



**MTQ CORPORATION LIMITED
and its subsidiaries
("MTQ" or the "Group")**

Sustainability Report 2017/2018

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STATEMENT FROM THE GROUP CEO

Dear Stakeholders,

On behalf of the Board of Directors, I am delighted to present our first inaugural sustainability report.

In recent years, MTQ has been focused on addressing the downturn. We have taken measures such as costs rationalising, improve operational efficiencies while increasing utilisation where we can, as well as strengthening our balance sheets. However, all our efforts to tide through these periods were made without compromise to the key aspects that make the businesses sustainable.

We manage our sustainability issues as an integral part of the Group's risk management and good business practices. In this report, we have identified material sustainability factors; namely economic performance, health and safety as well as regulatory compliance which are most relevant and significant to us and our stakeholders. As we present our first report, our commitment to enhance future sustainability reporting remains.

Lastly, I would like to thank all our stakeholders again for partnering us and for the support and guidance through this period.

Kuah Boon Wee
Group Chief Executive Officer

ABOUT THIS REPORT

This Sustainability Report ("SR") is MTQ's first inaugural sustainability report issued as a standalone section to our 2017/2018 Annual Report ("AR"), and covers material sustainability matters that are important to MTQ's businesses and key stakeholders. More information on MTQ's corporate governance can be found on pages 13 to 27 of the 2017/2018 Annual Report ("AR").

This report is prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and the SGX-ST Listing Rule 711(A), 711(B) and the guidance set out in the Practice Note 7.6. We have adopted the GRI for its robust regime and detailed guidance on the disclosure and also a globally recognised sustainability reporting framework. Our data is reported in good faith and to the best of our knowledge.

The Group has not obtained any independent assurance of the information being reported, but will consider it for future years. Feedback from all stakeholders is welcome and can be sent to sustainability@mtq.com.sg.

BOARD STATEMENT

The key material environmental, social and governance factors for MTQ have been identified by the management and reviewed by the Board of Directors of the Group (the "Board"). The Board oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group's

strategic direction and policies. Sustainability is a part of Company's wider strategy to create long term value for all its stakeholders.

ABOUT MTQ

MTQ Corporation Limited ("MTQ" or the "Group") specialises in engineering solutions for oilfield equipment, including repair, manufacture and rental operations, supply of oilfield equipment and tools, engineering services with a focus in subsea and topside services, as well as pipe support and pipe suspension products. Well-known for its broad experience for over 35 years and commitment to service quality, the Group is the authorised working partner for some of the world's largest OEMs in drilling equipment and is accredited to carry out manufacturing and repair works in accordance to American Petroleum Institute Standards.

SUSTAINABILITY APPROACH

Sustainability is an important part of MTQ's mission to provide our customers service quality, our employees job satisfaction and our shareholders return on their investment at a level which meets and surpasses their expectations. In striving to achieve this, MTQ adopts 4 core STAR values:

- Be **S**incere in all our intentions
- Be **T**ransparent in all that we do
- Be **A**lert to the needs of others
- Be **R**esponsible in delivering

Our core values comprise principles which employees can observe in all aspects of our business and in our dealings with customers, suppliers, contractors and other stakeholders. This approach takes a balanced holistic goal from the economic, environmental and social perspectives and aligns itself with MTQ's sustainability goals.

The Group also has a risk management framework which is based upon the underlying principles of corporate governance addressing the financial, operational, compliance and information technology risks that are material and relevant to the Group.

REPORTING PROCESS

In identifying and prioritising topics to be reported, we applied the Principle of Materiality on the topics which are relevant to the businesses of the Group, taking into consideration the significance of impacts and the availability of the reporting information required. An executive meeting attended by certain senior management of the Group and headed by the Group CEO was convened to determine the key topics. A conclusive meeting was held with the Board of Directors to finalise the key topics thereafter.

For the current period of reporting, the material topics identified are:

- Economic Performance
- Health and Safety
- Regulatory Compliance

MEMBERSHIPS, EXTERNAL CHARTERS AND CERTIFICATIONS

In its pursuit for a sustainable business development, MTQ participates in certain initiatives and have joined certain memberships. The list of memberships, external charters and certifications maintained by the subsidiaries of the Group includes:

Singapore Business Federation	International Association of Drilling
Singapore Chinese Chamber of Commerce & Industry	Contractors – South-East Asia Chapter
Association of Singapore Marine Industries	API Q1, 5CT, 6A, 7K, 8C, 16A, 16C, 7-1
Association of Small & Medium Enterprises	ISO 9001:2015
Singapore Institution of Safety Officers	ISO 14001:2015
	AS/NZS 4801:2001
	OHSAS 18001:2007
	BizSAFE Star

OUR STAKEHOLDERS

As part of our materiality assessment process, below are the groups of stakeholders identified based on their level of influence and impact in sustainability issues together with the potential impact these stakeholders can have on our activities.

Stakeholders	Mode of engagement	Key topics raised
Investors/ Shareholders	Shareholders' meetings Investor forums Corporate website	Economic performance Corporate governance Business and growth strategies
Employees	Town hall meetings Periodic safety meetings Scheduled meetings with Trade Union ¹ representatives	Outlook of the Group Employees' welfare and benefits Health and safety
Principal Bankers	Scheduled meetings	Financial health Regulatory compliance Banking matters
Regulators	Formal modes and channels of communication	Compliance with applicable rules and regulations Health and Safety reporting Employment related matters

¹ Certain employees within the Group are covered by a collective agreement with certain trade union. The collective bargaining arrangement serves to form a joint decision-making concerning working conditions, performance, rewards, re-employment and other employment related matters within the Group.

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Creating wealth for stakeholders has been the textbook ultimate goal for any organisation, and like any organisation, the levels of economic value generated and distributed (EVG&D) are fundamental for a business to sustain. For MTQ, the components of how historical EVG&D performed are summed up in the Financial Profile and Financial Review section (read together with the rest of the financial statements) found in the AR. The following tables provide a summary of EVG&D in the current reporting period based on GRI's reporting requirements.

Direct economic value generated/ Revenue by countries:

Singapore	Australia	Bahrain	United Kingdom	Others	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
33,174	50,672	13,446	12,744	1,830	111,866

Other income	1,340
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Direct economic value distributed:

Operating costs, employee wages and benefits:

Costs of sales	(94,631)
Staff costs	(19,976)
Other operating costs	(21,741)

Payments to providers of capital:

Dividends	-
Finance costs	(840)

Payments to government:

Current income tax credit	77
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Community investments

-

(137,111)

Net economic value retained/(distributed)

(23,905)

Reconciliation to Net Profit/(Loss) for the year:

Loss for the year	(30,043)
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Items in profit or loss not included in the above:

Deferred tax expense	5,171
Share of results of a joint venture company	967

Net economic value retained/(distributed)

(23,905)

Note: The above figures are compiled from the Group's audited financial statements. Please refer to the Group's AR for more information.

Defined benefit plan obligations and other retirement plans

The Group makes monthly mandatory contributions to defined benefit and contribution plans as required by the local regulations in the countries the Group operates in. In providing a retirement plan for our employees, the Group relies on its general resources to fulfil its obligations. The Group's obligations and liabilities have been recognised within Accrual for Staff-related Costs within Trade and Other Payables in the balance sheets. Contribution rates for employers and employees depend on the schemes in the jurisdictions where our companies are set up such as Central Provident Fund in Singapore, Superannuation in Australia and General Organisation for Social Insurance in Kingdom of Bahrain.

Financial assistance received from governments

The Group receives assistance from governments in terms of financial and non-financial initiatives. Financial assistance received from governments in FY2017/2018 was in the forms of investments grants, subsidies as well as tax deductions. These benefits aided the Group in some aspects towards building a sustainable business. Some initiatives taken by the Group with some help of financial assistance from governments includes rehiring experienced older and retired workers, developing and training employees, and increasing wages of employees to help them keep up with inflation despite the downturn. Total government grants received during the reporting period was S\$446,000.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety management system

Hazard identification, risk assessment, and incident investigation

Health and safety is of utmost importance to the Group and is central to its business culture as a safe and healthy workforce builds business success. Our commitment to the health, safety and wellbeing is underpinned by the philosophy that no job is worth an injury and the belief that all injuries and work related diseases are preventable. To implement our health and safety policy and maintain our commitment, we:

- Establish and maintain a Health and Safety Management System¹ with measurable objectives and targets;
- Provide and maintain safe workplaces, systems, plant and equipment;
- Maintain effective Stop Work Authority process which allows employees to stop unsafe work;
- Apply procedures and systems that identify hazards and assess and manage risks through elimination or where this is not practical, other appropriate control measures;
- Assess and continuously review the safety management and safety performance of external providers to ensure our employees are not exposed to unacceptable risks;

- Comply with all applicable laws, standards and regulations and, where practicable, apply the higher of our own standards, the customer’s or industry best practice;
- Report, investigate, analyse and share all incidents, including near misses, to maximise learning and prevent similar events in the future;
- Plan and conduct regular audits, inspections and reviews to measure compliance with this policy and our standards and to facilitate and communicate continuous improvement; and
- Foster a culture that encourages and rewards frank and fearless participation, reporting and consultation in the management of health and safety.

¹ The Group’s operations conform to the Occupational Health and Safety Management System standard OHSAS18001:2007.

The table below shows a brief statistics of the scope of incidents, according to the severity, occurred during the reporting period.

	Group
<i>Fatal</i>	-
<i>Major injuries</i>	4
<i>Minor injuries</i>	8
Total number of accidents	12
Man-days lost (“MDL”)	76
Accident frequency rate ¹	6.3 ⁴
Accident severity rate (“ASR”) ²	40.0 ^{3,4}

¹ Computed as number of accidents per million of work hours.

² Computed as MDL per million of work hours.

³ The ASR for the reporting period was relatively higher mainly due to a single incident affecting one individual while performing manual work. Employees are constantly reminded to pay extra attention to safety precautions particularly while doing manual works. Excluding this incident, the ASR would have been 18.5.

⁴ MTQ aims to improve the above rates in its continuous efforts to promote occupational health and safety.

Promotion of worker health

The workplace is an important aspect of many employees’ lives and on average, employees will spend about one third of their waking hours at work. MTQ understands how many of the issues in the modern workplace can contribute to inactive lifestyles, stress and alarmingly high rates of preventable disease. To prevent and reduce these effects MTQ invests in the following:

- Annual employee health screening exercise
- Daily morning exercise
- Exercise-by-your-own programme
- Wellbeing seminars from internal and visiting speakers
- Selected corporate sporting events
- Weekly fruit day

SOCIOECONOMIC COMPLIANCE

Non-compliance with laws and regulations in the social and economic area

MTQ is governed by a number of laws and regulations in the social and economic area and any non-compliance can result in significant impacts to the Group such as significant fines, loss of licenses/certifications, loss of customers as well as damage of reputation.

Regulatory and compliance risks are managed as one of the fundamental parts of the Group's risks management system and policy. We are also subjected to audits by organisations/bodies/customers/auditors on a periodic basis. The Group also has an internal control and system in place to ensure that any non-compliance is promptly highlighted, followed-up and rectified. For the reporting period, we are glad to report that the Group has not received any fines or sanctions, nor has any significant open or unresolved non-compliance or audit issues. The Group aims to maintain this track record in future years.

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE & DESCRIPTION	REFERENCE
GRI 102: GENERAL DISCLOSURES 2016	ORGANISATION PROFILE	
	102-1 Name of the organisation	AR: Cover page
	102-2 Activities, brands, products, and services	AR: Page 1
	102-3 Location of headquarters	AR: Page 11
	102-4 Location of operations	AR: Pages 11 and 108-114
	102-5 Ownership and legal form	AR: Pages 48
	102-6 Markets served	AR: Pages 108-114
	102-7 Scale of the organisation	AR: Pages 4, 7-9 and 105-106, 131
	102-8 Information on employees and other workers	AR: Page 4
	102-9 Supply Chain	AR: Page 1
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	SR: Pages 3-4 AR: Pages 24-25
	102-12 External initiatives	SR: Pages 3-4
	102-13 Membership of associations	SR: Pages 5
	STRATEGY	
	102-14 Statement from senior decision-maker	SR: Page 3
	ETHICS AND INTEGRITY	
	102-16 Values, principles, standards, and norms of behaviour	AR: Contents page, Pages 13-27 SR: Page 4
	GOVERNANCE	
	102-18 Governance structure	AR: Pages 13-27
	STAKEHOLDER ENGAGEMENT	
	102-40 List of stakeholder groups	SR: Page 5
	102-41 Collective bargaining agreements	SR: Page 5
	102-42 Identifying and selecting stakeholders	SR: Page 5
	102-43 Approach to stakeholder engagement	SR: Page 5 AR: Pages 25-26
	102-44 Key topics and concerns raised	SR: Page 5
	REPORTING PRACTICE	
	102-45 Entities included in the consolidated financial statements	AR: Page 6
	102-46 Defining report content and topic Boundaries	SR: Page 4
	102-47 List of material topics	SR: Page 4
	102-48 Restatements of information	N.A. First SR report
	102-49 Changes in reporting	N.A. First SR report
	102-50 Reporting period	SR: Page 3
	102-51 Date of most recent report	N.A. First SR report
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	SR: Page 3
	102-54 Claims of reporting in accordance with the GRI Standards	SR: Page 3 (Core option)
	102-55 GRI content index	SR: Page 10-11
	102-56 External assurance	No assurance obtained

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Sustainability Report
for the financial year ended 31 March 2018

GRI STANDARD	DISCLOSURE & DESCRIPTION	REFERENCE
GRI 201: ECONOMIC PERFORMANCE	103-1 Explanation of the material topic and its Boundary	SR: Pages 6-7 (read with AR)
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	201-1 Direct economic value generated and distributed	
	201-3 Defined benefit plan obligations and other retirement plans	
	201-4 Financial assistance received from government	
GRI 403 OCCUPATIONAL HEALTH AND SAFETY 2018	103-1 Explanation of the material topic and its Boundary	SR: Pages 7-8
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	403-1 Occupational health and safety management system	
	403-2 Hazard identification, risk assessment, and incident investigation	
	403-6 Promotion of worker health	
GRI 419 SOCIOECONOMIC COMPLIANCE 2016	103-1 Explanation of the material topic and its Boundary	SR: Page 9
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	419-1 Non-compliance with laws and regulations in the social and economic area	