

# INDIGO STAR HOLDINGS LIMITED

## 靛藍星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8373

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018



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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OVERVIEW

In accordance with the requirements of The Stock Exchange of Hong Kong Limited (“HKEx”), listed companies are required to provide an Environmental, Social and Governance Report (“ESG Report”). This ESG Report is compiled in accordance with the guidelines laid down in Appendix 20 Environmental, Social and Governance Reporting Guide (the “Reporting Guide”) of the Rules Governing the Listing of Securities on GEM of HKEx, for the period from 1 January 2018 to 31 December 2018 (the “Reporting Period”).

Indigo Star Holdings Limited (the “Company”) is an investment holding company and mainly through two of its wholly owned subsidiaries, Interno Engineering (1996) Pte. Ltd. and Interno Construction Pte. Ltd. (“Internos” and together with the Company, the “Group”), are mainly engaged in the building construction business in Singapore. Internos primarily act as subcontractors or main contractors of major renown developers mainly in formwork, steel reinforcement and concreting work of various contract sizes and complexities. In addition, Internos on various other building construction works of various contract sums within its manpower and technicality permits and contractor registration level. Internos also act as main contractors in subcontracting some of their contract works to various subcontractors where necessary to meet market demands and client needs.

This is the second ESG report of the Group. The Group is satisfied with its overall performance and achievements during the Reporting Period. Key ESG policies remain largely the same as before. Modifications and adjustments are made where necessary to cope with changes in operational needs or market requirements. During the Reporting Period, Internos have been able to acquire sufficient contracts in hand and foresee no major problem to sustain its business operation. Key policies relating to concerns covered by this ESG Report are summarized below:

1. Interno Engineering (1996) Pte. Ltd. continues to be a General Building (C1) and Civil Engineering (C1) Contractor registered with the Building and Construction Authority of Singapore. Internos are committed to being successful operators in their business operations, bringing returns to the Group’s investors and supporters, giving a healthy and safe working environment to our employees and helping to provide sustainable development for the communities and the Group.
2. It is the business goal and dedicated commitment of the Group to achieve a higher level of contractor registration with the Building and Construction Authority of Singapore. This higher registration level has a more stringent requirement in areas like contract sum, technical and engineering competency, safety performance, etc. than the present level which Internos hold. The board of directors (the “Board”) and the management team (the “Management Team”) of the Company in Singapore are fully aware of this goal and are committed to achieving this.
3. The Board has approved strategies and policies which have incorporated the related environmental and social issues contained in the Reporting Guide. The Board through the Management Team has assigned the various operational heads to implement its policies and strategies. Through their established and routine work channels, operational heads report directly to the Management Team which has the overall responsibility to ensure that the Board’s approved strategies and policies are implemented.
4. It is incumbent on the Management Team to examine and address all the environmental and social issues spelt out in the aspects and areas in the Reporting Guide. They are duty bound to explore, develop and review Key Performance Indicators (“KPIs”) where appropriate and necessary for future reference and action in line with the operational policies and business goals of the Group.

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## (A) ENVIRONMENTAL ASPECTS

Singapore has a very stringent statutory control regime on the various matters which are covered by the ESG Report. Our Group, in order to develop a sustainable business and strive for a higher level of contractor registration, undertakes initiatives to engage in, promote and undertake environmental protection and social responsibilities.

Of all the topics involved in the ESG Report, only Internos' business operations in the Group are likely to have more related implications arising from the ESG Report.

On the whole, the Group takes on an active role to ensure a sustainable and environmentally-friendly production and operating process by taking all practicable and possible measures to comply with the relevant national laws and regulations. The Group actively assumes social responsibilities to reduce pollution by setting reasonably practicable objectives. Internos translate this policy into achievable goals during the planning, design and production stages of its construction projects. The Group takes all measures to ensure that there is no breach of national legal requirements which are our minimum standard.

### A1: Emissions

#### (a) Policy

Most of the Group operations do not produce air emissions which have a significant impact on the Group and environment. Internos are the only subsidiaries which generate air emissions but by virtue of its relatively clean operating processes in formwork, steel reinforcement and concreting, only insignificant amounts of exhaust is produced from diesel generators in the construction sites on a temporary or interim basis when city power supply is not available. Off the construction sites, the fleet of specialized trucks using diesel as fuel during transporting construction materials to and from the construction sites is the only source of direct hazardous and non-hazardous greenhouse gas emissions. As a responsible corporation, our environmental policies stipulate that the Group must abide by all the local environmental laws and regulations and is committed to environmental protection, pollution prevention and minimization. The Group has taken measures to minimize the adverse impacts on and to prevent pollution to the environment and to be energy and other resources usage efficient. The main measures for offices and construction sites are summarized below:

Offices:	Construction sites:
<ul style="list-style-type: none"><li>• switch-off electrical appliances when they are not used or needed;</li><li>• choose electrical appliances and light bulbs with energy saving capabilities;</li><li>• support "Energy charter on Indoor Temperature" by maintaining a high/lower temperature to reduce energy consumption;</li><li>• conduct regular energy consumption check.</li></ul>	<ul style="list-style-type: none"><li>• turn-off the trucks, cranes and generators when they are not used or needed;</li><li>• use solar energy whenever possible;</li><li>• choose electrical appliances and light bulbs with energy saving capabilities;</li><li>• conduct regular energy consumption check.</li></ul>

#### (b) Compliance with Relevant Laws that have Significant Impact

There is a stringent national control regime on hazardous and non-hazardous air emission, effluent discharge and disposal of wastes from the construction sites to the environment. The site emissions and discharges are subject to constant and unannounced site inspections and surveillance of various government departments. The efficacy of control measures is subject to constant and virtually real time monitoring on site by using modern sophisticated equipment. Any adverse results or warning alarms will receive immediate attention of the site staff. Consequential reviews by different management levels to cope with areas warranting attention and action are undertaken in progress meetings. The Group's dedication and diligence in compliance results in no breach or offence spotted by the law enforcing departments on pollution control and emissions.

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As a guiding rule and principle, production materials used by Internos are carefully estimated and calculated by competent and experienced professionals during the planning and design stages. Close supervision is exercised in the production stage to minimize unnecessary wastage and achieve cost saving.

All liquid wastes from the construction sites are treated to meet the statutory standard as stipulated by the Environmental Agency before being discharged. Discharge rates and emission amounts are different and vary owing to the difference in site size, fluctuations in technical constraints, variations in progress and completion phases of individual projects. Performance of Internos on pollution control in these areas has not given rise to any serious concern to the Group or government departments. No breach of statutory requirements or penalties have been recorded in the Reporting Period.

(KPI A1.1)

Types of Emissions and Emission Data

The nature of business of the Group and its operations do not create emissions which are considered of significant impact to our operations and the government control regime.

Such emissions are identified, recorded and disclosed below. They will be used as the baseline in formulating the KPIs which will be periodically examined and reviewed in future in further detail in conjunction with our overall operation goals to explore all possible reduction, recycle and reuse measures so as to formulate a practicable approach with achievable goals.

(KPI A1.2)

Greenhouse Gas Emissions ("GHG")

The Group's operations do generate hazardous and non-hazardous greenhouse gases. Consumption of diesel for our fleet of heavy and specialized trucks as the fuel for transporting steel bars, pipes and sheets and cement materials to and from construction sites, mobile cranes and occasionally as an alternative source for producing temporary power supply in construction sites, will directly generate hazardous greenhouse gases emissions of sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>) and particulate matter (PM) and non-hazardous gas emission of CO<sub>2</sub>. The use of electricity will also generate indirectly non-hazardous greenhouse gas emission of CO<sub>2</sub>.

Intensity comparison of the direct and indirect greenhouse gas emissions on a site basis may not be meaningful owing to the variations in site sizes, complexity of engineering requirements, site constraints, etc. The number of sites having comparable parameters for comparison is too small for meaningful intensity analysis. The Group only prepares, collects, records and estimates, as a KPI, the total direct and indirect hazardous and non-hazardous greenhouse gas emissions from our total consumption of electricity and diesel.

During the Reporting Period and the previous reporting period, the Group emitted directly and indirectly following quantities of hazardous and non-hazardous greenhouse gases:

Type of GHG	Unit	Quantities		Variations -/+%
		2017	2018	
(A) Hazardous (direct)				
SO <sub>x</sub>	kg	1.18	<b>1.45</b>	+22.8%
NO <sub>x</sub>	tonne	2.08	<b>2.80</b>	+34.6%
PM	kg	147.76	<b>202.38</b>	+36.9%
(B) Non-Hazardous				
CO <sub>2</sub> (Direct)	tonne	191.68	<b>236.74</b>	+19%
CO <sub>2</sub> (Indirect)	tonne	18.13	<b>17.50</b>	-3.4%
CO <sub>2</sub> (Total)	tonne	209.81	<b>254.24</b>	+21.2%

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The only reason for an increase in direct hazardous and non-hazardous greenhouse gases emissions was an increase on the number of operating projects from 4 in the previous reporting period to 6 in the reporting period, which caused an increase in diesel consumption and consequently directly increased in both hazardous and non-hazardous greenhouse gases emissions. However, in the latter paragraph of diesel consumption, the Group explained that the use of diesel per litre was more efficient in term of generating the amount of monetary value of completed works, which showed that the Group had a successful energy saving measures and practices, and thus reduced the potential direct hazardous and non-hazardous greenhouse gases emissions relatively during the Reporting Period. The indirect greenhouse gas of CO<sub>2</sub> emission of the Reporting Period was 3.4% less than the previous reporting period, which was a direct result of less electricity consumption from our successful energy saving measures and practices.

*(KPI A1.3)*

## Total Hazardous Waste Produced

Other than construction waste from the construction projects, which should be regarded as a low hazardous waste, the other Group operations do not generate any hazardous waste.

Work practice and production systems are in place for all construction waste produced to be collected and disposed of by licensed contractors. During the Reporting Period, no adverse comments or irregularities have been reported from the internal and external control sources.

Intensity comparison for this KPI on a site basis may not be meaningful owing to the variations in site sizes, complexity of engineering requirements, site constraints, etc. The number of sites having comparable parameters for comparison is too minimal for meaningful analysis.

*(KPI A1.4)*

## Total Non-Hazardous Waste

With the exception of Internos, non-hazardous waste typical of general office nature is produced in all other Group operations. Internos produce construction waste common to its industry peers which are dealt with and disposed of in the normal trade practice manner.

All non-hazardous wastes are taken care of by the local waste collectors. Contemplations could be given to enhance recycling and reuse in the various processes and stages of production.

*(KPI A1.5) (KPI A1.6)*

## Mitigation Measures on Emission and Results

There is no air emission from the construction sites which could be considered to have a significant impact on our operations. The only source is air emission from the diesel generators which are sometimes required to provide temporary or interim power supply to the sites. These generators are rented from and maintained by reputable quality suppliers. Only generators complying with the very stringent statutory emission standards are used. It is therefore pertinent to source a reliable diesel generator supplier and site staff are vigilant on emissions from the generators. The other source of direct exhaust gas emissions is generated from our fleet of specialized trucks using diesel during transportation of the construction materials. All our specialized trucks have been checked regularly on safety and air emissions from fuel combustion and have passed all the tests with valid warranties obtained.

As a responsible corporation and also for cost-saving purpose, we are conscious of the effects of our operations and activities may have on the environment and our overall costs of operations at all times and constantly work on maximizing energy efficiency and minimizing waste generation, disposal and discharges. We fully comply with all the national and local environmental laws, rules and regulations and industrial standards. Furthermore, we have incorporated environmental friendly measures into our daily operations to reduce and prevent adverse impacts on our environment. We encourage economical and recycling use of resources to prevent resource wastage. We have implemented the following measures to prevent and to reduce the generation of air emissions, polluted water discharge and solid wastes disposal, as well as to save energy and resources and costs in our daily operations.

We educated our staff and frequently carried out checks to ensure that (i) fresh water is not wasted and used reasonably, and (ii) power is turned off when work is not being carried out.

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There have been no complaints or breaches recorded by law enforcement.

## Handling and Reduction of Hazardous and Non-Hazardous Waste

Internos generate mainly low hazardous construction waste, while all other Group operation produces nonhazardous waste typical of general office operations.

Non-hazardous and low hazardous wastes are taken care and disposed of by external waste collectors. All levels of the Group are reminded of and educated on the importance of the 3-R guiding principle of reduce, reuse and recycle. The Group is satisfied with its accomplishment in general and recognizes the effort and achievement of the staff though no annual target has been set.

## A2: Use of Resources

### Policy on Efficient Use of Energy

The Group has yet to consolidate an overall policy on the efficient use of resources (energy, water and other raw materials) though the Group has good experience in achieving this objective. The Group adopts and implements the 3-R principle — to reduce, reuse and recycle as far as possible in promoting and achieving efficient use of energy, water and other raw materials. Full measures are in force with recognizable results and industry awards.

All levels of the Group are mindful of the importance of energy saving and its implications to the community and the planet. Measures are in force to reduce, reuse and recycle all energy and materials. Such measures are integrated into our production needs and goals. Educational programs and instructions are at present the main driving force in this aspect in the whole Group.

*(KPI A2.1)*

#### Direct and Indirect Energy Consumption

The Group relies on city electricity supply which is the only and direct source of energy for general use in all our operations including construction sites of Internos. The Group enjoys its constant and reliable supply. In situations where city supply is not readily available to some construction sites, Internos will rely on diesel generators for power supply to meet operational needs on a temporary or interim nature. This operation mode is in line with common industry practice in Singapore.

During the Reporting Period, the Group consumed a total of 27,779.5 kWh of electricity, and 90,567 litres of diesel for trucks, sites mobile cranes and pump. For electricity consumption, the total amount was 990 kWh or 3.4% less than the previous reporting period, which was simply a response on a drop in our turnover. However, if excluding 1,703 kWh for a new office in Hong Kong, the total 26,076.5 kWh for the Singapore operations was 2,693.5 kWh or 9.3% less than the previous reporting period. The 9.3% electricity saving rate performed better than the 5.8% drop in turnover, and this showed a success on our Singapore operations' energy saving measures and practices. For diesel consumption, the total amount was 17,237 litres or 23.5% more than the previous reporting period, which was mainly due to an increase in number of operating projects, 6 in the Reporting Period against 4 in the previous reporting period. However, if considering the monetary value of completed works for 1 litre of diesel consumed, the Reporting Period's S\$353,770 was 16.85% higher than S\$302,740 of the previous reporting period, and this also showed another success on our energy saving measures and practices.

*(KPI A2.2)*

#### Water Consumption in Total and Intensity

We encourage our staff and workers to efficiently use fresh water as it is one of the most important scarce resources of today's world. We have requested our staff and workers to regularly inspect the facilities to ensure they are in good conditions and that all the water taps have been turned off when they are not in use, and to check and to immediately remediate any water leakage.

Intensity comparison for this KPI of different sites on water consumption is not achievable or meaningful owing to too many variables. Site parameters may vary from one to another and overall site engineering requirements and technical complexities are not always the same.

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During the Reporting Period, the total water consumption declined by approximately 4.8 cubic meter to a total 14.6 cubic meter which was 24.7% less than the previous reporting year. The water consumption saving rate of 24.7% out-performed the 5.8% drop in turnover, which also showed our success on water saving measures and practices.

*(KPI A2.3)*

## Energy Use Efficiency Initiatives and Results Achieved

Like all other similar setups in Singapore, the Group's operations and activities do not allow many choices and options in finding alternative or substitute sources for better energy efficiency purpose. Education and promotional activities are the main driver and approach of the Group in tackling energy use efficiency. All levels of the Group are concerned and mindful of the importance of energy conservation and energy use efficiency. Such topics are brought up from time to time in Group meetings and participation in community events. When renewing or purchasing new plants, tools and equipment, energy use efficiency is one of the Group's concerns and considerations.

*(KPI A2.4)*

## Issues in Sourcing Water

The Group relies totally on city water for product and general use. It is also the only source for both production and general use in construction sites of Internos. The Group enjoys its constant and reliable supply and incoming quality which meets our production requirements. Alternative sources are not practical. This operation mode is in line with the industry practice in Singapore. In Internos' operations, there are times and opportunities where wastewater is recycled for other secondary use (for example, the recycled water will be used for watering plants) after proper treatment.

*(KPI A2.5)*

## Packaging Material for Finished Products and Use of Other Resources

For obvious reasons, there are minimal packaging materials involved in the construction sites of Internos, whereby finished products are building construction items. In other operations of the Group, packaging materials for finished products do not pose a significant impact on our operation. In sourcing our packaging materials in our other operations, the Group adopts the view that it must be fit for purpose in the first place and meet with our specification. Non-toxicity and environmental friendliness are in fact our keen concern. These issues are under the constant attention and review of the various end users of the Group.

Plywood is identified as the most common natural resource used by our construction operation for formwork. For cost and environmental resource saving purposes, we recycle and reuse plywood for different projects until they are not suitable for further use. We will then dispose of them as waste to specialized waste collectors. During the Reporting Period, we used a total of 14,569 pieces of plywood, which included:

12 mm plywood	: 3,680 pieces
18 mm plywood	: 10,785 pieces
3 mm plywood	: 40 pieces
5 mm plywood	: 24 pieces
6 mm plywood	: 40 pieces

Comparing with the previous reporting period of 10,095 pieces of plywood, there were an increase of 4,474 pieces or 44.3%, which was mainly due to an increase in the number of projects, which actually used plywood, in the Reporting Period against 3 in the previous reporting period and a substantial increase on site works in the WHC project.

In today's complex construction industry context, it is inevitable to use paper due to the nature of works, whereby we need to print drawings, details, etc., for site supervision purposes. In addition, daily hardcopies of documents need to be kept on site, such as daily tool box meeting records, inspection forms, progress reports and claims, etc. The Company keeps a record of reams of papers used. For cost saving and environmental protection purposes, the Company has encouraged the employees to replace and reduce the use of paper by electronic means. During the Reporting Period, the Group used a total of 804 reams of paper, 51 reams or 6.77% more than the previous reporting period, which was simply due to an increase in the number of projects on operation. However, if we considered the monetary value of completed works by 1 ream of paper used, the Reporting Period achieved S\$41,816 or 9.7% higher than the S\$38,112 of the previous reporting year, which again showed a success on our paper saving measures and practices.

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## A3. Environment and Natural Resources

(KPI A3.1)

Policy on Minimizing Significant Impact on the Environment and Resources

Electricity and diesel, fresh water, paper and plywood are the key elements which are considered to have an impact on natural resources. The Group and every construction project site manager have a clear recognition of this. In conjunction with the measures to reduce, reuse and recycle, the Group and every construction site managers are constantly on the alert to look for ways and means to accomplish the 3-R achievable goals. In addition, the Group and every construction project manager are clearly driven by the cost saving incentive to reduce their consumption.

All waste water from the construction sites is considered to have a negative impact (though the amount and nature are insignificant) on the environment. It is the policies and site requirements of Internos to ensure that all waste water is treated to the required discharge standard before going into drains. The stringent government control and heavy penalty are yet another driving force for diligence in compliance by the Group and Internos. Other business of the Group does not produce waste water of significant impact to the environment in their operations. Waste water from offices is discharged to the building plumbing system and government drains. Indirect greenhouse gas of CO<sub>2</sub> and direct gases of CO<sub>2</sub>, SO<sub>x</sub>, NO<sub>x</sub> and PM emissions from diesel generators and trucks during operation are also considered to have an impact on the environment as far as all the Group operations are concerned. Reduction especially in the form of efficient and smart uses, reuse and recycle measures where appropriate and practicable are the main approaches which our Group would consider pursuing in all Group operations in conjunction with our production goals and policies.

## (B) SOCIAL ASPECTS

### B1. Employment

#### (a) Policy

The Group has established and implemented policies, codes and guidelines on labour welfare and protection emphasizing legal compliance of national laws and standards. They cover, but are not limited to, appointment and termination, working hour and rest day, paid leave and statutory holiday, compensation and dismissal, health and general safety and other benefits and welfare. They are clearly stated in the Group's employee handbook (the "Employee Handbook") and can be summarised as follows:

- (i) The Employee Handbook contains the whole range of various national labour laws, guidelines, code of practice and safety standards applicable to the Group's operations and business which are considered to have significant impact to the Group.
- (ii) Compliance of the statutory requirements is the minimum standard of the Group and to be observed at all levels.
- (iii) The Group ensures that policies and regulations covering a comprehensive range of employment protection and benefits are in place and being observed at all levels.
- (iv) The Group recognises that staff are an important asset to its success and sustainability and commits to providing fairness to all staff on recruitment, promotion, compensation and benefits; promoting a harmonious and respectful workplace.
- (v) All employments are entered into with proper and standardized contracts in writing between the respective staff and the Group. The human resources department is charged with this prime responsibility and duty to ensure that statutory obligations of the Group are fulfilled and complied with in a timely manner.

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- (vi) To ensure a fair and rational human resources structure, the Group has established job qualifications and requirements specific to each job position in the construction site projects or within the Group. They are taken as criteria for recruitment, promotion and transfer. The recruitment and decision making process involve both the relevant operational levels and the human resources department.
- (vii) In accordance with the requirements of the national laws of Singapore, the Group provides and maintains statutory benefits to all qualified staff, imported or otherwise, including but not limited to, Central Provident Fund, medical and work injury insurance and compensation and statutory holidays.
- (viii) Employee remunerations are determined with reference to the prevailing market level and in line with their competency, qualification, skills and experience. Salary is paid to the employee bank account within the prescribed agreed period at the end of the wage period. Only in exceptional cases will salary be paid in cash to employees in person.
- (ix) The Group opens up opportunities for employees to move on in their vertical and horizontal career path. The Group finds its employee composition natural and normal and detects no anomalies in gender and age.

## **(b) Compliance with Relevant Laws that have Significant Impact**

The Group does not see any relevant employment laws which have significant impacts on the Group. However, the Group being a reputable and honest employer with full integrity maintains a policy of strict compliance with all employment laws and requirements. The Human Resources Department is responsible for this compliance through its recruitment process at the source and ensure that all established benefits, welfare and employment terms are carried out correctly and fairly. No breach of labour laws or labour disputes were recorded both internally and externally during the Reporting Period.

*(KPI B1.1 and B1.2)*

As at 31 December 2018, the Company had 523 employees from 7 different countries in Asia (Singapore, China, India, Bangladesh, Malaysia, Myanmar and Thailand). There were 21 management grade employees including directors, INED, company secretary, senior managers and managers, and all the remaining employees were office work force and contracted operational and technical workers. Comparing with the previous reporting year, the Company maintained a stable management and office work force, though the headcount of contracted operational and technical work force declined by 33 or 5.9%, which was mainly due to the completion of several projects during the Reporting Period. Owing to the laborious nature of our works, 95.03% of our employees were males whereas 4.97% were females, and majority of our male workers were between 20 to 40 years of ages, which were in line with the market practice of our business. Given our policy of equal opportunity and treatment and anti-discriminatory to sex, origin, religion and races, our employees from different countries, cultures and religions worked together amicably and pleasantly without any record of complaints or disputes.

## **B2: Health and Safety**

### **(a) Policy**

The Group at all times provides a safe working environment to prevent staff and workers from injuries and accidents, and adopts an "employee-oriented" human resources policies which aim to provide a happy, harmonious, safe and healthy working environment to minimise the risk of any occupational hazards. Work safety rules and policies, which are in all material aspects in compliance with all the relevant laws, rules and regulations relating to safety and health requirements of Singapore and Hong Kong including the Work Safety and Health Act ("WSHA") and Work Injury Compensation Act ("WICA") (Cap 354) of Singapore, and Occupational Safety And Health Ordinance ("OSHO") (Cap 509) and Employees Compensation Ordinance ("ECO") (Chapter 282 of the Laws of Hong Kong) of Hong Kong, have been implemented. The Group has assigned safety officers to regularly inspect and to alert employees to take precautionary measures to ensure that the workplace is safe.

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In accordance and in compliance with the statutory requirements of Singapore, the Group has maintained group hospitalisation, surgical and dental policies for all the internal employees and outsourced employees employed by the Group in Singapore as stipulated by the Ministry of Manpower of Singapore. While in Hong Kong, the Group maintains employee compensation insurance that includes work injury for our employees in Hong Kong under regulatory requirements. These policies and insurance compensation cover all qualified employees to protect their safety and health against occupational hazards, accidents and sickness.

The Employee Handbook sets out general safety policies and procedures. Operation manuals for the respective plants and production operations contain safety rules and regulations for safe operations. All employees are required to strictly observe the health and safety policies, instructions and guidance and to follow the same at work and to place safety as their priority over production. Managers and supervisors are charged with the responsibility of enforcing the safety policies, rules and practices.

The Group has also equipped the offices and sites with adequate equipment and facilities to ensure safety and convenience to our staff and workers.

## **(b) Compliance with Relevant Laws that have Significant Impact**

Compliance of the relevant statutory provision of the law is the concern and has the topmost priority in our business goals. The Group has taken out the required insurance for all qualified employees, foreign or local alike, in accordance with the statutory require.

*(KPI B2.1 and B2.2)*

As at 31 December 2018, the Group had three common law claims, which had been brought before the relevant courts in Singapore, in relation to work-related injury. The claim amount of these work-related common law claims has not been finalised. It is expected that the claim amount will be fully covered by insurance. Apart from the above cases, the Group reported no serious work related injuries or death incidents, and there were only a few minor work injuries which were unavoidable per the nature of our works and had been attended. The Group is proud of its no death and low number of accidental work-related injuries which is the result of our strict on-site safety and health measures, practices and management.

*(KPI B2.3)*

The Group equips the construction sites with all the required safety equipment and facilities, and has passed all the governmental safety inspections. In case of accidents, regardless of its nature of being minor or serious, employees are required by the in-house rules to notify their superiors immediately, who will take appropriate measures to ensure safety is not being compromised.

In-house rules require all injuries or accidents to be promptly reported and properly dealt with in accordance with the national laws. Parallel remedial or compensatory actions arising from safety and health issues or work injuries are required to be taken immediately where necessary as stipulated by the in-house rules.

The Group did not have any record on any claim disputes regarding compensation or work related injury investigation by the government officials in the Reporting Period.

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## B3: Development and Training

(a) & (b) Policy and Compliance on Improving Employee Knowledge and Skills.

It is the policy of the Group to provide the required level of training in terms of skills and job knowledge, plant operation and production know-hows to employees, local or foreign alike, at various levels so that they are able to perform their required job duties in a competent and capable manner without risk to their health and safety or damage to plants and operations.

Policies are in place for on the job training to ensure that knowledge and skills are rightly provided in a timely manner to meet production and staff needs. Employees are encouraged to engage in self-development by taking external training programs and seminars which the Group may sponsor the cost, in part or whole, of such training programs.

For foreign workers, it is the policy of the Group to comply with the stipulated training requirements to them by engaging recognized outside training providers before employment and in-house induction training and tool-box talks are mandatory for all site workers.

*(KPI B3.1 and B3.2)*

During the Reporting Period, both of our operating subsidiaries: Interno Engineering (1996) Pte. Ltd. and Interno Construction Pte. Ltd., provided training courses to our existing and new employees across all levels for the purposes of improving their working skills and most importantly, their safety knowledge. The training courses, number of attendants and costs are summarized below:

(a) Interno Engineering (1996) Pte. Ltd.

Courses:

- (i) Reinforce Concrete Work
- (ii) Tradesman for Precast Concrete Component Erection
- (iii) Apply Work Safety and Health on Construction Sites
- (iv) Operational First Aid

Total Number of Attendants: 100

Total Costs: S\$15,255.17

(b) Interno Construction Pte. Ltd.

Courses:

- (i) Reinforced Concrete Work
- (ii) Plumbing and Piping Works Tradesman
- (iii) Apply Work Safety And Health on Construction Sites
- (iv) Managing Works At Height
- (v) Operation Boom

Total Number of Attendants: 86

Total Costs: S\$10,969.60

In summary, a total of 186 out of 523 employees (i.e. 34.4% or about 1 out of 3 employees) attended training courses during the Reporting Period.

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## **B4: Labour Standards**

### **(a) Policy**

The Group adopts the national statutory standard as its minimum labour standard on labour protection and welfare. The Group is committed to ensuring its full compliance. In addition, the Group adopts a serious view and attaches great importance to the compliance of statutory duties and obligations as an employer.

*(KPI B4.1 and KPI B4.2)*

Banning the employment of child labour, illegal workers and forced labour is achieved through the recruitment and employment process at source by the HR department or through the recruitment agents. The HR department has been fully charged with this statutory duty and is being oversighted by the senior management level with constant reviews at periodic intervals.

All job applicants are required to submit their credentials such as academic qualifications, professional skill certificates, references and identity card for verification and record purpose during recruitment.

### **(b) Compliance with Relevant Laws that have Significant Impact**

The Group strictly adheres to the national laws on labour protection to ensure employee health, safety and welfare during their employment. The Group also pays wages and salaries, benefits, compensation payments and insurance on time within the prescribed period.

The Group has honored all of its obligations towards staff and no disputes or litigations on labour matters were reported for the Reporting Period.

## **B5: Supply Chain Management**

### **(a) Policy**

The Group has its purchase policies implemented in its ISO system and opens its purchase acquisitions to all suppliers on a fair and equitable manner. All purchase transactions are open and transparent. They are subject to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

### **(b) Management**

*(KPI B5.1)*

Our purchases for general purpose and use are concluded with reputable and reliable local suppliers in Singapore as much as possible so as to reduce our carbon footprint.

*(KPI B5.2)*

All purchases of the construction projects in principle follow the established prevalent trade practice and industry norms by inviting a number of tenderers depending on the contract value, time and amount involved and any other technicality or time constraints. They are executed and documented in accordance with the in-house rules which predominantly impose concern on and attach importance to its fit for purpose, safety and reliability. Many contract specifications ask for green items or environmental friendly provisions which our Group are obliged to comply. Other secondary considerations are price competitiveness, availability and reputation of the suppliers. Suppliers are chosen based on their continuous ability to guarantee satisfactory product quantity and quality, reasonable price and timely delivery, and new suppliers are required to provide relevant certifications/documents and track records.

The Group is well aware that quality and standard of the incoming construction materials are crucial and instrumental to our end product quality and our performance rating. The Group ensures that specification stipulation policy and verification procedures as stipulated by the contracts are closely followed and where necessary complemented by prevalent trade practice or third party consultant advice. This policy and approach have been strictly applied where applicable in the procurement or tender process.

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Incoming key construction materials including but not limited to plywood, timber, steel products (pipe, rod, wire, etc.), cement, machines, electric and hand tools, polythene sheet and poly foam, etc., delivered on site will be subjected to our own quality assurance supervisory checks in addition to normal project management quality assurance scrutiny. As far as the warranty and permit terms in project contracts allow, the Group may impose a condition in the procurement documents to reserve the right to inspect and examine the raw materials before purchase or delivery.

During the Reporting Period, the Group purchased materials significant and crucial to its construction project production from reputable suppliers with known supply sources as far as practicable and possible.

The Group does not foresee its source of supplies to be a potential threat to our construction project operations.

## **B6: Product Responsibility**

### **(i) Product Quality**

#### *(a) Policy*

The Group's end products are completed building works or constructed elements which are subject to stringent government control and independent consultant supervision and inspection in a progressive manner during the planning, design and construction stages. Most of the risks regarding defaulted end products (whether on health and safety issues or deviation from specifications) are detected in a timely manner. Such risks are reasonably minimized by the established industry checking practices and our in-house supervision plans.

#### *(b) Compliance with Relevant Laws that have Significant Impact*

(KPI B6.1, B6.2 and B6.4)

The Group is committed to providing high quality end products as we realize that the quality and consistency of our products are critical to our ability to retain our professionalism and to expand market share. Great importance is attached to the safety standard of our products. Internos maintain close contact with our business peers in the trade to keep abreast of the latest building construction technology and knowledge.

To enhance safety and quality of our products and staff safety, the Group has acquired and obtained various certifications and recognitions in various areas like safety, quality management. They include: ISO 9001-2008 on quality management systems and ISO 14001: 2004 on environmental management systems. Also, policies and procedures are in place to ensure that all customer complaints or concerns are addressed at the appropriate levels and in a timely manner. During the Reporting Period, the Company received the "5 Million Hours LTI Free Celebration Award" from Penta Ocean/Bachy Soletance JV. Over the last 5 years the Group continuously received the following awards especially in relation to safety and quality from both private and public sector clients:

Samsung C & T Corporation:

- Most Behavior based Safety (BBS) Observation Contractor
- Appreciation For Excellent Performance
- Best Safety Conscious Contractor
- Safest WHSO
- Best HSE Conscious Subcontractor Award

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Penta Ocean/Bachy Soletance JV

- 1 Million Safe Man Hour Celebration
- 2 Million Hours LTI Free Celebration

Land Transport Authority of Singapore

- Subcontractor Safety Recognition

In order to ensure quality outcomes and to reduce any undesirable effect of any contract signed, and to achieve continual improvement, the Managing Director/General Manager and Department Heads have to consider the external and internal issues and understand the needs and expectation of interest parties to determine the risks and opportunities to evaluate the potential impact on the conformity and quality of the products/services and design of the environmental system positively. During the Reporting Period, the Group did not have quality claims on our products and services which had an adverse impact to our business.

## (ii) Intellectual Property Rights

*(a) and (b) Policy and Compliance with Relevant Laws that have Significant Impact*

(KPI B6.3)

Given the nature of our works, intellectual property rights are not an issue to the Group. Yet, the Group still observes and respects by all intellectual property rights such as the purchase of original computer software for usage in offices and work sites.

## (iii) Privacy

*(KPI B6.5)*

### (a) Policy

The Group's construction contracting business does generate private, confidential and sensitive information of the principals and their projects such as design, costs and commercial terms of contracts. We also have confidential information on our business partners, sub-contractors and employees. These types of information are extremely sensitive and important, and by law, we have to cautiously keep and safeguard them.

### (b) Compliance with Relevant Laws that have Significant Impact

The Group is fully aware of our obligation, and has taken measures to ensure safe keeping of the information. The leakage and loss of the information to outsiders come mainly from 2 sources — internal careless handling and theft, and external theft through hacking of the information system. For the former, the Group has cautioned our employees not to access without approvals and/or to leak and to handle with care confidential information. Legal actions will be taken on any violation. For the latter, to act against external theft, the Group has authorized the IT Department to continuously monitor, maintain and update hardware, software and security systems to prevent hacking attacks at any times. No privacy information leakage was reported in 2018.

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## **B7: Anti-corruption**

### **(a) Policy**

The Group is well aware of the importance of honesty, integrity and fairness in its operations and has in place an anti-corruption policy. Employees at all levels are constantly reminded in meetings and documents, such as the staff handbooks, on corruption, conflict of interest and giving and taking of interests.

*(KPI B7.1 and B7.2)*

### **(b) Compliance with Relevant Laws that have Significant Impact**

Staff are required to declare any conflicts of interest in the execution of their roles. Through establishing these rules and guidance, the Group encourages all employees to discharge their duties with integrity and comply with the relevant national anti-bribery laws and regulations.

Transactions in large monetary sums are processed through bank transactions which require authorized signatories of the appropriate levels depending on the amount involved.

Check and balance systems have been installed in the Group for money transaction activities and are considered effective and adequate. The report of the independent external auditor has no adverse comment on this aspect. Money laundering should not be our concern and there were no enquiries or concerns from the government or banking officials.

During the Reporting Period, the Group recorded no bribery, corruption charges or laundering enquiries.

## **B8: Community Investment**

### **(a) and (b) Policy and Compliance**

*(KPI B8.1 and B8.2)*

The Company fully understands our social obligations and the need for re-contributing back to society. The Company has and will continue to provide a large number of employment opportunities to the unskilled and semi-skilled workers of the Asian under-developing countries and provide training to upgrade them to skilled workers so that they can build a decent life thereafter. The Company has organized, birthday parties, lunches and dinners frequently in appreciation and honour of our employees. Through the day-to-day contact with various government officials and industry leaders, the Company will continue to explore and examine what and how the Company can contribute more to the local community and society. The Company is committed to developing more community and society investment opportunities in our development plans.