CLEANER WATER
FOR THE FUTURE

SANLI ENVIRONMENTAL LIMITED
SUSTAINABILITY REPORT 2019



CONTENTS

02 MESSAGE FROM OUR BOARD OF DIRECTORS
03 ORGANISATIONAL PROFILE
04 SUSTAINABILITY APPROACH
06 STAKEHOLDERS AND MATERIALITY
08 ECONOMIC
10 ENVIRONMENTAL
11 SOCIAL
17 GOVERNANCE
18 GRI STANDARDS CONTENT INDEX

This sustainability report has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"). This sustainability report has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

MESSAGE FROM OUR BOARD OF DIRECTORS

We are pleased to present our annual Sustainability Report of Sanli Environmental Limited ("**Sanli**", the "**Company**", and together with its subsidiaries, the "**Group**") for the financial year ended 31 March 2019 ("**FY2019**").

Sustainability is a part of the Group's wider strategy to create long-term value for all its stakeholders. As such, the key material economic, environmental, social and governance ("**EESG**") factors for the Group have been identified and cautiously reviewed by the management annually. The data and information provided in this report 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.

REPORTING PERIOD, SCOPE AND FRAMEWORK

This report has been prepared based on the Global Reporting Initiative ("**GRI**") Standards - Core option, and on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Section B: Rules of Catalist ("**Catalist Rules**"). Sanli has chosen the GRI framework as it is an internationally recognised reporting framework that covers a comprehensive range of sustainability disclosures. This report highlights the key EESG related initiatives and strategies for the Group's operations in Singapore for the12-month period, from 1 April 2018 to 31 March 2019.

FEEDBACK

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.

19 July 2019

ORGANISATIONAL PROFILE

We are an environmental engineering company with more than ten years of experience 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 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.

ENGINEERING, PROCUREMENT AND CONSTRUCTION ("EPC")

- We provide engineering, procurement and construction services within the field of water and waste management.
- 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.
- EPC contracts are usually between one to three years in duration.

– WATER MANAGEMENT

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

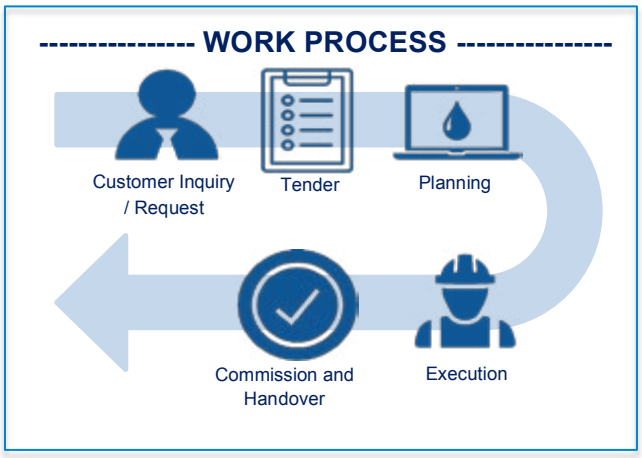
– WASTE MANAGEMENT

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

OPERATIONS AND MAINTENANCE ("O&M")

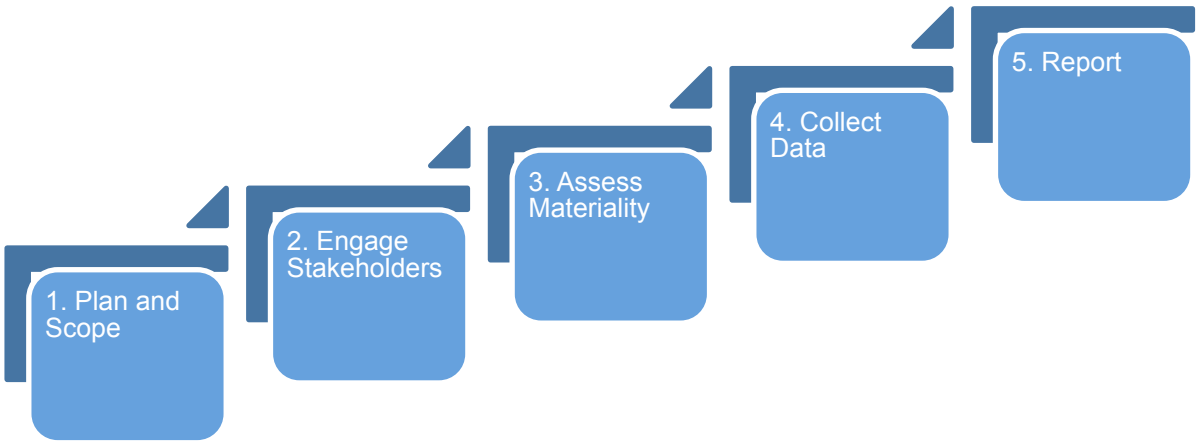
- We provide corrective and preventive maintenance services to ensure reliability and minimal disruptions to customers' operations.
- O&M contracts are usually between two to three years in duration.

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.



SUSTAINABILITY APPROACH

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 regulatory bodies.

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 these 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.

We will continue to comply with the Code of Corporate Governance and meet all requirements that are expected of us by our stakeholders.

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 the Group's risk management processes, please refer to pages 36 to 38 of our Annual Report 2019.

We aim to regularly review the ERM policies to ensure all relevant risks are identified, communicated and addressed timely.

BUSINESS ETHICS AND COMPLIANCE

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 for 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.

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 2019, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations (FY2018: Nil). It is the Group's goal to maintain zero incidents of non-compliance.

STAKEHOLDERS AND MATERIALITY

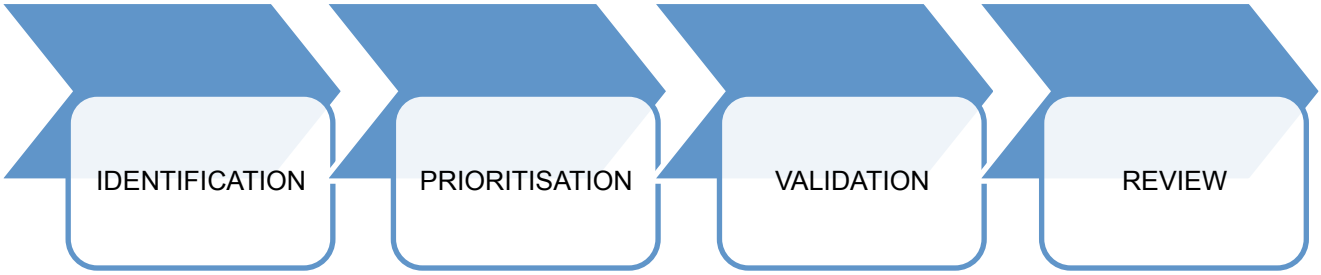
STAKEHOLDERS ENGAGEMENT

We have identified our key stakeholders and material aspects that are instrumental to our business. The interests and requirements of our key stakeholders are 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 our key stakeholders, so as to include and align the needs of the key stakeholders in our corporate strategies to achieve mutually beneficial relationships.

Key Stakeholders	Engagement Platforms	Frequency of Engagement	Key Concerns Raised
Employees 	Staff appraisal	Annually	Employee compensation and benefits, personal development
	Town hall session	Annually	
	Get-together session Badminton competitions	Semi-annually	
Customers 	Face-to-face meetings and feedbacks	Daily	Quality of services, on-time completion
	Occasional site-visits	Ad-hoc	
Suppliers 	Face-to-face meetings	Daily	Prompt payment, accurate specifications, selection of reliable suppliers
	Evaluation and feedback	Annually	
Shareholders 	Annual general meeting	Annually	Financial and operational performance of the Group, corporate governance and sustainability practices, business strategies of the Group
	Annual report	Annually	
	Corporate announcements and financial results announcements	Ad-hoc	
	Company website	-	
Regulators 	Occasional face-to-face meeting / inspections	Ad-hoc	Full-compliance to regulations
	E-mails	Ad-hoc	
	Surveys	Ad-hoc	

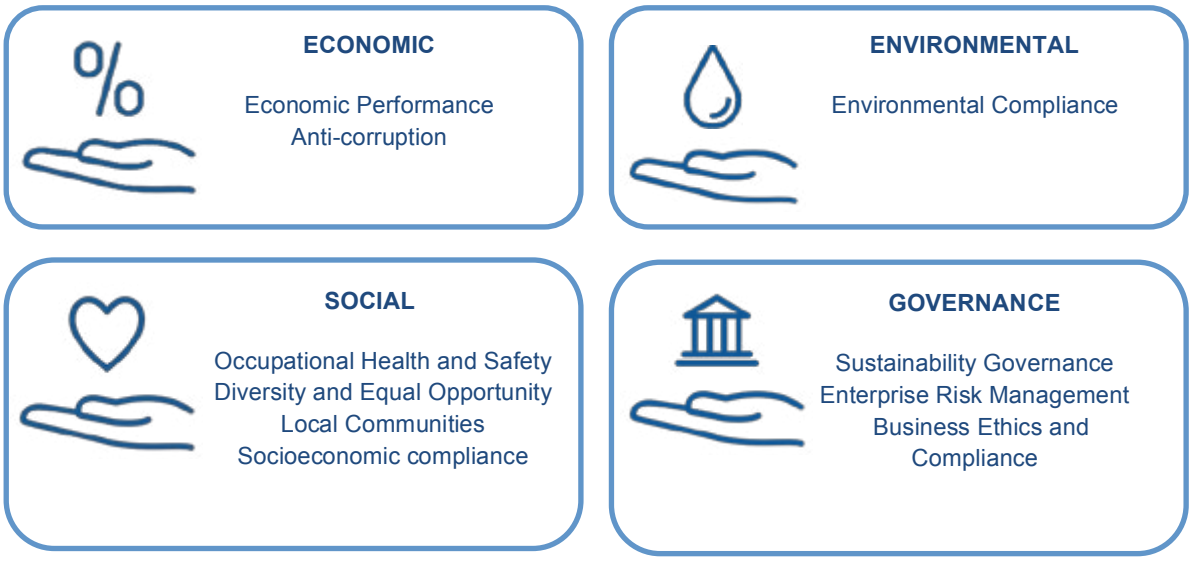
MATERIAL ASPECTS ASSESSMENT

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 this report. Process of which is shown below:



The Group has conducted a materiality assessment during the year. We engaged our employees from different departments and sought our internal stakeholders' feedback for prioritisation of these topics. The material issues are reviewed annually and updated from the previous reporting period, after incorporating inputs gathered from stakeholders' engagements.

In order to identify and prioritise a material factor, 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 factors:



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

ECONOMIC

ECONOMIC PERFORMANCE

Sanli firmly believes that the financial sustainability of the Group is critical, and we are fully committed to the highest standards of corporate governance. The Group's basic principle is to ensure long-term profitability and shareholders' value, 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 FY2019 Annual Report:

- Operations & Financial Review, pages 4 to 7
- Financial Highlights, page 14
- Financial Statements, pages 52 to 102

ANTI-CORRUPTION

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, through 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.

There have also been no reported incidents of corruption during FY2019 (FY2018: Nil).

WHISTLEBLOWING POLICY

Our whistleblowing policy provides a transparent channel for employees to report any concern or complaint regarding any improper accounting or financial matters, internal controls, disclosure of information, conflict of interest, insider trading, or any other areas involving fraud, corruption and misconduct of employees. The public, customers and stakeholders can also report possible improprieties or provide other feedbacks through the Company's website at https://www.sanli.com.sg. There were no whistleblowing cases in FY2019 (FY2018: Nil).

Our goal is to maintain zero incidents of corruption and whistleblowing cases for FY2020. We will regularly review our policies on whistleblowing and anti-corruption.

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 of utmost importance and we take steps at all our work sites to ensure the requirements are met throughout the duration of the projects. In FY2019, there were no incidence of non-compliance with laws and regulations resulting in significant fines or sanctions (FY2018: Nil), and we endeavor to maintain this track record in FY2020.

We are also certified to be conforming with ISO 14001 issued on 29 October 2018.


CERTIFICATION INTERNATIONAL
SOCOTEC

CERTIFICATE

N° CN/ 8871E-1

certifies that:

Sanli M&E Engineering Pte Ltd

28 Kian Teck Drive Singapore 628845

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

ISO 14001 : 2015

for the scope of activities:

Mechanical and electrical engineering services including design

Issue date: 29 October 2018
Valid until: 28 October 2021 (Subject to adherence to the agreed ongoing programme, successful endorsement of certification following each audit and compliance with the terms and conditions of certification.)

Dave CHENG LOON Managing Director

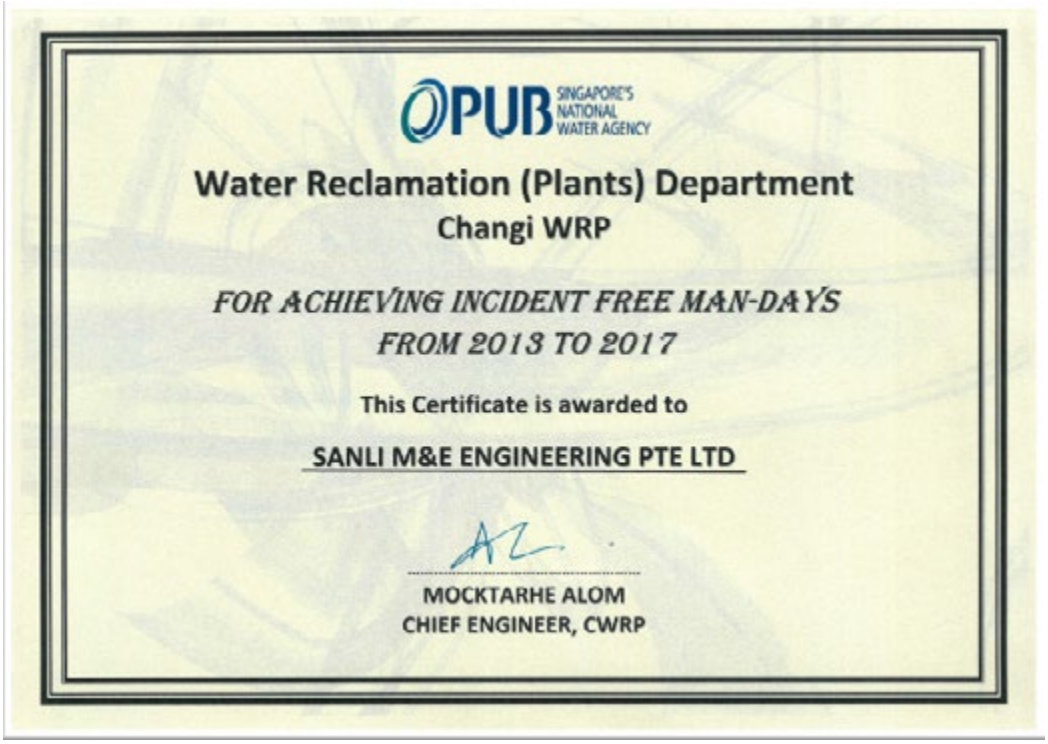
Accredited Certification Body
SAC
IAF

SOCOTEC Certification Singapore Pte Ltd
60 Albert Street #13-03, OG Albert Complex
SINGAPORE 189969
www.socotec-certification-international.sg

The use of the SAC accreditation mark indicates accreditation in respect of those activities covered by the accreditation certificate number ES-2018-07

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 FY2019 (FY2018: Nil). Our Workplace, Health & Safety department is independent from the operational departments and is responsible for the monitoring of 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 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 within 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. EC3960



SOCOTEC

CERTIFICATE

N° CN/ 8871-1

Sanli M&E Engineering Pte Ltd

28 Kian Teck Drive Singapore 628845

ISO 9001 : 2015

for the scope of activities:

Mechanical and electrical engineering services including design.

Issue date: 22 March 2019
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

Accredited Certification Body
SAC

IAF

SOCOTEC Certification Singapore Pte Ltd
60 Albert Street #13-03, OG Albert Complex
SINGAPORE 189969



SOCOTEC

CERTIFICATE

N° CN/ 88710-1

Sanli M&E Engineering Pte Ltd

28 Kian Teck Drive Singapore 628845

ISO 45001 : 2018

for the scope of activities:

Mechanical and electrical engineering services and scaffolding works.

Issue date: 22 March 2019
Valid until: 21 March 2022 (Subject to adherence to the agreed ongoing programme, successful endorsement of certification following each audit and compliance with the terms and conditions of certification)

Dave CHENG LOON Managing Director

Accredited Certification Body
SAC

SOCOTEC Certification Singapore Pte Ltd
60 Albert Street #13-03, OG Albert Complex
SINGAPORE 189969



SOCOTEC

CERTIFICATE

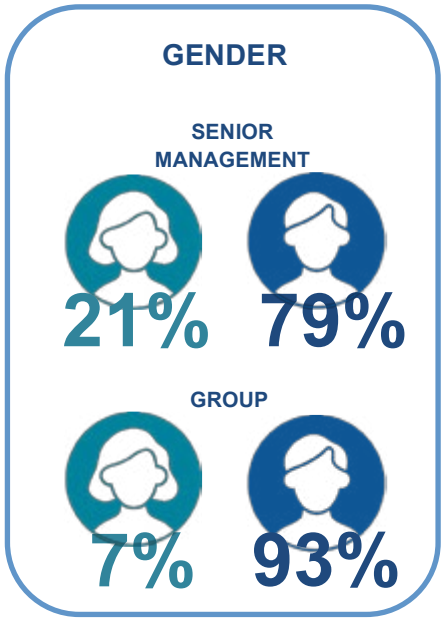
Sanli M&E Engineering Pte Ltd

ISO 22301 : 2012

Accredited Certification Body
SAC

DIVERSITY AND EQUAL OPPORTUNITY

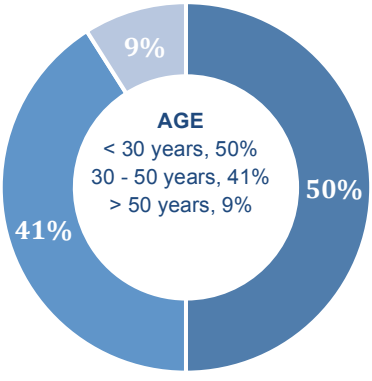
Sanli's staff recruitment and annual appraisals are conducted based on performance, work attitude, cooperation with other staff and workers and efficiency and effectiveness of work. The Group does not discriminate one's race, age, gender, religion, ethnicity, disability or nationality. As of 31 March 2019, we have a staff strength of 361 full-time employees (FY2018: 403) and zero temporary employees (FY2018: none).

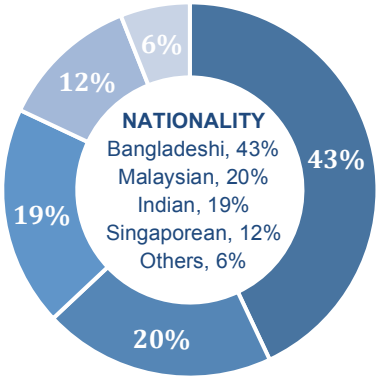


The ratio of female employees in the Group and our industry is relatively low due to the nature of our business. Our female employees represent 7% of our total workforce, and makes up 21% of our Senior Management.

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 the compensation and benefits are in line with the market and that the employees are rewarded for their contributions, thus aligning the interests of the employees to those of the Group's. 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 2019, we have 6 employees that is above 62 years old (FY2018: 7). Long Service Awards are also given out every year during our annual appreciation dinner event for employees who reached their 5th and 10th year of service with the Group.

There has been no reported incidents of complaints on discrimination for FY2019 (FY2018: Nil). We aim to maintain zero complaints on discrimination and continue to have diversity and equal opportunity for all employees in FY2020.





LOCAL COMMUNITIES

While achieving business goals is important, Sanli aims to make a positive impact and contribute to the society.



*Management and employees doing their part for the community by packing and delivering welfare bags to beneficiaries – **Lee Ah Mooi Old Age Home.***

In June 2019, we held our second corporate social responsibility ("**CSR**") event where more than 60 senior management and employees participated.

For the second year running, Sanli's management and employees contributed to the community by helping to pack and deliver 110 welfare bags, filled with healthy food and daily necessities, to the beneficiaries at the Lee Ah Mooi Old Age Home.

Lee Ah Mooi Old Age Home is a nursing home that started out in providing nursing care for retired Samsui women and Amahs, whose hard work contributed to Singapore's development, both as a colony and as a nation. Currently, the nursing home is dedicated to providing high quality healthcare services to 110 aged residents.

Sanli intends to continue supporting various community events and organisations, to do its part for society and the environment.



In February 2019, Sanli participated in Run For Hope 2019, a corporate charity run organised by Four Seasons Hotel Singapore and the National Cancer Centre Singapore. A total of 50 runners from different departments took part in the 10KM and 3.5KM run challenges, and funds were raised for the NCC Research Fund.

SOCIOECONOMIC COMPLIANCE

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. Sanli is committed to conduct the business with integrity and to safeguard the interest of all our stakeholders, both internal and external.

There was no reported incidents of non-compliance during FY2019 (FY2018: Nil).

Our objective is to maintain zero incident of non-compliance and continue to be in compliance with socioeconomic laws and regulations.

MEMBERSHIPS

SINGAPORE BUSINESS FEDERATION
Apex Business Chamber

SWA
SINGAPORE WATER ASSOCIATION

GOVERNANCE

The Board and the Management of Sanli commit to the best practices of the 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 FY2019, we continue to adhere to the principles and guidelines set out in the Code of Corporate Governance 2012. Please refer to the Annual Report 2019 pages 18 to 44 for the details of the Group's Corporate Governance Report.

GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure		Reference / Description
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 Financial Statements, 60
	102-6	Markets served	AR: CEO's message, 2 - 3
	102-7	Scale of the organisation	AR: Operation's and Financial Review, 4 - 7 SR: Social, 14
	102-8	Information on employees and other workers	SR: Social, 14
	102-9	Supply chain	SR: Organizational Profile, 3
	102-10	Significant changes to the organisation and its supply chain	None
	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, 15 - 16
	102-13	Membership of associations	SR: Membership, 16
	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: Content page, 1
	102-18	Governance structure	AR: Corporate Governance Report, 18 to 44
	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	SR: Stakeholders and Materiality, 6
	102-45	Entities included in the consolidated financial statements	AR: Notes to Financial Statements, 60
	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
GENERAL DISCLOSURE			
GRI 102: General Disclosures	102-48	Restatement of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	SR: Message from our Board of Directors, 2
	102-51	Date of most recent previous report	25 July 2018
	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	SR: Message from our Board of Directors, 2
	102-55	GRI content index	SR: GRI Standard Content Index, 18 - 19
	102-56	External Assurance	The Company may consider seeking external assurance in the future.
MATERIAL TOPICS			
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	SR: Economic, 8
GRI 205 Anti-corruption	205-1	Operations assessed for risks related to corruption	SR: Economic, 9
GRI 307: Environmental compliance	307-1	Non-compliance with environmental laws and regulations	SR: Environmental, 10
GRI 403: Occupational health and safety	403-2	Types of injury and rates of injury, occupational diseases, lost	SR: Social, 11 - 13
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	SR: Social, 14
GRI 413: Local Communities	413-2	Operations with local community engagement, impact assessments, and development programs	SR: Social, 15 - 16
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	SR: Social, 16

This page has been intentionally left blank.

This page has been intentionally left blank.



SANLI ENVIRONMENTAL LIMITED
(Incorporated in the Republic of Singapore on 27 February 2017)
(Company Registration No. 201705316M)

28 Kian Teck Drive
Singapore 628845
Tel: (65) 6578 9269
www.sanli.com.sg