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Poh Siew Beng

Designation

AC Chairman & Independent Director

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Please refer to attached Sustainability Report 2020.

Additional Details

Period Ended

31/12/2020

Attachments

[Shanghai Turbo_SR Report 2020.pdf](#)

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SUSTAINABILITY REPORT 2020

Shanghai Turbo Enterprises Limited



Figure 1. Main Building of Changzhou 3D Technological Complete Set Equipment Co., Ltd, wholly owned subsidiary of STE

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1. BOARD STATEMENT

We are pleased to present our third Sustainability Report of Shanghai Turbo Enterprises Limited (“STE” or “Group”) which covers the Group’s performance from 1 January to 31 December 2020 (*Reporting period*). This report covers all relevant materials of sustainable issues, performance and ESG factors of our group and it is prepared according to the Core Option of Global Reporting Initiative (“GRI”) Standards.

The Board of Directors (“Board”) appoints a 3-member Steering Committee consisting of the AC Chairman, the General Manager (Long Wei has resigned on 13th May 2020, Tan Juay Kiat was appointed on 13 May 2020 and left on 31 August 2020 and Gao Zhong took over since 5 November 2020) and the lead supervisor to work with the Working Committee since May 2019. In the process, the team brought out many issues for discussion and had provided pragmatic solutions.

In 2020, the board of directors worked hand in hand with the management focusing more on the production areas like enhancing machine programming, waste management, etc. Reducing our impacts on the environment has been an important part of how we run our business for many years. Over the years, besides reducing the impact on the surrounding environment through efficient waste management, recycling of scrap materials such as copper and paper, we have also raised employee awareness on critical issues in sustainable development through relevant initiatives. There is a 9% increase in energy cost in 2020 mainly due to a 37% increase in the production volume.

During the Covid-19 pandemic period, we have experienced near-term business-model disruptions and broader transition risks. The pandemic presented an unforeseen challenge to industrial operators as they face the immediate impact of plummeting demand for many products, as well as pressing needs to ensure the safety of the employees. During 1Q FY2020, in accordance with the Law of the People’s Republic of China on the Prevention and Control of Covid-19, the JiangSu province and ChangZhou City had announced on 29 January 2020 that all the factories must not resume work before 9 February 2020. The subsidiary actually resumed work on 13 February 2020. The manufacturing sites are now subjected to strict hygiene and social distancing requirements. We are fortunate that there has been no infection involving our China employees and their families throughout the year.

The 3 non-executive independent directors, Dr. Pan Penwei, Mr. Victor Goh Yeow Kiang and Mr. Joseph Liew Yoke Pheng were appointed on 6 June 2009 and they had all stepped down at the AGM held on 30 June 2020. Dr. Wong Kee Hau (Non-Independent and Non-Executive Director & NC Member) was appointed on 30 April 2019 and resigned on 16 June 2020, Mr. Huang Wooi Teik (Non-Executive Chairman and Lead Independent Director, NC Chairman, AC Member & RC Member), Mr. Loh Kai Keong (Non-executive and Independent Director, AC Chairman, NC Member & RC Member) and Mr. Lee Kiang Piaw (Non-executive and Independent Director, AC Member, NC Member & RC Member) were all appointed on 30 April 2020 and resigned on 30 June 2020. Mr. Shi Bin (Non-Executive Chairman and Lead Independent Director, NC Chairman, RC Chairman and AC Member) was appointed on 9 June 2020 and resigned on 30 September 2020.

The board now comprises 3 Non-executive and Independent Directors and 1 Non-independent director. Mr. Hong Yong (Non-Executive Chairman and Lead Independent Director, NC Chairman, RC Chairman & AC Member) was appointed on 30 September 2020, Mr. Poh Siew Beng (Non-executive and Independent Director, AC Chairman, NC Member & RC Member) was appointed on 8 July 2020, Mr. Foo Chee Meng

(Non-executive and Independent Director, AC Member, RC Member & NC Member) was appointed on 2 May 2021, together with the Dr. Daniel Liu Danjun (Non-Independent and Non-Executive Director & NC Member) who was appointed on 1 May 2016. The board will continue to monitor and maintain oversight over the process of the reporting on a quarterly basis.

The Board wishes to thank all who had participated in this SR exercise which is aimed at forging together in the challenging years ahead.

Chairman, SR Steering Committee

On behalf of the Board

2. ECONOMIC

2.1 Our Business

Shanghai Turbo Enterprises (“STE”) Limited is an investment holding company and manufactures and supplies precision vane products for steam turbine power generator manufacturers in China, Japan and South Korea. Its main subsidiary, ChangZhou 3D Technological Complete Set Equipment Company Limited (“CZ3D”) is based in ChangZhou, China and manufactures stationary and moving vanes and nozzles that are used in steam turbine generators for power generation in power plants, power stations and substations. CZ3D is also providing precision vane products related subcontracting services. The STE Group was founded in 1997 and listed on the Singapore Stock Exchange in 2006.



Figure 2. Products and specialized precision CNC machines

2.2 Financial Summary of the last five years

Income Statement	2020	2019	2018	2017	2016
Total Revenue (in SGD '000)	6,987	2,781	5,962	7,552	28,540
Gross Profit (in SGD '000)	(790)	(2,922)	(3,300)	(238)	6385
Net (Loss) / Profit (in SGD '000)	(6,020)	(10,632)	(1,981)	(32,852)	1,039
EBITDA (in SGD '000)	(5,981)	(10,730)	(1,713)	(32,864)	478
Normalized Diluted EPS (in SGD)	(0.22)	(0.39)	(0.06)	(1.20)	0.02
Payout Ratio	0.00	0.00	0.00	0.00	1.50

Income Statement	2020	2019	2018	2017	2016
Dividends (per share in SGD)	0.00	0.00	0.00	0.00	0.03

Figure 3. Financial Summary Sources: SGX official website

2.3 Our Capabilities

We are China's leading High-Technology Industrial Vane Manufacturer. To meet the high degree of dimensional accuracy required in our manufacturing process, we continually invest in cutting-edge technology. Our CNC precision machineries include Japanese-made Mori Seiki machines, Swiss-made Starragheckert 5-axis manufacturing equipment, Korean-made Daewoo vertical manufacturing machines and 10 latest models of Italy-made C.B. Ferrari precision manufacturing equipment.

China's economy was the first to be hit by the COVID-19 outbreak, the first to be locked down, and the first to begin an economic recovery. We would examine the impact of the COVID-19 crisis on China's GDP growth using a set of alternative growth indicators. 2020 was full of challenges brought about by the Covid-19 pandemic. We had devoted a lot of our resources to regain our key clients' confidence in CZ3D's capabilities. The entire sales and production processors had been enhanced with the ultimate intention to increase customer satisfaction in all areas. As such, we have been reinforcing our pool of skilled workers and sourcing new talents through on-job training.



Figure 4. Main specialized CNC machineries

2.4 Regaining The Old Ground And New Business Growth Initiatives

Diversification, Downstream and Upstream business expansion

In 2020, we strived to rebuild our existing overseas customers' confidence in us and continued to explore other new OEM products in worldwide. We had consumed a lot of new resources to establish and sustain the business opportunities. We will continue to venture into new industries and innovative products. On the other hand, we continue to focus on current precision vane product and other precision vane products at lower profit margins as these core products help to greatly cover our overhead costs.

In the next 3 years, we will maintain our core business of vane production while transforming and diversifying to become a qualified supplier of aviation blades, OEM product for medical, robotic and automotive components. Our target is to reduce our 100% reliance on income from vane products to 50% or less.

3. SUSTAINABILITY COMMITMENT AND APPROACH

We are aware of the responsibility of an organization towards its community and country in relation to sustainable ESG factors before the Singapore Stock Exchange's ("SGX") mandated for all listed entities to report their sustainability performance as most of our senior staffs had attended ESG-related talks and implemented policies according to the local compliance which could be found in this report.

In recent years, the change in the procurement method of turbine manufacturers has put OEMs like us in a disadvantage, as our profit margins are being squeezed due to fierce competitions. We do believe through the vertical expansion of our business, we can reduce both material wastages and processing time drastically. This, in turn, will increase our profit margin significantly in the long run.

During 2020, STE has adopted a sustainability framework based on the Global Reporting Initiative ("GRI") standard guidelines (Core Option) in the preparation of this report. This report is part of our annual report that is also available at STE's website at www.Shanghaiturbo.com

3.1 Participation of Key Management in formation of our sustainability strategy

A Steering Committee (3 members comprising AC Chairman, GM and the lead supervisor) and a Working Committee (5 members including deputy GM, group FC, subsidiary FM, HR manager and the lead supervisor) were formed to lead the Company's sustainability efforts and are responsible for periodical meetings with the Board to determine sustainability issues in its business decisions. Sustainability and risk management are emphasized in the evaluation of any new orders or investment opportunities. The process has identified several materiality ESG factors for STE that are reflected in our materiality matrix under material considerations.

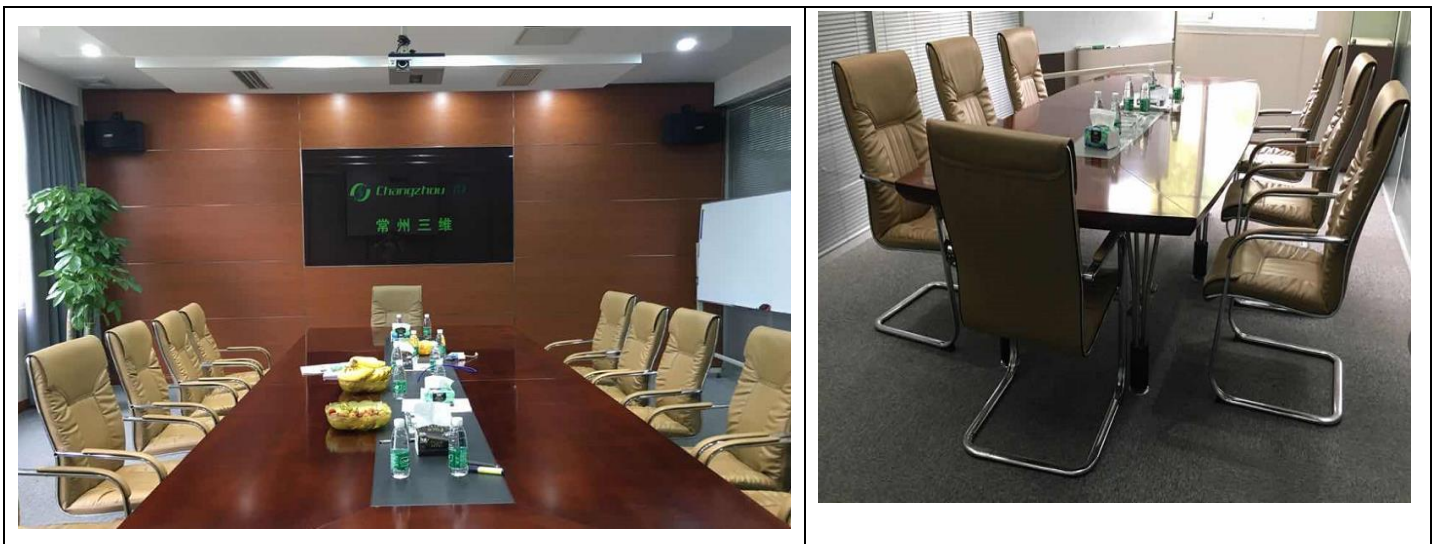


Figure 5 Two Meeting Rooms used by the Sustainability Working Committee for discussion

3.2 Materiality Identification Process

During our materiality assessment process, we have prioritized the following steps:

1. Identify and Define important issues that might impact our business strategy
2. Sort out critical factors that might affect our stakeholders
3. Prioritize selected factors and validate their severity within each business unit
4. Embed solutions in the system and monitor regularly
5. Adopt them to become our SOP or corporate culture when tested reliable

The Committees identified the specific ESG factors which are material to the Group based on their collective and respective knowledge, the industrial perspectives and the implications to our operations. Besides the regular in-house meetings on operational and financial progress, the committee members also engaged in regular dialogue sessions with the stakeholders for feedback and suggestions. For easy understanding of our stakeholders' concern, (Stakeholders include our customers, employees, investors, suppliers, community and regulators), we chart the following materiality matrix to reflect their degree of importance towards the topics during the year 2019.

3.3 Important to External & Internal Stakeholders

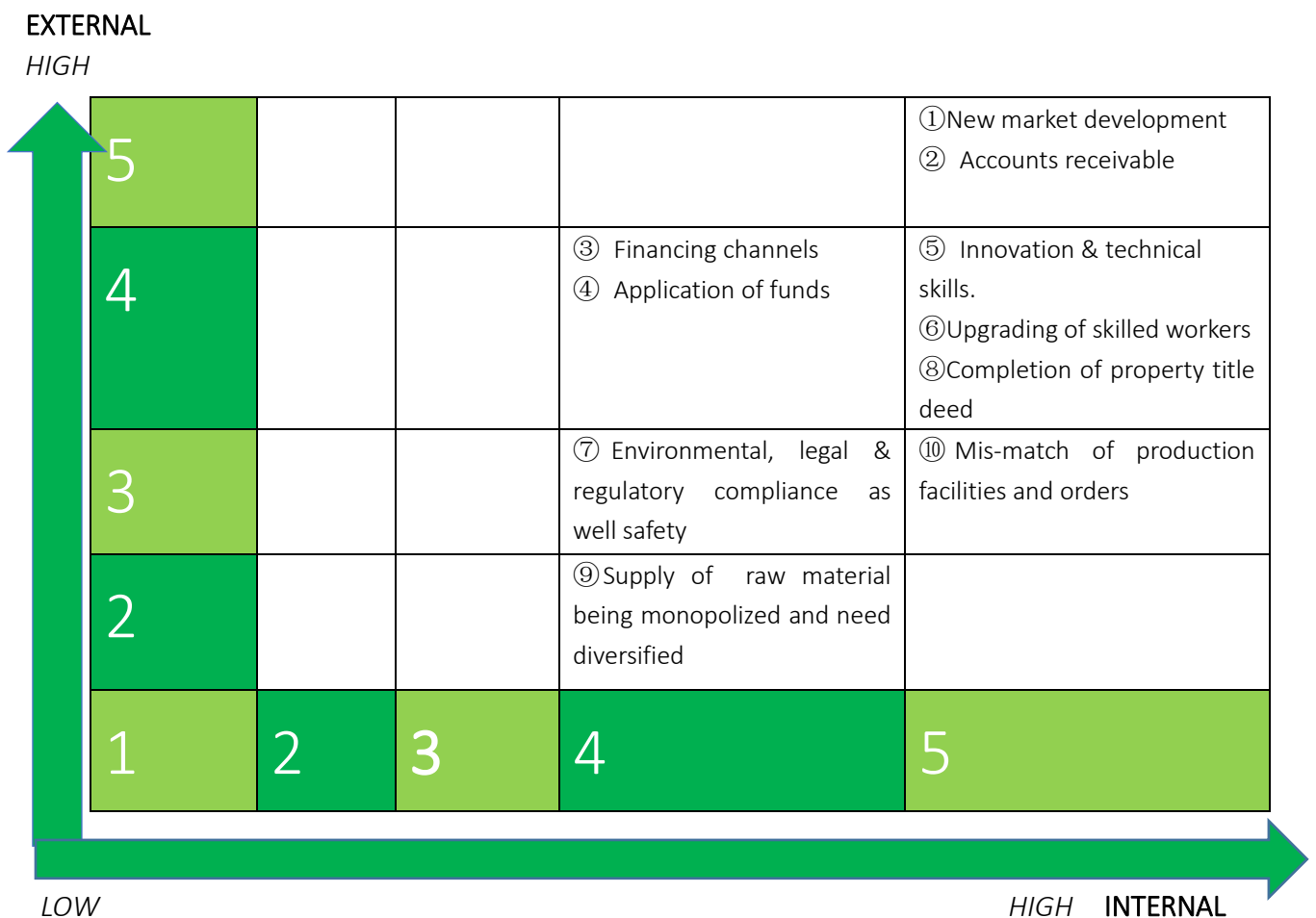


Figure 6. Materiality Assessment Matrix

3.4 Top Ten concerns of corporate issues by the senior staff

Rank	Stakeholders (Internal)	Materiality (ESG factors)
①	Sales Department	New market development while consolidating existing business
②	Sales Department	Collection of Account receivable
③	Finance Department	Exploring for more financing channels
④	Finance Department	Balanced application of fund
⑤	Technology & Skills Department	Innovation & technical skills.
⑥	Production Department	Upgrading of skilled workers
⑦	Machines & Facilities Department	Environmental, legal & regulatory compliance as well as safety
⑧	Corporate Affairs Department	Completion of property title deed
⑨	Procurement Department	Raw material being monopolized and need diversified
⑩	Production Department	Mismatch of production facilities and orders

Figure 7. Top ten concerns

To address the above concerns, several subgroups were set up to implement the policies and measures to ensure targets to be achieved in year 2020 and 2021 particularly the top three concerns.

3.5 Top six concerns of Stakeholders

Rank	Stakeholders (External)	Materiality (ESG factors)
①	Shareholders	Stability of management team
②	Customers	Stability and maintain quality of productions
③	Supplier	Assurance of prompt payment
④	Employees	Better working environment and job stability
⑤	Regulator	Compliance
⑥	Community	CSR responsibilities

Figure 8. Top six concerns by Stakeholders



3.6 Engaging the Stakeholders

The Company's sustainability objectives must always be the interest and concern of our stakeholders. We had listed out here the 6 key groups in this report.

We firmly believe that truthful and regular communication is the key to healthy stakeholder relationship. Over the years, we have engaged them via AGM, annual dinners, incentive tours, in-house training programs, annual industry convention, business talks and seminars, product exhibitions and international trade shows. Each of our business unit has always kept our stakeholders in mind in search of achieving our business excellence.

STAKEHOLDERS	KEY ISSUES/CONCERNS	ENGAGEMENT PLATFORMS
Customers	<ul style="list-style-type: none"> • High quality products finishing • Zero defect and prompt delivery • Product technology & process innovation 	<ul style="list-style-type: none"> • Regular Quality Control meetings • Training and learning sessions with expert and professional groups • Senior management meetings
Employees	<ul style="list-style-type: none"> • Employee engagement • Talent retention and attraction • Employee safety and well being • Transparency of appraisal • Corporate Culture and in-house rules • Skill training and learning subsidy • Morale and motivation 	<ul style="list-style-type: none"> • Regular staff dialogue sessions, employee council, union meetings, training sessions, weekly and quarterly seminars • Whistle-blowing policy • Incentive tour, employee council • Family days, seasonal greetings and parties • Our incentives and skill upgrading training programs are conducted regularly to ensure all levels of workers are skillful for their jobs. Our target is every worker must improve his/her skill by one grade annually.
Investors	<ul style="list-style-type: none"> • Business model relevancy • Risk management • Corporate governance • Sustainability efforts • Management Stability 	<ul style="list-style-type: none"> • Quarterly financial results announcements
Suppliers	<ul style="list-style-type: none"> • Product quality assurance • Completion of project on time • Supply chain management • Payment on time 	<ul style="list-style-type: none"> • Periodical dialogue of Code of Conduct & SOP with Suppliers • Regular review of supplier product quality and logistic support
Community	<ul style="list-style-type: none"> • CSR Policies • Leadership in the Industrial Zone • Participation in National Driven Energy saving effort • Helping the needy • Waste Disposal 	<ul style="list-style-type: none"> • Setting up a Social Networking Committee to address all issues concerned.
Regulators	<ul style="list-style-type: none"> • Compliance of SGX code of conduct and disclosures • Compliance of all regulatory requirements on National workplace safety and health. 	<ul style="list-style-type: none"> • Maintain relationships and communication channels with the relevant government agencies and regulators

MATERIAL ISSUES	PROBLEMS	SOLUTIONS	SUSTAINABLE POLICIES
Engaging our suppliers	Procurement of raw materials and cutting tools are cost sensitive. It reduces profit margin. Their quality and logistic support have to be monitored to prevent unnecessary supply shortages.	All existing suppliers had been reviewed and new suppliers are evaluated during the year. A procurement committee was set up to investigate into the disputed supplies and a system of procurement was introduced for implementation.	Continue to Inspect the raw material before production to ensure the right materials are used
Customer Satisfaction	Orders are facing great competition from new comers and open bidding system, consequently margins are under tremendous pressure. Major customers are also reviewing the suitability of their suppliers now in terms of productivity, quality, defective rates, delivery and overall management performance before they issue OEM Certification to the contractors.	Senior staffs are taking turns to visit client's office at all level to maintain good relationship as it is in China working environment. So far all clients issued OEM Certificate and agreed to place orders with the company after the disruption	Good relationship works on personal touch but more importantly on quality product delivery and upgrading of technical skills for their goods.
Upgrade of technology/design unit	Precision engineering is our business. At a cost of over RMB100 million, our advanced CNC machines, innovative technological skills and application empower the company with synergistic improvement in productivity.	Technical team to help improving their product technical aspects and work process. To work closely with their technical team for better understanding of their technical aspects and skills	To set up a core R&D team to enhance production efficiency and productivity.
Corporate Governance	Compliance with legislation as well as corporate governance, anti-corruption, risk management, environmental, safety, product, and social responsibility.	Financial announcements had kept within the required time frame. All material events are disclosed accordingly. CG relating to 16 principles are reviewed and expressed in our AR report 2018. Incorporate and bring in new IDs for better Board	Ensure compliance of all legislation & corporate governance requirements not only based on SGX rules but also Chinese company and local government rulings. A corporate service unit must continually review and enhance the

		composition & performance.	reporting system (consist of Board members & subsidiary senior management).
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4. ENVIRONMENTAL



4.1 Environmental Management System Certificate

In 2019, we were certified with *ISO 14001:2004 standard* in our production and related management activities under the scope of Turbine blades.

4.2 Electricity Consumption & Carbon Emission

Year	2020	2020	2019	2019	2020 vs 2019	2020 vs 2019
Description	Power used/KWh	Money spent/RMB	Power used/KWh	Money spent/RMB	Money spent/RMB	%
Month						
January	244,380	226,557	245,944	182,397	44,161	24%
February	244,380	174,361	245,425	179,163	-4,802	-3%
March	128,520	96,867	192,460	141,408	-44,541	-31%
April	270,930	169,136	230,903	165,041	4,095	2%
May	287,850	179,255	267,085	191,065	-11,810	-6%
June	355,710	220,698	337,565	239,687	-18,990	-8%
July	418,200	268,018	375,092	256,029	11,989	5%
August	416,190	265,567	322,386	217,723	47,844	22%
September	514,710	322,858	296,519	199,959	122,899	61%
October	412,770	260,230	239,839	175,787	84,443	48%
November	279,660	174,245	250,321	176,384	-2,139	-1%
December	324,630	202,539	323,653	226,557	-24,018	-11%
Total	3,897,930	2,560,331	3,327,190	2,351,200	209,131	9%

Figure 9. Power Consumption by month

Year	Actual Consumption (KWh)	Turnover (RMB in mil)	(KWh/RMB)
2020	3,897,930	34.27	0.1137
2019	3,327,190	14.40	0.2311
2018	4,419,997	29.85	0.1481

Figure 9A Per KWh consumption vs per yuen revenue

Year	Total direct CO ₂ or Carbon Equivalent Emissions (Metric Tons)	Total indirect CO ₂ or Carbon Equivalent Emissions (Tons)	Turnover (Revenue in Millions, RMB)	Emissions Intensity (MT/RMB' 000)
2020	N.A	1,885	34.27	0.0550
2019	N.A	792	14.40	0.0550
2018	N.A	1,642	29.85	0.0550

Figure 10. Emissions Intensity

The Revenue for the year was RMB34.27 million or RMB2.86 million per month on average. The power consumption for the same period was RMB2.56 million or 7.47% of Revenue which in line with industrial standard. In term of kilo watt per hour, it was about 3.90 million KWh for the 12-month period.

4.3 Work Place Air and Environment Certification

Our factory premises are fully air conditioned with well ventilation of air. Moreover, we conduct work place air and environment check annually to ensure the air supply is clean and healthy particularly for the workers at the polishing work site. The company conducting the check is Qing San Lv Shui (Jiangsu) Environment Detection Limited (青山绿水(江苏)环境检验检测有限公司).

4.4 Waste Management

Our waste lubricant oil from machines is managed systematically and disposed by local disposal company and we have put in place a strict transport standard operating procedure. We have signed a service contract with ChangZhou FengHua Environment Protection Company (风华环保) for a yearly disposal of waste lubricant oil estimated at 70 tons. The transporting company is ChangZhou WanTeng Transport Company (万腾运输) that is responsible for the safe transfer and risk management from CD3Z to the disposal site.

4.5 Production Safety Standardization

We are also certified on occupational health and safety assessment series (职业健康及安全体系认证) and enterprise of production safety standardization third level (machinery) 安全生产标准化三级企业(机械). We have no record of violation in relation to these regulation during the reporting year.

4.6 Supply Chain

We practise various standards in our operating process in advocating sustainable solutions. In dealing with our suppliers, we ensure that proper evaluation procedure is observed and reported in our assessment checklist which include their business conduct, labour practices, safety and health and environmental management. More than 70% of our new suppliers were screened by us with environmental criteria periodically.

4.7 Compliance is the best policy to ensuring sustainability

We are not aware of any violations of laws and regulations pertaining to the environmental aspects. We have also put in place policies and standard operating procedures to ensure environmental compliance such as

- Ensuring suppliers have obtained environmental certification (*HSPM: QC080000*)
- Workers are well informed of policies and procedures in the event of contamination
- Products are labelled with the environmental requirements
- All materials used are within the limit of environmental requirements
- Equipment used are environment friendly
- Applying precautionary principle to reduce or to avoid negative impacts on the environment

5. SOCIAL

5.1 Employee Profile

The total employee as of 31 Dec 2020 was 182. Based on job description, 3% are management, 2% finance, 1% HR, 6% administrative, 5% sales, 6% technical staff, 65% production workers, 8% quality controllers and 4% procurement. Based on age group, more than 55% are below the age of 40. Based on working experience with the company, there are 62% who have worked for the company more than 5 years, 12% between 2-4 years and 26% less than a year. There are 17% of female workers and staffs in the company.



AGE OF EMPLOYEE IN PERCENTAGE

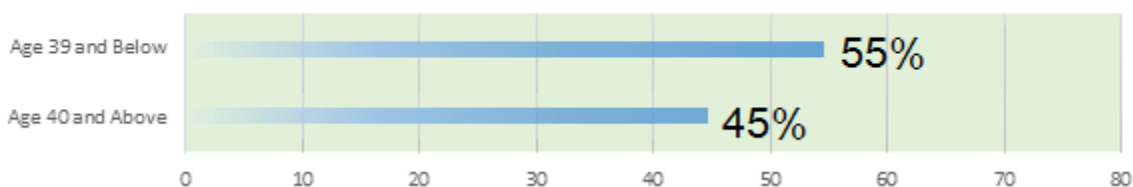


Figure 11 Age of Employee in Percentage

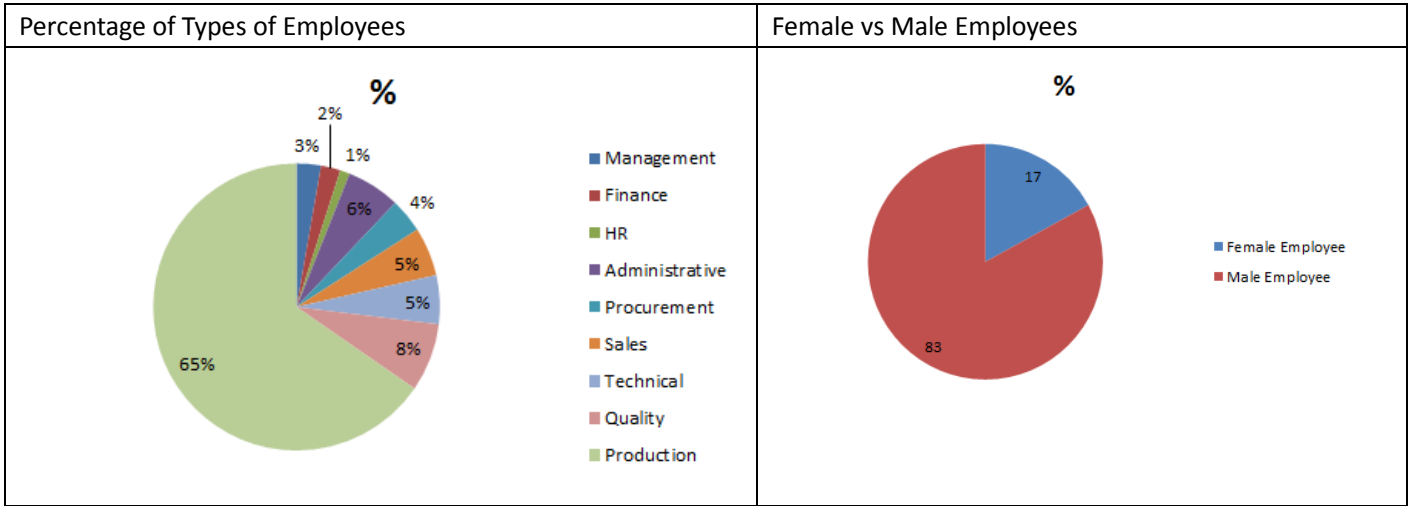


Figure 12. Types of Employee

Figure 13. Female vs Male Employee

5.2 Current Human Capital Market in Changzhou

During the year, 65 employees left the company representing 36% of staff members in 2020 due to personal reasons. The company faces more difficulty in attracting younger workers to join our traditional factory and work regime, particularly the polishing department where the air particle density is much higher. The ratio of annual total compensation of highest- paid individual to the median of total compensation for all employees is around 17 times for this reporting year.

5.3 HR Policy

During the year, the HR department had implemented several policies to enhance the benefits for the workers and staff which include contributing to their social security in 5 categories - transport allowances, seasonal greeting & gifts, annual paid leaves & free vocation, medical check-up expenses and paid medical leaves etc. For married female workers, they are eligible to apply for paid maternity leave. For recruitment effort, there were more than 10 recruitment activities during the year. Trainees are given in- house training and coaching by the seniors, internship programs are extended to schools which collaborate with us. Company maintains a relatively stable employee union since incorporation. Headed by the manager of General Affairs Department, its role is to facilitate an effective communication channel with the management and organizing activities in cohesive building and enhancing corporate cultures.

Costs austerity measures have been implemented to ensure the manpower are streamlined without compromising productivity and innovation in our product lines. More R&D and higher level technical staffs will be recruited to strengthen the core technology department in order to cope with the new non-vane businesses.



5.4 Occupational Health and Safety system series (OHSAS)

We are certified for occupational health and safety assessment series (GB/T 28001-2011/OHSAS 18001:2007 职业健康及安全体系认证) No injury or fire hazards were reported during the year. We observed all laws and regulations relating to our business such as company laws, labour contract laws, workman insurance regulations, occupational hazards prevention laws, production safety standardization laws etc. We have no knowledge of any non-compliance.

5.5 Corporate Social Responsibility (CSR)

Due to the disruption of business during the year 2017, the previous CSR program has not been continued for a while. A CSR Committee have been set up to look into the areas where the company could participate and share our human resources and financial assistance in some form.

6. CORPORATE GOVERNANCE

6.1 Anti-Corruption and Whistle Blowing



Our management has put in place an effective control system to detect bribery or fraud directly at the source. Our stakeholders can be assured that suspicions of potential breaches of Code of Ethics are taken seriously by the Company. Our whistle blowing channels are open. Our stakeholders can contact us through email or mobile number at whistleblowing@shanghaiturbo.com and 13584505373 respectively.

6.2 Quality Management System Certification (QMSC)



For many years, we were certified the QMSC (GB/T 19001-2208/ISO 9001:2008) for our business scope. In 2018 we were once again been certified by the HuaXia Certification Center Inc.,. By practicing the standards, we ensure better internal audit and control, innovation and constant improvement of daily works.

6.3 GTI Score

Our Governance Transparency Index (GTI) Score for the last five years are recorded as follow at the SGX official Website:

Prepared by Centre for Governance, Institutions and Organisations (CGIO),
NUS Business School

4 August 2020

Singapore Governance and Transparency Index 2020 - General Category						
Rank 2020	Company Name	Base Score	Adjustments for Bonuses/ Penalties	Overall SGTI 2020 Score	Overall SGTI 2019 Score	Rank 2019
521	SHANGHAI TURBO ENTERPRISES	63	-14	49	27	555

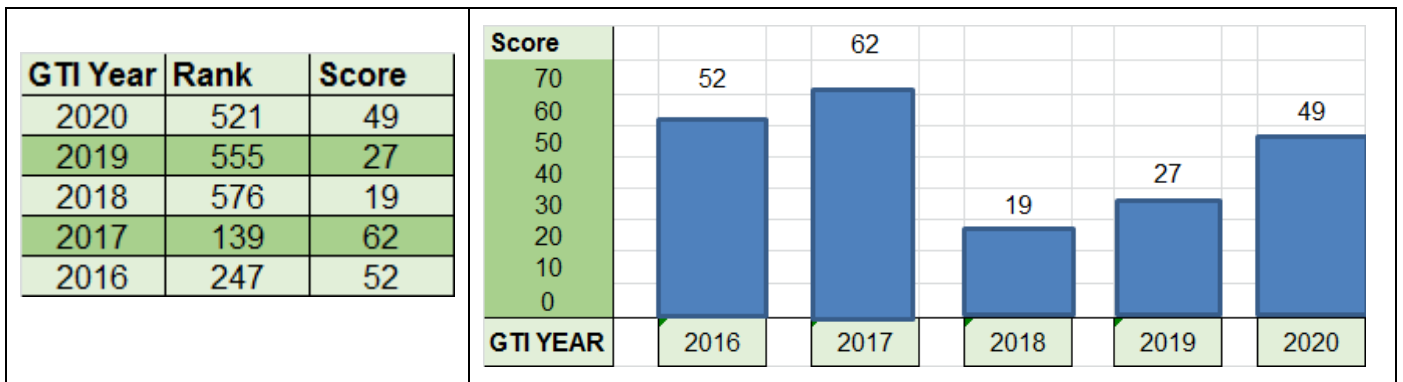


Figure 13. GTI Score over the last five years

Our GTI score had improved from 27 in 2019 to 49 in 2020.

6.4 Ethics and Integrity

Our Code of Ethics and Conduct states clearly our policies to ensure its implementation and performance. Below are some of our practices:

- ❖ We declare our No-conflict of interest policy annually
- ❖ We adhere to SGX code of conduct and the practices of prohibiting Insider Trading
- ❖ We provide comprehensive orientation training for all new employees
- ❖ We ensure conducive working environment by introducing strong Anti-harassment policy

6.5 Risk Management




We have a Enterprise Risk Management (ERM) Committee in place, reporting to the Audit committee responsible for identifying operational, compliance, financial risks aspect, impact assessment and mitigation strategy. By identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risks and rewards. This will help protect and enhance our shareholders' value.





6.6 Investor Relations

We welcome all stakeholders to approach us and support the sustainability of our business. We could be reached at our company website at www.shanghaiturbo.com or read our company latest information at www.SGX.com or actively participation in our AGM and annual events.

7. MEASURES AND TARGETS for 2021

In the coming years we will be focusing in resolving the following concerns.

Sustainability Concerns	Policies & Measures	Targets & Impacted SDG Goals
<p>Diversification for Growth and Sustainability</p>	<p>Our machines and skilled workers allow us to venture into other areas of product lines beside turbo engine vanes. Profit margin could be lower but it helps to cover some overhead cost. Also we are now working on several potential downstream businesses for acquisition and to expand our business upstream to be in a better bargaining position.</p>	<p>In the next 3 years, we will maintain our core business of vane production while transforming and diversifying to becoming a qualified supplier of aviation blades, OEM product for medical, robotic and automobile component. Our target is to transform from a 100% single vane processing structure to 50% or less.</p> 
<p>Environmental Compliance (There are five targets set for the coming year)</p>	<p>1. Work Place Air and Environment We have set up a maintenance unit to constantly monitor the air condition and discharge level on a weekly basis. Workers of certain production lines will be sent for medical check-up regularly. HR department will report to the weekly management meetings.</p> <p>2. Waste Management We review the qualification and performance of our contractors regularly and assign supervisor to monitor their disposal procedures randomly.</p> <p>3. Production Safety Standardization We are to conduct in-house training and awareness seminars with all level of workers quarterly to ensure all safety standardization requirement SOPs are fully complied.</p> <p>4. Supply Chain/Responsible Procurement To ensure raw material supplies (about 80% purchased locally in 2019) are reliable</p>	<p>To renovate the Polishing department and to improve the exhaust system by the third quarter of 2020 and in 2021.</p>  <p>Put in place a review committee in the next review and selection of contractors during 2020/2021.</p> <p>Zero accident due to high awareness of safely rules in 2020.</p>  <p>A committee consists of staff of supply, accounts &</p>

	<p>and flexible within our purchasing and supply level, we are constantly sourcing for new suppliers and reviewing their supply code of conduct.</p> <p>Also, we are implementing responsible procurement policies in the selection of construction vendors, material suppliers and project partners and monitor their ongoing performance.</p> <p>5. Energy Saving Plans</p> <p>In 2016 our power consumption was nearly RMB 5 million in which wasted energy due to poor power management and old compressors had significantly reduced our profit.</p> <p>We had replaced an old generator in 2017 and put in place an energy saving plan of controlling the switches in a reasonable level. During this reporting year the power consumption had dropped to RMB2.35 million, the reduction was partially attributed by the reduction in production volume.</p>	<p>production departments will review the suppliers during the 3rd quarter of 2020 and in 2021.</p>  <p>We will continue to ensure energy saving policy is consistent. The production unit concerned has set to reduce the energy saving in 2021. By implementing & enforcing SOPs in place, the energy cost definitely will be reduced and saved in 2021.</p> 
<p>Recruitment and Upgrading of skilled workers</p>	<p>We are working closely with the local technical and vocational schools for fresh graduates to join the company to ensure a continual supply of younger workers with better technical know-how. Better incentives are provided to workers that are willing to learn and upgrade themselves. Also, by constantly reviewing their piece rates vs the complication of the work itself to ensure workers' pay are fair and sustainable.</p>	<p>To reduce the attrition rates by 5% in the next reporting year through revived incentives scheme and loyalty bonus. We also set targets for every worker at all levels to improve his/her skill by at least one grade in 2021.</p>  
<p>Corporate Social Responsibility (CSR)</p>	<p>We have plans to promote healthy life style among the industrial zone with annual walk & jog campaign where charity contribution is a built-in element. Also we are proposing to set up a Scholarship schemes for both our staff children and for some selected schools in the long run.</p>	<p>We aim to kick start the above plan by second half of the year 2021.</p>  

GRI CONTENT INDEX



GRI Standard 2016	General Standard Disclosure	Page, Reference and reasons for omission, if applicable
Organization Profile		
102-1	Name of Organization	AR Cover Page
102-2	Activities, brands, products, and services	AR Page 1-4
102-3	Location of headquarters	AR Inner Cover Page
102-4	Location of operations	AR Inner Cover Page
102-5	Ownership and legal form	AR Page 110- 111
102-6	Markets served	SR 2.1 our business AR Page 4
102-7	Scale of the organization	SR 2.2 financial summary
102-8	Information on employees and other workers	SR 5. Social
102-9	Supply chain	SR 4.6 Supply Chain
102-10	Significant changes to the organization & its supply chain	SR 1. Board Statement 2.4 New Business and Growth Strategy
Strategy		
102-14	Statement from senior decision-maker	SR 1. Board Statement AR CEO message
102-15	Key impacts, risks, and opportunities	SR 2.4 New Business and Growth Strategy
Ethics & Integrity		
102-16	Values, principles, standards and norms of behaviour	SR 5. Social
102-17	Mechanisms for advice and concerns about ethics	SR 5. Social
Governance		
102-18	Governance structure	AR Page 8-17
102-19	Delegating authority	AR Page 18-24
102-20	Executive level responsibility on economic, environmental and social topics	SR 3.1 Participation of Key Management
102-21	Consulting stakeholders on economic, environmental, and social topics	SR 3.6 Engaging the Stakeholders
102-22	Composition of the highest governance body and its committees	AR Page 8-12
102-23	Chair of the highest governance body	AR Page 8-11
102-24	Nominating and selecting the highest governance body	AR Page 10
102-25	Conflicts of interest	SR 4.6 Ethics and Integrity
102-26	Role of highest governance body in setting purpose, values, and strategy	AR Page 18-24, 35-47
102-27	Collective knowledge of highest governance body	AR Page 8-17
102-28	Evaluating the highest governance body's performance	AR 25-34
102-29	Identifying and managing economic, environmental, and social impacts	SR 3. Sustainability Commitment and Approach
102-30	Effectiveness of risk management processes	AR Page 39 -42

102-31	Review of economic, environmental, and social topics	SR 1. Board Statement
102-32	Highest governance body's role in sustainability reporting	SR 3.1 Key management participation
102-33	Communicating critical concerns	SR 3.1
102-34	Nature and total number of critical concerns	SR 3.4 & 3.5
102-35	Remuneration policies	AR Page 36-39
102-36	Process for determining remuneration	AR Page 39-47
102-37	Stakeholders' involvement in remuneration	NA
102-38	Annual total compensation ratio	SR 5.2
102-39	Percentage increase in annual total compensation ratio	Nil
Stakeholder Engagement		
102-40	List of stakeholder groups	AR Page 110-111
102-41	Collective bargaining agreements	SR 5.3
102-42	Identifying and selecting stakeholders	SR 6.6
102-43	Approach to stakeholder engagement	SR 3.6 & 3.7
102-44	Key topics and concerns raised	SR 3.3, 3.4, 3.5
102-45	Entities included in the consolidated financial statements	AR Page 81
102-46	Defining report content and topic boundaries	SR 3. Sustainability Commitment and Approach
102-47	List of material topics	SR Page 6-8
102-48	Restatements of information	No
102-49	Changes in reporting	No
102-50	Reporting period	SR 1 Board Statement
102-51	Date of most recent report	SR 2018
102-52	Reporting cycle	annual
102-53	Contact point for questions	AR Inner Cover Page Company Secretary
102-54	Claims for reporting in accordance with the GRI standards	GRI Standard : Core Option
102-55	GRI content index	SR GRI Standard Index Page 17-19
102-56	External assurance	Nil
Management approach		
103-1	Explanation of the material topic and its boundary	SR 3. Sustainability commitment and approach Page 6-11
103-2	The management approach and its components	Ditto
103-3	Evaluation of the management approach	Ditto
Specific Standard Disclosures		
Economic		
Topic: Economic Performance		
201-1	Direct economic value generated and distributed	AR Page 48-111 Independent

		Auditor's Report
201-2	Financial implications and other risks and opportunities due to climate change	AR Page 2-5
201-3	Defined benefit plan obligations and other retirement plans	SR 5.3 HR Policy
201-4	Financial assistance received from government	AR Page 87
Topic: Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	SR 5.1
202-2	Proportion of senior management hired from the local community	SR 5.1
Topic: Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	Nil
203-2	Significant indirect economic impacts	Not significant
Topic: Procurement Practices		
204-1	Proportion of spending on local suppliers	SR 4.6 supply chain
Topic: Anti-corruption		
205-1	Operations assessed for risks related to corruption	Nil
205-2	Communication and training about anti-corruption policies and procedures.	SR 6.1 Anti-corruption page 15
205-3	Confirmed incidents of corruption and actions taken	Nil
Topic: Anti-competitive Behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Nil
Topic: Emissions		
305-2	Energy indirect (Scope 2) GHG emissions	SR 4.2 electricity consumption
Topic: Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	SR 4.6 Supply Chain
Aspect: Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	Nil

Note: STE takes a phased approach to the adoption of GRI indicators and will review the relevance of indicators marked "N/A" to its operations annually

End of SR report