



# SECURING A SUSTAINABLE FUTURE

SUSTAINABILITY REPORT 2017



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## SHENG SIONG GROUP 昇菴集团

### OUR VISION

To be the preferred retailer in the market, starting from Singapore and expanding further ashore.

### OUR BELIEF

With morality as our bedrock, we continue our legacy by setting self-expectations to walk the talk and to be good examples for others. With this, we will conquer all odds and ensure the continuity of Sheng Siong.

### OUR MISSION

To create value in a sustainable manner for our customers in a convenient and comfortable shopping environment with good service and quality products at reasonable prices.

### OUR VALUES

Be reasonable, harmonious, responsible and dedicated. Be earnest and efficient at work, with no empty promises and excuses.





## JOINT MESSAGE FROM THE CHAIRMAN AND THE CEO

**DEAR STAKEHOLDERS,**

It is our pleasure to present our inaugural Sustainability Report for the financial year ended 31 December 2017. **This report has been prepared in accordance with the GRI Standards: Core option.**

As a leading retailer of fresh produce and daily essentials, sustainability issues have always been part of Sheng Siong's strategy formulation. Last year, the Board of Directors made a commitment to more extensively oversee the management and monitoring of material environmental, social and governance "ESG" objectives by setting up the Sustainability Committee. The committee is headed by our Executive Director, Ms Lin Ruiwen, and reports to the Board. This effort has reinforced sustainability perspectives in the Group's management systems and business strategies.

Sheng Siong was founded back in 1985, starting from a small provision shop in Ang Mo Kio, and grew to become a household name in Singapore. We opened four new outlets and closed two in 2017 bringing

the Group's total number of retail outlets to 44 as at the end of 2017, further strengthening our foothold in Singapore's heartland. We opened our first retail outlet outside Singapore in November 2017. The store is located in Kunming, Yunnan, China and has a store area of 50,000 square feet. The Group has a 60% stake in the venture, while 30% is owned by Kunming LuChen Group (based in China<sup>1</sup>) and 10% by iSmart Investments Pte Ltd. Work is underway for the addition of approximately another 97,000 square feet of storage and processing space to our Mandai Link distribution centre. Construction commenced in June 2017 and is expected to complete in 2018. The Group's growth is the result of our commitments to the company's core values and principles, in fulfilling the demands of our customers sustainably.

Our sustainability journey is built on 5 key pillars:

1. Business Excellence
2. Care for our Customers
3. Care for our Employees
4. Care for the Community
5. Care for the Environment

To determine the aspects of our activities that are most material to our stakeholders, we conducted peer analysis, and collated and analysed feedback from our engagement of shareholders, customers, employees, suppliers, government agencies, non-government organizations, voluntary welfare organisations and the media.

## BUSINESS EXCELLENCE

Shareholders view strategic growth, financial performance, capital and risk management and sound governance as hallmarks of an excellent business. The Group will continue to strive for business excellence which will sustain our business in a competitive and ever changing environment. This includes containing cost via productivity and process improvements and investing in technology.

Answering our Government's call to build a Smart Nation, we adopted technologies that help us to continually improve operational efficiencies and productivity, and enhance our customers' retail experience.

In 2017, we collaborated with Bank of China Singapore Branch (BOCSG) to jointly launch a co-branded Visa credit card in an effort to support Singapore's cashless goal. The contactless BOC Sheng Siong card will serve to drive more cashless transactions, thereby lowering the operational costs of cash management and increasing our business productivity with more efficient payment processes. This card provides cash rebates of up to 12%<sup>2</sup> on all Sheng Siong transactions providing customers with greater grocery savings.



We extended Unified Point-of-Sales (UPOS) to all our outlets as at 30 September 2017, enabling our customers to make payment by card or mobile wallets using just one payment terminal. Together with the addition of our Hybrid Self-Checkout System (HSCO) to another 9 stores (total of 24 stores), we have successfully reduced each customer's waiting time at checkout by more than 30 seconds, and freed up cashiers and tellers to take on job roles that enlarge the scope of their responsibilities and skill sets.

The Group's CEO, Mr Lim Hock Chee, was also appointed a member of the MAS Payment Council since August 2017 that will be steering future e-payment solutions in Singapore. We believe that Sheng Siong will have the opportunity to pioneer or serve as a testbed for some of these solutions.

Given the size of our retail network, we reap economies of scale from the improvements in operational efficiencies and business processes. This strengthens our commitment of being a forerunner in adopting new



Our UPOS payment terminal provides greater convenience for our shoppers.

<sup>1</sup> Our first store in China, Sheng Siong (China) Supermarket Co., Ltd, started operations in November 2017. Due to unavailability of reasonable data, we have not included the numbers from our China operations in our Sustainability Report for financial year ended 31 December 2017. We intend to include Sheng Siong (China) in our report for 2018.

<sup>2</sup>Terms and Conditions may apply.





## JOINT MESSAGE FROM THE CHAIRMAN AND THE CEO

processes and technologies that improve productivity and simplify workflow. Our efforts in these areas were acknowledged when we were conferred the SPRING Innovation Excellence Award in 2015.

### CARE FOR OUR CUSTOMERS

Our customers represent a significant portion of the community at large. They view food and product safety, customer satisfaction, having healthy diet options, and affordability of daily necessities as the most material aspects of our operations.

#### Food Safety and Quality

Food safety has always been our main priority. Good maintenance of the cold chain is important for preserving the safety, freshness, shelf life, and quality of fresh and chilled food, while reducing wastage arising from spoilage throughout the supply chain.

Not only are our processing departments ISO 22000:2005 Food Safety Management System certified, our management is also well represented in government-initiated working groups, task forces and committees that keep us updated on new developments in food safety standards and practices. For example, we participate in the Technical Committee and working groups appointed by the Food Standards Committee to assist in the preparation of the Singapore Standard for Cold Chain Management and Food Storage Warehouse for Food Products, Singapore Standard for Organic Primary Produce, and Singapore Standard for Food Waste Management for Food Retail Establishments and Wholesale Distributors.

Over the years, we have also put in place a Product Traceability programme to manage food safety risks. A drill is conducted every year to review and assure the proper working of the procedure, and we intend to enhance the programme further.

#### Healthy Singapore

Diabetes is a serious health concern in Singapore. Over 400,000 Singaporeans live with the disease. The Ministry of Health has warned that one in three Singaporeans has a lifetime risk of getting diabetes and the number of those with diabetes is projected to reach one million by 2050 if current trends continue.

We partner the Health Promotion Board (HPB) in campaigns such as the "Eat, Drink, Shop Healthy Challenge", "World No Tobacco Day", and "National



Steps Challenge™". We have also given our support to various initiatives to promote healthy lifestyles such as Sundown Marathon, as well as the Berita Harian Supermarket Tour and Zumba Event.

To encourage customers to make healthier choices during their daily grocery shopping, they are awarded with Healthpoints with every Healthier Choice Symbol (HCS) product purchased. These points can then be used to redeem supermarket or shopping vouchers. We plan to launch more HCS products in the years to come.

#### Affordability of Daily Necessities

Last year, we responded to the rising prices of infant milk formula by launching Nature One Dairy, an Australia brand of infant milk formula that retails at more affordable prices. We also continued to support the SG50 Seniors Programme by giving a 3% discount every Wednesday for senior citizens aged 60 and above.

At Sheng Siong, we strive to always provide the best value in a basket of goods.

### CARE FOR OUR EMPLOYEES

Employees view competitive reward and recognition of work effort, opportunities for career progression, learning and development, job stability, and good leadership as the important factors to motivate them to outstanding performance.

To upgrade the skill sets of our employees, we work closely with the Singapore Institute of Retail Studies (SIRS) to develop training content that is suited to our corporate culture. The collaboration has led to higher customer service standards at Sheng Siong retail outlets.

Currently, we already have a significant focus on on-the-job training, and we intend to formalize more of such trainings. With the onset of our new extension currently being built at our distribution centre, we plan to start a training supermarket and work with partners in developing a training curriculum for our employees.

We show our appreciation towards our employees via a fair remuneration system and recognition programmes. Last year, our controlling shareholders Mr. Lim Hock Eng, Mr. Lim Hock Chee and Mr. Lim Hock Leng disbursed, out of their own pockets, annual education grants amounting to \$389,550. The beneficiaries were 480 children of our lower-salaried employees.

Sheng Siong strives to build an inclusive and familial working environment for our employees. You will read about Ms. Yogamani, of Indian ethnic, and her adventures in our store in China in the report. Also, like many Chinese family traditions, we celebrate joyous occasions of our employees by gifting Marriage Ang Pows and Newborn Congratulatory Gift hampers, and express our condolences to their losses by offering bereavement contributions.

### CARE FOR THE COMMUNITY

Sheng Siong strongly believes that we should always give back to the society with gratitude. Every year, we have made an effort to provide financial assistance as well as sponsorships in-kind, lending our hands to those who are less fortunate. The spirit of giving has been well embraced by the Group as care for the community, for our customers, and for employees. These have been material aspects of our operations since its inception.

Some of our community initiatives last year included the following:

#### Project R.I.C.E.+ 2017

We supplied about 17,000 hampers of food, toiletries and household items for the needy through Project R.I.C.E.+ 2017. This marked our 5<sup>th</sup> consecutive year of collaboration with the Red Cross Youth. We assisted in preparing the hampers for distribution to 8,500 beneficiaries from skipped-generation families, single-parent households and low income households.







## JOINT MESSAGE FROM THE CHAIRMAN AND THE CEO

### #ILoveYouMumChallenge

This is our second year of support for the #ILoveYouMumChallenge campaign organised by Mediacorp. The campaign is a transmedia social movement that aims to strengthen family ties by challenging children of all ages to ask their mothers 3 questions via social media video with the hashtag #ILoveYouMumChallenge. The campaign is led by celebrities who share intimate thoughts with close family members via social media videos.

In addition to cash sponsorship of \$40,000 to support the campaign in 2017, the founders personally participated in the social media video challenge. They shared their thoughts about their first gifts to their mother. Our employees also participated in the sharing of their fond memories via social media videos.

### Heart-warmers Volunteer Group

In 2017, we partnered with Heartwarmers Volunteer Group to pilot a new ground-up initiative called "Project 100=50". This project is a collaboration between

Photo credit: Project R.I.C.E.+ 2017



Project R.I.C.E.+ 2017 volunteers with our hamper sets.



Employees volunteering their services at Project 100=50.

multiple parties, including Henderson-Dawson CCC, Nee Soon Central Grassroots Organisations and Sree Narayana Mission Home, which allows selected beneficiaries to purchase items at a 50% discount, up to a maximum discount of \$50. These invited beneficiaries typically belong to the lower middle-income families who require some form of financial help. The programme had helped these beneficiaries save money when buying groceries at discounted prices.

Sheng Siong had supported 18 such events throughout 2017 by setting up booths, providing shopping trolleys, baskets, fridges and shopping bags. Our employees from the Housebrand Department have also volunteered their services at these events.

At Heartwarmers Volunteer Group's 10<sup>th</sup> Year Anniversary celebration last year, Sheng Siong also sponsored 500 sets of goodie bags, with each bag containing seven housebrand items.

### CARE FOR THE ENVIRONMENT

As the 3<sup>rd</sup> largest retailer in Singapore, we believe that we also have a part to play when it comes to tackling climate change. In line with the Sustainable Singapore goals, we look at how we can conserve resources and reduce our carbon footprint.

#### Renewable Energy

In 2013, solar panels spanning an area of about 11,000 square meters were installed on the rooftop of our Mandai Link Distribution Centre. When commissioned in 2014, it was the largest single photovoltaic system in Singapore, with a capacity of 1,200 kilowatts-peak. In 2017, solar energy contributed about 14% to our energy requirements for the distribution centre. Our pro-active effort to be environmental-friendly was recognized when we were conferred the Singapore Economic Development Board (EDB) Solar Pioneer Awards in late 2013.

#### Conserving Resources

We adopt the 3Rs "reduce, reuse, recycle" principle in the management of our resources. We monitor and measure the usage of our resources and waste streams because we believe that through conserving precious resources, we not only contribute to a more sustainable environment, but reduce costs and create value for our stakeholders.

### On Plastic Bags

Plastics are now one of the most common and persistent pollutants in our oceans today. Even when disposed of properly, they take many years to decompose and break down, generating large amounts of garbage over long periods of time. If not disposed of properly the bags can pollute waterways, clog sewers and have been found in oceans affecting the habitat of animals and marine creatures.

Unlike paper bags, plastic bags are made from non-renewable sources such as crude oil. According to the Singapore Environment Council, to manufacture the three billion plastic bags Singapore used in 2011, about 37 million kg of crude oil and 12 million kg of natural gas were required.

Sheng Siong's plastic bags have been made partially from recycled plastic. According to a life cycle study conducted by the Finnish Environment Institute (SYKE) back in 2009, plastic bags made from recycled plastic may be the lesser evil of other forms of carriers including a reusable cotton bag unless it has been reused enough times. However, the issue of excessive usage and proper disposal remains a key problem for our environment.

Over the years, shoppers in Singapore have become increasingly concerned about this excessive consumption of plastic bags, while some remain resistant. Greater and concerted effort is necessary on the part of all retailers to overcome this challenge. While there is yet to be significant progress in this area, we continue to participate in dialogues on the topic. We also intend to review various operational procedures to reduce our use of plastic bags.

### Sustainable Sourcing

We are committed to promote sustainability along our value chain, and intend to enhance our purchasing policies to address our material topics with our suppliers, while keeping our products and fresh produce affordable.

Last year, Sheng Siong was rated "No progress yet but transparent" in the "Palm Oil Buyers Scorecard – Malaysia and Singapore 2017" by the World Wildlife Fund. Since then, we have worked closely with cooking oil suppliers for our housebrand products on sustainable sourcing. Sustainably produced daily essentials such as edible oil that has been certified by the Roundtable on Sustainable Palm Oil (RSPO)

sometimes retail at relatively higher prices due to the costs involved with environmental protection. As some consumers tend to be highly price-sensitive when it comes to daily necessities, more work needs to be done to improve demand for sustainably-sourced products. While we have yet to make significant progress, we remain vigilant on the issue and committed to addressing it in the future.

### Food Waste

In 2017, close to 810 million kilograms of food was wasted in Singapore. In land-scarce Singapore, this is quickly becoming a problem because we will soon run out of space for landfill. Besides, when we waste food, it is not just the food that is thrown out, but also the resources and effort devoted to nurturing, delivering and marketing it.

Our approach to food waste management is first to establish a sound purchasing policy, excellent inventory management and storage system. With better data, purchasing decisions can be made more accurately to prevent over-buying. Good storage and handling practices also helps to extend the shelf life of fresh produce and prevents more wastage. In 2017, we contributed to developing the National Environment Agency's (NEA) Food Waste Minimisation Guidebook for Supermarkets, and also collaborated with NEA on a food waste co-digestion project. An estimated 786 tonnes of food waste generated were successfully diverted.

We hope to work more closely with government bodies such as NEA as well as with environmental groups such as Zero Waste Singapore to raise public awareness about how shopping habits affect our environment.

We hope our Annual Report and Sustainability Report taken together will provide you with a more holistic perspective of our business. We value your feedback and look forward to making the organisation a more inclusive one with greater integration of the sustainable development issues that you are most concerned about.

**Lim Hock Eng** PBM  
Executive Chairman

**Lim Hock Chee** BBM  
CEO





# GOVERNANCE AND BUSINESS VALUES

The Board and Management are responsible for overseeing the Group's risk management framework and policies.

In 2015, the Group initiated an Organisational Excellence Committee at the management level to review and discuss topics of innovation and business excellence, including risk management. By 2018, the Group intends to start a Risk and Business Continuity Committee, in order to dedicate better oversight on risk management and business continuity issues. The committee is expected to report to the CEO and the Board of Directors.

The Sustainability Committee is set up in 2017 to provide oversight on the Group's material ESG topics. The committee is led by our Executive Director, Lin Ruiwen, and comprises members of the senior management of key business functions such as operations, human resource, quality assurance, finance and purchasing. Members are to play the role of champions of sustainability issues within the Group, and meet regularly to review, discuss and identify potential environmental, social, and governance risks that Sheng Siong is susceptible to. The committee then evaluates and provides advice and recommendations to the CEO and Board of Directors on strategies and actions concerning these factors. The committee is also tasked to work with relevant departments in carrying out the approved strategies and actions.

## Business Values and Ethics

Our core values were developed over years of engaging with our key stakeholders in fulfilling our mission of serving the needs of our customers and creating value for them sustainably. Sheng Siong strives to build trust, transparency, integrity and reliability in our relationships with our stakeholders. Our core values and employee's code of conduct are communicated to our staff through our Employee Handbook which is written in both the English and Chinese language, and during regular meetings with our staff and suppliers. These values and code of conduct are regularly reviewed by the management.

Once a year, key employees are required to declare any potential conflicts of interest, and all employees are reminded of the Group's anti-corruption policy on accepting gifts and favours. Sheng Siong has a whistleblowing procedure to enable employees or any other persons to raise concerns in confidence, without fear of reprisal in any form. The management places such importance to this so much so that the personal contact information of our senior management, including our CEO's, can be found outside our store for ease of reach.



SHENG SIONG SUSTAINABILITY COMMITTEE	
1. Lin Ruiwen	Executive Director
2. Wong Heng San	Deputy General Manager International Business Development
3. Jolyn Lim Hui Ling	General Manager Finance
4. Tan Siok Tin	Deputy General Manager Information Technology
5. Leong Weng Fong	General Manager Purchasing
6. Chow Kee Min	Deputy General Manager Marketing, Housebrand
7. Tham Wei Chong	Senior Area Manager Operations
8. Kent Lim	Senior Manager Human Resources
9. Hoong Yuqin	Manager Quality Assurance
10. Teo Zhuan Xin	Manager Corporate Affairs





# STAKEHOLDER ENGAGEMENT

## WHO & HOW

The stakeholders that we engage are the various parties along the Group’s value chain that compete for our resources as we adopt sustainability perspectives in our management systems and business strategies. For example, the consumers who want affordable food may not be willing to pay for sustainable farming methods or for sustainable seafood. They care more about food quality and safety.

To ensure food quality and safety, our refrigeration equipment inevitably consumes energy both in-store and during the transportation of our fresh produce between distribution centre, individual stores and customers’ homes. We need to balance this with our carbon footprint. There is also the NEA and AVA outreach to manage food and packaging waste generated in the normal course of food production and retail.

Table 1: Stakeholder Engagement Approach

STAKEHOLDERS	APPROACH
Customers	We listen to what customers want with the aim of improving quality, service, and price.
Employees	We promote close, transparent, and direct communication between employees and higher-level management.
Suppliers	We work with suppliers to improve product range and food and service quality, and to reduce risks related to sustainability issues.
Government agencies, NGOs & Voluntary Welfare Organisations	We actively participate in global best practice initiatives. We work closely with government agencies, industry associations as well as not-for-profit bodies to promote sustainability along the Group’s value chain. This may range from influencing shopper behaviour to raising industry standards.
Media	We engage the media to understand societal expectations of the food retailer value chain and to positively influence shopper behaviour.
Shareholders	The investment community is a feedback loop for the Group’s formulation of its growth strategies.



Table 2: Stakeholder Engagement Activity Matrix

STAKEHOLDERS	MODE AND FREQUENCY OF ENGAGEMENT	STAKEHOLDERS' CONCERNS	SHENG SIONG GROUP'S EFFORT AND ACHIEVEMENTS
CUSTOMERS	<ul style="list-style-type: none"><li>Customer service desks and notice boards (in-store)</li><li>Customer feedback forms (in-store and online)</li><li>Customer service hotline and email</li><li>Market research groups such as Nielsen</li></ul>	<ul style="list-style-type: none"><li>Store accessibility</li><li>Helpful cashier service</li><li>Competitive product pricing, affordability, and value for money</li><li>Product safety and quality</li><li>Range and variety of products</li><li>Provide conveniences and efficient service</li><li>Store layout and display</li><li>Store hygiene and cleanliness</li><li>Online presence</li></ul>	<ul style="list-style-type: none"><li>Open new outlets in HDB estates, especially in estates where we do not have a presence</li><li>Maintain ISO 22000:2005 certification system for Food Safety Management and Cold Chain Management</li><li>Shortened cashier queues with innovations such as hybrid self-checkout facilities and PC-based weighing scales</li><li>Annual improvement in score for Customer Satisfaction Index of Singapore (CSISG)</li><li>Provide grocery delivery service via proprietary allforyou.sg e-commerce platform</li></ul>
EMPLOYEES	<ul style="list-style-type: none"><li>In-store staff meeting (daily)</li><li>Store managers’ meeting (monthly)</li><li>Department leaders’ meeting (quarterly)</li><li>Orientation programmes for new employees</li><li>Regular staff dialogues such as town halls</li><li>Staff welfare events such as Family Day, Annual CNY Dinner, 7<sup>th</sup> Lunar Month Festival</li><li>Employee engagement survey (annual)</li><li>Grievance/whistleblowing mechanism</li><li>Staff volunteering activities</li></ul>	<ul style="list-style-type: none"><li>Competitive rewards and recognition</li><li>Staff welfare</li><li>Opportunities for career progression</li><li>Learning and development opportunities</li><li>Job stability</li><li>Good leadership</li></ul>	<ul style="list-style-type: none"><li>Collaborated with Singapore Institute of Retail Studies</li><li>WSQ certification for service professionals</li><li>Set up in-house training centre by 2021</li></ul>



## STAKEHOLDER ENGAGEMENT WHO & HOW

Table 2: Stakeholder Engagement Activity Matrix (continued)

STAKEHOLDERS	MODE AND FREQUENCY OF ENGAGEMENT	STAKEHOLDERS' CONCERNS	SHENG SIONG GROUP'S EFFORT AND ACHIEVEMENTS
<b>SUPPLIERS</b>	<ul style="list-style-type: none"> <li>Supplier business review sessions</li> <li>Supplier visits and audits</li> <li>Annual Chinese New Year lunch with key suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Fair trading agreements</li> <li>Short credit terms</li> <li>Punctual payment for supplies</li> <li>Stable, long-term business relations</li> </ul>	<ul style="list-style-type: none"> <li>Established Suppliers' Portal to facilitate business administration, communication and payment</li> <li>Encourage main suppliers to embark on sustainability journey</li> </ul>
<b>GOVERNMENT AGENCIES</b>	<ul style="list-style-type: none"> <li>Regular update meetings</li> <li>Participation in dialogue sessions organised by the authorities</li> <li>Relevant project and engagement meetings</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable sourcing</li> <li>Food safety and security</li> <li>Fair and affordable prices</li> <li>Compliance with industry standards and hygiene practices</li> <li>Management of negative environmental impact such as food wastage</li> </ul>	<ul style="list-style-type: none"> <li>Diversify sources of food supply</li> <li>Carry sustainably sourced products in relevant categories such as seafood and tissue paper</li> <li>Maintain ISO 22000:2005 certification system for Food Safety Management</li> <li>Adopted Cold Chain Management</li> <li>Reduce, Reuse, Recycle approach towards waste management</li> <li>Food waste management initiatives</li> </ul>
<b>NGOS &amp; VOLUNTARY WELFARE ORGANISATIONS (VWOS)</b>	<ul style="list-style-type: none"> <li>Engagement meetings with VWOs</li> <li>Participation in projects and/or volunteering activities</li> <li>Philanthropy and in-kind sponsorships</li> </ul>		
<b>MEDIA</b>	<ul style="list-style-type: none"> <li>Media relations engagement</li> <li>Media monitoring</li> </ul>		
<b>SHAREHOLDERS</b>	<ul style="list-style-type: none"> <li>Investor relations meetings (quarterly)</li> <li>Annual General Meeting (annual)</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Dividends</li> <li>Sound business strategies</li> <li>Risk management</li> <li>Governance and transparency</li> <li>Business continuity</li> </ul>	<ul style="list-style-type: none"> <li>Commitment to business excellence and profitability</li> <li>Consistent dividend momentum</li> <li>Develop talent management programme for succession planning</li> </ul>

## CONTENT TOPIC BOUNDARIES AND MATERIALITY ASSESSMENT

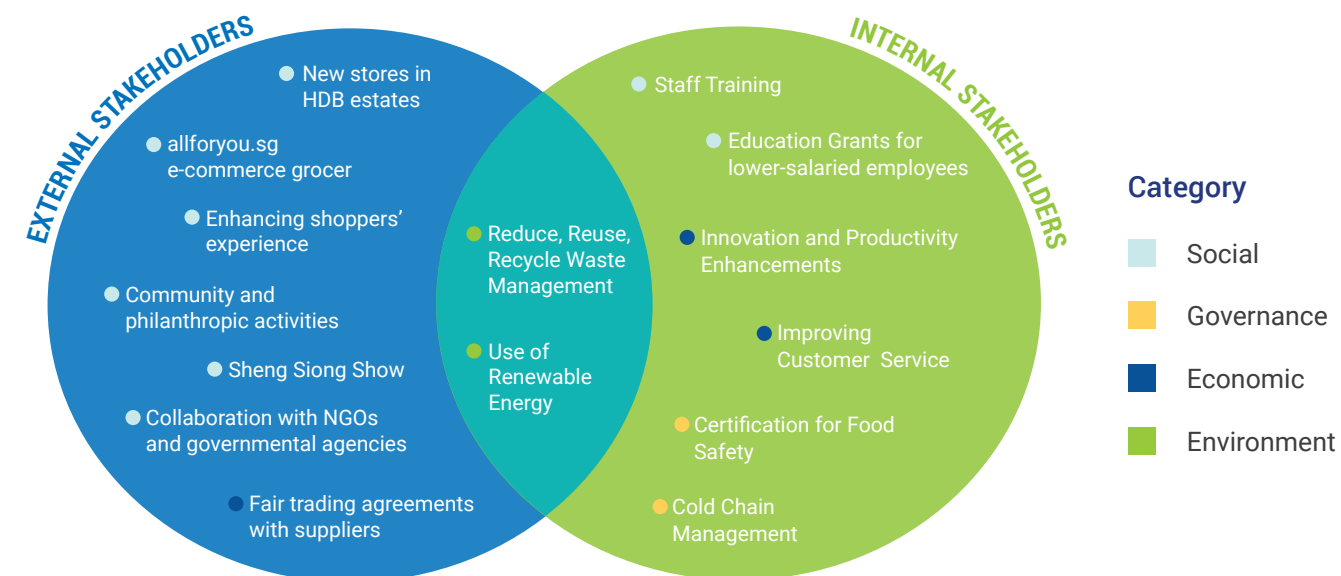


Figure 1: The Group's Social, Governance, Economic and Environmental Impact

Our business activities (shown above in figure 1) have social, governance, economic and environmental impact on our internal and external stakeholders and define the topic boundaries in this report. We adopted the following 4-step approach (shown in figure 2) in determining which topics are material to our stakeholders:

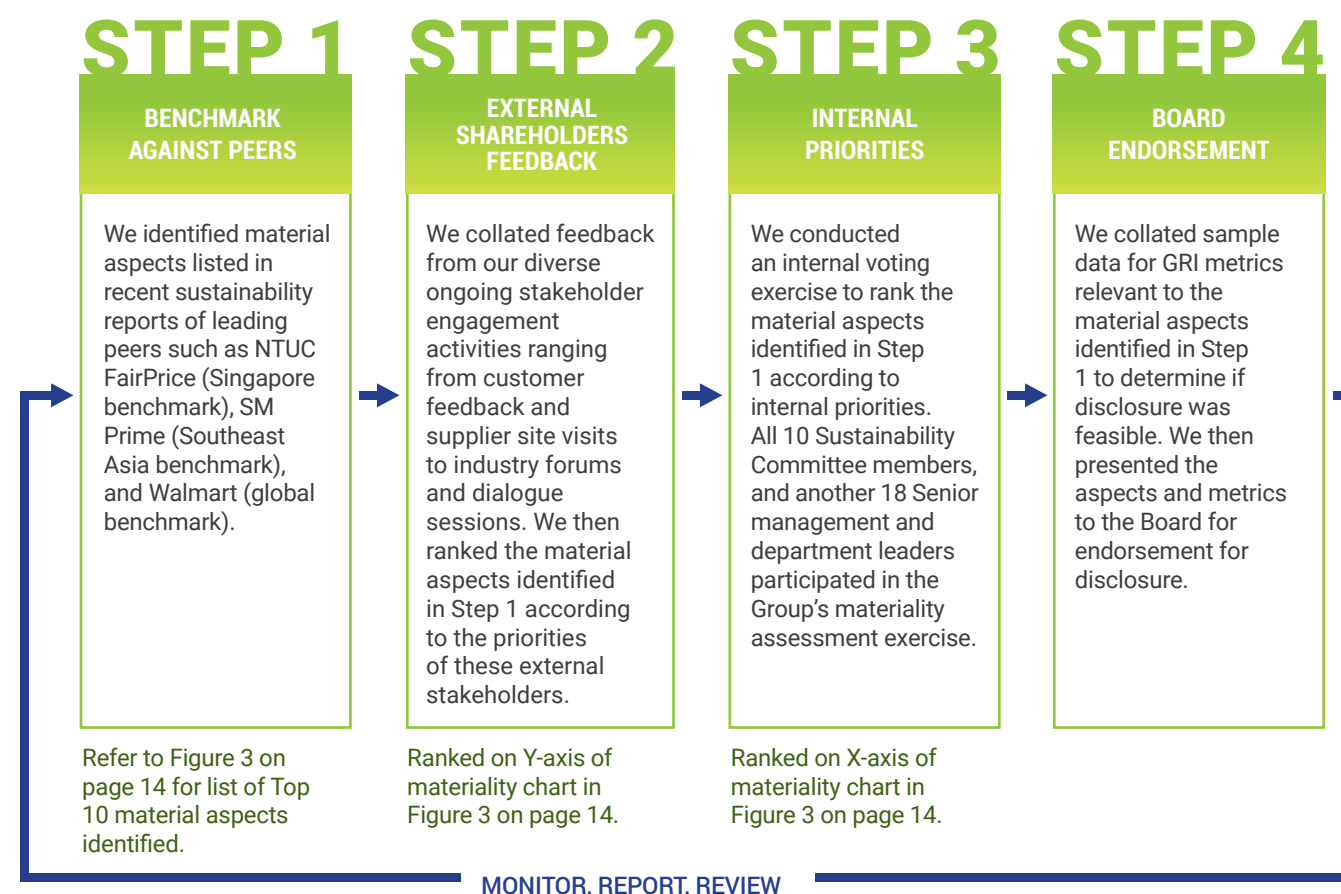


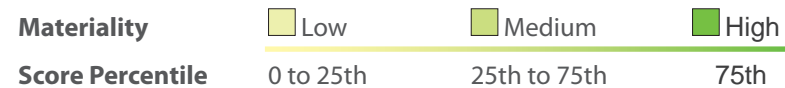
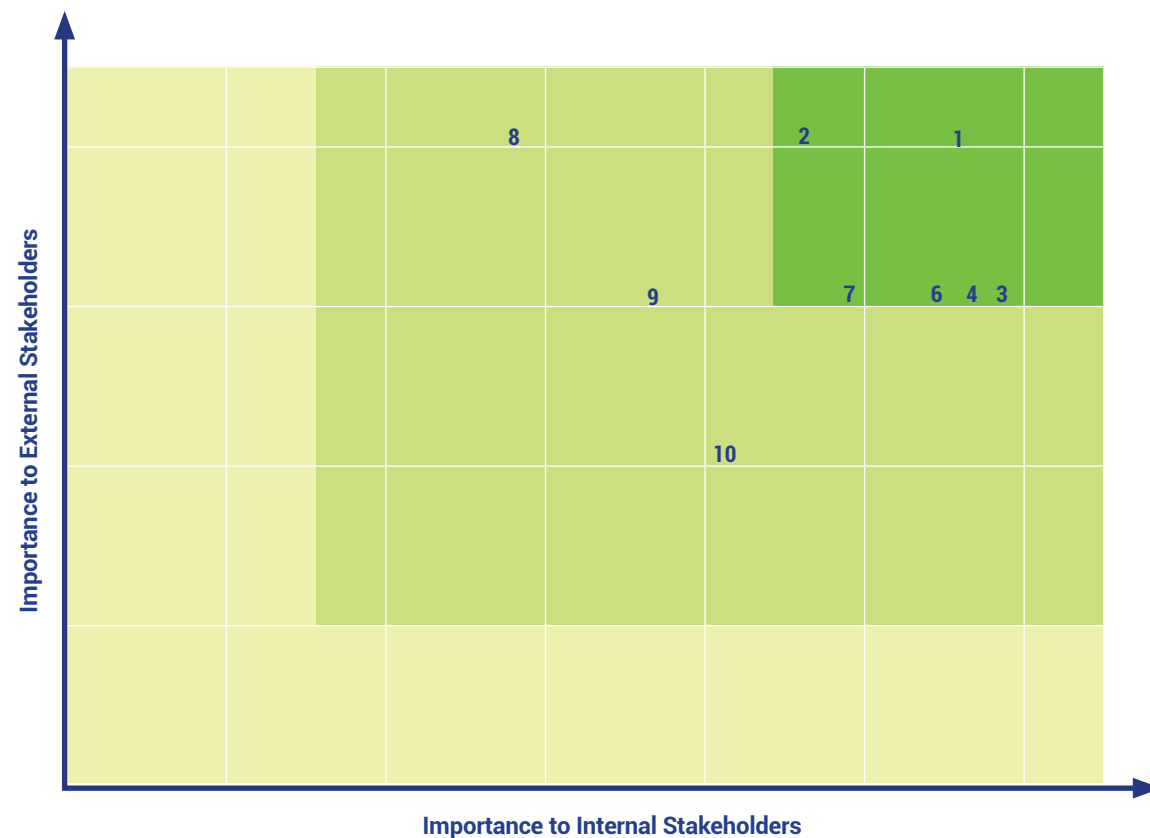
Figure 2: Determining What is Material





## CONTENT TOPIC AND BOUNDARIES AND MATERIALITY ASSESSMENT

### Top 10 Material Topics



Data Source: Cumulative data as at October 2017 based on Sheng Siong Group's stakeholder engagement activities.

Figure 3: Top 10 Material Topics



## CONTENT TOPIC AND BOUNDARIES AND MATERIALITY ASSESSMENT

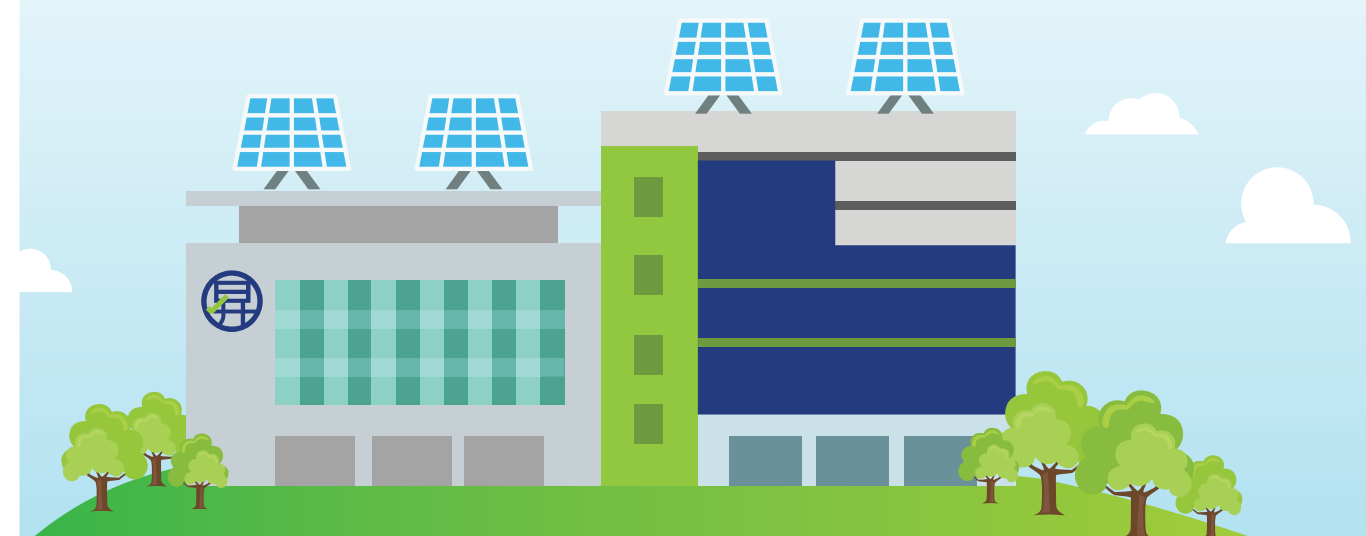
A comprehensive list of 32 material issues were identified and mapped onto a chart reflecting the importance to external (y-axis) and internal (x-axis) stakeholders. We further identified the Top 10 material topics based on the highest aggregated score (Figure 3). The process has helped us build a focus in our sustainability strategy and our reporting scope on material issues that are of the highest concern to our business and stakeholders. However, in view of the ubiquitous nature of our business, emerging regulatory developments and global trends, we have also taken the initiative to report on issues of increasing importance (for the material topics that are ranked medium in the materiality assessment).

### Other Topics Ranked Medium in Materiality

- Customer Privacy
- Responsible Marketing, Product Labelling
- Remuneration and Rewards
- Occupational Health and Safety
- Employee Training and Development
- Resource Management: Water, Energy, Waste
- Nutritional Improvement
- Sustainability Criteria in Supplier Selection

### Category

- Social
- Governance
- Economic
- Environment





# BUSINESS EXCELLENCE

## Partnerships for Smart Business

No matter the hour, an extensive suite of operational processes, systems and initiatives run together like clockwork to deliver a great Sheng Siong experience.

"How do we go one step further to better that experience?" The question is always at the forefront of our minds. It takes an openness to emergent ideas, a drive for constant self-evaluation and wholehearted collaborative effort with the right partners, all rounded out by seasoned expertise with a judicious prudence and acumen.

We may run a tight ship, but there's always something bigger, better and brighter to strive for.







## BUSINESS EXCELLENCE PARTNERSHIPS FOR SMART BUSINESS

### A FORERUNNER FOR NEW PROCESSES AND TECHNOLOGY

Sheng Siong is always looking for ways to improve its business processes and operational efficiencies in order to achieve outstanding performance. We aim to be a forerunner in adopting new processes and technology that improve productivity and simplify workflow. This earned us the SPRING Innovation Excellence Award in 2015.

We will continue to work closely with key partners such as SPRING Singapore and IE Singapore in developing and adopting new processes and technology to improve our business capabilities. This is an important foundation for us in our plan to expand into the international market. Besides the examples raised in the Joint Chairman and CEO's Statement, we would like to share more examples here.

#### Enhancements to Suppliers' Portal

We continue to enhance our suppliers' portal to include features such as e-Pricing, e-Payment and e-Forms. This facilitates communication with our suppliers and simplifies administration procedures, allowing our clerical staff to be freed up to take on job roles that enlarge the scope of their responsibilities and skill sets.

#### Improving Product Traceability

In 2017, we embarked on a project to improve product traceability through capturing product expiry information at goods receiving. We believe that this would not only improve our inventory management but would also facilitate stock verification at the store front, saving time and manpower. The project is currently at the pilot-testing stage.

#### Improve Goods Receiving and Distribution of Fresh Food

The goods receiving and distribution process of fresh produce such as seafood and meat by weight has been time-consuming and prone to errors. Through a PC-based weighing scale programmed to integrate with our inventory management and distribution



systems, suppliers' waiting time at delivery has been shortened and our distribution of fresh produce made more efficient and accurate.

#### Enhancements of Electronic Shelf Labels (ESL) to E-Paper

Sheng Siong was one of the first retailers in Singapore to adopt the ESL technology back in 2006. The ESL technology allows us to synchronise price changes at the touch of a button across all our stores and systems such as Point-of-Sales (POS) and weighing scales. The first few versions of the ESL were digital but still required small pieces of stickers bearing the product descriptions to be printed and stuck on the ESL by our employees. By 2015, we were pilot-testing the E-Paper technology which is completely paperless,



has a more flexible display layout where colour input is a possibility and of course a faster product tagging and updating speed. This has not only helped us to save manpower and improve productivity, but also enhanced our customers' shopping experience. An updated version of the E-paper was implemented at selected stores and will be used in all new outlets.

#### Managing Risk of Petty Theft

Last year, we extended our collaboration with the Singapore Police Force to all our retail outlets. Our ShopWatch Community Safety and Security Programme (CSSP) was initially implemented at two-thirds of our retail outlets in 2015. To deter shop theft, Sheng Siong supermarket employees double up as security officers and wear vests bearing the words "SHOPWATCH". At the same time, they assist our customers with their shopping needs, thus promoting quality customer service.

The financial savings from being able to hire fewer security officers were channelled to our employees and customers as awards for identifying potential petty thefts. Since our official implementation in 2015, the rates of petty theft committed at our stores have been moderate.

### COMMUNICATION AND TRAINING ON ANTI-CORRUPTION AND ANTI-COMPETITION

Our policy on anti-corruption is disseminated to all our employees. We have a set of guidelines specifying the responsibilities of each employee in observing and upholding Sheng Siong's zero-tolerance stance towards all forms of corruption and collusion. It also provides information and guidance to employees on how to recognise, address and prevent instances of corruption and collusion which may arise in the course of their work.

Key personnel identified as holding sensitive positions are also required to declare any conflict of interests and sign an agreement with the company. In 2017, a total of 56 employees of key positions signed the conflict of interest agreement.

In 2017, there were zero incidents of corruption and zero cases of legal actions for anti-competitive behavior.

We recognise the importance of conducting an ethical and fair business with our suppliers, and strive to





## BUSINESS EXCELLENCE

### PARTNERSHIPS FOR SMART BUSINESS

improve transparency in our business dealings. We take responsibility in safeguarding the interests of our customers. Looking forward, we shall conduct more training and raise awareness on anti-corruption and anti-competition among our staff and suppliers. We also plan to improve our communication procedures on such policies to make sure our policies are read and understood by our key stakeholders.

#### NOT-SO-PERFECT SCORE

At Sheng Siong, we embrace learning from mistakes. When we do make mistakes, we learn from them, make corrections, communicate about them, put in preventive measures and we move on.

In 2017, there was no incident report of any fire safety breaches.

We had one incident of the display of sales items and unwanted articles outside the boundary of licensed premises. No significant monetary fine\* was imposed. These items and unwanted articles were immediately removed.

#### EXTERNAL INITIATIVES

Sheng Siong is committed to food and product standards and quality management systems that reflect our values and meet the demand of our customers and other stakeholders. We continuously challenge ourselves to be better – a better retailer, a better employer and a better organisation. Here is a list of external initiatives that we subscribe to or endorse:

- Singapore Code of Corporate Governance (2012)
- Singapore Quality Class
- ISO22000:2005 Food Safety Management
- Singapore Standard for Cold Chain Management for Vegetables SS585 : 2013
- Singapore Standard Code of practice for cold chain management of chilled pork SS552 : 2016



- Singapore Standard Code of practice for cold chain management of milk and dairy products SS621: 2016
- Singapore Standard Code of practice for food storage in warehouses – Ambient / air-conditioned SS629 : 2017
- Tripartite Guidelines on Fair Employment Practices (TAFEP)
- Forest Stewardship Council

#### Singapore Healthier Choice Symbol Programme

We have 25 SKUs under our Housebrands carrying the Healthier Choice Symbol (HCS). These are mainly brown rice, red rice, cooking oil and also include red cargo rice vermicelli, baked beans, sardines in tomato sauce and wholemeal bread products.



#### NS Mark Accreditation

We have pledged and signed the declaration of support for National Service and Total Defence.



#### MEMBERSHIP OF ASSOCIATIONS

We are a member of the following associations:

- Food Drinks & Allied Workers Union (FDAWU)
- Corporate Member of Singapore Chinese Chamber of Commerce and Industry (SCCCI)
- Singapore Business Federation

#### COMMITMENTS

1. Work closely with key partners to develop and adopt new processes and technology to improve business capabilities.
2. Be a first mover in adoption of innovative technology or solutions to improve the shelf life of products and reduce food wastage.
3. Provide training and education on anti-corruption and anti-competition among our staff and suppliers.
4. Improve our communication procedures on such policies to make sure our policies are read and understood by our key stakeholders.
5. Consider the adoption of ISO9001 Quality Management framework and Enterprise Risk Management framework by 2020.



\*Significant monetary fines are defined by no more than a \$1,000 charge per incident.



# CARE FOR OUR CUSTOMERS

## A Responsible Retailer

Trends and technologies shift across the ebb and flow of time, but our customer-centric focus remains as Sheng Siong's timeless imperative that embodies who we are as an eminent household name.

It's the recognition and reciprocation of a symbiotic connection built over the years that motivates us to go further to bring you only the very best.

It's about the satisfaction of placing fresh healthfulness on your dinner plate, and bringing brighter smiles to your dining table.

It's about pushing our boundaries to reach out even further to provide for your needs.

Simply put, it's *all for you*.







## CARE FOR OUR CUSTOMERS A RESPONSIBLE RETAILER

### GATEKEEPER OF CONSUMER HEALTH & SAFETY

As Singapore's 3<sup>rd</sup> largest supermarket operator, we recognise our responsibility as the final gatekeeper in the supply chain to safeguard the health, safety, and interests of our customers. Our promise to our customers is based on 3 core pillars: Quality, Service and Price. We take responsibility in providing accurate and sufficient product and marketing information for shoppers to make informed choices. We also protect the privacy of personal information that customers entrust to us.

In the supermarket retail business, the supply chain is a long and complex one. We work with over 1,000 local and international suppliers ranging from farmers, manufacturers, local distributors, concessionaires to importers and exporters. They supply to us a wide range and variety of groceries, household products and fresh produce.

As we work with various types of suppliers, the boundaries for some of these material topics may be beyond our reasonable purview. However, we seek to improve on our selection procedures of our suppliers and products, and to monitor our suppliers' standards of operations. We recognise our ability to influence the supply chain, and shall within reasonable means, strive to continually influence in a positive way.

### CUSTOMER SATISFACTION

Sheng Siong's tagline "All for you" reflects our organization's focus on customer care and service. It is one of the Group's key objectives to constantly improve consumer experience at all our retail outlets. Sheng Siong's score on the Customer Satisfaction Index of Singapore (CSISG) has improved consistently over the last few years to 72.4 in 2017.

In order to fulfil the evolving needs of our consumers, 34 of our 44 stores (as at end 2017) are opened 24-hours. During the 2017 Chinese New Year, 16 of our stores remained open during the two public holidays. Also, our e-commerce "allforyou.sg" online grocery shopping service has been extended to shoppers living in the west of Singapore. We will continue to explore various technologies in improving picking efficiencies and last-mile delivery.

In addition, we also implemented the following initiatives to enhance customer satisfaction in 2017:



- Extension of Special Discount for Senior Citizens 3% every Wednesday.
- Self-checkout systems that shorten customers' queue time.
- Continue to reward our lucky customers for their loyalty through the Sheng Siong Mega Promotion Campaign (The Sheng Siong Show).
- Partner Bank of China Singapore Branch to jointly launch a co-branded Visa credit card that provides cash rebates of up to 12% on all Sheng Siong transactions, providing customers with greater grocery savings.
- Trial new display format at our Yishun Junction 9 store with new shelf design and bigger aisles
- Mystery Shopper programme in place to identify lapses in our service standards.

### WAR ON DIABETES

Singapore has one of the highest incidences of diabetes among developed countries, second only to the United States. Among adults aged 18 to 69, one in nine are diabetic. Among older people, the incidence is even higher. To help consumers make healthier choices in their grocery shopping, the Health Promotion Board introduced the Healthier Choice Symbol (HCS) programme for packaged food products.

During 21 August to 31 August 2017, we supported the government's call to fight diabetes by giving a

10% discount off our housebrand Royal Golden Grain brown rice products and Happy Family Red Cargo Vermicelli. Further discounts were also offered for selected brown rice and low GI rice products which carry the HCS.

### HEALTHIER DIET CHOICES

We care about our impact on consumer health. That is why we aim to improve the health and nutritional standards of processed food products under our housebrands.

Our housebrand Happy Family Sardines in Tomato Sauce (425g) was launched in September 2009, using premium sardine and tomato paste.

In order to cater to healthier eating trends, we adjusted the formula and have used healthier ingredients without altering the product's taste. The canned sardine in tomato sauce meets the nutritional standards set by HPB and carries the HCS.

Since September 2016, we have launched 4 brown rice housebrand products. We formulated different brown rice compositions so as to provide consumers who



are new to brown rice with more varied choices. This is a way to encourage consumers to include brown rice as a part of a healthier staple diet.

Our Royal Golden Grain Mixed Red Cargo Rice has a composition of 50% Red Cargo and 50% Hom Mali Rice. This mixed rice formula is a great choice for consumers who wish to have mixed rice at home. It provides great convenience as consumers can cook the rice, without having to soak the white and red cargo rice separately.







## CARE FOR OUR CUSTOMERS A RESPONSIBLE RETAILER



We have 25 housebrand products carrying the HCS logo. These are mainly for rice and cooking oil.

We carry transfat free household processed foods such as canned seafood, canned vegetables, canned fruit, rice, confectionaries, cooking oil, tidbits, instant beverages, canned tuna and condiments.

### HEALTHY SINGAPORE

We partnered the Health Promotion Board in the “Eat, Drink, Shop Healthy Challenge” to encourage consumers to make healthier choices during their daily grocery shopping. For every HCS product purchased, customers can scan the QR code generated on their receipts to be awarded Healthpoints. These Healthpoints can be used to redeem supermarket or shopping vouchers.

### FRESH AND SAFE

Maintenance of the cold chain is important for preserving the safety, freshness, shelf life, and quality (including nutritional value and sensory characteristics) of fresh produce, while reducing wastage arising from spoilage throughout the supply chain. We have adopted Cold Chain Management in the storage and handling of our fresh produce since 2011. This covers major supply chain links including transportation, distribution as well as storage at our logistics centre and retail outlets.

As part of our Quality Assurance Programme, we have a self-test program to check and review products that

are prone to food safety issues. We send samples of products and fresh produce from our logistics centre regularly to an external lab for tests on microbial, chemical and pesticides residue levels.

### CERTIFICATIONS

- HACCP certified since 2013
- ISO 22000:2005 Food Safety Management System certified since 2016.

### NON-COMPLIANCE

In 2017, we had seven incidents relating to food safety of which five were raised by the authorities and two were raised internally. Whenever such incidents arise, our suppliers are immediately informed, and the products recalled and disposed of. No significant monetary fines\* were imposed. We have since taken actions to prevent such lapses.

There has been no case of non-compliance concerning product and service information and labelling, nor marketing communications that resulted in a fine or penalty or warning.



\*Significant monetary fines are defined by no more than a \$1,000 charge per incident.



### WE RESPECT CUSTOMER PRIVACY

Every year, there are two seasons of our weekly “Sheng Siong Show” where customers can participate for prizes by submitting their receipts at our retail outlets. To protect our customers’ right to the privacy of their personal data, receipts which contain customers’ personal particulars are shredded fortnightly. We have never received any complaints concerning infringement of customer privacy or loss of customer data.



### COMMITMENTS

#### Food Safety

1. Work closely with AVA to ensure that our farm fresh produce and processed food products are compliant with Singapore’s stringent food safety standards.
2. Work closely with NEA to ensure that our food handling processes comply with the relevant food hygiene standards.
3. Be continually certified by ISO 22000:2005 for food safety management.

4. Improve internal food and product safety and quality assurance programme by setting more measurable targets. Constantly improve processes to reduce risks associated with food and product safety.

#### Customer Focus

1. Meet the evolving needs of our customers.
2. Keep prices competitive and affordable.
3. Provide consumers with healthier and safer choices.







# CARE FOR OUR EMPLOYEES

## A Responsible Employer

They're our stewards, ambassadors and enablers. We value our employees, and we resolve to provide them with a safe and fair working environment. It is also our mission to make Sheng Siong a great place to work, where employees' needs are well-taken care and where they can realise their fullest potential.



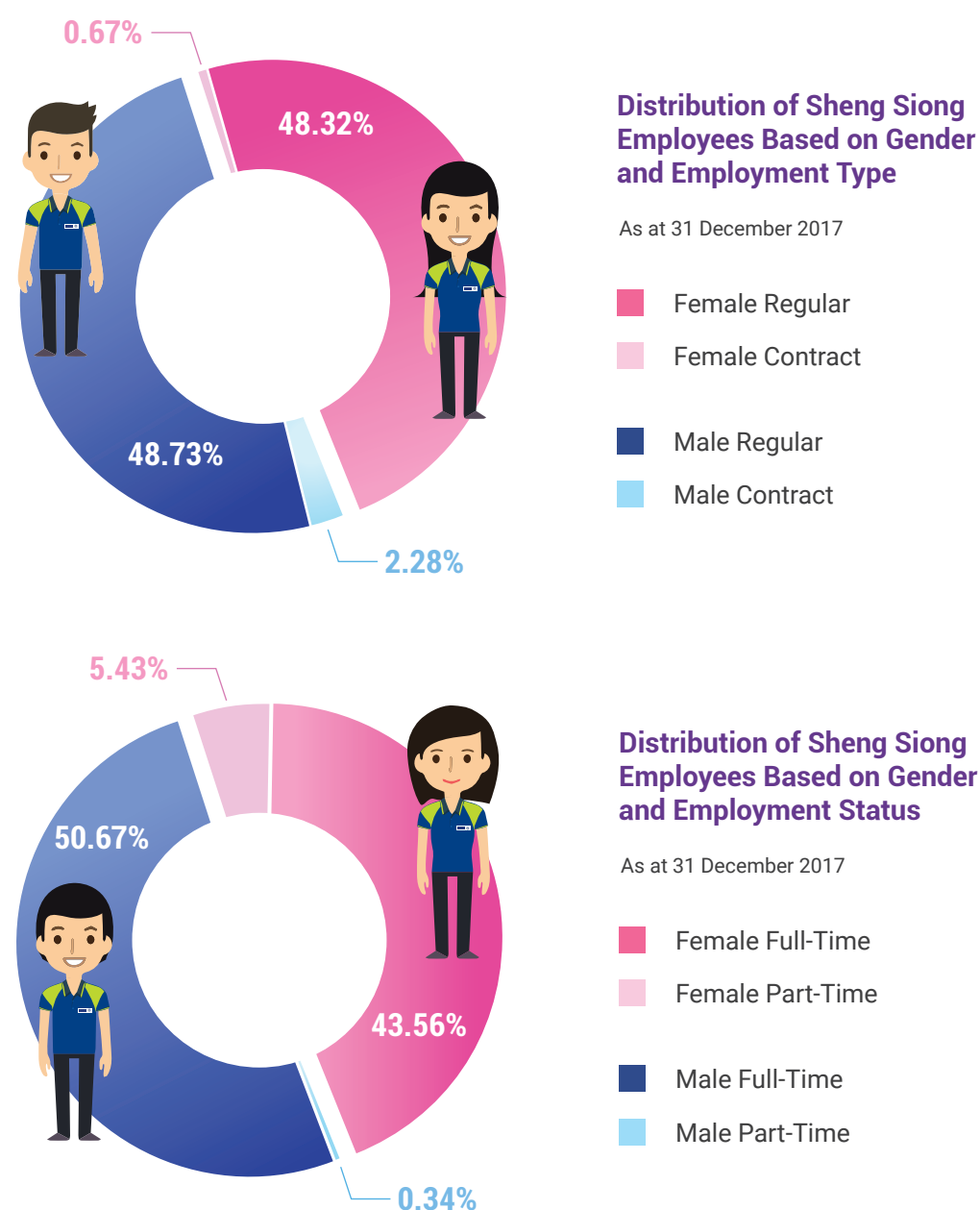


## CARE FOR OUR EMPLOYEES A RESPONSIBLE EMPLOYER

### INCLUSIVE WORKPLACE

We value and recognise the contributions of our colleagues, and strive to provide a safe and conducive working environment on the basis of an inclusive, productive, innovative and ownership-driven culture. We follow the Tripartite Guidelines on Fair Employment Practices and are committed to the principles of equality and non-discrimination, and strive to employ on the basis of merit regardless of gender, age, race or religion.

We employ over 2,500 employees with a healthy gender distribution of about 50:50. Most of our employees are engaged on a full-time basis in Singapore.



Our operations in China only started in mid-November 2017. As at 31 December 2017, our staff strength for our China supermarket was 70.

71.91% of our total employees are covered by collective bargaining agreements. The notice period and provisions for consultation and negotiation are specified in the collective agreements, and is binding for a period of 3 years. Both parties may commence negotiation for a new collective agreement 3 months before the current agreement expires.

### EMPLOYEE RIGHTS

Sheng Siong complies with Singapore's Employment Act for the minimum notice period of termination to affected employees. At least two weeks' notice period or two weeks' salary in lieu of notice is given to an affected employee of non-managerial role who has served for a minimum of two years.

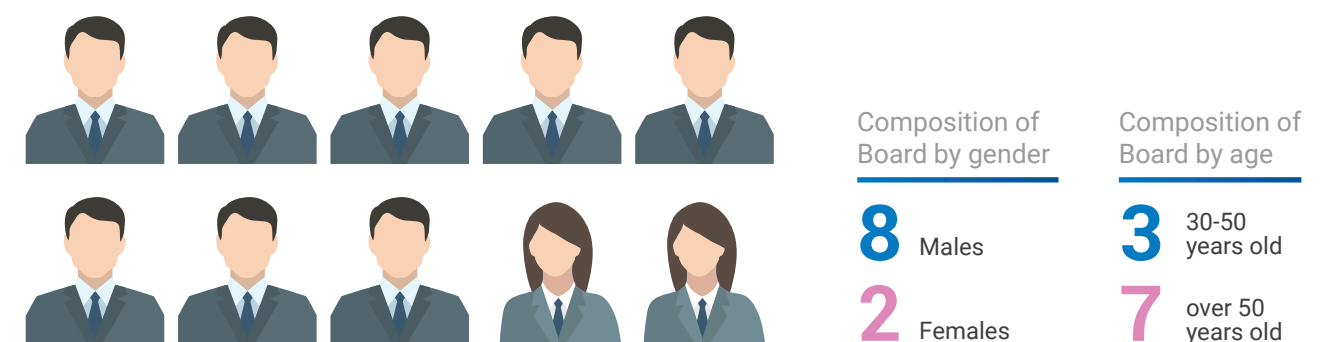
At least one month's notice period or one month's salary in lieu of notice is given to an affected employee of managerial position.

### EMBRACING DIVERSITY

Sheng Siong's flat corporate hierarchy fosters close, transparent and direct communication between employees and high-level management. We are family-friendly, approachable, and have an open-door work environment. Our whistleblowing policy offers a channel for our employees to raise sensitive issues without the fear of retaliation. Proper procedures have been established to address complaints with regards to fraudulent, unethical behaviour and misconduct of our employees.

We have encountered zero cases of incidents of discrimination.

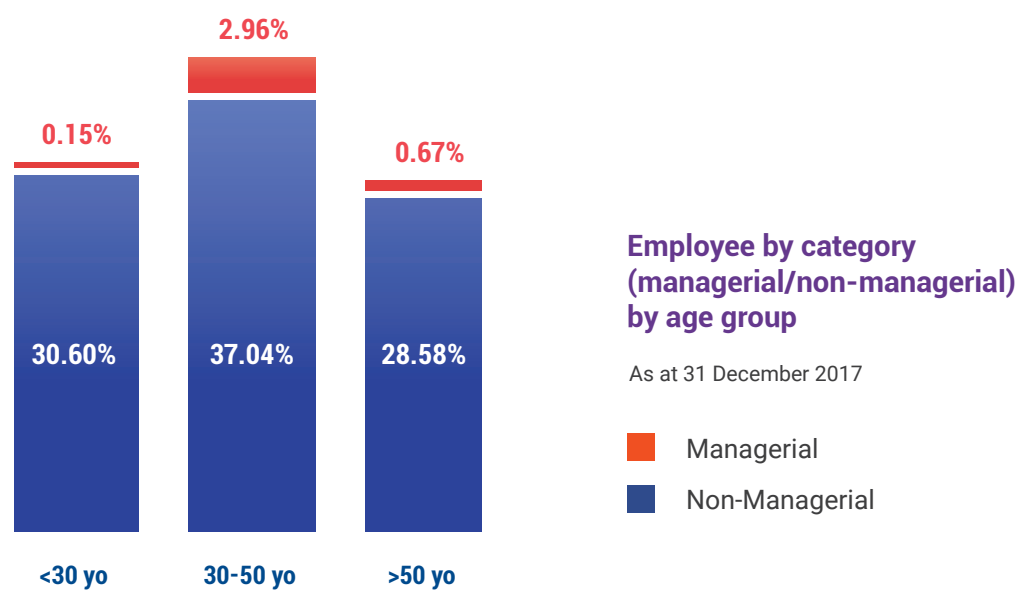
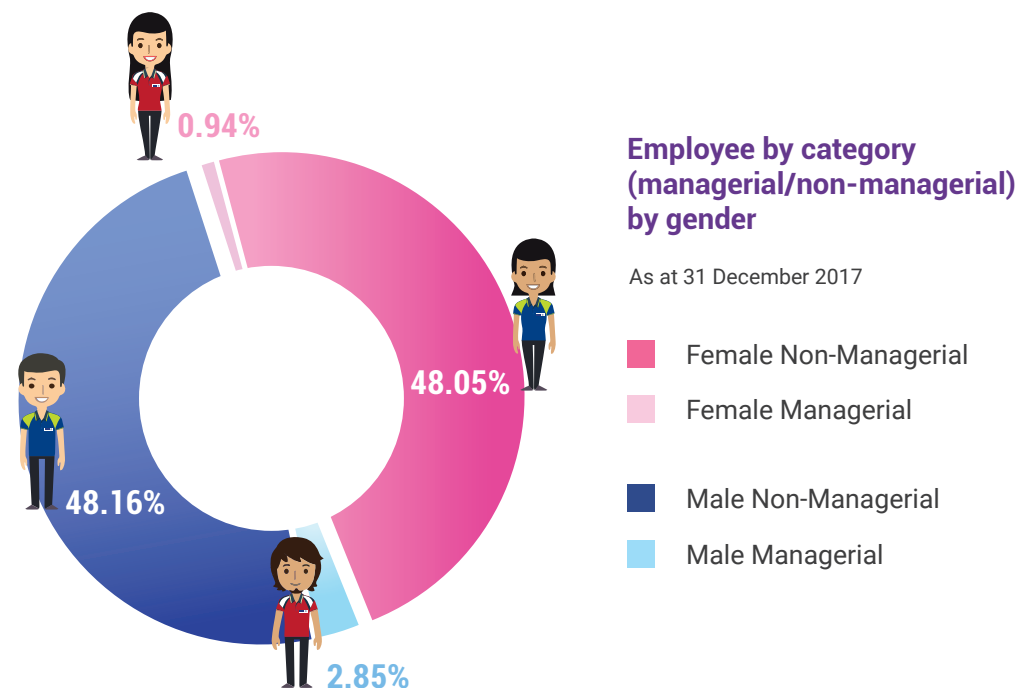
### Composition of Board of Directors



We welcome Ms Tan Poh Hong who joined our Board on 5 January 2018.

## CARE FOR OUR EMPLOYEES A RESPONSIBLE EMPLOYER

### Composition of Employees by gender and age



\*The managerial category is made up of staff from the rank of "assistant manager" and above.

Sheng Siong practices transparency and equal treatment in remuneration and promotion prospects. There is no disparity in pay scale and career opportunity for reasons arising from gender, religion and race.



### INDIAN CASHIER IN KUNMING

Ms Yogamani A/P Krishnan, 42, is currently based at our first store in Kunming, China, where she mentored our local Chinese cashiers on the usage of our company's POS system. Ms Yogamani is currently a Singapore PR from Malaysia. She is conversant in English, Mandarin and Tamil.



Ms Yogamani's proficiency in Mandarin and her competence made it possible for Sheng Siong to send the Assistant Chief Cashier to China.

Throughout my 14 years in Sheng Siong, the company has been very fair to me regardless of my gender, race or nationality. Although my colleagues are mostly Chinese, I did not face discrimination because of my skin colour and was given equal opportunities for promotion. When I was selected by my management to go Kunming, it was clear that gender and race do not override my capability in this company.

Ms Yogamani A/P Krishnan  
Assistant Chief Cashier

### WE REWARD WORK EFFORT AND EXCELLENCE

We strongly believe that our employees play a critical role in the success of our business and in providing due recognition for their excellence. Besides the common remuneration benefits, we have committed to a profit-sharing scheme to reward our employees' good performance. About 25% of our employees have served within the organization for more than 10 years.

We also reward our employees based on the following merits:

- Long service
- Innovation
- Making recommendations for new products
- Excellent service
- Reporting theft - Everyone is an effective "security officer"

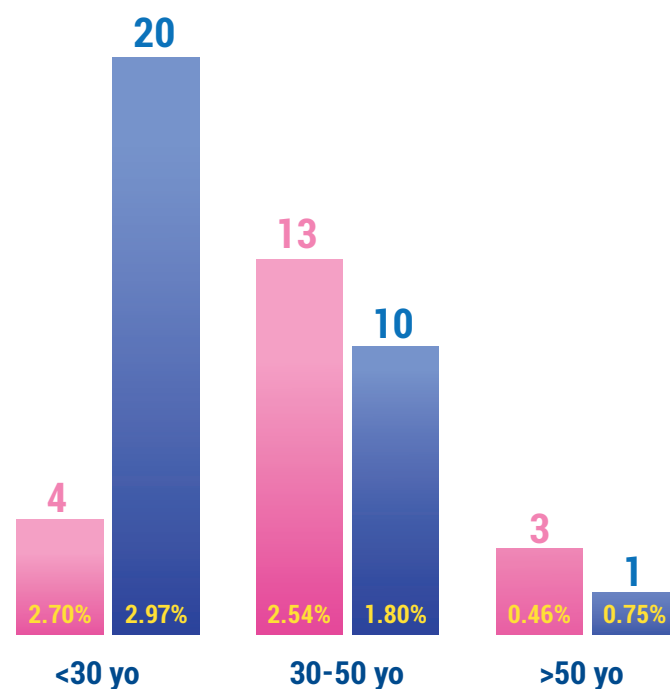


Lily Tan (right) receives the long service award from Executive Chairman Lim Hock Eng (centre).





## CARE FOR OUR EMPLOYEES A RESPONSIBLE EMPLOYER

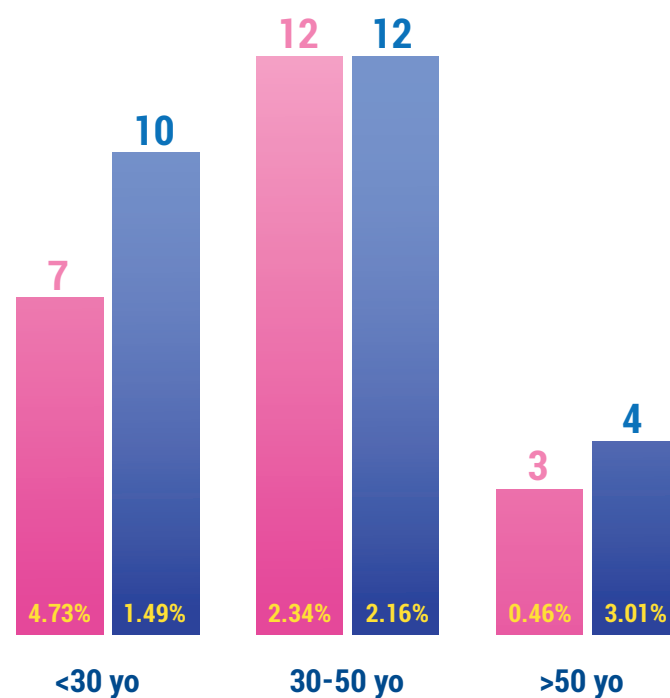


**Total number and rate of new hires  
by age group and gender**

in FY2017

Female  
Male  
Rate of New Hires

**OVERALL RATE  
OF NEW HIRES:  
1.91%**



**Total number and rate of employee  
turnover by age group and gender**

in FY2017

Female  
Male  
Rate of Turnover

**OVERALL RATE  
OF TURNOVER:  
1.80%**



## WE BELIEVE IN STAFF TRAINING

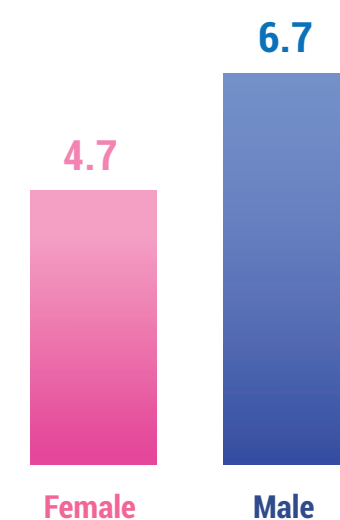
At Sheng Siong, new employees are welcomed into the company through a one-day orientation programme. We place strong emphasis on on-the-job training as it assimilates a new employee into his or her job role and responsibilities more quickly.

Our annual Employee Engagement Survey showed significant improvement in employee sentiment towards the type and level of training provided, up from 69% in 2015 to 72% in 2017.

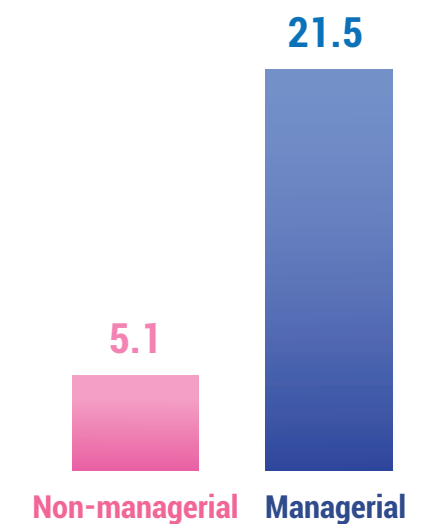
A dual-phase service training programme was specially designed and carried out with the Singapore Institute of Retail Studies towards the end of 2015. In 2016, 789 of our frontline staff attended a 2-day training which focused on understanding our company's service culture, and techniques to providing quality service. In 2017, 371 of our frontline staff attended the training and an additional 150 colleagues attended the 2<sup>nd</sup> phase training of WSQ Certified Service Professional.

We are formalising our training procedures and improving our data collation system to strengthen the productivity feedback loop in our training programmes. We aim to set up an internal training centre by 2021.

**Total training hours per head  
by gender**



**Total training hours per head  
by employee category**



We work closely with the Singapore Institute of Retail Studies to develop training content that is suited to our corporate culture. The collaboration has led to higher customer service standards at Sheng Siong stores.

Our employee upgrading courses include the following:

- Frontline cashier skills
- Proficiency in the English language
- Management trainee programme
- Ongoing product knowledge workshops such as excursions to learn about organic farming or nutritional benefits of fruits.



## CARE FOR OUR EMPLOYEES A RESPONSIBLE EMPLOYER

### PROMOTED TO CHIEF CASHIER IN 4 YEARS

Ms Lily Tan Yin Lee, 51, is currently the Supervisor at our e-commerce department. She was promoted to the position of Chief Cashier two years ago. She is also the Branch Secretary of the Food, Drinks & Allied Workers Union (FDAWU).

I participated in the Certified Service Professional Course conducted by SIRS in 2017. This is the third training course that Sheng Siong has enrolled me in. The training was very relevant to my job scope and I recommend it to all our colleagues who work at the outlets.

I joined Sheng Siong 10 years ago as a normal cashier and was promoted to a Chief Cashier four years ago. I tried to apply what I have learnt in the classroom in my daily work and this has improved my work performance. There are continuous learning and career advancement opportunities here. I believe there is room for me to grow and I can be an Assistant Executive one day.

Ms Lily Tan  
Supervisor

### WORKPLACE SAFETY COMMITTEE

Dedicated workplace health and safety committees have been separately set up for our warehousing and distribution centre as well as for our supermarket outlets. The workplace health and safety interests of our entire workforce (100%) are represented via these two committees.

### WORKPLACE SAFETY INSTALLATIONS

Automated external defibrillators (AEDs) are important life-saving devices for anyone who suffers from a sudden cardiac arrest. In 2017, the Group purchased and installed 5 units of AEDs at our Mandai Link Distribution Centre. Key personnel at our warehousing and distribution centre were also trained in the use of AEDs.

### HEALTH COACHING

During 2014 to 2017, we partnered the Singapore Health Promotion Board (HPB) to roll out impactful targeted interventions for the retail workers at our outlets. The initiatives included a pilot workplace health promotion programme which consisted of health screening, health and ergonomic coaching and enhancement of our company's meals by adopting less oil, less salt and less sugar in our food preparation. In recognition of our commitment in promoting workplace health, we received a Special Mention Award under HPB's Singapore Health Award 2017.



Over 1,000 front-line employees received one-on-one coaching from HPB on basic ergonomic knowledge such as lifting techniques in 2017.



### CARE FOR EMPLOYEES

On top of paternity, maternity and childcare leave, we introduced family care leave in 2017. Family care leave provides for employees who need to care for their immediate family members should they be hospitalised.

To ease the rising cost of living and encourage our employees to eat better and healthier, we introduced in 2017 a staff purchase scheme for groceries and fresh produce at our stores. Last year, the scheme paid out more than \$200,000 in benefits.

Other employee benefits that promote work-life balance and a pro-family culture:

- Annual family day
- Marriage leave and a congratulatory gift are given to eligible staff to prepare for their wedding or honeymoon.
- A newborn care package is presented to female employees and the wives of our male employees who have given birth.
- Flexi-work arrangements were introduced back in 2015: Our employees are allowed to take half-day leave. We also provide them with flexibility in work-time arrangements as required.

### COMMITMENTS

1. Continue to keep employee turnover rate at below 4%.
2. Set up in-house training centre by 2021.
3. Develop talent management programme for succession planning.
4. More training on work health and safety related matters.





# CARE FOR THE COMMUNITY

## Care for our Home

"The whole is greater than the sum of its parts." - Aristotle

As a retailer, our core business revolves around the day-to-day running of our stores, but we also recognise our standing as neighbours who are part of a greater local community. There is so much more value we can create when we actively support our larger community with the resources and expertise we have at hand.







## CARE FOR THE COMMUNITY CARE FOR OUR HOME

### GIVING BACK TO THE COMMUNITY

Sheng Siong has a significant market presence in Singapore, where 98% of our managerial staff are Singapore Citizens or Permanent Residents. It is our policy to give back to the local community where we operate, through supporting community activities organised by NGOs and educational institutions. Several examples have been raised in the Joint Message from the Chairman and the CEO.

Our approach to community contribution and philanthropic activities are in line with our core mission of value creation for our stakeholders.

### FUNDING FROM DIVIDENDS OF MAJOR SHAREHOLDERS

We help our lower-salaried staff by providing an education grant for their children. The Annual Education Grant is fully supported by the 3 founders of the Group, who are also major shareholders. They donate part of the dividends from their shares in support of this cause. A total of \$2.4 million has been disbursed since the inception of the Grant in 2013. The 3 founders are committed to supporting the philanthropic activities of the Group.

### EDUCATION GRANTS FOR LOWER-SALARIED EMPLOYEES' CHILDREN

Last year, we showed our care for our employees by disbursing annual education grants amounting to \$389,550. The beneficiaries were 480 children of our lower-salaried employees.



Grant recipient Khong Soo Yee with her mother (R) and Executive Director Lin Ruiwen (L).

### KEEPING ESSENTIALS AFFORDABLE

Sheng Siong collaborates with government agencies such as the Agri-Food and Veterinary Authority of Singapore (AVA), to keep a close watch on excessive price increases of daily necessities to address profiteering and anti-competitive practices in Singapore.

In recent years, there has been public outcry in Singapore over the steep price increase in infant milk formula. One main cause of the price increase as reported by the media has been aggressive marketing by manufacturers of 'premium' infant milk formula. To offer nursing mothers a more affordable range of quality infant milk formula, we have partnered with a Singaporean-owned company in Australia to launch the Nature One Dairy formula milk range. This high-quality infant milk formula is affordably priced at between \$25.50 and \$29.50 for a 900g tin.

### CREATING JOB OPPORTUNITIES FOR MINDS' TRAINEES

Since 2014, we have collaborated with the Movement for the Intellectually Disabled of Singapore (MINDs) through their enclave work model. We host 10 MINDs beneficiaries to work at our vegetable packing department. They work alongside our staff, dine with

My mom has been working in Sheng Siong for the past five years and I have been receiving the company's education grant since then. I am the only child in the family and my mother raised me up single-handedly. The annual education grant helps to pay for my school fees, which has inevitably relieved my mother's burden throughout these years, said Soo Yee (centre).

**Khong Soo Yee, 18**  
Nanyang Polytechnic Nursing Student

us for lunch at our canteen, and are invited to our company's annual family day event to socialise with our employees.

### A MORE VIBRANT SINGAPORE

Singapore imports more than 90% of our food sources. In order to remain competitive and create more value for our shoppers, our Group has adopted a direct sourcing strategy over the years, especially for our fresh food category. This has not only shortened the supply chain and improved savings, but also help us to have better oversight on food quality, food safety and food security issues.

Nevertheless, we continue to view locally registered suppliers as equally important business partners, and we support them by improving communications and business administration procedures through our suppliers' portal and bulk handling of their products.

In 2015, AVA set up a taskforce on promotion of local produce to create greater awareness of and to increase the demand for Singapore farm produce. In support of AVA's "Love Homegrown Produce" campaign last year, 30 Sheng Siong stores voluntarily put up the "Love Homegrown Produce" signage next to locally farmed vegetables.



In 2017, more than 90% of our purchases were from locally registered suppliers and suppliers located in Southeast Asia, Australia and China.



CEO Lim Hock Chee with Senior Minister of State Koh Poh Koon and Nature One Dairy CEO Nick Dimopoulos at the launch of a new infant formula range at our Tampines store.

Photo credit: Nature One Dairy





## CARE FOR THE COMMUNITY CARE FOR OUR HOME

We thank Sheng Siong for supporting the organic movement and for making organic produce more accessible to the general public in Singapore.

Stocking our products at Sheng Siong has increased market awareness of the Quan Fa brand. There has been an increase in the enquiries and reservation of our organic produce over the years.

As Sheng Siong has many outlets in Singapore, it is able to provide an invaluable feedback loop about the market demand in different regions. Market feedback is important to us as that helps us to determine which locations to stock more regularly and which to pull out of - effectively reducing food wastage.



### SUPPORTING AN ORGANIC FARM IN SINGAPORE

Quan Fa Organic Farm (全发有机农业) is an organic farm located in Lim Chu Kang in close proximity to Singapore's western water catchment area.

By carrying Quan Fa's organic farm produce at our selected retail outlets, we join the government's efforts to make Singapore a more vibrant society. We hope that the presence of organic produce at Sheng Siong's

mass market distribution channels will encourage venture capital interest for the support of farms in Singapore's rural areas.

### SUSTAINABLE SOURCING



We are committed to promote sustainability along our value chain, and intend to enhance our purchasing policies to address our material topics with our suppliers. We are mindful of our customers' needs, and while we strive to source more sustainably, it is our goal to continue to keep our products and produce affordable and competitively priced.

While we have yet to achieve any breakthrough on the front of sustainable palm oil, 96% of our Housebrand paper products are certified under the Forest Stewardship Council (FSC), and the Norwegian salmon and rainbow trout available for sale in our stores have been certified as sustainable seafood.

### SAFE NEIGHBOURHOODS

In 2017, we partnered with the Singapore Police Force to roll out ShopWatch Community Safety and Security Programme (CSSP) at all our stores, after a successful implementation at two-thirds of our stores in 2015.

To deter shop theft, Sheng Siong supermarket employees wear vests bearing the words "SHOPWATCH. May I help you?"

Photo credit: Quan Fa Organic Farm



The vests have a dual-purpose of reminding shoppers that our employees are present to deter theft. On the other hand, it is also a non-intrusive way of offering assistance for shopping needs, thus promoting quality customer service.

### QUIET NEIGHBOURHOODS

To play our part in promoting the quality of life in the heartlands, we worked with town councils to restrict delivery times by food suppliers to reduce noise pollution in HDB neighbourhoods. We have made special arrangements to only deliver after 7 am to 5 of our stores:

1. Blk 122 Ang Mo Kio Ave 3 #01-1753/1755 Singapore 560122
2. Blk 233 Ang Mo Kio Ave 3 #01-1168 Singapore 560233
3. 85 Dawson Road #01-01 Singapore 141085
4. Blk 108 McNair Rd #01-295 Singapore 321108
5. Blk 527D Pasir Ris Street 51 #01-01 Singapore 514527

### COMMITMENTS

#### Community

1. Support community activities.
2. Charitable donations and sponsorships to the local community.
3. Continue to work with local town councils to reduce disruption to the minimum.

#### Suppliers

1. Treat our suppliers in a fair and ethical manner.
2. Work with suppliers closely to continually improve our housebrand products to provide consumers with healthier and safer choices.
3. Review and enhance purchasing policies to include sustainability criteria.



Sheng Siong works with local town councils to reduce noise pollution in HDB neighbourhoods.







# CARE FOR THE ENVIRONMENT

## Conserving Resources

As the custodians of this generation and the next, we are committed to upholding sustainable practices to better manage our environmental impact. We constantly push ourselves to develop and refine viable solutions for safeguarding the environment.





## CARE FOR THE ENVIRONMENT CONSERVING RESOURCES

In 2016, Singapore joined 170 other countries in signing the Paris Agreement. The Sustainable Singapore Blueprint was then developed to guide our nation towards the goal of building a more liveable and sustainable Singapore. Sheng Siong recognises its responsibility to contribute towards this goal.

Sheng Siong has viewed conservation of resources as a key business objective. We adopt the 3Rs “reduce, reuse, recycle” principle in the management of our resources and waste. We monitor and measure the usage of our resources and waste streams because we believe that through conserving precious resources, we not only contribute to a more sustainable environment, but also lower cost and create value for our stakeholders.

### REDUCE

#### Reduction of Carbon Footprint

To reduce our carbon footprint and to reduce our electricity consumption from the grid, a major photovoltaic system was installed in 2013 on the roof-top of our Mandai Link Distribution Centre. The panels occupy an area of about 11,000 square metres, making full use of its available roof area. Upon commissioning in 2014, the installation was the largest single photovoltaic system in Singapore with a capacity of 1,200 kWp (kilowatt-peak). Our proactive effort to be environmental-friendly was recognised and led to the

Group being a recipient of the Singapore Economic Development Board (EDB) Solar Pioneer Awards.

Our distribution centre has been awarded the BCA Green Mark Compliance for 100% use of LED lights, a cold storage heat recovery system, and its rain water recovery system. Recovered rain water is used for toilets, general washing, and gardening on its premises.

The completion of our distribution centre in 2011 enabled us to improve our capacity and ability in the bulk handling of products for our suppliers. By switching from a direct store delivery model to a centralized distribution model, we successfully reduced the number of trips our suppliers have to make to deliver to our stores, and hence the overall carbon footprint. Our warehouse is equipped with efficient inventory and distribution management systems that allow us to exercise better control over our logistic operations.

Our delivery fleet adheres to the Euro V emission standard. Our fleet replacement policy is to choose vehicles that come with engine solutions that adhere to the latest emission standards.

All our 44 stores have been fitted with LED lights. LED bulbs are the most efficient lighting choice, using only a third of the energy of fluorescent lights and potentially reducing our lights’ energy consumption by up to 80%.



#### Managing Food Waste

At Sheng Siong, we are also extremely concerned about the need to reduce and manage food waste, and believe that we need to do it right from the start. We have put in place proper purchasing and inventory management policies, excellent storage and food handling standards and systems, and adopted state-of-the-art packaging and processing techniques in prolonging the shelf life of our products and produce. We have participated in Food Waste Reduction Campaigns headed by the NEA, putting up posters and signage in our stores to raise awareness and educate consumers to handle our fresh produce with care.

“Reduced to Clear” sections have been introduced since 2011 where fresh produce that are slightly blemished but still wholesome, or that are close to expiry are sold at reduced prices. In 2017, we took extra steps to support the cause by being one of the food sponsors for Foodbank’s Project Xcess Event, contributed to the formulation of NEA’s Food Waste Minimisation Guidebook for Supermarkets and partnered NEA in their pilot project for food waste collection and co-digestion. The Group is also represented as a member in the Working Group for the Singapore Standard for Food Waste Management for Food Retail Establishments and Wholesalers/Distributors by the Singapore Standards Council.

#### Reducing Packaging & Plastic Waste

There is a growing concern on the excessive use of plastic bags and packaging material. At Sheng Siong, we recognise our ability to positively influence our consumers’ and suppliers’ choices. In 2017, we announced our interest in the topic and engaged in discussions with other major retailers and the government on implementing a plastic bag surcharge.

While this dialogue continues to take place, we are planning to take a more pro-active stance in raising awareness for this cause. We will be looking to develop an approach to campaign for lesser use of plastic bags among our shoppers, and will also review our operational procedures on the packing of products at the checkout counters and weighing stations.

To date, we continue to retail some basic food ingredients like potatoes, onions, and ginger on loose display. However, certain fresh produce are better sold pre-packed in consideration of hygiene, preservation of their freshness and shelf life, and reduction of food wastage caused by inappropriate handling by consumers. As the supermarket is air-conditioned, fresh fruits and vegetables tend to lose moisture easily, hence moderate packaging can retain the moisture content in fresh produce and prevent cross contamination. We work closely with our suppliers to avoid unnecessary packaging or use environmentally friendly materials, while keeping food competitively priced and affordable.

### REUSE

We partner a handful of our suppliers in reusing plastic crates for the supply of our fresh vegetables, fruits, and eggs. Styrofoam boxes that are used by suppliers to supply temperature sensitive produce are also washed, sanitized and re-used internally. Excess boxes are collected to be recycled.

### RECYCLE

Our waste is conscientiously sorted for recycling. A paper compacting machine is used to compact our products’ carton boxes (collected from the stores) into cubes to reduce the space required for delivery to the recycling plant. We recycle wooden pallets, stretched films, styrofoam boxes, plastic, cans and metals. Since 2014, we partnered several research institutions on developing technologies to reduce and convert food waste into reusable resources. We partnered NEA in the second half of 2017 in a co-digestion project of food waste. However, the collection of some of this data is not complete, and we strive to develop a more systematic approach to measuring our environmental protection efforts so as to provide a more holistic view of our business.







## CARE FOR THE ENVIRONMENT CONSERVING RESOURCES

### ENERGY

In 2017, our PV (Solar) System supplied about 14% of our total energy usage at our Mandai Link Distribution Centre.

ENERGY CONSUMPTION	NON-RENEWABLE SOURCES		RENEWABLE SOURCES
SITE	Electricity Grid Consumption (mwh)	Fuel Consumption (L)	PV (Solar) System (mwh)
HQ & DISTRIBUTION CENTRE	9,205	809,417	1,515
RETAIL OUTLETS	40,634	58,930	
TOTAL	49,839	868,347	1,515
TOTAL (IN GIGAJOULES)	179,421	33,267	5,455
GRAND TOTAL OF ENERGY CONSUMPTION (IN GIGAJOULES) <sup>1</sup>	218,143		

ENERGY INTENSITY (KWH PER \$ REVENUE)	0.07
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### WATER

Our water at the Distribution Centre and retail outlets is supplied by the public utility company. The water consumption is tabulated below, excluding rainwater collected at our Distribution Centre.

	HQ & DISTRIBUTION CENTRE	RETAIL OUTLETS	TOTAL
WATER CONSUMPTION (m <sup>3</sup> )	48,324	132,535	180,859

### CARBON FOOTPRINT

DIRECT (SCOPE-1) GHG EMISSIONS (SCOPE-1)	HQ & DISTRIBUTION CENTRE	RETAIL OUTLETS	TOTAL
CO2 EMISSIONS (t) VIA DIESEL FUEL (t) <sup>2</sup>	2,172	158	2,331
CO2 EMISSIONS VIA COOLANT (t) <sup>3</sup>	7,224	11,676	18,899
TOTAL CO2 EMISSIONS (t) - SCOPE 1	9,396	11,834	21,230

ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS	HQ & DISTRIBUTION CENTRE	RETAIL OUTLETS	TOTAL
CO2 EMISSIONS VIA PURCHASED ELECTRICITY (t) <sup>4</sup>	3,906	17,245	21,152

GHG EMISSIONS INTENSITY (KG CO <sub>2</sub> e PER \$ REVENUE)	0.05
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### RECYCLED WASTE

ESTIMATED QUANTITY	TOTAL
RECYCLED CARTON MATERIAL (TONS)	6,379
RECYCLED STYROFOAM BOX (TONS)	66
RECYCLED RICE SACK (UNITS)	35,650
RECYCLED STRETCH FILM AND PLASTIC (TONS)	288
RECYCLED WOODEN PALLETS (UNITS)	9,323
RECYCLED FOOD WASTE (TONS)	787

We have no incidents of non-compliance with environmental laws and regulations.

### COMMITMENTS

1. Continue to drive Reduce, Reuse, Recycle (3R) approach towards resource and waste management.
2. Develop a systematic approach to tracking and measuring food waste.
3. Collaborate with 3<sup>rd</sup> party agencies in campaigns to manage food waste.
4. Review internal procedures on use of plastic bags, and collaborate with partners in campaigns to reduce use of plastic bags
5. Develop an internal policy framework for energy and water reduction.

<sup>1</sup> Source : [https://www.eia.gov/energyexplained/index.cfm?page=about\\_energy\\_conversion\\_calculator](https://www.eia.gov/energyexplained/index.cfm?page=about_energy_conversion_calculator)

<sup>2</sup> Source: [https://www.eia.gov/environment/emissions/co2\\_vol\\_mass.php](https://www.eia.gov/environment/emissions/co2_vol_mass.php)

<sup>3</sup> Source: <https://www.epa.gov/sites/production/files/2015-07/documents/fugitiveemissions.pdf>  
United States Environmental Protection Agency, Greenhouse Gas Inventory Guidance Direct Fugitive Emissions from Refrigeration, Air Conditioning, Fire Suppression, and Industrial Gases Nov 2014

<sup>4</sup> Source: [https://www.ema.gov.sg/cmsmedia/Publications\\_and\\_Statistics/Statistics/18RSU.pdf](https://www.ema.gov.sg/cmsmedia/Publications_and_Statistics/Statistics/18RSU.pdf)  
Electricity Grid Emissions Factors and Upstream Fugitive Methane Emission Factor







## GRI CONTENT INDEX

	DISCLOSURE TITLE	DISCLOSURE	REFERENCE	SECTION
102-01	Name of the organization		Sustainability Report	Contents page
102-02	Activities, brands, products, and services		Annual Report page 1, 14-17	
102-03	Location of headquarters		Annual Report page 28	
102-04	Location of operations		Annual Report page 1, 11, 40, 71	
102-05	Ownership and legal form		Annual Report page 1	
102-06	Markets served		Annual Report page 1, 5, 11	
102-07	Scale of the organization		Annual Report page 1, 5, 10, 11, 52	
			Sustainability Report page 30	Care for our Employees
102-08	Information on employees and other workers		Sustainability Report page 30	Care for our Employees
102-09	Supply chain		Annual Report page 1	About Sheng Siong Group
102-10	Significant changes to the organization and its supply chain		Annual Report page 10, 11	CEO Statement
102-11	Precautionary principle or approach		Annual report page 38, 39	Corporate Governance
102-12	External initiatives		Sustainability Report page 20	Business Excellence
102-13	Membership of associations		Sustainability Report page 21	Business Excellence
102-14	Statement from senior decision-maker		Sustainability Report page 2-7	Joint Message from the Chairman and the CEO
102-16	Values, principles, standards, and norms of behavior		Sustainability Report page 1, 8	Governance and Business Values
102-18	Governance structure		Sustainability Report page 8-9	Governance and Business Values
102-40	List of stakeholder groups		Sustainability Report page 10	Materiality Assessment
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102-42	Identifying and selecting stakeholders		Sustainability Report page 10	Materiality Assessment
102-43	Approach to stakeholder engagement		Sustainability Report page 10-13	Materiality Assessment
102-44	Key topics and concerns raised		Sustainability Report page 11-12	Materiality Assessment
102-45	Entities included in the consolidated financial statements		Annual Report page 70-71	Notes to the Financial Statements item 5
102-46	Defining report content and topic boundaries		Sustainability Report page 13	Materiality Assessment
102-47	List of material topics		Sustainability Report page 14-15	Materiality Assessment
102-48	Restatements of information	First time reporting	Sustainability Report page 51	GRI Content Index



	DISCLOSURE TITLE	DISCLOSURE	REFERENCE	SECTION
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102-50	Reporting period	Fiscal Year	Sustainability Report page 51	GRI Content Index
102-51	Date of most recent report	April 2018	Sustainability Report page 51	GRI Content Index
102-52	Reporting cycle	1 January to 31 December 2017	Sustainability Report page 51	GRI Content Index
102-53	Contact point for questions regarding the report	El Lee, el@financialpr.com.sg	Sustainability Report page 51	GRI Content Index
102-54	Claims of reporting in accordance with the GRI Standards		Sustainability Report page 2	Joint Message from the Chairman and the CEO
102-55	GRI content index		Sustainability Report page 50-52	GRI Content Index
102-56	External assurance	This report is not externally assured.	Sustainability Report page 51	GRI Content Index
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			Sustainability Report page 40	Care for the Community
202-02	Proportion of senior management hired from the local community		Sustainability Report page 40	Care for the Community
203-02	Significant indirect economic impacts		Sustainability Report page 3	Joint Message from the Chairman and the CEO
			Sustainability Report page 18-19	Business Excellence
			Sustainability Report page 24	Care for our Customers
			Sustainability Report page 40-43	Care for the Community
204-01	Proportion of spending on local suppliers		Sustainability Report page 41	Care for the Community
205-02	Communication and training about anti-corruption policies and procedures		Sustainability Report page 19	Business Excellence
205-03	Confirmed incidents of corruption and actions taken		Sustainability Report page 19	Business Excellence
206-01	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Sustainability Report page 19	Business Excellence
302-01	Energy consumption within the organization		Sustainability Report page 48	Care for the Environment
302-03	Energy intensity		Sustainability Report page 48	Care for the Environment
303-01	Water withdrawal by source		Sustainability Report page 48	Care for the Environment
305-01	Direct (Scope 1) GHG emissions		Sustainability Report page 48	Care for the Environment





## GRI CONTENT INDEX

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305-04	GHG emissions intensity	Sustainability Report page 49	Care for the Environment
306-02	Waste by type and disposal method	Sustainability Report page 47, 49	Care for the Environment
307-01	Number of incidents of non-compliance with environmental laws and regulations	Sustainability Report page 49	Care for the Environment
401-01	New employee hires and employee turnover	Sustainability Report page 34	Care for our Employees
402-01	Minimum notice periods regarding operational changes	Sustainability Report page 31	Care for our Employees
403-01	Workers representation in formal joint management-worker health and safety committees	Sustainability Report page 36	Care for our Employees
404-01	Average hours of training per year per employee	Sustainability Report page 35	Care for our Employees
404-02	Programs for upgrading employee skills and transition assistance programs	Sustainability Report page 35	Care for our Employees
405-01	Diversity of governance bodies and employees	Sustainability Report page 30-33	Care for our Employees
405-02	Ratio of basic salary and remuneration of women to men	Sustainability Report page 33	Care for our Employees
406-01	Incidents of discrimination and corrective actions taken	Sustainability Report page 31	Care for our Employees
413-01	Operations with local community engagement, impact assessments, and development programs	Sustainability Report page 40-43	Care for the Community
413-02	Operations with significant actual and potential negative impacts on local communities	Sustainability Report page 43	Care for the Community
416-01	Assessment of the health and safety impacts of product and service categories	Sustainability Report page 26, 27	Care for our Customers
416-02	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report page 26	Care for our Customers
417-02	Number of incidents of non-compliance concerning product and service information and labeling	Sustainability Report page 26	Care for our Customers
417-03	Number of incidents of non-compliance concerning marketing communications	Sustainability Report page 26	Care for our Customers
418-01	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report page 27	Care for our Customers
419-01	Non-compliance with laws and regulations in the social and economic area	Sustainability Report page 20	Business Excellence