

FUJI OFFSET PLATES MANUFACTURING LTD

Sustainability Report FY2017



Board Statement

In 2015, the United Nations adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (“SDGs”) with 169 achievement targets. These interconnected SDGs and targets range from poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. Against this backdrop, the Group believes it is imperative to do our part, albeit in a small way, to protect the environment and preserve our resources for future generations and are committed to:

- i. Sustainable business practices and improving the impact of business on society and environment;
- ii. Utilizing our resources sustainably in the way we treat our operating environment and community at large and the belief that the Group’s success is not only appraised through its financial performance but also the value that we create for stakeholders; and
- iii. Building lasting enterprises for future generations based on the belief that business interests must be aligned with our socio-economic priorities.

The Board of Directors (the “Board” or “Directors”) believes that sustainable development is integral to the Group’s strategy and operations. It is about continuous improvement in identifying, understanding and responding to evolving economic, environmental, social and governance (“EESG”) challenges that our business faces. The Board believes that the EESG considerations help us better understand the challenges and impacts on our operations and assist us in striving to move in a sustainable direction.

The Management has taken efforts to seek the opinion of many stakeholders to understand the needs and expectations of key stakeholders and adopted a materiality analysis to identify material sustainability issues which are relevant to our businesses. The Board reviewed the material issues highlighted by the stakeholders and assessed them against their concerns and interests.

In the pursuit of our growth, the Board remain committed to conserving the environment, preserving natural resources and developing our people. The Board has considered the Group’s sustainability objectives in the face of global warming, depletion of natural resources and urbanization and are exploring opportunities that may deliver greater long-term value to our stakeholders.

The Board is pleased to present its inaugural Sustainability Report (the “Report”). The Report demonstrates our current efforts on sustainability development and collaborations with business partners across the value chain to enhance our economic, environmental, and social objectives. The Board oversees the identification, management and monitoring of material sustainability topics in this Report. Our first materiality assessment has allowed us to identify the topics deemed to be material to our business and stakeholders, namely: Health and Safety; Training and Education; Economic Performance and Reducing Energy Wastage.

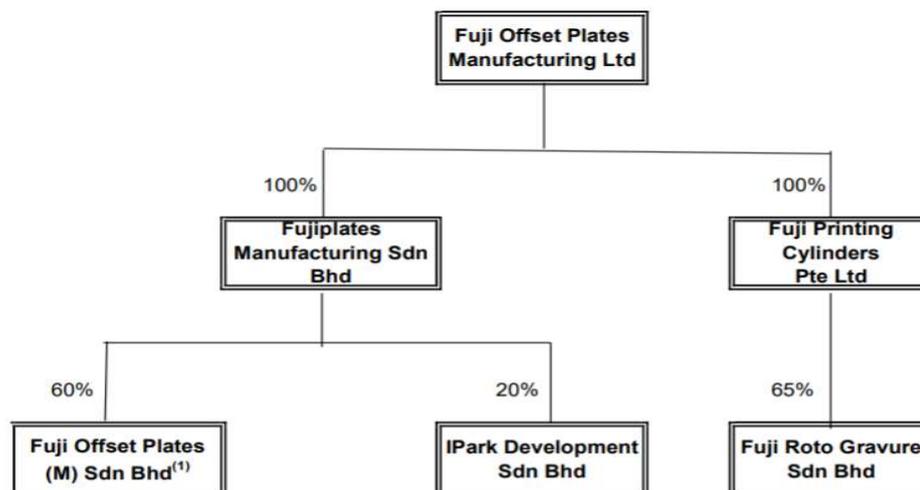
In line with our commitment to safeguard the environment, the Board will continue to source our raw materials, mainly seamless steel pipes and chemicals from legal sources and sustainable suppliers. We are also committed to empowering our employees as we consider them our most valuable asset. The Group aims to continue to be one of the leading industry players through innovation and increased productivity by optimal utilisation of our resources through reducing wastages and rejects, and through increasing use of recycled materials.

The Board would like to thank our stakeholders who have contributed to our sustainability journey and will continue to strive and improve our products and services to our customers while considering the social and environmental impact to our stakeholders. The Board will continue to take a balanced approach in formulating sustainable strategies to enhance long-term value for our stakeholders.

David Teo Kee Bock

Chairman

Corporate Structure



⁽¹⁾ The Group completed the divestment of its 60% share of equity interest in Fuji Offset Plates (M) Sdn Bhd on 15 January 2018.

About the Group

Fuji Offset Plates Manufacturing Ltd (the “Company” or “Fuji Offset”), together with all its subsidiaries, collectively (the “Group”), is a limited liability company incorporated in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activities of the Group are those relating to the manufacture and sale of gravure printing cylinders, sale of aluminium offset plates, trading of related industrial chemicals for the printing industry, investments in commercial, industrial, hospitality, residential and/or mixed development properties and investment holding.

Fuji Offset’s headquarters are in Singapore while its main operations are located in Johor, Malaysia where, through the subsidiary Fuji Roto Gravure Sdn Bhd (“Fuji Roto Gravure” or “Production Plant”), a production plant is maintained for printing cylinders.

The Group’s customer base spans across Singapore, Malaysia, Indonesia and Sri Lanka, serving wholesalers and distributors in the printing and packaging industry.

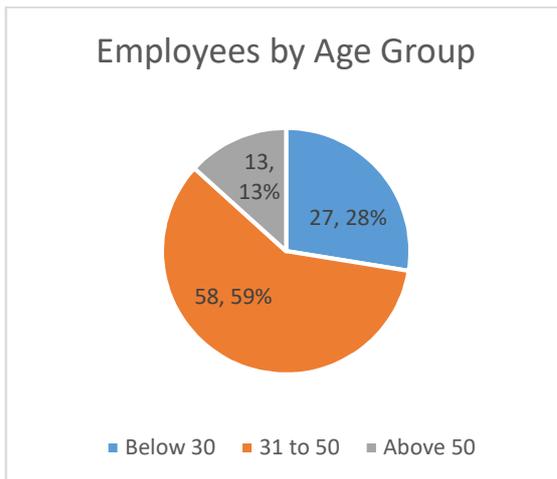
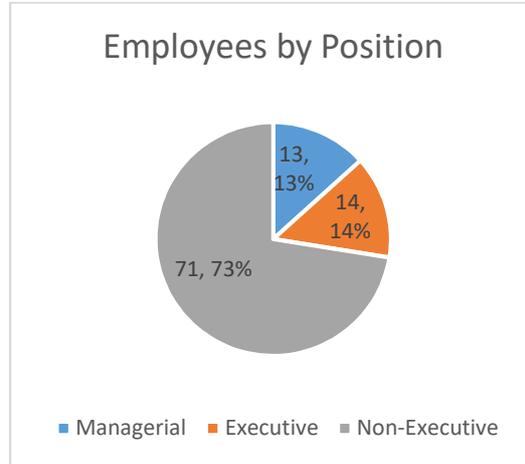
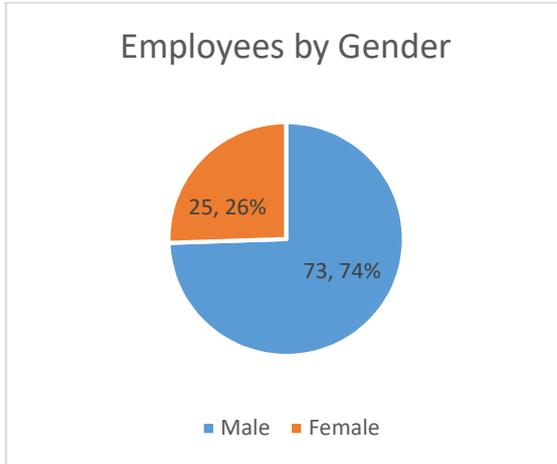
The Group is fully committed to deliver products that are of the highest quality. Therefore, the Group follows strict procedures of identifying, selecting and monitoring vendors supplying steel cylinders, printing ink and chemicals to assess their performance and capabilities.

The manufacturing processes which would include desktop publishing, balancing, cutting, grinding, plating, polishing, engraving and proofing amongst others, have been rigorously scrutinized and are certified to conform to internationally recognized standards such as the ISO 9001:2015 (incorporating Quality Management) that Fuji Roto Gravure had successfully attained.

Fuji Offset is also a member of the Singapore Business Federation.

Employees

The Group has 98 staff in its employment in the Singapore and Malaysia offices which can be classified as follows:



Mission and Vision

We visualise being able to expand our operations outside of Singapore and Malaysia. With over 30 years of operating history, we constantly strive to be the premium provider of quality steel printing cylinders. Aided by a group of highly experienced employees, every finished product is delivered with performance and precision.

We believe in the following 4 key qualities to be found in each and every employee which is to be applied when dealing with people internally and externally:



Corporate Governance

The Board is committed to upholding high standards of corporate governance practices throughout the Group that are in line with the Code of Corporate Governance 2012. The Board will ensure that there is compliance with the other relevant regulations, notices, circulars, and guidelines that may be issued by the Monetary Authority of Singapore (“MAS”) and the SGX-ST. Explanations will be provided should there be any deviations.

The Board manages potential risks through the review and approval of policies and procedures. The Management then ensures that the identified risks are relevant to the business environment and hence ensuring controls or mitigating factors are in place. The Audit Committee, independent of the Board, provides independent oversight of the effectiveness of the risk management process.

The Board comprises Directors who provide core competencies in accounting and finance, business experience, industry knowledge, strategic planning, legal knowledge and customer-based experience and knowledge. Where appropriate, the Directors receive relevant briefings from time to time on new updates in relation to regulatory

changes to accounting standards, Listing Manual, corporate governance and other regulations or statutory requirements.

The Independent and Non-Executive Directors constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Meetings are held regularly to discuss any matters without the presence of Management as and when circumstances require.

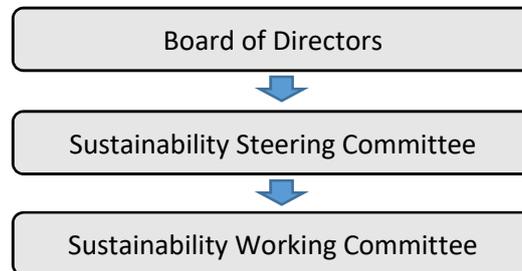
Each key executive at the Group's leadership is highly experienced in this industry and collectively as a whole, are able to competently handle all operational matters of the Group.

Sustainability Governance

The Sustainability Steering Committee, comprising key management executives, provides guidance by reviewing and reporting progress for targets and plans on the sustainability strategies to the Board of Directors on the sustainability management performance of the Group and material issues identified by stakeholders.

The Sustainability Working Committee, comprising management executives across the Group, identifies possible material topics and reach agreement on the action plan for the reporting process.

Sustainability Governance Structure



Anti-Corruption Practices

In ensuring that all laws and regulations including those related to anti-corruption practices, are complied with, the Management has implemented a set of policy and procedures titled "Policy and Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Other Matters" to provide guidance for all staff.

This is to encourage employees and external stakeholders to voice out issues that are opposed to the best interest of the Group to the Company Secretary as it is the desire and aim of the Company to develop, promote and maintain high standards of corporate governance within the Group.

The policy applies to all directors, officers, employees, including full-time, part-time and contract employees and external stakeholders of the Group and every complaint shall be lodged with the Audit Committee through the Company Secretary.

About This Sustainability Report

We present our inaugural sustainability report prepared in accordance with the Global Reporting Initiative (“GRI”) – “Core” option, the international standard for sustainability reporting.

This report aims to disclose our EESG performance against the issues that are considered most material to our Company’s stakeholders and this includes shareholders, suppliers, customers, management and employees. The objective of preparing this report is to inform our stakeholders of the initiatives and strategies related to sustainability that we are currently embarking on.

This report is also prepared in accordance with SGX-ST Listing Rules 711A and 711B – Sustainability Reporting Guide and the relevant SGX Practice Notes. Our data is reported in good faith and to the best of our knowledge. Currently, there is no external assurance for this report.

A copy of this report can be found on SGXNet and the Company’s website at www.fopgroup.com.

Feedback

We welcome feedback as it enables continual improvement in the Group’s sustainability policies, processes and performance. Please send your comments and suggestions to contact@fopgroup.com or at the following address:

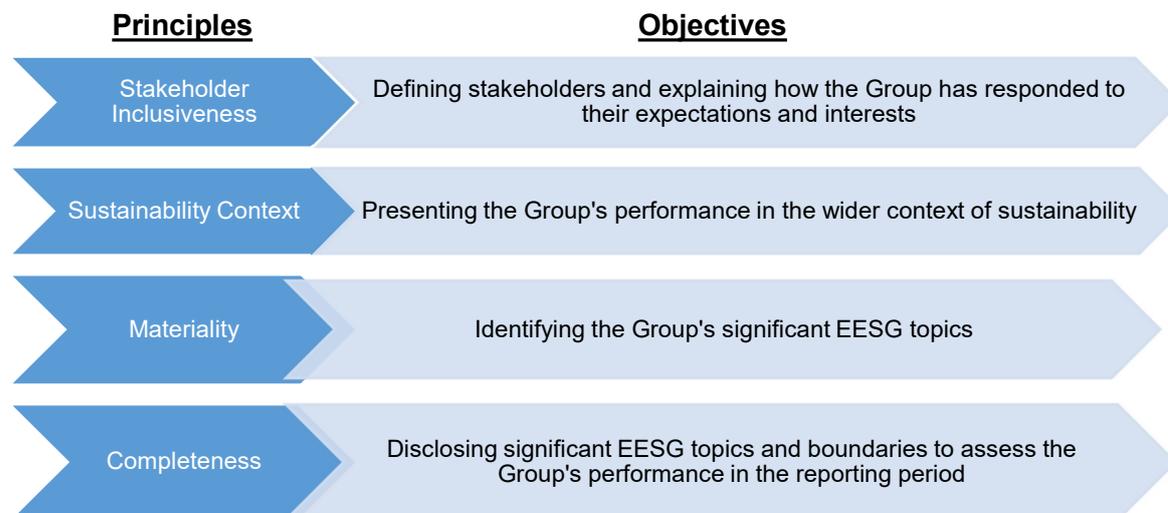
Fuji Offset Plates Mfg Ltd
2 Jalan Rajah #06-28
Golden Wall Flatted Factory
Singapore 329134
(65) 6265 9111

Reporting Scope and Boundaries

Since the Group’s operations mainly involved the printing of steel cylinders, the EESG topics identified in this Report are mainly related to the Group’s printing cylinders operating subsidiary, Fuji Roto Gravure, located in Johor Malaysia.

The reporting period for the sustainability report of our operations in Malaysia is for the financial year from 1 January 2017 to 31 December 2017. All data and information reported are with respect to the timeframe above unless stated otherwise.

The content of this report is defined by the 4 Content Reporting Principles established by GRI as follows:



Stakeholder Engagement & Material Topics

The Sustainability Consultants (the “Consultants”) worked with the Group to develop a questionnaire to identify the EESG topics that the Group considered important to stakeholders. The questionnaire was then independently undertaken by the Consultants using an online survey tool.

The online survey was made available to a range of external stakeholders including suppliers and customers, and to internal stakeholders including staff selected by the Working Committee.

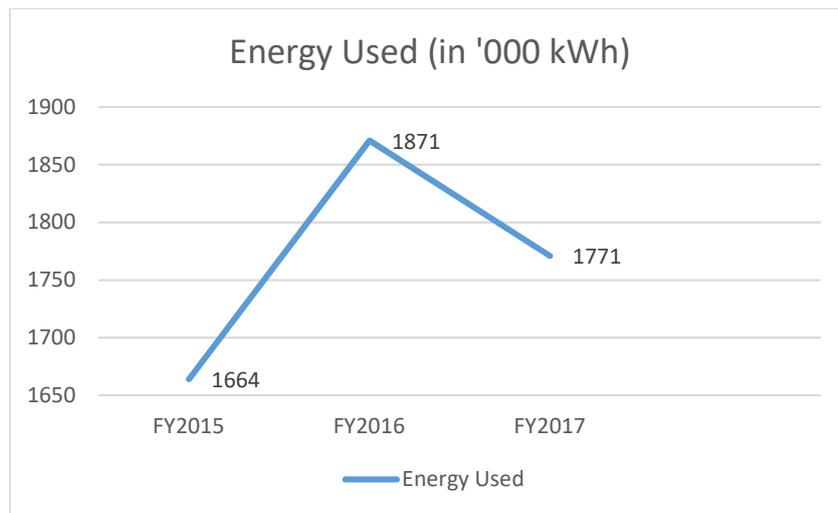
The survey results were collated and presented to the Board for the selection of the Group’s material topics. These topics are as follows:

<u>Material Topics</u>		
<u>Topic</u>	<u>GRI Standard</u>	<u>Title</u>
Economic	GRI 201-1	Economic Performance
Environmental	GRI 302-1	Reducing Energy Usage for Production
Social	GRI 403-2	Health and Safety of Workers
Social	GRI 404-1	Training and Education for Staff

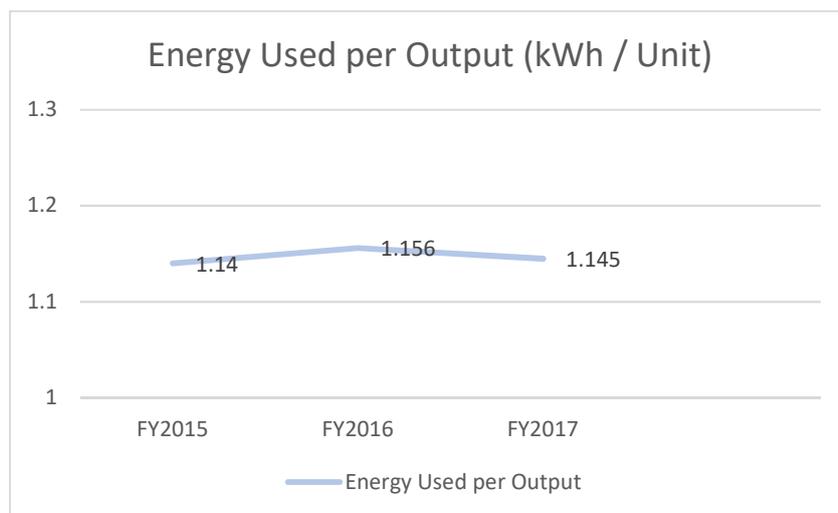
Reducing Energy Usage for Production (GRI 302-1)

The Group recognises the importance of properly managing and regulating energy consumption so as to keep operational costs low and help to reduce the impact on the environment. To keep track of its energy consumption, there is a monitoring system in place and a maintenance team of trained individuals in the Production Plant.

The following graph (based on computed electricity bill) shows the total energy consumption from FY2015 to FY2017. The higher consumption in FY2016 was due to higher production levels that year.



On an energy consumption per output level, the Production Plant has maintained a fairly stable ratio as shown in the graph below:



The Group's target is to maintain or better this consumption per output ratio for FY2018. The Group intends to achieve this target by adopting the following measures:

1. Posting reminders on the walls of the production area to remind employees to switch off lightings or any electrical appliances which are not in use;
2. Setting air-conditioning at a minimum of 25 degrees Celsius;
3. Replacing old air-conditioners and machines with newer energy-saving types.

Overall energy consumption is analysed monthly by the Accounts Manager. Energy usage not within the trends are identified within different operational areas and investigated for possible faults in the usage methods or the instruments and machinery used. With these practices established, the Group aims to improve efficiency in energy usage.

Health and Safety of Workers (GRI 403-2)

The Group has set an objective which is to raise health and safety standards in the workplace so as to achieve zero or minimal cases of reportable serious work-related injuries. The Group is pleased to report that there has not been any reportable serious work-related injuries in the past 4 years. The Group is committed to provide a safe working environment for its employees to safeguard the health and safety of all employees, which it believes will greatly enhance morale and satisfaction leading to higher productivity.

All employees are constantly reminded to be careful during work and to wear the appropriate safety equipment. Trainings and briefings are constantly provided at the Production Plant and communicated to new and existing employees to understand the rules and safety regulations before the start of each work day. Signages are also posted around the production area to reinforce certain values accordingly.

The OSHA (Occupational Safety and Health Administration) officer at the Production Plant carries out monthly inspection on workplace safety. The OSHA officer will perform spot-checks to ensure employees are wearing the correct safety equipment and conforming to the safety rules and regulations. There are fire safety inspections every quarter at the Production Plant and the Fire Brigade Department performs checks annually to ensure that the necessary requirements are met.

The Group strictly complies with the following regulations established by the following agencies:

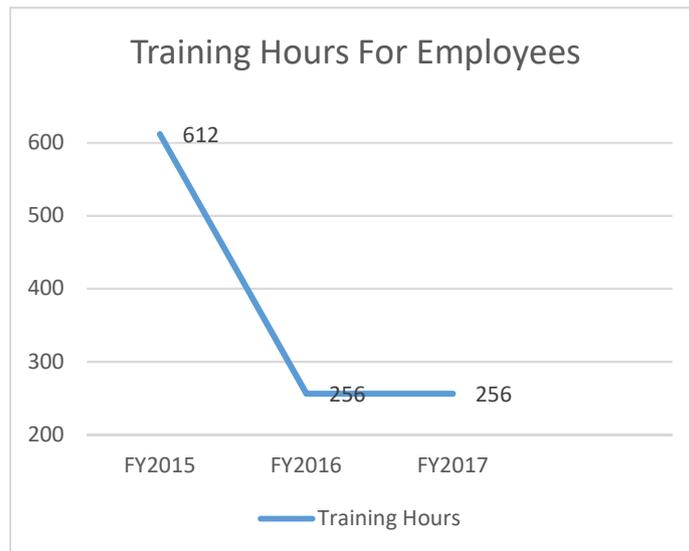
1. DOSH ("Department of Occupational Safety and Health") - the objective is to prevent industrial accidents and occupational diseases. It also ensures safety, health and welfare of people at work as well as protecting other people from the safety and health hazards arising from production activities;
2. DOE ("Department of Environment") - the abatement of pollution in the country through the enforcement of the Environmental Quality Act of 1974 and its subsidiary legislation. It monitors air and water quality and noise, manages toxic and hazardous wastes based on the "cradle-to-grave" principle.

Training and Education for Staff (GRI 404-1)

Training and education is important for the Group as it enhances productivity of all employees by equipping them with the necessary skillsets to perform their duties in an ever-changing working environment. Training and education helps employees to learn specific knowledge or skills to improve performance in their current roles that brings a greater impact to the Group, which is of the utmost importance.

Management has regular meetings with the respective Head of Departments to understand the various types of training required for their respective employees, who are selected based on their work performance and career progression. Management will also choose some safety courses which are open to all employees. The Company has been consistently providing all employees with both internal and external training for them to perform their job duties efficiently whenever necessary.

The total training hours provided to employees in the Group can be found in the following graph below:



The Group recorded 612 training hours in FY2015. This was higher than the 256 training hours in FY2016 and FY2017, primarily due to the tri-annual mandatory fire safety training for staff in FY2015. The Group intends to increase its training hours for staff in FY2018 and beyond.

The Group believes that its investment in training for staff will ultimately enhance productivity and enable it to identify and exploit new opportunities in the printing cylinder business and beyond.

Training application forms are provided to staff in order for them to select the training they require. Some examples of training courses offered to staff are as follows:

- a) Financial reporting
- b) ISO 9001:2015

- c) System administration
- d) Occupational safety and health training

After attending trainings, the employee is then advised to conduct a class to share the knowledge and findings with other employees. Induction training is provided for new employees to understand topics such as the Group's processes and work flow, their individual job scope and safety procedures.

The Company has made the following investments in new equipment to ensure consistency in the quality of products and to fulfil specific customers' requirements such as the following:

- a) Engraving Machine
- b) CFM Machine which shortened production process and time required.

Engineers were also hired from countries such as Thailand, Singapore and USA to provide training and share experiences and research and development knowledge on the equipment with other employees.

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