



# SUSTAINABILITY REPORT 2017



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## LETTER TO OUR STAKEHOLDERS

Dear Stakeholders,

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

The aftermath of the structural changes in the global oil and gas industry during 2015-2016 has resulted in the drop in the number of marine, offshore and shipping projects from our customers. As such, measures have been taken to mitigate the impact faced by the Group. We have reduced our workforce from over 1000 headcount in 2015 to 650 headcount in 2017, and sourced for business opportunities in other segments to reduce over-reliance on one segment, which has been a pre-emptive direction taken since our Initial Public Offering in 2010 to diversify.

Despite measures taken to reduce the Group's workforce, we still operate with a high level of workforce with a headcount of 650 (as of 31 December 2017). Hence the safety and performance of our workers are of paramount importance. We have invested heavily in developing safety procedures and safety training. We have detailed in this report, the relevant safety track records and certification we have achieved as an indication of our commitment to safety.

Going forward, we look to expand further into shipping segment with the purchase of a vessel, ES Aspire, and the creation of ship chandling and marine supplies division, while maintaining our main core business in ship building, conversions and repair segments. For the financial year ended 31 December 2017, the new shipping segment contributed 19.2% of the Group's revenue. We have also since our Initial Public Offering in 2010, achieved our target to undertake Engineering, Procurement and Construction ("**EPC**") projects with the completion of the construction of two bunker vessels in 2012 (of which one of the vessels is owned by the Group).

ES Group (Holdings) Limited adheres to the principles and guidelines of the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore ("**MAS**"). You may find the detailed Corporate Governance Report in our Annual Report 2017 pages 12 to 31.

We will continue to collaborate with our stakeholders in identifying key sustainability factors, and work to address them further, so as to strive to create a more sustainable operation. Sustainability is the key in maintaining and continuously achieving our vision and mission goals, and it is through our vision and mission we strive to constantly create a sustainable operation in every aspect of our Group.



*On Behalf of the Board of Directors*  
**LOW CHEE WEE**  
**CHIEF EXECUTIVE OFFICER**

**9 November 2018**

## OUR PROFILE

ES Group (Holdings) Limited (the **"Company"** and together with its subsidiaries, the **"Group"**) is a Singapore headquartered marine and offshore group that was established in 1975. With more than 40 years of operating experience, the Group builds, converts and repairs wide range of ocean-going vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers and cargo ships. It has been a prominent contractor of marine and offshore structures and vessels of all types and sizes, whether afloat or dry-docked for prominent Singapore shipyard operators including Sembawang Shipyard and Keppel FELS Ltd. We have operations in Singapore, Thailand, Myanmar, and China with a total of 650 workforce.

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

Our capabilities are listed below:

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



Sea fastening



Conversion works on board the Kaombo



Ship building



Rig building works



Ship chartering services



Jack up hull fabrication



Offshore semi-submersible

## The Group and its Subsidiaries



### Subsidiaries

<u>New building and conversion, and repair segments</u>		<u>Shipping segment</u>	
<b>SINGAPORE</b>		<b>SINGAPORE</b>	
Eng Soon Investment Pte Ltd	100%	Eng Soon Marine Pte Ltd	100%
Wang Fatt Oil & Gas Construction Pte Ltd	100%	ES Shipping Pte. Ltd.	100%
ES Offshore Engineering Pte. Ltd.	100%	ES Chartering Pte. Ltd.	100%
Eng Soon Engineering (1999) Pte Ltd	100%	ES Aspire Pte. Ltd. <sup>3</sup>	100%
ES Energy Pte. Ltd.	100%		
ES Oil & Gas Pte. Ltd.	100%		
ESW Automation Pte. Ltd. <sup>1</sup>	100%		
<b>THAILAND</b>			
ES Offshore and Marine Engineering (Thailand) Co., Ltd.	50%		
<b>CHINA</b>			
Dalian ES Marine & Offshore Engineering Co., Ltd	100%		
<b>MYANMAR</b>			
ES Offshore and Engineering (Myanmar) Company Limited <sup>2</sup>	100%		

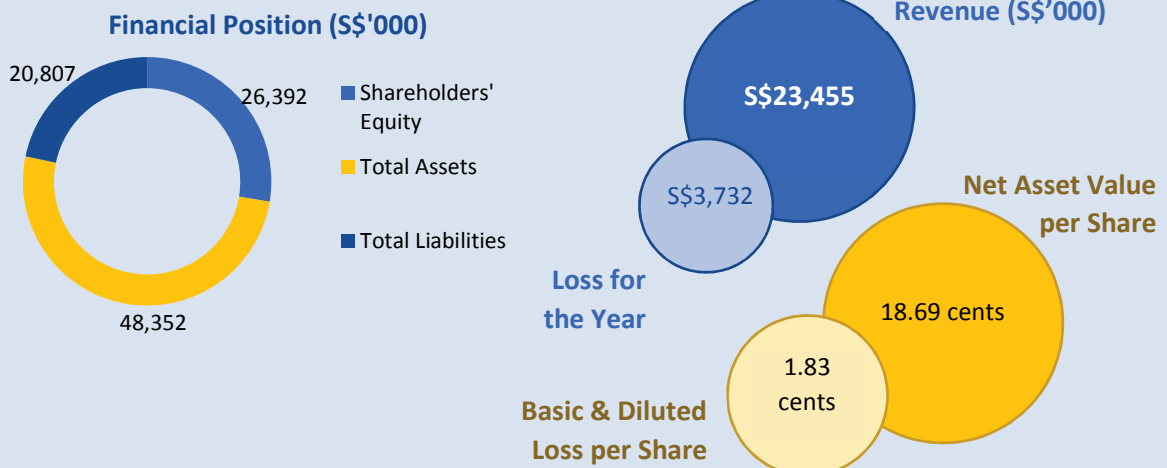
#### Notes:

- 1) ESW Automation Pte. Ltd. is a wholly-owned subsidiary of ES Oil & Gas Pte. Ltd..
  - 2) ES Offshore and Engineering (Myanmar) Company Limited is owned by ES Offshore Engineering Pte. Ltd. (50%) and ES Oil & Gas Pte. Ltd. (50%).
  - 3) ES Aspire Pte. Ltd. is a wholly-owned subsidiary of ES Chartering Pte. Ltd..
- % Percentage indicated beside each subsidiary refers to the effective interest of the corresponding subsidiary held by the Company.

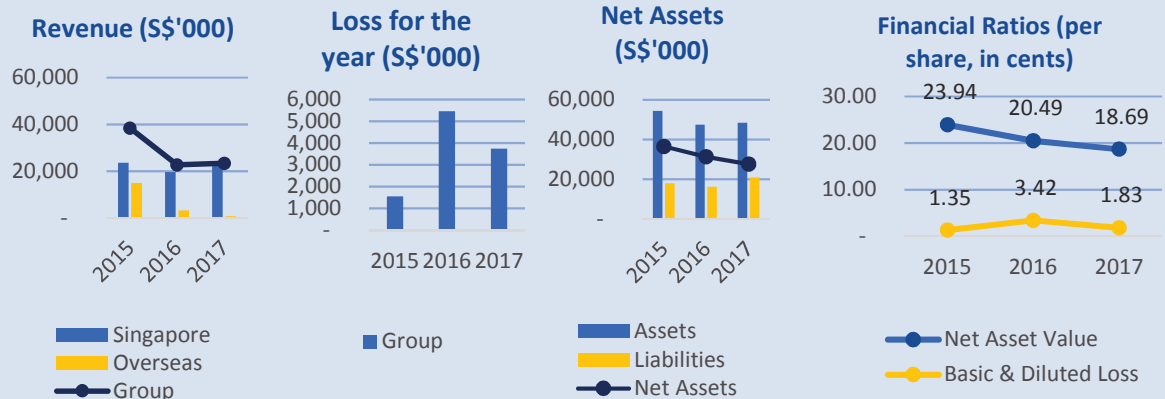
## HIGHLIGHTS OF OUR PERFORMANCE

### Financial Highlights

#### Financial Performance for 2017

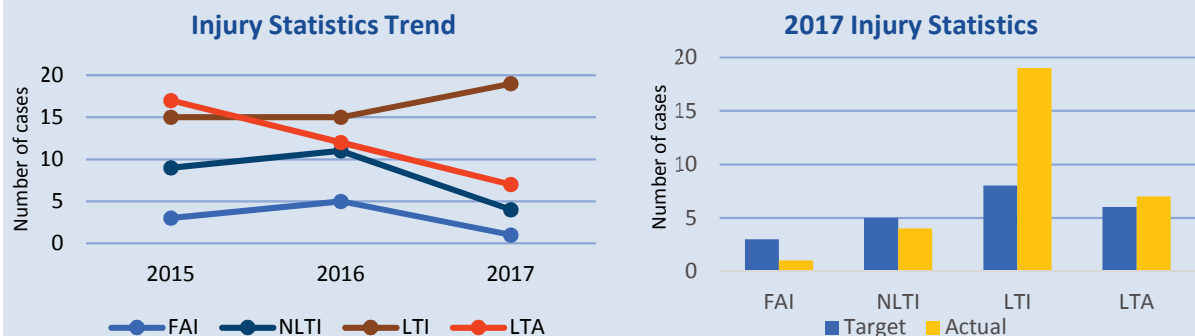


#### Financial Trend



### Non-Financial Highlights

#### Safety and Health



FAI: First Aid Injury | NLTI: Non-lost Time Injury | LTI: Lost Time Injury | LTA: Lost Time Accident

## MILESTONES

**1975**

Eng Soon Engineering Pte Ltd was first established.



**1977**

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

**1992**

Eng Soon Investment Pte Ltd was formed.

**1997**

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

**1999**

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

**2001**

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

**2003**

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

**2006**

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



**2007**

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

**2009**

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

**2010**

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



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

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

**2011**

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



**2012**

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

**2013**

Successfully delivered the two bunker vessels.

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

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



**2014**

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

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

**2015**

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

**2017**

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

Purchase of vessel, ES Aspire, in end 2016



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

## OUR ACCOLADES



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

### ISO 9001:2015

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



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

### OHSAS 18001:2007

Awarded by BSI Singapore, the OHSAS 18001:2007 standards provide us with the elements of an effective safety management system which can be integrated with other management systems and help organizations achieve better occupational health and safety performance and economic objectives.



### BizSAFE

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



### Singapore SME 1000

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

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

## OUR STAKEHOLDERS

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

We reach out to the Stakeholders by means of published documents in our website and on the SGX website. Stakeholders working within the Group correspond with us via whistle-blowing procedures or through the respective superior, whereas Stakeholders outside the Group correspond with us via our contact details listed in our website or under the section “About this Report” on Page 26.

### Shareholders

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

### Customers

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

### Suppliers

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

### Government

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

### Employees

As a labour-intensive Group with a huge labour force, the Group focuses on human resource related policies (e.g. merit-based and non-discriminatory recruitment; grievance procedures) and the safety of our employees, are crucial factors for attracting and retaining the best employees, and employees’ motivation and commitment to the Company. The Company has no collective bargaining agreement for employees.

## OUR COMMITMENT TO A SUSTAINABLE OPERATION

### Our Vision

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

### Our Mission

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

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

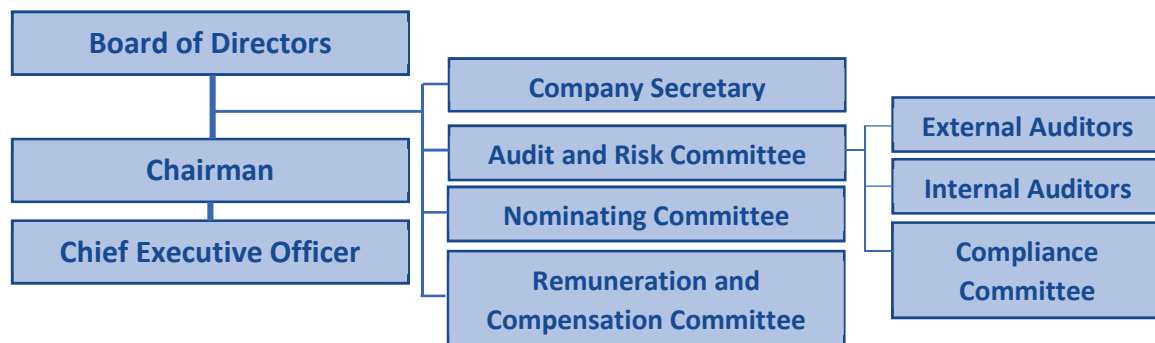
In order to deliver our high-quality services, the Group emphasises the adherence of all departments across the Group to the Operational and Human Resource procedures that have been developed. The procedures set out standards on how the operations of the Company should run, the norms and behaviours of employees.

Whistle-blowing policies have been in place since 2010. The Group encourages employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the chairman of the Audit and Risk Committee. Reportable conducts include, but not limited to, fraud, corruption, illegality, safety violations, and serious misconduct that contravene the procedures set by the Group that may lead to losses for the Group (losses can include financial losses, non-financial losses, and tarnish of reputation of the Group). No incidence of reportable conducts has occurred during the financial year ended 31 December 2017.

The Group believes that it is important to establish good corporate governance within the Group as this provides the foundation for a well-managed and efficient organisation. This can in turn sustain good business performance and safeguard the interests of the Stakeholders. The Board of Directors of the Company (the **"Board"** or the **"Directors"**) is committed to continually develop and uphold high standards of corporate governance, guided by the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the **"Code"**) issued by the Monetary Authority of Singapore. A full detailed Corporate Governance Report can be found in the Annual Report 2017 pages 12 to 31.



*Group's Corporate Governance Structure*



The above are the key internal processes that form the spinal of the business operations, and that is just a part of our effort in our commitment. Our further sustainability efforts will be addressed in the coming chapters.

***Sustainability Management***

Sustainability matters are managed by the Compliance Committee ("**Committee**"). The Committee, was first set up in 2010 to implement and review the effectiveness of the compliance framework of the Group with the Catalist Rules, compliance with legislation and regulations imposed by the relevant authorities, as well as the liaison with professional advisors on all corporate documents and actions (e.g. announcements, circulars, etc.).

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

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

The Committee reports to the Audit and Risk Committee.

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## SUSTAINABILITY TOPICS

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

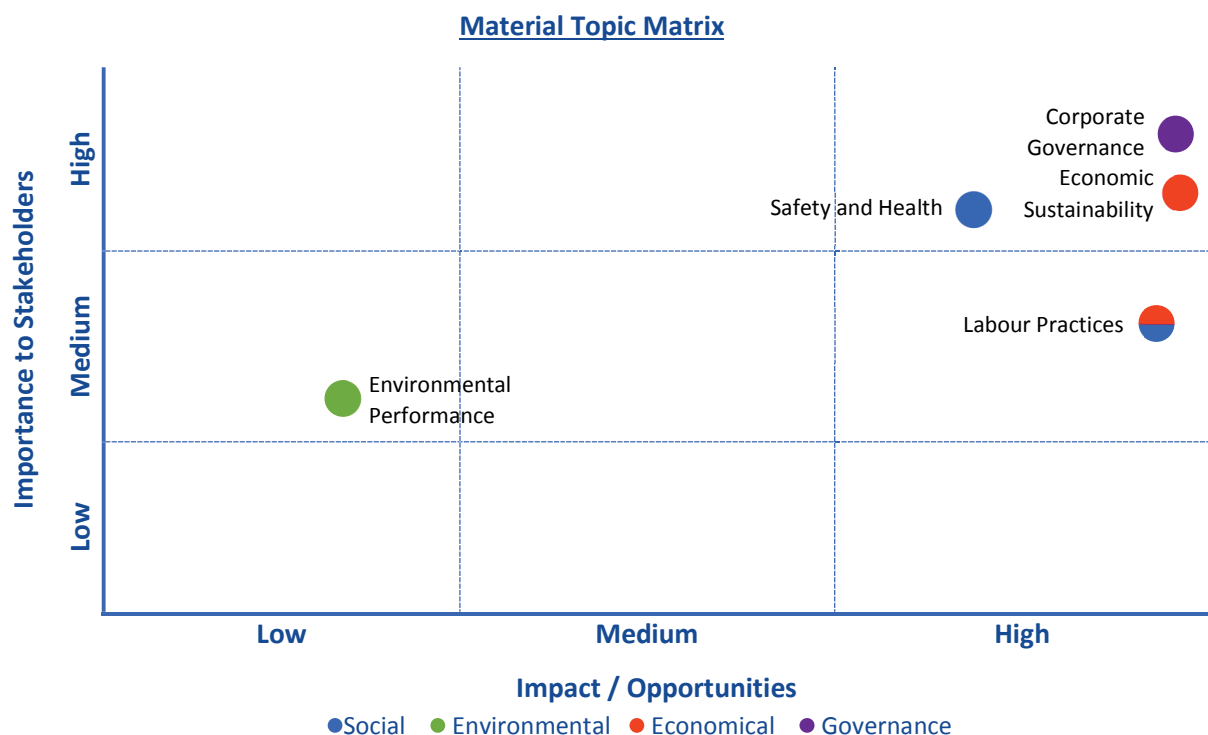
Other factors include external factors outside the Group (such as political development internationally or locally, socio-economic factors, environmental issues, and so on) where these factors will have material impact over the Group's operational performance, economically or socially.

Our operations are separated into three main segments:

- 1) New building and conversion segment:** Building and converting a wide range of ocean-going vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers and cargo ships.
- 2) Repair segment:** Repairing a wide range of ocean-going vessels as stated above.
- 3) Shipping segment:** Providing ship chartering services as well as marine supplies.

Most of our sustainability topics revolve around new building and conversion, and repair segments, which are our core businesses. These segments rely heavily on labour and thus most of the risk lies on factors related to labour, such as workers' safety and training, as well as compliance to labour laws and cross border policies.

We first identify the material topics at a broad level (as presented in the matrix below). The accompanying risks, impacts and opportunities factors under each topic (i.e. the Sustainability Factors) are then assigned and presented in the following "Identified Sustainability Factors" table.



Identified Sustainability Factors				
Material Topic	Operational Risks	Financial Risks	Strategy Risks	Compliance Risks
Safety and Health ●	<ul style="list-style-type: none"> <li>• Health and Safety of Workers</li> <li>• Protection Against Hot and Wet Weather</li> </ul>			
Labour Practices ●●	<ul style="list-style-type: none"> <li>• Career Development</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of Workforce</li> </ul>		<ul style="list-style-type: none"> <li>• Labour Policy and Relationship between Singapore and Other Countries</li> <li>• Singapore Labour Law</li> </ul>
Economic Sustainability ●	<ul style="list-style-type: none"> <li>• Project &amp; Quality Management</li> <li>• Reliance on Skilled Workers</li> </ul>	<ul style="list-style-type: none"> <li>• True and Fair View of the Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification on Trades</li> <li>• Mitigation of impact of Climate Change</li> </ul>	
Environmental Performance ●	<ul style="list-style-type: none"> <li>• Transportation</li> <li>• Materials</li> </ul>			
Corporate Governance ●	Corporate governance efforts can be found detailed in our Annual Report 2017 pages 12 to 31.			

● Social ● Environmental ● Economical ● Governance

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## SAFETY AND HEALTH

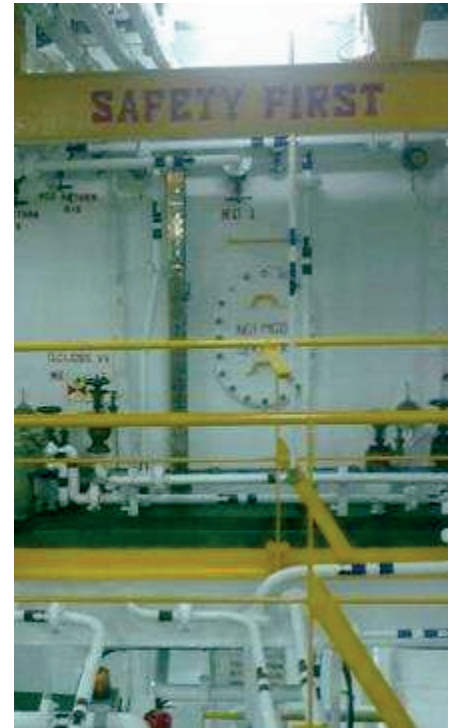
### Health and Safety of Workers

#### NEW BUILDING AND CONVERSION, AND REPAIR SEGMENTS

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

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

Safety starts from every individual, and that is where inculcating a 'Safety First' mindset is the utmost importance in achieving a 'Zero Accident' goal. This is done by emphasising safety matters during daily and weekly site briefings, putting up safety information posters around the site as well as implementing punitive system to penalise workers who knowingly breach



On board the Sea Tanker II engine room, with the "Safety First" slogan displayed to inculcate the importance of safety. Sea Tanker II was constructed by the Group as part of the EPC milestone achieved.



Safety briefing before the workers head on board the vessel. Workers are donned in their safety equipment.

safety regulations. During lunch time, workers are allowed to take nap so as to recharge, so as to remain alert for the remaining of the day.

To further encourage individual to be responsible for their own safety and people around them, the Group awards top performers during our annual Safety Award Presentation to recognise the efforts put in by individual. Each worker is appraised individually by the Department Manager based on their safety knowledge, number of safety infringements, number of accidents and incidents, proficiency in material handling, and so on. Top performing workers are then selected and awarded a Certificate of Recognition for the outstanding performance in Workplace Safety and Health for the year.



Safety Award Presentation conducted in 2017, alongside with the Group's Christmas Celebration.

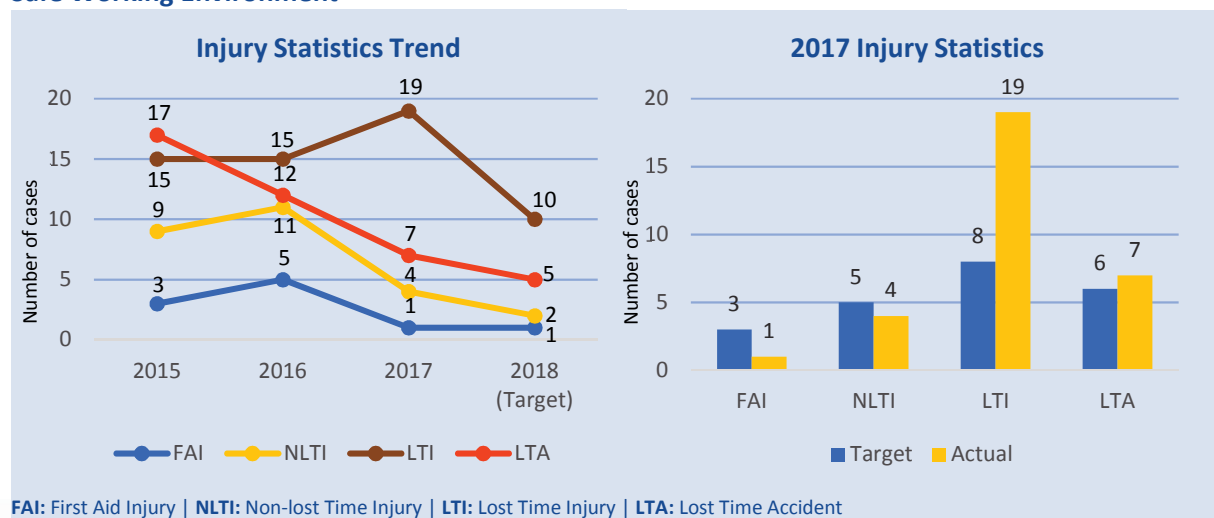


Safety officer overlooking workers' safety.

Another level of safeguard over safety is by stationing safety officers on board vessels to supervise and ensure safety regulations are followed by workers. The Group ensures the safety officers are adequately trained and updated by sending them to courses (e.g. HSE Leadership Courses).

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

## Safe Working Environment



The above injury statistics are for the shipyard operations in Singapore across the Group. The categories of injury are defined below:

- **First Aid Injury (FAI):** Incidents that require first aid treatment and are considered not serious.
- **Non-lost Time Injury (NLTI):** Injury that are moderately light but require more medical attention as compared to FAI. According to doctor's instructions / recommendations, the worker will still be able to work on the day of incident, but on work that are deemed to be light duty and will not aggravate his injury further for a duration of no more than 2 days.
- **Lost Time Injury (LTI):** Any work-related injury or illness which prevents an employee from doing any work after an incident and / or being hospitalised.
- **Lost Time Accident (LTA):** A recordable incident whereby an employee is not able to return to work or is assigned restricted work on the day following the incident and / or hospitalised. 'Recordable' is determined by a medical leave of 3 days or more.

The Group continues to strive 'Zero Accident' goal and we are pleased to report a declining trend in the number of LTA cases, from 12 cases in 2016 to 7 cases in 2017. The Group targets to cap the number of LTA cases in 2018 at 5 cases.

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

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

#### Safe Living and Working Environment

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

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

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

- Responsibility to the relevant parties in the Emergency Response Team ("ERT").
- Identification, assessment, and prevention of OSH Emergencies Risks.
- Emergency response protocol in the event of an emergency.
- Site clean-up and follow-up protocol.

The OCP is applicable to the workshop, office and dormitory (all situated at the same location at 10 Kwong Min Road) owned by the Group, in which it is extended to all personnel working at the workshop and office, a tenant renting partial of the workshop space, and workers staying in the dormitory. The effectiveness of the emergency response protocol is assessed every year with the carrying out of an Emergency Evacuation Drill (the “Drill”). The Drill conducted for the financial year ended 31 December 2017 was done in May 2017, and it was conducted efficiently and successfully in accordance to the OCP, where all company personnel and tenants were accounted for at the muster point within 15 minutes from the start of the Drill.



Employees and tenants assembled at the muster point for attendance taking during the Emergency Evacuation Drill conducted in May 2017.

#### SHIPPING SEGMENT

The shipping segment is not labour intensive unlike the new building and conversion, and repair segments. For ship chartering, we outsource our operation to ship management companies where the health and safety of the crew on board is being managed by the outsource companies. For marine supplies division, the topic on health and safety have low impact, due to the nature of the operation.

Nonetheless, the Group is responsible in engaging sustainable service providers. In determining the sustainability of the service providers, we conduct background checks on the service providers, such as safety track record, client base, and reputation. In any event of safety breaches made known to us, either through the mandatory periodic reporting from the vessel master to the Group, or during inspection visits when the vessel is on Singapore’s water, we will further investigate on the breaches together with the service providers and consider the need to engage another outsource company that is more sustainable.

#### Protection Against Hot and Wet Weather

Global warming is a pervasive topic that is affecting the whole world, where we have seen extreme changes in weather in the world – new highs in temperature readings and stronger and erratic storms.

Our workers in our core operations of the new building, conversion and repair segments in shipyards are exposed to the weather on board vessels. They are exposed to higher risk of heat injury with the increasing heat due to global warming, coupled with the machineries they are operating that generate intense heat. They are also exposed to erratic thunderstorms and heavy rain that pose danger to them.

In event of wet weather, safety officers on board will evacuate workers working in open space to sheltered areas. Correspondingly, workers exposed to intense heat (whether due to weather or operating machineries) are given frequent breaks to properly hydrate and cool themselves to prevent heat injury.

## LABOUR PRACTICES

### Career Development

In line with to our mission, we believe in the development of our workers. We send our workers for training not just for single trade but multiple trades so that workers can be re-deployed whenever reshuffling of workforce is required. This give them a sense of job satisfaction and personal development, which we hope will inspire greater intrinsic value within themselves. This shall also enable us to be less reliance on the external labour market, improve efficiency and quality in the work produced by the workers, as well as give workers the opportunity to develop and excel in within the Group.

Furthermore, all employees are subjected to performance review, regardless of employment category or gender and without prejudice. These performance reviews are conducted on an annual basis where employees' performance during the year are assessed. Through these appraisals, management can identify areas for development of each employee's skill set.

### Labour Policy and Relationship between Singapore and Other Countries

Our shipyard business relies largely on foreign workers (including skilled workers) from Thailand, Bangladesh, China, India, Malaysia and Myanmar to meet our staffing needs. We are thus vulnerable to changes in the availability and costs of employing foreign workers, which are aligned to labour policies of these countries as well as the relationship between Singapore and the respective nations. Any adverse change to the above may affect the supply and/or the cost of the foreign workers.

We are constantly monitoring any changes to labour policies of the abovementioned countries, as well as any developments in the relationship of Singapore with the abovementioned countries, so as to be able to react at the earliest possible to minimise the impact if the change is unfavourable. We are also actively trying to recruit workers of different nationality to diversify our workforce in order to prevent over-reliance on one or two nationalities as well as to mitigate the impact of labour supply and cost from an unfavourable change in labour policy and relationship on the said countries. Please refer to the "Diversification of Workforce" below for the composition of our workforce and the efforts to diversify within our workforce.

### Diversification of Workforce

Diversifying within our workforce, such as the different composition of workers from various age group, gender, and nationality has its challenges due to the type of worker groups attracted by the nature of industry and work. Due to the nature of work in the shipyards demanding physical strength and exposure to the hot sun, it tends to appeal more to male and younger workers. This is further worsened by the environment dominated by male, where female would normally refrain themselves from these jobs. The Group



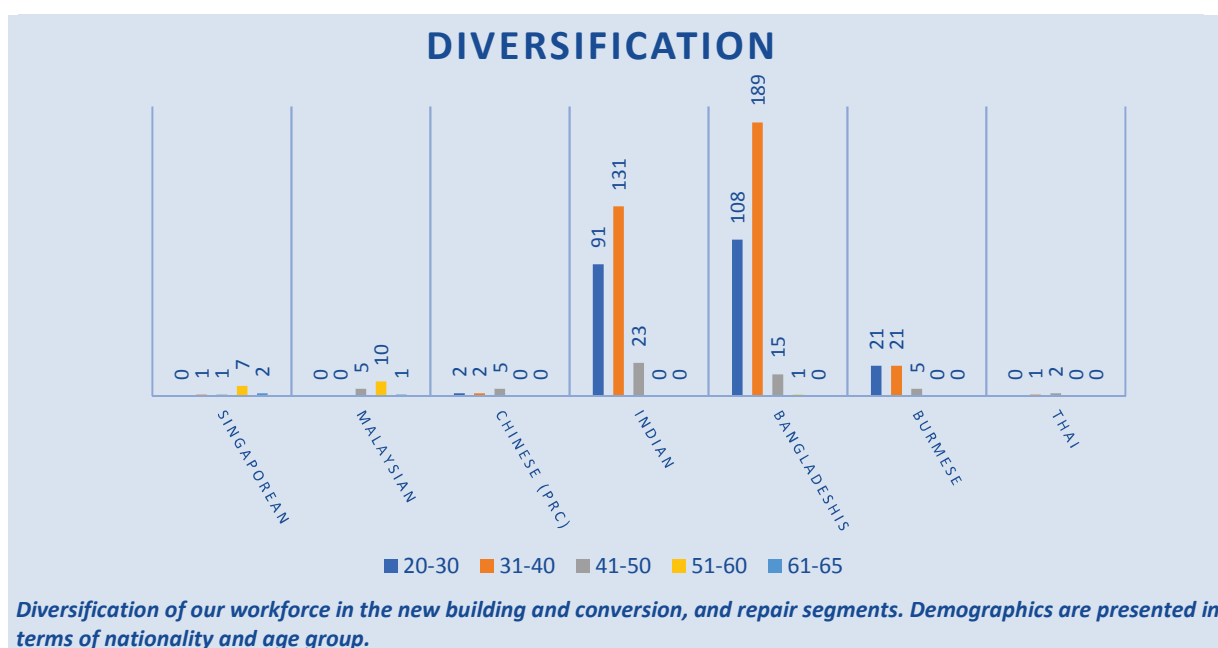
A photo taken during a Christmas celebration, with employees from different ethnic and nationality background, working and celebrating closely.

is open to recruiting people of different background (e.g. gender, nationality, age and so on) for all positions (including office positions).

The Group understands the importance and benefits of having a diversified workforce, such as:

- Macro-factor relating to labour policy and relationship between Singapore and other countries, affecting supply of labour and the associated cost. This is mention in “Labour Policy and Relationship between Singapore and Other Countries” above.
- Socio-factor where workers learn how to interact, work and live with people of different ethnic and nationality while working, and also adapting to the society outside work. This enable workers to be able to adapt and live in a cosmopolitan nation like Singapore.
- People from different location, coming from different culture, can propagate different positive work habit and input creative solutions to work challenges.
- Reduce the chance of possible strikes and bullying due to over-powering of one particular nationality or ethnic group.

For the first year of reporting, we have only compiled the diversification information of all workers working in the shipyard from the new building and conversion, and repair segments. This is where the bulk of our workforce lies. We will progressively put in place control for the compilation of the Group’s total workforce diversification data across the respective function and present them in subsequent reports. The diversification demographic of our workers in the new building and conversion, and repair segments, in terms of nationality and age group, are shown below:

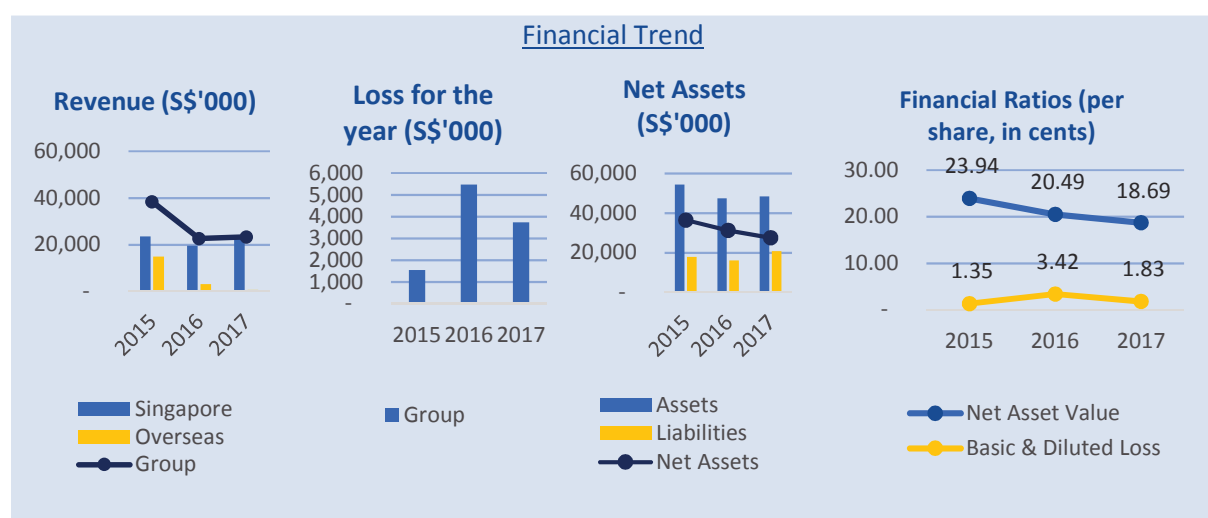
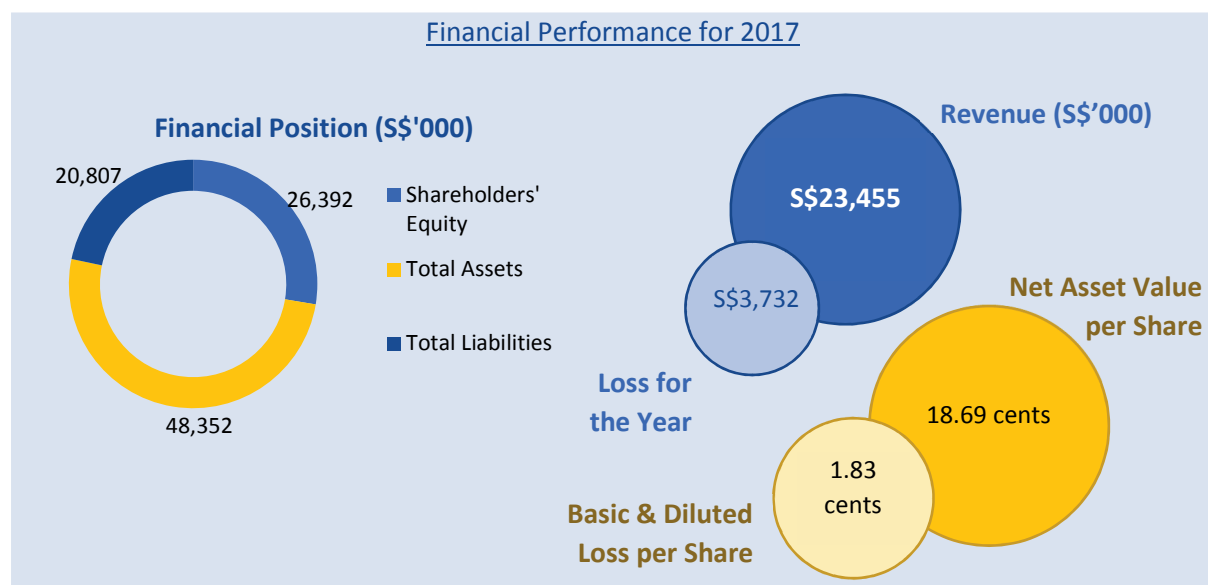


### Singapore Labour Law

The employment of foreign labour in the shipyard business is governed by local employment legislation, in terms of hiring quota, levies and security bonds. Our heavy reliance on foreign workers as such, imply that any unfavourable changes to the legislation may greatly affect the cost of our operation.

We are constantly monitoring changes to the local legislation that may turn unfavourable, in particular the Singapore Budget, so as to be able to react at the earliest possible to minimise and mitigate the impact.

## ECONOMIC SUSTAINABILITY



### Performance in 2017

Revenue for the Group was reported at S\$23.5 million in 2017, increased from S\$22.7 million in 2016. Total expenditure incurred by the Group, excluding Employee Wages & Benefits was S\$12.9 million in 2017, up from S\$10.3 million in 2016. Group net loss was S\$3.7 million in 2017, down 31.5% from S\$5.4 million in 2016.

The increase of revenue was mainly due to an additional segment of shipping and related activities during the year. The Company had back in 2012, launched its first charter vessel for a charter period of 5 years from the second half of 2012, and had not pursued further chartering business activities since. As such, the chartering business only accounted for a small portion of revenue to the Group. The charter agreement had been terminated with effect from 11 September 2017 due to the counterparty's default on the charter contract. However, during the third quarter of the financial year ended 31 December 2017, the Company incorporated 2 new subsidiaries (as announced on 15 September 2017), through which the Company pursued new businesses in the shipping segment. The additional segment contributed to an increase in operational cost, but the increase was contained with the Group cost cutting measures put in place since November 2016.

Earnings per share (“EPS”) was (1.84) cents in 2017, up from (3.42) cents in 2016.

The Group had incurred a cost of capital of S\$261,000 in 2017, up from S\$64,000 in 2016. Cost of capital includes interest paid on bank borrowings and finance lease. No cash dividend was paid for the financial year ended 31 December 2017 and 2016.

### Government Taxes

In 2017, the Group received an amount of S\$147,000, from government grant for financial assistance for employee wages and benefits and capital investment matters.

The Company has paid a total of S\$14,000 in taxes in 2017, primarily to the Singapore tax jurisdiction where most of our operations are based. Taxes paid are net of any tax rebates granted by the government, where applicable.

### Staff Costs

In 2017, staff costs amounted to S\$14.9 million for 700 employees decreased from S\$19.4 million for 890 employees in 2016, in the form of salary, wages, pension scheme based on respective jurisdictions (mainly Singapore’s Central Provident Fund (“CPF”)), foreign workers’ levy, skill development fund and other staff benefits (including, but not limited to, welfare given to staff and bonuses).

Singapore’s CPF contributions were made in accordance to prevailing Central Provident Fund Act. The total pension paid, which was included in the total staff costs, was S\$0.4 million in 2017, down from S\$0.5 million in 2016.

A detailed account of the full financial performance and position of the Group can be found in the Annual Report 2017.

### Economic Value Delivered to the Society

In 2017, the Group generated S\$24.3 million of economic value for our Stakeholders, which was distributed to them through our business operations. The Group has generated employment opportunities, business opportunities to our suppliers, and tax revenues for the governments.

Despite the over distribution of economic value to our Stakeholders, we assure our Stakeholders that we have the capital to continue generating economic value and continue to be sustainable and competitive as we recover from the economic downturn in the marine, offshore, oil and gas industries.

<u>Economic Value</u>	
<b><u>Economic Value Generated by the Group</u></b>	<b>S\$24.3 million</b>
<i>This includes revenue generated from the Group's operating activities, and other operating income (excluding government assisted grants).</i>	
<b><u>Economic Value Distributed to Others</u></b>	<b>S\$28.0 million</b>
<b><u>Operating Costs: S\$12.9 million</u></b>	
<i>This refers to purchases and services received from suppliers for the generation of economic value.</i>	
<b><u>Employee Wages and Benefits: S\$14.9 million</u></b>	
<i>Employee costs, which comprises of salaries, wages, pension funds, and other staff benefits provided by the Group.</i>	
<b><u>Capital Providers: S\$0.3 million</u></b>	
<i>This refers to interest paid on bank borrowings and finance leases, as well as dividends declared (if any).</i>	
<b><u>Governments: S\$0.1 million received</u></b>	
<i>This includes taxes paid, net of any government grants received.</i>	
<b>Economic Value Retained / (Distributed) by the Group</b>	<b>(S\$3.7 million)</b>

## Project & Quality Management

### NEW BUILDING AND CONVERSION, AND REPAIR SEGMENTS

We are confident that our operational processes and project management processes have been optimised and standardised throughout the Group to ensure high quality end product, efficient use of resources and minimal accident risk.

We acknowledged that ineffective, poor planning and slow execution of a project plan can result in costly avoidable losses (such as wastages, disputable damages, overrun in project costs, liquidated damage claims and terminations from customers). This is mitigated with the attainment of ISO, OHSAS and BizSafe Star certifications since 2009, which is a testament to our effective implementation of the processes across the Group. The certifications require us to be audited on an annual basis, which ensure that the above mention processes stay effective on a continuing basis.

### SHIPPING SEGMENT

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

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

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

### Reliance on Skilled Workers

Our business operations in the new building and conversion and repair segments require highly skilled personnel such as heavy equipment operators, draughtsmen, welders, grinders, etc. Skilled personnel with the appropriate experiences and/or requisite certifications in our industry are limited and competition for such personnel is intense. There is no assurance that we will be able to attract the necessary skilled personnel or continue to retain the skilled personnel that we have trained.

As such, we believe in investing in our workers by sending them for training not just for single trade but multiple trades so that workers can be re-deployed whenever reshuffling of workforce is required. This enable us to be less reliant on the external labour market, improve efficiency and quality in the work produced by the workers, as well as allow workers the opportunity to excel within the Group. We also believe in offering competitive remuneration package, safe and good working and living conditions for them to attract and retain skilled personnel.



Welders

## True and Fair View of the Financial Statements

The financial information represented in the Annual Report is a medium of communication to the Stakeholders in informing how the Group is performing. We ensure that the information contain in the Annual Report is both adequate and free from misstatement. We understand the importance of our Stakeholders and management in making informed decisions based on the Annual Report that presents a true and fair view of the Group's financial performance and position. Misstatements in the Annual Report can arise from an error, or from a fraudulent activity that remains undiscovered. Efforts made in place to ensure the true and fair view of the financial statements (as detailed below) includes:

- Implementation of procedures;
- Sending the finance team for training and updates;
- Implementation of whistle-blowing procedures; and
- Introduction of contractual provisions to allow the Company to reclaim incentive components linked to the performance of the Company.

The Group has implemented procedures manual to govern the Group on how operational procedures should be carried out, and how employees are to behave and perform at the interest of the Group.

We have periodically sent our finance team for training and updates on the relevant reporting standards, such as those required by the Financial Reporting Standards of Singapore, the Code, Singapore Exchange (SGX) Catalist Rules, and so on. This is to ensure that the Annual Report is prepared in accordance to the required standards and rules so as to give a true and fair view of the financial position and performance of the Group. The above function is undertaken by the Committee (see page 10 for the detailed responsibility of the Committee) to oversee compliance matters of the Annual Report.

Whistle-blowing procedures have been implemented to ensure that all management personnel acts in the interest of the Stakeholders. All this information is reported as required under the Code and can be found in the Annual Report 2017 page 28. Whistle-blowing policy and whistle-blowing reports received (if any), will be assessed by the Audit and Risk Committee from time to time. In 2017, no whistle-blowing report was received.

The remuneration of the Executive Directors' and the key Management is linked to the performance of the Company (please refer to the Annual Report 2017 pages 21-24). In 2017, the Company has no contractual provisions to allow the Company to reclaim incentive components of the remuneration from the Executive Directors' and the key Management in the exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company. We have adopted such contractual provisions starting from financial year ending 31 December 2018 to safeguard against material misstatement of financial statements to deter and recover from the unlikely event of deliberate manipulation of the performance of the Company.

## Diversification on Trades

Our customers are primarily companies operating in the marine, offshore, oil and gas industries, including owners of ships and other ocean-going vessels, shipyards, port operators and ship management companies. Currently, a substantial portion of our revenue is derived from new building, conversion and repair of offshore and marine structures and vessels. Revenue from our top 2 customers in 2017 (2016: top 2 customers) was 91.9% (2016: 96.2%).

The Group understands the importance of diversification as the marine and offshore oil and gas industries are cyclical in nature. Any downturn in global or trade specific economic conditions such as the financial crisis in 2008 and 2009, as well as the downturn in marine and offshore oil and gas industries due to the drastic fall in oil prices since 2015, will adversely affect us. There is no assurance that future economic downturns will not occur and hence steps to diversify are constantly being evaluated and implemented.

The primary purpose of diversification is to create synergy, sharing of technical resources, reduction of operational costs, higher market penetration and expansion of customer and supplier base. Besides

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

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

For 2017, revenue from the shipping segment constituted 19.2% of the Group's revenue. Looking forward, we aim for a greater share of revenue from the shipping segment, from 19.2% in 2017 to approximately 30% in 2018 of the Group's revenue.

### Mitigation of Impact of Climate Change

The demand on oil and gas is likely to change structurally in the coming years, with the Paris Climate Agreement first passed in 12 December 2015. Focus on slowing down global warming, through the reduction of carbon footprint and emission of greenhouse gases, led to actions such as waste reduction, ban on non-degradable products, and the focus on renewable energy over fossil fuels.

This poses a challenge to the marine, offshore, oil and gas, where demand is likely to be reduced over time and driving oil prices to new low when the day comes. We expect this to affect us in the following manner:

#### NEW BUILDING AND CONVERSION, AND REPAIR SEGMENTS

Business activities in shipyards are expected to be impacted, and thus our core business operations on the new building, conversion and repair segment will take a hit financially.

As the market demand changes in the marine, offshore, oil and gas industries alongside with global trend, we will have to adapt and grow with the new changes. For instance, we have since 2016 shifted our focus from the new building and conversion segment to the repair segment as we expected the demand for the new building and conversion segment to be weakening over time.

#### SHIPPING SEGMENT

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

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

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## ENVIRONMENTAL PERFORMANCE

The Group is committed to reducing greenhouse gases (“GHG”) emissions and reducing waste through efficient use of materials in our operations and minimising wastage. The management is actively looking into methods to constantly improve our environment performance. As this is the first year the Group published the Sustainability Report, we have yet to incorporate internal processes to capture material, energy and water consumption data, as well as emissions information.

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

As of the reporting date of the Annual Report 2017, the Group has not been penalised for any non-compliance of environmental laws and regulations imposed by Singapore and Thailand and will continue to work with the relevant authorities to stay updated so as to continue to comply with the laws and regulations. The Group is not only making effort to comply, but we are also committed to being “green” as an aligned effort together with the Singapore’s ‘green’ direction when the nation signed the Paris Agreement in 22 April 2016. The following are the commitment made by the Group.

### Transportation

We are committed in reducing the use of carbon-emitting transportation to transport our workers. Firstly, we source for dormitory that houses workers within walkable distance to the shipyard. 244 and 185 workers of the total workforce of 650 are currently staying in the shipyard and near (i.e. walkable distance) the shipyard respectively.

To further reduce the indirect emission of GHG via the use of public transport, we have provided each worker with a bicycle. This is in line with the nation’s effort of a “Car-lite” city. For other workers staying at our own dormitory which is located outside the shipyard, we transport them to the shipyard using commercial buses and we ensure that the buses are fully occupied to maximise efficiency of each bus-trip.

### Materials

Materials usage arises mainly from the new building and conversion, and repair segments. As we are a contractor based in a main contractor shipyard, we are bound by the regulations imposed by the shipyard on how materials are used and disposed.

In line with the shipyard’s regulations, all materials for the purpose of new building and conversion works and repair works, are issued by the shipyard. On the Group’s part, we educate our employees on the importance of efficient usage to reduce material wastage. Trainings are provided to improve the skillset of the workers, which will also translate to lesser wastage arising from inefficient use of materials.

Excess materials unutilised are returned to the shipyard for reuse. Any minor remnants of material are disposed in locations designated by the shipyard, and subsequently collected by waste collector. This ensure that wastage contributed by our workers are minimised and properly handled.

## SUSTAINABILITY GOALS



### Reporting

- We strive to, in each progressive report, identify key indicators relating to each issue presented in this Sustainability Report. This is to improve the understandability and comparability of this report so as to better inform our Stakeholders on our sustainability performance of the Group.
- We strive to prepare the Sustainability Report in accordance to GRI Standards.

### Health and Safety of Workers

- Our goal is to cap the number of LTA cases in 2018 at 5 cases (2017 stands at 7 LTA cases).

### Diversification on Trades

- Our target for 2018 on the percentage of contribution on revenue by shipping segment is approximately 30% of the Group's revenue (2017 contribution was 19.2%).

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## ABOUT THIS REPORT

This report is published annually and covers the same period as the financial year of the Company (January to December 2017). This is the first year the Group has published a Sustainability Report, where we have given a brief overview of the key issues with regards to sustainability. As such there are no restatements of information, as well as changes in reporting in this report.

As this is the first year of reporting, there is no reportable changes to the organization and its supply chain.

The basis of this report revolves around Global Reporting Initiative (“GRI”) Sustainability Reporting Standards, 2016 Volume (“GRI Standards”) and Practice Note 7F Sustainability Reporting Guide of the Catalist Rules. We have chosen to rely on and subsequently adopt the GRI Standards for the following reasons:

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

For the first year, we have layout the requirements of the GRI Standards and have attempted to report on all fulfillable requirements based on our available sustainability information. However, we are not in the opinion to state that this Sustainability Report is prepared in accordance to GRI Standards, nor will we make any GRI-reference.

As a continuous effort to improve the quality and relevance of the sustainability information addressed to our Stakeholders, we welcome feedback from all Stakeholders on how we can better address our sustainability information.

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