

**ANNICA HOLDINGS LIMITED**  
**Sustainability Report 2017**

# SUSTAINABILITY REPORT 2017

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## Content

	Page
Board's Statement	1
Introduction	1
Reporting Framework	2
Reporting Period	2
Feedback	2
Stakeholder Engagement	2
Policy, Practice and Performance Reporting	2 - 3
Material Factors	4 - 7
Target Setting	7
GRI Content Index	8 - 10

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# SUSTAINABILITY REPORT 2017

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## 1. Board's Statement

With the publication of our maiden sustainability report (“**Report**”), we reaffirm our commitment to sustainability with the publication of our maiden sustainability report guided by the Global Reporting Initiative (“**GRI**”) Standards: Core option. For this sustainability report, we provide insights into the way we do business, while highlighting our environmental, social, governance (“**ESG**”) and economic performance.

Whilst mindful of our profit oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure a long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this sustainability report.

A sustainability policy (“**SR Policy**”) covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors has been put in place and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organizational and external developments.

## 2. Introduction

We operate mainly in Singapore, Malaysia, Indonesia, Thailand and Vietnam, serving the oil & gas and energy industries. Our main businesses include the following:

- Trading in oil and gas equipment and investment holding
- Rendering of engineering services
- Provider of power generation solutions

The above business shall be collectively referred to as the oil & gas and energy business with details as follows:

S/N	Nature of business	Description
1	Trading in oil and gas equipment	Formed in 1983, PJ Services Pte Ltd (“ <b>PJS</b> ”) is a regional company in the provision of products and services for the Oil and Gas Exploration, Production and Petrochemical Industries. PJS and its subsidiaries (collectively referred to as the “ <b>PJ Group</b> ”) in Malaysia and Indonesia supply equipment to customers in the Asia-Pacific region including Brunei, Indonesia, Malaysia, Myanmar, the Philippines, Thailand and Vietnam.
2	Rendering of engineering services	Industrial Engineering Systems Pte Ltd (“ <b>IES</b> ”) is principally in the business of designing industrial plant engineering services and general wholesaler and trade. Established in 2003, IES's customized engineering solutions offer a wide range of integrated services to the oil and gas majors in the region.
3	Provider of engineering services	GPE Power System (M) Sdn Bhd (“ <b>GPE</b> ”) specializes in providing energy services, ranging from sales and rental of power generators to rendering a wide range of support services such as factory performance tests, reconditioning and repairing of generators and sales of related components, spare parts and accessories.

In FY2017, our shareholders approved our plan to diversify from our core business of oil & gas and energy services to include (A) Recycling Business (B) Renewable Energy Business (C) Green Technology Business and (D) Complementary Technology (collectively referred to as the “**Renewable Energy & Recycling Business**”).

The entities covered under this Sustainability Report comprised the Company and also the following subsidiaries:

- PJ Group
- IES
- HT Energy(s) Sdn. Bhd. (“**HTES**”)

# SUSTAINABILITY REPORT 2017

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## 3. Reporting Framework

In preparing this sustainability report, we are guided by the GRI Standards: Core option.

## 4. Reporting Period

This Report is applicable for the Group's financial year ended 31 December 2017 ("FY2017"). A sustainability report will be published annually thereafter in accordance with our SR Policy.

## 5. Feedback

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: [prinfo@annica.com.sg](mailto:prinfo@annica.com.sg)

## 6. Stakeholder Engagement

The Group's efforts on sustainability is focused on creating sustainable value for its key stakeholders, which comprise customers, employees, regulators, shareholders and suppliers. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by operations of the Group.

We actively engage our key stakeholders through the following channels:

Stakeholder	Engagement channel
Customer	Customers are encouraged to provide their feedback and feedback obtained is reviewed and relevant follow-up actions are taken to better serve them. Regular meetings and communications are made with customers to ensure that the Group remained connected with the customers.
Employee	Senior management holds regular communication sessions with employees to obtain feedback and to align business goals across all levels of workforce. Such communication channels include emails and regular staff evaluation sessions where employees can pose questions in person.
Regulator	Annica participates in consultations and briefing organised by key regulatory bodies such as Singapore Stock Exchange so as to better understand the regulatory requirements and to furnish feedback on proposed regulatory changes that impact the company's business.
Shareholder	The Group conveys timely, full and credible information to shareholders through announcement on SGXNET, the Company's website ( <a href="http://www.annica.com.sg">http://www.annica.com.sg</a> ), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
Supplier	The Group works closely with suppliers to ensure smooth delivery of products. In general, new suppliers are screened in accordance with the Group's purchasing policies and existing suppliers are assessed by respective work teams based on specified criteria. Feedback is also provided by the procurement teams to suppliers to ensure standards of products or services delivered by suppliers.

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

## 7. Policy, Practice and Performance Reporting

### 7.1 Reporting Structure

Our sustainability strategy is developed and directed by the senior management in consultation with the board of directors (the "Board" or the "Directors"). The Group's Sustainability Committee, led by our Chief Executive Officer, is tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for the Report.

# SUSTAINABILITY REPORT 2017

## 7.2 Sustainability Reporting Processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritized as material factors which are then validated. The end results of this process is a list of material factors disclosed in this Report. Inter-relations of which are as shown in the chart below:

### Identification



Identification of the material factors that are relevant to the Group's activities and data points for performance reporting

### Prioritization



Prioritization of the material factors and identification of key sustainability factors to be reported

### Validation



Validation involves the verification of information and data gathered on material factors and performing an assessment on the completeness of key sustainability factors to finalize the sustainability report content

### Review



Monitor, review and update our material factors from the previous reporting period, taking into account the feedback received from engagement with stakeholders, organizational and external developments

## 7.3 Materiality Assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority should be reported on in details.
II	Medium	Factors with medium reporting priority should be considered for inclusion in the Report. It may be decided to not include them in the Report if not material.
III	Low	Factors with low reporting priority may be reported unless to fulfil regulatory or other reporting requirements.

The reporting priority is supported by a materiality factor matrix considers the level of concern to external stakeholders and potential impact on business.

## 7.4 Performance Tracking and Reporting

We track the progress of our material factors by identifying the relevant data points and measuring them. In addition, performance targets that are aligned with our strategy will be set to ensure that we maintain the right course in our path to sustainability. We shall consistently enhance our performance-monitoring processes and improving our data capture systems.

# SUSTAINABILITY REPORT 2017

## 8 Material Factors

Our materiality assessment performed for FY2017 involved the Group's senior management in identifying sustainability factors deemed material to the Group's businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

Presented below are a list of key sustainability factors (Level I and selected level II reporting priority) applicable to our Group:

S/N	Material factor	Key stakeholder	Reporting priority
<b>General disclosure</b>			
1	Customer satisfaction	Customer	I
<b>Social</b>			
2	Employee retention	Employee	I
3	Sustainable and clean electrification of rural communities	<ul style="list-style-type: none"> <li>▪ Community</li> <li>▪ Shareholder</li> </ul>	II
<b>Environmental</b>			
4	Energy conservation and waste optimization	<ul style="list-style-type: none"> <li>▪ Community</li> <li>▪ Shareholder</li> </ul>	II
<b>Economic</b>			
5	Sustainable business performance	Shareholder	I

We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholder's feedback and sustainability trends. The details of each key sustainability factor are presented as follows:

### 8.1 Customer Satisfaction

We believe that ensuring customer satisfaction is key to its business sustainability. During the reporting period, PJ Group was core to our Group and its approach and strategy towards customer satisfaction are as follows:

#### a. Offering comprehensive solutions that meet customers' requirements

PJ Group prides itself as a manufacturers' representative<sup>1</sup> that provides technical solutions to customer involved in the offshore and onshore oil and gas industry. As a manufacturer representative, PJ Group plays a role that extends beyond a traditional distributor by developing one-stop solutions that combine products from different principals to serve the needs of its customers.

To fulfil this role, PJ Group distributes a wide range of complementary products from reputable principals under exclusive distributorships.

In addition, a core team of experienced and professional engineers is in place to serve the customers by designing customised solutions and managing the fabrication and installation processes. Our commitment to the retention of our professional service team may be in Section 8.2 of the Report below.

#### Brands distributed by PJ Group



1 A manufacturer representative serves an extended function to manufacturers in advising customers on developing solutions based on products under distribution.

# SUSTAINABILITY REPORT 2017

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## b. Adopting international standards for services provided

PJ Group adopts market standards and best practice in its operations to ensure quality of its services provided. PJS is ISO 9001:2015 certified and under the certification, PJ Group has implemented a quality manual on the key areas of its operations covering leadership, planning, support, operation, performance evaluation and improvement.

## 8.2 Employee Retention

Our main businesses relate to the provision of services and human capital is core to our sustainability. The continual success of our business pivots on a team of skilled and experienced staff supervised by experienced and knowledgeable managers. We are committed to employee retention through the following efforts:

- Senior management leads by example in business and operations
- Employees are empowered to make decisions at work
- Senior management communicates regularly with employees to obtain feedback and align business goals across all levels of the workforce. Such communication channels include meetings, team building sessions, staff retreats and email communications whereby employees can express their views and provide feedback.

In addition, we have put in place the following measures:

- Procedures and guidance are established to promote employees based on merit and competency.
- Staff assessment is performed regularly to evaluate the performance of staff, Where relevant, our staff are encouraged to undertake training that will improve their skills and abilities

As at 31 December 2017, 68% of our workforce has worked more than 3 years with the Group. The details are as follows:

Years of service	All employees	
	Number of full-time employees	Percentage (%)
10 years & above	13	37
6 – 9 years	3	8
3 – 5 years	8	23
Sub-total	24	68
1 – 2 years	2	6
Below 1 year	9	26
Total	35	100

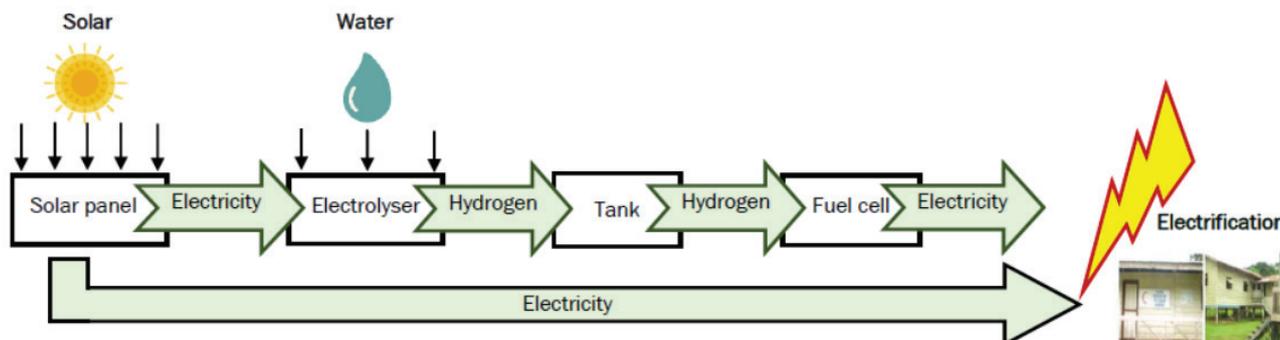
## 8.3 Sustainable and Clean Electrification of Rural Communities

We are committed to give back to the community. As part of the Group's diversification initiative and through HTES, we obtained the support of the Sarawak State, Malaysia to commence a pilot project to electrify clinics in rural, off-grid communities located in Sarawak, Malaysia. The pilot project involves various stakeholders such as related governmental agencies in Sarawak and aims to (i) provide reliable, clean and affordable electricity access for rural communities and (ii) create a market and opportunity for private and public stakeholders to participate in the electrification of the rural communities.

Typically, rural communities are powered by diesel generators. Diesel generators are pollutive by design and due to the scarcity of resources in such communities and the costly logistical arrangement involved in transporting diesel fuel to sites, electrification of such communities is at best, intermittent.

# SUSTAINABILITY REPORT 2017

Under the pilot project, a solar-hydrogen energy system will be set up to replace the diesel generators. The fuel stock to power the system will be solar and water, both readily available and non-pollutive in nature. A schematic illustration of the process involved is reflected as follows:



The electrification will be fuelled by 2 parallel sources to enable continuous, day and night supply. Continuous electrification will improve the quality of life of inhabitants at the rural communities and increase the activity level of inhabitants.

Once successfully implemented, the pilot project will serve as a benchmark for future projects to serve rural communities and may also be as a new source of revenue for the Group going forward.

## 8.4 Energy Conservation and Waste Optimization

We operate from various office locations in various countries. To operate from our offices, we rely on electricity to run equipment such as lighting, office equipment and air-conditioning. Electricity consumption during the reporting period is as follows:

	(SGD)
<b>Total Group Electricity Consumption</b>	15,322

We track and review spending on electricity consumption regularly to control usage and corrective actions are taken when there are unusual consumption patterns.

The Group has previously announced the proposed acquisition of 49% in HGR as part of the Group’s diversification into the Renewable Energy & Recycling Business. HGR owned and operated a waste tyre pyrolysis plant that focuses on the extrusion and recycling of end-of-life waste tyres for the production of tyre derived fuel, carbon black and scrap metal. HRG previously owned, amongst other things, 5 production lines.

Subsequent to reporting period and pursuant to an internal restructuring of HGR’s operations, Awang Ahmad Sah, Kok Mun Keong and Seri Beskaya Sdn Bhd (the “**HRG shareholders**”):

- a. On 21 March 2018, entered into a sale and purchase agreement with HGR, pursuant to which the HGR shareholders shall acquire the 5 Production Lines and Plant from HGR, and the acquisition has been completed on 22 March 2018
- b. On 23 March 2018, HGR Shareholders have entered into a memorandum of understanding with Green Pluslink Sdn Bhd (“**GPL**”) where GPL shall acquire all the 15 production lines and the Plant from the HGR Shareholders. GPL itself owns 3 production lines and if the proposed acquisition is completed, GPL will ultimately own and operate a total of 18 production lines. (“**HGR Restructuring**”).

As a result of the HGR Restructuring, the Company has terminated its previously agreement with HGR and on 26 March 2018, entered into a non-binding MOU to acquire 25.79% of GPL.

# SUSTAINABILITY REPORT 2017

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## **8.5 Sustainable Business Performance**

We believe in creating long-term economic value for shareholders as well as key stakeholders by adopting responsible business practices and growing business in a sustainable manner.

As disclosed in the annual report, Management has embarked on a diversification initiative into renewables energy and recycling business. The initiative primarily serves to reduce the Group's reliance on its oil & gas and energy service businesses, provides shareholders with diversified returns and enhances shareholders' value in the Company.

In the interim, the Board and Management appreciate shareholders' patience and understanding in the execution of such plans.

Details of the Group's financial performance can be found in the Company's Annual Report.

## **9. Target Setting**

Given that this is our inaugural report, we are in the process of compiling performance data to form a trend for the purpose of setting targets on the material factors as described in item 8 of this sustainability report. Accordingly, the process of target setting is deferred till a time when adequate data is available to set reasonable targets.

# SUSTAINABILITY REPORT 2017

## GRI Content Index

General standard disclosure		Section reference	Page
<b>Strategy and analysis</b>			
G4-1	Statement from senior decision-maker	<ul style="list-style-type: none"> <li>■ Annual Report (“AR”) &gt; Letter to Shareholders</li> <li>■ Sustainability Report (“SR”) &gt; Board’s Statement</li> </ul>	AR 3 SR 1
G4-2	Key impacts, risks, and opportunities	AR > Corporate Governance Report > Principle 11	AR 25
<b>Organisation profile</b>			
G4-3	Name of the organization	<ul style="list-style-type: none"> <li>■ AR &gt; Cover Page</li> <li>■ AR&gt; Letter to Shareholders</li> <li>■ SR &gt; Cover Page</li> </ul>	– AR 2 –
G4-4	Activities, brands, products, and services	<ul style="list-style-type: none"> <li>■ AR &gt; Letter to Shareholders</li> <li>■ AR &gt; Notes to the Financial Statements &gt; Investments in Subsidiaries</li> <li>■ SR &gt; Introduction</li> </ul>	AR 2 AR 70 – 71 SR 1
G4-5	Location of headquarters	AR > Notes to the Financial Statements> General Corporate Information	AR 45
G4-6	Location of operations	<ul style="list-style-type: none"> <li>■ AR &gt; Corporate Structure</li> <li>■ AR &gt; Notes to the Financial Statements&gt; General corporate information</li> <li>■ AR &gt; Notes to the Financial Statements &gt; Investments in Subsidiaries</li> <li>■ SR &gt; Introduction</li> </ul>	AR4 AR 45 AR 70 – 71 SR 1
G4-7	Ownership and legal form	<ul style="list-style-type: none"> <li>■ AR &gt; Corporate Structure</li> <li>■ AR &gt; Notes to the Financial Statements &gt; Investments in Subsidiaries</li> </ul>	AR 4 AR 70 – 71
G4-8	Markets served	<ul style="list-style-type: none"> <li>■ AR &gt; Letter to Shareholders</li> <li>■ AR &gt; Notes to the Financial Statements &gt; Segment Information</li> </ul>	AR 2 AR 97 – 100
G4-9	Scale of the organization	<ul style="list-style-type: none"> <li>■ AR &gt; Letter to Shareholders</li> <li>■ AR &gt; Statements of Financial Position</li> <li>■ AR &gt; Consolidated Statement of Profit or Loss and Other Comprehensive Income</li> <li>■ SR &gt; Employee Retention</li> </ul>	AR 2 AR 38 AR 39 – 40 SR 5
G4-10	Information on employees and other workers	SR > Employee Retention	SR 5
G4-11	Collective bargaining agreements	Not applicable as we are not a unionised company.	–
G4-12	Supply chain	SR > Introduction SR > Material Factors > Customer Satisfaction	SR 1 SR 4

# SUSTAINABILITY REPORT 2017

General standard disclosure		Section reference	Page
<b>Organisation profile</b>			
G4-13	Significant changes to the organization and its supply chain	AR > Letter to Shareholders	AR 2
G4-14	Precautionary Principle or approach	None	–
G4-15	External initiatives	None	–
G4-16	Membership of associations	None	–
<b>Identified material aspects and boundaries</b>			
G4-17	Entities included in the consolidated financial statements	<ul style="list-style-type: none"> <li>■ AR &gt; Corporate Structure</li> <li>■ AR &gt; Notes to the Financial Statements &gt; Investments in Subsidiaries</li> <li>■ SR &gt; Introduction</li> </ul>	AR 4 AR 70 – 71  SR 1
G4-18	Defining report content and topic Boundaries	SR > Sustainability Reporting Processes	SR 3
G4-19	List of material factors	SR > Material Factors	SR 4
G4-20	Aspect boundary within the organization	SR > Material Factors	SR 4
G4-21	Aspect boundary outside the organization	SR > Material Factors	SR 4
G4-22	Restatements of information	Not applicable as this is our maiden sustainability report guided by GRI standards.	–
G4-23	Changes in reporting	Not applicable as this is our maiden sustainability report guided by GRI standards.	–
<b>Stakeholder engagement</b>			
G4-24	List of stakeholder groups	SR > Stakeholder Engagement	SR 2
G4-25	Identifying and selecting stakeholders	SR > Stakeholder Engagement	SR 2
G4-26	Approach to stakeholder engagement	<ul style="list-style-type: none"> <li>■ SR &gt; Stakeholder Engagement</li> <li>■ SR &gt; Material Factors &gt; Customer Satisfaction</li> </ul>	SR 2 SR 4
G4-27	Key factors and concerns raised	Not applicable as this is our maiden sustainability report	–
<b>Report profile</b>			
G4-28	Reporting period	SR > Reporting Period	SR 2
G4-29	Date of most recent report	Not applicable as this is our maiden sustainability report	–
G4-30	Reporting cycle	SR > Reporting Period	SR 2

# SUSTAINABILITY REPORT 2017

General standard disclosure		Section reference	Page
<b>Report profile</b>			
G4-31	Contact point for questions regarding the report	SR > Feedback	SR 2
G4-32	Claims of reporting in accordance with the GRI Standards and GRI content index	<ul style="list-style-type: none"> <li>■ AR &gt; Letter to Shareholders</li> <li>■ SR &gt; Board's Statement</li> <li>■ SR &gt; Reporting Framework</li> <li>■ SR &gt; GRI Content Index</li> </ul>	AR 3 SR 1 SR 2 SR 8 – 10
G4-33	External assurance	We may seek external assurance in the future	–
<b>Governance</b>			
G4-34	Governance structure of the organization	AR > Corporate Governance Report	AR 9 – 30
G4-56	Values, principles, standards, and norms of behaviour	AR > Corporate Governance Report	AR 9 – 30
<b>Category: Social</b>			
G4-DMA	Generic Disclosures on Management Approach (“DMA”)	SR > Material Factors > Employee Retention	SR 5
G4-LA1	Employee turnover	SR > Material Factors > Employee Retention	SR 5
G4-DMA	Generic Disclosures on Management Approach	SR > Material Factors > Sustainable and Clean Electrification of Rural Communities	SR 5 – 6
G4-SO2	Operations with impacts on local communities	SR > Material Factors > Sustainable and Clean Electrification of Rural Communities	SR 5 – 6
<b>Category: Environmental</b>			
G4-DMA	DMA	SR > Material Factors > Energy Conservation and Waste Optimization	SR 6
G4-EN3, G4-EN4	Energy consumption within and outside of the organization	SR > Material Factors > Energy Conservation and Waste Optimization	SR 6
G4-EN2	Recycled input materials used	SR > Material Factors > Energy Conservation and Waste Optimization	SR 6
<b>Category: Economic</b>			
G4-DMA	DMA	SR > Material Factors > Sustainable Business Performance	SR 7
G4-EC1	Direct economic value generated and distributed	<ul style="list-style-type: none"> <li>■ AR &gt; Statements of Financial Position</li> <li>■ AR &gt; Consolidated Statement of Profit or Loss and Other Comprehensive Income</li> <li>■ SR &gt; Material Factors &gt; Sustainable Business Performance</li> </ul>	AR 38 AR 39 – 40 SR 7