

***STAMFORD*** ***TYRES***

STAMFORD TYRES CORPORATION LIMITED

# **SUSTAINABILITY**

## **REPORT 2018**



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# Sustainability Report – Stamford Tyres Corporation Limited

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## 1. Board’s statement

We affirm our commitment to sustainability with the publication of our maiden sustainability report (“Report”) guided by the Global Reporting Initiative (“GRI”) Standards: Core option. For this Report, we provide insights into the way we do business, while highlighting our environmental, social, governance (“ESG”) factors and economic performance.

Whilst mindful of our profit oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure the long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this Report.

A sustainability policy (“SR Policy”) covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors has been established and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organizational and external developments.

## 2. Reporting framework

In preparing this sustainability report, we were guided by the Global Reporting Initiative (“GRI”) Standards: Core option.

## 3. Reporting period and scope

This Report is applicable for our financial year from 1 May 2017 to 30 April 2018 (“FY2018”) and supplements our Annual Report 2018, a copy of which can be found in our corporate website <http://www.stamfordtyres.com/>. A sustainability report will be published annually in accordance with our SR Policy.

This Report covers the key operating entities within the Group which contributed approximately 93% of the Group’s total revenue for the reporting period.

## 4. Feedback

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: [weisze@stamfordtyres.com](mailto:weisze@stamfordtyres.com) or [siti@stamfordtyres.com](mailto:siti@stamfordtyres.com)

## 5. Stakeholder engagement

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise communities, customers, employees, regulators, shareholders and suppliers. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by our operations.

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel
1	Community	We focus on continuous community engagement through close monitoring of local developments through mass media and dialogues where practicable.
2	Customer	Customers, comprised mainly retailers or sub-distributors, are encouraged to provide their feedback and feedback obtained is reviewed and relevant follow-up actions are taken to better serve them. Regular meetings and communications are made with customers to ensure that the Group remains connected with the customers.
3	Employee	Senior management holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include emails and staff evaluation sessions where employees can pose questions in person.

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S/N	Key stakeholder	Engagement channel
4	Regulator	We participate in consultations and briefing organised by key regulatory bodies such as SGX-ST so as to furnish feedback on proposed regulatory changes that impact our business.
5	Shareholder	We convey timely, full and credible information to shareholders through announcements on SGXNET, our website ( <a href="http://www.stamfordtyres.com">http://www.stamfordtyres.com</a> ), investor relations email account ( <a href="mailto:weise@stamfordtyres.com">weise@stamfordtyres.com</a> or <a href="mailto:siti@stamfordtyres.com">siti@stamfordtyres.com</a> ), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
6	Supplier	We work closely with our suppliers to ensure smooth delivery of products. In general, new suppliers are screened in accordance with the Group's purchasing policies and existing suppliers are assessed by respective work teams based on specified criteria. Feedback is also provided by the procurement teams to suppliers to ensure standards of products or services delivered by suppliers.

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

## 6. Policy, practice and performance reporting

### 6.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. The Group's Sustainability Committee, which includes senior management executives, is led by our Executive Director, and tasked to develop the sustainability strategy, review our material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

### 6.2 Sustainability reporting processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritized as material factors which are then validated. The end result of this process is a list of material factors disclosed in this Report. Processes involved are as shown in the chart below:

#### Identification



Identification of the material factors that are relevant to our activities and data points for performance reporting

#### Prioritization



Prioritization of the material factors and identification of material sustainability factors to be reported

#### Validation



Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of material sustainability factors to finalize the sustainability report content

#### Review



Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organizational and external developments

### 6.3 Materiality assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

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Reporting priority	Description	Criteria
<b>I</b>	High	Factors with high reporting priority are reported on in detail.
<b>II</b>	Medium	Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material.
<b>III</b>	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material.

The reporting priority is supported by a material factor matrix which considers the level of concern to external stakeholders and potential impact on business.

## 7 Material factors

Our materiality assessment performed for FY2018 involved the Group's Senior Management in identifying sustainability factors deemed material to our businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainable value for our stakeholders. Presented below are a list of material sustainability factors applicable to our Group:

S/N	Material factor	Reporting priority	Key stakeholder
<b>Social</b>			
1	Equality and diversity in the workplace	<b>I</b>	Employee
2	Employee retention	<b>I</b>	Employee
3	Safe working environment	<b>II</b>	Employee
4	Commitment to quality products	<b>I</b>	Customer, supplier
<b>Environmental</b>			
5	Energy conservation	<b>II</b>	Community, shareholder
6	Water conservation and waste water treatment	<b>III</b>	Community, shareholder, regulator
7	Waste optimization	<b>II</b>	Community, shareholder, regulator
<b>Economic</b>			
8	Sustainable business performance	<b>I</b>	Shareholder
9	Proactive anti-corruption practices	<b>II</b>	Shareholder, regulator
<b>Governance</b>			
10	Robust corporate governance framework	<b>II</b>	Shareholder, regulator

We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholder's feedback and sustainability trends. The details of each material sustainability factor are presented as follows:

### 7.1 Equality and diversity in the workplace

We are committed to the goals of diversity and equal opportunity in employment by providing a work environment for our employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender, age and educational background. The total number of full-time employees within the Group as at 30 April 2018 is 1,021.

**Our Board**



**Our People**



# Sustainability Report – Stamford Tyres Corporation Limited

On gender diversity, we view diversity on the Board level as an essential element in supporting sustainable development with two female Board members. The percentage of female to total permanent employees is 26% and about 34% of managers are females as at 30 April 2018.

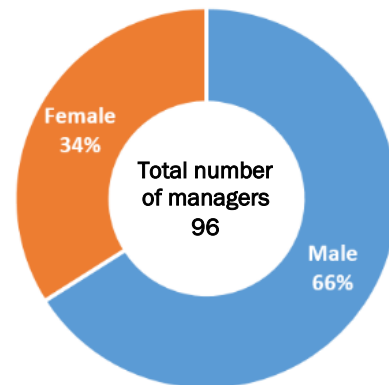
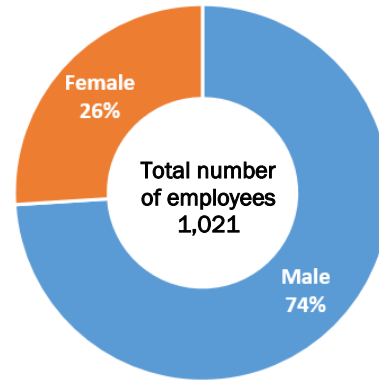
On age diversity, matured workers are valued for their experience knowledge and skills. As at 30 April 2018, 35% of our workforce is at least 40 years old.

On diversity in educational background, we seek to create an inclusive environment for our employees from different educational background. The distribution of staff by educational level is shown in the following chart.

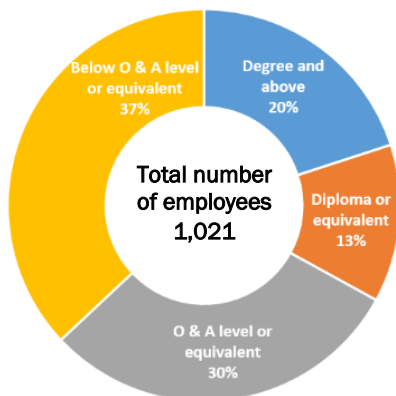
To promote equal opportunity, we have implemented various human resource measures as follows:

- A human resource policy is in place to recruit and promote employees based on merit and competency
- Staff assessment is performed regularly to evaluate the performance of staff and provides staff with sense of self-awareness to undertake training that will improve their skills and abilities
- Staff recruitment advertisements do not state age, race, gender or religion preferences as requirement

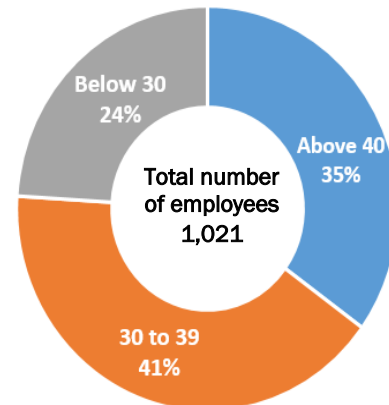
## Gender diversity (as at 30 April 2018)



## Educational diversity (as at 30 April 2018)



## Age diversity (as at 30 April 2018)





# Sustainability Report – Stamford Tyres Corporation Limited

## 7.2 Employee retention

The continual success of our business relies on a team of professional, skilled and experienced staff and managers. We are committed to employee retention through the following efforts:

### a. Performance based rewards

We recognize employees are key to sustainability and therefore aims to reward employees that are capable and dedicated. Under the Group's performance share plan for managerial level employees, rewards in the form of shares are granted to key employees to align their interests with that of the Group. The share plan is subject to the review and approval by an independent Remuneration Committee and the Board of Directors.

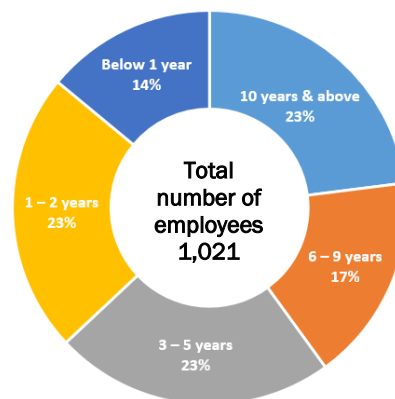
### b. Systematic internal human resource processes

Human resource processes related to employee retention includes:

- An employee handbook is in place to provide guidance on employee benefits and disseminate corporate culture
- Employees are engaged regularly via various channels such as the appraisal exercise which allows employees to gain feedback on their career progress
- In-house and external training courses are organized regularly for employees to improve their professional skills. For example, a systematic training program is in place in Thailand to equip sales staff with the needed product and service knowledge

We believe a low turnover improves the sustainability of operations and allows us to contribute positively to the development of social and human capital in a wider community. As at 30 April 2018, 63% of the employees have more than 3 years of service with us.

**Years of service (as at 30 April 2018)**



## 7.3 Safe working environment

In our Group's daily operations, the workers are required to handle heavy lifting equipment such as forklift to transfer inventories. For the wheel factory in Thailand, workers also operate in a high temperature environment and use of chemicals such as paints. Given the nature of activities and operating environment, we are committed to maintain a safety-conscious culture amongst our employees.

The measures implemented to manage health and safety in the workplace environment are as follows:

- A set of safety rules and regulations is in place
- A safety committee is in place and safety inspections are performed regularly by safety officers and reported to senior managers
- All new employees are briefed on safety procedures during orientation
- Regularly track and monitor accidents at the workplace and corrective action plans are established to prevent recurrences of the accidents
- A dedicated first-aid room is maintained at the wheel factory in Thailand to provide immediate and effective medical treatment to workers or others who sustain injuries at the location



**First-aid room in our Thailand wheel factory**

The Group recorded zero workplace fatality during the reporting period and 10 non-fatal workplace injuries<sup>1</sup>, resulting in 469 man-days lost during the reporting period. The non-fatal workplace injuries mainly related to hand and leg injuries. We will continuously work towards reducing both the occurrence and severity of workplace accidents.

<sup>1</sup> A workplace accident is defined as one when an employee is injured in a work accident which resulted in (i) hospitalisation for at least 24 hours and/or (ii) medical leave of more than 3 days (regardless if the medical leave is consecutive)

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## 7.4 Commitment to quality products

### Our brands



We are committed to deliver the best to our customers by providing them with quality and safe products for our long term business sustainability. Our proprietary brands comprise:

- Sumo Firenza and Sumo Tire brands for tyres which are produced by selected contracted manufacturers (“CMS”) located in Asia
- Stamford Sport Wheels, or SSW brand for alloy wheels which are designed, manufactured and tested in our wheel factory located in Thailand

The key measures on quality and safety are as follows:

a. Adoption of market standards on product quality and safety

To maintain product quality and safety, our suppliers and wheel factory are certified under internationally recognized quality standards with details as follows:

Production line	Brand	Key standards adopted	Certification Center
CMS	Sumo Firenza, Sumo Tire	ECE certification	TUV Rheinland, TUV SUD
Wheel factory	SSW	ISO/TS 16949:2002	TUV Rheinland
		ISO 9001: 2000	Vehicle Inspection Association, Japan
		GOST certification	Euro-Asian Council & CIS for Standardization, Metrology and Certification

b. Robust quality control processes

To uphold a high standard on product quality and safety, we have implemented the following operational measures:

- A manufacturing management policy is in place for compliance with the production standards
- A procurement policy is in place to ensure procurement teams work closely with suppliers to comply with the Group’s requirements
- Strategic suppliers are regularly evaluated through measures such as annual assessments, sampling tests and visits to suppliers’ premises
- The production lines are supported by a team of experienced engineers and designers to provide quality assurance for the products

During the reporting period, there was no safety related defect which resulted in an accident that caused injury to a customer.

## 7.5 Energy conservation

We are committed to responsible usage of energy to preserve the environment in which we operate in. Our operations consume energy mainly for the following purposes:

- Electricity for machineries used in the manufacturing of aluminium alloy wheels and equipment used in our offices
- Liquefied petroleum gas (“LPG”) for machineries used in the manufacturing of aluminium alloy wheels, specifically for wheel casting
- Fuel for operating motor vehicles such as trucks and forklifts



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Key statistics on energy usage during the reporting period are as follows:

S/N	Energy	Total amount of consumption	Total sales (SGD'000)	Intensity Consumption/ Sales '000
1	Electricity	16,209,524 kWh	225,489	71.9
2	LPG <sup>2</sup>	2,065,546 kg	13,213	156.3
3	Fuel	892,389 litre	225,489	4.0

We believe that responsible usage of energy resource results in lesser emissions and thus helps to preserve the environment. It also reduces our costs and enhances returns to shareholders. Key initiatives on this front are as follows:

- A systematic maintenance program for operating equipment is in place to maintain energy efficiency
- Energy consumption is regularly tracked and analysed. Corrective actions are taken when usual consumption patterns are observed

## 7.6 Water conservation and waste water treatment

We recognize the importance to effectively manage water consumption as valuable water resources may be depleted and pollution may occur if water consumption and waste water treatment are not managed properly. To achieve effective water management, we are committed to minimize consumption and manage waste water quality. This factor is primarily applicable to our wheel manufacturing operations located in Thailand with details as follows:



### a. Water conservation

Process description	Total amount of consumption Cu M	Total sales (SGD'000)	Intensity Consumption/ Sales Cu M/ SGD '000
Used in cooling and washing purposes such as in cooling towers, heat treatment quenching baths, casting hydraulic systems, machining coolant, painting pre-treatment and basic washing of wheels before applying paint.	228,912	225,489	1.0

Water conservation measures adopted by our wheel factory include the following:

- A systematic maintenance program is implemented for operating equipment to maintain water efficiency
- Water consumption trends are regularly tracked and analysed. Corrective actions are taken where there are unusual consumption patterns

### b. Waste water treatment

Waste water comprised coolant oil and paint sludge generated from the manufacturing process as follows:

Description	Source
Coolant oil	Generated from the machining process, which is a mixture of oil, coolant chemical and water
Paint sludge	Generated from the painting process, which is a mixture of water, paint chemical, thinner, and other particles captured by the water curtains inside the painting booths

During the reporting period, the wheel factory generated 15,635 tonnes of waste water. Measures taken to manage water quality include ensuring that waste water is processed by our own water treatment plants before it is released into the waterways and conducting sampling checks to inspect water quality. During the reporting period, 100% of waste water generated from our wheel factory was treated by our own water treatment plant.

<sup>2</sup> LPG is consumed mainly by our wheel factory operations.

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## 7.7 Waste optimization

We are committed to environmental preservation through reuse and recycling to allow the Group to operate in a sustainable environment.

The main waste materials generated from our operations are the aluminium chips from wheel production. All aluminium chips from production are collected for outsource recycling. As at 30 April 2018, 90% of the aluminium chips generated from production was recycled.

In addition, we are actively involved in recycling of used tyres through our retreading plants located in Singapore, Malaysia and Indonesia. The retreading plants serve to extend the life span of tyres thus saving valuable natural resources used in the production of tyres. Whilst preserving the environment, we also ensure all retreaded tyres are rigorously inspected to ensure quality and safety.

Used tyres



Retreading process



Retreaded tyres



## 7.8 Sustainable business performance

We believe in creating long-term economic value for shareholders by rewarding shareholders by way of consistent profits and dividend payments.

In FY2018, the Group recorded revenue of SGD 247.9 million and generated SGD 5.2 millions of net profit for the period attributable to equity holders of the Company. A final tax-exempt dividend of SGD 1.0 cents per ordinary share was declared for FY2018.

Details of the Group's economic performance can be found in the financial contents and audited financial statements of the Annual Report 2018.

## 7.9 Proactive anti-corruption practices

We are committed to carry out business with integrity by avoiding corruption in any form, including bribery, and complying with the Prevention of Corruption Act of Singapore.

An employee handbook is in place to provide guidance to our employees on areas such as conduct in workplace, business conduct, confidentiality of information and conflict of interest.

We have implemented a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. In FY2018, no serious offence was reported<sup>3</sup>.

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<sup>3</sup> A serious offence is defined as one that involves fraud or dishonesty amounting to not less than SGD 100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

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## 7.10 Robust corporate governance framework

We are committed to high standards of corporate governance and believes a high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interests and maximizing long-term shareholder's value.

Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School was 66 for year 2018. This placed us within the top 30 percentile of the public listed companies that were assessed.

The Board and Management firmly believe that the success of our quest for good governance lies in putting in place an effective framework of risk management and internal controls that is aligned with market standards and best practices. Refer to the Corporate Governance Report of the Annual Report 2018 for details for our corporate governance practices.

## 8. Target setting

We are in the process of compiling performance data to form a trend for the purpose of setting targets on the Material Factors as described above. Accordingly, the process of target setting is deferred till a time when adequate data is available to set reasonable targets.