

HOTEL ROYAL
SUSTAINABILITY REPORT
2016



FOREWORD BY THE CHAIRMAN

Dear Shareholders,

We are pleased to submit our full Sustainability Report for FY2016, which provides a snapshot of our economic, social and environmental performance and how we manage sustainability issues in our hospitality business.

Central to this Report is the Materiality Matrix that outlines the strategic priorities of Management and our stakeholders, and provides a discussion on each of these factors highlighted.

We truly believe that our Group's growth cannot be achieved at the expense of the environment and the well being of the communities in which we operate in. Our business interests must be aligned with socio-environmental priorities in order to build lasting businesses for future generations.

We believe in creating a sustainable business strategy that can align with profitability. Moving ahead, we will review our Materiality Matrix from time to time, taking into account the feedback that we continue to receive from our engagement with our stakeholders, and as we encounter new challenges in the business environment.

We hope that our sustainability initiatives will lead to increased value creation in the years to come, and that our shareholders and investors will find this Report useful.

DR LEE KENG THON
Chairman

1 November 2017



ORGANISATIONAL STRUCTURE

Hotel Royal's 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 the Group's CEO, and tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Sustainability Report.

CONTENTS OF THE REPORT

Our Report will begin with a review of the material aspects that both stakeholders and the Company view as being critical to the success and sustainability view as being of the Company. We will seek to assess any changes in these material aspects when compared to the preceding year, where applicable, and look into issues that may have a large variance. These may include changes to the business environment, stakeholder feedback and sustainability trends.

OUR SUSTAINABILITY POLICY

Hotel Royal Limited is a hospitality group that places much emphasis on executing a sustainable business strategy with profitability and shareholder value as foremost priorities. As a responsible corporate citizen operating in Singapore and the Asia-Pacific region, the Group's values are articulated in the following principles

• Code of conduct and business ethics

Our Group adopts a Code of Conduct and Business Ethics that stipulates the principles of our conduct and business ethics that apply to all of the Group's employees. This Code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest.

We have also established a whistle-blowing mechanism to aid in the reporting of corporate misconducts. We do not engage in child labour or take unethical means, directly or indirectly, to provide business services in our day-to-day

operations. By "indirectly", we are saying that we do not engage in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.

• Health, safety and the environment

Management of health, safety and the environment is high on our list of priorities. We continuously seek to minimise the impact of our activities through water and energy conservation, as well as having a robust workplace safety management programme.

Please refer to the section on Corporate Social Responsibility on Page 36 of our FY2016 Annual Report.

• Employees

We believe in engaging and developing our staff to their fullest by providing opportunities for development and growth.

Please refer to the People Report on Pages 38 – 41 of our FY2016 Annual Report.

• Community

We believe in giving back to the society through supporting various charitable initiatives and community projects.

Please refer to the section on Corporate Social Responsibility on Pages 36 our FY2016 Annual Report.

STATEMENT OF ASSURANCE

It should be pointed out that while the financial statements in the Report are audited by independent auditors, we rely on our internal process to verify the accuracy of the ESG performance data and information presented in this Report.

AVAILABILITY

A PDF version of the full Report will be available for download at our investor relations pages of our website – hotelroyal.listedcompany.com, or at the SGX website.

OUR STAKEHOLDERS

STAKEHOLDERS	HOTEL ROYAL'S COMMITMENT
INVESTORS	Maximise shareholder value through our corporate strategies and business fundamentals
CUSTOMERS	Maximise customer satisfaction through delivering quality service and products
EMPLOYEES	Maximise the full potential of our people resources through continual employee development and training
PARTNERS	Build strong partnerships with regulatory and non-governmental organisations in the pursuit of the best in environmental, health and safety standards in our operations
COMMUNITY	Minimise environmental impact and contribute to the communities where we operate in

MATERIALITY MATRIX

The following Materiality Matrix maps out the environmental, economic, social and governance factors that impact or potentially impact our business and operations, based on our own sensitivity analyses and risk management profile, as well as insights gained from our interactions with our stakeholders.

This Matrix is helpful in focusing attention on the values that are critical to the success of our business as well as delivering value to shareholders.

We review our Materiality Matrix from time to time, taking into account the feedback that we receive from our engagement with a wide variety of stakeholders, broader sustainability trends and the issues facing the hospitality industry. Issues that are material to Hotel Royal are reviewed on an ongoing basis as the company continues to grow.

For the purpose of this Report, we have limited the scope to our Singapore assets, namely, Hotel Royal Singapore and Hotel Royal@Queens. Along the way, we hope to include our assets in Malaysia, Thailand and New Zealand progressively.

MANAGING SUSTAINABILITY - IDENTIFICATION OF KEY SUSTAINABILITY ISSUES

The Group has adopted the following Materiality Matrix approach to identify and prioritise key sustainability issues. Feedback was gathered from its stakeholders who formed the basis for determining the Matrix.



Based on feedback from our various stakeholders, we have shortlisted 11 material factors based on valuable insights that we have gained from our stakeholder engagement efforts, as well as factors that Management deems to have potential material impacts to our business operations.

CUSTOMER SATISFACTION, RETENTION & SERVICE QUALITY

Customers are our priority – the lifeblood of any business – and our future depends on having continued strong relationships with our guests. We endeavor to achieve this by continuing to improve our service standards and continually exceeding their expectations.

At Hotel Royal, customer satisfaction is a key driver of our business success and sustainable growth. Every year, we aim to achieve a minimum of 80% in our Customer Satisfaction Surveys and a minimum of 12 compliments for every complaint received. Management is committed to reading every feedback form submitted by our guests. Insights from these surveys have allowed us to make many changes to improve our customers’ experiences.

EMPLOYEE RELATIONS

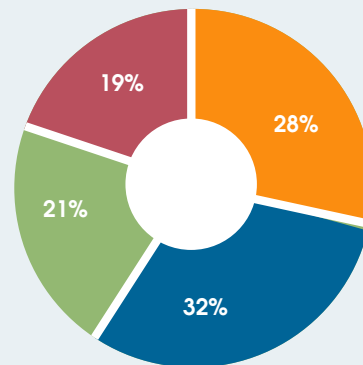
The Group has 772 employees across its operations in Singapore, Malaysia and Thailand, delivering exceptional, heart-felt service to its guests, consistent with its credo – “Every Room A Home”.

At our Singapore operations, our productivity initiatives resulted in a 2% marginal decrease in total staff strength. However, we managed to consistently strike a balance in the gender diversity amongst our employees.

	2016	2015
Men	121 (54%)	120 (53%)
Women	102 (46%)	108 (47%)
Total staff in Singapore	223	228

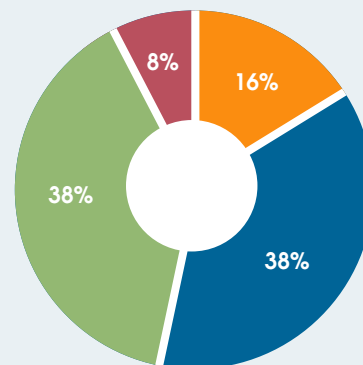
GROUP EMPLOYEE PROFILE

BY AGE



- 21-30 years old
- 31-40 years old
- 41-50 years old
- Above 50 years

BY NATIONALITIES



- Singaporeans
- Malaysians
- Thai
- Others

We place a high priority in staff training because these are the ambassadors of the Hotel Royal brand of service – in particular, we focus on service deliverables such as projecting distinctive service posture, well-appointed rooms, competitive room rates, as well as security and safety standards.

	2016	2015
Total training hours	2,372	3,182
Average training hours per employee	10.6	14.0

In 2016, we invested a total of 2,372 training hours at our Singapore hotels, a decline of 25.5% compared to the previous year, largely due to the tight manpower situation in Singapore. This translates to an average of 10.6 training hours per employee in 2016. Moving ahead, we intend to introduce e-learning into our curriculum so that training can be conducted with more flexibility.

Our vision is to be the preferred hospitality group for the mid-market segment, such as corporate travel, agents, training, sports, shipping, incentives, online travel and performance segments. As one of the few hotel management class companies with ISO, Singapore Quality Class (Star) and Singapore Service Class certifications, our performance is continually being measured against the best in class.

Our aim is to train our employees to achieve optimal level of performance, aligning their personal goals with the Group's performance and creating a culture that is in line with our service credo. This we do through our internal "WE CARE" programme where we inculcate in all of our staff that Customers are our main focus and that Attitude adopted must be positive. We have to Recognise the needs, wants and expectations of our customers in order for us to Effectively and efficiently meet their expectations.

Not only are we concerned about how our customers feel about our service, we are equally committed to know how our staff feel about the Company and the work environment. In our annual Employee Satisfaction Surveys, we track staff feedback, training needs, job satisfaction, benefits and welfare. It is our internal company policy to achieve a minimum score of 70%.

WORKPLACE SAFETY

	2016	2015
Workplace injury rate	0	0
Accident frequency rate	0	0
Accident severity rate	0	0

Creating a safe and conducive workplace is an important priority, and our safety practices are in line with the Government's regulations and guidelines. Each of our hotels has a workplace health and safety committee to monitor and review our safety practices, as well as identify potential risks, thereby ensuring that our practices are in line with the best practices of the industry. We have a reporting procedure in place where all accidents and injuries at the workplace, even minor cuts, are reported to the relevant HR department for action and tracking. We are pleased that for the last two years, our hotels continued to be accident and injury-free.

To ensure that we continue to achieve good results, we send our staff for training in workplace safety, first aid and the use of the automated external defibrillator (AED) in the event of a medical emergency. In addition, they are also trained in handling fire hazards at the work place, and participate regularly in fire drills and evacuation exercises.



BUSINESS CONTINUITY & RISK MANAGEMENT

Risk management forms a critically important part of business management. The Group's risk and control framework is designed to provide reasonable assurance to ensure that our business objectives are met efficiently and effectively, while safeguarding our assets and ensuring that we comply with the necessary legal and regulatory requirements as we ensure the integrity of our financial reporting and corporate disclosures.

Management is responsible for identifying critical business risks and to take the necessary procedures to address these risks. These procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

For more detailed discussions of our Risk Management initiatives, please refer to pages 70 to 71 of our FY2016 Annual Report.

CORPORATE GOVERNANCE

The Board and Management firmly believe that the Group's unwavering commitment to the best practices of corporate governance is essential to its sustainability and performance in the long-term. Driven by our strong sense of creating value and accountability towards our investors and stakeholders, the Group's quest for corporate excellence lies in our belief in developing and maintain a sound, transparent and consistent policies and practices. We are focused on complying with the latest versions of Singapore's Code of Corporate Governance - not only to the letter of the Code but in the spirit of the Code as well. In so doing, we endeavor to achieve operational excellence and achieving our long-term strategic objectives of driving long-term growth and delivering value to our shareholders.

Please refer to pages 45 to 69 of our FY2016 Annual Report for details of our Corporate Governance practices.

COMMUNITY ENGAGEMENT

	2016	2015
Community investments (S\$)	70,000	60,000

At the core of our corporate social responsibility (CSR) commitment is our passion to reach out to the larger community in the cities that we operate in. We believe that as a successful business enterprise, we have to do our part to make a positive impact in and around us, fostering goodwill in the communities and environment. We hope to further align our long-term business strategies with the universal values of achieving positive and sustainable outcomes for all of our stakeholders.

Extending care and concern to the community is an important extension of Hotel Royal's service culture - which is about making Every Room A Home. We see it as part of our business to extend this sense of family to the underprivileged in our society. Every year, we, together with our employees, contribute funds and time to support various meaningful causes.

In 2016, the Group increased its investments into the community by 16.7% to S\$70,000 by way of donations and sponsorship of room nights to various arts groups.



ENVIRONMENT MANAGEMENT

	2016	2015
Energy usage (GJ)	28,718	28,646
Carbon footprint (tonnes CO ₂ e)	4,634	4,622
Water usage (cubic metres)	132,939	152,622

We hope to further align our long-term business strategies with the universal values of achieving sustainable outcomes for all of our stakeholders. Our environment initiatives are focused on minimizing the material environmental impact of our operations, which include energy, water and waste. We also actively engage staff and customers to champion and address some of the environmental impacts together.

We support Singapore's reaffirmation of its commitment to the Paris Agreement and its pledge to reduce the intensity of emissions and to stabilize emissions, and in particular, its aim to reduce emissions intensity by 36%, from the levels recorded in 2005 by 2030, and to stabilise its emissions with the aim of peaking around 2030. As climate change ultimately leads to sea level rise, which will affect water resources, biodiversity risks, public health, urban heat island effect and food security, businesses in Singapore will not be immune to these potential adverse effects. Therefore we have started to look at how we as a business can mitigate these adverse effects by playing our part in reducing emissions, increasing energy efficiency, reduce and recycling waste, conserving water resources and promoting individual and corporate initiatives.

During the year in review, the Group's water saving initiatives achieved the biggest improvement, dropping by nearly 13% to 132,939 cubic metres, while our energy consumption and carbon footprint remained consistent with 2015's levels.

Meanwhile, our hotels in Singapore and Phuket are tapping solar energy to generate hot water, while our properties in Singapore and Kuala Lumpur have energy-saving LED lighting installed and our hotel in Bangkok has installed environmentally friendly VRV air-conditioning system. Every little act goes a long way - across the Group's properties, office staff are switching off lights during the lunch period while rainwater is collected to water the plants and wash bin centres.

In 2016, Hotel Royal Singapore installed dispensers for hot, warm and cold water on all floors, and has ceased distributing bottled drinking water to the guest rooms. In addition, Hotel Royal Singapore has joined Hotel Royal @ Queens as a smoke-free hotel - all guest rooms and suites have been designated as no smoking zones.



INNOVATION

Innovation can be a catalyst for the growth and success of business, and help to adapt and grow in the marketplace. Being innovative does not only mean inventing - it can also be adapting to changes in our business environment to deliver better products and services. It can also result in making productivity gains to increase efficiency and profitability.

At Hotel Royal, we strive to inculcate an innovative culture amongst our staff across the Group, and we empower them to continually look for ways to innovate new processes, products and services.