

SUSTAINABILITY REPORT 2018

Federal International (2000) Ltd



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REPORT PROFILE

This report summarises our approach and practices towards Sustainability and represents our belief that Sustainability is an important aspect of our business.

International Standards: This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

Reporting Period: 1 January 2018 to 31 December 2018

Reporting Cycle: Annually based on the Group's financial year

Feedback: We welcome valuable feedback from all stakeholders on our sustainability practices and performance. Please send your feedback or suggestions to sustainability@fedsin.com.sg.



ABOUT OUR COMPANY

Established in 1974 as a hardware trading business, Federal International (2000) Ltd (“**Federal**”) is a Singapore-listed international company with a global presence in Asia including Indonesia, People Republic of China and Singapore, the United Kingdom and the UAE.

We are a leading procurement specialist and stockist for the oil and gas industry. Besides being an agency for leading manufacturers, we also manufacture our own brand of flowline control products. Additionally, our business also includes the distribution of fire protection and detection systems and the chartering of vessels.

Our Business Segments

Procurement (Trading)

We are an integrated service provider and procurement specialist in the oil & gas, energy and infrastructure industries. We supply flowline control products and distribute oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, as well as electrical products for the marine, oil and gas and petrochemical industries.

Industrial

Through our subsidiary Federal Fire Engineering (S) Pte Ltd, we engage in fire detection, control, protection and suppression systems projects which include design, engineering, installation and maintenance across the marine, oil & gas, power generation, industrial and commercial market segments.

Manufacturing, Design and R&D

We have a design and manufacturing facility located in Scotland, the United Kingdom. The facilities are certified by American Petroleum Institute (“**API**”) Spec Q1, Spec 6D, ISO 9001:2015 and Pressure Equipment Directive 97/23/EC (“**PED**”).

Marine Logistics

Our marine segment is involved in the design, build, refurbishment and conversion of vessels for the oil & gas industry. We have chartered our Federal II, a floating, storage and offloading (“**FSO**”) vessel, to PT Pertamina Hulu Energi OSES (“**PHE**”).

Energy and Utilities

The Group also operates an industrial water plant located in Chengdu, China, under a 30-year Build, Operate and Transfer (“**BOT**”) agreement with the Xinjin County government till Apr 2039.

Resources (Land Rig)

We own a 1,200 HP American built land drilling rig which is currently stored in a yard near Jakarta.

BOARD STATEMENT

Dear Stakeholders,

Creating long-term sustained value for all of our stakeholders is at the heart of our activities. We are prudent in making every business decision by considering the impact that we are likely to cause to the environment, community and other stakeholders. Moreover, we constantly strive to innovate our sustainability efforts and goals towards enhancing product quality, reducing our environmental footprint, and creating a safe and healthy working environment for our employees.

2018 was a challenging year for us where the extended oil price downturn has largely impacted our business and revenue. Despite facing much uncertainties in the global financial market, we stand firm in our commitment to building a sustainable business through forming of strategic relationships with key partners. In FY2018, we have managed to strengthen our order book with approximately US\$58.4 million worth of contracts and generated US\$ 43.2 million revenue.

As we look to the future, our commitment to sustainability remains embedded in our business strategies and core values. We aim to actively contribute in enhancing our society while we continue to grow.

On that note, we are pleased to present our sustainability report, a testament of our commitment to good governance. This sustainability report serves as a platform for us to share our sustainability progress and milestones that we have achieved. We will continue to innovate and implement our strategies to ensure that we attain our sustainability objectives and create greater value for all our stakeholders.

For and on behalf of the Board of Directors

KOH KIAN KIONG

Executive Chairman and CEO

Federal International (2000) Ltd



MANAGING SUSTAINABILITY AT FEDERAL

Our Vision

To align our economic success with environmental and social responsibilities.

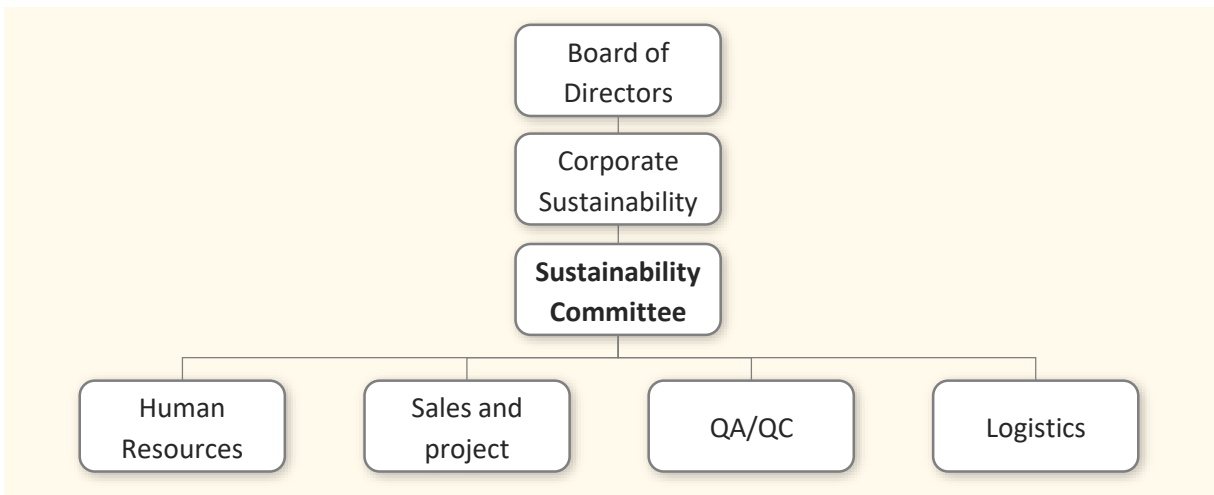
Our Objectives

Guided by our sustainability commitments, our objectives are to:

- Place our clients at the centre of everything we do
- Protect and save our environment
- Manage our risk to safeguard our economic sustainability
- Be a responsible member of society
- Be an employer of choice
- Comply with applicable legal requirements and regulations

Our Sustainability Committee

The Corporate Sustainability Objectives are driven by our Sustainability Committee which is headed by our Executive Director, Ms. Maggie Koh. The Committee consists of Department Heads and middle management team from Human Resources, Customer Service, Quality Assurance (QA)/ Quality Control (QC) and Logistics departments.



The responsibilities of the Sustainability Committee are as follow:

- The Committee shall oversee and provide inputs to management on the Company's policies, strategies and programmes related to matters of sustainability and Corporate Social Responsibility. This includes, but is not limited to, matters related to environment, local community, human rights, supply chains, customer feedbacks and philanthropy.
- The Committee shall set and review the goals established for its performance with respect to matters of sustainability and corporate social responsibility and monitor the Company's progress against those goals.
- The Committee shall receive and act on periodic feedbacks from the Company's management regarding relationships with key external stakeholders that may have a significant impact on the Company's business activities and performance.
- The Committee shall ensure timely disclosure of the sustainability report.

STAKEHOLDER ENGAGEMENT

Long-term engagement with our stakeholders through multiple platforms offers important inputs that guide our decision-making process and assist us in achieving our sustainability commitments. Our key stakeholders include our employees, investors, customers, joint venture partners, vendors, the community, governments and national agencies.

The following table summarises the concerns of our stakeholders which we incorporate into our sustainability approach:

STAKEHOLDERS	KEY CONCERNS	FEEDBACK PLATFORMS
Employees		
We are committed to providing fair and equal opportunities to all of our employees, and create a safe and cohesive working environment.	<ul style="list-style-type: none"> ▪ Job security ▪ Employee safety and welfare ▪ Staff training and development ▪ Remuneration and benefits ▪ Work-life balance ▪ Fair and competitive employment practices 	<ul style="list-style-type: none"> ▪ Suggestion box ▪ Code of Conduct ▪ Policies and procedures ▪ Annual performance appraisals ▪ Recreation and social activities ▪ Training
Investors, Analysts & Media		
We strive to generate sustainable long-term returns on investment. Furthermore, we adhere to timely and transparent dissemination of accurate and relevant information to the market.	<ul style="list-style-type: none"> ▪ Growth trajectory ▪ Returns on investment ▪ Business strategy and outlook ▪ Risk management ▪ Corporate governance ▪ Market diversification ▪ Sustainability performance and reporting standards ▪ Timely and transparent reporting 	<ul style="list-style-type: none"> ▪ Annual general meeting ▪ Extraordinary general meetings ▪ Quarterly financial results ▪ SGX announcements, media releases and interviews ▪ Annual report ▪ Annual sustainability report ▪ Company website
Customers		
Customer satisfaction is critical to the success of our businesses and we understand the importance of maintaining long-term customer relationship. We aim to provide consistent quality products and services at competitive prices.	<ul style="list-style-type: none"> ▪ Timely delivery of products and services ▪ Quality of products and services ▪ Product safety ▪ Competitive pricing 	<ul style="list-style-type: none"> ▪ Annual customer satisfaction survey ▪ Project milestone meetings ▪ Dedicated sales team

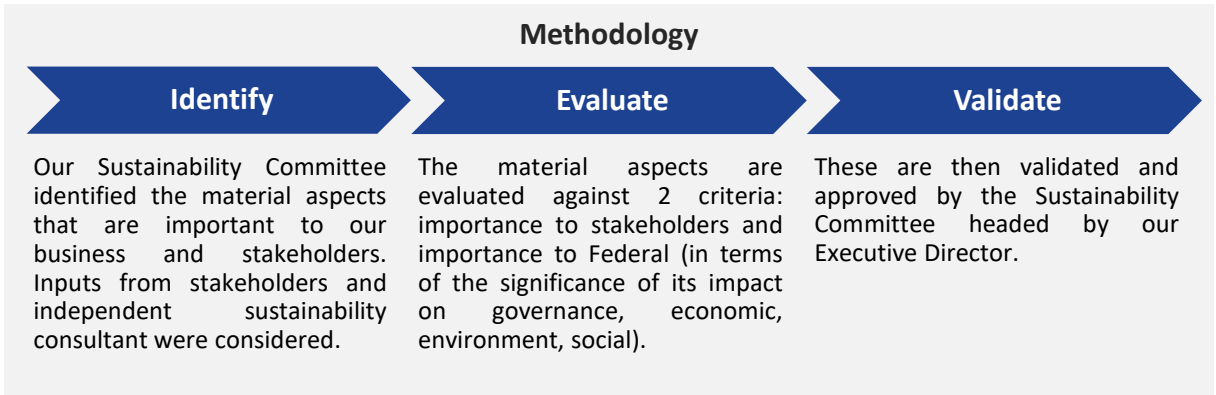
STAKEHOLDER ENGAGEMENT

STAKEHOLDERS	KEY CONCERNS	FEEDBACK PLATFORMS
Vendors		
<p>The ability to maintain strong relationship with our vendors gives our businesses strategic advantages. We aim to improve the transparency of our supply chain to meet industry's best practices.</p>	<ul style="list-style-type: none"> ▪ Maintaining good relationship ▪ Quality products and services ▪ Environmental compliance ▪ Certification compliance 	<ul style="list-style-type: none"> ▪ Annual vendor evaluation ▪ Quality control inspections ▪ Regular meetings with key suppliers
Government/National Agencies		
<p>Governments play an important role in shaping the business environments that we operate in. We strictly comply with the relevant laws and regulations.</p>	<ul style="list-style-type: none"> ▪ Sustainable operations ▪ Compliance with laws and regulations ▪ Safe working environment 	<ul style="list-style-type: none"> ▪ Annual sustainability report ▪ Meetings and regular reporting ▪ Annual ISO certification audits
The Community		
<p>We are responsible to well-being of the communities that we operate in. We aim to manage the impacts our businesses have on the community, care for public health and safety, and support initiatives of the local community and government that drive community development.</p>	<ul style="list-style-type: none"> ▪ Corporate philanthropy and engagement ▪ Responsible business conduct 	<ul style="list-style-type: none"> ▪ Annual sustainability report ▪ Community outreach initiatives

MATERIALITY ASSESSMENT

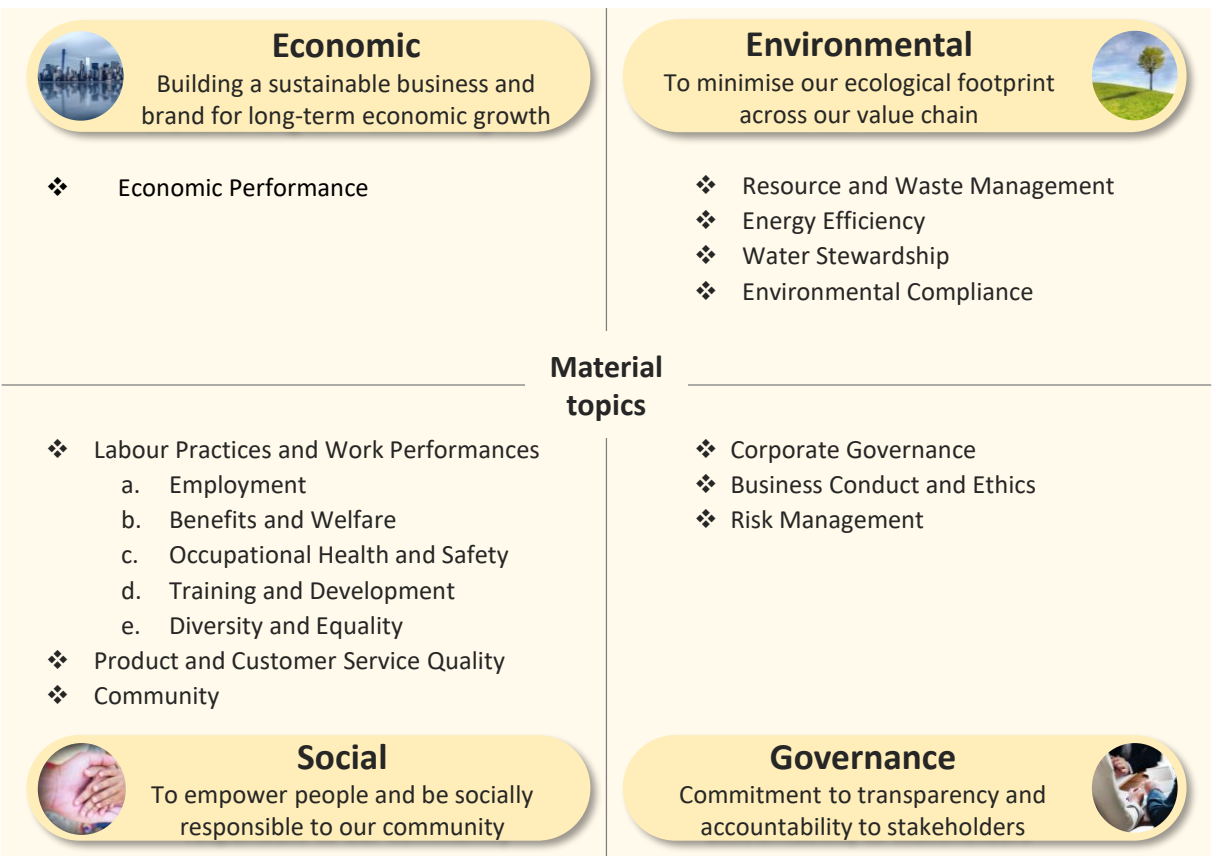
We have performed materiality analysis to identify sustainability issues that are of importance to our business and stakeholders. This assessment helps us bring focus to key areas that we seek to improve on as we make progress in achieving the long-term sustainability of our business.

The materiality review took into account the GRI guidelines and we have prioritised our topics using a materiality matrix.



Material Topics

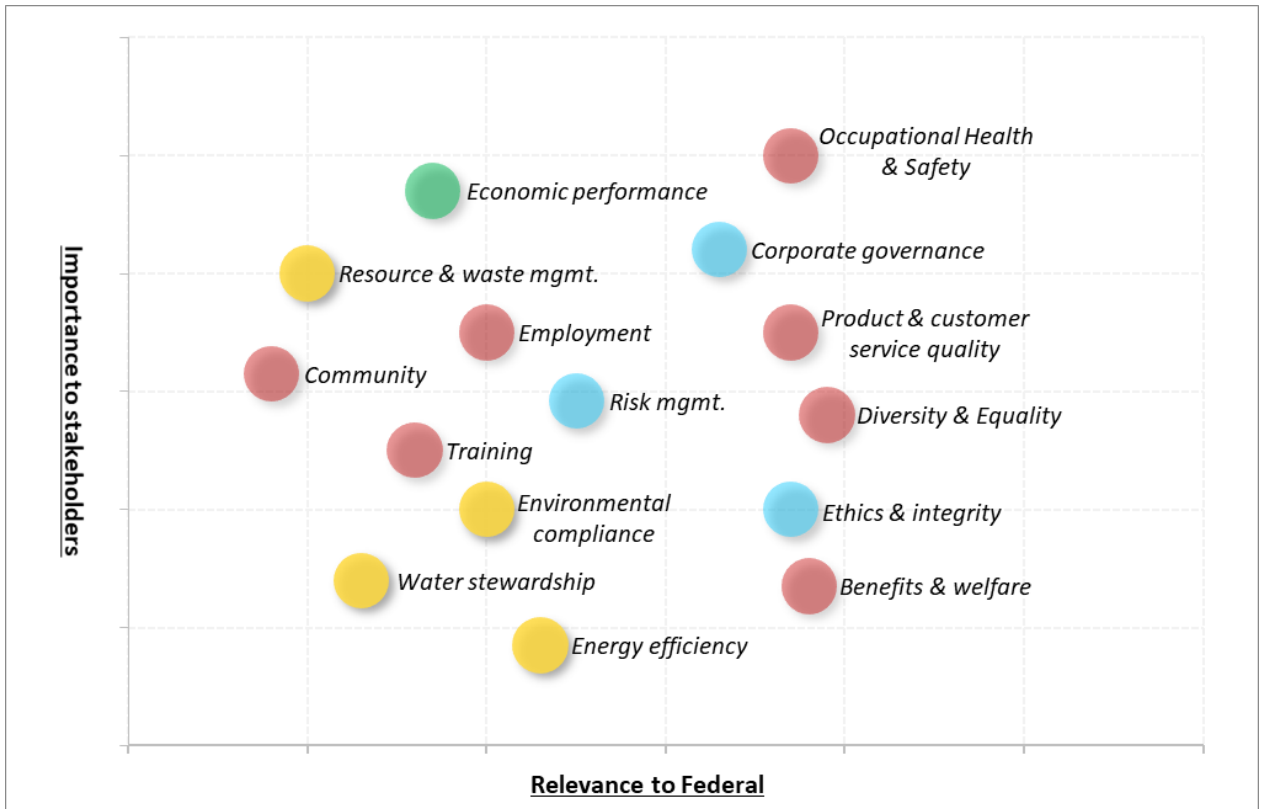
Our review focuses on 4 key aspects with 11 identified material topics. For each material topic, we report on the relevance of it to our business and stakeholders, and the measures in place to address it.



MATERIALITY ASSESSMENT

Materiality Matrix

The following chart shows our materiality matrix, which ranks the above material topics in accordance to their importance to stakeholders and relevance to Federal (in terms of the significance of its impact on governance, economic, environment, social):



Legend



MATERIALITY ASSESSMENT

Topic	Why is this material for us and our stakeholders	How we are addressing the issue
Economic Aspect		
Creating Economic Value	<p>In recent years, the market conditions have been challenging resulting in an uncertain outlook for the oil and gas industry. There are concerns over the economic performance of the Group during such turbulent times.</p> <p>Therefore, it is important for the Group to demonstrate our resilience and manage our risks to give greater assurance to our stakeholders.</p>	<p>We continue to establish key partnerships with regional partners to harness the synergies between our partners and us. We believe that this strategic business model allows us to co-bid and co-share the risks in the process of securing a major contract.</p> <p>Furthermore, building a chain of partnerships throughout the region also enables the Group to diversify our risks and generate more business leads.</p>
Environmental Aspect		
Resource and Waste Management	<p>Unsustainable rate of waste output has resulted in land scarcity for waste disposal and cost pressures due to resource scarcity.</p> <p>At Federal, we believe that the integration of waste and resource management efforts in our operations is essential in ensuring sustainable business growth. Being able to maximise resource usage and reduce waste output will have a significant impact on the Group's effort to reduce operational costs.</p>	<p>Our main wastes are paper used in offices and packaging material, such as carton boxes, plastic wraps and wooden pallets.</p> <p>For goods packaging, we seek to reuse packaging material and pallets to minimise waste output.</p> <p>For our office operations, employees are encouraged to reduce, reuse and recycle paper whenever possible. We have also adopted a paperless e-statement system to reduce paper usage.</p>
Energy Efficiency	<p>In Singapore, the Government has placed greater focus in reducing the carbon footprint of industries with the ratification of the Paris Agreement and announcement of carbon tax to be implemented in 2019.</p> <p>As a global corporate citizen, we also seek to do our part to reduce our ecological footprint. We recognise that investing in energy conservation not only reduces our carbon footprint but also reduces business costs. Hence, we are committed to minimising our energy consumption and improving energy efficiency.</p>	<p>For our offices and warehouses, we have installed energy efficient LED lightings and motion-activated lightings to reduce energy consumption.</p> <p>Furthermore, we have also sought to consolidate our point of operations to reduce unnecessary wastage of energy and improve operational efficiency.</p>

MATERIALITY ASSESSMENT

Topic	Why is this material for us and our stakeholders	How we are addressing the issue
Environmental Aspect		
Water Stewardship	<p>At Federal, we recognise that proper water stewardship is essential in managing the complexities of balancing our water usage with the needs of our environment and communities.</p> <p>Given that certain of our business activities may lead to water degradation or pollution, it is necessary for us to properly manage our water to ensure sustainability of our operations.</p>	<p>We actively track the usage of water across our offices and warehouses. Water saving kits are installed to reduce water consumption and employees are encouraged to conserve water whenever possible.</p> <p>For our industrial water plant, we perform regular water testing and properly treat wastewater residue before they are discharged to ensure that water sources near the plant are not contaminated.</p>
Environmental Compliance	<p>In recent years, laws and regulations on the environmental performance of businesses have become stricter. In addition to more stringent regulations, stronger enforcement of laws are also being discussed and enacted in the emerging economies of Asia.</p> <p>Being a responsible corporation, we seek to comply with all environmental regulations implemented in the jurisdictions that we operate in.</p>	<p>Various committees, such as the ISO Committee, Risk Committee and Sustainability Committee, are established to monitor the Group's operation to ensure that we comply to various regulations and standards.</p>
Social Aspect		
Labour Practices and Work <ul style="list-style-type: none"> a) Employment b) Benefits & Welfare c) Health & Safety d) Training & Development e) Diversity & Equality 	<p>Satisfied and motivated employees translate to better workplace performance, greater productivity and better quality of outputs. Therefore, we seek to provide our people with a conducive and safe work environment to ensure that our business remain productive.</p>	<p>We provide fair opportunities for compensation, promotion and training on a meritocratic basis.</p> <p>Annually, we perform employee performance appraisal to identify knowledge gaps and training needs. It also provides a platform for open communication between us and our employees.</p> <p>A Health and Safety Committee oversees the health and safety of all our employees and seek to create a work environment that is safe and conducive.</p>

MATERIALITY ASSESSMENT

Topic	Why is this material for us and our stakeholders	How we are addressing the issue
Social Aspect		
Product Responsibilities	<p>We believe that product quality and integrity form the foundation of the reputation and trust that we seek to earn in the markets that we operate in.</p> <p>Product safety and reliability are of paramount importance to our customers who operate in the oil and gas industry where occupational health and safety are of their top priority. We seek to develop and deliver quality products that are compliant with the highest standards of product certification.</p>	<p>We have established formal quality system in compliance with ISO 9001 standards to ensure that we maintain and make continuous improvements in our processes. Our ISO Committee monitors and ensures that we adhere to the ISO standards.</p> <p>For products under our in-house brand, KVC (UK), we have obtained several product quality control accreditations.</p> <p>Customer feedback channels are available for our customers to provide feedbacks.</p>
Community	<p>Our Group has benefitted from the support of our stakeholders and the community to be where we are today. Therefore, it is only fitting that as we continue our growth, we also look at giving back to the community.</p>	<p>Federal strives to be a socially conscious business by giving back to the local community on an ongoing basis and being involved in community activities.</p>
Governance Aspect		
Corporate Governance	<p>We believe that well established corporate governance processes are essential in enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.</p>	<p>We seek to uphold a high standard of corporate governance and comply with all regulatory requirements and standards.</p> <p>Federal is led by a competent Board comprising of independent non-executive directors. Several board committees have been established with clear terms of reference, both to assist the Board in fulfilling its responsibilities and to provide an independent oversight of management.</p>

MATERIALITY ASSESSMENT

Topic	Why is this material for us and our stakeholders	How we are addressing the issue
Governance Aspect		
Business Conduct and Ethics	<p>We believe that upholding our reputation and fostering stakeholders' trust in our business is fundamental to our growth as a company. Therefore, we are committed to building a positive corporate image through exemplary business ethics and integrity.</p>	<p>We strive to inculcate a strong corporate culture within our Group and have zero tolerance towards corruption and fraud. Employee Code of Conduct, Whistleblowing, and Conflicts of Interest Policy are communicated to all employees upon hiring.</p> <p>Our accessible and independent whistleblowing channels, including direct contacts of the Audit Committee Chairman, allow our employees to report any suspected wrongdoings without reprisal.</p>
Risk Management	<p>Risk management is recognised as an integral component of good management and governance. Stakeholders are often concerned over the risks that organisations take in their operations.</p> <p>Engaging in an iterative risk management process will enable us to provide greater assurance to stakeholders in our pursuit of growth for the Group.</p>	<p>At our organisation, we are prudent in managing our risk-reward relationship. We have established Risk Management Committee and Enterprise Risk Management Framework to manage our business risks.</p>



ECONOMIC

Objective

We seek to create long-term economic value for our stakeholders through the building of a sustainable business and brand.

Approach

At Federal, we focus on value creation for our stakeholders by placing their interests at the heart of what we do to generate growth that is sustainable, profitable and responsible. To achieve our business and growth objectives, we adopt the following strategies.

Firstly, we seek to strike strategic partnerships with regional partners. We believe that this will allow us to leverage on the strengths of our partners and ours to secure high value contracts. Building a chain of partnerships throughout the region also enables the Group to generate more business leads.

Secondly, we forge strong relationships with our bankers and government organisations such as Enterprise Singapore to secure trade credit and funding for our projects.

Lastly, we remain prudent in the management of our business risks while we continue our growth. We have established an Enterprise Risk Management Committee to monitor and evaluate business risks that the Group faces. Our Sales and Finance team also work closely together to ensure that customer credit risk is properly managed.

Our Performance

Our operations span across different geographical locations globally and provide employment for local communities, contracts for local suppliers, and revenue for governments of the jurisdictions that we operate in. FY2018 was a challenging year for us due to turbulent and uncertain market conditions. However, through stringent management of costs and securing of high margin projects, we have continued to generate value for stakeholders.

Economic Value Generated

\$ 43.2M

This includes revenue, interest and investment income, and other income

Dividend Declared

\$ 2.8M

Total dividend declared in FY2018

Target & Plans

- Establish more strategic partnerships with regional partners
- Secure long-term contracts or investments to generate sustainable revenue stream
- Attain an average customer satisfaction rate of more than 80%



ENVIRONMENT

Objective

We are committed to managing and minimising our ecological footprint across our value chain, which includes our business operations, suppliers and customers.

Approach

(a) Waste and Resource Management

Packaging materials, such as cartons, plastic wraps, strings, wooden pallets and paper are the key sources of waste generated from our operations. Even though our direct ecological footprint is relatively small, we believe in doing our part as a responsible corporate citizen and contributing to global goals of climate change mitigation and resource conservation. We are supportive of various initiatives undertaken by our customers and vendors to mitigate environmental impacts of our business.

We believe in engaging our employees and inspiring them to incorporate sustainability thinking into their everyday work life. Employees are encouraged to 'reduce, reuse, and recycle' paper and packaging materials whenever possible. We have recycling bins placed in the office for the recycling of paper and plastic. Used papers are usually shredded and used as packaging material for our products. Pallets and boxes used in packaging are also often reused.

Employees are also encouraged to opt for electronic modes of transmission when forwarding documents to clients and suppliers. An electronic-filing system is established for mill certificates which not only reduces the amount of paper used, but also makes documentation and information sharing more efficient.

We ensure that all wastes are properly disposed by licensed third-party waste management vendor.

(b) Water Stewardship

Where viable, we invest in water saving installations to achieve better water efficiency at our facilities. As part of our ISO 14001 Environmental Management System objectives, we actively track our water consumption at our facilities to provide information for management decision making. Furthermore, we constantly remind our employees through posters and emails to adopt good practices in water conservation.

Water for our main trading operations are provided by public water utilities, while our industrial water plant in Chengdu, China, mainly withdraw water from surface water sources. At the industrial water plant, we ensure that by-products of the water treatment are processed in accordance to local regulatory requirements before disposal. All mud and silts generated from the water treatment process is directed to a pool within our facility. A natural dewatering facility will be built to treat the wastewater residue deposited in the pool. The residue from the treatment will be applied to soil for conditioning purposes or dumping as fill.

(c) Energy Efficiency

In the conduct of our business, the main areas of energy usage are predominantly across our offices and warehouse operations. For our offices and warehouses, we have installed energy efficient LED lightings and motion-activated lightings to reduce energy consumption. We also have employee awareness initiatives to encourage them to turn off lights and air-conditioning in offices when they are not in use.

Furthermore, we have also sought to consolidate our point of operations to improve energy and operational efficiency. In 2017, we have consolidated our warehouses across Singapore to our leasehold property in Chin Bee Drive. We also have plans to relocate all of our offices to the Chin Bee property by 2019.

(d) Environmental Compliance

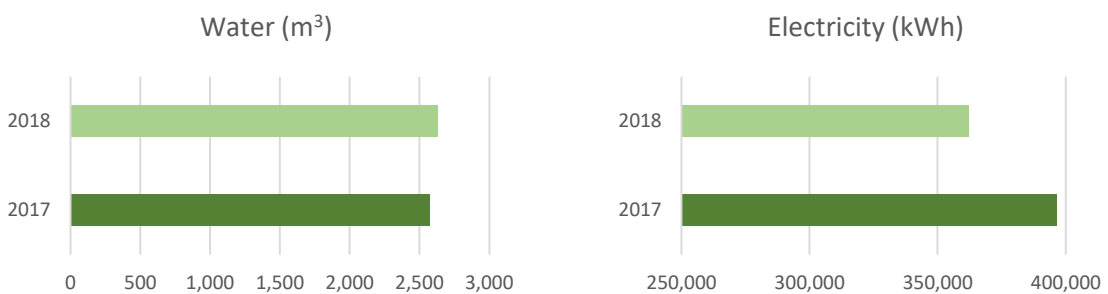
Federal is committed to comply with all applicable environmental legal requirements enforced by local authorities in all jurisdictions we operate in. The Environment, Health and Safety (“EHS”) Committee monitors our operations and performs monthly reviews to ensure that we comply to relevant environmental requirements and regulations. Annually, we also undergo certification audits by third-party auditors to ensure that our processes adhere to international certification standards.

Our Performance

In FY2018, we have complied with all environmental laws and regulations in the jurisdictions we operate in and there were no fines or penalties incurred for non-compliance.

Based on our annual water sampling, there is no incident of contamination or waste spillage at our industrial water plant in Chengdu, China. In FY2018, approximately 400m³ of wastewater residue is produced and deposited into our wastewater pool.

We have continued to monitor our electricity and water consumption. In FY2018, we managed to reduce our energy usage by 2% as per our target in FY2017. In FY2018, we have withdrawn approximately 1.8 million m³ of water from surface water sources for treatment at our industrial water plant and 2,632 m³ of water from public water utilities.



Target & Plans

- Improve energy and water efficiency – reduce electricity and water intensity by 2% in the following year
- Zero incident of environmental regulations non-compliance

SOCIAL

Objective

We seek to empower people and be socially responsible in the communities we operate in.

Approach

(a) Labour Practices & Work Environment

(i) Talent Attraction and Retention

We are committed to providing all employees with equal opportunities for compensation, promotion and training on a meritocratic basis. Annually, we review employee benefits to ensure that they remain competitive and aligned with manpower regulations in the jurisdictions we operate in. As at 31 December 2018, the Group employs 176 individuals.

On a yearly basis, our performance appraisal system allows employees to receive formal feedback from their supervisors on their job performance based on the key performance indicators (“KPI”) established, to encourage continual improvement and development. The open performance appraisal system helps both employees and their supervisors understand their respective expectations and align them with the needs of the organisation.

For employees who have reached the retirement age, we have been actively extending re-employment to them, in accordance to the Retirement and Re-employment Act. Additionally, a one-off Employee Assistance Payment (“EAP”) are provided to employees who have reached the retirement age but are not eligible for re-employment.

Federal celebrates employees who have been with us for every 5-year milestone with us by presenting long service awards. Our heartfelt appreciation goes out to this group of valued and loyal employees.

(ii) Training & Development

In addition to on-the-job training, we also send our employees for training by external vendors to equip our employees with the relevant skillsets to advance in their expertise. The types of training encompass those relevant to ISO standards for safety, first aid, technical competencies and soft skills. We also support our employees in their personal development by granting qualified employees who are sitting for examinations with examination leave.



(iii) Occupational Health & Safety

The framework for our health and safety management is modelled after international standards. We have attained certifications such as the ISO 14001 and OHSAS 18001.

As part of our orientation programme, new hires will attend safety courses to ensure that they have the necessary training and skills relating to workplace safety. We also conduct annual emergency response drill and fire drill to prepare our employees in handling emergency situations.

Monthly safety inspections are performed on all of our premises and to follow up on any rectification actions required subsequently, if there are any safety hazards identified. To ensure that equipment and machinery are operating safely, we perform periodical maintenance and repairs as well.

All our employees are offered outpatient medical and dental claims and any unused credits can be utilised by their immediate family members.

Moreover, we provide basic employment insurance program which covers any injury or illness sustained in the course of employment that requires medical, surgical or hospital treatment. Travel insurance will be provided to employees who are required regularly travel overseas for business.

(iv) Benefits & Welfare

We have welfare practices in-line with the Singapore legislations. Mothers and fathers of new-borns who are Singapore Citizens, are entitled to maternity leave of 16 weeks and paternity leave of 2 weeks respectively, and the Company will also present a small congratulatory token. For children who are not Singapore Citizens, mothers get to enjoy 12 weeks of maternity leave. We also provide eligible employees with childcare leave and extended childcare leave to manage their commitments in raising a young family.

To encourage a healthy work environment, we provide employees with flexi-time and part-time work arrangement to suit their work and personal commitments. We have also established a Recreation Committee (RC) to coordinate work-life balance initiatives and events for the Company.

(v) Diversity and Equality

We see great strength in the diversity of our workforce and the potential in each and every one of our employees. Diversity provides different perspectives and fosters innovative thinking to solve business challenges. Our Employee Code of Conduct guides us towards this aspiration.

We hire people from different backgrounds and have a diversified workforce across all age groups, races and genders as we value the experiences and knowledge that different individuals bring to the Group. We adopt a firm stance against human rights infringement and discrimination to ensure a conducive work environment for our employees.

We respect the principles of freedom of association, the right to collective bargaining, non-discrimination and harassment, meritocratic and progressive human resource practices, and advocates the elimination of forced or child labour. All employees under the Group are entitled to practice freedom of association, within regulatory limits of each jurisdiction which we operate in.

(b) Product and Customer Service Quality

Providing quality products and services to our customers is our utmost priority. We understand that product faults may often result in serious safety and operational issues for our customers. Therefore, we make it our responsibility to ensure that all products sourced from our suppliers undergo stringent certification process and are of the highest quality. We have established formal quality system in compliance with ISO 9001 standards to ensure that we maintain and make continuous improvements in our processes. Our ISO Committee monitors and ensures that we adhere to the ISO standards.

For products under our in-house brand, KVC (UK), we have obtained several product quality control accreditations, such as American Petroleum Institute (“API”) Specification Q1 and 6D monogram, Fire Test Certification to API 607, Atmospheres Explosives (“ATEX”) marking, Safety Integrity Level II and Conformité Européene (“CE”) marking as per Pressure Equipment Directive (“PED”), to assure customers of our product’s reliability and safety.

We value all feedbacks provided by our customers and our Sales team work closely with our customers to address any product quality and safety issues. Furthermore, we also perform annual customer satisfaction survey to gather feedbacks from our customers.

(c) Community

As a socially conscious business and part of a larger community, we believe that we have a responsibility to do our part for the betterment of the community. Apart from job creation, through donations and sponsorships, we seek to empower the less fortunate or provide support to children or youths-at-risk.

Our Performance

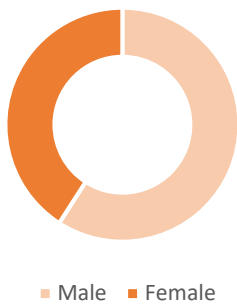
(a) Labour Practices & Work Environment

In the reporting period, there were no fines or penalties incurred for non-compliance to labour laws and regulations in the various jurisdictions we have presence in. Furthermore, we have not received any reports of labour malpractice or unfair treatment through our employee grievance channel. There were also no reported workplace injury, fatality, occupational diseases, or cases of non-compliance in health and safety regulations.

In FY2018, we have participated in an initiative by Workforce Singapore (“WSG”), which included a workshop training for key management skills, for Professionals, Managers, Executives and Technicians (“PMET”), in addition to staff training in various aspects such as safety and financial reporting. In FY2018, our employees have completed an average of 4 training hours per employee.

We also continually look to improve employee engagement and well-being. Hence, we have organised a staff retreat in 2018 to motivate our staff, and extended the outreach of the weekly fruit day to our Indonesian counterparts.

Distribution by Gender



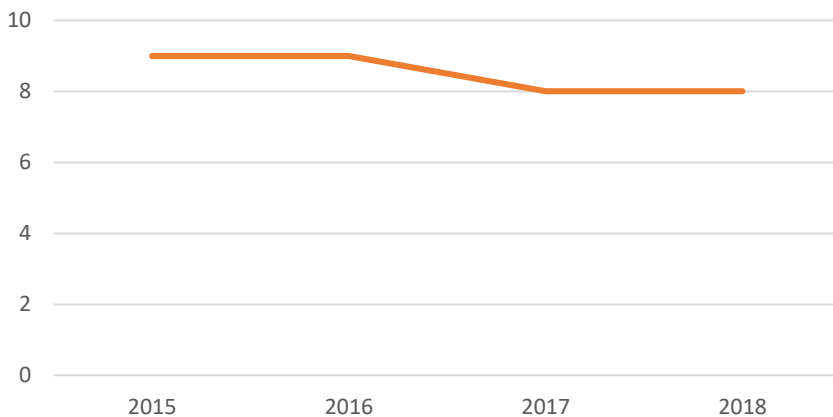
Distribution by Age



(b) Product and Customer Service Quality

Over the years, we have performed customer satisfaction surveys annually to gather customer feedback and address any potential product quality and safety issues. In the survey, customers are asked to evaluate our products’ reliability, timeliness in delivery, and support services. Overall, we have maintained a customer satisfaction rate of more than 80% over the years, and there are no reported accidents caused by our products in 2018.

Average Satisfaction Rating (max 10)



In FY2018, there were no incidents of non-compliance concerning product and service information and labelling, and marketing communication. There were also no complains concerning breaches of customer privacy and loss of customer data.

(c) Community

The following are some community service efforts by the Group in FY2018:



Donated **S\$2,000** in support of UOB Heartbeat Run/Walk 2018, which aims to raise fund for children and youths-at-risk.

Donated **S\$1,000** to Tanjong Katong Girls' School fundraising project for the purpose of school development and rebuilding.



**Tanjong Katong
Girls' School**



Donated **S\$210** to UNICEF United Kingdom in support of their children aid programme.

Targets & Plans

- To continue free health screening programme for our employees in 2019
- Zero workplace incident
- To migrate to ISO45001:2018 by end of 2020



GOVERNANCE

Objective

We seek to uphold the highest standard of governance through our commitment to transparency and accountability to our stakeholders.

Approach

(a) Corporate Governance

We ensure that the business is carried on and conducted in a proper and efficient manner adhering to the principles and guidelines of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (“MAS”) on 16 August 2018.

To serve the interests of the Group and its stakeholders, each Director capitalises on their strong operational skills and their strategic networking relationship to govern issues that are brought before the Board of Directors (the “Board”). We conduct orientation programmes for all newly appointed Directors. Formal letters, which include details of the duties, are also issued to newly appointed Directors upon their appointment. All directors are required to submit themselves for re-nomination and re-election once every three years.

An annual performance evaluation process is carried out to assess the effectiveness of the Board, by obtaining insights from each Director on amongst others to propose changes which may be made to enhance the performance of the Board and the Board Committees.

For more information on the Directors, Board committees and our corporate governance practices, please refer to the Corporate Governance Statement, pages 17 to 37 of the Annual Report.

(b) Business Conduct and Ethics

We strive to inculcate a strong corporate culture within our Group and have zero tolerance towards corruption and fraud. The employee handbook is made available to all employees, which covers penalties for misconduct and fraud, and guides all employees in their everyday conduct. For new hires, they are made aware of our stance against corruption and fraudulent activities during the orientation programme.

A Conflict of Interest Policy has been established to provide guidance to our employees. It consists of guidelines to define such conflicts of interests and the necessary actions that the employee should undertake. On an annual basis, we require all employees to declare any conflict of interests.

We have whistleblowing policy and channels to allow employees to report concerns over any unlawful conduct, financial malpractice or other wrong-doings that poses risks to the Group, the public or the environment. Through our independent whistleblowing channels, including the direct contacts of the Audit Committee, employees are able to report any suspected misconducts without reprisal. Upon investigation, we will ensure that the outcome of the investigation is communicated to the whistleblower.

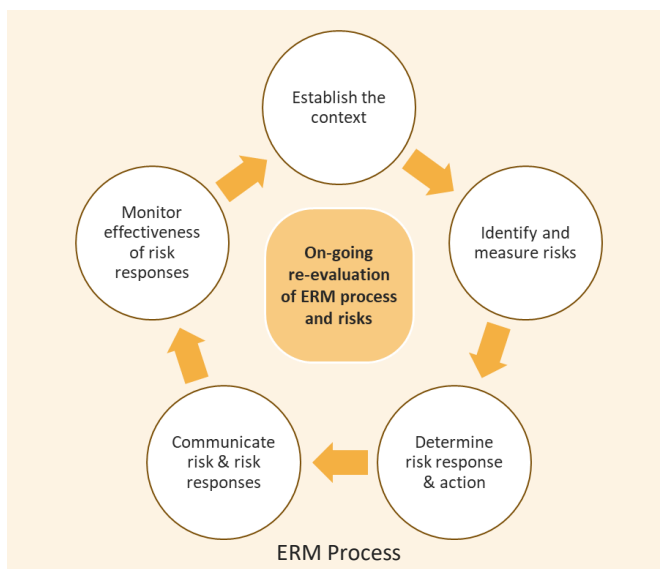
In Singapore, all our operations are conducted in compliance with the Personal Data Protection Act (“PDPA”), which includes rules governing the collection, use and disclosure of personal data. We have appointed our Group Human Resource Manager as the Company’s Data Protection Officer to oversee data protection responsibilities within the Group and ensure compliance with the PDPA.

(c) Risk Management

We have enhanced our Enterprise Risk Management (“ERM”) framework in 2018, which outlines the process of identifying, analysing and managing strategic risks. It provides the methodology for integrating risk into the strategic planning and resource allocations processes at the strategic level.

The Risk Management Committee, headed by our Executive Director, was appointed by the Board to fulfil its risk management responsibilities. To generate and preserve value without compromising on potential opportunities, the Risk Management Committee will evaluate benefits and associated risks, and seek to optimise returns within the agreed risk appetite levels.

Besides monitoring the effectiveness of the Risk Management Framework, the Risk Management Committee is also responsible for reviewing any incidents involving fraud or breakdown of the Group’s internal controls, reviewing the Group’s insurance programme and reviewing public statements to be made by the Group.



Our Performance

Through our corporate governance and anti-corruption programmes, we have established a good corporate culture within the Group. For the reporting period, there was no incident of employee dismissal or disciplinary case for corruption and fraud. There was also no instance where contract with business partners were terminated or not renewed due to violations related to corruption. Additionally, we have not received any whistleblowing reports during the reporting period. For the reporting period, we have complied with all listing requirements and legal regulations. No fines or penalties were incurred for regulatory non-compliance.

In November 2018, we have completed our Enterprise Risk Assessment based on the enhanced framework and presented our findings to the Board.

Target & Plans

- Zero incidents of bribery or corruptions
- Zero non-compliance breaches
- Zero complaints received relating to breaches of customer privacy
- Expand on the risk register for a more comprehensive assessment of risks and their treatment to manage the Group’s risk exposure

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
1. Organisational profile	Disclosure 102-1	Name of the organization	AR - Corporate Profile	1
	Disclosure 102-2	Activities, brands, products, and services	AR - Corporate Profile	1
	Disclosure 102-3	Location of headquarters	AR - Corporate Profile	1
	Disclosure 102-4	Location of operations	AR - Corporate Profile	1
	Disclosure 102-5	Ownership and legal form	AR - Corporate Structure	1
	Disclosure 102-6	Markets served	AR - Corporate Profile AR - Notes to FS (segment information)	1 and 137
	Disclosure 102-7	Scale of the organization	AR - Business and Financial Review	11
	Disclosure 102-8	Information on employees and other workers	SR - Social	16
	Disclosure 102-9	Supply chain	AR - Letter to Shareholders	2
	Disclosure 102-10	Significant changes to the organization and its supply chain	AR - Letter to Shareholders AR - Business and Financial Review	2 and 11
	Disclosure 102-11	Precautionary Principle or approach	SR - Governance	21
	Disclosure 102-12	External initiatives	SR - About this report	1
	Disclosure 102-13	Membership of associations	None.	-
2. Strategy	Disclosure 102-14	Statement from senior decision-maker	SR - Chairman Message	3
	Disclosure 102-15	Key impacts, risks and opportunities	SR - Materiality assessment	7
3. Ethics and integrity	Disclosure 102-16	Values, principles, standards, and norms of behaviour	AR - Corporate Profile (Vision, Mission, Motto)	1
	Disclosure 102-17	Mechanisms for advice and concerns about ethics	SR - Stakeholder engagement	5
4. Governance	Disclosure 102-18	Governance structure	AR - Board of directors, Key Executives AR - Corporate Governance Statement	5 to 35
	Disclosure 102-19	Delegating authority	SR - Sustainability Committee	4
	Disclosure 102-20	Executive-level responsibility for economic, environmental, and social topics	SR - Sustainability Committee	4
	Disclosure 102-21	Consulting stakeholders on economic, environmental, and social topics	SR - Stakeholder engagement SR - About this report	1 and 5
	Disclosure 102-22	Composition of the highest governance body and its committees	AR - Board of directors, Key Executives AR - Corporate governance statement	5
	Disclosure 102-23	Chair of the highest governance body	AR - Board of directors, Key Executives	5
	Disclosure 102-24	Nominating and selecting the highest governance body	AR - Corporate governance statement	17
	Disclosure 102-25	Conflicts of interest	AR - Corporate governance statement SR - Governance	17 21

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
4. Governance	Disclosure 102-26	Role of highest governance body in setting purpose, values, and strategy	SR- Sustainability Committee	4
	Disclosure 102-27	Collective knowledge of highest governance body	AR - Corporate Governance Statement SR - Stakeholder engagement	17
	Disclosure 102-28	Evaluating the highest governance body's performance	SR - Sustainability Committee	4
	Disclosure 102-29	Identifying and managing economic, environmental, and social impacts	SR - Materiality assessment	7
	Disclosure 102-30	Effectiveness of risk management processes	AR - Board of directors, Key Executives AR - Corporate Governance Statement	5 to 35
	Disclosure 102-31	Review of economic, environmental, and social topics	AR - Board of directors, Key Executives AR - Corporate Governance Statement	5 to 35
	Disclosure 102-32	Highest governance body's role in sustainability reporting	SR - Sustainability Committee	4
	Disclosure 102-33	Communicating critical concerns	SR - Stakeholder engagement	5
	Disclosure 102-34	Nature and total number of critical concerns	NIL	-
	Disclosure 102-35	Remuneration policies	AR - Board of directors, Key Executives AR - Corporate Governance Statement AR - NTA KMP remuneration	5 to 35
	Disclosure 102-36	Process for determining remuneration	AR - Board of directors, Key Executives AR - Corporate Governance Statement	5 to 35
	Disclosure 102-37	Stakeholders' involvement in remuneration	AR - Corporate Governance Statement	17
	Disclosure 102-38	Annual total compensation ratio	We choose not to disclose as we reward based on meritocracy.	-
	Disclosure 102-39	Percentage increase in annual total compensation ratio	We choose not to disclose as we reward based on meritocracy.	-
5. Stakeholder engagement	Disclosure 102-40	List of stakeholder groups	SR - Stakeholder engagement	5
	Disclosure 102-41	Collective bargaining agreements		
	Disclosure 102-42	Identifying and selecting stakeholders		
	Disclosure 102-43	Approach to stakeholder engagement		
	Disclosure 102-44	Key topics and concerns raised		
6. Reporting practice	Disclosure 102-45	Entities included in the consolidated financial statements	AR - Notes to FS: Investments in subsidiaries	81
	Disclosure 102-46	Defining report content and topic Boundaries	SR - About this report	1
	Disclosure 102-47	List of material topics	SR - Materiality Table	7
	Disclosure 102-48	Restatements of information	None.	-
	Disclosure 102-49	Changes in reporting	None.	-

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
6. Reporting practice	Disclosure 102-50	Reporting period	FY2018	-
	Disclosure 102-51	Date of most recent report	Released on SGX on 5 Nov 2018	-
	Disclosure 102-52	Reporting cycle	Annual	-
	Disclosure 102-53	Contact point for questions regarding the report	SR - About this report	1
	Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option	-
	Disclosure 102-55	GRI content index	GRI content index	-
	Disclosure 102-56	External assurance	AR - Independent Auditor's Report	38
Topic-Specific Disclosures				
GRI 201: Economic Performance	Disclosure 201-1	Direct economic value generated and distributed	AR - Business and Financial Review	11
			AR - Consolidated income statement, Consolidated statement of cash flows	42 to 50
	Disclosure 201-2	Financial implications and other risks and opportunities due to climate change	N/A, Impact of business on environment and climate is insignificant.	-
	Disclosure 201-3	Defined benefit plan obligations and other retirement plans	AR - Business and Financial Review	11
Disclosure 201-4	Financial assistance received from government	AR - Consolidated income statement, Consolidated statement of cash flows	42 to 50	
GRI 202: Market Presence	Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	N/A, no minimum wage law.	-
	Disclosure 202-2	Proportion of senior management hired from the local community	AR - Key Executives	9
GRI 203: Indirect Economic Impacts	Disclosure 203-1	Infrastructure investments and services supported	SR - Economic	13
	Disclosure 203-2	Significant indirect economic impacts		
GRI 204: Procurement Practices	Disclosure 204-1	Proportion of spending on local suppliers	N/A, our principals mainly determine our suppliers.	-
GRI 205: Anti-Corruption	Disclosure 205-1	Operations assessed for risks related to corruption	SR - Governance	21
	Disclosure 205-2	Communication and training about anti-corruption policies and procedures		
	Disclosure 205-3	Confirmed incidents of corruption and actions taken		
	Disclosure 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		
GRI 206: Anti-Competitive Behaviour	Disclosure 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		
GRI 301: Materials	Disclosure 301-1	Materials used by weight or volume	SR - Environment	14
	Disclosure 301-2	Recycled input materials used		
	Disclosure 301-3	Reclaimed products and their packaging materials		

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 302: Energy	Disclosure 302-1	Energy consumption within the organisation	SR - Environment	14
	Disclosure 302-2	Energy consumption outside of the organization		
	Disclosure 302-3	Energy intensity		
	Disclosure 302-4	Reduction of energy consumption		
	Disclosure 302-5	Reductions in energy requirements of products and services		
GRI 303: Water	Disclosure 303-1	Water withdrawal by source	SR - Environment	14
	Disclosure 303-2	Water sources significantly affected by withdrawal of water		
	Disclosure 303-3	Water recycled and reused		
	Disclosure 303-4	Water discharge		
	Disclosure 303-5	Water consumption		
GRI 304: Biodiversity	Disclosure 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A, Our offices and operations are not carried out in protected areas and areas of high biodiversity.	-
	Disclosure 304-2	Significant impacts of activities, products, and services on biodiversity		
	Disclosure 304-3	Habitats protected or restored		
	Disclosure 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		
GRI 305: Emissions	Disclosure 305-1	Direct (Scope 1) GHG emissions	N/A, Our offices and operations do not produce significant levels of GHG.	-
	Disclosure 305-2	Energy indirect (Scope 2) GHG emissions		
	Disclosure 305-3	Other indirect (Scope 3) GHG emissions		
	Disclosure 305-4	GHG emissions intensity		
	Disclosure 305-5	Reduction of GHG emissions		
	Disclosure 305-6	Emissions of ozone-depleting substances (ODS)		
	Disclosure 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		
GRI 306: Effluents and Waste	Disclosure 306-1	Water discharge by quality and destination	SR - Environment	14
	Disclosure 306-2	Waste by type and disposal method		
	Disclosure 306-3	Significant spills		
	Disclosure 306-4	Transport of hazardous waste		
	Disclosure 306-5	Water bodies affected by water discharges and/or runoff		
GRI 307: Environmental Compliance	Disclosure 307-1	Non-compliance with environmental laws and regulations	SR - Environment	14
GRI 308: Supplier Environmental Assessment	Disclosure 308-1	New suppliers that were screened using environmental criteria	N/A, Being a procurement specialist, most of our suppliers are designated/ appointed by our clients.	-
	Disclosure 308-2	Negative environmental impacts in the supply chain and actions taken		

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 401: Employment	Disclosure 401-1	New employee hires and employee turnover	SR - Social	16
	Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
	Disclosure 401-3	Parental leave		
GRI 402: Labor/Management Relations	Disclosure 402-1	Minimum notice periods regarding operational changes	N/A, No collective bargaining agreements.	-
GRI 403: Occupational Health and Safety	Disclosure 403-1	Workers representation in formal joint management-worker health and safety committees	SR - Social	16
	Disclosure 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		
	Disclosure 403-3	Workers with high incidence or high risk of diseases related to their occupation		
	Disclosure 403-4	Health and safety topics covered in formal agreements with trade unions		
	Disclosure 403-5	Worker training on occupational health and safety		
	Disclosure 403-6	Promotion of worker health		
	Disclosure 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
	Disclosure 403-8	Workers covered by an occupational health and safety management system		
	Disclosure 403-9	Work-related injuries		
	Disclosure 403-10	Work-related ill health		
GRI 404: Training and Education	Disclosure 404-1	Average hours of training per year per employee	SR - Social	16
	Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs		
	Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews		
GRI 405: Diversity and Equal Opportunity	Disclosure 405-1	Diversity of governance bodies and employees	AR - Board of Directors AR - Key Executives SR - Social	5 16
	Disclosure 405-2	Ratio of basic salary and remuneration of women to men	SR - Social	16
GRI 406: Non-discrimination	Disclosure 406-1	Incidents of discrimination and corrective actions taken	No reported cases during reported period.	-
GRI 407: Freedom of Association and Collective Bargaining	Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A, No collective bargaining agreements.	-

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 408: Child Labour	Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labour	We have not identified this risk in our course of normal operations.	-
GRI 409: Forced or Compulsory Labour	Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	We have not identified this risk in our course of normal operations.	-
GRI 410: Security Practices	Disclosure 410-1	Security personnel trained in human rights policies or procedures	N/A, Security is outsourced and not relevant to operations.	-
GRI 411: Rights of Indigenous Peoples	Disclosure 411-1	Incidents of violations involving rights of indigenous peoples	N/A, Operations do not involve interactions with indigenous people	-
GRI 412: Human Rights Assessment	Disclosure 412-1	Operations that have been subject to human rights reviews or impact assessments	SR - Social	16
	Disclosure 412-2	Employee training on human rights policies or procedures		
	Disclosure 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		
GRI 413: Local Communities	Disclosure 413-1	Operations with local community engagement, impact assessments, and development programs	SR - Social	16
	Disclosure 413-2	Operations with significant actual and potential negative impacts on local communities		
GRI 414: Supplier Social Assessment	Disclosure 414-1	New suppliers that were screened using social criteria	N/A, Being a procurement specialist, most of our suppliers are designated/ appointed by our clients.	-
	Disclosure 414-2	Negative social impacts in the supply chain and actions taken		
GRI 415: Public Policy	Disclosure 415-1	Political contributions	N/A, No contributions made to political parties.	-
GRI 416: Customer Health and Safety	Disclosure 416-1	Assessment of the health and safety impacts of product and service categories	SR - Social	16
	Disclosure 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incident of non-compliance.	-
GRI 417: Marketing and Labelling	Disclosure 417-1	Requirements for product and service information and labelling	SR - Social	16
	Disclosure 417-2	Incidents of non-compliance concerning product and service information and labelling	No reported cases during reported period.	-
	Disclosure 417-3	Incidents of non-compliance concerning marketing communications		
GRI 418: Customer Privacy	Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No reported cases during reported period.	-
GRI 419: Socioeconomic Compliance	Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area	SR - Social and Economics	13 and 16



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