capital costs from bottom up.

<u>Mission Statement</u> – As one of the leading organisations in the business of recycling, it is in ecoWise's agenda and interest to be in a business that is sustainable – an organisation that lowers the footprint of waste amidst continuing urbanisation and increases the awareness of the industry through its people and partners.

<u>Stakeholders</u> – ecoWise values all stakeholders including those not directly affected by financial returns. This includes employees, customers, business partners, government partners, and local communities. Creating value that impacts beyond our investors is critical to our vision of success. Hence, all stakeholders are recognised as interdependent capitals in our business.

In future reporting, we intend to refine our assessment of our value chain and our impacts as part of our sustainable development and stakeholder engagement on material priorities.

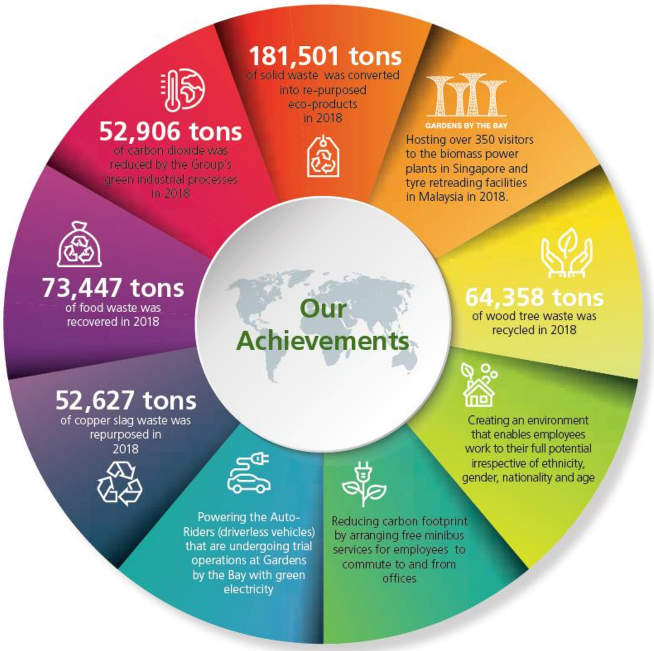
3.1 Environment

Our businesses are greatly influenced by the external environment. In line with the numerous green efforts' adoption today, we have achieved this by identifying gaps in the market and innovating solutions to optimise our outputs. For instance, we identified food supply company like Nestle in recycling spent grains (a by-product from their beverage production) into organic feeds for farm animals in the region, by using our biomass heat to dry the grains, resulting in a 100% green organic feed.

Across our different operations, our electricity needs are self-sustained via our own biomass power plant. This exemplifies the green effort within the operations and illustrates how ecoWise leads by example.

Since 2014, we have been awarded the **EQAIMS** business quality awards and have consistently been affirmed by the standards since then. This illustrates our commitment to manage our environmental responsibilities by complying with statutory and regulatory requirements, increased leadership involvement and consistent strategic incorporation of environmental issues into our business management. All in which, the efforts proved a systematic recognition that contributes to the environmental pillar of sustainability.

The **Green Label** backed our first bio compost, by meeting the criteria of the National Environment Agency. The accreditation certifies that our products are 100% pure organic which boosted our business as government-linked clients only accept products that carry the Green Label. Lastly, our Halal certification also meant that our spent grains can be accepted widely and benefit more agricultural partners.



It is integral in our business that we deliver the intended outcomes for our stakeholders that serve beyond the economic value. The benefits of the waste recovery go a long way for our future environment and value for our partners.

ecoWise is looking forward to work with more industry partners to embark on new collaborative efforts to innovate solutions. Strategic and genuine partnerships that align with ecoWise's mission will be identified to ensure impacts are responsible and measurable to all our stakeholders. Currently, this is a segment that ecoWise is actively looking to improve in our research and development department to keep up with technological advances and innovation beyond the borders.

3.2 Social

The waste management industry is generally regarded with a lower appeal as compared to other industries. To attract and retain talents can be a challenging task where non-monetary terms are often prioritised by employees. Hence, it is critical for us to place emphasis on employees' welfare and awareness of the company's impact to sustain one of the most important capital of the business.

For example, work safety is a top priority in all of ecoWise's operations. Policies are implemented to reinforce and ensure that employees are working in a safe environment. In addition, we provide safety induction training for new employees and also the drivers of our contractors and clients to familiarise themselves on the safety protocols while working with us.

Continuous development programme and certificate of competencies are also issued once a year for recommended staff based on their experience and tenure. This is to improve their skills on the job and allow them to excel and expand into a new scope of work. Housing and education loans are also rolled out to support deserving employees who require financial assistance in their personal development.

Employees are evaluated based on merit and also frequently given the opportunities to perform in other organisational functions so as to realise their full potential. This is especially so in the face of a dynamic working environment where employees are often encouraged to pick up multiple skill sets. As much as this may seem to be a challenging task, these opportunities are rolled out in a progressive manner to fulfil the overall human resource and capabilities development. Particularly in the waste management industry where a well-trained and readily available workforce is hard to come by, ecoWise believes that it is this type of on-the-job training and opportunities that will entice the 'Gen Y', which forms the bulk of the workforce in today's society.

For instance, in late 2018, we recognised the high percentage of low-income employees in the Group. As part of our corporate social responsibility and to provide a friendly and warm working environment for our employees, we opened the first staff canteen at our Malaysia's plant as an improvement of our employees' welfare by providing free or subsidised meals* to reduce their expenses. By aligning their interest with that of the Group, we believe that it will motivate them to give their best to the Group, including retaining their employment with the Group. We also believe in giving back to the society through sponsorship of charity events like 'Go For Your Mountains 2018', where Empower Ageing (a non-profit organisation) organised the inaugural event to encourage senior citizens (and together with their families and communities) to have an opportunity to explore the heights of Mount Faber in Singapore; and at the same time, promoting intergenerational bonding and empowering them to pursue their dreams. In 2019, we continued to give back to society, sponsoring tote bags, towels, as well as shuttle bus service between designated pickup points and Mount Faber for 'Go For Your Mountains 2019'.

*Assistant managers and below enjoy fully subsidised meals. The remaining levels only enjoy a 50% meal subsidy.

3.3 Governance

At ecoWise, the Board is committed to maintaining a high standard of corporate governance within the Group. The Board recognises the importance of practising good corporate governance as a fundamental part of its responsibilities to protect and enhance shareholder's value and financial performance of the Group.

Supplier Assessment & Supply Chain Social Responsibility

As a company with a public brand presence, we are held to the high expectations by our many stakeholders for our supply chain stewardship. Against the backdrop of providing environmental solutions, we have been actively engaged in delivering our supply chain social responsibility through our procurement strategy. This includes identifying the right partners to contribute in our value chain, conduct corporate screening to providing competitive and meaningful value to our client.

We continue to refine our supply chain initiatives that support our beliefs and meet the expectations of our stakeholders. In the years to come, improvement plans will be a deliberate effort as we want to grow the footprint of our supply chain.

Anti-corruption and whistle-blowing policy

This policy has been developed for the Group, to be committed to the highest possible standards of ethical, moral and legal business conduct. That said, ecoWise is committed to open communication so as to reassure our stakeholders that all issues will be managed in good faith and responsibly.

The public and stakeholders can report to the audit committee of the Company for any improper conduct at the earliest timing. However, we urge complainants to take the reporting with utmost seriousness in evaluating issues, that could have a large impact on the Company or threaten the industry practices and competitiveness.

Diversity in the hiring process

Diversity in our hiring is embedded in our values and an inherent part of our corporate culture. We believe it is about creating a workplace culture that helps every employee to contribute to his/her full potential. It is more than just policies, initiatives and processes: it is about how we work with each other every day.

Diversity means all the ways in which people differ and embracing the underlying cultural differences. We want to help each individual employee feel valued for what he/she brings to the organisation. This means providing a work climate that enables everyone to fulfil his/her potential and make a valuable contribution. Our commitment has provided us with a diverse workforce and a sustainable business that strongly cultivates creativity and innovation.

The corporate governance practices are also covered in our 2018 Annual Report. Please refer to the Corporate Governance section of the Company's 2018 Annual Report for further information.

3.4 Economic

Return of investments and profitability of the business remains a key value that the Group aims to achieve. This is not only recognised as gains for shareholders but should also relate to the impact by all other stakeholder groups on the total supply chain, in supporting the core interest in waste reduction to ultimately achieve a zero-waste environment.

One of the strategic priorities is diversifying our suppliers to improve our source of waste materials. We have doubled our source to date and are still looking for more sources to increase our impact and inch ahead closer to achieving a zero-waste environment.

Cost efficiency policies in our recycled water usage and electricity are constantly reviewed by our engineers to lower our overheads and whenever possible, leverage on government incentives to adopt new technologies in reducing costs. For our operations in Malaysia, plans are in the pipeline to install solar panels by 2020 to reduce our overall power usage by at least 10% per annum.

4. Vision for ecoWise by 2025

It is a global interest in environmental protection and we constantly welcome new partners to participate in the value chain. The zero-waste movement has become an actionable target for many nations.

Leveraging on our footprint, we want to improve on recycling rates, particularly in the biomass and tyre recycling-related business and reduce overall carbon footprint in the energy sector for both Singapore and the region by two to three times more based on the projections of our biomass and tyre recycling-related projects. Supply chain plans to recover recycled materials to replace part of our raw materials are also underway to further reduce our carbon footprint in our tyre production by 40% to 50%.

With human capital as one of our key assets, staff training for better awareness and capabilities on environmental-related skill sets will be conducted to equip ecoWise with a better pool of talents and raise the bar for the entire waste management and clean energy sector.

Fostering cohesiveness within ecoWise not only create closer ties in the ecoWise family, but also bolster staff's unity, overall qualities and also leverage on our position as a leading waste management company to spread awareness in the society. ecoWise is looking forward to increasing the social awareness and education aspect of waste management, one of the key gaps in fulfilling the whole of the government's ambition of achieving zero-waste nation status.

Lastly, ecoWise is embarking on food waste valorization through the recovery of food waste locally. Upcycling which is to be used as "human food" of pre-consumer food waste such as spent grain and okara, whilst fermentation and bio-digestor is recycling to animal feed and compost respectively. All these processes are very dependent on local government policies, land resourcing and investments to pilot the initiative. ecoWise is looking forward to work with authorities closely to sustain the food culture by converting food waste into organic fertilisers and bio-energy, directly reducing carbon footprint and promoting a circular economy.

5. Targets for 2019 on Sustainability

After the first year of reporting, we will look forward to refining the analysis of the material ESG. If the need arises, new ESG will be identified and substantiation will be provided in forthcoming sustainability reports.

6. Conclusion

As part of the value chain where our end customers demand responsible behaviour towards natural resources, ecoWise will continue to strive in providing a comprehensive Sustainability Report on our impact in our partner's initiatives and businesses. It is in our mission to create a greener world for future generations to live in.