STAYING RESILIENT

Sanli Environmental Limited

Sustainability Report 2018



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This sustainability report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Sponsor has not independently verified the contents of this sustainability report. This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report including the correctness of any of the statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Mr. David Yeong (Telephone number: +65 6532 3829), at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

MESSAGE FROM OUR BOARD OF DIRECTORS

We are pleased to present the inaugural Sustainability Report of Sanli Environmental Limited ("Sanli", the "**Company**", and together with its subsidiaries, the "**Group**") for our financial year ended 31 March 2018 ("**FY2018**"). This report is set out on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual on Continuing Listing Obligations for Catalist. Sanli has chosen the Global Reporting Initiative (GRI) framework as it is a well-known and globally-recognised sustainability reporting framework and the preparation of this report is guided by the Core option of the GRI Standards. This report highlights the key economic, environmental, social and governance (EESG) related initiatives carried throughout a 12-month period, from 1 April 2017 to 31 March 2018.

Sustainability is part of the Group's wider strategy to create long-term value for all its stakeholders. As such, the key material EESG factors for the Group have been identified and cautiously reviewed by the management. The data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy of data and information. The board of directors of the Group (the "**Board**") oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group's strategic direction and policies.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to consistently improve our policies, systems and results. Please send your comments and suggestions to phyllyst@sanli.com.sg.

25 July 2018

ORGANISATIONAL PROFILE

We are an environmental engineering company with more than ten years of experience and have completed more than 1,000 projects, in the field of water and waste management.

Our expertise is in the design, supply, delivery, installation, commissioning, maintenance, repair and overhaul of mechanical and electrical ("M&E") equipment as well as process, instrumentation and control systems in wastewater treatment plants, water reclamation plants, NEWater plants, waterworks, service reservoirs, pumping stations and incineration plants.

Our business is divided into two main business segments:

- Engineering, Procurement and Construction; and
- Operations and Maintenance

---------- WORK PROCESS ----------



ENGINEERING, PROCUREMENT AND CONSTRUCTION

- We provide engineering, procurement and construction services within the field of water and waste management.

– WATER MANAGEMENT

- Engineering solutions and services for the treatment of raw water and used water.

– WASTE MANAGEMENT

- Engineering solutions and services for the treatment of refuse in incineration plants.

- Our services include process upgrading of existing water treatment plants, upgrading of pumping station capacities, replacement of aged M&E equipment, and design and build of various treatment process systems.
- Contracts are usually between one to three years in duration.

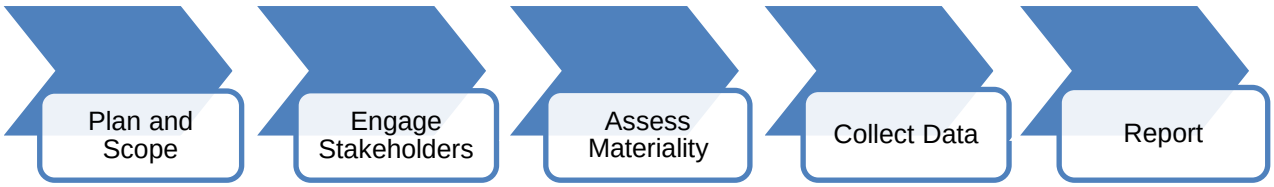
OPERATIONS AND MAINTENANCE

- We provide corrective and preventive maintenance services to ensure reliability and minimal disruptions to customers' operations.
- Contracts are usually between two to three years in duration.

Backed by our strong engineering capabilities, we have the ability to integrate mechanical, electrical and process engineering expertise to provide customised, cost and time efficient integrated engineering solutions and services to our customers.

OUR APPROACH TO SUSTAINABILITY

SANLI'S SUSTAINABILITY METHODOLOGY



At Sanli, we are committed to conduct our business in a responsible and sustainable manner. To achieve and maintain our sustainability goals, the Group articulates our values through the following approaches:

SUSTAINABILITY GOVERNANCE

Strong governance is the key to a sustainable business. It is a continual challenge to successfully manage environmental and social issues. Sanli has incorporated this into our business model and implemented sustainable and responsible practices throughout the Group. We are committed to provide top notch services to meet the relevant safety and environmental requirements set out by our customers and the regulators.

Sanli pays strict attention to enforcing good labour practices in all our operations. The Group provides various training opportunities for continuous employee development and this has been reflected in the quality and delivery of our services. We value our relationships with our clients and the wider community in which we operate, and the relationships forged have helped us through challenging times in the past. The Group strongly believes that in the long run, these efforts will be reciprocated through positive impacts on the Group's economic performance.

ENTERPRISE RISK MANAGEMENT

Sanli believes that Enterprise Risk Management (ERM) is an integral part of good corporate governance as well as resource management. We have a thorough and comprehensive ERM framework to identify and manage risks and exposures in an integrated, systematic and consistent manner. For detailed disclosure on ERM, please refer to pages 32 to 33 of our Annual Report 2018.

WHISTLEBLOWING POLICY

Our whistleblowing policy provides a mechanism for employees and external parties to report concerns over alleged wrongful acts. There were no whistleblowing cases in FY2018.

BUSINESS ETHICS, ANTI-CORRUPTION AND COMPLIANCE

We do not tolerate corruption in any form. This has been made clear to all of the Group's employees, suppliers and business partners. Dedicated whistleblowing hotlines using both email and electronic platforms are set up so that anyone wanting to report any business ethics issue can do so confidentially. Any report of corruption will be escalated to the attention of the Audit Committee.

When it comes to hiring, we take into serious consideration any conflict of interests. Our code of conduct clearly lays the Group's expectations for our staff and spells out consequences of violating rules or not meeting expectations. In addition, we also have clear and fair grievance procedures for internal dispute resolution.

All of our staff are reminded of the importance of upholding the highest standards when it comes to business ethics. The Group regularly updates relevant staff with development in international and local regulations. Sanli is proud to inform that it is in compliance, in all material aspects, with all environmental rules and regulations, anti-competitive practices and the Workplace Safety and Health Act. We prohibit corruption in all forms, including but not limited to extortion and bribery.

The Board is of the view that cyber security and data privacy are important not just for compliance, but in safeguarding both the Group's data and that of our customers. Sanli takes measures to guard against cyber risks, protecting confidential information for both our internal and external stakeholders. This also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised personnel on a need-to-know basis.

For the financial year ended 31 March 2018, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations. There have also been no reported incidents of corruption during the reporting period. It is the Group's goal to maintain zero incidents of corruption.



STAKEHOLDERS AND MATERIALITY

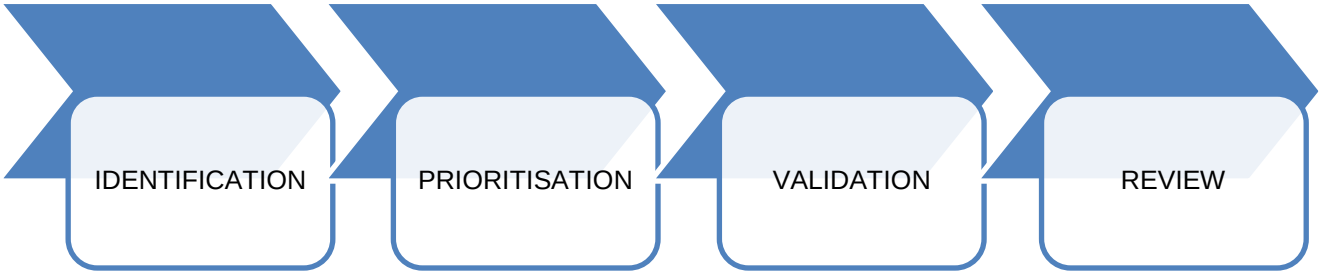
STAKEHOLDERS ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, customers, suppliers, shareholders, employees and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

EMPLOYEES	CUSTOMERS	SUPPLIERS	SHAREHOLDERS	REGULATORS
Annual Staff Appraisal	Daily Face-to-face Meetings and Feedbacks	Daily Face-to-face Meetings	Annual General Meeting	Occasional Face-to-face Meetings, Inspections, E-mails and Surveys
Annual Town Hall Session	Occasional Site Visits	Annual Evaluation and Feedback	Annual Report	
Half-yearly Get-together Session			Announcements	
			Company Website	

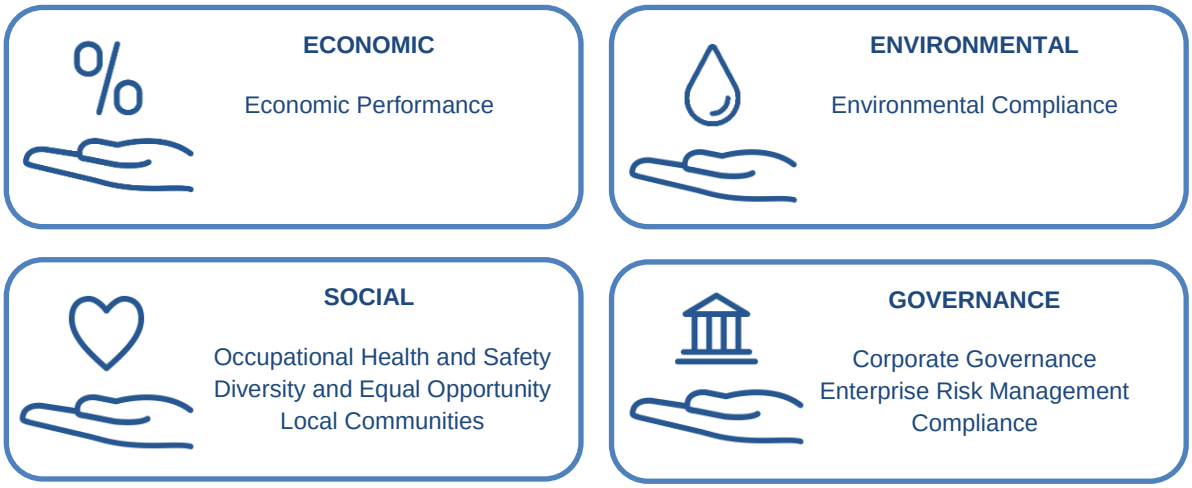
MATERIAL ASPECTS ASSESSMENT

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



The Group has conducted a materiality assessment during the year with the help of an external consultant. We engaged our employees from different departments, seeking our internal stakeholders' feedback for prioritisation of these topics. Going forward, materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagements.

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



Impact Boundary: Sanli Environmental Limited – Employees, Project Sites, Office, Community

ECONOMIC

ECONOMIC PERFORMANCE

Sanli firmly believes that focus on financial sustainability is critical and we are fully committed to the highest standards of corporate governance. The Group's basic principle is that long-term profitability and shareholders' value is ensured by taking into account the interests of all stakeholders, such as shareholders, employees, suppliers and society as a whole.



For detailed financial results, please refer to the following sections in our FY2018 Annual Report:

- Operations & Financial Review, pages 4 to 7
- Financial Highlights, page 14
- Financial Statements, pages 48 to 86

ENVIRONMENTAL

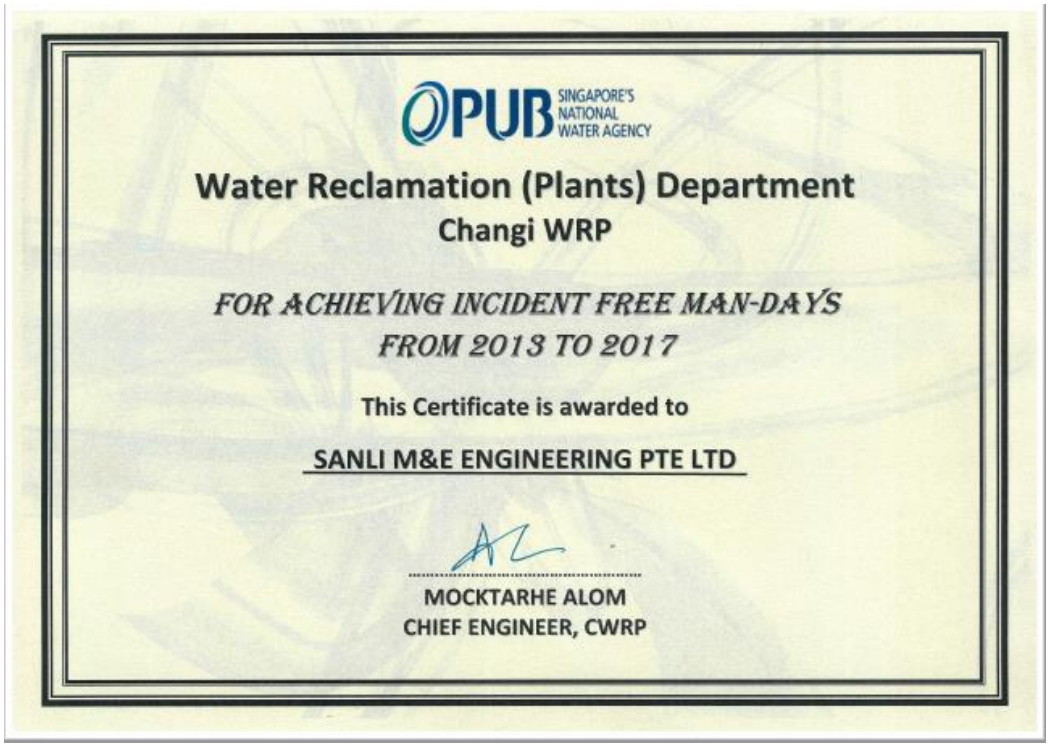
We endeavor to minimise the potential impact of our operations on the environment by putting in place proper processes for waste reduction and waste management. We encourage the use of renewable materials and resources, and where possible, reduce waste through re-using and recycling. We avoid any unnecessary use of hazardous materials and products and take all reasonable steps to protect the environment when such materials must be used, stored or disposed of.

ENVIRONMENTAL COMPLIANCE

Here at Sanli, compliance with relevant Codes and Regulations on environmental issues is a must and we take steps at all our work sites to ensure the requirements are met throughout the duration of the projects. In FY2018, there were no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

SOCIAL

OCCUPATIONAL HEALTH AND SAFETY



We are proud to receive an award from our biggest customer, PUB, for having a safe workplace environment. For 5 consecutive years, we have recorded an incident free man- days onsite.

Our employees' safety and health at the workplace is one of our top priorities, and our ultimate goal is to have a zero accident workplace. We are committed to managing and reducing safety and health risks through effective risk management.

We are pleased to confirm that zero fatal accidents were reported in FY2018. Our Workplace Health & Safety department is independent from operational departments and is responsible to monitor the workplace to provide a safe working environment for all our staff and clients. A toolbox briefing, in accordance with the Workplace Safety and Health Council's Effective Toolbox Meeting guideline is held at each worksite every morning. A toolbox talk is an informal safety meeting that is part of the Group's overall safety program, which covers special topics on safety aspects related to a specific job. Toolbox meetings are generally conducted at the job site prior to the commencement of a job or work shift. Meetings are normally short in duration and cover topics such as workplace hazards, and safe work practices. It is one of the very effective methods to refresh workers' knowledge on workplace safety, cover last minute safety checks, and exchange information with the experienced workers.

We have established a strict set of workplace health and safety management policies applicable to our project managers, engineers, supervisors, foremen, workers and subcontractors for all projects. These policies cover all stages of our projects, from the time we occupy the worksites, up to the point of completion of the projects. In addition, all environmental aspects and occupational health safety hazards which are in our control or under our management, as well as those that we cannot control or directly manage but are expected to affect our projects, are covered in the policies.

Our Workplace Health and Safety department is responsible for ensuring that the safety measures which we have put in place are adhered to. Such measures include:

- Conducting periodic and necessary risk assessments for all our projects to identify the risks and gaps, and implementing mitigating procedures in order to achieve an accident-free environment or minimise risks to an acceptable level.

- Conducting regular safety meetings and providing sufficient management support and resources to plan, implement and execute safety measures in compliance with workplace health and safety legislations and other requirements which include directives, guidelines and standards prescribed by our Group.

- Allocating safety supervisors to our projects, where relevant, and conducting regular worksite inspections as well as tools and equipment checks.

- Improving the competency of our employees and cultivating good safety habits through proper training, instruction and guidance and ensuring that workplace safety and health matters are effectively communicated to all employees.

- Monitoring the effectiveness of risk control measures which have been implemented and conducting a third-party audit or an internal review to ensure that safety measures are adhered to.

As a testament to our commitment in maintaining high safety standards, we have been awarded the following certifications:



Date of Issue: 24/03/2017

bizSAFE STAR

CERTIFICATE

The Workplace Safety and Health Council
is pleased to certify that

SANLI M&E ENGINEERING PTE. LTD.

has fulfilled the requirements to attain bizSAFE Level Star

This certificate will expire on 28/03/2020

Winston Yew

Deputy Director, Industry Capability Building
Workplace Safety and Health Council

WSHCOUNCIL

Certificate No. E03960

bizSafe Level Star certification

Scope: Workplace safety and health management system

Certifying Authority: Workplace Safety and Health Council

Expiry: 28 March 2020



SOCOTEC CERTIFICATION INTERNATIONAL

CERTIFICATE

N°CN/887110

certifies that:

Sanli M&E Engineering Pte Ltd

15 Kian Teck Drive Singapore 628832

operates a management system that has been assessed as conforming to:

BS OHSAS 18001 : 2007

for the scope of activities:

Mechanical and electrical engineering services and scaffolding works.

Issue date: 29 March 2017
Valid until: 28 March 2020 (Subject to adherence to the agreed ongoing programme, successful endorsement of certification following each audit and compliance with the terms and conditions of certification.)
Original date of certification: 29 March 2011

Dave Cheng Loon
Managing Director

SOCOTEC BS OHSAS 18001

Certification International (Singapore) Pte Ltd
48 Albert Street #13-03, DG Albert Complex
SINGAPORE 189969
www.socotec-certification-international.sg

BS OHSAS 18001 : 2007

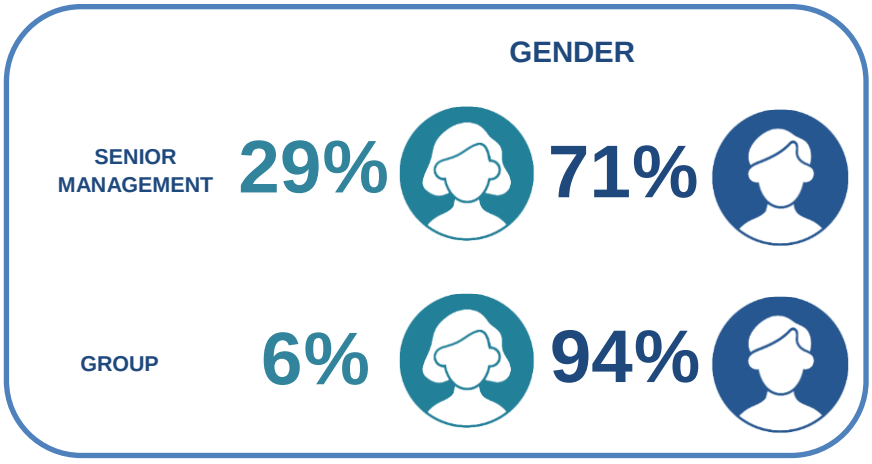
Scope: Mechanical and electrical engineering services and scaffolding works

Certifying Authority: Certification International (Singapore) Pte Ltd

Expiry: 28 March 2020

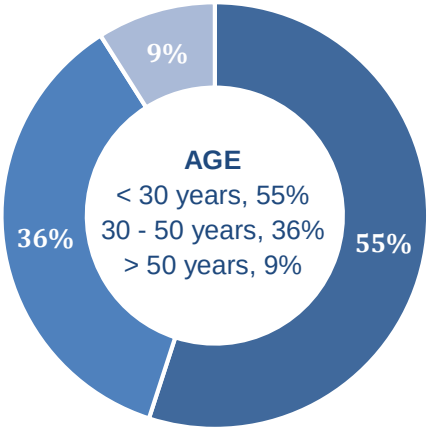
DIVERSITY AND EQUAL OPPORTUNITY

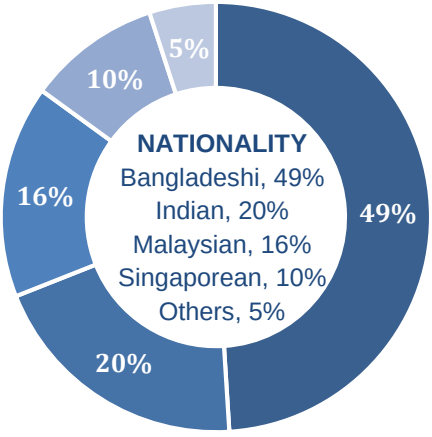
Sanli's staff recruitment and annual appraisals are based on performance, work attitude, cooperation with other staff and workers and efficiency and effectiveness of work. The Group does not discriminate one's race, age, gender, religion, ethnicity, disability or nationality. As of 31 March 2018, we have a staff strength of 403 full-time employees and zero temporary employees.



The ratio of female employees in the Group is relatively low but this is not unusual for our industry due to the nature of our business. Our female employees represent 6% of our total workforce and makes up 29% of our Senior Management.

The Group considers its employees to be its most valuable asset and offers them fair and competitive remuneration packages. Remuneration policies and packages are reviewed regularly to ensure that compensation and benefits are in line with the market, thus helping the recruitment and retention of talents. Variable bonuses are granted to eligible employees based on the individual employee's contribution to the Group, profitability of the Group, current economic/ business situation, government's wage guidelines, and internal and external salary equality. Contributions to retirement benefit schemes are offered as part of the remuneration package in accordance to The Retirement Age Act. The official retirement age is 62 years old but may be extended based on mutual agreement between the Company and the employee. As at 31 March 2018, we have 7 employees that are above 62 years old. Long Service Awards are also given out every year during our annual appreciation dinner event for employees who reach their 5th and 10th year of services with the Group.





LOCAL COMMUNITY ENGAGEMENT

As a homegrown company, Sanli aims to contribute back to the community and advocate the best practices within the Group to achieve sustainable growth. The focus for FY2018 was to support the less privileged through activities that promote an enhanced sense of well-being.

The Group embarked on its inaugural Corporate Social Responsibility programme, through a collaboration with Foodbank Singapore and Thye Hua Kwan Moral Charities, in support of their ongoing food bundle distribution to the less privileged families living in HDB rental flats in Boon Lay and the Jurong West area.

As part of our commitment to encourage the holistic development of children, Sanli also raised funds during the festive period to support The Straits Times School Pocket Money Fund in December 2017. The Group shared a common goal with SPH - “Give poor students a dollar or so a day to fill their often empty stomachs.”

The Group also supported various fund-raising activities that help the needy and marginalized in our community. In July 2017, our staff participated



in the Race Against Cancer, organised by the Singapore Cancer Society to raise funds for cancer treatment subsidies, welfare assistance, cancer rehabilitation, hospice care, cancer screening, research, public education and cancer support group initiatives. We also supported the Teen Challenge Charity Golf event in September 2017 that aims to raise funds to help those marginalized in society, particularly those struggling with substance abuse and alcohol addictions.

The Group intends to continue supporting various community projects, to do its part for society and the environment.

MEMBERSHIPS

SINGAPORE BUSINESS FEDERATION
Apex Business Chamber

SWA
SINGAPORE WATER ASSOCIATION

GOVERNANCE

The Board and the Management of Sanli are committed to employing the best practices of corporate governance to ensure sustainability of the Group’s operations. We believe that the constant drive to upkeep corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and the value to our shareholders. Throughout FY2018, we continue to adhere to the principles and guidelines set out in the Code of Corporate Governance 2012. Please refer to the Annual Report 2018 pages 18 to 40 for the details of the Group’s Corporate Governance Report.

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Reference / Description	Omission
GRI 101: Foundation 2016				
GENERAL DISCLOSURE				
GRI 102: General Disclosures	102-1	Name of organisation	Sanli Environmental Limited	
	102-2	Activities, brands, products and services	Sustainability Report (SR): Organisational Profile, 3	
	102-3	Location of headquarters	Annual Report (AR): Corporate Information, 16	
	102-4	Location of operations	AR: CEO's message, 2-3	
	102-5	Ownership and legal form	AR: Notes to combined Financial Statements, 56	
	102-6	Markets served	AR: CEO's message, 2-3	
	102-7	Scale of the organisation	AR: Operation's and Financial Review, 4 SR: Social, 12	
	102-8	Information on employees and other workers	SR: Social, 12	
	102-9	Supply chain	SR: Organizational Profile, 3	
	102-10	Significant changes to the organisation and its supply chain	-	Not applicable since this is our inaugural report.
	102-11	Precautionary Principle or approach	Sanli supports the intent of the Precautionary Principle, but has not expressed a specific commitment.	
	102-12	External initiatives	SR: Social, 13	
	102-13	Membership of associations	SR: Membership, 13	
	102-14	Statement from senior decision maker	SR: Message from our Board of Directors, 2	
	102-16	Values, principles, standards and norms of behavior	AR: 1	
	102-18	Governance structure	AR: Corporate Governance Report, 18 to 40	
	102-40	List of stakeholder groups	SR: Stakeholders and Materiality, 6	
	102-41	Collective bargaining agreements	None	
	102-42	Identifying and selecting stakeholders	SR: Stakeholders and Materiality, 6	
	102-43	Approach to stakeholder engagement	SR: Stakeholders and Materiality, 6	
	102-44	Key topics and concerns raised	-	To be reported in the FY2019 report.
	102-45	Entities included in the consolidated financial statements	AR: Notes to Combined Financial Statements, 56	
	102-46	Defining report content and topic boundaries	SR: Message from our Board of Directors, 2	
	102-47	List of material topics	SR: Stakeholders and Materiality, 7	

GRI Standard	Disclosure		Reference / Description	Omission
GENERAL DISCLOSURE				
GRI 102: General Disclosures	102-48	Restatement of information		Not applicable since this is our inaugural report.
	102-49	Changes in reporting	-	Not applicable since this is our inaugural report.
	102-50	Reporting period	SR: Message from our Board of Directors, 2	
	102-51	Date of most recent previous report	-	Not applicable since this is our inaugural report.
	102-52	Reporting cycle	Annual	
	102-53	Contact point for questions about the report	SR: Message from our Board of Directors, 2	
	102-54	Claims if reporting in accordance with the GRI Standards	This report has been guided by the GRI Standards (Core option)	
	102-55	GRI content index	SR: GRI Standard Content Index, 14	
	102-56	External Assurance	-	The Company may consider seeking external assurance in the future.
MATERIAL TOPICS				
GRI 201: Economic performance	103-1	Explanation and reporting boundary	SR: Economic, 8	
	201-1	Direct economic value generated and distributed	SR: Economic, 8	
GRI 307: Environmental compliance	103-1	Explanation and reporting boundary	SR: Environment, 8	
	307-1	Non-compliance with environmental laws and regulations	SR: Environment, 8	
GRI 403: Occupational health and safety	103-1	Explanation and reporting boundary	SR: Social, 9	
	403-2	Types of injury and rates of injury, occupational diseases, lost	SR: Social, 9	
GRI 405: Diversity and equal opportunity	103-1	Explanation and reporting boundary	SR: Social, 12	
	405-1	Diversity of governance bodies and employees	SR: Social, 12	
GRI 413: Local Communities	**103-1**	Explanation and reporting boundary	SR: Social, 13	
	413-2	Operations with local community engagement, impact assessments, and development programs	SR: Social, 13	



SANLI ENVIRONMENTAL LIMITED
(Incorporated in the Republic of Singapore on 27 February 2017)
(Company Registration Number: 201705316M)

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