



HOSENGROUP

LTD.

福成集团有限公司

CO REG NO: 200403029E

SUSTAINABILITY REPORT 2018

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1 BOARD STATEMENT

We are pleased to present the second annual Sustainability Report of Hosen Group Ltd (“Hosen Group” or the “Company”, and together with its subsidiaries, the “Group”) for our financial year ended 31 December 2018 (“FY2018”). This report is prepared in compliance with the requirements of Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist (“Catalist Rules”), and references the phased approach as described in Practice Note 7F: Sustainability Reporting Guide of the Catalist Rules and the Global Reporting Initiative (“GRI”) Standards, Core option. We have chosen GRI as the sustainability reporting framework as it is internationally recognised and is widely adopted, enabling us to achieve a comprehensive and comparable disclosure of environmental, social and governance performance. This report highlights the key economic, environmental, social and governance (“EESG”) related initiatives carried throughout a 12-month period, from 1 January to 31 December 2018.

Sustainability is a part of the Group’s wider strategy to create long-term value for all its stakeholders. As such, the key material EESG factors for the Group have been identified and cautiously reviewed by the management. The data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy of data and information. The board of directors of the Company (the “Board”) having considered sustainability issues as part of its strategic direction and policies, has determined the material EESG factors and overseen the management and monitoring of these material EESG factors.

Being one of Asia’s leading trader and distributor of fast-moving consumer goods (“FMCG”) and in particular, processed food and chocolate products, Hosen Group is vigilant to remain viable in the long-run. In addition to regular financial reports and updates on business developments, the Company understands that shareholders may be eager to know how the Group runs its business in a responsible and sustainable manner.

Hosen Group views the Group’s sustainability of its business to be linked to, and is associated to its various stakeholders, which includes customers, suppliers, employees, bankers, investors, government, regulatory authorities and communities in locations that the Group’s operations are situated. With the support received from the different stakeholders, Hosen Group was able to continue its operations in the FMCG industry for more than 40 years (including operations under other names). Hosen Group went on its initial public offering and became a public listed company in September 2004.

The Company’s sustainability report summarises the expectation from various stakeholders, general business environment that the Group is operating in and what the Group has done in order to ensure the sustainability of the Group over the years.

The information disclosed in this Sustainability Report, read together with the information in the annual report for FY2018 (“Annual Report 2018”), will provide the reader with a holistic view of the operations of our Group. We will strive to maintain and/or improve the standards of the various EESG

factors reported where appropriate and practicable, in accordance with the business activities of the Group in the future.

On behalf of the Board

Lim Hai Cheok
Chief Executive Officer

27 May 2019

2 ORGANISATIONAL PROFILE

Hosen Group, through its subsidiaries in Singapore, Malaysia and China, has developed over the past 40 years an extensive and robust distribution network that spans across Asia, Europe, Middle East, Africa and the Oceanic countries. Today, Hosen Group's house brands of products can be found in various continents of the world.

Besides our strength in developing distribution network, the Company has also honed its skills in brand management and product development.

Our Brands are renowned for its premium quality products at affordable prices. HOSEN® brand, our key house brand, has won many accolades and bagged numerous awards over the years, including the Most Promising Brand Award and Superbrands Awards. The Company has also been awarded Singapore 1000 Company (Public Listed) for consecutive years.

Our Hosen® brand carries a wide range of fruits, vegetables, condiments and beverages in various packaging such as can, bottle and pouch. The Fortune® brand carries an exquisite range of high-quality canned seafood such as braised abalone and various types of shellfish. The Group also owns the Highway® Brand that carries canned meat and breakfast spreads. In 2013, LaDiva® brand was launched to cater to a growing demand for western product lines. The Sincero® brand carries chocolate products with various contents packed in bottle, pouch and tin.

Over the decades, the Company has built an extensive distribution network managed by an experienced team.

Our Retail Team showcases our products in the supermarkets, warehouse clubs, online malls and convenience stores. Our direct presence at retail stores enable us to launch new products and gather first-hand consumer response within a short period of time. This is a critical domain for us in this FMCG industry to create and innovate new products.

Our Food Service Divisions in Singapore, Malaysia and China service hotels, restaurants, airlines, clubs, caterers, cafes, ship-chandlers, bakeries and dessert chain stores. With the evolving changes in the businesses of these customer groups, we have, beyond product supplies and prompt services, engaged customers in the area of product development and other value added services.

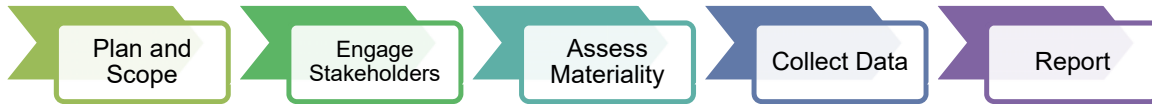
Our Export Division has, over the years, developed a good client base in our overseas network, spanning more than 40 countries, and gained a reputation of delivering high-quality products and excellent services. The Company has leveraged on this strength and has also taken on the role of a service provider for procurement and logistic requirements for our established customers.

In 2015, the Company established a Malaysia subsidiary in Senai, being the first manufacturing arm of the Group, to develop, process, trade and distribute house brand and new chocolate products for both retail and industrial uses.

The Group will continue to provide an efficient, innovative and cost-effective distribution network in the domestic and international markets to supply and distribute our house brands and other FMCG products thereby enhancing the value of the Group and its stakeholders.

3 SUSTAINABILITY APPROACH

OUR SUSTAINABILITY METHODOLOGY



STAKEHOLDERS ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material factors relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, amongst others, shareholders, employees, customers, supplies and authorities. We adopt both formal and informal channels of communication such as face-to-face meetings and supplier visits to understand the needs of key stakeholders and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

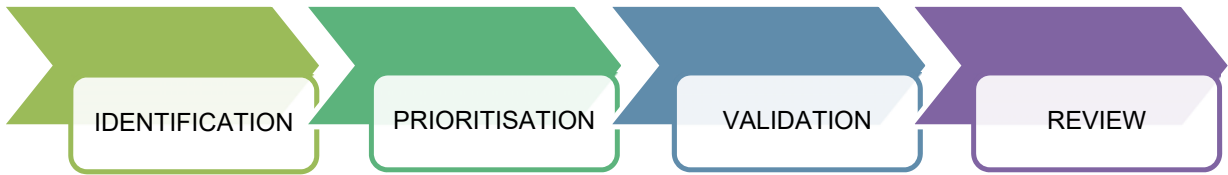
Stakeholders	Areas of Concern	Meeting their Concerns	Our strategies on engagement
Customers	Premium quality products Competitive pricing Timely delivery	Provide consistent level of quality of products Review our prices to stay competitive without compromising on the quality Maintain good and professional delivery team	Business contacts Visit customers’ places of operation Preferred selling price offered to customers with good payment records Face-to-face meetings and/or via various communication channels
Suppliers	Fair trading terms Timely payment Reasonable demand on quality of materials and products Advice/Updates on health regulations and hygiene requirements by relevant laws	Commit to the terms of the supply agreement Make timely payments according to agreed credit terms	Business contacts Visit suppliers’ factories and production plants Assess suppliers’ hygiene and health policies Face-to-face meetings and/or via various communication channels

Stakeholders	Areas of Concern	Meeting their Concerns	Our strategies on engagement
Employees	<p>Competitive salary and benefits</p> <p>Career development and chance of promotion</p> <p>Job satisfaction</p> <p>Work-life balance</p> <p>Working environment and condition</p> <p>Occupational health and safety</p> <p>Fair employment policies</p>	<p>Review and compare the prevailing salaries in the market</p> <p>Health and wellness benefits</p> <p>Spirit of teamwork</p> <p>Harmonious and cooperative working environment</p> <p>Open door policy</p> <p>Practice fair employment policy</p> <p>Cleanliness, tidiness and safety of workplace</p>	<p>Arrange festival events and activities</p> <p>Employee benefit in the form of discounted prices for staff purchases</p> <p>Encourage face-to-face communications with management team</p> <p>Provide on-the-job training</p> <p>Arrange staff to attend workshops and seminars for upskill opportunities</p>
Bankers	<p>Timely repayment of loans and borrowings</p> <p>Utilisation of facilities</p> <p>Stable stream of earnings</p> <p>Healthy cash flow</p>	<p>Establish and maintain a high standard of risk management and corporate governance</p> <p>Retain competent and experienced directors, officers and management team</p> <p>Furnish financial results on a regular basis or upon request</p> <p>Maintain strong financial positions and healthy cash flow</p> <p>Timely repayment of loans and instalments as scheduled</p>	<p>Maintain good banking relationship with bankers</p> <p>Update the bankers on the latest development and financial needs of the Group</p>
Investors and shareholders	<p>Strong financial positions and healthy cash flow</p> <p>Sound corporate governance</p> <p>Succession planning</p> <p>Constant and stable growth of business</p> <p>Reasonable rate of return on investment</p> <p>Timely disclosures</p>	<p>Establish and maintain high standard of risk management and corporate governance</p> <p>Review and re-assess existing investments</p> <p>Evaluate and appraise potential investment opportunities</p> <p>Retain competent and experienced directors, officers and management team</p> <p>Disclose financial results on a regular basis in accordance to the requirements of the listing rules</p> <p>Announce material information and provide updates in due course when appropriate</p>	<p>Hold general meetings with shareholders to receive feedback and address their concerns and queries</p> <p>Make timely announcements pursuant to the listing rules</p> <p>Distribute annual reports with management discussion and analysis</p> <p>Comply with code of corporate governance</p>

Stakeholders	Areas of Concern	Meeting their Concerns	Our strategies on engagement
Government and regulatory authorities	Regulatory, legal and industrial requirements	Comply with both local and foreign laws, regulations, policies and procedures, where applicable	Consult the relevant authorities
	Succession planning	Maintain sound risk management	Consult professional firms and seek advice
	Prevention of fraud and irregularities		Engage internal and external auditors to conduct audits
	Timely tax payments		
	Responsive to changes in relevant government policies		
	Being alert to and in the avoidance of money-laundering		
Community	Fair employment policies towards aged citizens	Fair employment opportunity towards aged citizens Provision of jobs to the community	Donations of cash and food products Sponsorship to and participation in activities of voluntary organisations
	Good corporate citizenship		
	Contributions to green-house exercises		Usage of energy-saving equipment and low-electricity consuming devices

MATERIALITY ASSESSMENT

Our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised to identify material factors which are validated internally. The end result of this process is a list of material factors disclosed in the Sustainability Report. Process of which are as shown below:



We engaged our employees from different departments to seek our internal stakeholders' feedback on the prioritisation of these topics. Going forward, a materiality review will be conducted annually, incorporating inputs gathered from stakeholders' engagements.

In order to determine if a factor is material, we assessed its potential impact on the economy, environment, society and its influence on the stakeholders. Applying guidance from GRI, we have identified the following as our material factors:

ECONOMIC Economic Performance Anti-corruption	ENVIRONMENTAL Energy Water Disposal and Management of Waste
SOCIAL Diversity and Equal Opportunity Occupational Health and Safety Training and Education Local Communities Customer Health and Safety Socioeconomic Compliance	GOVERNANCE Corporate Governance Internal Policies

4 ECONOMIC

ECONOMIC PERFORMANCE

Hosen is committed to exceed our customers' expectations and to enhance operational efficiency by incorporating the of cutting-edge technology, develop performance measures, communicate outcomes and results and implement necessary changes to provide fast and high-quality services at low transactional costs.

For more information on Hosen Group's financial performance for FY2018, please refer to pages 34 to 121 in our Annual Report 2018.

ANTI-CORRUPTION

The Group has zero tolerance on fraudulent and corrupt practices that may disrupt the business operations and impede the growth of the business due to loss of trust in Hosen that we have built over the years. We have established an anti-corruption policy and this was disseminated to our employees and business partners. We also have a whistle-blowing policy and procedures posted in our company website, <https://www.hosengroup.com/pdf/whistle-blowing-final.pdf>. Similar to FY2017, there were no reported incidents of corruption during FY2018. We target to maintain zero incident of corruption in the financial year ending 31 December 2019 ("FY2019").

5 ENVIRONMENTAL

Hosen Group is committed to operate in a green environment, to minimize the impact of its operations to the environment, which also includes reducing the emission of harmful gas pollutants and particulate matter that contributes to global warming.

ENERGY CONSUMPTION

Our Singapore office had made the switch from the use of fluorescent tubes to Light Emitting Diode tubes and bulbs (in short, LED tubes and bulbs) for years. Despite the initial change-over costs, the Group had benefited from lower electricity consumption which in turn led to fewer natural resources consumed by power-generating provider with a lower demand in electricity production.

The Group promotes the switching off of lights and air-conditioners in working areas and conference rooms if they are not occupied or in use; and to set the temperature of the air-conditioners to a comfortable level during working hours in order to save energy consumption and hence save the earth.

Hosen Group has in recent years replaced a number of old-typed lorries and vans to Euro5-type and recently to Euro6-type lorries and vans in order to reduce the emission of gas pollutants and particulate matter which are harmful to both the environment and human being.

The Group has also used Enterprise Resource System to plan the delivery schedules in order to reduce the hours of the delivery fleet running on the roads and the emission of pollutants.

In FY2018, our electricity consumption totaled 985,600 kWh. We aim to decrease our energy consumption in FY2019.

WATER CONSUMPTION

Water is another important natural resource in the world, the Group conducts regular checks on water taps to ensure that there is no leakage of water and encourage staff to use water less and wisely.

The Group's total water consumption in FY2018 is 5,000 CuM/M₃. We aim to decrease our water consumption in FY2019.

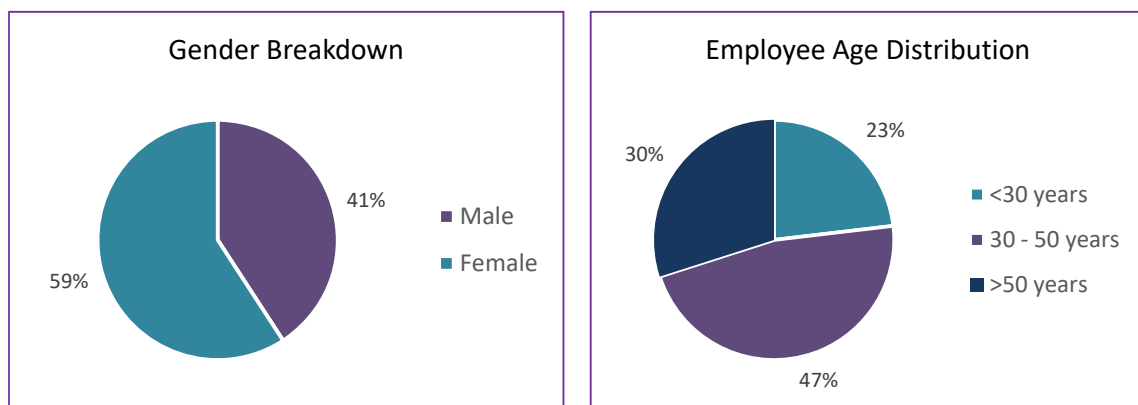
DISPOSAL AND MANAGEMENT OF WASTE

In FY2018, there was no incidence of non-compliance with the relevant laws and regulations that has resulted in significant fines or sanctions, including those relating to proper disposal of wastewater. We endeavour to maintain this track record in FY2019.

6 SOCIAL

DIVERSITY AND EQUAL OPPORTUNITY

The Group offers fair job opportunities to aged staff as we value senior citizens who can value-add to the Group with their marketing and/or management expertise and experience in the industry. When the Group recruits staff, we consider the candidates' educational level, work experience, attitude and merit, regardless of race, religion and gender for comprehensiveness. We implement equal opportunity employment policies and therefore we have staff from the Philippines, India, Myanmar, Malaysia and China. The Group has a total of 147 employees as of 31 December 2018 and the distribution of their gender and age are illustrated below:



There were no cases of discrimination reported in FY2018 and we target to have the same record in FY2019.

Employee Welfare

From time to time, the Group will organise activities to foster ties amongst the employees. Such activities include the Chinese New Year reunion dinner, company overseas trip, Christmas party with food catering, gift-exchange and lucky draw. Employees are given fair remuneration scheme, discounted price for staff purchases and opportunities for career advancement and career enrichment. In order to provide a healthy and harmonious working environment, Hosen Group adopts open-door policy so that employees can feel free to approach their seniors or management staff.

OCCUPATIONAL HEALTH AND SAFETY

Hosen Group also aims to create a safe working conditions for its employees. Forklift operators are sent for training and certified by accredited Forklift Training Provider. The courses include, among others, Forklift Safety Course and Operate Forklift Course. Only staff that have valid forklift license are allowed to drive forklift and reach truck. When staff are in the Warehouse Department, they are advised to watch out for forklift traffic.

In FY2018, a work-related accident in our warehouse in Hock Seng Food was reported where an employee was injured due to an accident involving a trolley. When the accident happened, the relevant department head, Human Resource department and the Ministry of Manpower were informed in accordance to the relevant laws and regulations. Following the accident, all staff were reminded to be alert on the moving objects when they are walking or staying in warehouse area, notwithstanding that they have been advised to do so from time to time.

Some of our existing preventive measures are as follows:

1. All warehouse staff must wear safety shoes during working hours
2. Only warehouse staff who are trained, are allowed to drive forklift
3. Company provide Group Personal Accident insurance for staff
4. Health and Safety policies are displayed at the factory's premises

We target to have zero instance of work-related injury in FY2019.

TRAINING AND EDUCATION

The Group also sends its employees to advanced courses in Excel and/or other relevant seminars to increase the efficiency and effectiveness of their daily responsibilities.

Our chocolate manufacturing workers attend food handling training courses so that they are equipped with the necessary knowledge on proper food handling procedures in the process of food manufacturing.

In FY2018, we have recorded 73 hours of trainings provided to 76 employees, such as:

1. Food Handler Course
2. Emergency Response Training
3. Fire Prevention Talk
4. Code of Corporate Governance 2018 Briefing: Understanding the Revised Code and Listing Rule Changes
5. The return of Sales and Service Tax (SST) in Malaysia
6. Task force on Climate-related Financial Disclosures
7. Impact of Global Data Protection Regulation (GDPR)

We aim to continue to provide similar level of training hours to our employees in FY2019.

LOCAL COMMUNITIES

Hosen Group has been active in its contribution towards the local communities. Over the years, the Group has sponsored and donated to various charitable organisations and universities.

In FY2018, Hock Seng Food (M) Sdn Bhd donated stocks to an old folks' home while regular stocks were donated to a local temple. Hock Seng Food donated cash to Tzu Chi Foundation and Community Chest.

We aim to provide at least 3 activities to local communities in FY2019.

CUSTOMER HEALTH AND SAFETY

Quality Control of Products

Hosen Group, being one of Asia's leading FMCG trader and distributor, specialises in processed food. We strive to meet both our customers' quality requirements and food safety and hygiene standards on our products. We require our suppliers and our own factory to implement tight controls on food safety and hygiene by installing metal detectors and implementing on-line quality control check on every manufacturing process. We have obtained from Agri-Food & Veterinary Authority of Singapore (in short, commonly known as "AVA") the import and export permits for our fish and meat products, various health certificates, free sale certificates and other food certificates in order to ensure the supply of safe foods to customers both local and worldwide.

Our own chocolate factory strictly follows the principles and standards in Hazard Analysis and Critical Control Point (in short, commonly known as "HACCP"), an internationally recognised system to reduce the risk of safety hazards in food and it also obtained HALAL certification, with which our chocolate products can be sold to Muslim consumers.

SOCIOECONOMIC COMPLIANCE

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. The Group is committed to conduct the business with integrity and to safeguard the interest of all our stakeholders, both internal and external. There was no non-compliance to the applicable laws and regulations reported in FY2018.

The Group complies with and puts in every effort in complying with the relevant laws and regulations that include the Companies Act, Employment Act, Employment of Foreign Manpower Act, SGX listing rules, Singapore Code on Take-overs and Mergers, ACRA regulations, Financial Reporting Standards and Singapore Standard on the Code of Practice for Pollution Control, amongst others.

We are vigilant in the prevention of money-laundering and in the prevention of providing assistance to other parties in the conduct of money-laundering and/or other wrongful acts.

We aim to maintain zero incidence of non-compliance to the applicable laws and regulations in FY2019.

7 GOVERNANCE

Hosen Group is a responsible entity and we comply with the laws and regulations of the countries that we are operating in, as well as the customs and health policies of those countries where our customers are located.

CORPORATE GOVERNANCE

The Board and the Management of Hosen Group are committed to the best practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for excellence in corporate governance will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and its value to our shareholders. Please refer to the Annual Report 2018 pages 13 to 33 for details of the Group's Corporate Governance Report.

We aim to continuously comply with the Catalist Rules and to the best extent possible, with the principles, provisions and practices set out in the Code of Corporate Governance 2018.

INTERNAL POLICIES

Hosen Group implements a tight credit control policy. Customers' ordering trends and payment records are reviewed regularly to minimise credit risk. Delay in payments are identified and followed-up with the customers promptly. The Group may decline the acceptance of purchase orders from customer if there had been records of payment after the credit terms granted. Preferred selling price may be offered to customers who have good payment records over the years.

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure	Reference / Description
GRI 101: Foundation 2016		
GENERAL DISCLOSURE		
GRI 102: General Disclosures	102-1	Name of organisation Hosen Group Limited
	102-2	Activities, brands, products and services Organisational Profile, pages 5 & 6
	102-3	Location of headquarters Organisational Profile, page 5; Annual Report 2018
	102-4	Location of operations Organisational Profile, page 5
	102-5	Ownership and legal form Board Statement, page 3; Annual Report 2018
	102-6	Markets served Organisational Profile, pages 5 & 6
	102-7	Scale of the organisation Organisational Profile, pages 5 & 6; Annual Report 2018
	102-8	Information on employees and other workers Social, page 13
	102-9	Supply chain Organisational Profile, pages 5 & 6; Social, page 15
	102-10	Significant changes to the organisation and its supply chain There were no significant changes
	102-11	Precautionary Principle or approach Hosen supports the intent of Precautionary Principle, but has not express a specific commitment
	102-12	External initiatives None
	102-13	Membership of associations None
	102-14	Statement from senior decision maker Board Statement, page 3
	102-16	Values, principles, standards and norms of behaviour Governance, page 16; Annual Report 2018
	102-18	Governance structure Governance, page 16; Annual Report 2018
	102-40	List of stakeholder groups Stakeholders Engagement, pages 7 to 9
	102-41	Collective bargaining agreements None
	102-42	Identifying and selecting stakeholders Stakeholders Engagement, page 7
	102-43	Approach to stakeholder engagement Stakeholders Engagement, pages 7 to 9
	102-44	Key topics and concerns raised Stakeholders Engagement, pages 7 to 9
	102-45	Entities included in the consolidated financial statements Annual Report 2018
	102-46	Defining report content and topic boundaries Board Statement, page 3
	102-47	List of material topics Materiality Assessment, page 10
	102-48	Restatement of information None
	102-49	Changes in reporting None
	102-50	Reporting period 1 Jan to 31 Dec 2018
	102-51	Date of most recent previous report 31 December 2018
	102-52	Reporting cycle Annually
	102-53	Contact point for questions about the report None
	102-54	Claims if reporting in accordance with the GRI Standards Board Statement, page 3
	102-55	GRI content index GRI Standards Content Index, pages 17 - 18
	102-56	External Assurance We may seek external assurance in the future
MATERIAL TOPICS		
201: Economic Performance	201-1	Direct economic value generated and distributed Economic, page 11
205: Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures Economic, page 11
GRI 302: Energy	302-1	Energy consumption within the organization Environment, page 12
GRI 303: Water	303-3	Water recycled and used Environment, page 12
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities Social, pages 13 to 14
GRI 404: Training and Education	404-1	Average hours of training per year per employee Social, page 14

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Reference / Description
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	Social, page 13
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Social, page 14
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Social, page 15
GRI 419: Socio-Economic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Social, page 15