

# Heeton Holdings Limited

Sustainability Report FY2017



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## About Heeton

Heeton Holdings Limited is a real estate conglomerate focused on property development, investment and management. Established in 1976, the company was listed on the Singapore Stock Exchange in September 2003, and has extended its business beyond Singapore to Thailand, Australia, Japan, Malaysia, Vietnam and the United Kingdom. We formed strong partnership with other established real estate groups to develop properties locally and globally. Heeton's real estate portfolio includes commercial properties (shopping malls and serviced offices) and hotels. We entered the hospitality sector in 2011 and our portfolio has now increased to eight properties worldwide as on December 2017. Developing the hospitality business is our key priority and moving forward we aspire to become a prominent player on the international hospitality stage.

## Board Statement

At Heeton Holdings, we focus on delivering value by converting opportunities into sustainable growth avenues. This is backed by our core strength, strategies and sustainable decision-making, which have enabled us to maintain a steady course in our activities.

In the real estate business, Environmental, Social and Governance (ESG) factors are playing an increasing important role towards making informed decisions. We believe in providing reliable and sustainable properties and services to our customers. Through the materiality assessment, we have identified ESG factors which are most relevant to our business. We have set

out on how we are managing the impacts and performance in these areas and our targets for upcoming year.

Supported by our dedicated Sustainability Committee ("SC"), the Board oversees direction, management and monitoring of sustainability related performance which includes the Sustainability Report. This report adheres to the reporting requirements of Singapore Exchange (SGX) Listing Rules Practice Note 7.6 Sustainability Reporting Guide and references the internationally recognized Global Reporting Initiative ("GRI") Standards 2016.

Finally, our vision is to create wider societal and environmental benefits beyond our financial performance. While working towards our vision, we aim to maximize shareholder returns and create value for our stakeholders.

We want to acknowledge that our success reflects the immense support of our stakeholders and we invite you to join us in our sustainable journey.

## Executive Summary

The landscape of real estate sector is rapidly changing, with an increasing emphasis on lifestyle options and quality of properties. Environmental and social consciousness amongst customers, with regards to impacts from the consumption of products and services, are rising as well. Against this backdrop of shifting customer expectations, more than ever, Heeton recognises the importance of managing the ESG aspects of our business.

We have identified high impact sustainability issues which support our business strategy and represent key

risks and opportunities. 9 ESG factors were identified as material<sup>1</sup>, covering topics on governance, human resource practices, health and safety as well as environmental responsibilities.

Heeton exercises strong internal sustainability governance to prevent corruption and ensure regulatory compliance. By subjecting suppliers and joint venture (“JV”) partners to baseline screening criteria, Heeton selectively works with business partners who share the same high standard of business ethics and promotes sustainability across the value chain.

To retain and develop the right talent essential for growth, we encourage diversity and active learning among our employees. We tailor our training programmes to align with the learning requirements of the real estate industry, so we can stay competitive and versatile in capitalising on new market opportunities when they arise.

Moreover, we place strong emphasis on health and safety issues. Through health and safety education and prevention of potential hazards, we create quality space and positive experience for our employees and all other building users.

Heeton is committed to improving energy and water usage efficiency in its properties to reduce its environmental footprint.

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<sup>1</sup> Please refer to the “Identifying material ESG factors” section on page 12.

## Sustainability Performance at a Glance

Material ESG factors	Indicator	Performance for FY2017	Target for FY2018
<b>Our Governance</b>			
<b>Supplier Assessment</b>	Percentage of new suppliers that were screened using environmental and social criteria	100%	<ul style="list-style-type: none"> <li>Consistently practise existing due diligence process for our suppliers and Joint Venture (“JV”) partners.</li> </ul>
<b>ESG Due Diligence (Joint Venture Arrangement)</b>	Percentage of new joint venture arrangements that were subjected to ESG due diligence process	100%	
<b>Anti-corruption</b>	Confirmed incidents of corruption	0 incidents	<ul style="list-style-type: none"> <li>Maintain zero incidence of confirmed corruption</li> </ul>
<b>Environmental Compliance</b>	Critical non-compliance with environmental laws and regulations	0 incidents	<ul style="list-style-type: none"> <li>Maintain zero critical incidents of non-compliance</li> </ul>
<b>Our People</b>			
<b>Talent Retention</b>	Average Monthly New Hires Rate	1.9 %	<ul style="list-style-type: none"> <li>Maintain current employee turnover rate</li> </ul>
	Average Monthly Turnover Rate	0.8 %	
	Average Training Hours per employee, per year	10 Hours	<ul style="list-style-type: none"> <li>Maintain current average training hours per employee</li> </ul>
<b>Our Safety Practices</b>			
<b>Occupational Health and Safety</b>	Number of workplace fatalities	0 fatalities	<ul style="list-style-type: none"> <li>Maintain a safe workplace with zero work-related fatalities</li> </ul>
<b>Customer Health and Safety</b>	Non-compliance concerning the health and safety impacts of products and services	0 incidents	<ul style="list-style-type: none"> <li>Zero fatalities for all building users</li> <li>Zero non-compliance with voluntary codes/laws and regulations regarding customer health and safety</li> </ul>
<b>Our Environment</b>			
<b>Energy</b>	Energy Consumption	8,468 MWh	<ul style="list-style-type: none"> <li>Maintain current energy intensity</li> </ul>
	Building Energy Intensity	252 kWh/m <sup>2</sup> floor area	
	GHG Emission (Scope 2)	3,594 tCO <sub>2</sub> e	
	GHG Emissions Intensity	0.11 tCO <sub>2</sub> e/ m <sup>2</sup> floor area	
<b>Water</b>	Water Intensity	2.60 m <sup>3</sup> / m <sup>2</sup> floor area	<ul style="list-style-type: none"> <li>Maintain current water intensity</li> </ul>

## Our Governance

We strongly believe that our ability to maintain the highest ethical standards of compliance, transparency and business conduct directly translates into a long-lasting trust in our stakeholders. We have implemented a robust governance structure to ensure that we grow responsibly. The Board oversees the management of sustainability issues. The SC develops sustainability strategy, manages overall sustainability performance and integrates sustainability practices into our business. The SC also reports periodically to the Board on sustainability-related issues.

### *Managing ESG issues in our value chain*

Heeton is working towards promoting sustainability across our value chain. The nature of our real estate business often requires appointment of a third party service provider, or to work together with a Joint Venture (JV) partner. We recognise the importance of maintaining transparency and working responsibly in our value chain. Due diligence of our suppliers and JV partners enables us to assess and mitigate any impacts along our value chain to keep the trust of our stakeholders intact.

We prioritise suppliers and contractors who engage in sustainable practices to ensure safe working conditions, respecting worker rights. All Heeton's suppliers are encouraged to adhere to our minimum ESG compliance levels and are required to obtain Building and Construction Authority (BCA) certifications. In our supplier selection process, we conduct background checks to verify the compliance with

labour practices with a good safety track record.

In some of the property developments, Heeton works together with JV partners. Robust governance over the selection of JV partners help us to avoid any negative publicity. We keep a close watch on our JV partners in the news coverage and ensure that any ESG issues are addressed promptly. We have screened all of our suppliers and JV partners based on our existing criteria on supplier selection.

Moving forward, we will consistently practise existing due diligence process for our suppliers and JV partners.

### *Preventing corruption*

Heeton is committed to upholding a high level of business ethics and integrity. We do not allow any form of corruption, which encompasses dishonest business practices such as conflict of interest, acceptance of gifts or improper use of insider information. We believe that the prevention of corruption is vital to safeguard the interests of our stakeholders and our reputation. The employee code of conduct is included in the Group's handbook, together with terms and conditions that directs an employee on issues like conduct and discipline, outside employment, confidentiality, intellectual property and others. Employees are required to adhere to these corporate policies:

- Anti-Corruption policy
- Anti-Money Laundering policy
- Whistle-blowing policy
- Policy on black-out periods

All new hires are required to go through a mandatory induction programme where they are sensitized to our code of conduct, policies and procedures. Our

whistleblowing policy aims to encourage responsible and secure reporting of any incident of violation or suspected violation of code of conduct such as unethical or illegal practices in good faith. In case of any such incident, one is encouraged to report to Departmental Manager, HR Manager and the Management. In case of any dissatisfaction, one can even reach out to Executive Deputy Chairman (EDC) or Audit Committee Chairman (ACC). We have regular checks on our suppliers and business partners for anti-money laundering and highlight any other unethical practices. We are pleased to report that there were no incidents of corruption and aim to maintain zero corruption incidents for FY2018.

*Ensuring environmental compliance*

The building and construction industry is heavily regulated. Environmental laws and regulations are present to manage externalities such as air pollution, noise and waste water discharge. Compliance with relevant environmental laws is the baseline to meet stakeholders’ expectations and maintain the license to operate. In Heeton, we conduct our business in an environmentally responsible way.

Our properties are subjected to multiple environmental laws and regulations, such as the Environmental Protection and Management Act and the Energy Conservation Act. We actively identify and manage our environmental regulatory risks. In addition, we are kept abreast of developments in environmental law and related legislative updates.

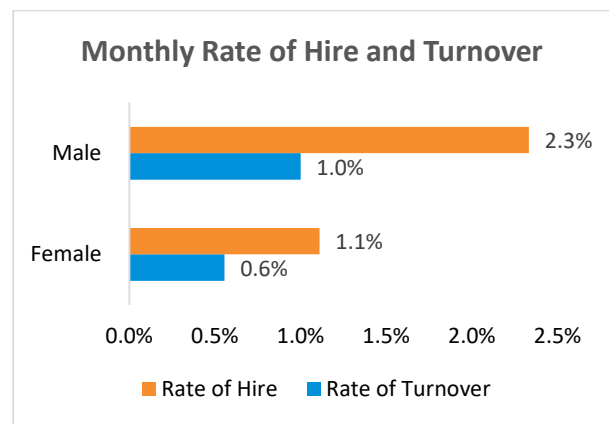
In our property development, we target for minimum compliance on applicable environmental legislation.

In FY2017, there was no incidence of non-compliance with environmental laws and regulations which resulted in significant fines or sanctions. We aspire to maintain similar standards and ensure zero environmental non-compliance for next year.

**Our People**

We take pride in our workforce. Given the rapidly changing business landscape, it is important for Heeton to recruit and retain employees with the relevant skill set and expertise.

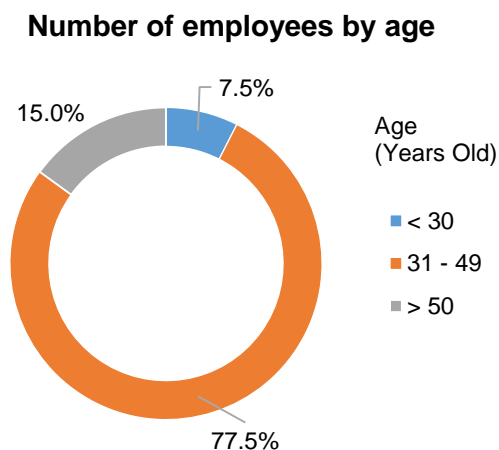
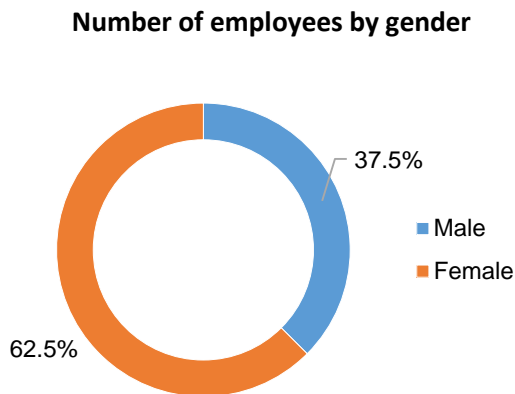
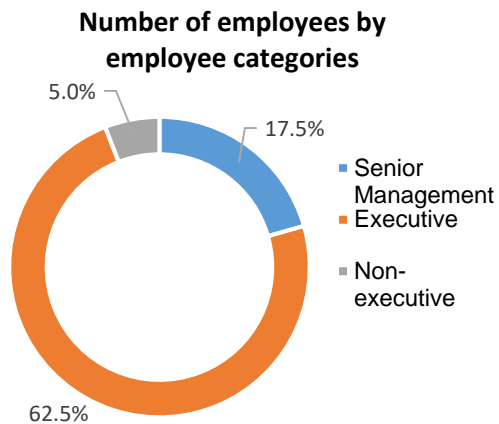
As at 31 December 2017, we had in total 40 employees. In FY2017, our average monthly new hires rate was 1.9%. The chart below shows the gender breakdown of new hires rate and turnover rate. For FY2018, we target to maintain our employee turnover rate.



*Diversifying our workforce*

Diversity in our workforce promotes creativity and different viewpoints. Heeton’s human resource policies are grounded in equal opportunities and fair employment practices. In our recruitment process, all qualified candidates will be considered without discrimination of gender, age, ethnicity, religion and national origin. Our employees are promoted based on merit and performance. We also value

the expertise of older employees and continue to employ individuals over the national retirement age.



### Valuing our employees

In recognition of contribution to the success of Heeton’s business, we reward our staff with competitive salaries in line with market standards to retain our skilled workforce. Compensation to individual employee is determined based on position, competency and performance. Furthermore, employees are entitled to a variety of benefits, such as medical care, paid annual leave and birthday leave. They can also opt for a flexible work arrangement. The Employee’s Handbook and Terms and Conditions of Employment provides employees with general guidelines about our policies, procedures and practices, terms and conditions, as well as the competitive compensation and benefits package available to them.

### Enhancing skills of our employees

In a dynamic business environment, Heeton recognises the need to continually update our employees with the skills necessary for growth. In response, Heeton adopts an active approach to learning. We support personal and professional development of our employees through training programs to empower them to reach their full potential.

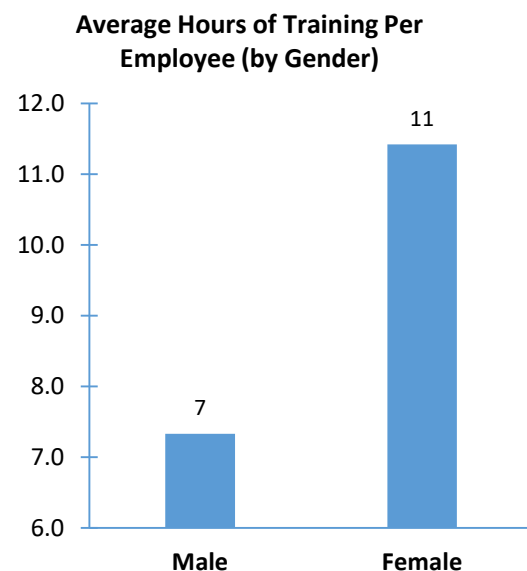
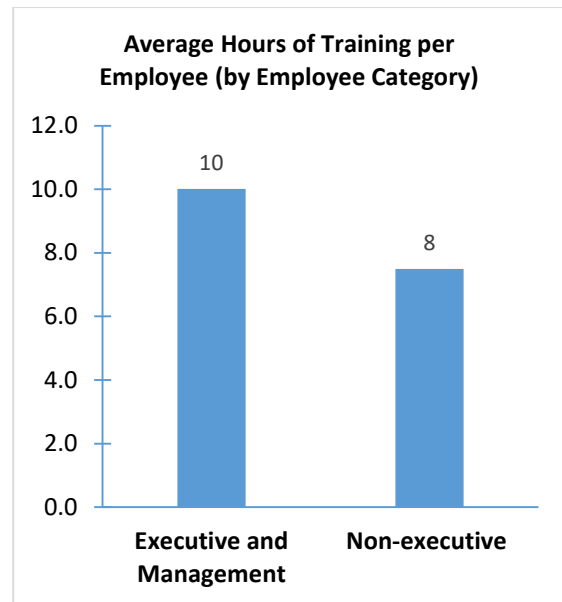
We provide a range of learning and development programmes to ensure that our employees keep up with new technologies and opportunities in real estate sector, as illustrated in the table below.



Type of Training	Programmes conducted in FY2017
Professional Training	<ul style="list-style-type: none"> <li>• Corporate Tax Obligation Seminar</li> <li>• Social Media Marketing Workshop</li> <li>• Effective Minutes Writing</li> <li>• Cost Management and Budgeting</li> <li>• Overview of the Employment Act</li> </ul>
Managerial and Leadership Training	<ul style="list-style-type: none"> <li>• Critical Thinking &amp; Analytical Skills</li> <li>• Essential Skills for New Managers Workshop</li> <li>• Negotiating for Success</li> <li>• The Management &amp; Leadership Aspects of Secretarial Administrative Practices</li> </ul>
IT Training	<ul style="list-style-type: none"> <li>• Dynamics Navision Training</li> <li>• Acrobat DC Training</li> <li>• Cybersecurity Awareness Training</li> </ul>
Safety Training	<ul style="list-style-type: none"> <li>• FSM Briefing</li> <li>• First Aid Course</li> </ul>

We also encourage our employees to take up external courses for their professional development. Our employees can apply for financial sponsorship for eligible courses and be granted up to 7 days of study leave per year.

Our Human Resources Department also tracks and monitors the training records of employee training. One-on-one training reviews are conducted with employees to analyse gaps with the objectives of the training programme. This helps us to identify new focus areas of training programs. In FY2017, we have achieved an average of 10 hours of training per employee. The chart below shows the breakdown of average training hours per gender and per employee category.



We conduct annual performance reviews to communicate employees' performance and career goals to support the professional growth of our employees. In 2017, 100% of permanent employees have received feedback on their performance and suggestions on improvement from their supervisors.

We will continue to fine-tune our training programmes to be better aligned with the learning needs of our employees by conducting a gap analysis for their skillset. In FY2018, we target to maintain the current training hours per employee

## Our Safety Practices

Heaton recognises the responsibility to provide a safe and healthy working environment for our employees, customers and all other building users. As an employer, we continuously monitor and manage the health and safety in the workplace through mitigation of safety hazards. As a landlord, we have a responsibility to ensure that our tenants and users of our properties are safe from injury when they are in our properties.

We assess the environmental safety practices to identify potential hazards on a regular basis. The risk assessment is reviewed and updated regularly to follow preventive and corrective action plan for potential incidences. We provide an open channel of communication across all levels to gather feedback on issues relating to health and safety. In addition, we aim to inculcate a culture of ownership for health and safety among employees and tenants through regular safety education and training.

Heaton has established standard safety procedures and contingency plans. As part of these procedures, our property managers have established Fire Safety Practices and conduct regular fire safety audits and drills. Equipment is inspected and upgraded whenever necessary to ensure that they are in sound working condition. The property managers also ensure timely renewal of operating permits and licenses for fire safety installations, lifts and escalators and areas of high safety risks.

Moreover, the importance of safety is emphasised during engagements with third party service providers. In our development projects, health and

safety weekly meetings are conducted by the main contractor along with Heaton's project manager to discuss on issues concerning health and safety issues. We also conduct regular site visits to ensure that our main contractor is complying with all health and safety requirements. Corrective actions are enforced for any safety concerns in the site.

In FY2017, there were no workplace fatalities reported for Heaton's employees.

Going forward, Heaton will stay committed to promoting occupational and customer health and safety. In FY2018, we aim to maintain zero work-related fatalities and maintain zero fatalities for all other building users and zero cases of non-compliance concerning customer health and safety.

## Our Environment

The real estate sector in Singapore and the world is progressively moving towards sustainable buildings, which emphasise the efficient use of resources, including energy, water and materials. Heaton seeks to stay relevant in the changing business landscape and is committed to improving environmental performance in our investment properties.

According to the Building Energy Efficiency R&D Roadmap initiated by National Climate Change Secretariat (NCCS) and National Research Foundation (NRF), buildings are responsible for around half of Singapore's electricity consumption. Heaton recognizes the importance of sustainability, the need for energy savings, energy efficiency, and adoption of rooftop solar energy initiatives in the buildings.

We promote environmental awareness among our employees and tenants by sending out e-mails on best practices to improve the environment around us.

Heeton adopts green practices to improve resource efficiency. To conserve energy used in lighting, we have installed LEDs and motion-sensor light switches in our properties. We understand our responsibility on our resource savings, and therefore, engineering team updates the management about energy and water consumption through monthly property reports. This regular tracking of our resource consumption helps to detect any irregularities in water and electricity usage in our investment properties.

In FY2017, our investment properties consumed 8,468 megawatt hours (“MWh”) of electricity. Our overall building energy intensity was 252 kilowatt hours per square meter of floor area (kWh/m<sup>2</sup>). Indirect GHG emissions<sup>2</sup> and intensity attributable to electricity consumption in our investment properties in FY2017 were approximately 3,594 tCO<sub>2</sub>e and 0.11 tCO<sub>2</sub>e/m<sup>2</sup>, respectively. The total building water consumption recorded was 87,543 m<sup>3</sup> and the water intensity was 2.60 m<sup>3</sup> per m<sup>2</sup> floor area in FY2017. We aim to maintain current energy and water intensity in FY2018.

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<sup>2</sup> GHG emissions is derived based on the latest available Singapore's Grid Emission Factors published by the Energy Market Authority.

## How We Wrote This Report

This is our first annual Sustainability Report. This report adheres to the reporting requirements of Singapore Exchange (SGX) Listing Rules Practice Note 7.6 Sustainability Reporting Guide and references the GRI Standards 2016. It covers the period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017.

This report is our endeavor to articulate our sustainability approach and transparently communicate our performance. Our report covers sustainability topics relevant to our business in line with GRI Principles of Materiality and Stakeholder Inclusiveness. Should you have any comments or feedback, please send them to [contact@heeton.com](mailto:contact@heeton.com).

### *Reporting scope and boundaries*

In defining the report scope, we have considered the level of operational control we have over the various properties as well as the significance of any resulting economic, environmental and social impacts.

In our inaugural Sustainability Report, we have decided to cover Heeton's headquarters, Property Development and Property Investment operations in Singapore only. As all our development work is outsourced to the contractors, we have covered environmental data for our Investment properties only.

Our Property Development projects include:

- 121 Collection on Whitley
- Westwood Residence
- Trio
- Onze @ Tanjong Pagar
- High Park Residence

Our Investment Properties include:

- Sun Plaza
- Tampines Mart
- The Woodgrove
- 62 Sembawang Road

All data is reported in good faith and to the best of our knowledge.

### *Identifying material ESG factors*

In line with the GRI Standards, we undertook a materiality assessment exercise, facilitated by an independent consultant. We conducted a secondary research from the sources below and interviewed internal stakeholders to arrive at shortlisted material factors relevant to the business.

- Global and local emerging sustainability trends;
- Main topics and future challenges for the real estate sector, as identified by peers;
- Sustainability reporting frameworks and relevant sector-specific guidance; and
- Insights gained from day-to-day interactions with external stakeholders

The pool of selected ESG factors were put to vote by the SC, based on their assessment of the extent of impact of these issues on Heeton's business and level of concern of external stakeholders. The aggregated inputs from SC were combined to arrive at 9 material ESG factors<sup>3</sup> for Heeton, as illustrated in the table below.

<sup>3</sup> Economic Performance was identified as the 10<sup>th</sup> material factor. Please refer to our Annual Report 2017 for details on Economic Performance (<http://www.heeton.com/wp-content/uploads/HeetonAnnualReport2017.pdf>).

ESG Aspects	Material ESG Factors	Read more in
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Environmental Compliance</li> <li>• Supplier Assessment</li> <li>• ESG Due Diligence (Joint Venture Arrangement)</li> </ul>	Our Governance
<b>Social</b>	<ul style="list-style-type: none"> <li>• Talent Retention</li> <li>• Occupational Health and Safety</li> <li>• Customer Health and Safety</li> </ul>	Our People Our Safety Practices
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> </ul>	Our Environment

### *Engaging our stakeholders*

Our investors, tenants, employees, communities, regulators, and business partners represent our key stakeholder groups. At Heeton, we recognize that effective collaboration with our key stakeholders is critical in aligning our business decisions with their expectations. Our key stakeholders, areas of focus and modes of engagements with them are summarized in the table below.

Stakeholder Group	Focus Areas	Mode of Engagement
<b>Investors</b>	Transparent reporting, sustain profitability and enhance shareholder returns	<ul style="list-style-type: none"> <li>• Timely updates on financial results and announcements</li> <li>• Press releases</li> <li>• Other relevant disclosures in SGX net and <a href="http://www.heeton.com/">http://www.heeton.com/</a></li> <li>• Annual General Meetings</li> </ul>
<b>Tenants</b>	Safety, resource efficiency, responsiveness to feedbacks	<ul style="list-style-type: none"> <li>• Regular formal or informal tenant gatherings, meetings and feedback sessions to exchange ideas</li> <li>• Established channels of communication for tenant and property-related issues</li> </ul>
<b>Employees</b>	Training, career development	<ul style="list-style-type: none"> <li>• Induction programme for new employees</li> <li>• Training &amp; development programmes</li> <li>• Career development &amp; performance appraisal</li> <li>• Recreational activities</li> </ul>
<b>Communities</b>	Contribution to communities, ethical business practices	<ul style="list-style-type: none"> <li>• CSR initiatives</li> <li>• Volunteering</li> </ul>
<b>Government &amp; Regulators</b>	Compliance, track of new regulations	<ul style="list-style-type: none"> <li>• Regular dialogue sessions</li> <li>• Membership in industry association.</li> </ul>
<b>Business Partners</b>	Procurement, timely payment, service quality	<ul style="list-style-type: none"> <li>• Regular dialogue sessions with service providers</li> </ul>