

Communication on Progress

Period covered (13 December 2013 to 13 December 2014)

3 November 2014

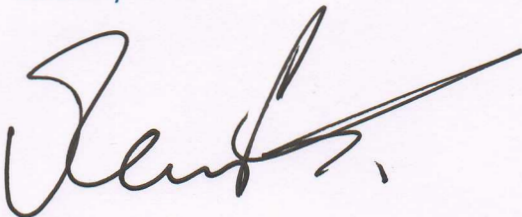
Statement of continued support by Chairman

To our stakeholders

I am pleased to confirm that YSH Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely Yours



Serge Pun
Chairman

Human Rights Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses

Assessment, Policy and Goals

- YSH Group fully supports the Universal Declaration of Human Rights to which all human beings are inherently entitled to. We respect and endorse all articles published by the United Nations in terms of equal opportunity, anti-discrimination, right to life, liberty, and security of person.
- Furthermore, in accordance with Article 18 and 19, YSH Group respects individuals' right to freedom of thought, conscience, and religion including freedom of opinion and expression without interference.
- YSH Group Employee Handbook was prepared in accordance with Universal Declaration of Human Rights, ILO Core Conventions, and local applicable laws providing detailed information on the individual's rights and benefits within the business framework that the group operates.
- YSH Group will not enter into or engage in any activity prohibited by the United Nations Security Council Resolution, under Chapter VII of the United Nations Charter (action with respect to threats to the peace, breaches of the peace, and acts of aggressions).
- 'Corporate Governance and Operational Compliance Requirements' document (which is also publicly available), provides guidelines on International Finance Corporation's Performance Standards, and Safeguard Policy Statement of Asia Development Bank.

Implementation

- Group Code of Conduct provides foundation and guideline to all employees and business partners on importance of proper business conduct. It outlines prohibited improper behavior including (but not limited to), discrimination or harassment in any form such as bullying, intimidation, threats, ridicule, sexual, racial or verbal abuse, insults, gestures, willful or serious insubordination, physical violence etc. The Code clearly states that YSH Group will not tolerate these behaviours, and any breaches will be resulted in disciplinary action including termination or dismissal.
- The Code is supplemented by Group's 'Procedures for Reporting Improprieties' and 'Whistle Blowing Policy', providing background and information on compliant process. These policies encourage individuals to contact senior management as well as the Audit and Risk Management Committee directly should any employee and business associates wish to make a disclosure or raise a concern. As part of Corporate Governance and Operational Compliance Requirements, abovementioned policies and procedures were implemented across the group, and ensured all stakeholders were aware of the process.
- Due Diligence processes are conducted, as part of Corporate Governance, on any potential business opportunities to ensure our future business partners are not complicit in Human Right abuses.
- YSH Group ensure that all business activities are in compliant with International Finance Corporation's Performance Standards, and Safeguard Policy Statement of Asia Development Bank, including equal employment opportunity.
- YSH Group explicitly express the intention to support individual human rights and compliance with all applicable laws and regulations, which are also clearly stated in the Group Employee Handbook.

Measurement of outcomes

- YSH Group conduct regular Risk Assessments including Human Right Risk assessment as part of the Annual Internal Audit program. It is noted that no cases of Human Right breaches, violations or complaints were identified nor reported during this reporting period.

Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation

Assessment, Policy and Goals

- YSH Group encourage and support collective bargaining and individual's rights to raise concerns including improprieties, sexual harassments, physical violations and discrimination within the work place, and are clearly disclosed in the Employee handbook.
- In support of fair and equal engagement, the Group has adopted an effective grievance mechanism, which is clearly stated in the Employee Handbook, to ensure employee safety, security and moral development, as part of Human Resource Management.
- The Group Employee Handbook fully supports and respects ILO eight fundamental core conventions, local employment laws, IFC's Performance Standard 2: Labor and Working Conditions, and ADB's policy on Gender and Development as the key strategy for promoting gender equality and women's empowerment across the Group.

Implementation

- YSH Group encourages elimination of forced and/or compulsory labor, as well as child labor employment, which is clearly stated in the Employee handbook, and implemented throughout the supply chain.
- In addition, in support of elimination of discrimination in workplace, Group's Employee Handbook provides information on individual's rights and freedom at work, working hours, leave entitlements, career development, salary review and performance appraisal, education and assistance training, grievance procedure, and standards of conducts.
- Terms and conditions of employment are clearly stated in the job advertisements, which are then clarified and confirmed at the interview. Written employment contracts are also provided to employees outlining terms and conditions of the employment including salary & benefits, leave policies, working hours, rights & responsibilities, performance appraisals and disciplinary procedures.
- Annual performance appraisal and salary review are conducted where all employees are consulted on their performance, career plans and training requirements, and are recorded on a standard form. Annual remuneration increment and bonus payments (if applicable) are made accordingly in recognition of their past contribution and future potential.
- Employee Induction Program also ensures awareness of rights and policies across the group.

Measurement of outcomes

- YSH Group HR monitors and provides monthly report on employee demographics by diversity factors, which is supplemented by Risk Management & Assurance review of gender equality in the employment.
- Monthly Occupational Health & Safety reports are independently reviewed by Risk Management and Assurance, as part of labour risk assessment.
- Annual remuneration adjustment recommendations were randomly audited by Risk Management to ensure consistency, fairness and transparency across the board.
- It is noted that there were no cases of breaches, violations or complaints were identified nor reported during this reporting period.

Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Assessment, Policy and Goals

- YSH Group has adopted Corporate Environmental and Social Management System (ESMS) across the group, providing guidelines as per International Finance Corporation Performance Standards of sustainability framework, and Safeguard Policy Statement of Asia Development Bank.
- Group Corporate Social Responsibility Committee takes the lead in promoting group wide initiatives on greater environmental responsibility across the group.
- Corporate ESMS outlines the framework to conduct Environmental and Social Impact Assessments, such as Initial Environmental Exam, Environmental & Social Assessment Plan, and encourages to implement Environmental Management plan if and when applicable.

Implementation

- Paperless culture is promoted across the group and electronic communications is used where possible. This is further supported by introduction of 'cloud based files sharing system' eliminating the need to print, photocopy and send paper-based documents.
- Group Compliance Policies adopt policy on Environmental and Social Sustainability and ADB's Safeguard policy in compliance with local performance practices.
- Non-recycled wastes are discharged in accordance with local and internal guidelines and requirements.
- Employees, contractors and suppliers are encouraged to commit sustainable practices such as reuse, retreat and recycle, which is evident by waste water treatment plants installed at various development projects, to provide sustainable and environmentally friendly water resources.
- Where applicable, the Group conducts pre-environmental assessment to identify material adverse impacts to local environment and corrective actions are implemented accordingly.

Measurement of outcomes

- The Group has publicly disclosed Environmental and Social Action Plan, Initial Environmental Examination, Corporate Environmental and Social Management System (ESMS), and Environmental and Social Review Summary (ESRS), in support of leading sustainable performances.
- In addition to the internal audit program, Environmental and Social Impact Assessments are conducted as part of the internal audit program, and due diligence process to ensure precautionary approach is taken to address the environmental challenges.
- It is noted that no cases of adverse environmental impacts were identified nor reported during this reporting period.

Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Assessment, Policy and Goals

- YSH Group has implemented Code of Conduct expressing explicitly prohibition in the acceptance of gifts, bribes or entertainments under obligatory circumstances.
- In support of anti-corruption principles, the Group adopts 'zero tolerance' approach to fraud, and the Whistle Blower Policy sets out the procedures for reporting and investigating fraud and corruption throughout its supply chain.

Implementation

- Group Corporate Social Responsibility Committee takes the lead in promoting rigorous corruption prevention and management measures, which is supported by top management ensuring that anti-corruption becomes part of the corporate culture at all levels.
- Group wide implementation of 'Code of Code' and 'Whistle Blower Policy' clearly provide guidelines in dealing with giving or receiving gifts or entertainment, restricting in giving and receiving of bribes and or making a transparent system of payment.
- Group Whistle Blower policy provides guidelines on dealing with 'Improprieties' and 'Procedures for Reporting Improprieties' further clarifies how to combat corruption, and reinstate Group's "zero tolerance" to corruption including extortion and bribery.
- Mandatory reporting and declarations of all purchases are required at all levels, and audited as part of the Annual Internal Audit program.

Measurement of outcomes

- Fraud Risk assessment is conducted across the group as part of the Annual Internal Audit program to ensure consistency with anti-corruption commitment.
- Depending on the nature and magnitude of the incident, in consultation with the relevant stakeholders appropriate disciplinary actions were taken including termination, dismissal, as well as compensation for damage caused.