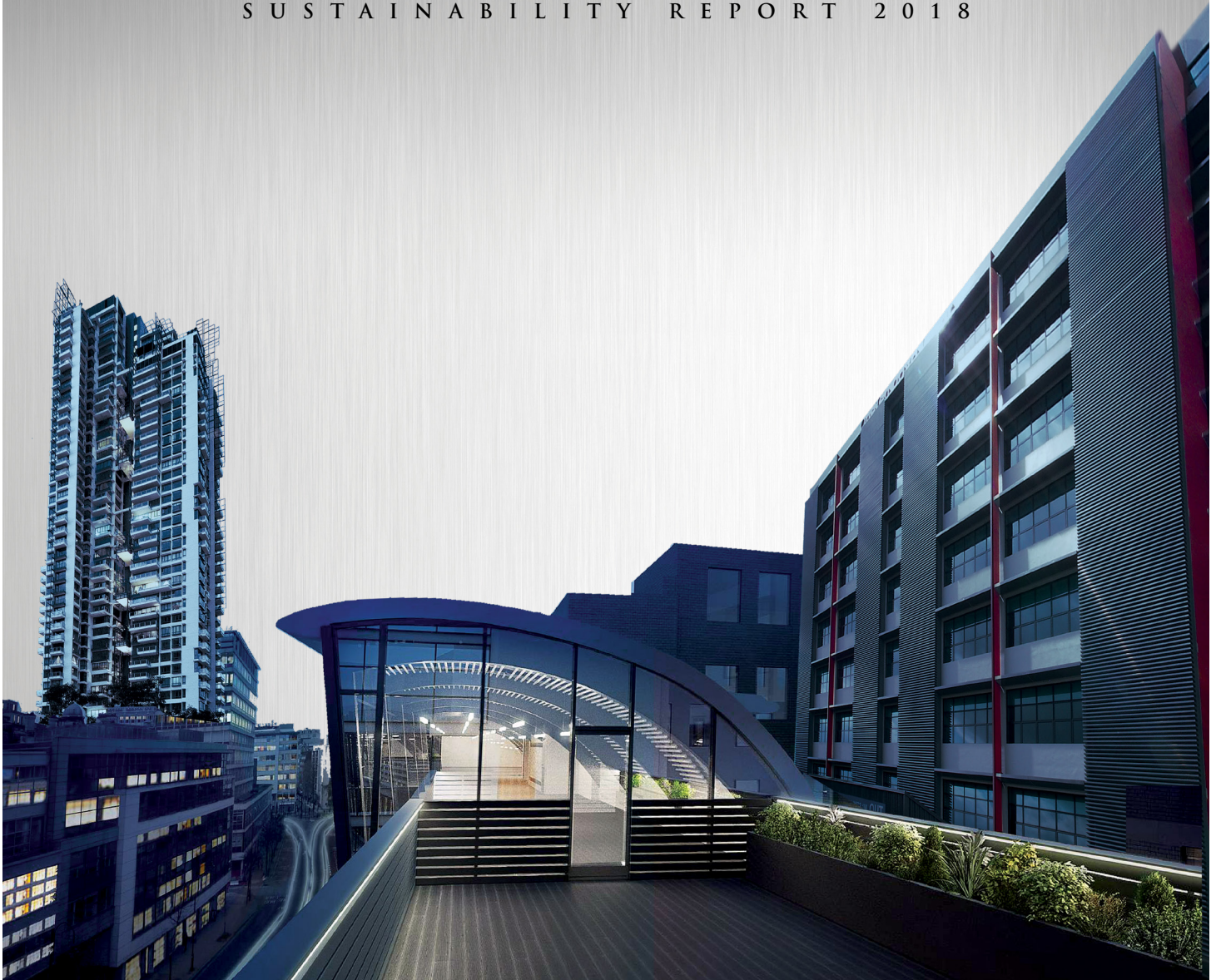


# HWA HONG

CORPORATION LIMITED

S U S T A I N A B I L I T Y   R E P O R T   2 0 1 8



HWA HONG CORPORATION LIMITED



Towards Excellence **2018**  
in Corporate Governance



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# Board Message on Sustainability Report

We are pleased to present the 2<sup>nd</sup> sustainability report for Hwa Hong Corporation Limited and its subsidiaries (“Hwa Hong”, “HHC”, or the “Group”). The Group continues to embark on its sustainability reporting journey for greater sustainable value creation in the areas of Environmental, Social and Governance (“ESG”). This effort has led us to work on ways to improve our value chain, combining our own actions with those of our service providers and joint venture partners, to create positive impacts.

In compliance with Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules 711A and 711B, the Board of Directors (the “Board”) has placed great importance on adopting a strategic approach in managing and overseeing the ESG matters that are significant to Hwa Hong as identified by the Board. The Board has also reviewed the sustainability performance of the organisation and will continue to provide guidance to the Management in defining future priorities.

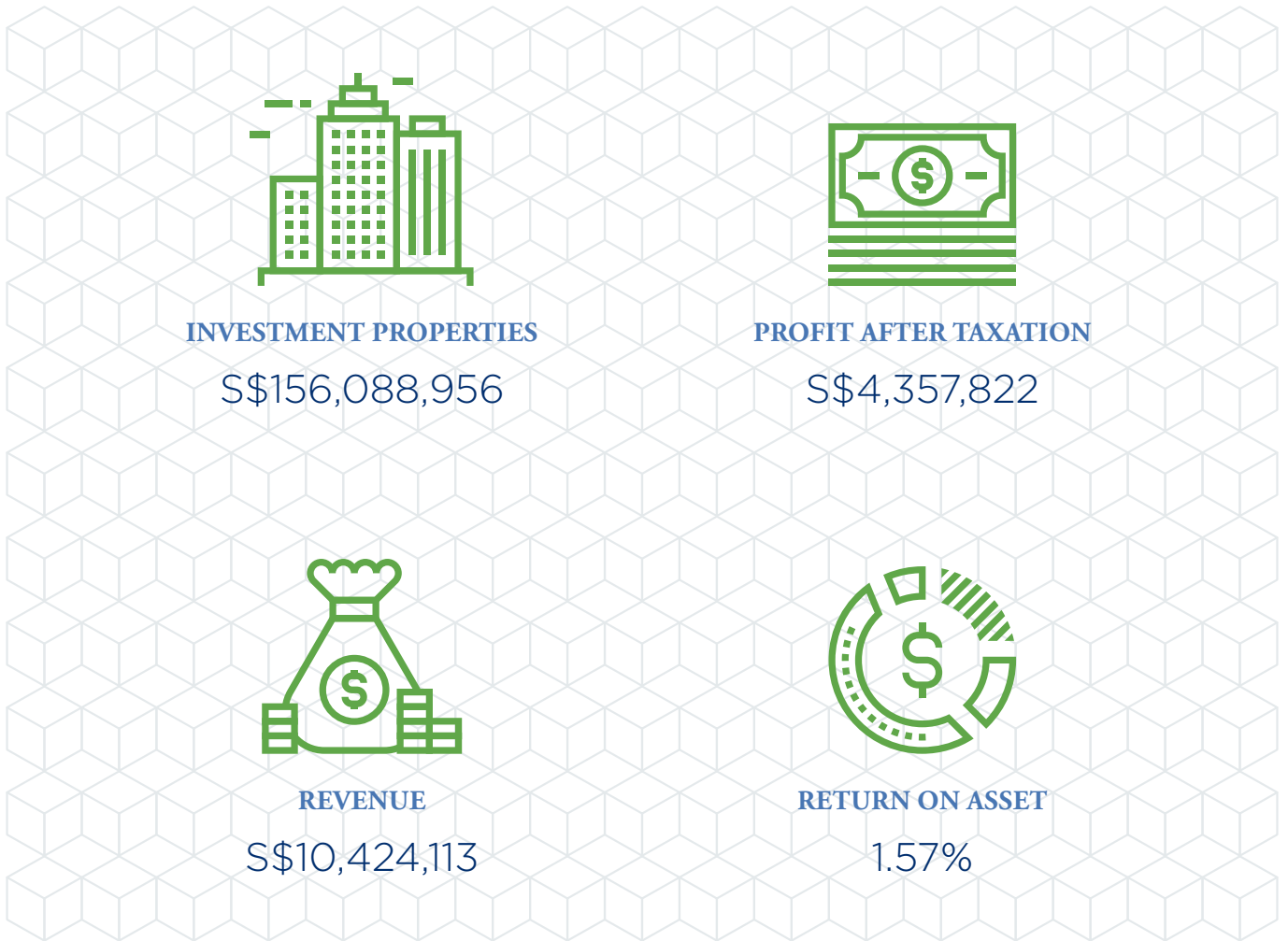
Together with the Management, the Board strives to promote greater resilience and sustainability in its business operations whilst engaging with all stakeholders of Hwa Hong.



# About Hwa Hong

Hwa Hong’s history stems from the partnership first formed in 1952 where it grew to be admitted to the Official List of SGX in 1979. With its headquarters located in Singapore, the Group is primarily involved in investment in private and public securities and investment, development and rental of properties in Singapore, and the United Kingdom (“UK”). The key highlights of the Group operations in 2018 are summarized in **Figure 1**.

▼ **Figure 1. 2018 key highlights of Hwa Hong**





## About this Sustainability Report

The Group's 2<sup>nd</sup> Sustainability Report is aimed at addressing non-financial matters in the aspects of ESG which are significant to the Group's property investment operations in Singapore and UK<sup>1</sup> (Figure 2). Unless otherwise stated, this sustainability report covers the period from 1 January 2018 to 31 December 2018.

This sustainability report has been prepared in accordance with the requirements of SGX-ST Listing Manual Rule 711(B) and the Global Reporting Initiative ("GRI") Standards: Core option, which supersedes GRI G4 Guidelines. The GRI Standards is a globally-recognised framework and has been adopted for its universal application for reporting on ESG performance that allows for meaningful use of information and comparability in the market. In the preparation of the report, we have applied GRI reporting principles for defining the content and quality of Hwa Hong's Sustainability Report.

▼ Figure 2. Investment properties in scope for Sustainability Report 2018

Investment Properties	In Scope
<b>SINGAPORE</b>	
Global Trade Investment Management Pte Ltd – 93, 95, 97, 99 Robertson Quay Singapore 238255/6/7/8	●
Singapore Warehouse Company (Private) Ltd. – 110 Paya Lebar Road, Singapore 409009	●
253 JB Pte Ltd – Lands lots 2705N and lots 2847M, Jalan Besar Singapore	●
<b>UK</b>	
Thackeray Properties Limited – 58 Queensgate London SW7 United Kingdom – 115B Queensgate London SW7 United Kingdom	●
Pumbledon Limited – 15/17 Hornton Street London W8 United Kingdom	●
Vantagepro Investment Limited – 100% interest in 20 Midtown, Procter Street, Holborn London WC 1 6NX United Kingdom – 50% interest in Head Post office. Fitzalan Square, Sheffield S1 2AB United Kingdom	●
Garrett Property Holdings Ltd – 71.4% interest in 20 Garrett Street , London EC1Y 0TW, United Kingdom	●

### EXTERNAL ASSURANCE

The Group has not sought external assurance for this year's report. External assurance will be considered as reporting matures.

### FEEDBACK

Hwa Hong is committed to listening to our stakeholders and we welcome feedback on this report at [secretariat@hwahongcorp.com](mailto:secretariat@hwahongcorp.com).

<sup>1</sup> The data and information disclosed in this sustainability report relates to all properties owned by the Group for which the Group has control, such as the properties held by its subsidiaries and joint operations as outlined in investment properties in scope for this year's reporting.

# Sustainability at Hwa Hong

## RESPONSIBILITY FOR SUSTAINABILITY

At Hwa Hong, sustainability matters are governed by the Board which is supported by the Audit and Risk Committee (ARC) (Figure 3). This committee is responsible for integrating sustainability principles and policies, which comprise of relevant policies and standard operating procedures (“SOPs”) throughout the Group. Compliance with these policies and SOPs is effected through periodic reviews by the Board.

▼ *Figure 3. Hwa Hong’s governance structure*



## WHAT’S IMPORTANT FOR HWA HONG?

The Management, together with the Board conducted a formal materiality assessment exercise in late 2016. An extensive list of ESG matters were evaluated and then ranked according to their importance from both internal and external stakeholders’ perspectives.

A materiality review process was conducted in FY2018 and it was concluded that the same five material sustainability matters reported in the last year remains reflective of our current business condition and are aligned with the Group’s sustainability strategy (Figure 4).

The material sustainability matters as detailed in Figure 5<sup>2</sup> will thus form the focus of this report and be reviewed on a yearly basis to ensure that they continue to be relevant and reflective of key business impacts and stakeholders’ needs. Future reviews will ensure a proactive response to emerging sustainability matters.

<sup>2</sup> The Group did not identify any environmental matters such as energy and water consumption as material sustainability matters for its properties in Singapore and the UK as the usage of water and electricity are not within the Group’s control. The property managements in the Singapore properties are mainly carried out either by the Management Corporation Strata Title (“MCST”) or by the anchor tenant in its Paya Lebar property. In the UK, the commercial properties are leased on a full repair, insurance basis (“FRI”) whereby repairs and insurance are largely borne by the tenants and for the residential properties, repairs and maintenance costs are shared by all leaseholders.

# Sustainability at Hwa Hong

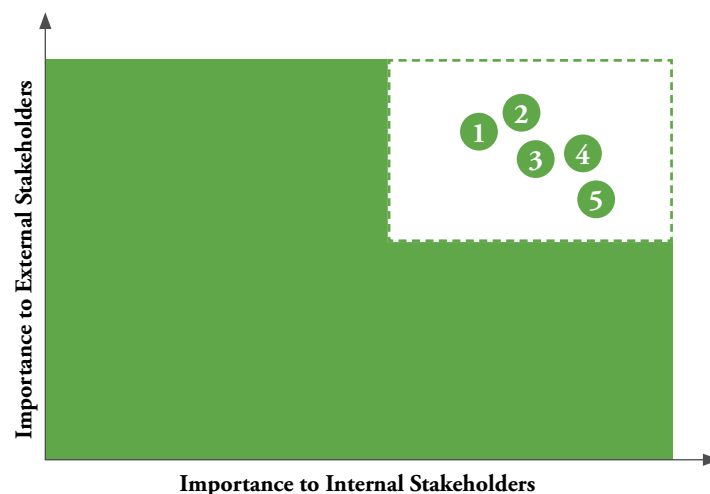
▼ *Figure 4. Sustainability Strategy*

SUSTAINABILITY STRATEGY OF HWA HONG	
<p><b>FUNDAMENTAL</b></p> <p>Ensuring that the foundation of the Group is built on a strong governance meeting all required compliance</p>	<p><b>STRATEGIC</b></p> <p>Sustaining long-term financial growth and performance through sound management decision system in evaluating potential buys and sells and strong partnerships</p>
<p><b>1 High Standards of Corporate Governance</b></p> <p><b>2 Regulatory Compliance</b></p>	<p><b>3 Sustainable Business Growth</b></p>
<p><b>RELATIONAL</b></p> <p>Communicating with stakeholders to understand and address their concerns, strengthen relationships and work together on sustainability goals and challenges</p>	<p><b>ASPIRATIONAL</b></p> <p>Providing equal opportunities, fair remuneration and treatment to all employees and contractors at Hwa Hong</p>
<p><b>4 Stakeholder Communications</b></p>	<p><b>5 Fair Employment Practices</b></p>



# Sustainability at Hwa Hong

▼ **Figure 5. Results of the Group's materiality assessment**



No.	Material sustainability matters	Corresponding GRI disclosures	Where impacts occur within the Group	Where impacts occur outside the Group
1	High standards of corporate governance	• Anti-corruption	• Board of Directors • The Management	• Regulators
2	Regulatory compliance	• Compliance	• Board of Directors	• Regulators
3	Sustainable Business Growth	• Economic Performance	• The Management	• Investors • Suppliers • Customers
4	Stakeholder Communications	• N.A. <sup>3</sup>	• All stakeholders	• All stakeholders
5	Fair employment practices	• Employment	• Team Members	• Industry association

<sup>3</sup> The stakeholder communications have been disclosed in accordance with General Standard Disclosures under the GRI G4 Guideline. Please refer to the GRI Content Index for the corresponding indicators.



# Fundamental

## HIGH STANDARDS OF CORPORATE GOVERNANCE

The Group recognises the importance of good corporate governance, accountability and transparency and believes that conducting business in a responsible and ethical manner is vital to the sustainability of the Group.

At Hwa Hong, the Board monitors the effectiveness of the Management and regularly reviews its corporate governance practices according to the principles and guidelines of the Singapore's Code of Corporate Governance 2012 to maintain continual robustness of governance that is reflective of changes to existing environment. Additionally, the Management would engage the Company Secretary to conduct an annual review of the Group's corporate governance practices to ensure that current practices are largely in line with the recommended best practices.

The Group's Singapore Governance and Transparency Index ("SGTI") had declined to 208<sup>th</sup> position in 2018 from 100<sup>th</sup> position in 2017 and the overall SGTI 2018 score had remained quite close to overall SGTI2017, declining slightly from 65 to 61 points. The SGTI is aimed at assessing companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcement. The Group will continue to look into maintaining the timeliness, accessibility and transparency of the announcement results and target to maintain and improve the SGTI score going forward.

To demonstrate its commitment towards excellence in Corporate Governance, the Group had joined the Securities Investors Association Singapore ("SIAS") and its partners for the past few years in making the following public Statement of Support, which was reiterated at the 9<sup>th</sup> Singapore Corporate Governance Week 2018, organised by SIAS in 2018.

"As an Organisation, we are committed to uphold high standards of corporate governance to enhance shareholder value. We believe good corporate governance is central to the health and stability of our financial markets and the economy."

One of the initiatives launched by SIAS which the Group participated in, includes raising key questions on the annual reports of SGX-listed companies on SGXNet to raise the quality of Annual General Meetings ("AGM"). This initiative was launched in 2016, designed to help shareholders to focus on critical areas, such as business strategies, financial performance and corporate governance practices, etc. for constructive discussions during AGM. In April 2019, SIAS had raised some queries on the Group's 2018 Annual Report and the Group had promptly uploaded its responses in the SGXNet which had also been communicated to the shareholders during the 66<sup>th</sup> AGM held in April 2019. This further demonstrates the Group's commitment in ensuring timely and transparent information available to its shareholders.

# Fundamental

## RISK MANAGEMENT

The Group has established a formalised risk management process where risks, control measures, risk tolerance level or limits and follow-up actions are identified and monitored by the Management and reported to the Board for review and evaluation. During the risk management process, the Board determines acceptable levels of risk tolerance and policies to ensure that all identifiable material risks should be analysed, understood, managed and monitored. The Group believes that effective risk management is the responsibility of all directors and managers, with the Board providing general oversight.

Every year, the Management carries out a review of the Group's risk registers to update and identify new risks that may adversely affect the Group's operations. A risk management report highlighting high risk areas or new risks and measures to mitigate such identified risks is submitted annually to the ARC for review and discussion.

For the year under review, the Management believes that the current framework for managing risks remains appropriate. Although risks cannot be completely eliminated, an effective risk management framework will reduce the uncertainties in achieving the Group's business objectives and allow the Group to take advantage of opportunities that may arise. Please refer to the Corporate Governance Report and Risk Management and Control Environment sections of the Annual Report.

## ANTI-CORRUPTION, ANTI-BRIBERY

The Group recognises the importance of good governance, anti-corruption and anti-bribery and adopts an integrated Fraud Risk Management Framework, designed to identify and minimise fraud occurrences within the Group. The Group adheres to the Code of Corporate Governance 2012 and listing rules and regulations set out by SGX and MAS Securities and Futures Act, as well as all other applicable laws and regulations.

In addition, the Group expects its business partners, such as joint ventures and suppliers, to approach issues of corruption and bribery in a manner that is consistent with the Group's principles. The Group will use its influence to ensure that business partners meet high integrity standards. The Group will also ensure that the procurement procedures for appointing suppliers are open, fair and transparent. The selection of suppliers will be based on evaluation of merits, and not on personal recommendations.



## Fundamental

Most of the Group's investments are in developed markets such as Singapore and UK where there is very strong rule of law including anti-corruption laws. Where we have investments in emerging markets, the Group is careful that the investments are made with thorough due diligence.

In support of an open and transparent communication culture, the Group has a whistle-blowing policy in place to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith. The whistle-blowing policy is available on Hwa Hong's website and details clear procedures for reporting on any improprieties. The Group has zero tolerance to fraud and/or misconduct, encouraging all team members to report suspicious cases of fraud and/or misconduct, and spreading awareness amongst them on risks faced by the Group. In addition, the Group adheres with the corporate policies and SOPs established (Figure 6), to guide conduct of the team members as demonstrated in the unblemished record of zero incidents this year.

▼ Figure 6. Summary of corporate policies

Corporate policies	Description of guidance provided	Made available to/at
Code of Business Conduct	Company values, ethics and conduct in relation to: <ul style="list-style-type: none"> <li>• General employee conduct</li> <li>• Records and communication</li> <li>• Information confidentiality</li> <li>• Conflicts of interest</li> <li>• Insider trading</li> </ul>	Internal Policy
Whistle-Blowing Policy	Independent channel to report following concerns: <ul style="list-style-type: none"> <li>• Improprieties in financial reporting</li> <li>• Professional misconduct</li> <li>• Irregularities or non-compliance with laws and regulations</li> </ul>	Available at: <a href="http://www.hwahongcorp.com">www.hwahongcorp.com</a>
Anti-Corruption and Anti-Bribery Policy	Prevention and management of fraud	Internal Policy
Personal Data Protection Act Policy	Compliance with the Personal Data Protection Act 2012 ("PDPA")	Internal Policy
Legal and Regulatory Compliance Tracker	Provides guidance on compliance with relevant rules and regulations	Internal Policy
Outside Directorship	Provides guidance for Executive Directors and key officers who intend to hold directorship appointments in their personal capacity in any company in which the Company has no direct interest.	Internal Policy

 Yearly Target	FY2018 Progress
Zero confirmed incidents of corruption	 Met

# Fundamental

## REGULATORY COMPLIANCE

Any form of non-compliance could potentially damage the Group’s reputation and affect confidence levels of the shareholders. It may also result in penalties such as fines, public warnings or reprimands from the regulators. The Group is also of the view that compliance with the applicable law and regulations is critical, so as to uphold Singapore’s reputation as a fair and reliable marketplace to conduct businesses.

The Group has established policies and SOPs to ensure that applicable regulations and legislation are complied with, which includes periodic self-testing, completing of routine compliance checklists and tracking of any regulatory breaches. In assessing the effectiveness of the management of regulatory compliance, the Group will undergo internal audits once every few years, as conducted by an external accredited party. The auditors perform an independent review and evaluation of the Group’s internal controls, risk management and corporate governance processes in assessing the adequacy and robustness. Through such internal audits, it further help ensure that the Group is adhering to the relevant regulatory requirements. The last internal audit on regulatory management was carried out in 2016 and no significant matters were noted.

In 2018, there were two instances of penalties of \$300 arising from late lodgment of notices to ACRA and two instances of penalties of \$1,813 arising from the GST voluntary ASK programme resulting from omissions in the GST filing. Other than these, there was no other known material incidents of non-compliance with the codes, laws and regulations.

 Yearly Target	FY2018 Progress
No material cases of non-compliance with applicable laws and regulations	 Met

# Strategic

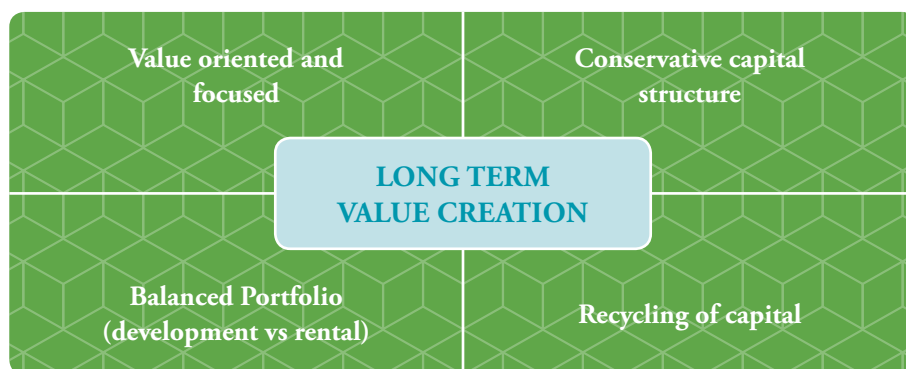
## SUSTAINABLE BUSINESS GROWTH

### SUSTAINING LONG-TERM FINANCIAL GROWTH AND PERFORMANCE

Listed on the SGX-ST, Hwa Hong reports its financial performance on a quarterly basis. At the time of the release of this report, the most recent financial results released are for the financial year ended 31 December 2018. Total revenue for the year was \$10,424,113 and net profit was \$4,357,822. As at 31 December 2018, Hwa Hong's total investment properties achieved a 6.5% increase in valuation, from \$226,086,951 last year to \$240,723,109.

Through a robust capital and asset management strategy, the Group focuses on investment opportunities that maximise shareholders' value over the medium to long-term (**Figure 7**).

▼ **Figure 7. Long term value creation points of focus**



Hwa Hong recognises that encompassing a good governance structure, access to capital and due consideration for the broader economic and business environments in both Singapore and UK are vital for the execution of this strategy.

To meet the commitment of maximising the value of its shareholders, Hwa Hong has developed and paced itself to achieve the following strategic objectives:

1. Acquire properties with long term value given their location and type of use
2. Unlock value from properties or develop sites over time to create value
3. Optimise income from assets
4. Recycle capital
5. Maintain strong, and efficient balance sheet (including ensuring sustainable loans-to-values ("LTVs") and interest cover)
6. Develop overseas markets

In addition, the management further strives to strike a balance between the distribution of a consistent dividend to its shareholders and its pursuit of potential investment opportunities with the aim to maximise overall shareholders' value. The dividend payout for a given year is determined by the Board of Directors, after taking into account, inter alia, the Group's balance sheet position, operating results, capital requirements and other factors as deemed relevant. Over the years, Hwa Hong remained fairly consistent dividend in its pay-outs to shareholders.

# Strategic

## SUCCESSION PLANNING

A fundamental responsibility of the Board is to ensure the continuity of executive leadership, as well as, to assess if the potential candidate possesses sufficient depth and talent to execute the Group's long-term strategy whilst addressing both current and long-term needs of the Group.

The Group's corporate governance and Nominating Committee's terms of reference details the Board's responsibilities in ensuring succession planning to meet current and future challenges and opportunities. These include ensuring effective processes are implemented, such as the following:

- Establishment of a process to identify and assess potential internal candidates;
- Conduct periodic review and assessment of readiness;
- Implement contingency plans for temporary absences of the Chairman and Group Managing Director due to disability or unexpected event; and
- Ensure long-term continuity and planning for succession to the Group Managing Director's position

The Board will assess such processes with the relevant committees on an annual basis.





# Strategic

## STRONG PARTNERSHIPS

From a geographical perspective, the Group continues to focus its property investments in its two key markets that are, Singapore and the UK. Given the Group's relative small size and limited capital availability, the Group operates in the UK primarily through partnerships. As such, forging and maintaining strong partnerships for continued growth and sustainability is a key pillar of our sustainability strategy.

The Group's presence in UK has been longstanding and it continues to view London, and to an lesser extent, the UK, as a key overseas market for the Group. The Group believes the depth and liquidity of the London property market, in addition to, the transparency and the rule of law in the UK make the market attractive for foreign investors. Beginning in 2013, the Group has broadened its partnerships and resources in UK which has helped identify promising investment opportunities over time. Furthermore, this has managed to allow us to seize key investment opportunities to invest in properties for recurring income and potential long-term value creation.

In evaluating suitability for partnerships, the Group assesses largely on these criteria:

1. Potential partner's profile and track record;
2. Potential partner's previous partnership experience or reputation in the industry for new partnership;

Hwa Hong further considers several key process issues which are deemed vital in achieving optimal partnership outcomes. These process issues include:



1. Creating a shared vision on the investments;
2. Agreeing on terms upfront with robust and thorough legal agreements;
3. Regular monitoring of the investment;
4. Ensuring that dispute resolution is agreed upfront

With the above approach, the Group has managed to foster and maintain amicable and professional relationships with its partners, in which Hwa Hong believes will create opportunities for future investments.

## INFLUENCING HWA HONG'S SUPPLY CHAIN

Sustainability impacts occur at every aspect of the business and extends beyond the Group's operations. Hwa Hong is committed to influence its value chain in sustainability matters. The Group's main suppliers are property and project management service providers and professional service providers. In areas where the Group is in joint operations with joint-venture partners, the Group has varying degrees of control and influence over its property and project management service providers.

Hence, where relevant and practicable, the Group actively engages the property and project manager and related service providers for collaboration to create a positive sustainability impact. To that end, Hwa Hong works closely with the property operators to undertake appropriate and adequate risk management procedures during the sourcing and procurement process of materials and services. For example, where relevant, only service providers verified to have the required license are allowed to carry out maintenance work and fitting-out works in the Group's properties.

 Yearly Target	FY2018 Progress
<b>Conduct yearly review of the dividend pay-outs to shareholders</b>	 <b>Met</b>

# Relational

## STAKEHOLDER COMMUNICATIONS



All stakeholders are important to Hwa Hong's long-term success. Recognising the interdependency between Hwa Hong and its stakeholders in building a business that is sustainable and primed for growth, this has driven the Group to proactively engage with its key stakeholders and obtain feedback for operational improvement. The Group further seeks to address the concerns of key stakeholders through various forms of engagement methods, as outlined in **Figure 8**.

▼ **Figure 8. Stakeholder engagement summary**

Engagement description	Key topics	Hwa Hong's response	
<b>Customers</b>			
<ul style="list-style-type: none"> <li>Tenant requests and feedback via phone calls or emails</li> </ul>	<ul style="list-style-type: none"> <li>Responsiveness of the property management teams to tenant requests and feedback.</li> </ul>	<ul style="list-style-type: none"> <li>Consistently reviews service standards of the property management teams and the customer relationship.</li> </ul>	
<b>Investors (i.e. equity shareholders)</b>			
<ul style="list-style-type: none"> <li>Annual General Meetings</li> <li>Annual/Quarterly Reports</li> <li>Website (www.sgx.com), annual reports and SGXNet announcements as and when required</li> </ul>	<ul style="list-style-type: none"> <li>Business operations and performance</li> <li>Growth strategy and market outlook</li> <li>Capital management</li> </ul>	<ul style="list-style-type: none"> <li>Proper communication and engagement with shareholders within the investment community</li> <li>Proactive management of foreign currency exposure and liquidity while maximising capital efficiency</li> </ul>	
<b>Board of Directors and the Management</b>			
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>Quarterly Board and Committee meetings</li> <li>Annual Board evaluation and performance review</li> <li>Orientation and training programmes for new Directors upon joining HHC</li> <li>Regular meetings and calls</li> <li>Timely updates from key Management on relevant business activities as and when required</li> </ul>	<ul style="list-style-type: none"> <li>Profit maximizing</li> <li>Compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Strategic planning communicated to all departments</li> </ul>
	<b>Team members</b>		
<ul style="list-style-type: none"> <li>Orientation and on-the-job training programmes for new hirers</li> <li>Regular meetings and calls</li> <li>Regular performance feedback</li> </ul>	<ul style="list-style-type: none"> <li>Fair and equal employment opportunities</li> <li>Remuneration, compensation and benefits</li> <li>Employee wellness</li> <li>Safe and healthy working environment</li> </ul>	<ul style="list-style-type: none"> <li>Reviews fair employment practice</li> <li>Ensures that remuneration package comprises a base salary and performance bonus</li> <li>Provides healthcare benefits to Team Members</li> </ul>	

# Relational

	Engagement description	Key topics	Hwa Hong's response
<b>Stakeholders</b>	<b>Suppliers (i.e. Property Management and professional service providers)</b>		
	<ul style="list-style-type: none"> <li>Regular meetings/email exchanges</li> <li>Supplier screening and review on ad-hoc basis</li> </ul>	<ul style="list-style-type: none"> <li>Timely provision of services</li> <li>Timely payment upon completion of work</li> <li>Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Review quality and timeliness of services provided</li> <li>Payments are monitored closely by the finance departments</li> <li>Ensures compliance with relevant laws and regulations, adherence to code of conduct</li> </ul>
	<b>Regulators</b>		
	<ul style="list-style-type: none"> <li>Compliance with rules and regulations throughout the year</li> <li>Industry regulatory briefings and consultations such as Inland Revenue Authority of Singapore ("IRAS") when required</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Ensures compliance with relevant laws and regulations, adherence to code of conduct and internal policies</li> </ul>
<b>Industry associations</b>			
	<ul style="list-style-type: none"> <li>Regular member of Real Estates Developers' Association of Singapore ("REDAS")</li> <li>Subscribers to UK Trade Press throughout the year</li> </ul>	<ul style="list-style-type: none"> <li>Issues concerning both short and long-term interests of the property markets in Singapore and UK.</li> </ul>	<ul style="list-style-type: none"> <li>Review latest knowledge obtained from industry associations</li> </ul>

 Yearly Target	FY2018 Progress
Conduct an internal review to ensure that the concerns of our key stakeholders have adequately been addressed	 Met

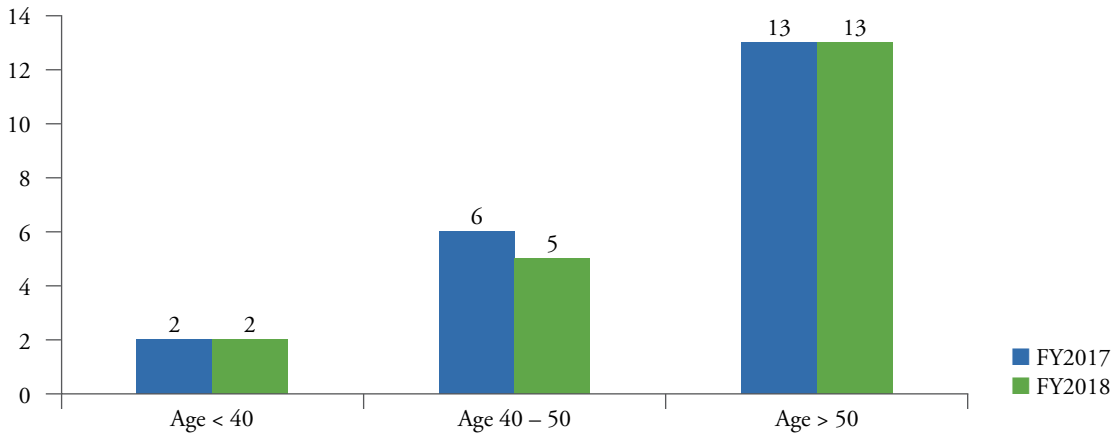


# Aspirational

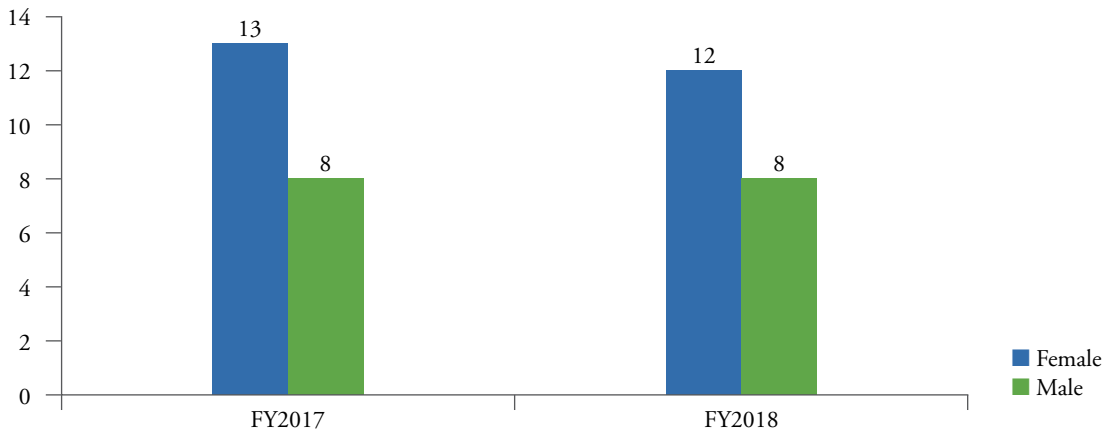
## TEAM PROFILE

As at 31 December 2018, there are a total of 20 team members in Singapore (**Figure 9 to 11**). There are no team members in the UK, as joint operations are mainly carried out by the property and project management service providers.

▼ **Figure 9. Team Members' Age Profile**

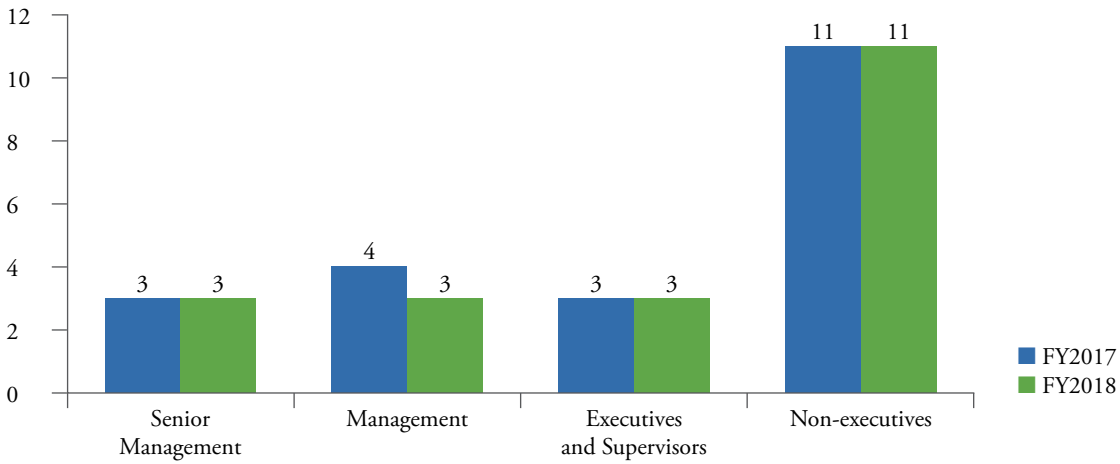


▼ **Figure 10. Team Members' breakdown by Gender**



# Aspirational

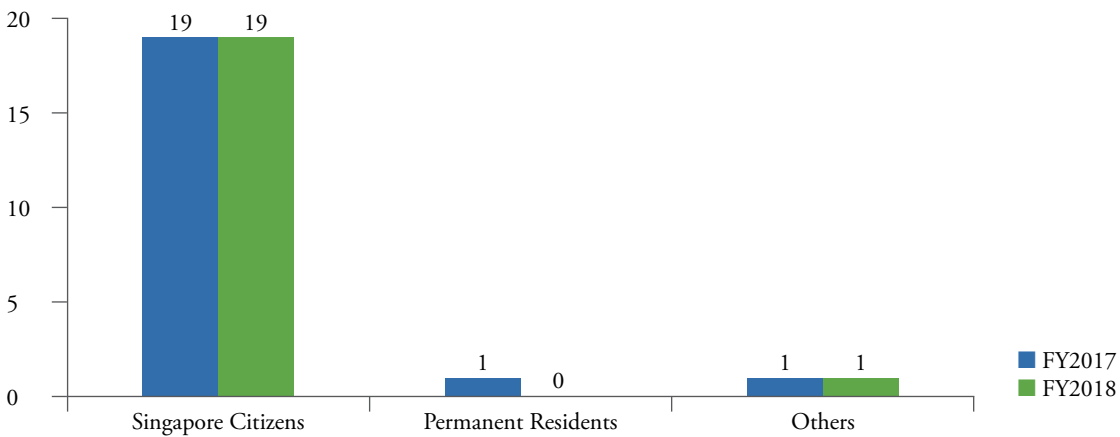
▼ **Figure 11. Team Members' breakdown by Employment Category**



The Group's turnover rate remained low with one female management level member resigned during 2018. There were no new staff recruited in 2018.

At Hwa Hong, we believe in supporting and nurturing of local talent, while simultaneously keeping an open mind to hiring foreign talent for their specialised skillsets. In FY2018, 95% of Hwa Hong's total workforce are Singaporeans (Figure 12).

▼ **Figure 12. Team members' Diversity Profile**



# Aspirational

## FAIR EMPLOYMENT PRACTICES

The Group believes in the provision of fair and equitable opportunities for our team members to grow professionally within the organisation. Hwa Hong adopts fair employment practices that are aligned with the Fair Consideration Framework of the Ministry of Manpower and the five key principles defined by the Tripartite Guidelines on Fair Employment Practices (TGFE). These five key principles by TGFE are:

- (a) Recruit and select team members on the basis of merit (such as skills, experience or ability to perform the job), regardless of age, race, gender, religion, marital status and family responsibilities, or disability.
- (b) Treat team members fairly and respectfully and implement progressive human resource management systems.
- (c) Provide employees with equal opportunities to be considered for training and development based on their strengths and needs, to help them achieve their full potential.
- (d) Reward employees fairly based on their ability, performance, contribution and experience.
- (e) Abide by labour laws and adopt the Tripartite Guidelines on Fair Employment Practices.

At Hwa Hong, the recruitment and career progressions follow a meritocratic approach. The Group remains highly committed in treating all team members fairly and equally. For example, the Group provides opportunities for senior citizens who have in turn, demonstrated good knowledge and loyalty to the Group.

As Hwa Hong has a lean workforce, the Group recognises that talent attraction and retention is an important aspect. Team members are identified as the Group's most valuable assets and are continuously engaged. The Group views the importance of training, developing, growing and retaining its human capital through implementation of effective human resource policies and practices. The team members are encouraged to upskill themselves by getting trained for career growth and personal development.

In addition, the Group offers competitive pay packages that are benchmarked to the market and reward team members based on merit. The Group's remuneration package generally comprises two components. One component is fixed in the form of a base salary. The other is a variable component comprising Annual Wage Supplement ("AWS") and performance bonus. The variable component is largely dependent on the Group's financial performance as well as the individual's performance for the year.

Hwa Hong regards its team members' well-being as its top priority because it creates job satisfaction, which in turn lowers turnover rates and increase productivity. The Group focuses on providing a safe and conducive workplace for its team members. Various healthcare benefits, such as health insurance and health screenings are further provided to full-time team members. The Group strives to build a working environment that meets the needs of its team members wherever possible. Provision of additional leave days and flexible working arrangements are granted additionally, to allow team members to focus on their personal commitments as necessary.

The Group believes in integrity and professionalism in the conduct of Hwa Hong's business activities and expects the team members to embrace, practice and adopt these values as communicated. The Group's code of conduct is made available to all staff as embedded within the employment policy.



# GRI Content Index

GRI 2016 Standard Disclosure Reference	Description	Cross-Reference/Direct Answer
<b>GENERAL DISCLOSURES</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	Hwa Hong Corporation Limited
102-2	Activities, brands, products, and services	About Hwa Hong, Page 2; About this Sustainability Report, Page 3; Investment Properties Portfolio [Annual Report 2018, Pages 8 to 15]; Corporate Information [Annual Report 2018, Pages 69 to 73]
102-3	Location of headquarters	About Hwa Hong, page 2; Corporate Information [Annual Report 2018, Page 2]
102-4	Location of operations	About Hwa Hong, page 2; Corporate Information [Annual Report 2018, Page 2]
102-5	Ownership and legal form	About Hwa Hong, page 2; HHC is a limited liability company listed on SGX-ST.
102-6	Markets served	Joint letter to shareholders [Annual Report 2018, Pages 4 to 7]
102-7	Scale of the organisation	Aspirational: Team Profile, Pages 16 to 17; Investment Properties Portfolio [Annual Report, Pages 8 to 15]; Financial Highlights [Annual Report 2018, Page 16]; Corporate Information [Annual Report 2018, Pages 69 to 73]
102-8	Information on employees and other workers	Aspirational: Team Profile, Pages 16 to 17
102-9	Supply Chain	Strategic: Influencing Hwa Hong's supply chain, Page 13
102-10	Significant changes to the organization and its supply chain	No significant changes.
102-11	Precautionary Principle or approach	Risk Management [Annual Report Page 48]
102-12	External Initiatives	HHC does not commit to any external initiatives.
102-13	Membership of associations	Fundamental: High Standards of Corporate Governance, Page 7; Relational: Stakeholder Communications, Pages 14 to 15
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Board Message on Sustainability Report, Page 1
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance [Annual Report, Pages 29 to 47]; Risk Management and Control Environment, Page 48
<b>Governance</b>		
102-18	Governance structure	Sustainability at Hwa Hong; Responsibility for Sustainability, Page 4

# GRI Content Index

GRI 2016 Standard Disclosure Reference	Description	Cross-Reference/Direct Answer
<b>GENERAL DISCLOSURES</b>		
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Relational: Stakeholder Communications, Pages 14 to 15
102-41	Collective bargaining agreements	There are no collective bargaining agreements in place.
102-42	Identifying and selecting stakeholders	Relational: Stakeholder Communications, Pages 14 to 15
102-43	Approach to stakeholder engagement	Relational: Stakeholder Communications, Pages 14 to 15
102-44	Key topics and concerns raised	Relational: Stakeholder Communications, Pages 14 to 15
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	About this Sustainability Report, Page 3
102-46	Defining report contents and topic Boundaries	Sustainability at Hwa Hong: What's Important for Hwa Hong, Pages 4 to 6
102-47	List of material topics	Sustainability at Hwa Hong: What's Important for Hwa Hong, Pages 4 to 6
102-48	Restatement of information	No restatements were made for this report.
102-49	Changes in reporting	No changes from prior year's Sustainability Report.
102-50	Reporting period	About this Sustainability Report, Page 3
102-51	Date of most recent previous report	Sustainability Report 2017 was published on 29 June 2018.
102-52	Reporting cycle	On an annual basis
102-53	Contact point for questions regarding the report	About this Sustainability Report: Feedback, Page 3
102-54	Claims of report in accordance with GRI Standards	About this Sustainability Report, Page 3
102-55	GRI content index	GRI Content Index, Pages 19 to 21
102-56	External assurance	About this Sustainability Report: External Assurance, Page 3
<b>MATERIAL TOPIC: SUSTAINABLE BUSINESS GROWTH</b>		
<b>Management Approach</b>		
103-1	Explanation of the material topics and its boundary	Sustainability at Hwa Hong: What's Important for Hwa Hong, Pages 4 to 6; Sustainable Business Growth, Pages 11 to 13
103-2	The management approach and its components	Sustainable Business Growth, Pages 11 to 13
103-3	Evaluation of the management approach	Sustainable Business Growth, Pages 11 to 13
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed	Sustainable Business Growth, Pages 11 to 13; Financial statements [Annual Report, Pages 57 to 156]

# GRI Content Index

GRI 2016 Standard Disclosure Reference	Description	Cross-Reference/Direct Answer
<b>MATERIAL TOPIC: HIGH STANDARDS OF CORPORATE GOVERNANCE</b>		
<b>Management Approach</b>		
103-1	Explanation of the material topics and its boundary	Sustainability at Hwa Hong: What's Important for Hwa Hong, Pages 4 to 6; High Standards of Corporate Governance, Pages 7 to 9
103-2	The management approach and its components	High Standards of Corporate Governance, Pages 7 to 9
103-3	Evaluation of the management approach	High Standards of Corporate Governance, Pages 7 to 9
<b>Anti-Corruption</b>		
205-3	Confirmed incidents of corruption and actions taken	High Standards of Corporate Governance, Pages 7 to 9
<b>MATERIAL TOPIC: FAIR EMPLOYMENT PRACTICES</b>		
<b>Management Approach</b>		
103-1	Explanation of the material topics and its boundary	Sustainability at Hwa Hong: What's Important for Hwa Hong, Pages 4 to 6; Fair Employment Practices, Page 18
103-2	The management approach and its components	Fair Employment Practices, Page 18
103-3	Evaluation of the management approach	Fair Employment Practices, Page 18
<b>Employment</b>		
401-1	New employee hires and employee turnover	Aspirational: Team Profile, Page 16 to 17
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Fair Employment Practices, Page 18
<b>MATERIAL TOPIC: REGULATORY COMPLIANCE</b>		
<b>Management Approach</b>		
103-1	Explanation of the material topics and its boundary	Sustainability at Hwa Hong: What's Important for Hwa Hong, Pages 4 to 6; Regulatory Compliance, Page 10
103-2	The management approach and its components	Regulatory Compliance, Page 10
103-3	Evaluation of the management approach	Regulatory Compliance, Page 10
<b>Socioeconomic Compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance, Page 10
<b>MATERIAL TOPIC: STAKEHOLDER COMMUNICATIONS</b>		
<b>Management Approach</b>		
103-1	Explanation of the material topics and its boundary	Sustainability at Hwa Hong: What's Important for Hwa Hong, Pages 4 to 6; Stakeholder Communications, Pages 14 to 15
103-2	The management approach and its components	Stakeholder Communications, Pages 14 to 15
103-3	Evaluation of the management approach	Stakeholder Communications, Pages 14 to 15



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