



HOCK LIAN SENG
HOLDINGS LIMITED

SUSTAINABILITY REPORT

— 2017 —

SUSTAINABILITY REPORT FOR FY2017

Board Statement

The Group is committed to deliver quality service to our customers , provide a safe and healthy environment for the employees , be a good corporate citizen that operates with honesty, fairness and accountability.

We are mindful of the social and environmental impacts that are critical to our business and stakeholders and will continue to make progress in our overall mission to create more sustainable work processes and environment and an equitable future for our stakeholders.

We prepared our report with reference to the Global Reporting Initiatives ("GRI") Core Reporting Options. This report covers the 2017 financial year from 1 January to 31 December.

About Us

Hock Lian Seng is one of the leading Civil Engineering Group in Singapore, with established track record since 1969. The Group was listed on the Mainboard of Singapore Exchange securities Trading Limited in December 2009.

We have undertaken and completed a wide range of civil engineering projects for both the public and private sectors in Singapore. We carry out civil engineering works for bridges, expressways, tunnels, Mass Rapid Transit ("MRT"), port facilities, water and sewage facilities and other infrastructure works.

Major customers include government and government-related bodies of Singapore, such as the Land Transport Authority, Housing Development Board, PSA Singapore Terminals, Public Utility Board and Changi Airport Group.

We are also involved in property development and property investment businesses.

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Governance Structure

Sustainability Governance is led by the Board of Directors and supported by all levels of the Group.



Sustainability is a journey. The Board, with the assistance of Audit and Risk Management Committee, will ensure that we have the right policies and practices in place, that appropriate targets and measurements are developed, and sufficient resources are dedicated to sustainability-related initiatives. We will progressively strengthen the sustainability governance structure so that there is clear accountability and oversight.

Reporting scope

This report focuses on the Group's sustainability performance across its construction activities, as the property development activities were minimal in FY2017.

For the purposes of this report, the Group has included Hock Lian Seng Holdings and all its wholly owned subsidiaries. The key operating wholly owned subsidiary in current financial year is Hock Lian Seng Infrastructure Pte Ltd. Joint Venture activities were excluded as the operational controls are held by different management teams.

Stakeholder Engagement

Hock Lian Seng Group's stakeholders include shareholders, employees, customers, partners and local community. We prioritise our stakeholders for engagement based on the significance of their influence on our business and our dependency on them. We engage with our key stakeholders on a regular basis to ensure two-way communication and this is summarized in the table below:

Stakeholder	Method of engagement	Topics of Concern	Our Response
 Employees	Regular staff meetings	• Productivity • Training & development • Safety and well-being	Provide more training and staff gatherings
 Shareholders	• Annual Report • Annual General Meeting • SGX Announcements	• Economic performance • Dividend pay-out	Provide quarterly result announcements and dedicated investor relations website
 Clients and Business Partners	Meetings	• Code of conduct • Supply chain management	Collect and monitor relevant data, carry out audits and be certified by Independent Organisations.
 Consultants, Suppliers and Subcontractors	• Meetings • Email communications	• Code of conduct • Supply chain management	Meetings/ surveys to collect and monitor relevant data. Requirement for certification by Independent Organisations.
 Government and Regulators	Government Publication/ written communication	Compliance with rules and regulations	To exceed basic compliance whenever possible.
 Local Communities	• Meetings • Notices	• Clean and safe environment • Keep neighbours informed	Commit to best practices under Green and Gracious Builders Scheme.

Materiality Assessment

The Board has been fully involved in the identification and prioritisation of material topics and has provided resources to manage the governance of sustainability.

We conducted a high-level benchmarking exercise on a universe of topics to short-list the key topics where our company created significant economic, environmental and social impacts. We took into consideration the material topics and future challenges of our industry as identified by our peers and competitors. This included relevant laws, regulations and international agreements of strategic significance to our Group.

We engaged with our employees from the different departments to seek our internal stakeholders' prioritisation of these topics. At the same time, we conducted surveys on our external stakeholders and they include our customers, consultants, shareholders, suppliers and subcontractors. The results are consolidated and the topics with the highest priorities are validated with the management and the Board to arrive at our list of material topics and their impact boundaries. Some topics in the survey overlap in scope and are grouped together.

Our Material ESG Topics:

Material Topics	GRI Standards Disclosure	Impact Boundary
Social		
Diversity and equal opportunity	Diversity and equal opportunity	All employees
Talent attraction and retention	Employment	All employees
Training and education	Training and education	All employees
Occupational health and safety	Occupational health and safety	All employees
Environmental		
Legal and regulatory compliance	Environmental compliance	Construction activities
Waste disposal and management	Effluents and waste	Construction activities
Energy and fuel consumption	Energy	Construction activities
Governance/Economic		
Ethics	Anti-corruption	Corporate office and construction activities

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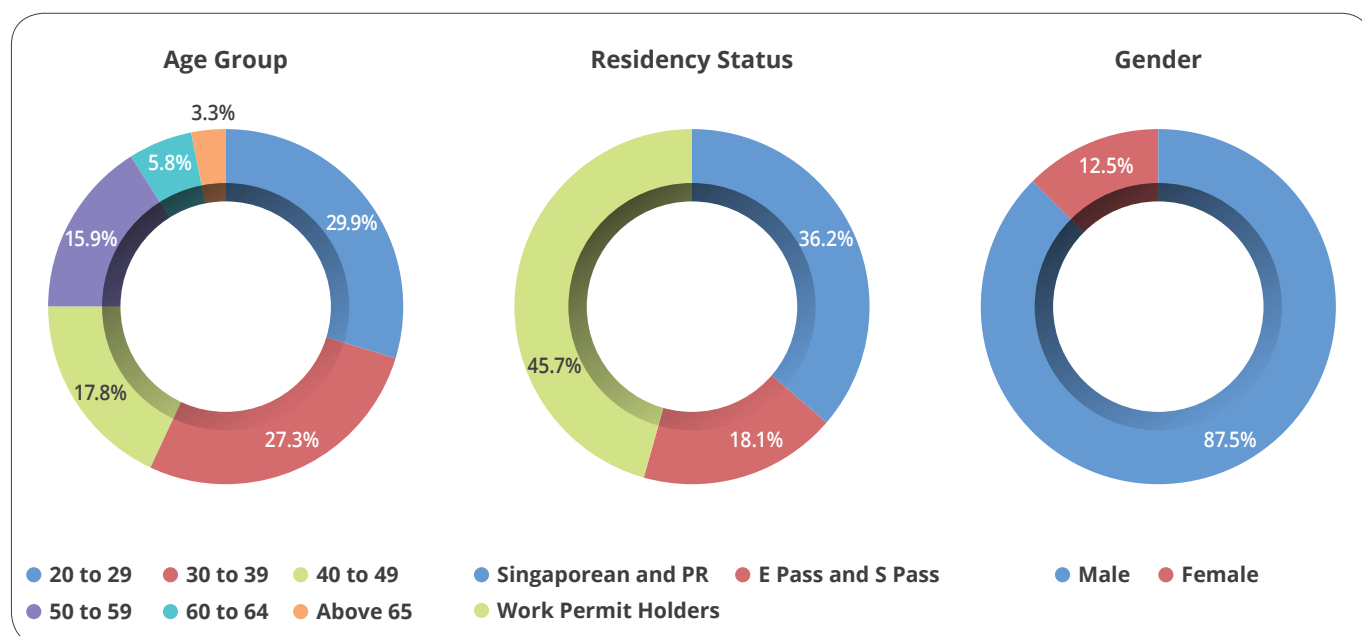
Policies, Practices and Performance In Relation to the Material ESG Topics

Social - Our People

Our employees are the key drivers in our pursuit to enhance overall business performance and to deliver sustainable growth.

As at 31 December 2017, Hock Lian Seng Group has 360 employees. All employees are Singapore-based. We maintain a diverse workforce in terms of age and nationalities, with different skills and experiences, which will contribute positively to the Company.

The profile of our employees as at 31 December 2017:



Diversity and Equal Opportunity

We are committed to improving diversity. We treat all employees fairly, with respect and dignity, regardless of nationality, race or religion.

The hiring procedures are fair and non-discriminative. Staff are hired on the basis of merit, skills, experience or competency to perform the job.

The ratio of female employees in the organisation is relatively low but this is not unusual for the construction industry due to the nature of the work. We are open to improving this ratio whenever possible.

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Talent Attraction and Retention

We offer competitive remuneration and reward contribution, with performance-based pay and bonuses. Regular salary reviews are conducted to ensure that our remuneration package remains competitive. We offer all employees a comprehensive benefits package, which includes health and welfare, maternity and paternity leave entitlements as well as coverage under the Company's Group Health Insurance Plan.

Training and Development

To remain competitive in the market, we recognise the need to continually upskill our staff. Various training / development programmes are available to provide employees with the right skills and technical know-how to equip them to do their jobs more efficiently and effectively. On average, all our staff received about 12 hours of training in the 12 months.

Our construction activities are also subject to BCA certifications, which have mandatory training requirements on professional and technical employees.

Our employees undergo a diverse range of career –building and learning experiences including job-specific technical skills training, on-the –job and professional training, combined with executive and leadership development, technical and professional seminars, courses, workshops, and overseas immersion programmes. Regular visits to our various project sites are organised to share best work practices and provide insights on how technical challenges are overcome.

We also provide educational opportunities through sponsorships and scholarships. We offer the BCA Industry Built Environment Undergraduate Scholarship, to groom promising young individuals who wish to pursue a rewarding career in the Construction industry.

Occupational Health and Safety

Health and Safety at the workplace is always a top priority at Hock Lian Seng . The Board Safety Committee was established since 2012 to oversee and monitor the establishment and maintenance of the safety practices and policies of the Group. Given the high risk nature of construction activities, we place greater emphasis on health and safety training, awareness, procedures and general education, and aim to develop a culture whereby safety is ingrained into each and every employee and subcontractor working with us.

Our approach to workplace health and safety management is underpinned by legislative requirements and industry safety standards. We are certified under OHSAS 18001 Certification in Occupational Health and Safety Management. This certification, as well as the BizSafe Star Certificate, reflect our ongoing commitment and efforts to reduce risks and to make safety an integral part of our business.

Safety awareness starts with all new hires who are required to attend a compulsory safety induction programme during which workplace hazards and at-risk areas are highlighted and the Group's OHSAS procedures are outlined. New employees are also issued with personal protective equipment including safety boots, helmets, goggles and ear plugs. All regulatory training, in addition to all medical examinations required under the Workplace Safety and Health Act, are carried out by external providers where necessary.

From a supply chain perspective, all suppliers, contractors and subcontractors are required to abide by relevant laws and regulations, in addition to company safety policy and procedures.

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Safety induction is provided onsite for contractors and subcontractors required to work in our sites, prior to commencing work. Safe work procedures and risk assessments are also required to be in place prior to the start of a project and are regularly reviewed at various stages of the project.

We assess our workplace safety performance by examining reportable injuries. In 2017, there were zero work-related fatalities across all our construction sites. Accident frequency rate (AFR)* was 0.66 and accident severity rate (ASR)*, which evaluates the number of work days lost as a result of accidents, was 6.6. In the same year, the average AFR and ASR compiled by MOM are 1.6 and 104.

* Note: AFR measures how often workplace incidents occurred per million man-hours worked.
ASR refers to the number of man-days lost to workplace accidents per million-hours works.

Summary of Social Performance and Targets

Material Topics		Performance	Targets
GRI Index	Diversity and Equal Opportunity		
405-2	Breakdown of employees per employee category (nationalities/ age group/other indicators)	See breakdown of employees profile	To build on more employees profile indicators to ensure better management of human resource
GRI Index	Employment		
401-1	New Hire and Employee turnover	Current year turnover rate: 9%	To maintain the staff turnover rate below 10%
GRI Index	Training and Development		
404-1	Average hours of training per year per employee	12 hours	15 hours per year per employee
GRI Index	Occupational Health and Safety		
403-2	Accident Frequency Rate (AFR) Accident Severity Rate (ASR)	0.66 6.6	Zero for both AFR and ASR

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Environment

The Group is committed to eco-friendly practices that contribute towards protecting and building a sustainable environment.

Legal and Regulatory Compliance

Compliance with Codes and Regulations on environmental issues is a must and we take steps at all our work sites to ensure the requirements are met throughout the lives of the projects. We work to a higher standard beyond basic compliance, and have adopted BCA's Green and Gracious Builder Award Criteria since 2013. The Company is committed to "Green Practices" to improve our environmental management programs and to "Gracious practices" to control the environmental impact to the community, inculcate good relationship and bonding with our neighbours and to provide good working environment for our staff.

Good green practices include but are not limited to the following:

- Comply with applicable regulatory and client requirements
- Control resources utilisation and minimise waste / pollutants generation
- Create greater employee awareness of environmental issues through training and communication
- Monitor environmental performance periodically

Good gracious practices include but are not limited to the following:

- To provide the public with a safe environment
- To prevent or reduce the noise and vibration generated on site
- To ensure pro-active communication with the community

Waste Disposal and Management

The adage "Reduce, Reuse, Recycle" is adopted in all our work places. At work sites, we have procedures to encourage recycling and the reduction of construction waste. Clearly labelled recycling bins are placed at designated areas for proper segregation of wastes and these are reused at our own sites where possible or else sent for recycling. Other construction wastes are disposed according to regulations.

Treated water is used for flushing toilets, washing of vehicles and for the general cleaning. Water that is released into public drains are treated to remove sediments according to authorities' requirements.

Besides reducing electricity consumption by turning off lights and machineries during lunch and after-office hours, we reduce paper usage through default settings to double-sided printing and by encouraging electronic filing. Paper with single side printing are collected and reused for printing on the blank side. Paper that cannot be reused are collected and sent to recycling plants.

Energy and Fuel Consumption

We monitor the amount of diesel and water we consume at each work site to reduce wastage. Due to the differences in the design, size, scope and programme of every project, the data collected cannot be compared meaningfully between projects and be expressed as an average consumption per year by the company. Nevertheless, we are continuing with such monitoring as other than protecting the precious resources, costs are kept under control this way.

Summary of Environmental Performance and Targets

Material Topics		Performance	Targets
GRI Index	Waste Disposal and Management		
306-2	Install equipment to monitor Total suspended solids (TSS) readings for water discharged from the construction site	TSS < 50mg/litre	TSS reading to be less than 50mg/litre
GRI Index	Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	No incidence of non-compliance with laws and regulations resulting in significant* fines or sanctions for FY2017	Zero incident of non-compliance

* significant fine is one over \$50,000

Governance

The Group recognises that good corporate governance processes are essential for enhancing corporate sustainability. We are committed to ensuring and maintaining a high standard of corporate governance and business conduct to safeguard the interests of all stakeholders. We are dedicated to uphold integrity and honesty in our operations.

We work closely with government agencies to keep up-to-date with recent changes in policies with regards to construction, and maintain close workings relationships to promote the exchange of ideas and understand pertinent issues that may affect the business.

We have also established well-defined limits of authority to manage decision making with the Group. This ensures that all actions to be authorised are at all times consistent with the Group's objectives, principle, ethics and relevant legal and/or regulatory requirements.

Anti-Corruption

A whistle blowing policy is in place within the Group to aid in the deterrence and reporting of corporate malpractice and misconducts.

In FY2017, we are not aware of any incidents of corruption, confirmed or suspected.

Dealings in Securities

The Group's code of conduct includes guidelines to directors and employees in the Group, which sets out prohibitions against dealings in the Company's securities (i) while in possession of material unpublished price-sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of, the Company's results for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all directors and employees of the Group to inform them of the duration of the period.

Summary of Governance Performance and Targets

Material Topics		Performance	Targets
GRI Index	Anti-Corruption		
205-3	Confirmed incidents of corruption and actions taken	No incidents	Provide whistleblowing and anti-corruption updates to all staff annually by FY 2018

GRI CONTENT INDEX

GRI Standard	Disclosure	Notes/ Reference / page reference
GENERAL DISCLOSURES		
Organisation profile		
GRI 102-1	Name of Organisation	Hock Lian Seng Holdings Limited
GRI 102-2	Activities, brands, products, and services	This report: About us
GRI 102-3/4	Location of headquarters/operations	Singapore
GRI 102-5	Ownership and legal form	Annual Report 2017, page 101, Analysis of Shareholdings
GRI 102-6	Markets served	Singapore
GRI 102-7	Scale of organisation	Annual Report 2017, page 8, Operations and Financial Review
GRI 102-8	Information on employees and other workers	This report: Our people
GRI 102-9	Supply chain	This report: Our people
GRI 102-10	Significant changes to the organization and its supply chain	Not Applicable
GRI 102-11	Precautionary Principle or approach	The Group does not specifically address the principles of the Precautionary approach.
GRI 102-12	External initiatives	None
GRI 102-13	Membership of associations	Hock Lian Seng Infrastructure Pte Ltd is an associate member of The Singapore Contractors Association Ltd (SCAL)

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Strategy		
GRI 102-14	Statement from Senior decision maker	This report: Board statement
Ethics and Integrity		
GRI 102-16	Values, principles, standards, and norms of behavior	This report: Board statement
Governance		
GRI 102-18	Governance structure	This report: Governance structure
Stakeholder Engagement		
GRI 102-40	List of shareholders groups	This report: stakeholder engagement
GRI 102-41	Collective bargaining agreements	Not applicable
GRI 102-42	Identifying and selecting stakeholders	This report: stakeholder engagement
GRI 102-43	Approach to stakeholder engagement	This report: stakeholder engagement
GRI 102-44	Key topics and concerns raised	This report: stakeholder engagement
Reporting Practice		
GRI 102-45	Entities included in the consolidated financial statements	Annual Report 2017 , page 69 & 70, Note 11 and Note 12 of Financial Statements
GRI 102-46	Defining report content and topic Boundaries	This report: Materiality assessment
GRI 102-47	List of material topics	This report: Materiality assessment
GRI 102-48	Restatements of information	N/A (inaugural report)
GRI 102-49	Changes in reporting	N/A (inaugural report)
GRI 102-50	Reporting period	Financial year ended 30 December 2017
GRI 102-51	Date of most recent report	N/A (inaugural report)
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report	info@hlsgroup.com.sg
GRI 102-54	Claims of reporting in accordance with the GRI standards	This report has been prepared in reference to the Global Reporting Initiative ("GRI") -Core option
GRI 102-55	GRI content index	This report: GRI content index
GRI 102-56	External assurance	Not sought

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SPECIFIC DISCLOSURES		
Material Topic		
<i>Environmental Compliance</i>		
GRI 103-1/2/3	Management Approach	This report: Environment
GRI 307-1	Non-compliance with environmental laws and regulations	This report: Environment
<i>Occupational Health & Safety</i>		
GRI 103-1/2/3	Management Approach	This report: Our people
GRI 403-2	Types of injury and rates of injury	This report: Our people
<i>Human Resources training</i>		
GRI 103-1/2/3	Management Approach	This report: Our people
GRI 404 -1	Average hours of training per year per employee	This report: Our people
<i>Anti-Corruption</i>		
GRI 103-1/2/3	Management Approach	This report: Governance
GRI 205-3	Confirmed incidents of corruption and actions taken	This report: Governance



HOCK LIAN SENG HOLDINGS LIMITED
Company Registration No.: 200908903E

www.hlsgroup.com.sg

80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269
Tel: (65) 6344 0555 · Fax: (65) 6440 9049