

# SUSTAINABILITY REPORT



The Group's sustainability report (the "Sustainability Report") demonstrates the Group's consideration of sustainability issues as part of its strategic formulation and business strategies. Taking into account the Environmental, Social and Governance ("ESG") factors since the acquisition of Ranken Infrastructure Limited and its subsidiaries ("Ranken") in October 2015, Sapphire began publishing its maiden Sustainability Report in FY2016. The Group will publish Sustainability Reports on a yearly basis as part of its Annual Report.

**Board Statement:** Sapphire is committed to good corporate governance and sustainable business practices that foster best practices, transparency, accountability and integrity for the long-term sustainability of our business and value creation for our stakeholders.

## SCOPE OF REPORT

The Sustainability Report focuses on addressing material ESG factors to provide readers with an accurate and meaningful overview on how sustainability issues are managed, in line with The Singapore Stock Exchange ("SGX-ST") Listing Rules 711A and 711B and the SGX-ST Sustainability Reporting Guide.

The Sustainability Report has been compiled with references mainly from Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G4) and the Third Edition of Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (Construction Industry) (中国企业社会责任报告编写指南 (CASS-CSR3.0) – 建筑业) published by the Corporate Social Responsibility Research Center of the Chinese Academy of Social Sciences.

The Sustainability Report includes all entities (excluding the associate) disclosed in the Corporate Structure on page 19 of the Annual Report. The Sustainability Report covers the fiscal period from 1 January 2018 to 31 December 2018. The information and data are reported in good faith as the Group continually strengthens its data collection processes.

The Group believes that there is still room for improvement in certain areas of its reporting. As such, this report may not have necessarily documented or provided a comprehensive list of information in relation to all efforts, procedures and practices which the Group has adopted as best practices for its business.

**OTHER BUSINESS INFORMATION**

In addition to information provided elsewhere in the Annual Report, other business information of the Group is as follows:

**ASSOCIATION MEMBERSHIP**

Ranken is a member of the below associations:

- China Civil Engineering Society (中国土木工程学会)
- China National Association of Engineering Consultants (中国工程质询协会)
- China Association of International Engineering Consultants (中国国际工程质询协会)
- Architectural Society of China (中国建筑学会)
- China Society of Explosives and Blasting (中国工程爆破协会)
- China Urban Rail Transit Association (中国城市隧道交通协会)
- China Geotechnical and Anchoring Association (中国岩土锚固工程协会)
- China Association of Railway Engineering Construction (中国铁道工程建设协会)
- China Association of Construction Enterprise Management (中国施工企业管理协会)

Certain names above have been translated into English from Chinese (in the event of any inconsistency, the Chinese name shall be used).



Ningbo Metro Line 4 – Successful tunnelling

**REVENUE**

The Group provided construction and services (design, supervision and consultancy), equipment leasing and sale of railway sleepers, during the year (see Note 22 to the Financial Statements) with percentage of revenue as follows:

	2018	2017
Construction contracts (including related interest income)	88.3%	91.2%
Rendering of services	4.4%	5.2%
Leasing and sale of equipment	0.4%	1.5%
Sale of railway sleepers	6.9%	2.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The Group's revenue was derived primarily from China with the percentage breakdown as follows (see Note 22 to the Financial Statements):

	2018	2017
China	98.1%	94.8%
Other countries (Bangladesh, India and Sri Lanka)	1.9%	5.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**ISO CERTIFICATES**

The Group recognises the importance of sustainable development issues such as product quality, environmental protection and work safety, and has obtained the following certificates of compliance from the International Organization for Standardization (ISO):

ISO Number	Description
ISO 9001: 2015	Engineering Construction Organisation Quality Management System
ISO 14001: 2015	Environmental Management System
OHSAS 18001: 2007	Occupational Health and Safety Management System

**ANTI-CORRUPTION**

The Group is committed to upholding integrity and combating corruption in all its forms. The Group requires all employees to comply with the relevant anti-corruption legislation in all markets where it operates.

There were no instances of major corruption for the Group during the year.

# SUSTAINABILITY REPORT

## SUSTAINABLE BUSINESS EXPANSION

With strong fundamental capabilities in Engineering, Procurement and Construction (“EPC”), the Group expanded its business and was awarded an EPC contract for the first phase of Chengdu, Wuhou District “Liveable River Bank” project (the “Project”) (announced in January 2019). The Project is a testament to the successful execution of the Group’s two-prong business strategy for sustainable growth.



“Liveable River Bank” project

## AWARDS

During the year, Ranken was awarded “Top 50 Private Enterprises in Wuhou District” and “Top 100 Private Enterprises in Chengdu”.



CEO Ms Wang Heng at Chengdu’s Private Economy Sustainable Development Conference

## SUSTAINABILITY TARGETS

The Group aims to align its business interests with that of its stakeholders in order to create long-term value. The Group strives to achieve high standard of sustainable business by constantly seeking improvements in daily operations, explore business opportunities which are in line with the Group’s strategy and values, investing in employees as well as new technologies.

The Group maintains a programme of ongoing stakeholder engagement and continually monitors the impact that its business activities or actions may have on the environment and communities in which it operates, and recognises the importance of healthy ecosystems and social equity.

## MATERIAL ESG FACTORS

Based on feedback gathered from stakeholders, the Group has identified certain key ESG factors:

- (i) Employees
  - Fair and standard employment
  - Training and development
  - Occupational health and safety
- (ii) Environment
- (iii) Community
- (iv) Innovation
- (v) Stakeholder Communication
- (vi) Corporate Governance (see pages 29 to 55)

This Sustainability Report, together with the Corporate Governance Report, provides details of the Group’s ESG factors and the policies, practices and performance of the business operations addressing these material ESG factors.

## SUSTAINABILITY REPORT

### EMPLOYEES

The Group firmly believes that its success comes from its continued investment in employees. The Group's sustainable development and growth depends on a steadfast strategy of hiring, retaining and nurturing qualified and experienced personnel. The Group's Human Resources strategy recognises the importance of social equity and the provision of equal opportunities in an environment that is safe and healthy for employees.



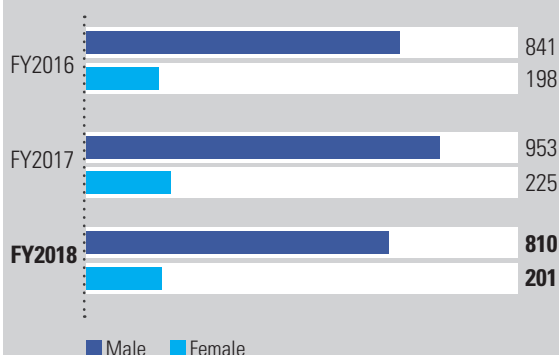
*Celebrating International Women's Day  
(三八妇女节)*

### FAIR AND STANDARD EMPLOYMENT

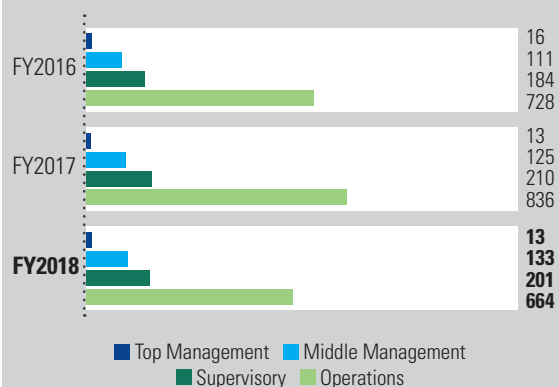
The Group practices fair hiring without prejudice, regardless of age, gender, religion and ethnicity. The Group does not and strictly forbids its labour sub-contractors to hire child labour, in accordance with the People's Republic of China's ("PRC") Labour Law and the Law on Protection of Minors (《中华人民共和国劳动法》和《中华人民共和国未成年人保护法》).

As at 31 December 2018, the Group had approximately 1,011 employees, the majority of whom are stationed in the PRC. Approximately 20% of the Group's workforce and 30% of top management is female. The Group also employs minority ethnic people and they comprise 3% of the Group's workforce. The Group provides reasonable incentives and competitive salaries. All employees are entitled to annual leave depending on their grade and there is no differentiation of pay packages between male and female employees. The Group also pays employees adequate social insurance and housing funds to protect employees' interests.

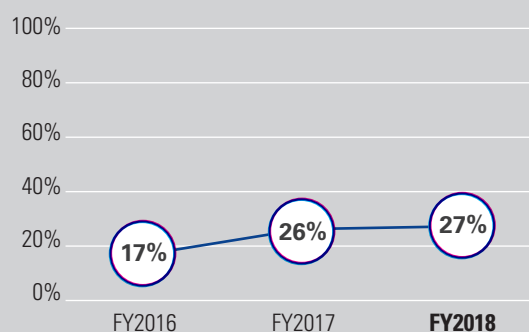
### GENDER DISTRIBUTION OF EMPLOYEES:



### EMPLOYMENT TYPE



### YEARLY TURNOVER RATE





# SUSTAINABILITY REPORT

## TRAINING AND DEVELOPMENT

The Group embraces the philosophy of investing in its people by providing comprehensive training and development opportunities that enhance professional and technical expertise, so that staff can continuously improve their skills and grow within the Group.

In 2018, the Group invested approximately RMB605,000 in training with total training hours of 11,898 hours. The Group is committed to continuously providing quality training and development programs to help employees maximise their potential. The Group also has a one-to-one mentorship policy for talent development “导师带徒”, where teachers and apprentices communicate regularly to improve the junior employees’ professional and technical knowledge and quality of work as well as guide their development.



*Visit of Southwest Jiaotong University Jiu Li Di Campus*



*Tutor's on-the-spot training for employees.*



*Visit of Southwest Jiaotong University Jiu Li Di Campus*

To improve the employees’ capability in the field of tunnel boring, the Group held several trainings on tunnel boring, including inviting Professor Qi Qixiang from the Civil Engineering College of Southwest Jiaotong University to teach the development and trend of tunnel boring, construction principles and techniques as well as management and operations such as commissioning and maintenance. The trainings include students’ on-site observation of the Group’s tunnel boring operations.

To encourage employees’ innovative spirit and to broaden their horizons, the Group organised for certain employees of the Group to visit Southwest Jiaotong University Jiu Li Di Campus, where Chinese scientists have built the world’s first prototype testing platform for an ultra-high-speed vacuum magnetic levitation (maglev) train that can travel at 1,000 kilometers per hour under ideal conditions, and the Ministry of Education’s platform for research and testing of tunnel boring engineering and technology.

Whilst the Group is result-oriented focus on the output, quality and labor efficiency, the Group follows the principle of “objectivity, fairness, openness and scientific system” “客观、公正、公开、科学” in staff appraisal. It continues to implement 360-degree performance appraisal. Job promotions and adjustments, bonuses and increments are based on the results of these evaluations.



*On-site observation at Beijing Metro Line 12*

## SUSTAINABILITY REPORT

### OCCUPATIONAL HEALTH AND SAFETY

The Group recognises the importance of occupational health and safety in its development of a competitive workforce. Due to the higher risk posed by the Group's construction-related activities, work safety management is a top priority.

The Group actively creates and promotes safe workplaces across all project sites to ensure that employees are able to perform their duties safely, as well as to minimise the risk of accidents and/or casualties. This commitment to safety not only fosters a harmonious and respectful work culture but also boosts staff morale and increases client satisfaction levels.

#### Health and Wellness

In addition to training and development, the Group believes employees' mental and physical health and wellness are of equal importance for staff retention. The Group provides regular medical and physical check-ups for employees, establishes health records, and provides special checklists for staff of different ages and positions to ensure their health and well-being.

In addition to providing certain staff with transport and telephone bills reimbursement to improve employees' daily life, the Group also provides financial assistance to workers facing major difficulties such as sickness and/or other special reasons. The Group provides paid maternity leave to its female employees.

By using green equipment and construction practices, as well as providing high-quality personal protective equipment, the effects of harmful gases, dust and noise at work sites are greatly reduced and minimise the risk of occupational health issues.

#### Work Safety Policies and Management Systems

The Group adheres to the mission of "people-oriented and safe development" "以人为本、安全发展", focusing on "safety, stability and control" "安全、稳定、可控" and an attitude of continuous improvement to its work safety management systems "安全工作只有起点，没有终点".



*Work safety month activity.*

The Group's standardised company-wide policy includes the maintenance of a comprehensive set of work safety management systems. These include procedures for operation of machinery, occupational health and safety practices, emergency rescue plans, environmental protection practices for construction projects, methods of safe explosives management, and a strict system of safety assessments and incentives.

The Group holds the Certificate for Work Safety Standardisation – 3rd Level (安全生产标准化三级企业证书) from Chengdu Province Administration of Work Safety in the PRC, demonstrating its compliance with health and safety standards. Other than on-site control, the Group has also introduced and adopted a variety of measures to eliminate the risk of accidents. These include methods such as ad-hoc work safety checks and the monthly investigation and management of major accidents (should any arise) as well as project risk identification and control.

Safety is one of the Group's highest priorities and greatest ongoing concerns. The Group adheres to the safety policy of "safety first, prevention first" (安全第一、预防为主) and is dedicated to the continuous and sustainable improvement of its work safety management systems, as well as its goal of having zero injuries.

During the year, the Group carried out various targeted activities to further inculcate work safety awareness and to promote the importance of work safety.

The Group also recognise the importance of efficient and effectiveness of responses for emergencies and organised practice drills for flood control and prevention, tunnel collapse and fire emergency rescues during the year.



*Practice drills*

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## Certificates and Awards

The Group now has 12 safety engineers registered with the Ministry of Human Resources and Social Security of the PRC and 160 full-time work safety management staff. There are three categories of construction work safety certificates (建安证) ("Work Safety Certificate") issued by the Ministry of Housing and Urban – Rural Development in the PRC, namely Category A, B and C. Of the Company's work safety management staff, 5, 57 and 98 staff hold Work Safety Certificates in Categories A, B and C, respectively.

The Group has been certified compliant with OHSAS 18001: 2007 – Occupational Health and Safety Management System for its measures to ensure employees' occupational health and safety requirements are met.

For the Group's project in Taiyuan, Shanxi, it was awarded:

- 2018 Provincial Advanced Company for Construction Work Safety (2018年度全省建筑安全生产先进单位);
- 2018 Provincial Construction Work Safety and Green Construction Model Project (2018年度全省建筑安全绿色施工示范项目);
- 2018 Provincial Construction Work Safety and Standardization Model Project (2018年全省建筑安全工程施工标准化示范项目); and
- 2018 Civilized Construction Management Winning Company (2018年度文明施工管理优胜单位)



## ENVIRONMENT

The Group is committed to sustainable environmental practices, which play a critical role in preserving, protecting and improving the environment. All employees must adhere to the Group's policy of "green construction, energy saving and emission reduction".

The Group constantly strives to improve its environmental management systems, and conveys the concept of green construction to every employee and project construction. Green Practices for Construction ("Green Construction") include energy and water conservation, minimising waste and pollution, excessive noise, construction waste management, and more.

The Group has also implemented a water recycling system, the use of electric dump trucks and electric machinery, dust removal vehicles, automatic spraying systems for vehicle entering and exiting project sites, enclosed construction site to reduce dust emission and noise, and other Green Construction equipment.

The Group has been certified compliant with ISO14001: 2015 – Environmental Management System, where measures are implemented to reduce pollutant emissions and reduce consumption of energy and resources. The Group did not commit any major violation of environmental issues during the year.

## COMMUNITY

The Group believes that corporate social responsibility goes beyond job creation and economic contribution and should also include giving back to the community. It actively organises and participates in various charitable activities and volunteer projects to support education, sports and culture, as well as elevating poverty causes.

The Group is committed to promoting education and career development and held 11 "Ranken Conferences" (中铁隆大讲堂) where the Group invited guest speakers who are professors and industry experts from Tsinghua University, Renmin University and other universities to Southwest Jiaotong University to give talks on history and current affairs affecting China and the world.

The Group continued to participate in charitable donation activities including:

- the continuing collaborative activities with various villages in the township of Baiyü County (白玉县), a county in China's far western Sichuan province which borders the Tibet Autonomous Region with a view to elevate poverty in the region;



Ranken Conference at Southwest Jiaotong University



## SUSTAINABILITY REPORT



- Visits of the elderly at Gonghe Road community 共和路社区 in Wuhou District and Shuanggui Village, Sanxing Town, Jianyang City (简阳市三星镇双桂村); and
- Participated in the organisation of mid-autumn festivity for the community and visits of elderly and needy in Dalian

### INNOVATION

The Group believes that innovation is one of the core pillars of sustainability and a key aspect of corporate growth. In 2018, the Group submitted and was awarded 9 patents for its innovation. The Group currently has 21 patents and software copyrights.

By rapidly adopting technological advancements and committing to independent innovation in all aspects of business, the Group streamlined construction processes and effectively managed all projects to final delivery in a timely fashion.

Its achievements during the year include:

- Ranken's "Application of BIM Technology in the Life Cycle of Urban Rail Transit Project" won Sichuan Science and Technology Progress Third Prize awarded by Sichuan Provincial People's Government on Science and Technology. It is evaluated that its technology including prediction of major risk based on artificial intelligence and BIM has reached international advanced level.
- Li Xiaogang and Xu Yang, employees of Ranken, were recently awarded the "Baijia(百佳)" Star Creator in Chengdu. Li Xiaogang is the inventor of 8 national patents and the author of 2 Sichuan-level work procedures and laws. Xu Yang won the award with the provision of a solution for an underwater excavation and sealing method to be applied in Beijing Metro Line 8 outside Yongding Station. Yongdingmen Outer Station is the first subway station constructed by "underwater excavation" method in China.

### STAKEHOLDER COMMUNICATION

The Group understands the need for direct and frequent stakeholder communications, which are relevant to the sustainable development of the Group.

The Group actively communicates and interacts with stakeholders during the course of daily operations to understand and address the demands and concerns of all parties. In addition to meeting stakeholders, the Group participates in conferences and exchanges with the Associations detailed above in order to contribute to different areas of the industry, as well as stay abreast of industry trends. Such communications play a key role in Group-wide decision-making processes.

During the year, the Group was diligent in disclosing its quarterly results to the financial community in Singapore, where it is listed on the SGX Mainboard. At the FY2017 AGM on 26 April 2018, the CEO Ms Wang Heng held a lengthy and meaningful discussion with shareholders.



Under water excavation



Under water excavation