



HIAP SENG ENGINEERING LTD

**STAYING
STEADFAST
AND
PERSISTENT**

Sustainability Report 2019

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CHAIRMAN'S STATEMENT

We are pleased to issue our second dedicated Sustainability Report.

This year's report continues to be based on the 8 material topics that were identified earlier in FY 2018. Together with Management, the Board determined these topics to be of significant importance to the Group. Sustainable practices in these areas is part of our strategy towards ensuring long-term and continued success for the Group.

Our team has worked hard on the relevant ESG aspects and we are proud to have met most of the targets set in FY 2018. The team also recognizes that the sustainability story is an evergreen journey, and will continue to set challenging yet meaningful targets.

We will continually monitor the business environment we operate in, to ensure relevancy of the material topics that we are currently focused on. The Sustainability Council is an important framework for the Board and management to monitor our performances, and to gather valuable feedback from the grassroots level about the direction we are taking for our sustainability journey.

I would like to extend my appreciation to all stakeholders for your continued support in the company's effort to enhance our ESG aspects, for a better and more sustainable Hiap Seng.

TAN AH LAM, FRANKIE

Executive Chairman

ABOUT THE REPORT

SCOPE AND BOUNDARY

This report covers Hiap Seng Engineering Limited (“Hiap Seng”) sustainability performance for the Financial Year ended 31 March 2019 (“FY2019”). It is issued annually and follows our very first sustainability report published in December 2018.

This report has been prepared in compliance with the SGX-ST Listing Rule 711a and 711b and in accordance with the GRI Standards: Core Option.

The report identifies the material Economic, Social and Governance (ESG) factors for the organisation and aims to provide balanced disclosure around our policies, practices, performance and targets in relation to the identified material factors.

Our boundary of reporting covers only our Singapore operations for this year¹. Hiap Seng has overseas operations, including Malaysia, Thailand, United Arab Emirates (UAE) and Vietnam. Please refer to our annual report for an overview of our group structure² and our consolidated financial entities.

We aim to gradually expand the reporting coverage to other territories as we mature in our sustainability journey.

EXTERNAL ASSURANCE

We have not obtained external assurance for this report. We aim to further enhance our data monitoring and collection processes and may consider to seek external assurance in future.

FEEDBACK

We value feedback from our stakeholders and will be glad to respond to any questions about this report. Please feel free to reach us at info@hiapseng.com.

¹ This includes Hiap Seng Engineering Ltd, Asia Process Industries Pte Ltd, Orion Tuas Shipyard Pte Ltd, HS Compression & Process Pte Ltd, Hiap Seng-Sanko TPM Pte Ltd and HS Info-Tech Pte Ltd

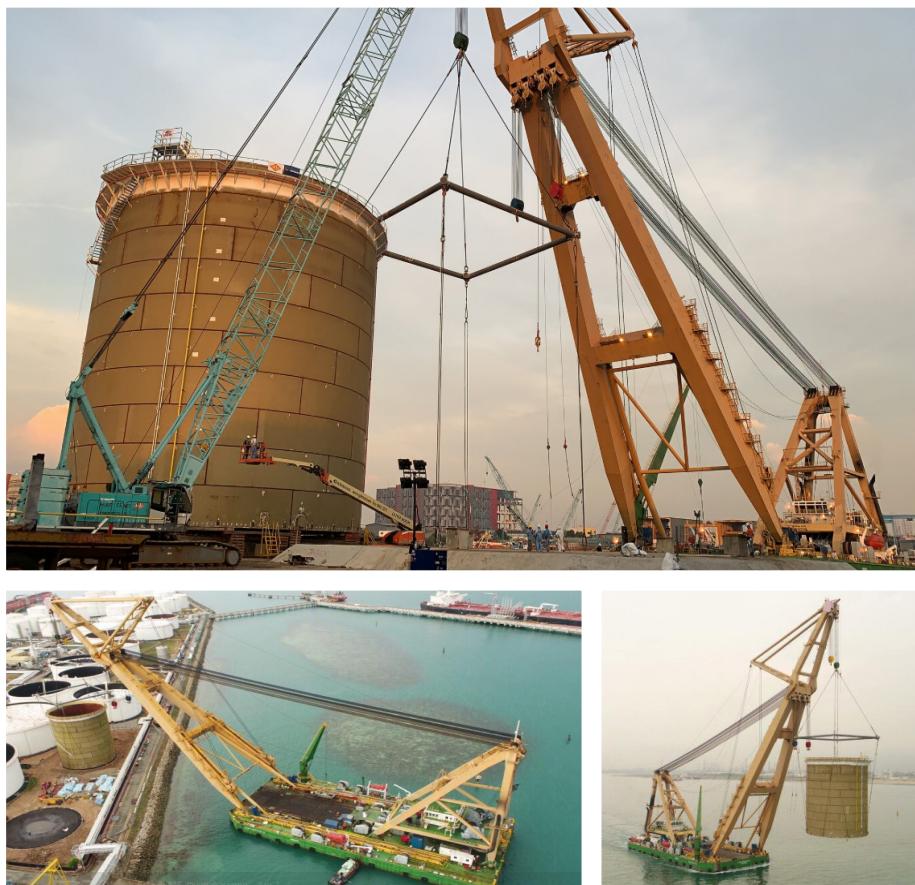
² Page 7 and 91 of Annual Report 2019

ABOUT HIAP SENG

COMPANY OVERVIEW

Founded and established in 1950, Hiap Seng is headquartered in Singapore and listed on the Singapore Exchange ("SGX"). We are one of the leading integrated service providers of mechanical engineering, plant fabrication and installation and plant maintenance services in the region, with annual revenues of more than S\$150m³. With 6 fabrication facilities covering more than 2 million square feet, we have established a very impressive track record with both local and global clients; a track record premised on efficient, reliable and quality products and services.

The company takes pride in taking on unprecedented challenges in order to meet our client's requirements. Among many engineering achievements, in 1981 Hiap Seng built what was then South East Asia's largest crude oil storage tank, with a capacity of one million-barrels. We also erected the largest furnace in the world, in 2007, on Jurong Island - petrochemical hub of Singapore.



³ Refer to our annual report - financial highlights for annual revenue figures

Most recently, Hiap Seng as the EPC contractor, delivered South-East Asia's biggest tank lift by a floating crane, after fabrication of the tank off-site in our workshop premises.

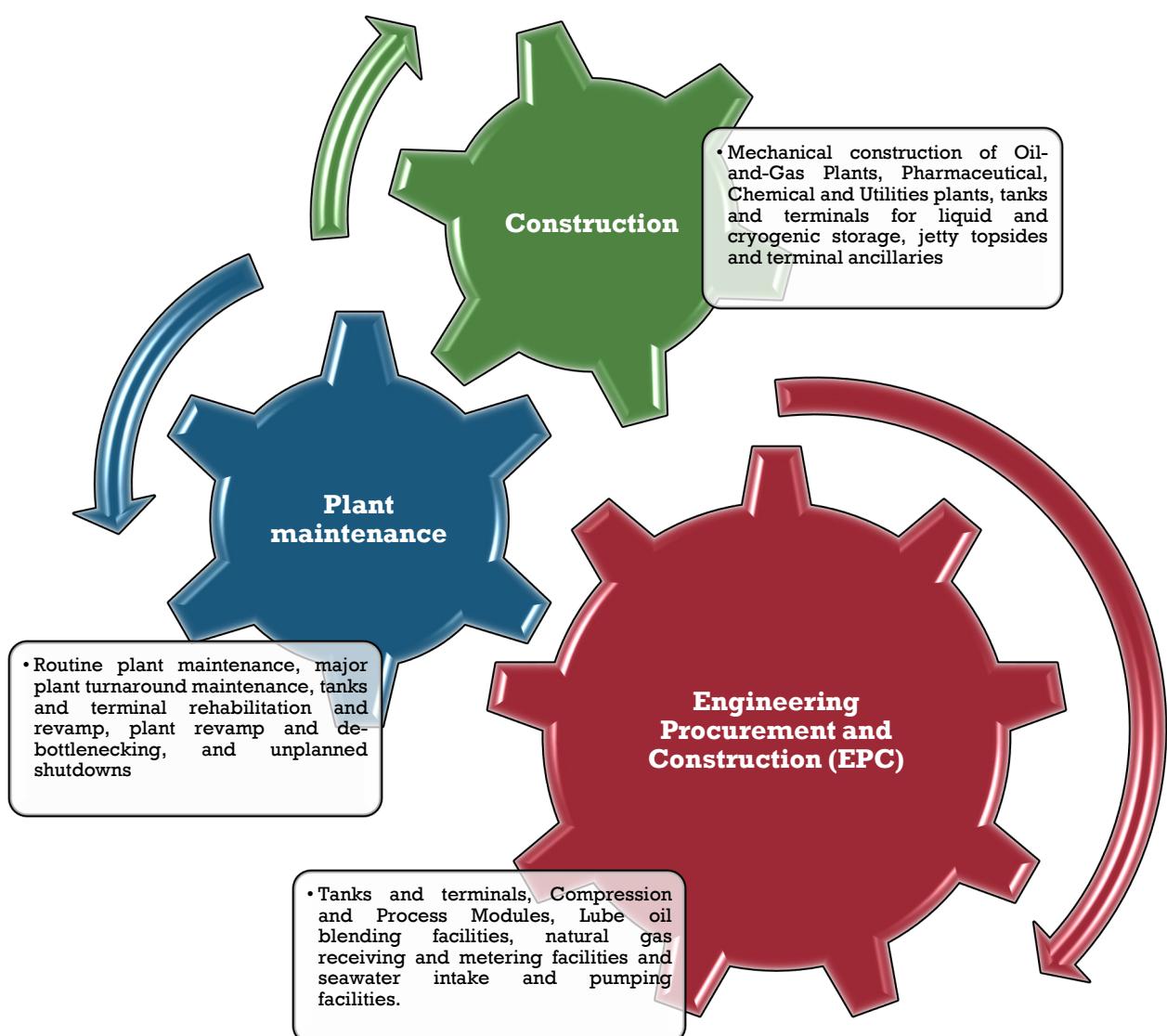
MARKETS SERVED

The company has presence in Singapore, Malaysia, Thailand, United Arab Emirates and Vietnam.

Our services extend primarily to the Oil and Gas, Chemicals, Utilities and Pharmaceutical sectors with our client base including Multi-National Corporations ("MNCs"), local plant owners and major construction engineering companies.

OUR ACTIVITIES, BRANDS, PRODUCTS AND SERVICES AND SUPPLY CHAIN:

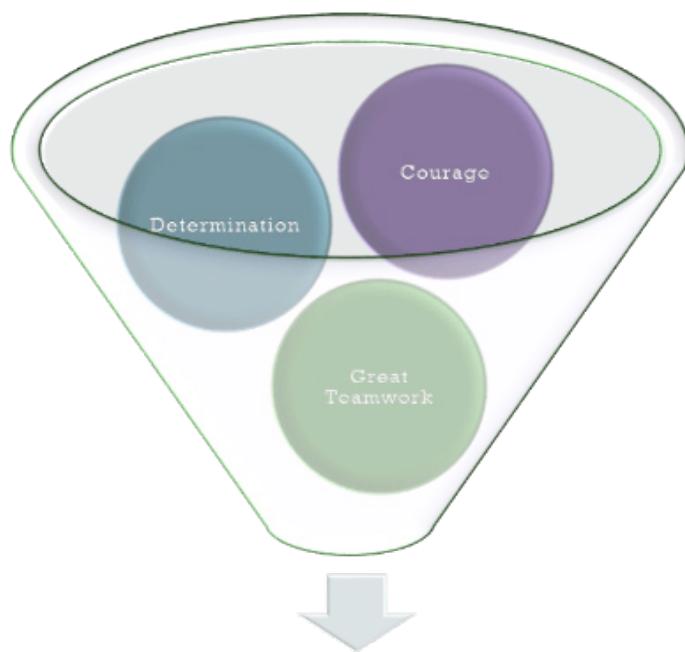
The core activities under the Hiap Seng brand are as follows:



OUR SUSTAINABILITY APPROACH

OUR VALUES, VISION AND MISSION

Sustainability considerations are part of the company DNA and our driven through our vision and mission. The foundations of our success are based on our core values of:



OUR VISION

To be the preferred service provider in plant design, fabrication and construction and maintenance to the process industries in Singapore and beyond

OUR MISSION

To deliver efficient, reliable, and quality products and services to customer in a safe and timely manner, maximum returns to shareholders and a rewarding work environment to employees

STAKEHOLDER ENGAGEMENT

Together with our IMS consultants, we have identified the following key stakeholder groups based on their dependence and influence on our business.

- Shareholders
- Customers
- Suppliers
- Employees
- Regulators
- Neighbours and society

The concerns of our stakeholders serves as an important foundation for the determination of our material topics.

The following are our key stakeholders' topics and concerns raised and our engagement mechanism.

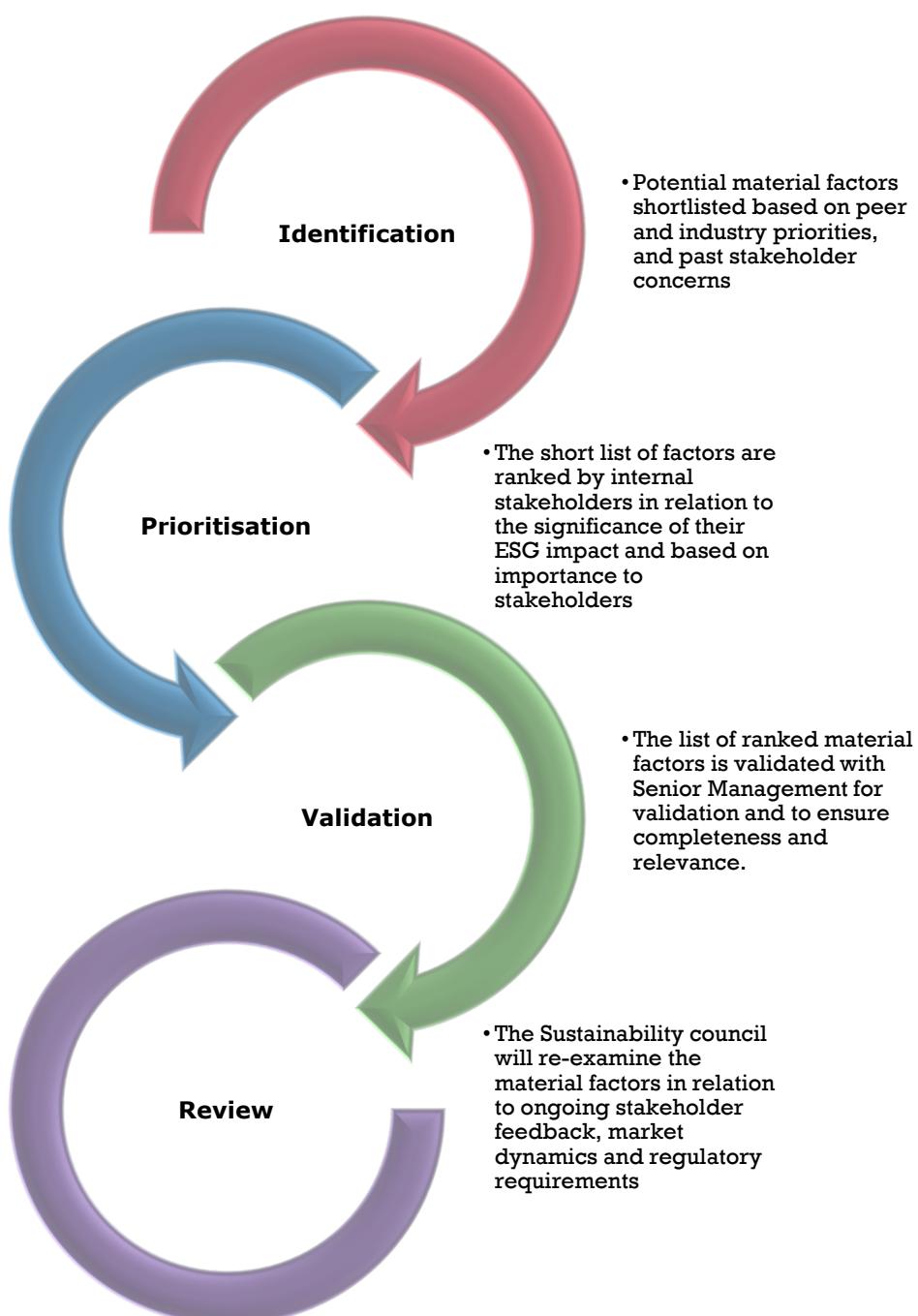
Stakeholder	Key Topics and Concerns	Engagement Mechanism and Frequency
Shareholders	Profit and high value market share	Regular shareholder meetings Quarterly management review Annual general meeting
Customers	Quality and delivery as agreed No EHS issue Post-delivery support	Market research reports Customer feedback and any complaints Face to face meetings for project monitoring
Suppliers	Timely payments Correct inputs on product requirements and acceptance on variation	Project meetings Annual review and re-evaluation of suppliers

Employees	Timely payments	Ad-hoc one to one meetings
	Work hours	Annual appraisals
	Good work environment and no EHS issues	Monthly safety committee meetings Exit interviews
Regulators	Compliance with legal requirements pertaining to environment, health and safety	Regular compliance reviews Ad hoc on-site inspections Regular email and telephone communications
Neighbours and society	Less pollution and environmentally friendly operations	Regular compliance reviews Pre-work aspect and impact analysis Regular monitoring and measurement

We continually review for any change in stakeholders' concerns, and assess the adequacy of the current material topics in addressing their concerns.

MATERIALITY ASSESSMENT

Materiality is the bedrock of our sustainability strategy as it provides our stakeholders with meaningful sustainability information about our business. In FY 2018, we conducted a formal materiality assessment exercise. Guided by our consultants, the process included review of existing stakeholder concerns, peer priorities, surveys with internal stakeholders such as employees and a final validation workshop with senior management and board.



The figure below highlights our list of identified material topics.



Environmental

- Energy consumption
- Water consumption
- Waste management



Social

- Human capital management
- Occupational health and safety



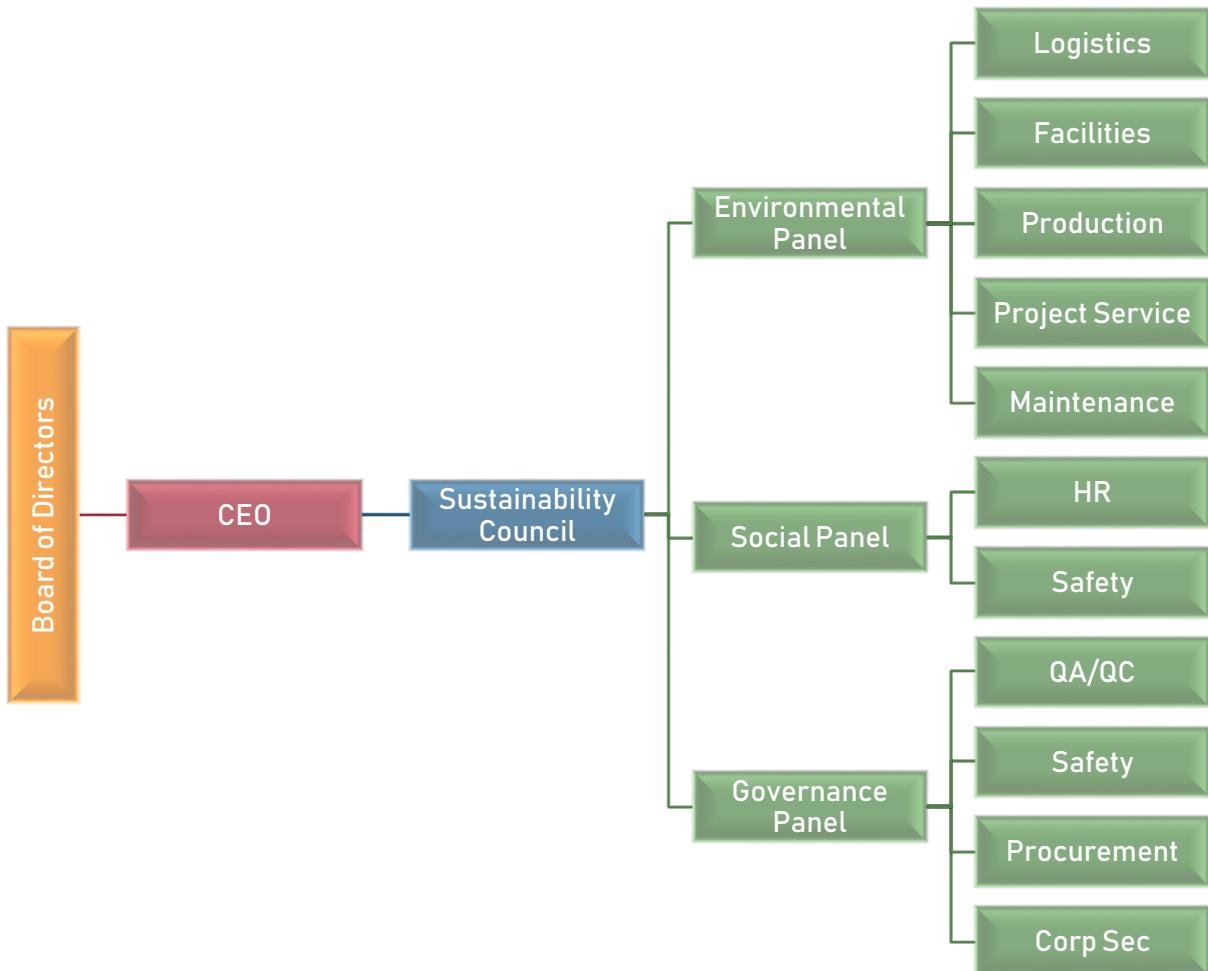
Governance

- Product quality and safety
- Responsible supply chain
- Regulatory compliance

SUSTAINABILITY GOVERNANCE

Management of sustainability issues flows right through the organisation and engages all employees in some way. Our business departments collectively contribute to ensure the implementation of our sustainability policies, report and steward performance as set by the Sustainability Council. The Council then reports directly to the CEO, and subsequently

to the Company's Board of Directors on matters pertaining to sustainability, acting in accordance with the Board of Directors' strategic priorities.



The sustainability council will provide resources required by the ESG panels to achieve set targets, and facilitate two-way communication with internal stakeholders through regular meetings that allows performance monitoring and feedback assessment and improvement suggestions from the ESG panels.

By monitoring the latest performance indicators and stakeholders' feedback, the sustainability council will also review the effectiveness of current management approaches towards each material topic. In this manner, we aim to ensure practicing of initiatives and setting of targets that are highly relevant to our material topics.

One way we address and mitigate our sustainability risks is through our **Integrated Management System (IMS)**, which we developed and put in place to fulfil our ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 requirements. The IMS helps us ensure compliance across the three ESG pillars and is major part of our sustainability strategy.

ANTI-CORRUPTION

The company takes a firm stance against corrupt practices, as we are committed to comply with applicable law and practice good ethics when doing business.

We expect all employees to comply with our business conduct guidelines, which outlines non-acceptable business practices, including bribery. We also require all employees to declare any potential conflict of interest situations in the course of their work. Employees in sensitive positions are required to perform an annual declaration.

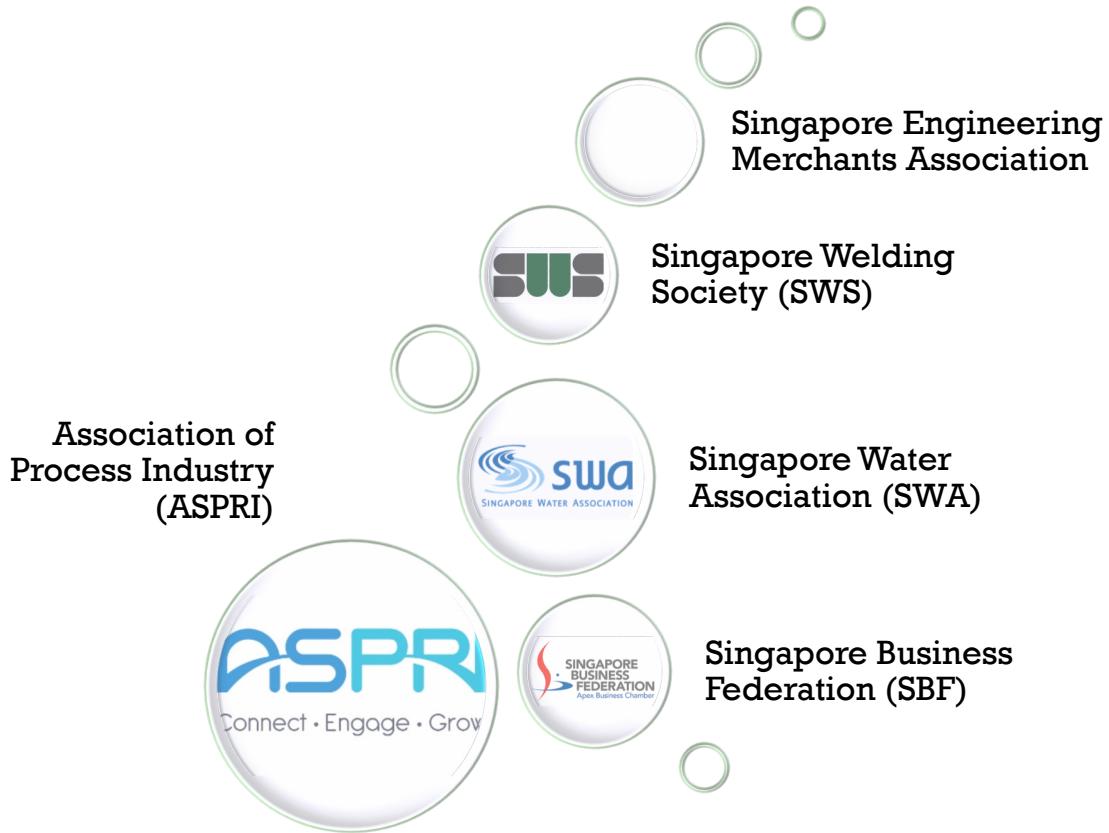
Employees are also required to report any known or suspected practices against the business conduct.

It is mandatory for all our employees to acknowledge the business conduct guideline as part of our company's on-boarding process.

There were no reported incidents of corruption in this period.

MEMBERSHIP OF ASSOCIATIONS & EXTERNAL CHARTERS OR INITIATIVES

Hiap Seng is a member of the following associations:



Hiap Seng has adopted the following external initiatives/standards:



REDUCING OUR ENVIRONMENTAL FOOTPRINT

We are committed to reducing our environmental footprint by minimising our energy and water consumption and managing waste from our operations in a responsible manner. We see this as a necessity to remain competitive in resource-constrained economy faced with the challenge of climate change.

ENERGY CONSUMPTION

Why material

Our industry is energy intensive with our production sites, offices and warehouses being the key sources of energy consumption. Some of the processes that we use in our operations, such as welding, can use a lot of energy. Lowering our consumption can help reduce our operational costs and align our efforts towards global and national efforts to curb emissions and climate change.

Management approach

We are an ISO 14001:2015 certified organisation and our adherence to this standard highlights our precautionary approach to environmental risks. Our energy management efforts are guided by our environmental policy, which requires us to control environmental risks, develop environmental programs, promote best practices and develop awareness in managers, supervisors and workers.

Performance

In FY 2019, we carried out a few initiatives to reduce our energy consumption.

To date, a major proportion of the lighting in the workshop and office building (59%) consists of energy efficient options (e.g. fluorescent/LED). We continually pursue end-of-life lighting replacements with energy efficient alternatives.

Disciplined usage of high-powered electrical equipment (e.g. welding machines, generators, compressors) in the workshop is now enforced by incorporating the behavioural requirement as a standard operating procedure for workshop activities. This includes switching off electrical supply to the equipment during break time, or after work completion.

While we have taken a number of steps to reduce our energy consumption, we can often be constrained by the projects we undertake during the year and the total consumption

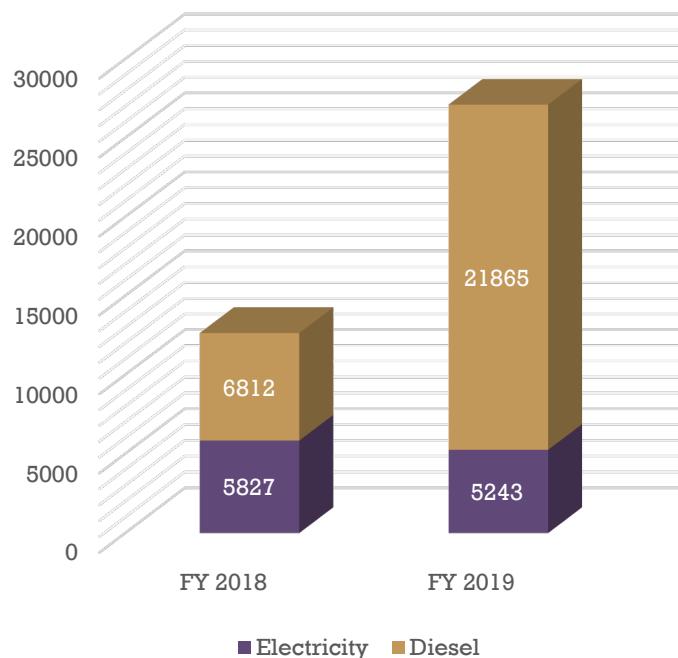
can be work-load reliant. Our performance for FY 2019 is highlighted in the chart below, showing our electricity⁴ and diesel⁵ consumption, which amounted to a total of 27,108 GJ during the year.

Significant increase in diesel consumption was predominantly due to increase in site construction activities. As a reference, total man-hours worked in FY2019 is almost 3 times that of FY2018.

Despite that, the increase in energy consumption was relatively modest at 114%.

Furthermore, we achieved a reduction in office & workshop electricity consumption by 10%.

Total Singapore Energy Consumption within the Organization (GJ)



Targets

We achieved our target to reduce office & workshop electricity consumption by 5% in FY 2019.

By end FY 2020, we aim to increase the proportion of energy efficient lighting used in our office & workshop to 65%

⁴ The data is compiled based on utility bills and the conversion factor used: 1 kWh = 0.0036 GJ

⁵ The data is estimated based on procurement data for the year and conversion factor used: 1 Litre = 0.036 GJ, based on conversion factor from UK Government GHG Conversion Factors for Company Reporting

WATER CONSUMPTION

Why material

Water security is a rising global concern and of particular relevance to Singapore. Acute water shortages, which are already visible across large parts of Asia and globally, have started disrupting industrial operations. At Hiap Seng, we rely on water usage primarily for the hydro and load testing processes in projects, and for office use. We are conscious of the risks relating to water, and recognise the economic, social and environmental benefits from a strategic approach to water management.

Management approach

We strive to use alternate water sources, such as seawater, for testing processes whenever feasible to minimize consumption of utility water.

Furthermore, our environmental policy encourages the use of water savings equipment and processes across Hiap Seng's operations. Employees are sensitised on issues relating to water scarcity and advised to reduce water consumption on an active basis.

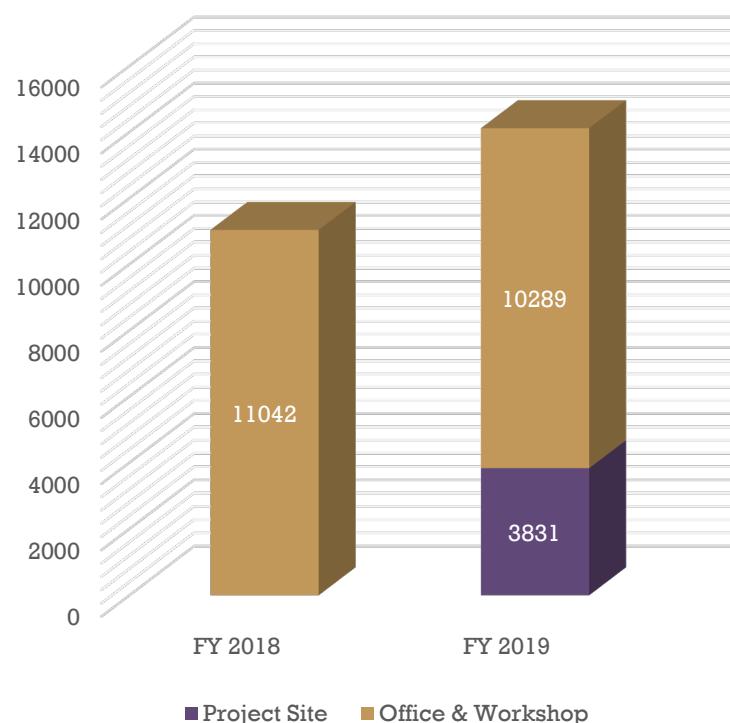
Performance

FY2019, we managed to reduce our office and workshop water consumption by 7%.

Despite this, overall water consumption increased due to 2 major project site activities where testing was carried out prior to commissioning.

Similar to energy consumption, the amount of water we use is largely dependent on the number of projects undertaken, especially due to hydro and load testing activities at the end of the construction work.

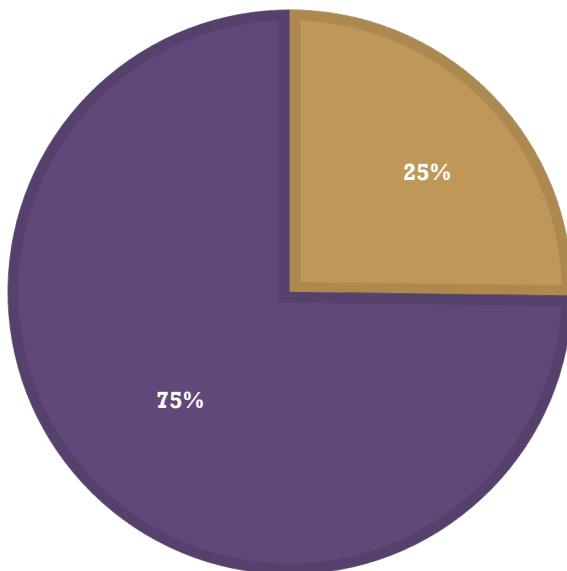
**Total Singapore Water Consumption
within the Organization (m³)**



Municipal water supplies (potable water) remained as the dominant source of water for our operations in FY 2019.

DISTRIBUTION OF WATER SOURCE

■ Waste water from another organisation
■ Municipal water supplies or other water utilities



We continue to explore the possibilities and maximize usage of alternative, more eco-friendly water sources (as compared to potable water) whenever feasible, such as the usage of recycled industrial wastewater in one of our site project site commissioning activity.

Targets

Although our overall water consumption has increased due to project demands, we are pleased to have achieved our target to reduce office water consumption by 5% in FY 2019.

For FY2020, we aim to maintain the current level of water consumption in the office and workshop, excluding water consumption used for testing activities.

WASTE MANAGEMENT

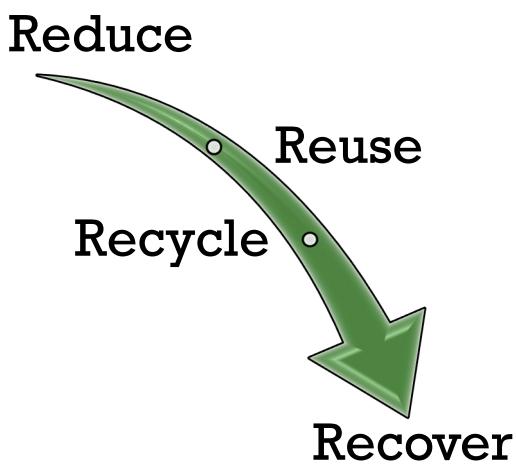
Why material

Raw materials that go into our products, such as metal, are getting scarcer and more expensive. We recognise that in order to remain competitive, we will need to embrace concepts of a circular economy by increasing our efforts to reduce, recycle and reuse and thereby minimising our dependence on virgin materials.

Management approach

Our environmental policy guides our waste reduction and management processes including training to employees. We practice the hierarchy of waste management: Reduce, Reduce and Recycle. We engage only reliable waste treatment specialist to recover any remaining wastes.

In order to reduce waste, we work towards optimising our procurement process and avoiding purchase of any excess raw materials.



We embrace the usage of advanced software programs during engineering and fabrication that helps to maximum the use of raw materials.

We use our integrated management system as a direction to handle hazardous waste that is generated as by-product of our operations, ensuring that they not inadvertently released to the environment without proper treatment. We continue to only work with reliable and responsible waste treatment specialists to dispose of both hazardous and non-hazardous waste.

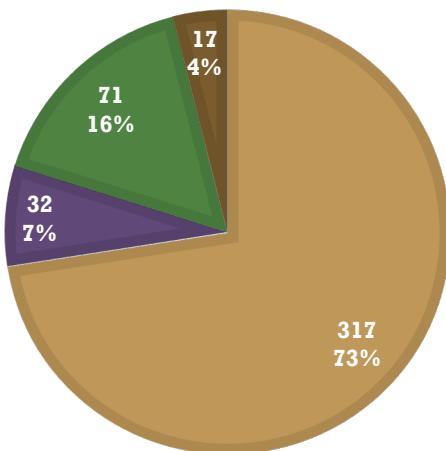
Performance

Total amount of non-hazardous waste disposed in FY 2019 saw a slight increase by 17% to a total of 436MT. This is in line with the amount of engineering and construction work activities carried out.

An increase in proportion of waste that was either reused or recycled (including the form of compost)⁶ partially mitigated the impact of this increase. Our waste disposal vendor controls disposal methods⁷.

FY 2019 - DISTRIBUTION OF NON-HAZARDOUS WASTE DISPOSAL METHOD (MT)

■ Reuse/Recycling ■ Composting ■ Incineration (mass burn) ■ Landfill



The amount of hazardous waste disposed in FY 2019 was negligible, largely contributed to by fact that our activities in FY19 did not require chemical cleaning. Nevertheless, we recognize this to be an exception, and continue to expect to handle hazardous waste as part of our operations.

Targets

We achieved our target of not releasing any contaminating fluids or toxic waste into the environment.

We indefinitely deferred our target of developing an environmental education program concerning proper e-waste management. E-waste currently consists only of a very small portion of our operations, and proper disposal of e-waste is currently well managed by the IT and logistics team. As such, we expected minimal benefits in implementing a company-wide education program.

For FY 2020, we reaffirm our aim of ensuring zero release of contaminating fluids or toxic waste into the environment during our operations.

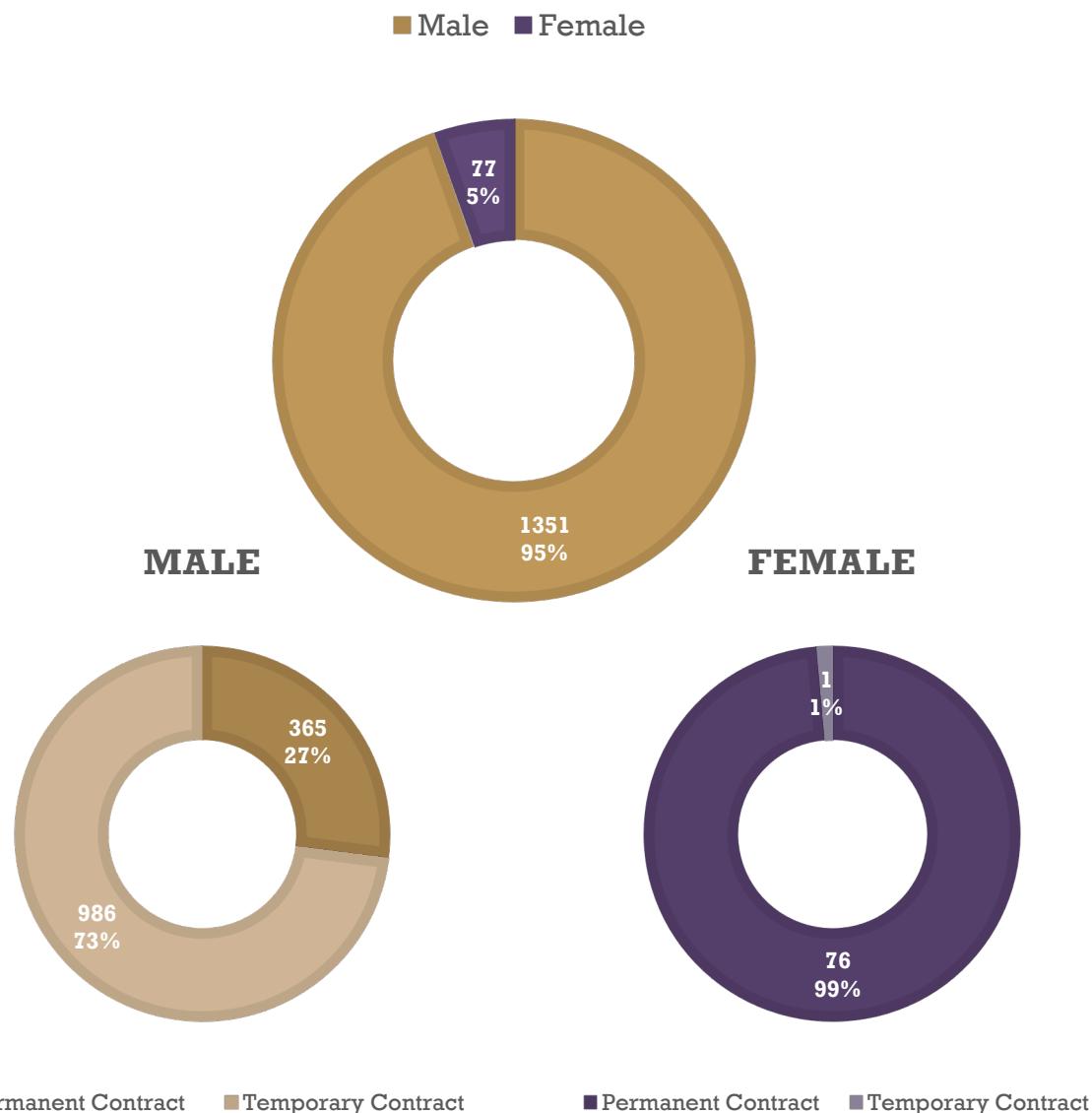
⁶ The data for non-hazardous waste disposal method is provided by our waste disposal vendor

⁷ According to our vendor, all materials are recycled/reused to the maximum extent. Remainders are disposed of in accordance to material type: Concrete & sand – land fill, paper, plastic & metal – incineration, timber - compost

STRENGTHENING OUR WORKFORCE

We recognise that our employees are invaluable to our success. We are committed to treat our people in a fair manner and nurture their growth through training and education, well-being benefits and occupational safety

OUR EMPLOYEE PROFILE⁸



We have 1428⁹ employees, 100% of them employed on full-time basis. Majority of our workforce comprises of workers on temporary contacts, and can vary considerably in accordance to work volume.

⁸ Currently, Hiap Seng is not part of, nor have any relationship with any unions. Hiap Seng does not take part in collective bargaining agreements.

⁹ Figures based on HR records, as of 31st March 2019.

HUMAN CAPITAL MANAGEMENT

Why material

Attracting and retaining the right talent is becoming challenging in our industry. High turnover rates can affect the bottom line through higher training costs and may impact knowledge continuity. Furthermore, given that foreign workers represent a significant portion of our workforce and are our direct workforce, we need to ensure that they are managed and treated fairly, equally and in compliance with local regulations.

Management approach

We address this material area through a few key considerations: (i) fair labour practices; (ii) talent attraction; (iii) training and development and; (iv) benefits and well-being.

Fair labour practice

Our human capital practices in Singapore are aligned with the 'Tripartite Alliance for Fair and Progressive Employment Practices' that promote fair and equitable employment practices.

We recruit foreign workers through reputable agencies based on project requirement and closely ensure compliance to legal regulations (e.g. Employment of Foreign Manpower Act). The well-being of our foreign workers is important to us. For the workers we ensure they are housed in adequate dormitory facilities, provide them 3 meals a day, and arrange for additional amenities such as air-conditioned transport.

Talent attraction

We want to employ future leaders and attracting the right talent is key to our long-term success. Currently we rely on public recruitment channels and through referrals. We continue to explore internship programmes with reputable universities with the aim to offer positions to outstanding performers.

Training and development

Our workers go through all mandatory trainings and at times specialised trainings required by our customers. Foreign workers attend skills enhancement trainings.

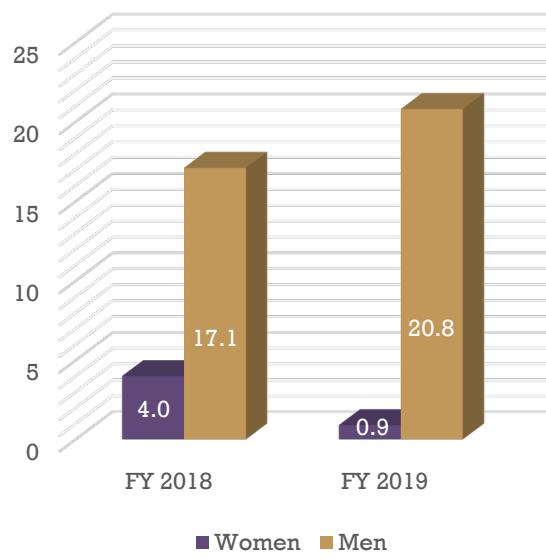
We encourage and offer grants to our managers and supervisors to enrol for optional training programs to update skills and knowledge in areas of their work. To enhance cross-skill learning, we also offer opportunities for staff to enrol in programs that are not directly in their line of work.

Well-being and benefits

Incentives and benefits are another medium to drive employee satisfaction and boost their morale. We reimburse payments on medical, dental, corporate travel, hospital and surgical insurances. In addition, we support our employees during periods of joy and grief through our marriage and compassionate leave arrangements. We like to celebrate the success of the organisation with our employees. Project completion celebrations, company anniversary lunches, festival celebrations are some of the ways we express our gratitude towards our people.

Performance

Average Training Hours (by Employee Gender)



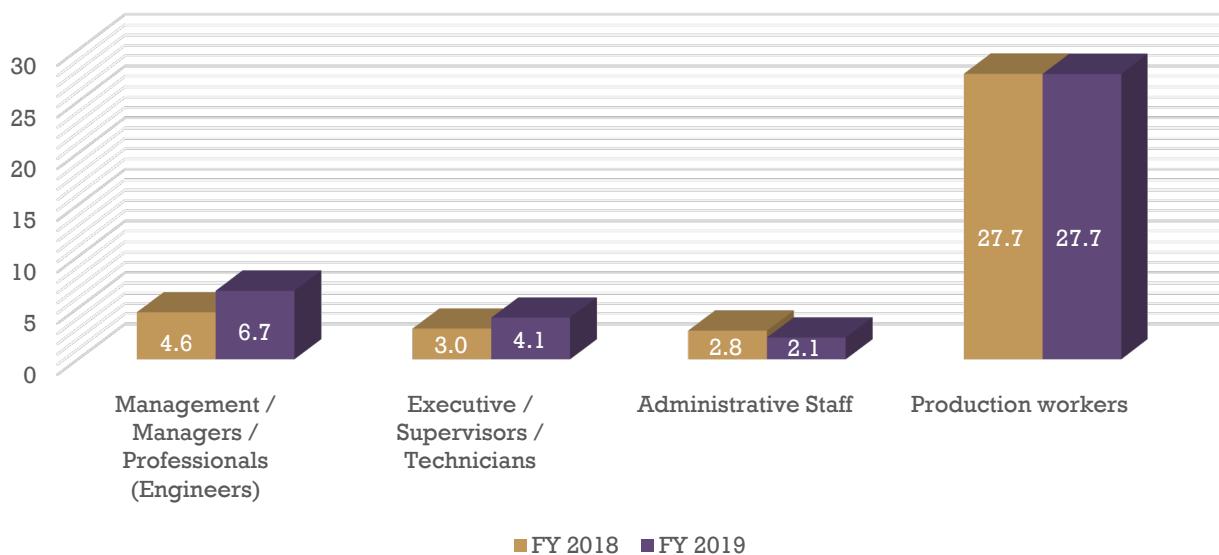
Total training hours provided to all employees amounted to more than 28,000 hours; a significant increase by 60% from FY 2018.

Average training per female employee decreased, largely due less training hours attended by female employees.

Conversely, average training per male employee increased by 20%. This is attributable to an increase in number of male production workers employed, whom typically receives the highest average training hours per employee amongst the different employee groups¹⁰.

Across different employee categories, average training hours maintained relatively similar. Production workers continue to receive the most amount of training hours due to job and regulatory requirements.

Average Training Hours (by Employee Category)

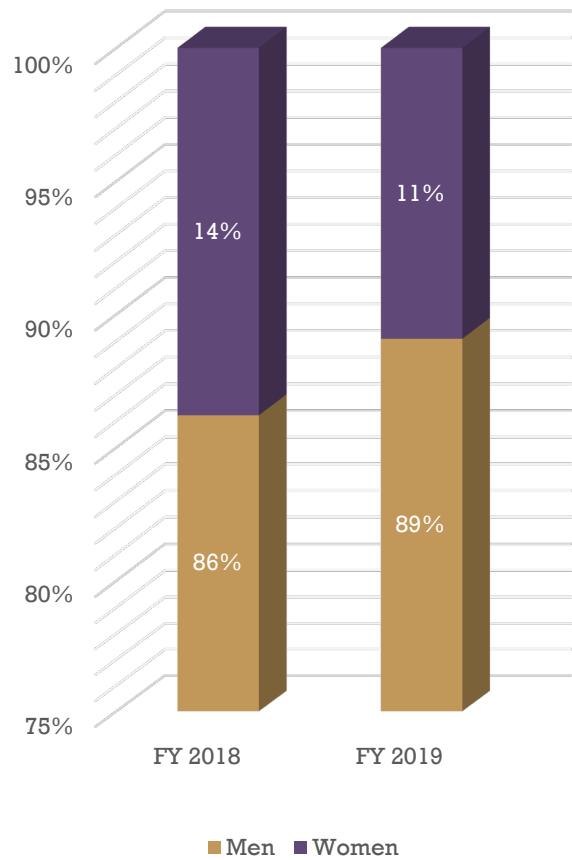


¹⁰ Our male employees include our production staff that undergo a number of mandatory trainings, while our female employees are mainly office staff. Hence, the average training received for males is much higher.

Our new hire and turnover rates¹¹ are shown below.

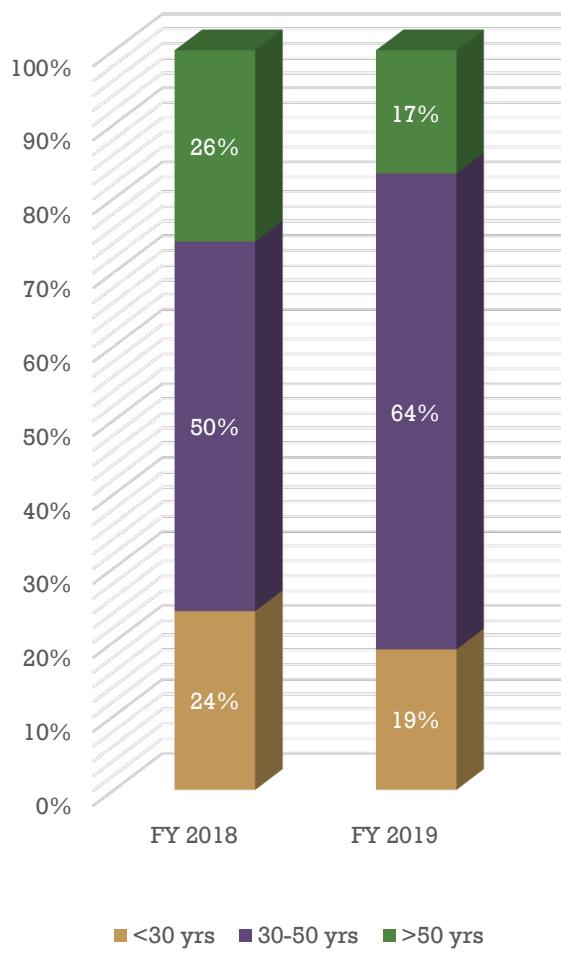
In FY2019, our total permanent employee strength increased year-on-year by 10%.

Rate of Employee Hire (by Gender)



Typical to our industry, we continue to attract male employees as a majority to our organization.

Rate of Employee Hire by Age

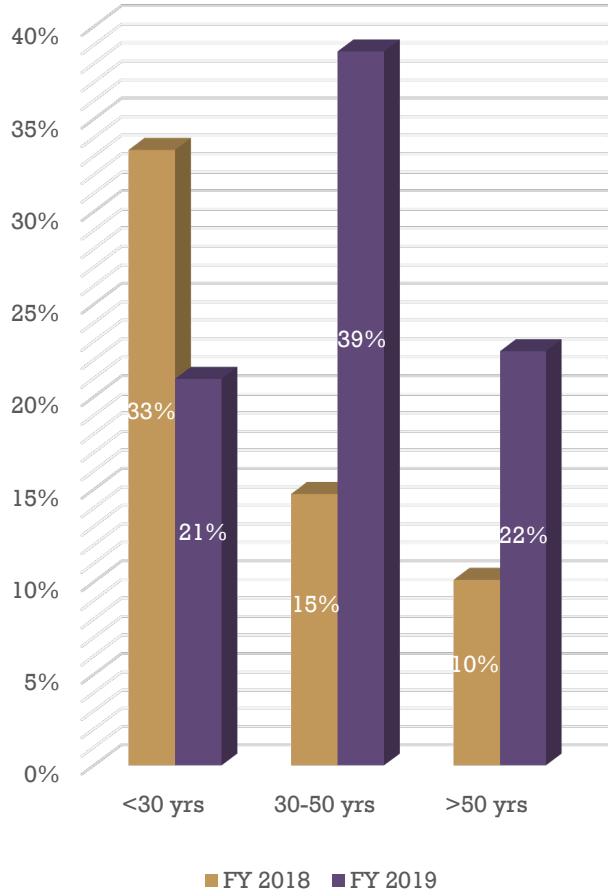


We are pleased to continue attracting a diverse range of talents from different gender and age group, in line with our belief that the company will benefit from diversity of knowledge and experience.

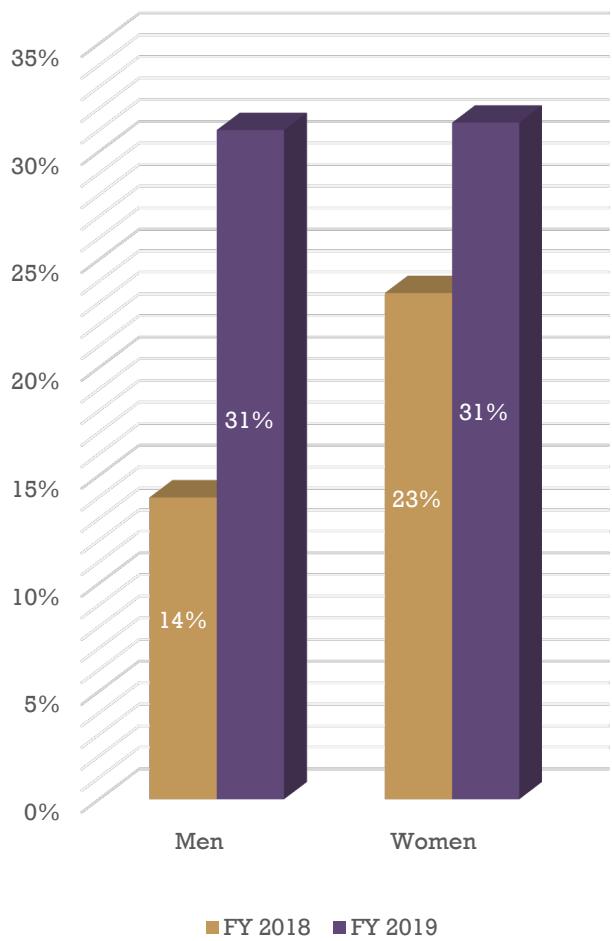
¹¹ Hire and turnover rates are derived based on permanent contract employees

Most categories of employees saw an increase in turnover¹². While the overall turnover rate has increased year-on-year, it currently appears to be in line with the general industry conditions.

Rate of Employee Turnover (by Age)



Rate of Employee Turnover (by Gender)

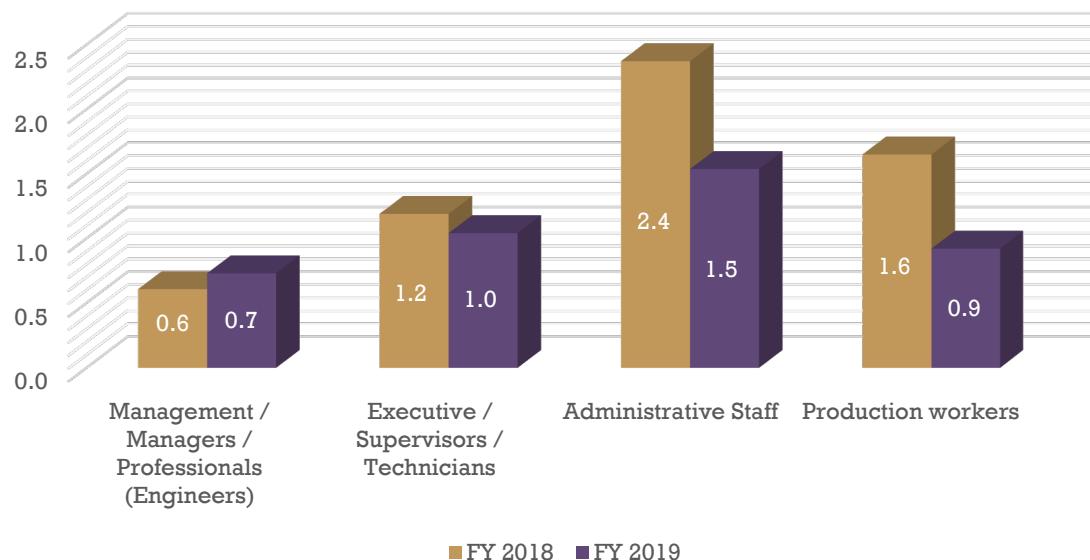


Through the exit interviews conducted with departing employees, we are satisfied that the company's employment practices is not a root cause of most of the reasons for departures.

We continue to observe for any trends in turnover rates within each employee category, to ensure that our employment practices remain equitable and attractive to all our employees.

¹² We calculate our employee turnover by diving the number of employee turnover in each category, by the average number of employees of that category over the entire financial year. This way, we have an employee turnover that is specific to each category (age or gender), and will allow us to monitor for higher turnover rates in those specific brackets.

Ratio of female to male average salary and remuneration



The female to male average remuneration ratio shifted closer towards parity in all employee groups, a fair reflection of the company's employment practices. The company continues to practice a merit-based remuneration policy.

Targets

In FY 2019, we launched a web-based internal communication system that is available to employees¹³. This is one of the ongoing initiative to enhance our workplace, making it an easier, safer or smarter for our employees.

For FY 2020, we reaffirm our target to implement at least 1 initiative to enhance our workplace for our employees.

¹³ Employees that are provided access to our information technology network can utilize the communication tool.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

Why material

The engineering and construction industry is vulnerable to the risk of occupational health and safety. Our employees work in conditions that possess inherent accident risks and we see their protection as our prime duty. Any OHS incident will inadvertently result in negative impacts to our business operation, both tangibly and intangibly.

Management approach

We are OHSAS 18001:2007 certified and accredited with bizSAFE Star and bizSAFE Partner status by the Workplace Safety and Health Council Singapore (WHSC), a testament to our commitment to implement the highest standards of workplace safety.

Occupational health and safety is a key focus area of focus for us and one we monitor closely through our Integrated Management System (IMS). Our Health and Safety, together with our Drug and Alcohol policies, guide our employees in maintaining a safe work environment. All employees must go through training on these policies.

Contractor's workers carry out a portion of our work, such as sub-contracted project work. We are careful about our selection of contractors and are responsible for the safety and protection of the contractors' workers on our sites. A contractor performing work on behalf of Hiap Seng is required to execute their OHS activities in adherence to our IMS policies.

Our risk management starts from the risk assessment stage. Our activities, products and services are assessed for their relevant hazards that may pose risk to employees, visitors and contractors. In view of the past incidents and the current control methods, these hazards are evaluated in terms of their severity and likelihood of happening, determining the risk level. Identified activities and hazards are recorded in a risk assessment form. Operations and activities that are associated with the identified risk are considered in setting the risk control action plan including the objectives and targets. Any changes in the activities and facilities are evaluated and control measures are updated accordingly. An annual review of the risk assessment form is performed.

Some work activities pose a risk of resulting in high consequence injuries. Examples include pneumatic tests and lifting operations. These are identified based on risk assessments, or regulatory requirements. Hierarchy of controls are implemented to eliminate or minimize risks, including the use of a permit-to-work system for the high-risk activities. Procedures are also developed and used for such activities, ensuring appropriate risk mitigations are in place.

We strongly inculcate safety behaviours at grassroots level. Safety coordinators conduct daily toolbox talks to share any incident and discuss any high-risk activities that may be coming up. Regular monthly safety committee meetings are conducted, where workgroup supervisors represent the workers under their management. At any point in time, employees and workers are encouraged to highlight any significant changes to their working conditions, so that a review of the risks and implementation of appropriate mitigations can be done timely. They are also given the right to refuse work if the work condition is deemed unsafe. As part of our IMS, employees are consulted on matters concerning OHS, such as performing risk assessments and procedure development or updates.

Our workers' occupational health is also considered in the overall risk management. Procedures help to facilitate safe and healthy workplaces when exposure to inherent, hazardous risks are unavoidable. Noise-monitoring, respiratory protection and radiation protection are the few examples that emphasize on occupational health. Due to the laborious nature of work common to our industry, our workers are taught how to identify signs of fatigue, and implement treatment options according to the specific work environment they are in.

We value the benefits of working with contractors and suppliers that have good OHS management systems, as it may not be possible to enforce direct control in all situations. As a bizSAFE Partner, we encourage our contractors to participate in the bizSAFE program¹⁴.

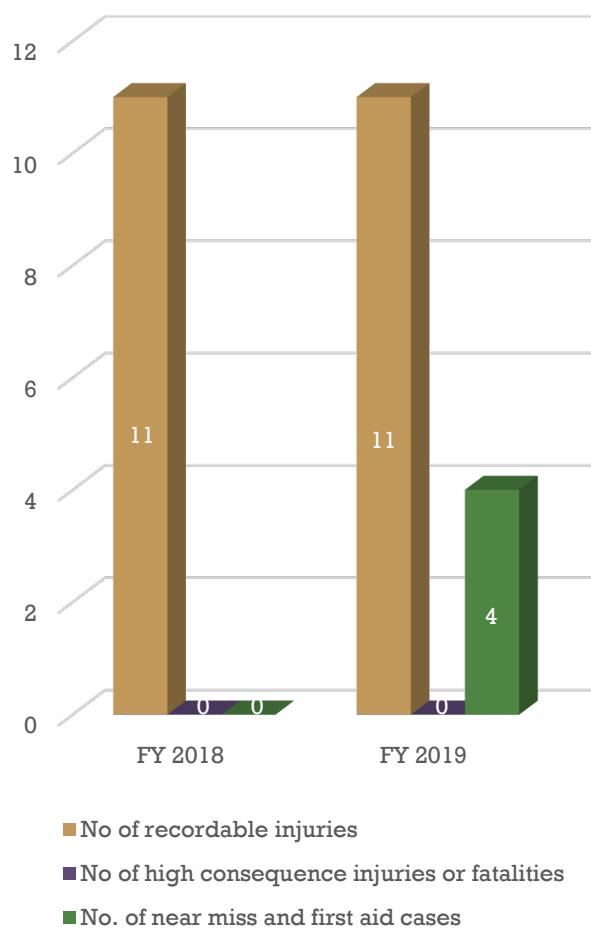
¹⁴ Participation of contractors in the bizSAFE program is managed through Hiap Seng procurement specifications (e.g. vendor assessment criteria)

Performance

Our total recordable injury rate (TRIR) in FY 2019 improved significantly to 0.24¹⁵.

Similar to FY 2018, our employees and worker/contractors incurred 11 recordable injuries, with the total amount of man-hours worked increasing to 9.04 million¹⁶; almost 3 times of that in FY 2018.

No of Injuries, First Aid, Near Miss Cases



TRIR



The injuries generally consisted of back and ankle injuries, trip and falls, and cuts to the fingers. Nevertheless, we are pleased to achieve zero high consequence injuries or fatalities in FY 2019.

There was also an increase in first aid injuries and near miss cases reported in FY 2019.

We continue to take a positive view towards reporting of near miss cases, and encourage reporting of such cases as they offer valuable learning for the rest of the organization. It also supports identification of any systemic OHS trends that may later result in injuries that are more serious.

¹⁵ Our injury rate is calculated based on 200,000 hours. Currently we do not segregate injuries by male and female or by employees and workers/contractors.

¹⁶ The figures do not include office-based employees, as their work hours are not directly measured. Nevertheless, risks in the office environment is still managed under our IMS (e.g. risk assessment, incident reporting). We will continually assess the inclusion of this information in future reports.

Targets

In FY 2019, we reconsidered placing a target on the number of near miss cases reported to avoid unintentionally discouraging reporting of such incidents.

Instead, we realigned our emphasis on OHS performance by focusing on the total recordable injury rate, as it is a balanced indicator of the result of our OHS management system. It also takes the variance in amount of work done into consideration.

In FY2020, we aim to achieve the following:

1. Achieve a TRIR of ≤ 0.3
2. Successful renewal of our bizSAFE Star accreditation

LEADING OUR MARKETPLACE

In today's challenging times, it is crucial for organisations to manage issues pertaining to governance. Delivering superior quality while maintaining high standards of regulatory compliance and oversight over the supply chain is key to be a distinguished player in the market

PRODUCT QUALITY AND SAFETY

Why material

Product quality and safety issues are particularly important in engineering and construction related projects for the sectors where we operate. We serve large multi-national clients and have spent years building the relationships that make us a vendor of choice. Exceeding on quality has been fundamental in bringing us to where we are. Any lapses can result in significant damage to our reputation and customer base.

Management approach

We strive to maintain high product and service quality and are guided by the ISO 9001:2015 quality management system that is implemented as part of our integrated management system

Our quality policy, which forms part of our IMS helps establish the processes to implement this system effectively. The policy provides guidance on the various attributes that contribute to quality including design, procurement, fabrication, inspection, testing and feedback. This policy is defined and reviewed by top management to ensure that it reflects the nature and scale of products and services quality. The policy is communicated to all employees through IMS briefings, formal and informal meetings and training, including on-the-job training for new staff. We hold all employees, subcontractors and suppliers responsible to support the implementation of the policy.

Performance

There were no cases of non-compliance concerning the health and safety impacts of our products and services in FY 2019. This a reflection of the rigour of the quality we emphasize in the products and services we provide to our clients.

Targets

Our target is to continue to incorporate quality and safety considerations in our projects in FY 2020, and maintain compliance without any safety incidents.

RESPONSIBLE SUPPLY CHAIN

Why material

We have an extensive supply chain ranging from contractors, material and services providers, equipment and transport vendors. Annually, we work with more than 200 unique suppliers, with total orders in excess of S\$35m equivalent.

We recognise that engaging responsible suppliers can help in reducing our sustainability impacts and compliance risks. Our customers request greater transparency down their value chain and we can facilitate that through responsible procurement. Furthermore, procurement through local suppliers helps us to both achieve positive impacts by growing the domestic economy, and reduce our environment footprint.

Management approach

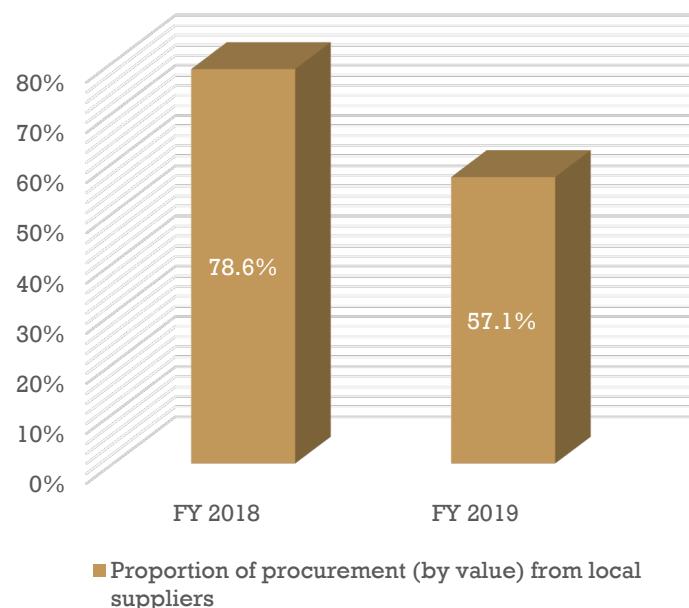
We evaluate all our suppliers based on a set of criteria and their ability to meet our organisational requirements. In order to ensure rigour in supplier selection, our previously approved suppliers need to go through a re-evaluation cycle on frequent basis. Especially in the areas of health and safety, we only engage bizSAFE certified suppliers.

Performance

In FY 2019, 57.1% of procurement expenditure was from local suppliers¹⁷.

The decrease was generally due to non-availability of high value materials and equipment by local suppliers, according to the project requirements. Direct procurement from overseas suppliers were the only available option.

Proportion of Procurement (by value) from Local Suppliers



¹⁷ Suppliers which procurement was made through office registered in Singapore

Targets

In FY 2019, we achieved both our targets: Exclusively engaging suppliers that have been qualified based on our internal performance evaluation, and maintaining majority in country (by value) procurement of goods and services.

For FY 2020, we will maintain our target for a majority of our goods and services to be procured from local suppliers.

100% engagement of internally approved suppliers is currently established to be well managed by our processes.

In the longer term, we continue to aim to expand our supplier assessment and implement additional considerations (e.g. environmental, social, productivity) in the near future, as part of ongoing improvements to our procurement processes.

REGULATORY COMPLIANCE

Why material

As a listed entity, we are subject to a number of regulatory compliance requirements pertaining to occupational health and safety, labour, environmental compliance, finance and markets. The various regulatory bodies that oversee our operations include the Ministry of Manpower, National Environment Agency and SGX among others.

Adherence to these requirements defines our social, environmental and economic license to operate.

Management approach

Our IMS highlights all regulatory risks and lays out the roles, objectives and processes to ensure compliance. Our employees are given access to and training on the legal and other requirements to which we subscribe.

Changes to the requirements are highlighted and communicated on a regular basis.

Performance

We are pleased to report that the company did not have any legal or regulatory non-compliances in the social and economic areas in FY 2019.

Targets

We aim to maintain full compliance to all regulations in the areas we operate in for FY 2020.

KEY INDICATORS & TARGETS

Performance Indicators	FY2018	FY2019	FY2019 Targets	FY2019 Achievement	FY2019 Targets
Environmental					
Total Energy Consumption (GJ)	12639 ¹⁸	27108	Reduce electricity consumption by 5%	10% reduction	Increase office and workshop energy efficient lighting usage to 65%
Diesel	6812	21865			
Electricity	5827	5243			
Total Water consumption (m³)	11042	14120			
Waste water from another organisation	0	3468	Reduce Office and workshop water consumption by 5%	7% reduction	Maintain current level of water consumption in office and workshop
Municipal water supplies or other water utilities	11042	10652			
Office & Workshop	11042	10289			
Project Site	0	3831			
Total Waste Disposed (MT)					
Non-hazardous waste	374	436	1. No release of any contaminating fluids or toxic waste into the environment		
Reuse/Recycling	260	317			
Composting	0	32			
Incineration (mass burn)	115	71			
Landfill	0	17	2. Develop an educational program concerning proper e-waste management		
Hazardous waste	10.7	0			
Reuse/Recycle	6.4	0			
Other (Waste water treatment)	4.3	0			
Social					
Training (average hours per person)					
Men	17.1	20.8			
Women	4.0	0.9			
Management / Managers / Professionals (Engineers)	4.6	6.7			
Executive / Supervisors / Technicians	3.0	4.1	Implement at least 1 new initiative that improves the workplace environment		
Administrative Staff	2.8	2.1			
Production workers	27.7	27.7			
Hire & Turnover Rates					
New Hire					
Men	86%	89%			
Women	14%	11%			
<30 yrs	24%	19%			
30-50 yrs	50%	64%			

¹⁸ Due to our refinement of the conversion factor for diesel, there is a negligible increase in the FY2018 energy figures that were reported in our previous sustainability report.

>50 yrs	26%	17%		
Turnover				
Men	14%	31%		
Women	23%	31%		
<30 yrs	33%	21%		
30-50 yrs	15%	39%		
>50 yrs	10%	22%		
Remuneration (Ratio Between Male and Female)				
Management / Managers / Professionals (Engineers)	0.6	0.7		
Executive / Supervisors / Technicians	1.2	1.0		
Administrative Staff	2.4	1.5		
Production workers	1.6	0.9		
OHS				
No. of recordable injuries	11	11		
No. of high consequence injuries or fatalities	0	0	Reduce / maintain no. of near miss and first aid cases	1. Maintain TRIR of ≤ 0.3
No. of near miss and first aid cases	0	4	-	2. Renew bizSAFE Star accreditation
Recordable injury rate	0.68	0.24		
Number of man-hours worked	3.23m	9.04m		
Governance				
Supply Chain			1. Majority of procurement from local suppliers	1. Majority of procurement from local suppliers
Proportion of procurement (by value) from local suppliers	78.6%	57.1%	2. 100% procurement from (internally) approved supplier	2. 100% procurement from (internally) approved supplier
Product Quality and Safety				Majority of procurement from local suppliers
Total no. of incident of non-compliance	0	0	No incidents	No incidents
Regulatory Compliance				
Total no. of incident of non-compliance	2	0	No incidents	No incidents

GRI CONTENT INDEX

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102-5	Ownership and legal form	About Hiap Seng, 5
102-6	Markets served	About Hiap Seng, 6
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102-8	Information on employees and other workers	Strengthening Our Workforce, 21, 28
102-9	Supply chain	About Hiap Seng, 5 Leading Our Marketplace, 33
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102-11	Precautionary Principle or approach	Reducing our Environmental Footprint, 15
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302-1	Energy consumption within the organisation	Reducing our Environmental Footprint, 15-16
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GRI 306: Effluents and Waste 2016		
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306-2	Waste by type and disposal method	Reducing our Environmental Footprint, 19-20
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403-3	Occupational health services	Strengthening Our Workforce, 28-29
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GRI 405: Diversity and Equal Opportunity 2016		
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