



# Beneath the surface...

Sustainability Report 2017



## **the hidden value awaits**

Beneath the surface of our business lies a strong foundation where hidden value awaits. It may not always be visible on the surface or at first glance, but lies waiting to show its optimal potential. We believe our success comes from having an innate ability to look beyond the surface – by turning hidden potential into true value, to create a robust and sustainable business.

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*This Sustainability Report has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this Sustainability Report.*

*The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.*

## Board Statement



**The Board recognises that good governance is essential for continued growth and investors' confidence, and that all businesses have to manage their own operations responsibly.**



As a global builder of next-generation Information and Communications Technologies (ICT) companies, DeClout Limited (DeClout), and together with its subsidiaries (The Group), aims to demonstrate its commitment towards sustainability by implementing a sustainability framework to improve corporate transparency and operating efficiency.

DeClout's business involves investing, incubating and scaling companies to become global or regional leaders. As such, the Board recognises that good governance is essential for continued growth and investors' confidence and that all its portfolio companies have to manage their own operations responsibly. DeClout believes that by monitoring and reporting its environmental, social and governance (ESG) key performance indicators (KPIs) through this Sustainability Report, it has taken the right step forward.

This Sustainability Report details KPIs that are material to the practices of DeClout. Supported by an independent ESG analyst, DeClout identified its KPIs through a materiality assessment exercise based on the Sustainability Accounting Standards Board (SASB). Through a detailed analysis, DeClout has identified some of the key focus areas for improvement. As such, DeClout has established short-, medium- and long-term targets that are shaped around these areas so as to improve its ESG performance in the coming years.

The Board believes in the importance of sustainability reporting and is responsible for considering sustainability issues such as ESG factors as part of its strategic formulation.

## Introduction

DeClout is pleased to introduce the Group's inaugural Sustainability Report 2017, focusing on ESG KPIs identified as material to DeClout's business and its key stakeholders. The materiality assessment exercise was carried out based on the SASB and facilitated by an independent sustainability consultant. This report also describes DeClout's targets and plans to strengthen its business strategy in ESG management.

Headquartered in Singapore and listed on the Catalist Board of the SGX-ST since 2012, DeClout is a global builder of next-generation ICT companies. DeClout's portfolio companies can be grouped within two business segments, namely IT Infrastructure Sales and Services and Vertical Domain Clouds. Through DeClout Investments, DeClout's incubation and fund-raising facilitation arm, the Group seeks to continuously identify synergies between new ventures and its existing businesses to drive growth. DeClout has a vast network across Asia Pacific, the Americas, Europe and Africa.

This report covers data and relevant activities for the financial year ended 31 December 2017 (FY2017) solely for DeClout's corporate office. Exhibit 1 below displays the scope covered by quantified data.

### EXHIBIT 1: SCOPE OF REPORTED DATA

SCOPE	QUANTITY
Description	DeClout's Corporate Office
Number of employees	23
Percentage of employees covered by data	100%

### ESG IN THE CONTEXT OF BUSINESS

DeClout's business strategy is built on identifying, incubating, scaling and harvesting of next-generation technology companies. ESG reporting is an important aspect of responsible business, and aids with the communication of its performance of the business to all its stakeholders.

Identifying key materiality issues provides DeClout with the opportunity to increase its long-term value, both in business and financial terms, for all stakeholders. Failing to address externalities can potentially cause immense harm to DeClout's reputation and financial performance.

## Material ESG Factors & Reporting Framework



**Focusing on these material sustainability issues will allow companies to positively impact their growth in terms of both profit and customers.**



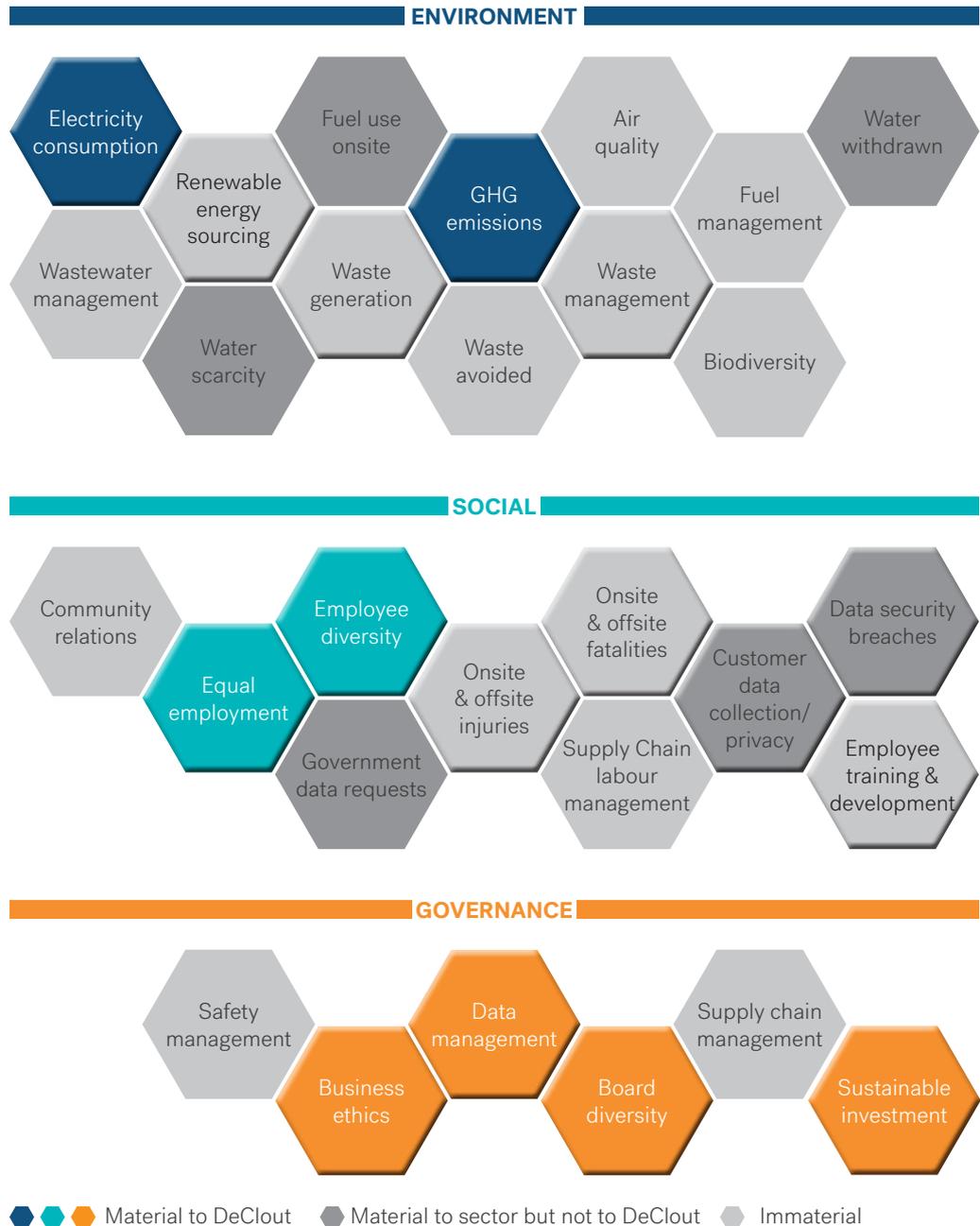
Identifying the material issues to investors and other stakeholders are crucial for companies to manage ESG risks and opportunities. DeClout recognises the importance of ESG issues, both to its own operation and its portfolio companies, as well as its wider external stakeholders, including customers and investors. Responsible ESG management underpins the financial stability of business and DeClout is committed to maximising its positive impact within its business activity.

The Singapore Stock Exchange defines sustainability reporting as the identification of ESG risks and opportunities which act as barriers or enablers to achieving business goals in the short, medium and long term. The omission or misstatement of these risks or opportunities could influence the decisions of investors.

DeClout has undertaken a comprehensive materiality analysis to first identify and prioritise the key ESG issues which are important to its internal and external stakeholders under the SASB framework. This report is framed around the financial services sector guide under the SASB framework, as DeClout is primarily an investment holding company. This sector guide was used as a guideline to cross reference with internal stakeholders to refine its activities and areas of risks and opportunities. An interactive workshop was conducted with all key stakeholders to first ensure that all key material ESG issues are prioritised. The prioritisation of these material issues was then presented to DeClout's Board of Directors for validation. DeClout aims to conduct an annual review of its material issues, as DeClout recognises that the materiality issues may evolve over time.

## Material ESG Factors & Reporting Framework

**EXHIBIT 2: MATERIAL ESG ISSUES FOR DECLOUT OPERATIONS**



Source: Trucost analysis informed by SASB materiality standards.

## Material ESG Factors & Reporting Framework

The majority of the ESG issues identified for DeClout are primarily focused around governance, and DeClout is committed to uphold high standards of corporate governance which will ensure an appropriate degree of accountability and transparency. The key governance issues which have been identified include general business ethics, sustainable investment, board diversity and data management. As the majority of DeClout's operations are office-based and relatively small, environmental considerations are focused mostly around the use of electricity in the corporate office and greenhouse gas (GHG) emissions via air travels.

### EXHIBIT 3: ESG METRICS AND RELEVANCE TO DECLOUT'S REPORT

TOPIC	ACCOUNTING METRIC	STATUS
Environmental Footprint Operations	Total energy consumption, percentage of grid electricity	Included (Exhibit 4)
	Greenhouse gas emissions (Scope 1, 2 and 3)	Included (Exhibits 4 and 5)
Equal Opportunities Employment	Employee diversity	Included (Exhibit 6)
	Employee diversity policy	Included (see page 9)
	Equal remuneration policy	Included (see page 11)
Board Equal Opportunities	Board diversity	Included (Exhibit 8)
	Board diversity policy	Included (see page 12)
	Board gender diversity ratio	Included (see page 13)
Responsible Investment	Investment policy	Included (see page 13)
	Screening policy	Included (see page 13)
Data Security	Data destruction policy	Included (see page 13)
Business Ethics	Anti-bribery and Anti-corruption policy	Included (see page 13)
	Whistleblowing policy	Included (see page 13)
	Gifts, Entertainment and Hospitality policy	Included (see page 14)
	Conflict of interest policy	Included (see page 14)

## Environmental Impacts

DeClout's operational GHG emissions were calculated based on onsite energy use and business travels. Onsite energy comprises electricity only and no other fuels are used.

For the purposes of this report, GHG emissions are reported in line with the Greenhouse Gas Protocol, an international corporate accounting and reporting framework developed by the World Resources Institute and the World Business Council for Sustainable Development. The Greenhouse Gas Protocol differentiates between direct and indirect emissions using a classification system across 3 different scopes:

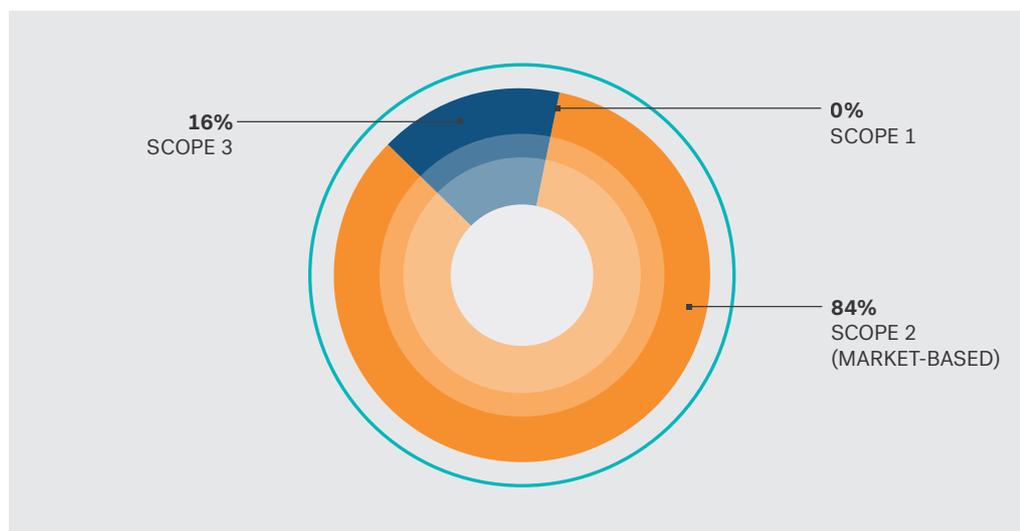
SCOPE 1	SCOPE 2	SCOPE 3
Includes direct emissions from sources which a company owns or controls. This includes direct emissions from fuel combustion and industrial processes.	Covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of the company.	Covers other indirect emissions, including third-party emissions.

### EXHIBIT 4: GROUP ENVIRONMENTAL IMPACTS

ITEM	UNITS	QUANTITY
<b>ENERGY USE</b>		
Purchased Electricity	kWh	469,507
<b>AIR TRAVEL</b>		
Total Distance Travelled	km	104,880
<b>GREENHOUSE GASES</b>		
Scope 1	tCO <sub>2</sub> e	0
Scope 2 (Location-based)	tCO <sub>2</sub> e	207
Scope 2 (Market-based)	tCO <sub>2</sub> e	207
Scope 3 (Business Air Travel)	tCO <sub>2</sub> e	40

## Environmental Impacts

**EXHIBIT 5: GHG EMISSIONS OF OPERATIONS BY SCOPE**



Due to the nature of the business, DeClout neither combusts any fuel directly onsite nor operates any company vehicles; therefore there are no Scope 1 GHG emissions. The most significant source of GHG emissions for DeClout is Scope 2 GHG emissions, associated with the purchase of electricity in its corporate office, which was responsible for 84% of the calculated carbon footprint. Almost a quarter of all electricity purchased (24%) is used within the server room.

The only Scope 3 GHG emissions included within this report for DeClout is business air travel. DeClout has a vast network of offices across Asia Pacific, the Americas, Europe and Asia to which its portfolio companies and employees are required to travel for onsite meetings and other business needs. Air travel made up 16% of the total calculated carbon footprint, approximately 40 tCO<sub>2</sub>e per year, and DeClout's employees travelled a combined distance of over 100,000 km in 2017. Other Scope 3 categories such as purchased goods and services are currently not included by DeClout.

## Social Impacts

People are the cornerstone of DeClout’s business and the Group places strong emphasis on building its bench strength to grow its business. DeClout believes in creating an inclusive environment which will enhance innovation and unlock the potential of its employees.

DeClout embraces the four core values (TIER) below:

			
<b>TEAMWORK</b>	<b>INNOVATION</b>	<b>EXCELLENCE</b>	<b>RESILIENCE</b>
Encouraging a culture of solidarity and team spirit	Valuing creativity, experimentation and thinking out of the box	Securing the trust and loyalty of customers and maintaining a solid reputation	Ensuring employees are agile to react swiftly to new trends and developments

To uphold these values, DeClout has put in place a series of internal policies to promote best practices among all its employees and management. Following are highlights of the key social policies that have been put in place in DeClout.

### EMPLOYEE DIVERSITY AND INCLUSION

DeClout recognises the value of diversity<sup>1</sup> and inclusion and that individuals differ in all ways – nationality, religion, race, culture, gender, education, experience, belief and ideas. These are what make all of us unique individuals.

As such, business activities such as hiring, training, compensation, career progressions opportunities, terminations and recreational events are conducted without discrimination, based on merits and unhampered by artificial barriers, prejudices or preferences.

DeClout also captures the diversity of its direct employees, as shown in Exhibit 6 below. The figures relate to staff employed directly by DeClout’s corporate office and do not include those employees which are employed by the wider group.

<sup>1</sup> For the purposes of the DeClout diversity and inclusion policy, diversity includes differences that relate to gender, age, ethnicity, race, cultural background, physical abilities, religious beliefs, sexual orientation, social-economic status and political beliefs. In addition, diversity also includes style, interpersonal skills, education, functional knowledge and expertise.

## Social Impacts

### EXHIBIT 6: GROUP DIVERSITY AND EMPLOYEE REPRESENTATION

ITEM	NUMBER OF EMPLOYEES	PERCENTAGE
<b>GENDER DIVERSITY</b>		
Male	8	35%
Female	15	65%
<b>AGE DIVERSITY</b>		
Under 30	4	17%
30-50	17	74%
Over 50	2	9%

DeClout places emphasis on the principle of diversity, including gender diversity. As at the end of FY2017, about 65% of the employees were female. This is a high ratio of female employees compared to Singapore average of 45%<sup>2</sup>.

#### EQUAL REMUNERATION

People are considered most integral to DeClout in harnessing success in everything the company does.

DeClout is committed to promoting a conducive workplace, guided by the following strategies for the growth and development of its employees and embracing Fair Employment Practices with the Tripartite Alliance for Fair Employment Practices (TAFEP).

<sup>2</sup> World Bank (2018) *Labor force, female (% of total labor force)* Available online: <https://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS>

## Governance

DeClout considers good corporate governance to be the hallmark of a well-managed organisation and aims to maintain a high standard of corporate governance and processes which will enhance shareholders value and return in the long term.

DeClout adopts a good corporate governance standard. Details of the compliance controls and risk management procedures can be found in the corporate governance report of DeClout's Annual Report 2017 available [here](#).

The following section provides highlights of the key governance policies that have been put in place within the organisation to maintain ethical and appropriate business practices.

### BOARD DIVERSITY

DeClout's Board of Directors (The Board) has the responsibility to ensure that the company and the management comply with laws, regulations, policies, directives, guidelines and internal code of conduct, and provides oversight of the proper conduct of the business.

DeClout's policy is to ensure that there is broad experience and diversity in its Board. DeClout's Board embraces knowledge and understanding of relevant diverse geographies, people and their backgrounds including race, disability, gender, sexual orientation, religion, belief and age, as well as culture, personality and work style. In particular, the Board is focused upon increasing Board diversity without compromising on the calibre of its directors. DeClout maintains that appointments to the Board should be based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole.

Included in the Board is the Audit Committee, which oversees a number of audit processes including management of complaints (see Whistleblowing policy below). The full role of the Board and the Audit Committee can be found [here](#).

The diversity of the board members is detailed below.

### EXHIBIT 8: BOARD DIVERSITY

ITEM	NUMBER OF DIRECTORS	PERCENTAGE
<b>GENDER DIVERSITY</b>		
Male	3	50%
Female	3*	50%
<b>AGE DIVERSITY</b>		
Under 30	0	0%
30-50	3*	50%
Over 50	3	50%

*\*Ms Ch'ng Li-Ling has stepped down from her position as an Independent Director from the Board of Directors with effect from 30 April 2018.*

## Governance

For FY2017, the Board has well diversified in terms of gender and consists of six members, including three men and three women. The average percentage of women on the board of listed companies in Singapore as of 31 December 2017 was 10.8% (Diversity Action Singapore<sup>3</sup>), therefore DeClout has a strong performance relative in this metric at 50%.

Furthermore, the Board has knowledge and skill diversity, with a qualified lawyer familiar with capital markets, a corporate financier and two qualified accountants amongst them.

### RESPONSIBLE INVESTMENT AND SCREENING POLICY

DeClout recognises that much of the impact of its activity lies in the operations of the portfolio companies which it invests in. As such, focus is given to investing in appropriate organisations that align with DeClout's core values and ethics. In addition to a screening policy to ensure no investment in companies that are involved with illegal activity, the supply or production of sanctioned goods<sup>4</sup>, or the production of weapons of mass destruction or inhuman weapons, DeClout also reviews potential investments for ESG risk. Where potential ESG risks are identified, DeClout reviews mitigation measures and may require commitment to appropriate mitigation measures before investing.

### DESTRUCTION OF DATA AND DATA PROTECTION POLICY

DeClout may, in the everyday order of business, handle personal and sensitive data, both internally and externally. It operates under a Personal Data Protection policy available [here](#). The Data Retention Policy ensures that data that is no longer required will be destroyed or disposed of in a secure manner.

### ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

DeClout is committed to acting lawfully and with integrity in every aspect of its business. This policy applies to all DeClout employees, including its global subsidiaries and contract and temporary workers. The policy seeks to ensure that employees conduct business legally, ethically and with integrity to avoid acts of bribery or corruption. DeClout operates with a zero-tolerance policy.

### WHISTLEBLOWING POLICY

For the purpose of good corporate governance, it is DeClout's policy that any employee or external third parties, such as suppliers, customers, contractors and other stakeholders of the company, shall be free, without fear of retaliation, to make known or raise concerns about actual or possible improprieties.

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<sup>3</sup> Diversity Action Singapore (2018). Women directors increase to 13.1% on boards of top 100 companies in 2017. Available from: <http://www.diversityaction.sg/statistics/as-at-dec-2017/> [Accessed 12/04/2017]

<sup>4</sup> This includes the supply or purchase of sanctioned products, goods or services to or from countries or regions covered by UN, UK or US government sanctions.

## Governance

### **GIFTS, ENTERTAINMENT AND HOSPITALITY POLICY**

Gifts, entertainment and hospitality should never inappropriately influence decision-making or cause others to perceive an inappropriate influence. DeClout's policy establishes the standards and procedures employees must follow when intending to offer or accept business courtesies, including gifts, prizes and hospitality, and recognise the allowable business entertainment and related costs with outside parties and internal employees.

### **CONFLICT OF INTEREST POLICY**

This policy applies to all employees of DeClout's group of companies and ensures that employees establish guidelines on potential conflicts of interest arising from activities outside work which may impact an employee's role negatively or inappropriately. DeClout is committed to conducting business in a manner that ensures that its employees' business judgement and decision-making are not influenced by undue personal interests.

## Targets & Policies



**DeClout strives to continuously improve ESG performance and as such has set a series of public targets to achieve in the short and medium terms.**



Recognising the benefits of ESG factors in business, DeClout strives to continuously improve its ESG performance and has established a series of ESG targets to be achieved in the short and medium terms.

- Publication of DeClout Code of Conduct by 2018
- Formalisation of DeClout Investor Relations policy by 2018
- Establishment of environmental management system (EMS), such as ISO14001, in the corporate office and across all portfolio companies' offices by 2025
- Reduction of number of flights taken by employees by 10% by 2020
- Double the number of training hours given per employee yearly to 10 hours by 2020

## Appendices

### **CALCULATING GREENHOUSE GAS EMISSIONS**

Different GHGs have different Global Warming Potentials (GWP)<sup>5</sup> or abilities to contribute to rising temperatures. Data is standardised by converting the different GHGs into their carbon dioxide equivalent according to the GWP index published by the Intergovernmental Panel on Climate Change (IPCC)<sup>6</sup>. The index identifies the radiative effects of different GHGs in the atmosphere relative to an equal mass of CO<sub>2</sub> over a 100-year timeframe. GWP enables all the GHGs to be expressed in terms of CO<sub>2</sub> equivalents, or CO<sub>2</sub>e. Trucost derived quantities of GHG emissions from data on operational and vehicle fuel consumption, electricity use and business travel.

<sup>5</sup> Global Warming Potential (GWP) is the ratio of the warming of the atmosphere caused by one substance to that caused by a similar mass of carbon dioxide which is assigned a reference value of 1.

<sup>6</sup> The Intergovernmental Panel on Climate Change (IPCC) is a scientific intergovernmental body set up by the World Meteorological Organisation (WMO) and by the United Nations Environment Programme (UNEP) with a mandate to provide an objective source of information about climate change.

**DeClout Limited**

Company Registration No. 201017764W

29 Tai Seng Avenue  
#05-01 Natural Cool Lifestyle Hub  
Singapore 534119  
Tel: +65 6818 1833  
Fax: +65 6341 1123  
Email: [ir@declout.com](mailto:ir@declout.com)

**[www.declout.com](http://www.declout.com)**



**DeClout Limited**