



EMS ENERGY LIMITED

Sustainability Report FY2017



This report has been prepared by EMS Energy Limited (the “Company”) and its contents have not been reviewed by the Company’s sponsor, UOB Kay Hian Private Limited (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rule of Catalyst. The Sponsor has not independently verified the contents of this report.

This report has not been examined or approved by the SGX-ST. and the Sponsor and SGX-ST assume no responsibility for the contents of this report, including the accuracy, completeness or correctness of any of the information statements or reports opinions made or contained in this report.

The contact person for the Sponsor is Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Board Statement

EMS Energy Limited believes sustainability is integral to our business and is crucial to achieve long lasting value creation for all our stakeholders. We embarked on our sustainability journey through the appropriate approach and in producing those we perceive to have business opportunity. We communicate to our stakeholders constantly to allow them to learn more about our Group and to be provide more transparency of what we are doing and innovating, and what we stand for.

After the past few years of difficult market conditions for the marine and offshore engineering industry, there are signs of cautious optimism as oil prices continue with their modest recovery. However, the marine and offshore engineering industry is still expected to remain lacklustre as local yards face weak operating conditions.

For the financial year ended 31 December 2017 (“FY2017”), we took measured steps to reduce manpower and operating costs, while seeking ways to improve operational efficiency in our execution of the projects on hand. We have been going through a major transformation over the past years and it is not easy to assess the transformation impact from one single year’s results, but looking back, it becomes clear just how much has changed. The global transformation towards higher performance has added to our collective strength.

The board of directors (the “Board”) believes that sustainable development is integral to the Group’s strategy and operations, seeking continuous improvement in identifying, understanding and responding to evolving economic, environmental, social and governance (“EESG”) challenges that the Group is facing. The Board believes that the EESG considerations help to better understand the challenges and impacts on our operations and assist us in striving to move in a sustainable direction so that all our stakeholders benefit.

The Board is pleased to present the Group’s inaugural sustainability report (the “Report”). The Report demonstrates our current efforts on sustainability development to enhance our environmental, and social objectives. The Board oversees the identification, management and monitoring of material sustainability topics in this Report. Our first materiality assessment has allowed us to identify the topics deemed to be material to our business and stakeholders, namely: Compliance to Environmental Regulations; Health and Safety and Training and Education.

An important component of delivering value to our shareholders and earning their trust over the long term is returning capital in a consistent and transparent way. In the pursuit of our growth, the Board remain committed to conserving the environment, preserving natural resources and developing our people.

To strengthen and achieve results that go beyond, we place great emphasis on good corporate governance as the core belief of our business. The belief in good corporate governance enables us to achieve our sustainability goals.

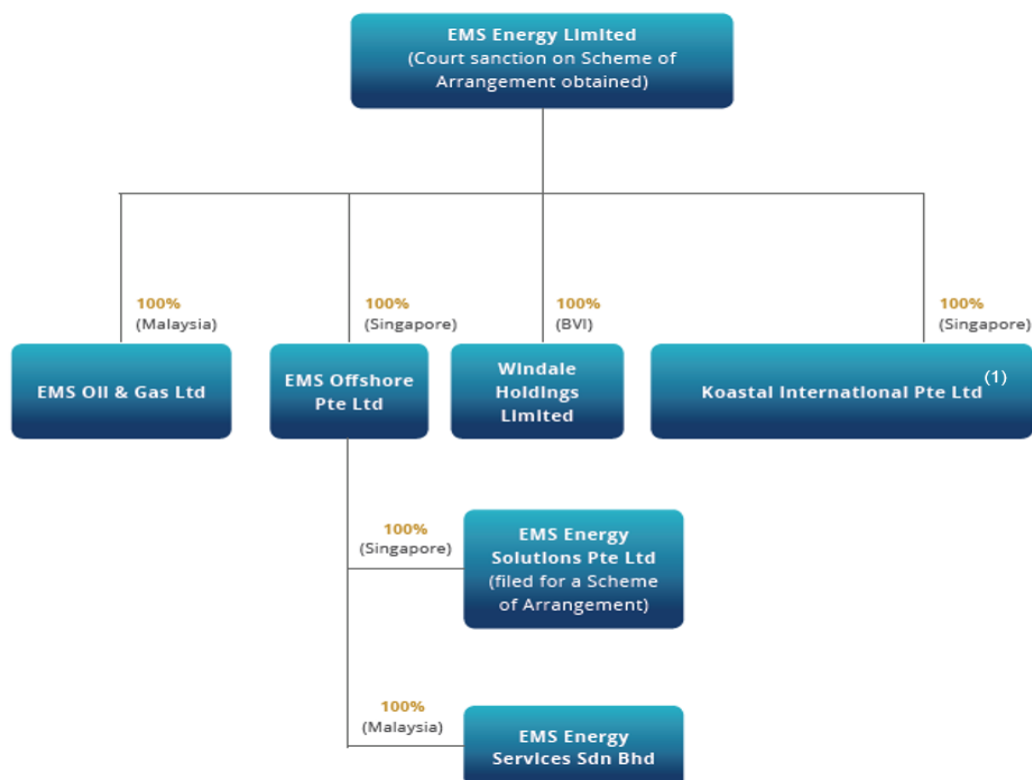
On behalf of the Board, I would like to thank all our customers, business partners, stakeholders, employees and shareholders for their support and contributions to the Group. We will continue to work hard to revitalize the Group and work towards resumption of trading of the Company’s shares at the soonest possible timeframe.

On behalf of the Board of Directors,
Ting Teck Jin
Executive Chairman / CEO

About the Group

EMS Energy Limited (the “Company” or “EMS”), together with all its subsidiaries, (collectively the “Group”), is a limited liability company incorporated in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The corporate structure of the Group as at 31 December 2017 is as follows:



Note (1): Koastal Industries Pte Ltd, a wholly owned subsidiary of Koastal International Pte Ltd, was placed under Creditors' Voluntary Liquidation with effect from 24 October 2017. Hence, Koastal Industries Pte Ltd and its subsidiaries (namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte Ltd and Koastal Eco Industries Co., Ltd) were deconsolidated from the Group thereafter.

The principal activities of the Group are as follows:

1. Investment holding;
2. Design, manufacture and installation of engineering solution for oil & gas and offshore marine industries;
3. Import and export of marine equipment and spare parts, engineering, procurement and construction management, installation and commissioning;
4. Providing environmental engineering services and sewerage treatment plant construction; and
5. Providing technical services in the field of environmental systems and industrial water treatment works.

The Group's customer base (for its export of marine equipment and spare parts business), spans across Asia Pacific in the marine and offshore, wastewater solutions and other various industries.

The Group is fully committed to deliver products and services to customers that are of the highest quality. Therefore, the Group follows strict procedures of identifying,

selecting and monitoring vendors supplying the marine equipment and spare parts to assess their performance and capabilities.

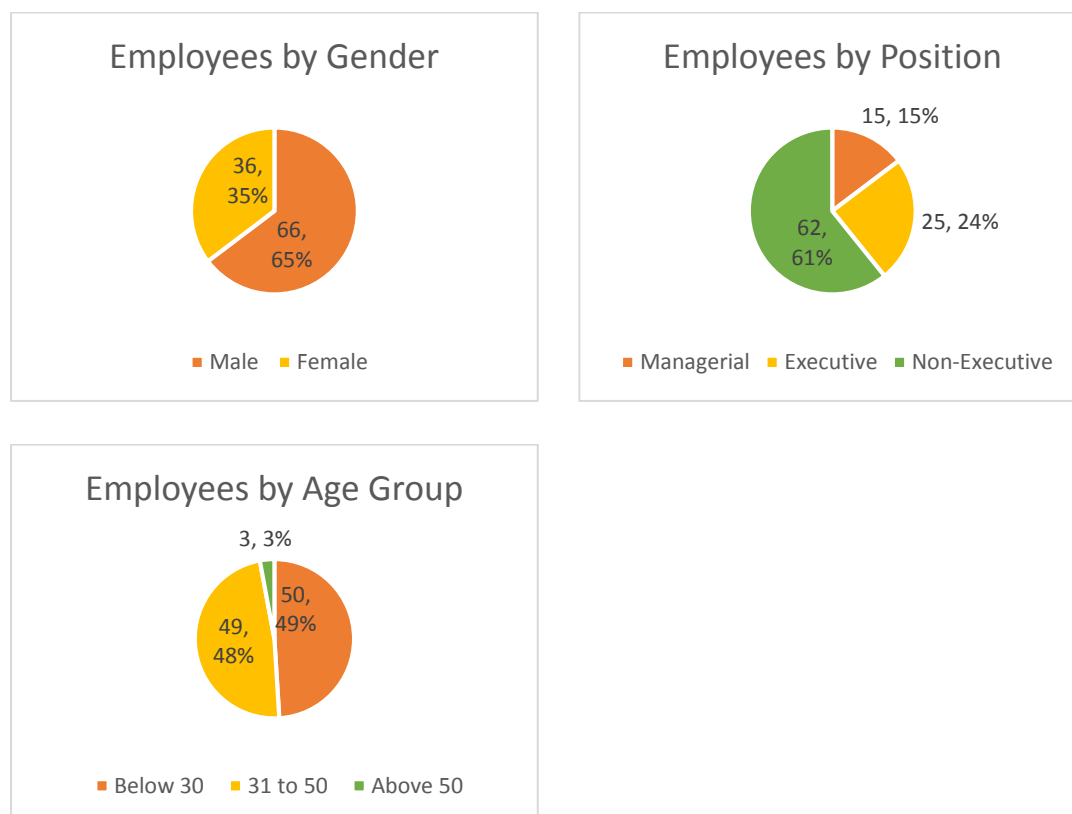
The Group's main operations are located in Ho Chi Minh City, Vietnam, where, through its subsidiary Koastal Eco Industries Co. Ltd. ("Koastal Eco Vietnam" or "KEI"), it is involved in the design, construction, procurement and installation of equipment, including the commissioning and technology transfer of waste water treatment plant in Hanoi, Vietnam until the deconsolidation of KEI's holding company and its subsidiaries on 24 October 2017.

The Group is ISO 9001:2008 (Quality Management System) certified for the design, consulting, construction and installation of wastewater treatment plants, and acquired capabilities for advanced solutions and manufactures or imports relevant equipment for its projects and services.

The Group has twenty years of experience in the wastewater treatment business, including construction and supplying of equipment to countries such as Singapore, Malaysia, Myanmar and Vietnam. Specifically in Vietnam, the Group effectively completed over 100 projects in various business fields in which the largest capacity was a plant generating 55,000 cubic metres of treated water a day.

Employees

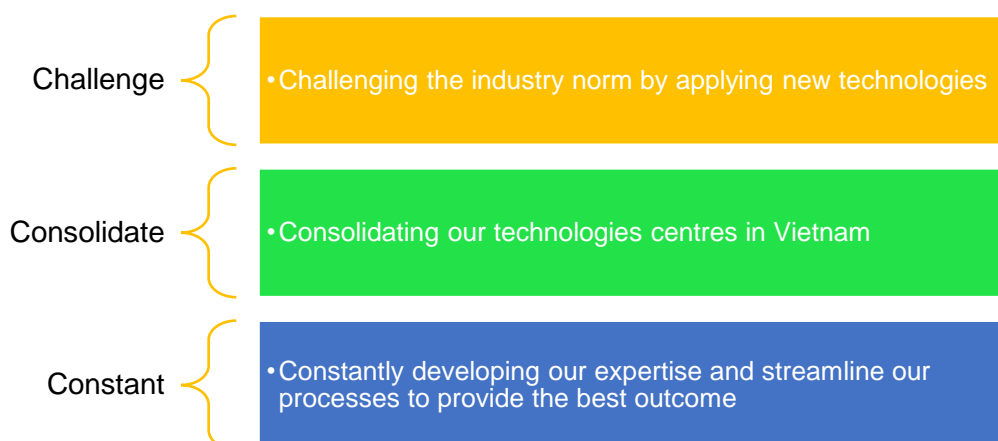
The Group has 102 staff in its employment in the Singapore and Vietnam offices which can be classified as follows:



Mission and Vision

We visualise to be the choice provider of environmental and waste solutions as we seek to enhance the values for our customers and stakeholders. Customer satisfaction is our main concern. We always attempt to offer better solutions and the best products with the most reasonable price to our customers. Aided by a group of highly experienced employees, every product or service is delivered with performance and precision.

We can deliver our vision by adopting the following '3 Cs':



Corporate Governance

The Board is committed to upholding high standards of corporate governance practices throughout the Group that are in line with the Code of Corporate Governance 2012. The Board will ensure that there is compliance with the other relevant regulations, notices, circulars, and guidelines that may be issued by the Monetary Authority of Singapore ("MAS") and the SGX-ST. Explanations will be provided should there be any deviations.

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed within the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board comprises directors who provide core competencies in accounting and finance, industry knowledge, strategic planning and legal knowledge and customer based experience and knowledge. Where appropriate, the Directors receive relevant briefings from time to time on new updates in relation to regulatory changes to accounting standards, Listing Manual, corporate governance and other regulations or statutory requirements.

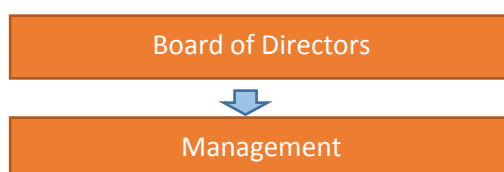
The Independent and Non-Executive Directors constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Each key executive of the Group is highly experienced in this industry and collectively as a whole, are able to competently handle all operational matters of the Group.

Sustainability Governance

Management provides guidance by reviewing and reporting progress for targets and plans on the sustainability strategies to the Board of Directors on the sustainability management performance of the Group and material issues identified by stakeholders.

Sustainability Governance Structure



About This Sustainability Report

Our first sustainability report is prepared in accordance with the Global Reporting Initiative (“GRI”) – “Core” option, the international standard for sustainability reporting.

This report aims to disclose our EESG performance against issues that are considered most material to our Group’s stakeholders, which includes shareholders, suppliers, customers, management and employees. The objective of this report is to inform our stakeholders of the initiatives and strategies related to sustainability that we are currently embarking on.

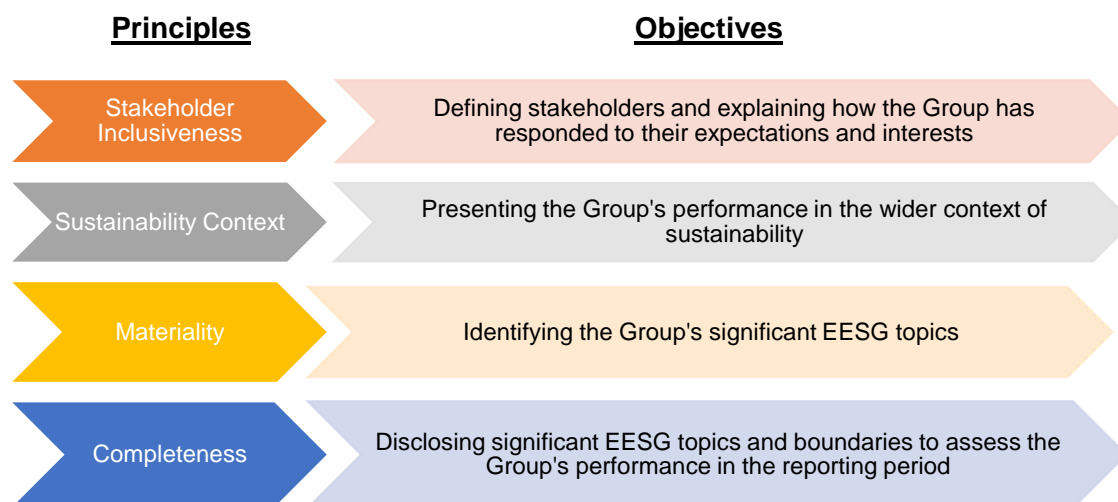
This report is also prepared in accordance with SGX-ST Listing Rules 711A and 711B – Sustainability Reporting Guide and the relevant SGX Practice Notes. Our data is reported in good faith and to the best of our knowledge. The data and information provided have not been verified by an independent third party. Currently, there is no external assurance for this report.

Reporting Scope and Boundaries

Since the Group’s operations mainly involved the waste water treatment plant in Vietnam by KEI (the “Plant”), the EESG topics identified in this Report are pertaining to the Plant.

This sustainability report covers our operations in Vietnam for the financial period from 1 January 2017 up till the deconsolidation date of 24 October 2017. All data and information reported are with respect to the timeframe above unless stated otherwise.

The content of this report is defined by the 4 Content Reporting Principles established by GRI as follows:



Anti-Corruption Practices

In ensuring that all laws and regulations including those related to anti-corruption practices, are complied with, the Company has a whistle-blowing policy in place for employees of the Group and has also circulated an intercompany memorandum with a set of policy and procedures titled “Anti-Bribery Policy” dated 1 July 2011 to provide guidance for all KEI employees in the Group.

This is to encourage employees to voice out issues that are opposed to the best interest of the Group to the Audit Committee and Company Secretary as it is the desire and aim of the Company to maintain high ethical standards of corporate governance within the Group and protect its reputation against any allegations of bribery and corruption.

The policy applies to all directors, officers, employees, including full-time, part-time and contract employees, representatives, contractors and distributors of the Group. There were no whistle blowing reports received in FY2017.

Feedback

We welcome feedback as it enables continual improvement in the Group's sustainability policies, processes and performance. Please send your comments and suggestions to anna.liauw@koastal.com or at the following address:

EMS Energy Limited
25 International Business Park
#02-57/59/60
German Centre
Singapore 609916
(65) 6261 5755

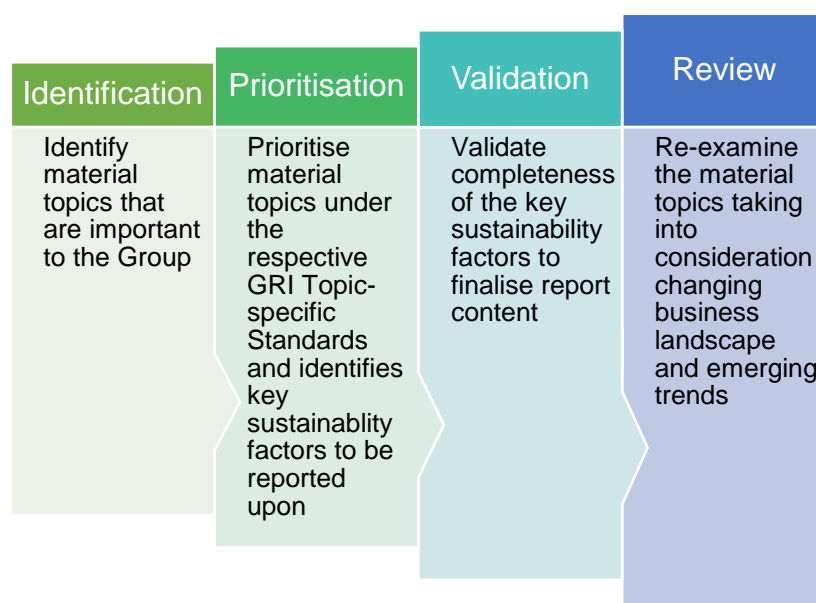
No hard copies of this Sustainability Report have been printed as part of our efforts to promote environmental conservation. You may visit SGX website for our Sustainability Report.

Stakeholder Engagement & Material Topics

The Sustainability Consultants (the “Consultants”) worked with the management of the Group to conduct a materiality assessment to identify the relevant EESG topics of which the Group considered important to stakeholders.

The material topics were evaluated for its potential impact on the environment and society, its influence on the stakeholders and impact on the Group’s operations. Moving forward, a materiality review will be conducted every year to identify the relevant EESG topics, incorporating inputs from the various stakeholders.

The Group adopts a four-step process to define the material topics:



The material topics identified were as follows:

<u>Material Topics</u>		
Environmental	GRI 307-1	Compliance to Environmental Regulations
Social	GRI 403-2	Safe Working Environment for Employees
Social	GRI 404-1	Training and Education for Employees

Compliance to Environmental Regulations (GRI 307-1)

The Group is committed to minimising the environmental impact of its operations, and thus deem it as a material factor. As KEI is providing the technology and expertise to convert waste water into clean recycled water, there are facilities within the plant to treat the waste water. These facilities are regularly updated to meet modern and future environmental changes so that the pollutant concentrations in the treated waste water comply with the local and/or national regulations regarding disposal of waste water into rivers, lakes or oceans.

KEI has a quality plan in place which provides guidelines for each stage of work at the Plant namely;

- a) Procurement of materials for the construction of the Plant;
- b) Receiving and storage of materials at the Plant;
- c) Preserving materials in the event of rain at the Plant;
- d) Construction standards of the Plant; and
- e) Quality of the output of water at the Plant

As a testament to its effectiveness, there were no cases of non-compliance in FY2017. We have set a perpetual target towards zero validated cases of non-compliance with all relevant laws and regulations for FY2018 and beyond.

Safe Working Environment for Employees (GRI 403-2)

The Group has set an objective which is to raise health and safety standards in the workplace. We are committed to provide a safe working environment for our employees to safeguard their health and safety, which we believe will greatly enhance morale and satisfaction leading to higher productivity. The health and safety of our employees is our most important business consideration.

KEI ensures the well-being of all employees at the plant by arranging a yearly medical check-up, which is carried out by specialized medical centres. After examination, results will be sent to each employee to have further treatments (if necessary). There are no occupational diseases found during the medical check-ups up for FY2017. In addition, all employees at the plant are required to perform exercises of up to twenty minutes before the start of each work day.

All employees are constantly reminded to be careful during work and to wear the appropriate personal protective equipment ("PPE"), such as reflective vest, hard hat, safety goggles and safety shoes. Other PPEs are provided to employees according to their area of responsibility. Employees are expected to voice out concerns in areas such as immediately reporting hazards, unsafe work practices, and accidents to supervisors or safety committee representatives.

Safety trainings and briefings are constantly provided by the supervisors at the plant and communicated to new and existing employees. No employee is allowed work on site without safety training and/or the appropriate safety equipment mentioned above.

We are pleased to report that there has not been any reportable serious work-related injuries in FY2017. We hope to achieve our perpetual target of zero cases of reportable serious work-related accidents and injuries for FY2018 and beyond.

Training and Education for Employees (GRI 404-1)

Training and education is important for the Group as it enhances productivity of all employees by equipping them with the necessary skillsets to perform their duties in an ever-changing working environment. Training and education helps employees to learn specific knowledge or skills to improve performance in their current roles that brings a greater impact to the Group, which is of the utmost importance.

The Group has established policies for defining personnel competency and identifying training needs and providing the necessary external and internal training required for each employee. Trainings are requested by each Head of Department and approved by the HR Department and a Director. After each training session, the attendance of each employee is verified and compiled by the HR Department for the employees' monthly and yearly Key Performance Index.

As KEI's operations are mainly in Vietnam, the trainings provided in FY2017 for the employees at the plant are mainly on-the-job training, conducted ad hoc by the supervisors internally and no targets have been set for FY2018.

GRI Content Index

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