

Sustainability Report – Challenger Technologies Limited

1. Board’s Statement

We affirm our commitment to sustainability with the publication of our maiden sustainability report (“Report”) guided by the Global Reporting Initiative (“GRI”) Standards: Core option. For this 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 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. Reporting Framework

In preparing this sustainability report, we were guided by the Global Reporting Initiative (“GRI”) Standards: Core option.

3. Reporting Period and Scope

This Report is applicable for our financial year from 1 January to 31 December 2017 (“FY2017”). A sustainability report will be published annually thereafter in accordance with our SR Policy.

This Report covers the key operating entities within the Group which contributed more than 90% of the Group’s total revenue for the reporting period.

4. 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: ir@challenger.sg.

5. Stakeholder Engagement

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise community, 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 our operations.

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel
1	Community	We have introduced various initiatives to promote environmental sustainability by encouraging energy conservation, recycling and waste management through daily green efforts in local communities.
2	Customer	Customers are encouraged to provide their feedback through channels such as Company’s website, social media and call-in or walk-in. Feedback obtained is reviewed and relevant follow-up actions are taken to improve customer satisfaction.
3	Employee	Senior management holds regular communication sessions with employees for effective flow of information and alignment of business goals across all levels of workforce. Channels used include emails, online feedback and regular staff evaluation sessions where employees can pose questions in person.

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S/N	Key stakeholder	Engagement channel
4	Regulator	We participate in consultations and briefing organised by key regulatory bodies such as Singapore Stock Exchange so as to furnish feedback on proposed regulatory changes that may impact the company's business and operations.
5	Shareholder	We convey timely, full and credible information to shareholders through announcement on SGXNET, Company's website (http://www.challengerasia.com), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
6	Supplier	We work closely with suppliers to ensure smooth delivery of products. In general, new suppliers are screened in accordance with the purchasing policies and existing suppliers are assessed by respective work teams based on specified criteria. The feedback is furnished regularly by the Merchandising Department to suppliers to ensure standards of products or services delivered.

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

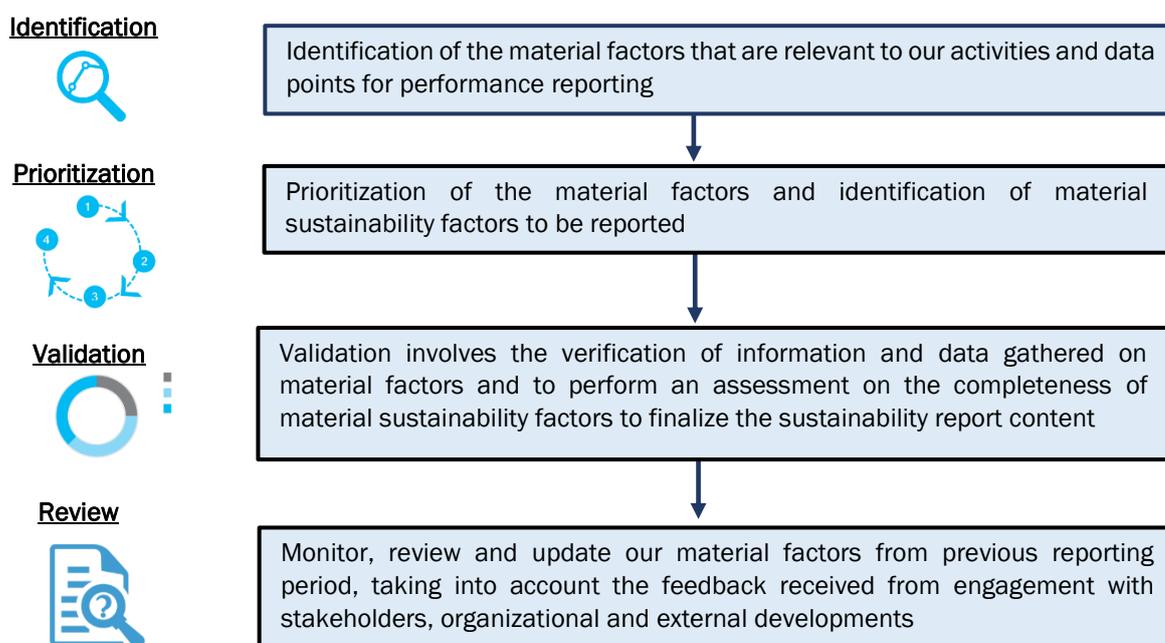
6. Policy, Practice and Performance Reporting

6.1 Reporting Structure

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

6.2 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 result of this process is a list of material factors disclosed in this Report. Processes involved are as shown in the chart below:



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6.3 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 are reported on in details.
II	Medium	Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material.

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

7 Material Factors

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

Presented below is a list of material sustainability factors and material factor matrix applicable to our Group:

List of material sustainability factors

S/N	Sustainability factor		Reporting priority	Key stakeholder
	Type	Topic		
1	Environmental	Energy conservation	II	Community, shareholder
2	Environmental	Optimal waste management	II	Community, customer, shareholder
3	Social	Equality and diversity in the workplace	II	Employee
4	Social	Commitment to quality and product safety practices	II	Customer
5	Governance	Robust corporate governance framework	II	Regulator, shareholder

Material factor matrix

		Business impact		
		Low	Medium	High
Stakeholder's concern	High	SR2: Optimal waste management		
	Medium		SR1: Energy conservation SR3: Equality and diversity in the workplace SR4: Commitment to quality and product safety services SR5: Robust corporate governance framework	
	Low			

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 material sustainability factor are presented as follows:

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7.1 Energy Conservation

We are committed to responsible usage of energy resources that results in lesser carbon emissions and thus helps to preserve the environment in which we operate in and also reduces our costs, thus enhances returns to shareholders.

To run our operations, we rely on electricity for lighting, office and cooling. During the reporting period, the annual electricity use for our office premises and retail stores is 9.9 kWh per square foot.

Electricity conservation initiatives adopted by us include the following:

- 100% of our retail stores optimize electricity efficiency through the use of high-efficiency lighting.
- Electricity consumption trends in retail stores are regularly reviewed. Corrective actions are taken when unusual consumption patterns are observed.

7.2 Optimal Waste Management

We are committed to manage and minimize the impact of our retail operations on the environment through reducing waste generated from the sale of products.

Key initiatives in waste minimisation and efficient material use include the following:

Adopt environmentally friendly packaging design for Valore products

We sell both third party products and products under the house brand Valore. For Valore products, packaging optimization is a key focus of our efforts to minimize waste materials. Multiple factors related to packaging are considered when developing products for customers and they include design, material choice and carton volume. We are continuously looking for packaging options that are both cost efficient and have minimal impact on the environment, focusing on packaging designs that are thin, tight and light with biodegradable or recyclable materials.

Use environmentally friendly carrier bags

We encourage a change in customers' choice for carriers by offering them with reusable non-woven bags for retail shopping. During the reporting period, approximately 43% of carrier bags issued to customers could be reused and recycled.

Proper disposal of packaging materials and recycling of used products and fixtures

To be efficient in waste collection and disposal, we collaborate with mall operators and suppliers on various fronts as follows:

- With mall operators, packaging materials are disposed at designated dumping areas and collected by licensed collectors to enable proper treatment of waste materials.
- With printer ink cartridge suppliers, limited time promotions are organised to encourage customers to trade in their used ink cartridges and toners at selected retail stores. During the reporting period, more than 5,000 cartridges and toners were collected. The cartridges and toners were subsequently collected by the suppliers for recycling purpose.
- Used furniture and light bulbs that are still in working condition are recycled for use at other stores.

Move towards a paperless working environment

We constantly enhance our operating systems to move towards a paperless working environment. One such enhancements involves the deployment of an online portal for the purchasing process whereby only electronic version of purchasing related documents such as purchase orders and payment advices are issued.

Other measures taken to reduce paper consumption include the following:

- For the pick-up option that allows our customers to order online and pick up their purchases in store, customer could use an electronic version of authorization letter to nominate a third party to collect goods ordered on their behalf.
- For signage at the flagship stores, digital displays are adopted that reduces paper and ink consumption.

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7.3 Equality and Diversity in the Workplace

We are committed to provide a work environment for employees that fosters fairness, equity and respect for social and cultural diversity. The total number of full-time employees in the Group as at 31 December 2017 is 431

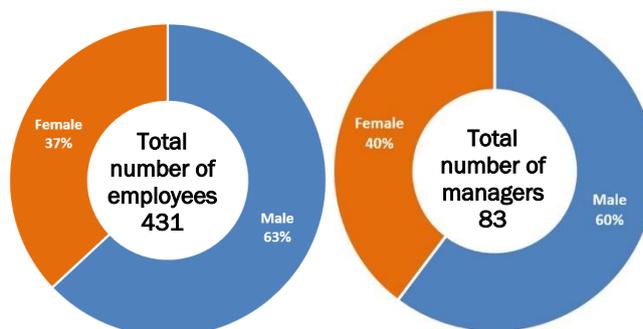
On gender diversity, we view diversity in the Board level as an essential element in supporting sustainable development and in relation to the gender diversity with 20% female representation in the Board of Directors. The percentage of female to total full-time employees and managers are 37% 40% respectively as at 31 December 2017.

On age diversity, matured workers are valued for their experience, knowledge and skills. As at 31 December 2017, 18% of the workforce is at least 40 years old.

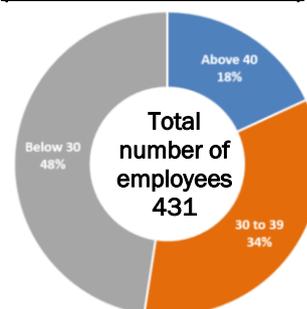
To promote equal opportunity, we established various related human resource practices as follows:

- A human resource policy is in place to select employees based on merit and competency.
- Staff recruitment advertisements do not state age, race, gender or religion preferences as requirement.

Gender Diversity
(as at 31 December 2017)



Age Diversity
(as at 31 December 2017)



7.4 Commitment to Quality and Product Safety Practices

We take potential risk to the health and safety of customers seriously as electrical products could pose a risk to health and safety of customers when sub-standard products are sold and used.

We have a strict procurement policy that requires procurement team to work closely with suppliers to ensure strict compliance with our policies. Key measures taken on this front are as follows:

- New suppliers are evaluated in accordance with the procurement policy whilst existing suppliers are assessed by respective work teams based on established criteria.
- Safety checks on products are performed by the quality control team when received. Samples selected for safety checks undergo stringent functionality checks and reliability testing.
- For products that fails the safety checks, further checks are performed internally upon supplier's completion of rectification.
- Feedback is constantly furnished by the procurement team to suppliers to make improvements. Should there be no improvements, suppliers are disqualified as appropriate.

We also ensure that products covered under the Consumer Protection (Safety Requirements) Registration Scheme (CPS Scheme) are certified with the applicable SAFETY mark before they are put on sale.

During the reporting period, there was no incident of substandard products resulting in electrical accidents.

7.5 Robust Corporate Governance Framework

We are committed to high standards of corporate governance and believes a high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interests and maximizing long-term shareholder's value.

The overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School is 62 for year 2017 which placed us within the top 25 percentile of the public companies listed that were assessed.

SGTI score of 62
Top 25 percentile of the public companies listed that were assessed

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Refer to the Corporate Governance Report of the Annual Report for details for our corporate governance practices.

8 Target Setting

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 above. Accordingly, the process of target setting is deferred till a time when adequate data is available to set reasonable targets.