

# SUSTAINABILITY REPORT

## BOARD STATEMENT

We are pleased to publish our inaugural sustainability report prepared in line with the Singapore Exchange (SGX) “comply or explain” sustainability reporting guidelines. Sustainability is a key consideration in strategy formulation for the company and through this report, we aim to share a balanced perspective of our ongoing efforts and progress in this area.

The Board has been actively involved in preparation of this report including the prioritisation of material factors for the company. The company has identified energy consumption; workplace health and safety, human capital development, product quality, customer satisfaction and corporate social responsibility as the most significant economic, social and environmental impacts of our business as well as priorities of our stakeholders.

The Board will continue to monitor sustainability which remains a core part of the business along with progress on the commitments in the material areas.

## ABOUT THE REPORT

This is the first Sustainability Report published by Isetan (Singapore) Limited. We operate department stores in Singapore. In addition, we own properties which we lease out to tenants. Isetan (Singapore) Limited is headquartered in Singapore and listed on the Singapore Exchange (SGX) mainboard. We are part of Isetan Mitsukoshi Holdings Ltd, our ultimate holding company based in Tokyo, Japan.

### **Reporting Scope and Period**

This report covers the sustainability performance of our operations for the financial year ended 31 December 2017 (“FY 2017”) and includes data and information relating to our five stores and one investment property at Wisma Atria in Singapore.

### **Reporting Standard and Assurance**

This report has been prepared in reference to the Global Reporting Initiative (“GRI”) Standards and in line with the SGX Sustainability Reporting Guide. The report covers the company’s policies, practices, initiatives, performance and goals in relation to material Environmental, Social and Governance (ESG) factors and will be updated on an annual basis.

We have not sought external assurance for this reporting period, but may consider to do so in future.

### **Feedback**

Stakeholder inputs are key to defining our sustainability approach and value and welcome any feedback with regards to this report or any aspect of our sustainability performance. Please feel free to reach out to us at [sustainability@isetan.com.sg](mailto:sustainability@isetan.com.sg)

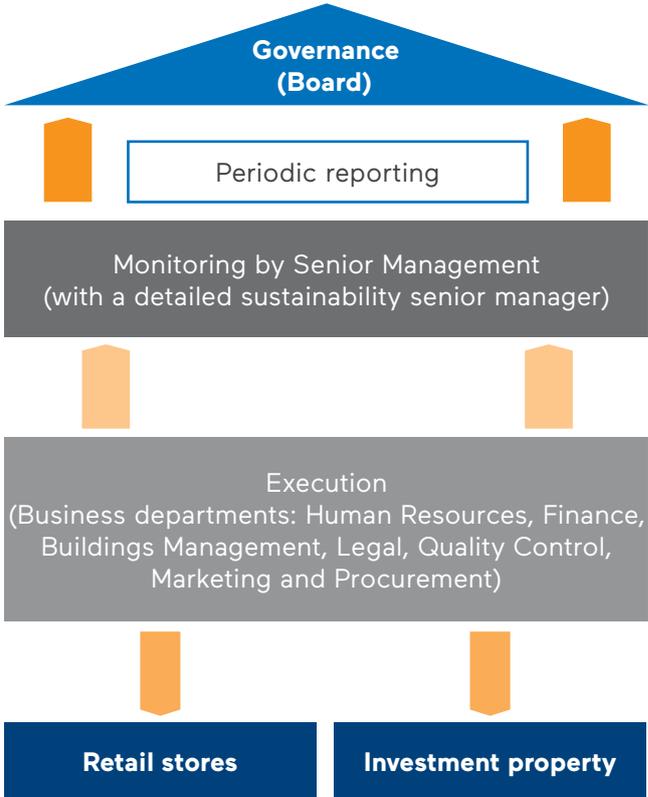
## SUSTAINABILITY AT ISETAN

Integrity and responsible business practices are a core part of Isetan’s DNA. Embodying the Japanese culture of “*Omotenashi*”, whereby we strive to treat our customers to the best of our ability. This helps us to achieve our vision of becoming an indispensable department store for each customer by providing high quality goods for different aspects of their lives. We are also guided by our code of conduct, which governs the way we interact on a day-to-day basis with our employees, customers, business partners, environment and the community at large.

### Governing Sustainability at Isetan

Following the announcement of the SGX sustainability reporting guidelines, we have formalised the execution, monitoring and governance of our sustainability risks and opportunities.

Our material risks and opportunities are managed at the store by different business functions which then report to the senior management. The senior management assesses the performance and updates the Board which takes on the overall responsibility for providing governance and guidance.



# SUSTAINABILITY REPORT

## Stakeholder Engagement

Stakeholder needs and concerns are what help us determine our sustainability priorities and hence we engage with our stakeholders on a regular basis. Our stakeholders are identified and prioritised based on their dependence and influence on our business.

Stakeholders	Frequency of engagement	Method	Topics of Concern	Our Response
<b>Employees</b> 	Daily	<ul style="list-style-type: none"> <li>Daily Morning Meetings</li> <li>Staff Feedback</li> </ul>	<ul style="list-style-type: none"> <li>Work conditions</li> <li>Pay and Benefits</li> </ul>	<ul style="list-style-type: none"> <li>Improve Productivity</li> <li>Reward performance with Incentives</li> </ul>
<b>Suppliers</b> 	Weekly to Monthly	<ul style="list-style-type: none"> <li>Memos</li> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Brand/Product Performance</li> <li>Cost of business</li> </ul>	<ul style="list-style-type: none"> <li>Know customer requirements for more effective Marketing</li> </ul>
<b>Customers</b> 	Daily to Monthly	<ul style="list-style-type: none"> <li>Social media</li> <li>Weekly Electronic Direct Mail</li> <li>Fortnightly newsletters</li> <li>Monthly press media</li> </ul>	<ul style="list-style-type: none"> <li>Request for Japanese Products</li> <li>Price Promotion</li> <li>Stock Availability</li> <li>Knowledgeable Sales Staff</li> <li>Convenience and Experience</li> </ul>	<ul style="list-style-type: none"> <li>Latest fashion/ lifestyle</li> <li>First venue launch for new products</li> <li>Support from Japan HQ (merchandising and training)</li> </ul>
<b>Shareholders</b> 	Quarterly to Annually	<ul style="list-style-type: none"> <li>Quarterly Announcements</li> <li>Annual Report</li> <li>Face-to-Face Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Business Performance</li> <li>Dividends</li> <li>Shareholder value</li> </ul>	<ul style="list-style-type: none"> <li>Improve Turnover</li> <li>Reduce Costs</li> <li>New Strategies &amp; Initiatives</li> </ul>
<b>Community</b> 	Quarterly to Annually	<ul style="list-style-type: none"> <li>Isetan Foundation<sup>1</sup> Activities</li> </ul>	<ul style="list-style-type: none"> <li>Financial Support</li> <li>Joint activities with community</li> </ul>	<ul style="list-style-type: none"> <li>Ensure distribution of annual funds according to objectives of the Foundation</li> <li>Organize Fund Raising for major regional disasters</li> </ul>
<b>Tenants</b> 	Daily to Monthly	<ul style="list-style-type: none"> <li>E-mail</li> <li>Mail</li> <li>SMS</li> </ul>	<ul style="list-style-type: none"> <li>Rent</li> <li>Customer Traffic</li> <li>Promotions</li> </ul>	<ul style="list-style-type: none"> <li>Apply market rent plus GTO</li> <li>Provide A&amp;P support for tenants</li> <li>Ensure High Occupancy</li> </ul>

<sup>1</sup> The Isetan Foundation was formally launched in 1981 with an initial endowment from Isetan (Singapore) Limited. Today, it continues to serve as a charitable organization in the areas of education and environment.

## Materiality Assessment

The SGX guidelines on sustainability reporting have allowed us to realign our existing sustainability practices from the view point of materiality. We conducted our Materiality Assessment in accordance to the "GRI Standards' Principles for defining report content". A peer and industry review exercise was conducted to short-list potential material factors where our business creates significant impacts. We then engaged with our employees and management to seek their feedback and validated the results with the Board to arrive at the final list of material factors which are shown in the matrix below. We have aligned these topics into three key pillars: **environment, people and customers.**



## ENVIRONMENT

### ENERGY CONSUMPTION

Energy consumption is a significant impact arising from our buildings. Electricity is crucial to our daily operations; from the operation of refrigerators in our supermarkets to the lights and air conditioning in our department stores. Higher energy consumption generates Greenhouse Gas (GHG) emissions which contribute to climate change. Minimising our carbon footprint not only helps us reduce our operational costs, but also aligns with our company philosophy and precautionary principle or approach towards the environment.

### MANAGEMENT APPROACH

We have implemented a series of practices and initiatives to minimise our energy consumption by improving energy efficiency at our stores and investment property.

### Switching to LED Lighting

Over the years, we have embarked on a phased journey to replace conventional lighting with energy efficient LED lights. The investment property at Wisma Atria runs on LED lighting and approximately 75% of our department stores have also been retrofitted.

### Implementing energy conservation system

We have been implementing energy conservation systems (Z-CEP) that lower fluctuations and reduce consumption at our older stores.

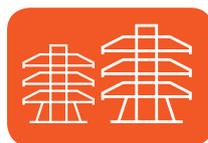
### Replacing chillers with energy efficient models

Chillers contribute a significant share of our total energy consumption. This year, we replaced three chillers with energy efficient options which resulted in approximately 15% energy savings.

### Energy saving practices at the shop floor

We implement energy saving measures at our stores and encourage our staff to practise the same. For example, we reduce lighting usage just before closure of stores and only start our escalators five minutes before opening.

## PERFORMANCE



**ENERGY INTENSITY<sup>2</sup>:**  
1.09 GJ per m<sup>2</sup>

## TARGETS AND FUTURE INITIATIVES

- Work with the relevant building owners to obtain Green Mark Standards
- Continue installation of LED lightings in the remaining premises

<sup>2</sup> This data excludes our investment property where we do not have operational control over the tenants. However, we continue to work with our tenants to improve their energy performance for our investment property.

# SUSTAINABILITY REPORT

## PEOPLE

### HUMAN CAPITAL DEVELOPMENT

As at 31 December 2017  
Isetan Employee Profile

	 Male	 Female	Total
Full Time	148	311	459
Part-Time	14	104	118
Total	162	415	577

Operating in the service industry, Isetan considers its people as the greatest asset that serve as a vital point of contact between our customers and the company. Therefore, it is our top priority to equip them with the necessary skills they need to be at their best. With a team of 577 people, we hope to continue improving their skills required to meet the ever-changing demands of the industry.

### MANAGEMENT APPROACH

We invest in our human resources by identifying the right talent, providing the best training opportunities and taking care of their welfare.

#### Talent attraction

We employ fair and equal opportunity practices in selecting a diverse workforce. Our collective bargaining agreement covers all locally engaged employees except staff holding managerial, executive or confidential positions. 77% of our employees are covered by collective bargaining agreements.

Working with recruiting partners, we recruit workers from a number of Asian and South-East Asian countries that bring added value to our international customers.

Creating a strong talent pipeline in our industry is crucial and we believe we can make an impact. As part of our learn @ Isetan programme with SkillsFuture, we offer internship opportunities to local polytechnics and ITE students which provide them exposure to the retail industry and work opportunities post completion. This year we offered two year traineeships to four ITE students and attachment to six Polytechnic students.

#### Training and development

Training begins right at the induction stage of our new hires. We focus on basic sales and service which includes "Omotenashi", the Japanese way of service. Our employees then go through a host of training programs including sales, customer handling, inventory control, merchandise handling and personal data protection.

Selected senior talent are sent to our Japan office for training and become trainer of trainers when they return to Singapore. We had 2 staff who went to Japan in 2017. In addition we also sent 2 junior management staff to Japan to gain on-the-job experience and understanding of the Japanese approach to customer engagement.

#### PERFORMANCE

##### Average training hours per person in 2017

Management	2.84
Non-management	4.66

#### Training hours by gender (per person)



#### TARGETS AND FUTURE INITIATIVES

- 90% of frontline employees are equipped with ability to deliver *Omotenashi* service with achievement of Sales Skill Up Program (SSP) Level 3.
- Achieve a two fold increase to the number and frequency of employee exchanges with our parent company in Japan.

## WORKPLACE HEALTH AND SAFETY

The well-being and safety of our employees is paramount to us. Despite the nature of our operations, the health and safety of our staff, especially those on site, can still be at risk. In view of ensuring that our staff is in their best condition, we have put in place various safety regulations and controls to prevent any safety lapses in future.

### MANAGEMENT APPROACH

We have appointed a fire and safety manager who looks after the safety of our stores. We conduct monthly workplace and fire safety checks and provide Workforce Skills Qualification (WSQ) training on Health and Safety to our staff.

The risk of terrorism is taken very seriously, particularly in a business like ours. We have disseminated to our staff standard operating procedures in the event of a possible terrorist attack. Our employees also watched a simulation exercise on how to react if such a situation were to arise.

### PERFORMANCE

- Lost Days of 5 for male staff and 31 for female staff
- 2 work injuries
- Zero fatalities

### TARGETS AND FUTURE INITIATIVES

- Complete WSQ workplace Health and Safety Training for all staff
- Strive towards zero workplace accidents
- Maintain compliance to Building and Fire safety codes



## CUSTOMERS

### PRODUCT QUALITY

Product quality particularly that of our food products at our supermarkets, is a key risk which can lead to significant reputational damage and legal consequences. This risk arises around the safety of food items that we sell and the hygiene of our stores. Therefore, numerous controls and policies have been implemented to ensure that all our stores are safe and the products we deliver are of the best quality and up to the highest food hygiene standards.

### MANAGEMENT APPROACH

#### Maintaining high food safety standards

Food safety in Singapore is governed by the Agri-Food & Veterinary Authority of Singapore (AVA) and we ensure that we are fully in compliance with their regulations. All our food suppliers ensure that they get AVA approval for their products and all our importers ensure that the supplies are correctly labelled and have gone through the AVA tests. We only procure from suppliers and importers that meet these standards.

At the store, we have implemented a number of safety precautions. We follow a first-in, first-out approach to minimise expired products and food inspections are carried out on a regular basis. Food that is once opened is not sold and extra care is taken in handling cold storage and fresh food items.



# SUSTAINABILITY REPORT

## **Ensuring hygiene at our premises**

Our employees are trained to maintain the highest standard of hygiene to avoid any issues of non-compliance with the National Environment Agency (NEA). Our staff go through courses on hygiene that are conducted by NEA authorised schools. In addition, we have prepared a manual on hygiene which guides our employees with best practices such as wearing masks and hair caps during food preparation; segregating cooked and raw food; ensuring nothing is kept on the ground etc. Above all, our "Company Promise" instils amongst our employees the culture of maintaining high hygiene standards and freshness.

## **PERFORMANCE**

- There were zero incidents that resulted in non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products at any of our stores

## **TARGETS AND FUTURE INITIATIVES**

- Maintain compliance to food safety and food hygiene regulations
- Strive towards zero expired products on shelves

## **CUSTOMER SATISFACTION**

Customer satisfaction is crucial, particularly for a B-to-C business like ours. In a world of rapidly growing e-commerce market, the retail industry is constantly being challenged to improve customer experience and retain traffic at the stores. Furthermore, with today's social media, any negative publicity can lead to immense reputational damage and a loss of customers in a short span of time. Hence, ensuring that our customers have an enjoyable experience while shopping at Isetan is imperative to us and we will take all steps in enhancing their shopping journey.

## **MANAGEMENT APPROACH**

We strive to differentiate ourselves with exceptional merchandise, service and environment.

### **Living the company promise**

All our staff participate in the annual Company Promise in an effort to continually improve our customer experience. All frontline staff undergo our "Sales Skill Up Program (SSP)" which equips them in Omotenashi Service.

### **Managing our customers**

Customer's complaints are delicately handled by experienced managers to ensure that a satisfactory response is provided in a timely manner.

### **Securing our customer data**

As a retail business, we handle a significant amount of personal data of our customers and recognize the importance of keeping this information secure. We conduct our business in compliance with the Personal Data Protection Act (PDPA), which guides us with the collection, use and disclosure of personal data. We have safeguards against external attempts to breach any confidential information.

## **PERFORMANCE**

- Achieved a Customer Satisfaction Index of Singapore (CSISG) rating of 70.9
- Ranked 6th out of the department stores in Singapore in terms of CSISG rating
- There were no breaches of customer data privacy in FY 2017

## **TARGETS AND FUTURE INITIATIVES**

- Create new shopping experiences by introducing new concepts including Mobile technology
- Achieve Top 3 Highest CSISG rank among department stores
- Continue to safeguard customers' rights and data privacy

## CORPORATE SOCIAL RESPONSIBILITY

There is growing evidence of positive correlation between community investments and value creation for companies; particularly companies like ours which are closely associated to the communities in which we operate. We also notice that socially responsible companies are at an advantage of attracting millennial talent. As a household brand name in Singapore, Isetan is committed to being a responsible corporate citizen and to making a positive impact on community.

## MANAGEMENT APPROACH

Isetan has been supporting the community through the Isetan Foundation since 1981. The Foundation's commitment is to disburse the dividends from its shareholdings in Isetan (S) Ltd and has assisted other charitable institutions whose objectives are similar to those of the Foundation.

## Fostering Education

The Foundation has provided grants to the major universities in Singapore to establish endowment funds which in turn generate income to fund scholarships annually for undergraduates with the core priority to those in financial difficulties. With the inclusion of NUS in 2017, the total grants to the three Universities–National University of Singapore, Nanyang Technological University and the Singapore Management University have amounted to almost \$1.4m.

Since 2012, the Foundation has also funded bond-free scholarships at Temasek Polytechnic–School of Retail Management and the ITE valued at \$18,000 per annum and \$8,000 per annum respectively. As at 2017, over 70 students from both institutions have received the scholarships with the majority scheduling their industry internships at Isetan (S) Ltd.



# SUSTAINABILITY REPORT

## Caring for the Environment

Since the opening of Gardens by the Bay till 2017, the Foundation has sponsored the "Golden Orchard" Supertrees in support of National Parks Board's vision to build a foremost garden destination to entertain while educating Singaporeans and visitors alike.

The Gardens showcases sustainable energy solutions and cutting edge technologies and promotes awareness of the wonders of nature and the value of plants to mankind and the environment.

## TARGET AND FUTURE INITIATIVES

Isetan Singapore will aim to prioritise community needs and develop a strategy for community involvement.



## MEMBERSHIPS/EXTERNAL INITIATIVES/CHARTERS

Singapore Retailers Association  
Orchard Road Business Association  
Japanese Chamber of Commerce and  
Industry, Singapore

Singapore Business Federation  
Isetan Foundation

## GRI CONTENT INDEX

Disclosure Number	Disclosure Title	Page No.
<b>GENERAL DISCLOSURES</b>		
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102-2	Activities, brands, products, and services	Refer to Annual Report 2017 pages 6 and 7
102-3	Location of headquarters	Refer to Annual Report 2017 page 17
102-4	Location of operations	Refer to Annual Report 2017 page 110
102-5	Ownership and legal form	Refer to Annual Report 2017 page 82
102-6	Markets served	Refer to Annual Report 2017 page 94
102-7	Scale of the organization	Refer to Annual Report 2017 pages 41 to 46
102-8	Information on employees and other workers	5
102-9	Supply chain	Refer to Annual Report 2017 pages 6 and 7
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary Principle or approach	4
102-12	External initiatives/charters	6, 7
102-13	Membership of associations	10
102-14	Statement from senior decision-maker	Refer to Annual Report 2017 pages 4 and 5
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102-18	Governance structure	2
102-40	List of stakeholder groups	3
102-41	Collective bargaining agreements	5
102-42	Identifying and selecting stakeholders	3
102-43	Approach to stakeholder engagement	3
102-44	Key topics and concerns raised	3
102-45	Entities included in the consolidated financial statements	Refer to Annual Report 2017 pages 71 and 72
102-46	Defining report content and topic boundaries	2
102-47	List of material topics	4
102-48	Restatements of information	No restatements

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Disclosure Number	Disclosure Title	Page No.
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102-53	Contact point for questions regarding the report	1
102-54	Claims of reporting in accordance with the GRI Standards	1
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302-3	Energy intensity	4
<b>GRI Standard: Training and education</b>		
103-1/2/3	Management Approach	5
404-1	Average hours of training per year per employee	5
<b>GRI Standard: Occupational health and safety</b>		
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