

# SUSTAINABILITY REPORT

## BOARD STATEMENT

The Board of Directors (the “**Board**”) of Hoe Leong Corporation Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to present the Company’s annual sustainability report for the reporting year ended 31 December 2020 (“**FY2020**”). This report describes the Company’s sustainability practices with reference to the primary components set out in Listing Rule 711B of the SGX-ST Listing Manual on a ‘comply or explain’ basis, with particular focus on our commitment to working alongside our valued stakeholders to build a sustainable business.

Sustainability reporting enables us to build business resilience by identifying and responding to material risks and opportunities. The management determines the material economic, environmental, social and governance (“**EESG**”) factors concerning our business. The Board oversees the management and monitoring of the material EESG factors and considers sustainability issues when formulating the Group’s strategic direction and policies.

## REPORTING METHODOLOGY

When preparing this report, the Group relied on internal data monitoring and verification to ensure the accuracy of data and information.

The Group has chosen to report on sustainability using the Global Reporting Initiative (“**GRI**”) framework as it is a globally recognised sustainability reporting framework that provides detailed reporting guidance that are relevant to the Group’s business. This report has been prepared in accordance with the GRI Standards: Core option and covered the sustainability values and performance of our Group for FY2020.

The Company has not sought external assurance for this report and may consider doing so in future.

## ACCESSIBILITY

The sustainability report forms part of the Company’s Annual Report for FY2020 (“**Annual Report 2020**”) and should be read in conjunction with Annual Report 2020.

The Company’s Sustainability Team, consisting of our Executive Chairman and Chief Executive Officer, Mr Liew Yoke Pheng Joseph, and our Executive Officers, namely Mr Wu Peicong and Mr Chin Yon Fei, are committed to listening to our stakeholders and welcome feedback on this report and with regards to our sustainability efforts. Please send us your comments and suggestions to: [contact@hoeleong.com](mailto:contact@hoeleong.com).

## ORGANISATIONAL PROFILE

The Group specialises in the supply of undercarriage products and other spare parts of heavy equipment and industrial machinery and has a proven track record of operational effectiveness and innovation, offering genuine cost savings and solutions to customers without compromising on quality.

The Company is a member of Singapore Business Federation and Singapore National Employers Federation.

## VISION AND MISSION

The Company’s sustainability values are incorporated in the Company’s vision and mission statements.

### Vision:

To be a globally regarded name in manufacturing and supply of engine and undercarriage parts for heavy machinery and equipment in our involved industries

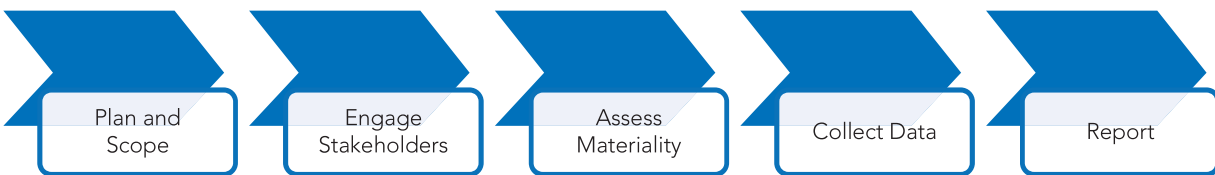
# SUSTAINABILITY REPORT

## Mission:

- To accomplish our vision through firm dedication to quality products and excellent customer service.
- To achieve sustainable financial growth through efficient financial management and strong corporate governance.
- To enhance shareholder value through diversification of our product range.
- To enhance customer satisfaction through distinctive value add propositions with strong focus on product quality and excellent customer services.
- To attract, develop and retain motivated and competent staff focused on achieving our goals.

## APPROACH TO SUSTAINABILITY

### Sustainability Reporting Process



The Group strives to achieve our sustainability goals through the following approaches:

### Corporate governance

The Group views corporate accountability, transparency and sustainability as strategic tools for enhancing long-term shareholders' value and are committed to observing high standards of corporate governance.

The Group has established a Code of Business Conduct and Ethics for Employees that states the fundamental principles of ethical and professional conduct expected of all employees covering areas such as responsibilities to the Group, confidentiality of information, anti-corruption and conflict of interest. Employees of the Group, including the directors, whose job responsibilities may give rise to conflict of interest are required to complete and submit an annual conflict of interest declaration to the Group's Human Resources Department.

The Group has in place an internal guide on matters that require the Board's approval. This would ensure that matters that are expected to have a material impact on the Group are carefully considered.

### Enterprise Risk Management

Risk analysis and management is undertaken within the Group as a source of sustainable business benefits and competitive advantage. The Group has in place an enterprise risk management framework which includes a set of processes to ensure that the Group is aware of, and attends to, current and emerging risks. The Group documents its significant risks, their mitigating measures, together with the risk owners and action plans to address these risks in a risk register and reports them to the Board annually.

### Whistle-Blowing Policy

The Group also has in place a whistle-blowing policy which is available on the Company's website. All concerns about possible improprieties can be communicated directly to the Lead Independent Director via: [whistleblowing@hoeleong.com](mailto:whistleblowing@hoeleong.com).

No significant matter was raised through the Group's whistle-blowing channels during FY2020.

# SUSTAINABILITY REPORT

## STAKEHOLDER ENGAGEMENT

Sustainability is part of the Group's strategy to create long-term value for all our stakeholders. The interests and requirements of key stakeholders are taken into account when formulating strategies in order to foster mutually beneficial relationships.

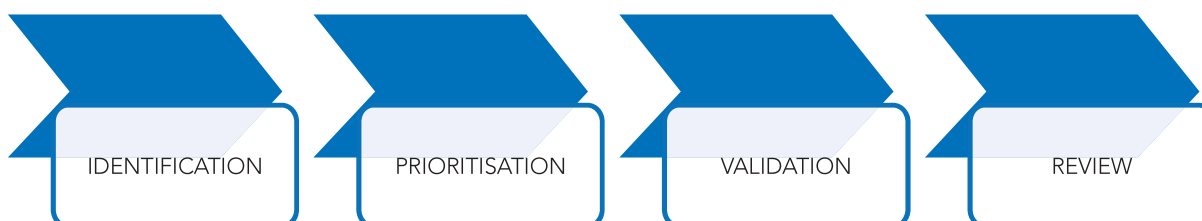
The concerns and key topics of interest of the key stakeholders of the Group were evaluated regularly by the Sustainability Team. The Group adopts both formal and informal engagement channels to understand the needs of key stakeholders.

Stakeholders	Group's commitment	Topics of interest	Engagement channels
Customers	Maximise customers' satisfaction by effective execution and timely delivery of our products.	<ul style="list-style-type: none"> <li>– Ability to meet customers' requirements in terms of pricing, quality and timeliness of delivery</li> </ul>	<ul style="list-style-type: none"> <li>– Regular dialogue and meetings with customers</li> <li>– Company's website</li> </ul>
Employees	<p>Provide our employees with safe and conducive working environment and fair remuneration and benefits.</p> <p>Develop our employees to their fullest potential.</p>	<ul style="list-style-type: none"> <li>– Remuneration and benefits</li> <li>– Workplace safety</li> <li>– Open communications</li> <li>– Talent retention and career progression</li> <li>– Training and development</li> <li>– Work-life harmony</li> </ul>	<ul style="list-style-type: none"> <li>– On-boarding and orientation</li> <li>– Get-together sessions</li> <li>– On-the-job training</li> <li>– Structured trainings</li> <li>– Annual performance appraisal</li> </ul>
Regulators	<p>Comply with the Listing Rules of the Listing Manual of the SGX-ST.</p> <p>Adhere to laws and regulations in jurisdictions where the Group operates.</p>	<ul style="list-style-type: none"> <li>– Corporate governance</li> <li>– Regulatory compliance</li> <li>– Anti-corruption and bribery</li> <li>– Conflict of interest</li> </ul>	<ul style="list-style-type: none"> <li>– SGXNet announcements</li> <li>– Annual reports and circulars</li> <li>– Sustainability reports</li> <li>– Seminars, trainings and dialogues organised by the relevant authorities</li> <li>– 'Code of Business Conduct and Ethics for Employees' of the Company</li> </ul>
Shareholders	Maximise shareholders' value through strengthening of our financial fundamentals.	<ul style="list-style-type: none"> <li>– Business strategies and developments</li> <li>– Financial performance and stability</li> <li>– Risk management</li> <li>– Corporate governance</li> <li>– Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>– SGXNet announcements</li> <li>– Company's website</li> <li>– General meetings</li> <li>– Annual reports and circulars</li> </ul>
Suppliers and vendors	Cultivate and maintain cordial relationships with our suppliers and vendors through adherence to trading norms.	<ul style="list-style-type: none"> <li>– Group's financial stability</li> <li>– Fair payment terms</li> </ul>	<ul style="list-style-type: none"> <li>– Regular dialogues and meetings with suppliers and vendors</li> <li>– Quotations</li> <li>– Suppliers' evaluation</li> </ul>

# SUSTAINABILITY REPORT

## MATERIALITY 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 (as shown in the following diagram) is a list of material factors disclosed in the Sustainability Report.



The sustainability team, based on understanding of the business and stakeholders, identifies the material EESG factors. In determining whether the identified EESG factors are material and when prioritising them, the sustainability team examines the significance of the EESG factor's economic, environmental and social impacts and its influence on stakeholders.

Reference	Material factors	Pillar
1	Economic performance	Economic
2	Energy consumption	Environmental
3	Occupational health and safety	Social
4	Corporate governance	Governance

These material EESG factors are monitored and managed by the management regularly. The effectiveness of the approaches taken by the management are reviewed from time to time via various mechanisms such as benchmarking to market practices and norms as well as reviewing of stakeholders' feedback and performance indicators. We will continue to examine our material EESG factors periodically and will work to strengthen our sustainability management framework, processes and procedures.

## ECONOMIC

### Economic performance

Our economic performance affects financial stability which in turn, has an impact on our ability to meet our financial obligations to various stakeholders, such as payment of salaries to our employees, settlement of invoices from suppliers, payment of taxes to the government and contributions to the local communities. To ensure financial stability, our finance team monitors the financial health of the Group, paying particular attention to working capital needs and credit risks.

During FY2020, the Group received government grants amounting to S\$935,000 (FY2019: NIL). These are mainly relating to COVID-19 relief measures by governments, such as Jobs Credit Scheme in Singapore and JobKeeper in Australia.

For detailed financial results, please refer to the following sections in Annual Report 2020:

- 'Financial Review'; and
- 'Directors' Statement and Financial Statements'.

# SUSTAINABILITY REPORT

## ENVIRONMENTAL

### Energy Consumption

The sustainability team assessed the environmental effects of the Group's manufacturing activities in South Korea and China and concluded that energy consumption to be the largest contributor to the Group's environment footprint and will be working with the management of our overseas manufacturing facilities to implement initiatives to consume energy more efficiently and devise/select suitable efficiency indexes to keep track of our energy consumption.

## SOCIAL

### Occupational health and safety

The Group is committed to workplace safety and health and take every precaution to prevent occupational injuries among our employees. The Group believe that a safe and conducive work environment can boost staff morale and productivity.

The Group put in place comprehensive safety measures to provide a safe and healthy working environment for all our employees. Such measures include:

For Korea Crawler Track Ltd ("KCT" – Manufacturing facility in South Korea)

- (a) conducting periodic and necessary risk assessments of the facility's operations to identify the risks and gaps, and implement mitigating procedures in order to achieve an accident-free environment or minimise risks to an acceptable level;
- (b) 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; and
- (c) engaging an industrial safety company to conduct regular equipment checks and for other workplace safety related services.

For Kunshan Kanto Buhin Manufacturing Co., Ltd ("KKBM" – Manufacturing facility in China):

- (a) issuance of personal protective equipment for factory workers; and
- (b) procurement of social insurance and accident insurance for all employees

Both manufacturing facilities cultivate good safety habits through proper training, instruction and guidance.

Our employees are encouraged to report any work-related hazards and hazardous situations during safety meetings and training sessions and by any means and at any time to their direct supervisors and/ or President of KCT/Deputy General Manager of KKBM.

Our employees are encouraged to report any work-related hazards and hazardous situations during safety meetings and training sessions and by any means and at any time to their direct supervisors and/or President of KCT/Deputy General Manager of KKBM.

# SUSTAINABILITY REPORT

In Singapore, the Company took up corporate schemes with Raffles Medical Group and Alliance Medinet Pte Ltd which own and/or operate a large network of clinics. All our employees in Singapore are also allowed to visit their preferred clinics for general medical consultation. Expenses incurred for traditional Chinese medicine consultation is also claimable under the Company's medical and dental benefits for staff. The Human Resources ("HR") Department monitors the frequency of consultations and if necessary, check if frequent consultations, especially by employees from the same department or work location, are related to work hazards that need to be addressed.

During FY2020, there are no major workplace accidents which resulted in serious injury, death or censuring by the relevant authorities and there are no fatalities as a result of work-related ill health. The Group strives to maintain this record in the coming years.

## CORPORATE GOVERNANCE

The Board and the management of the Group are committed to employing the best practices of corporate governance to ensure sustainability of the Group's operations. During FY2019, we continued to adhere substantially to provisions of the Code of Corporate Governance 2018. Please refer to 'Corporate Governance Report' section of Annual Report 2020 for the Company's corporate governance values and practices.

## OUR PEOPLE

### Engaged Workforce

In building an engaged workforce, the Group is committed to providing equal opportunities to every employee regardless of background.

We are concerned with the wellbeing of our employees and have implemented a number of staff welfare initiatives, such as festive gifts. Our employees are entitled to medical benefits and covered by medical insurance. The Group provides our employees with maternity and paternity leaves and childcare leave in accordance with local laws and regulations.

### Human Resource Statistics

As at 31 December 2020, the Group has 151 permanent and full-time employees and does not have any temporary or part-time employees. The amount of work provided by casual labour is not significant.

Based on records maintained by HR personnel of our various group entities, a further breakdown of our workforce as at the end of our reporting periods are as follows:

Gender	FY2020		FY2019	
	Number	%	Number	%
Male	109	72	138	75
Female	42	28	46	25
<b>Total</b>	<b>151</b>	<b>100</b>	<b>184</b>	<b>100</b>

# SUSTAINABILITY REPORT

Nationality	FY2020		FY2019	
	Number	%	Number	%
Singaporean	14	9	18	10
South Korean	45	30	48	26
Chinese	29	19	42	23
Malaysian	30	20	32	17
Austrialian	24	16	30	16
Others	9	6	14	8
<b>Total</b>	<b>151</b>	<b>100</b>	<b>184</b>	<b>100</b>

Length of service	FY2019		FY2018	
	Number	%	Number	%
Less than 5 years	74	49	95	52
5 years and above	77	51	89	48
<b>Total</b>	<b>151</b>	<b>100</b>	<b>184</b>	<b>100</b>

## Board Diversity

The Company recognises and embraces Board diversity and views Board diversity as an essential element in supporting the achievement of business objectives and sustainable development in the ever-changing business environment.

In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

For more information about the Company's Board diversity practices, please refer to our commentaries under Provision 2.4 of 'Corporate Governance Report' section of Annual Report 2020.

## PERFORMANCE REVIEW AND TARGET SETTING

The Company's Sustainability Team comprises of mostly of executives who have joined the Group for less than 1 year. In the year ahead, the Sustainability Team will continue to gain a better understanding of the Group's operations and work towards sustainable development together with various business units of the Group. During this process, the Sustainability Team would also devise/ select various indexes to measure the Group's performance on material EESG factors. When adequate performance data is available, the next step would be to identify trends from these data to set realistic targets.

# SUSTAINABILITY REPORT

GRI Content Index			
GRI Standard	Disclosure	Annual report section reference	Remarks
<b>General Disclosures (GRI 102: General Disclosures 2016)</b>			
<b>1. Organisational Profile</b>			
102-1	Name of the organisation	Cover Page	–
102-2	Activities, brands, products, and services	Corporate Profile Notes 1 and 22 to the Financial Statements	–
102-3	Location of headquarters	Corporate Information	–
102-4	Location of operations	Group Structure Our Offices	–
102-5	Ownership and legal form	Statistics of Shareholdings	–
102-6	Markets served	Corporate Profile Group Structure Note 22 to the Financial Statements	–
102-7	Scale of the organisation	Corporate Profile Group Structure Financial Review Financial Statements Statistics of Shareholdings Our Offices	–
102-8	Information on employees and other workers	– Sustainability Report: “Our People”	–
102-9	Supply chain	Corporate Profile	–
102-10	Significant changes to the organisation and its supply chain	–	There is no significant change to the supply chain that can cause or contribute to significant economic, environmental and social impacts during the reporting period.
102-11	Precautionary principle or approach	– Corporate Governance Report: Principal 9 – Sustainability Report: “Approach to Sustainability”	–
102-12	External initiatives	–	Other than GRI, the Group does not adopt any externally-developed economic, environmental and social charters, principles or other initiatives.

# SUSTAINABILITY REPORT

GRI Content Index			
GRI Standard	Disclosure	Annual report section reference	Remarks
102-13	Membership of associations	Sustainability Report: "Organisational Profile"	–
<b>2. Strategy</b>			
102-14	Statement from senior decision-maker	Chairman's Statement Sustainability Report: Board Statement	–
<b>3. Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	– Sustainability Report: Organisational Profile; and "Approach to Sustainability"	–
<b>4. Governance</b>			
102-18	Governance structure	Corporate Information Corporate Governance Report Sustainability Report: "Approach to Sustainability"	–
<b>5. Stakeholder engagement</b>			
102-40	List of stakeholder groups	Sustainability Report: "Stakeholder Engagement"	–
102-41	Collective bargaining agreements	–	No employee of the Group is covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Sustainability Report: "Stakeholder Engagement"	–
102-43	Approach to stakeholder engagement	Sustainability Report: "Stakeholder Engagement"	–
102-44	Key topics and concerns raised	Sustainability Report: "Stakeholder Engagement"	–
<b>6. Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	Group Structure Note 6 to the Financial Statements	–
102-46	Defining report content and topic boundaries	Sustainability Report: "Board Statement" Sustainability Report: "Materiality Assessment"	–
102-47	List of material topics	Sustainability Report: "Materiality Assessment"	–

# SUSTAINABILITY REPORT

GRI Content Index			
GRI Standard	Disclosure	Annual report section reference	Remarks
102-48	Restatements of information	–	There is no restatement of information.
102-49	Changes in reporting	–	There is no significant change from previous reporting period in the list of material topics and topic boundaries.
102-50	Reporting period	Sustainability Report: Board Statement; and “Reporting Methodology”	–
102-51	Date of most recent report	–	14 May 2020.
102-52	Reporting cycle	Sustainability Report: “Board Statement”	Annual.
102-53	Contact point for questions regarding the report	Sustainability Report: “Accessibility”	–
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report: “Reporting Methodology”	–
102-55	GRI content index	Sustainability Report: “GRI Content Index”	–
102-56	External assurance	Sustainability Report: “Reporting Methodology”	This report is not externally assured.
<b>Material Topics (GRI 103: Management Approach 2016)</b>			
103-1	Explanation of the material topic and its boundaries	Sustainability Report: “Economic”, “Environmental”, “Social”, “Governance”	–
103-2	The management approach and its components		
103-3	Evaluation of management approach		
<b>Material Topics (GRI 201: Economic Performance 2016)</b>			
201-1	Direct economic value generated and distributed	Financial Review Financial Statements	–
201-2	Financial implications and other risks and opportunities due to climate change	Not applicable	Climate change is not expected to generate substantive changes in operations, revenue or expenditure.

# SUSTAINABILITY REPORT

GRI Content Index			
GRI Standard	Disclosure	Annual report section reference	Remarks
201-3	Defined benefit plan obligations and other retirement plans	Note 19 to the Financial Statements	The Group is obliged to contribute, for employees who are Singaporeans or Singapore Permanent Residents, to the Central Provident Fund, a defined contribution retirement benefit plan managed by the Singapore government.
201-4	Financial assistance received from government	Sustainability Report: "Economic" Note 19 to the Financial Statements	–
<b>Material Topics (GRI 302: Energy 2016)</b>			
302-1	Energy consumption within the organization	Information unavailable	The Group will establish its energy consumption and efficiency indexes to track its carbon footprint consistently.
302-2	Energy consumption outside the organization		
302-3	Energy intensity		
302-4	Reduction of energy consumption		
302-5	Reduction in energy requirements of products and services		
<b>Material Topics (GRI 403: Occupational Health and Safety 2018)</b>			
403-1	Occupational health and safety management system	Sustainability Report: "Social"	–
403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report: "Social"	–
403-3	Occupational health services	Sustainability Report: "Social"	–

# SUSTAINABILITY REPORT

GRI Content Index			
GRI Standard	Disclosure	Annual report section reference	Remarks
403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report: "Social"	–
403-5	Worker training on occupational health and safety	Sustainability Report: "Social"	–
403-6	Promotion of worker health	Sustainability Report: "Social"	–
403-7	Prevention and mitigation of occupation health and safety impacts directly linked by business relationships	Sustainability Report: "Social"	–
403-8	Workers covered by an occupational health and safety management system	Sustainability Report: "Social"	Safety measures put in place by the Group mainly cover employees of the Group.
403-9	Work-related injuries	Sustainability Report: "Social"	–
403-10	Work-related ill health	Sustainability Report: "Social"	–