

SUSTAINABILITY REPORT

BOARD STATEMENT

We are pleased to publish our second 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 the 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

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 a subsidiary of Isetan Mitsukoshi Holdings Ltd, and our ultimate holding company is based in Tokyo, Japan.

Reporting Scope and Period

This report covers the sustainability performance of our operations for the financial year ended 31 December 2018 (“FY2018”) 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 with 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 we 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

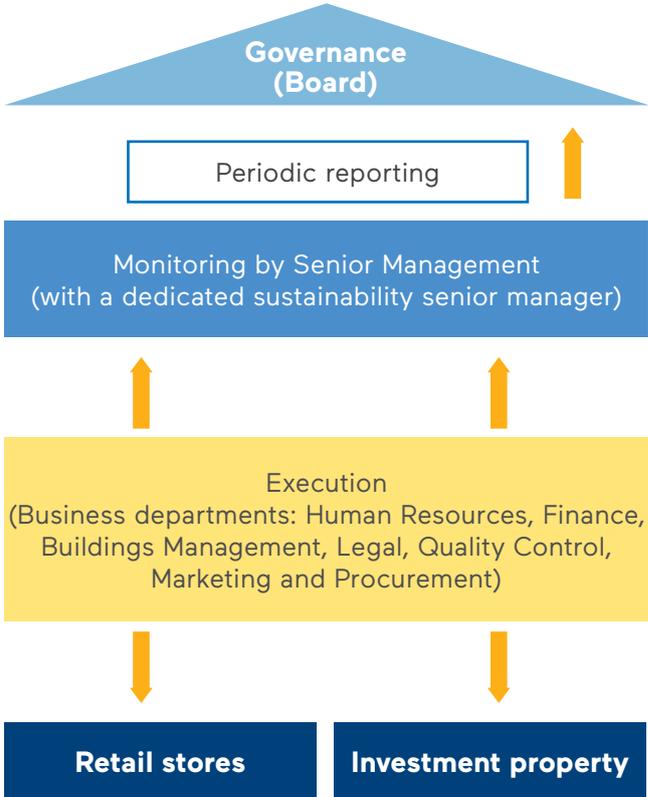
SUSTAINABILITY AT ISETAN

Integrity and responsible business practices are a core part of Isetan’s DNA. Our approach to sustainability embodies 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 core values such as integrity, trust and accountability, and 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

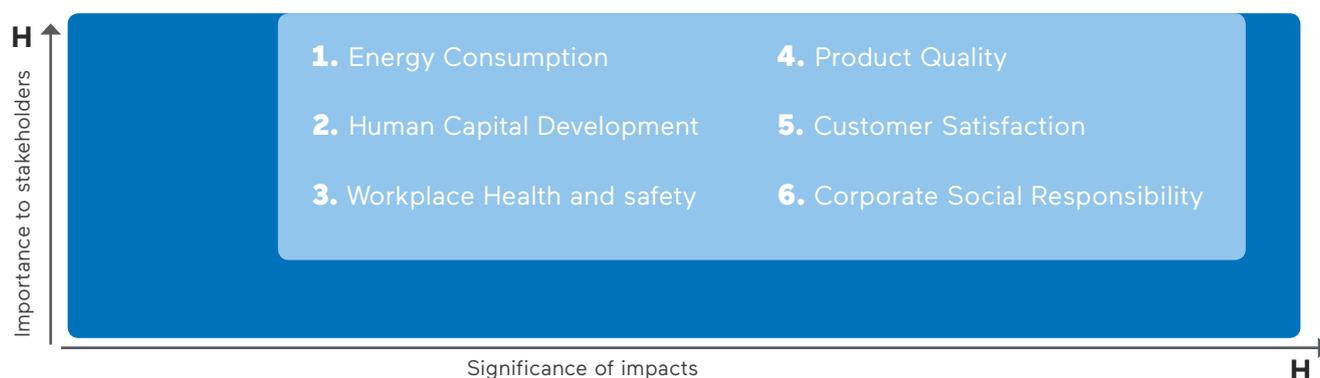
Stakeholder needs and concerns are what help us determine our sustainability priorities and hence we engage with our stakeholders on a regular basis. Our stakeholders are identified and prioritised based on their dependence and influence on our business.

Stakeholders	Frequency of engagement	Method	Topics of Concern	Our Response
Employees 	Daily	<ul style="list-style-type: none"> Daily Morning Meetings Staff Feedback 	<ul style="list-style-type: none"> Work conditions Pay and Benefits 	<ul style="list-style-type: none"> Improve Productivity Reward performance with Incentives
Suppliers 	Weekly to Monthly	<ul style="list-style-type: none"> Memos Meetings 	<ul style="list-style-type: none"> Brand/Product Performance Cost of business 	<ul style="list-style-type: none"> Know customer requirements for more effective Marketing
Customers 	Daily to Monthly	<ul style="list-style-type: none"> Social media Weekly Electronic Direct Mail Fortnightly newsletters Monthly press media 	<ul style="list-style-type: none"> Request for Japanese Products Price Promotion Stock Availability Knowledgeable Sales Staff Convenience and Experience 	<ul style="list-style-type: none"> Latest fashion/ lifestyle First venue launch for new products Support from Japan HQ (merchandising and training)
Shareholders 	Quarterly to Annually	<ul style="list-style-type: none"> Quarterly Announcements Annual Report Face-to-Face Meetings 	<ul style="list-style-type: none"> Business Performance Dividends Shareholder value 	<ul style="list-style-type: none"> Improve Turnover Reduce Costs New Strategies & Initiatives
Community 	Quarterly to Annually	<ul style="list-style-type: none"> Isetan Foundation¹ Activities 	<ul style="list-style-type: none"> Financial Support Joint activities with community 	<ul style="list-style-type: none"> Ensure distribution of annual funds according to objectives of the Foundation Organize Fund Raising for major regional disasters
Tenants 	Daily to Monthly	<ul style="list-style-type: none"> E-mail Mail SMS 	<ul style="list-style-type: none"> Rent Customer Traffic Promotions 	<ul style="list-style-type: none"> Apply market rent plus GTO Provide A&P support for tenants Ensure High Occupancy

¹ 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 culture.

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”. We review our selected material sustainability factors regularly. The initial selection was conducted in FY2017 where we 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 to be looked at. For FY2018, we have decided to continue focusing on the same material sustainability factors so as to track our performance and progress in these areas. A summary of these factors 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 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 one chiller with energy efficient options which resulted in approximately 20% 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.

SUSTAINABILITY REPORT

Update on Performance and Target Scoreboard for FY2018

PERFORMANCE



ENERGY INTENSITY²:
2018: 1.08 GJ per m²
2017: 1.09GJ per m²

Our efforts to manage energy usage have resulted in a slight improvement in energy intensity in 2018 as compared to 2017.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2018

Target	Performance Update
Work with the relevant building owners to obtain Green Mark Standards	At Wisma Atria which we partially own, we are working with the majority owner of the building who has to lead the Green Marks Standard project. At other buildings where we are tenants, the landlords have not requested us to be involved in any Green Mark Standards projects.
Continue installation of LED lightings in the remaining premises	Installation of LED lightings in stores is ongoing progressively. In our minor maintenance works at the stores, we are changing our lightings from non-LED to LED where possible.

TARGETS AND FUTURE INITIATIVES FOR FY2019

- For our store rejuvenation projects planned for 2019, we will change our lightings to LED as far as possible.
- We aim to achieve a target energy intensity of 1.06 GJ per m².

PEOPLE

HUMAN CAPITAL DEVELOPMENT

As at 31 December 2018
Isetan Employee Profile



	Male	Female	Total
Full Time	142	294	436
Part-Time	30	134	164
Total	172	428	600

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 600 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. 72% 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 Skills Future, 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 attachments to six Polytechnic and two ITE students.

² 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.

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 1 management staff who went to Japan in 2018. In addition we also sent 1 management staff to Japan to gain on-the-job experience and understanding of the Japanese approach to customer engagement.

Besides sending our staff abroad for training, seconded staff from our holding company, who are assigned to our sales and merchandising departments, also share their know-how by working and interacting with our staff.

Update on Performance and Target Scoreboard for FY2018

PERFORMANCE

Average training hours per person in 2018

	2018	2017
Management	5.28	2.84
Non-management	4.33	4.66

More management staff were hired this year in line with the Company’s needs, especially in the areas of Digital Marketing and Leasing. As part of their orientation programme, the new hires were given training to help them understand the Company’s operations better. For non-management staff, the slight dip in the average training hours was due to slight adjustments in the training durations.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2018

Target	Performance Update
90% of frontline employees to be equipped with ability to deliver Omotenashi service with achievement of Sales Skill Up Programme (SSP) Level 3	The Sales Skill Up Programme (SSP) is developed by our Japan training division. This year, they changed the contents of the SSP and our frontline employees go through a revised SSP made up of role-play of 9 basic exercises. In addition, to serve as a reminder to practise the basic Omotenashi service standards, Omotenashi posters have been put up at all stores.
Achieve a two fold increase to the number and frequency of employee exchange with parent company in Japan.	The Employee exchange with the parent company in Japan was maintained but the number of employees was temporarily reduced by half due to budget constraints.

TARGET AND FUTURE INITIATIVES FOR FY2019

- The Company will work towards equipping 90% of our frontline employees with the ability to deliver Omotenashi service through the revised SSP.
- Besides the Trainer of trainers programme, we plan to train selected Sales Operation employees in the basics of Hospitality and method of okaiba (the Japanese term for Sales Floor) and leadership.
- We aim to have 4 hours of training for management staff and 5 hours for non-management staff.

SUSTAINABILITY REPORT

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 safety lapses.

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 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.

Update on Performance and Target Scoreboard for FY2018

PERFORMANCE

	2018	2017
Lost days	87 for male and nil for female	5 for male and 31 for female
Work injuries	2	2
Fatalities	0	0

The increase in Lost days was partly due to one employee suffering a fall and injuring himself while at work; he was on hospitalization leave for 84 days. Another case was due to an employee suffering a cut on one of his fingers when performing his duty of cutting meat; he was on medical leave for 3 days.



Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2018

Target	Performance Update
Complete WSQ workplace Health and Safety Training for all staff.	Workplace Health and Safety Training was provided to all staff.
Strive towards zero workplace accidents.	Please see above.
Maintain compliance to Building and Fire safety codes.	We have adhered to Building and Fire Safety Codes and engaged the advice of our consultants and licensed professionals where necessary.

TARGETS AND FUTURE INITIATIVES FOR FY2019

Aligned with Singapore Police Force's new licensing requirement, the Company plans to send all currently employed in-house Security Officers for the WSQ "Recognize Terrorist Threats" course.



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.

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) regulations. 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 Philosophy" campaign instils amongst our employees the culture of maintaining high hygiene standards and freshness.

Update on Performance and Target Scoreboard for FY2018

PERFORMANCE

In FY2018, there was one incident (Nil: FY2017) that resulted in non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products at one of our stores.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2018

Target	Performance Update
Maintain compliance to food safety and food hygiene regulations	Due to the one incident reported above, Store Managers have implemented more frequent checks and measures to ensure high levels of cleanliness at our events.
Strive towards zero expired products on shelves	In our strive towards zero expired products on our shelves, we practise preventive measures such as proper segregation of expired goods, inter-department cross checks and other spot checks by Sections Heads. So far, the results of our efforts are within our expectations.

TARGET AND FUTURE INITIATIVES FOR FY2019

- We will strive towards zero incidents of food safety and food hygiene lapses.

SUSTAINABILITY REPORT

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 Philosophy"

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

Managing our customers

Customers' 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 recognise 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.

Update on Performance and Target Scoreboard for FY2018

PERFORMANCE

	2018	2017
Customer Satisfaction Index of Singapore rating	72.0	70.9
Placing in Department Store Ranking in the CSISG	5th	6th
Breaches of customer data	Nil	Nil

Isetan continually strives to provide good customer service and quality goods at reasonable prices to our customers. We achieved a score of 72.0 in 2018 as compared to 70.9 in 2017. In tandem with this score, our ranking among department stores rose by one placing to 5th in 2018.

Similar to 2017, there were no breaches of customer data.

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2018

Target	Performance Update
Create new shopping experiences by introducing new concepts including Mobile technology.	Following the renovation of our Isetan Tampines Store in 2017, we renovated Isetan Katong Store to create new shopping experiences for our customers. Our efforts to leverage on Mobile Technology in our operations is on track.
Strive to achieve Top 3 Highest CSISG rank among department stores.	We achieved a 5th placing in the Department Stores Ranking in the CSISG 2018
Continue to safeguard customers' rights and data privacy.	On track with our efforts.

TARGET AND FUTURE INITIATIVES FOR FY2019

- To achieve a Top 3 placing in the Department Store Ranking in the CSISG.
- 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 with the communities in which we operate. We also notice that socially responsible companies are at an advantage of attracting millennial talent to their workforce. As a household brand name in Singapore, Isetan is committed to being a responsible corporate citizen and to making a positive impact on the 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 (Singapore) 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 2018, over 80 students from both institutions have received the scholarships with the majority scheduling their industry internships at Isetan (Singapore) Ltd.

Update on Target Scoreboard for FY2018

Last year, we set the following targets and reported that we planned for the following initiatives:

TARGETS FOR FY2018

Target	Performance Update
Isetan Singapore will aim to prioritize community needs and develop a strategy for community involvement	Our ongoing focus on community needs in the area of Education and Culture is on track. Donations by Isetan Foundation to NUS, ITE and Temasek Polytechnic amounted to \$174,000 in FY2018. Our aim to develop a community involvement programme is currently still a work-in-progress.

TARGET AND FUTURE INITIATIVES FOR FY2019

- To continue supporting the needs of the community mainly in the area of Education and Culture.



A seminar room in the NUS Business School was named after Isetan Foundation for its endowed gift towards a scholarship at the school.

SUSTAINABILITY REPORT

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.
GENERAL DISCLOSURES		
102-1	Name of the organization	1
102-2	Activities, brands, products, and services	Refer to Annual Report 2018 pages 6 & 7
102-3	Location of headquarters	Refer to Annual Report 2018 page 18
102-4	Location of operations	Refer to Annual Report 2018 page 120
102-5	Ownership and legal form	Refer to Annual Report 2018 page 96
102-6	Markets served	Refer to Annual Report 2018 page 111
102-7	Scale of the organization	Refer to Annual Report 2018 pages 41 to 47
102-8	Information on employees and other workers	5
102-9	Supply chain	Refer to Annual Report 2018 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	7 to 10
102-13	Membership of associations	11
102-14	Statement from senior decision-maker	Refer to Annual Report 2018 pages 4 and 5
102-16	Values, principles, standards, and norms of behaviour	2
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 2018 page 84 to 86
102-46	Defining report content and topic boundaries	2
102-47	List of material topics	4
102-48	Restatements of information	No restatements

Disclosure Number	Disclosure Title	Page No.
102-49	Changes in reporting	No changes in reporting
102-50	Reporting period	1
102-51	Date of most recent report	1
102-52	Reporting cycle	1
102-53	Contact point for questions regarding the report	1
102-54	Claims of reporting in accordance with the GRI Standards	1
102-55	GRI content index	11 & 12
102-56	External assurance	1
SPECIFIC DISCLOSURES		
GRI Standard: Energy		
103-1/2/3	Management Approach	4
302-3	Energy intensity	5
GRI Standard: Training and education		
103-1/2/3	Management Approach	5
404-1	Average hours of training per year per employee	6
GRI Standard: Occupational health and safety		
103-1/2/3	Management Approach	7
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	7
GRI Standard: Customer health and safety		
103-1/2/3	Management Approach	8
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	8
GRI Standard: Customer Privacy		
103-1/2/3	Management Approach	9
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	9
GRI Standard: Local communities		
103-1/2/3	Management Approach	10
413-1	Operations with local community engagement, impact assessments, and development programs	10