

Katrina

GROUP LTD.

2018 SUSTAINABILITY REPORT



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ABOUT THIS REPORT

We are pleased to present Katrina Group Ltd's ("**Katrina's**") annual Sustainability Report, for our financial year ended 31 December 2018 ("**FY2018**"). This report is set out on a "comply or explain" basis in accordance with Catalist Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual on Continuing Listing Obligations. Katrina has chosen the Global Reporting Initiative ("**GRI**") Standards: Core Option as it is the most established international sustainability reporting standard that covers a comprehensive range of sustainability disclosures. In accordance with the GRI Standards, the report highlights the key economic, environmental, social and governance ("**EESG**") related initiatives carried out throughout a 12-month period, from 1 January to 31 December 2018.

In defining our reporting content, we applied the GRI's principles for defining report content by considering the Group's activities, impacts and substantive expectations and interests of its stakeholders. We observed a total of four principles, including materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

The EESG data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy. As in FY2017, we focus our report on our F&B business and we look forward to include our Hospitality Business in FY2019.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. You may call our office phone number at (65) 6292 4748.

BOARD STATEMENT ON SUSTAINABILITY

The key material economic, environmental, social and governance factors for Katrina have been identified and reviewed by the Chairman and the CEO. The board of directors of Katrina ("**Board**") oversees the management and monitoring of these factors and takes them into consideration in the determination of the company's strategic direction and policies. Sustainability is a part of Katrina's wider strategy to create long term value for all our stakeholders.

With the availability of EESG data, sustainability reporting has gained greater significance to investors eager to analyse more and more data. Far from being just an image building exercise today it is widely accepted that good EESG practices contribute to the overall long-term success of the company and plays an important part in the competition for investment.

Businesses must be quick to adapt to key stakeholders' concerns, closing any potential gaps and capitalizing on given opportunities. Amid today's rapid business environment, the Board is fully committed in supporting the management in upholding governance and sustainability practices to achieve long-term success and value for its stakeholders.

27 May 2019

SUSTAINABILITY APPROACH

OUR SUSTAINABILITY APPROACH



STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material aspects relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, customers, suppliers, employees, investors, and regulators. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

The table below sets out our engagement with our stakeholders:

Stakeholders	Engagement Platforms	Frequency of Engagement	Key Concerns Raised
Employees	Open dialogues among teams Induction and orientation program Comprehensive training Staff appraisal	Adhoc Weekly Monthly Bi-Annually	Health and safety Wage and hiring Training and development Work-life balance Incentives and benefits
Customers	Hotline Email queries Customer feedback and survey Social media campaigns Advertisements, marketing or product launch events	Phone calls and e-mails	Quality of service
Suppliers and Service Providers	Positive relationship management through communication and mutual understanding so that expectations (i.e timely delivery of goods, prompt payment cycles) are properly communicated and understood on both ends. Annual review and feedback sessions.	Regular meetings, phone calls and e-mails	Product and service quality
Investors / Shareholders	Annual Report Annual General Meeting Investor meetings Results briefings Corporate Announcements / Press releases	Annually Annually Annually or when needed Half-yearly When needed	Branding Marketing initiatives
Local communities	Donations Various social events	Annually or when needed	Enticing events

Stakeholders	Engagement Platforms	Frequency of Engagement	Key Concerns Raised
Government and Regulators	Face-to-face meetings Regular reports Participation in discussions Spot checks at central kitchens and outlets Industry workshops	Annually or when needed	Maintaining good corporate governance standard

MATERIAL ASPECTS ASSESSMENT

We conducted a materiality assessment during the year internally. Going forward, materiality review will be conducted every year, incorporating inputs from the stakeholder engagements.

Senior management together with the external consultant identified and prioritised material aspects through internal workshops, peer review and social impact assessments at site level. In addition, we assessed its potential impact on the economy, environment and society and the influence on the stakeholders. Applying the guidance from GRI, we have identified the following material aspects:



Economic

Economic performance

Anti-corruption



Environmental

Effluents and waste

Supplier environmental assessment

Environmental compliance



Social

Employment

Diversity and equal opportunity

Occupational health and safety

Customer health and safety

Local communities



Governance

Corporate Governance

Business Ethics and Compliance

Enterprise Risk management

ECONOMIC

ECONOMIC PERFORMANCE

Here at Katrina, we are committed to grow our customers and exceed our customers' expectations and provide them with delicious traditional food in delectable surroundings. For detailed financial results, please refer to the following sections in our Annual Report 2018:

- Financial Review, pages 9 - 10
- Financial Statements, pages 62 - 127

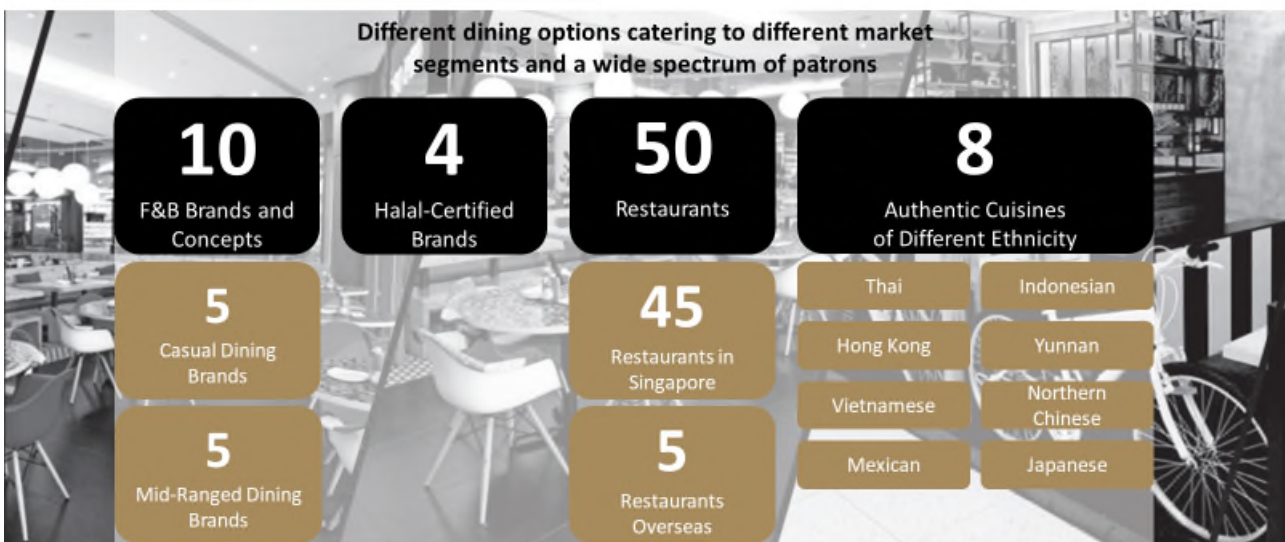
Our goal is to be the leading F&B company offering customers a great dining experience by delivering quality food and exceptional services.

MARKET PRESENCE

Katrina aims to meet consumer trends and allows its customers to enjoy a wide range of cuisines. Katrina is an operator of chains of restaurants and cafes under different F&B brands and concepts. Our Group owns and operates restaurants under ten different F&B brands that are developed or managed and owned by us.

Each of our brands serves authentic cuisines of different ethnicity, namely Hong Kong, Indonesian, Japanese, Mexican, Northern Chinese, Thai, Vietnamese, and Yunan Chinese. In addition, each brand is accompanied by tailored décor and designs in our restaurants and cafes to provide patrons with comfortable ambience.

OUR F&B BUSINESS



*Figures as at 31 March 2019

The Group is actively exploring opportunities to grow its business through acquisitions, joint ventures, franchising and strategic alliances with parties who can help to strengthen its brands and expand its market share in the region, to support its growth with lower investment risks.

Please refer to pages 3 - 5 of our Annual Report 2018 for the location of the outlets in respect of each dining brand.

ANTI-CORRUPTION

Here at Katrina, we do not tolerate corruption in any form. We prohibit corruption in all forms, including extortion and bribery. This has been made clear to all of our employees, our suppliers and our business partners. Our whistleblowing policy provides a mechanism for employees and external parties to report concerns over alleged wrongful acts. Any report of corruption are escalated to the attention of the Chairman.

There have also been no reported incidents of corruption during the reporting period (FY2017: Nil). Our goal is to maintain zero incidents of corruption. We will regularly review policies on whistleblowing and anti-corruption.

ENVIRONMENT

EFFLUENTS AND WASTE

OIL WASTE MANAGEMENT

Singapore's solid waste output has increased significantly over the years. The amount of waste sent for disposal rose from 1,260 tonnes per day in 1970 to 8,443 tonnes a day in FY2017. This amount would continue to rise at an unsustainable rate without efforts made in recycling. We are environmentally friendly and dispose of our used cooking oil via an accredited used oil collector so that it can be treated before being responsibly recycled. The volume of oil waste managed through accredited oil collector amounted to 16,220 kg in FY2018 (FY2017: 15,511 kg).

Our goal is to minimise the potential impact of our operations on the environment by putting in place proper processes for waste reduction and waste management.

SUPPLIER ENVIRONMENTAL ASSESSMENT

Katrina performs regular vendor evaluation on existing suppliers to assess the following criteria: Timeliness of deliveries, quality of products upon delivery, competitiveness of price, quality of service provided, competitiveness of terms and conditions, credit ratings, reputation of the company, specifications of products to products delivered, expertise of sales staff, and after sales services. All our vendors were judged to be satisfactory in all criteria.

We will make sure that all new suppliers will be screened and selected with taking into consideration of environmental criteria.

ENVIRONMENTAL COMPLIANCE

Katrina complies with Majlis Ugama Islam Singapura (MUIS) also known as the Islamic Religious Council of Singapore, National Environment Agency (NEA) and Singapore Police Force (SPF) compliance regulations.

In FY2018, Katrina had only ten visits (FY2017: nine visits) from the NEA for our forty-five restaurants and there was no significant warnings or incidents.

We aim to maintain zero incidents of non-compliance with environmental laws and regulations.

SOCIAL

EMPLOYMENT

Here at Katrina, our employees are the drivers of our business and we believe in creating a respectful, rewarding and safe working environment for all our people. We support and respect the protection of internationally proclaimed human rights.

We respect human rights, support the elimination of all forms of forced and compulsory labour, especially child labour, and do not tolerate any discrimination in respect of employment and occupation.

Katrina believes in employee training and continual career development. Staff attend internal and external workshops together with extensive on-the-job-training. A total of 83,583 employee-hours were invested in training in FY2018 (FY2017: 118,000 employee hours).

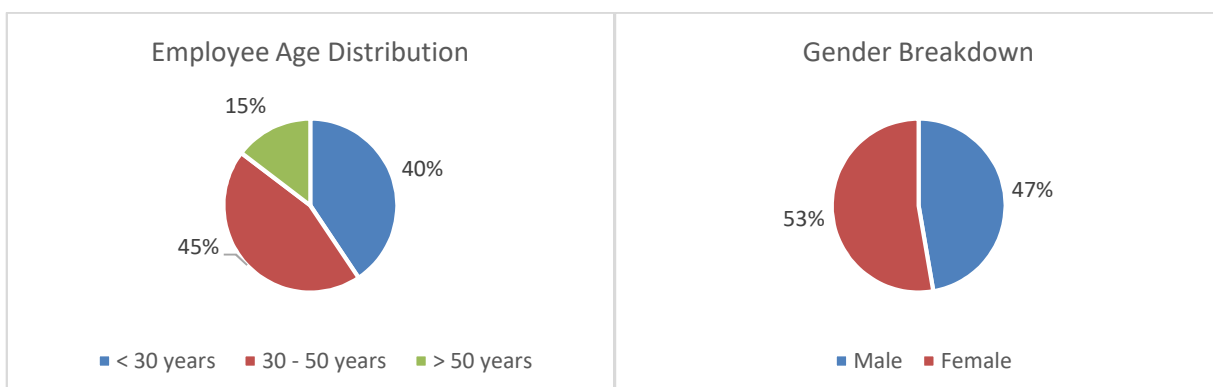
The company provides competitive remuneration based on merit to all our employees. Our employees are not covered by collective bargaining agreements, but are given the right to exercise freedom of association. Employees are given a minimum of one month's notice prior to any implementation of significant operational changes that could substantially affect them.

We at Katrina pride ourselves in offering a stable and secure working environment. About 13.3% (FY2017: 11.7%) of our employees have been with Katrina for at least 5 years.

We aim to maintain zero incidents of non-compliance of manpower related rules and regulations, as well as complaints.

DIVERSITY AND INCLUSION

A diverse workforce is an asset in today's ever-changing global marketplace. We cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are highly motivated, engaged and connected.



In light of our aging workforce, we look to attract the younger generation by reaching out to vocational educational establishments with internship programmes, sponsorships, and providing more career advancement opportunities. Katrina also adheres to the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) guidelines on re-employment of older employees. We have signed the TAFEP Pledge of Fair Employment Practices to adopt the 5 principles of fair employment practices on 5 July 2018. Although the current statutory retirement age is 62, eligible employees will be offered a re-employment contract on a yearly renewable basis, up to age 65 and up to age 67 with effect from 1 July 2017.

A periodic employee engagement survey is conducted to determine the level of employee satisfaction and gather feedback. Employees' inputs are taken into consideration for the formulation of human resource practices and programmes such as Corporate Social Responsibility (CSR) or Workplace Health Promotion (WHP) activities.

Throughout the year, Katrina holds a range of activities to foster team-building such as Futsal, MacRitchie National Reserve and Tree Top Walk, Basketball Tournament, Dinner & Dance and visit to the Nursing Home.

We aim to maintain zero incidents of complaint on discrimination.



OCCUPATIONAL HEALTH AND SAFETY

We are also committed to safeguard our employees' health and safety against any potential workplace hazards. The focus on health and safety is important for Katrina to achieve world-class performance. It is a basic need for our workers to work in a safe environment, it also provides attainment of our employees' wellness, our productivity increases, and our best is given to our customers. We implement job safety guidelines and procedures to conduct, we are committed to provide a hazard-free workplace to ensure the wellbeing of both our employees and environment.

Katrina employs a variety of measures to ensure the health and safety of all our staff. We start with a methodological documentation of key occupational health and safety issues on an employee level, we listen to all our employees' safety concerns and suggestions. The company conducts regular safety checks and enforces key relevant health and safety rules. Our employees are trained to be safety conscious and key potential hazards in the workplace are identified.

Our new employees undergo the required safety training and drills to familiarize themselves with the operation of the machinery and equipment as well as the safety precautions and procedures.

We encountered 21 minor work injury incidents in FY2018 (FY2017: 17 incidents). We will continue to stress workplace safety at all times and aim to lower the accident frequency rate in the upcoming years.

CUSTOMER HEALTH AND SAFETY

FOOD SAFETY & HYGIENE

Food safety and hygiene is of utmost importance in our commitment to deliver quality products and services to our customers. We work with our partners from procurement, warehouse and logistics, quality assurance, and operations, to achieve this objective.

Staff attend both internal and external workshops together with extensive on-the-job-training on a range of areas on food safety and hygiene.

NEA had issued demerit points and imposed composition fines to two of our outlets for failure to keep licensed premises clean in FY2018. We had resolved and there were no other findings. We aim to maintain zero rate of non-compliance of food safety and hygiene rules and regulations, as well as food safety incidents.

FOOD & SERVICE LABELLING

Katrina complies with all food and service labelling stipulated by NEA. We aim to maintain zero rate of non-compliance with NEA.

CUSTOMER SATISFACTION

Katrina has engaged Mobikon, a Singapore-based marketing and customer engagement platform for restaurants, to obtain real-time feedback from customers on customer satisfaction to encourage a build-up of loyal customers. On average, all outlets across the different brands, the rating given by customers are above 4.6 on a scale of 1-5.

Our staff have also won the Excellent Service Awards (Retail) by the Singapore Retailers Association from 2011 to 2018. This is an annual national award that recognises individuals who have delivered quality service. It seeks to develop service models for others to emulate and to create service champions. In FY2018, we have 21 staff receiving Gold, 17 staff receiving Silver, and 16 staff receiving Star (2017: 29 staff receiving Silver, 16 staff receiving Gold and 9 staff receiving Star).

In addition Katrina has been awarded the BCA Green Mark Certification for one restaurant outlet in 2018, the Excellent Service Award 2016 to 2018, Top Influential Brands Award 2017, Certificate of Excellence 2016, Singapore's Top Restaurant Award 2015, Singapore Health Bronze Award 2014, Marketing Magazine – Marketing Excellence Award 2013 which recognises marketing excellence, Enterprise 50 Award 2012 & 2010 and Singapore service Star Award 2011.

The Singapore Health (Helping Employees Achieve Life-Time Health) recognises companies with outstanding workplace health promotion practices. The Enterprise 50 Award, first established in 1995, recognises local, privately-held companies who have contributed to economic development in Singapore and abroad.

Katrina have started implementation and still progressing with the upgrading of its Enterprise Resource Planning and Point-Of-Sales systems to improve customer experience and increase staff proficiency and productivity while lowering costs in the long run.

We aim to maintain or improve our overall customer satisfaction score in FY2019.

ASSOCIATIONS

Our director, Mr Alan Goh, Executive Chairman of the Board, Chief Executive Officer of the Company, is an EXCO member of Restaurant Association of Singapore.

SOCIOECONOMIC COMPLIANCE

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. Katrina is committed to conduct the business with integrity and to safeguard the interest of all our stakeholders, both internal and external. There were no significant fines or non-monetary sanctions for non-compliance with laws and regulations over the past year.

Our objective is to maintain zero incidents of non-compliance with applicable laws and regulations.

LOCAL COMMUNITIES

CSR ACTIVITIES

Over the years, Katrina has engaged in CSR efforts in a number of ways, seeking to touch the lives of many through its CSR efforts and bringing the community at large together in the common quest for a better tomorrow. We aim to promote harmonious development of the society by actively participating in public welfare undertakings and continually looking at ways to make contributions to the environment.

Metta School Charity Program

The Group participated in a charity program, "Care for Community Scheme" in which Katrina's restaurants became the training grounds for students from Metta School to experience real-life on-the-job training. The program provided Metta students with appropriate vocational knowledge and skills which they can put to great use in future. The Group takes great pride in being able to support this special program and remains confident that it will make a real difference to the lives of these students.

Yew Tee Nursing Home

As an established Food & Beverage Group, we have a unique opportunity to play an active role in the communities we serve and support good causes. On 10 December 2018, the Group participated in a fun-filled Christmas party with the residents of the Yew Tee Nursing home organized by the Methodist Welfare Services. The visit was an enriching and rewarding experience for the residents and our employees. It allowed our employees to develop an attitude to gratitude and build stronger relationships together.



Crest Secondary School

The Group participated in the school's "Industrial Experiential Program" in which 4 Katrina's restaurants became the training grounds for students from Crest Secondary School to experience real-life on-the-job training for 3 weeks.

International Seakeepers Society, Asia

During the year, we sponsored S\$10,000 to the SeaKeepers Asia Awards Dinner 2018. The International Seakeepers Society, Asia, is a non-profit organisation which supports marine science and conservation by utilizing yachts as platforms for marine research, educational outreach, and to deploy oceanographic instruments.

SHINE Children and Youth Services

During the year, we sponsored S\$10,000 to SHINE Charity Golf 2018. This annual tournament aimed to raise funds to support positively in the development of its children and youth into competent, confident and young people of exemplary character.

GOVERNANCE

CORPORATE GOVERNANCE

At Katrina, we believe that strong governance is the key to a sustainable business. Throughout FY2018, we continue to comply with the Code of Corporate Governance. Please refer to pages 16 to 61 of our Annual Report 2018 on more details of Katrina Group corporate governance practices.

It is a continual challenge to successfully manage the environmental and social issues. Katrina has incorporated this into our business model and implemented sustainable and responsible practices in the company. Our products and services meet what we believe are key requirements demanded by our customers and the regulatory bodies. We meet key environmental and safety standards that are expected of us.

Katrina pays strict attention to enforce good labour practices in all our operations. The company provides many training opportunities for continued employee development and this is reflected in the quality and delivery of our products and services. We value our relationships with our clients and the wider community in which we operate and these relationships have helped us through challenging times in the past. Katrina strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and its value to our stakeholders.

BUSINESS ETHICS AND COMPLIANCE

When it comes to hiring, we seriously take any possibility of conflict of interest into consideration. Our code of conduct clearly spells out Katrina's expectations from our staff and consequences if any of the rules are violated or standards not met. In addition we also have clear and fair grievance procedures.

Business ethics are communicated to all our heads of business units regularly and they are fully aware that compliance with rules and regulations is a key part of running a responsible business. The company regularly updates key staff with development in international and local regulations. Katrina fully complies with key environmental rules and regulations, anti-competitive behaviour laws and key requirements on health and safety.

Cyber security and data privacy are important not just for compliance, but in safeguarding both our data and that of our customers. Katrina takes measures to guard against cyber risks for both our internal and external stakeholders by complying with the Personal Data Protection Act Policy. This policy also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised persons senior management on a need-to-know basis.

For the 2018 financial year, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations. There have also been no reported incidents of corruption during the reporting period.

Our target is to ensure all allegation received, if any, are promptly addressed and aim towards maintaining zero incidents of non-compliance with governance-related laws and regulations.

ENTERPRISE RISK MANAGEMENT (ERM)

The Board recognises the importance of maintaining a sound system of risk management and internal control to safeguard the shareholders' interests and the Group's assets, and to manage risks. The Company manages risks under an overall strategy determined by the Board and supported by the various Board Committees. The Board and various Board committees oversee and ensure that such a system is appropriately implemented and monitored. The risk management and internal control processes framework are intended to provide reasonable but not absolute assurance against material misstatements or loss, to safeguard assets and maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks. For detailed disclosure on our risk management, please refer to pages 40 to 42 of our Annual Report FY2018.

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