

FUJI OFFSET PLATES MANUFACTURING LTD

Sustainability Report FY2018



Board Statement

The Board of Directors (the “Board”) is pleased to present its second Sustainability Report (the “Report”) for financial year ending 31 December 2018 (“FY2018”). The Report further demonstrates the Group’s ongoing efforts, since the first-year report for financial year ending 31 December 2017 (“FY2017”), on sustainability issues, management and collaborations with our business partners across the value chain to enhance our economic, environmental and social objectives.

The Board strongly believes that creating sustainable development and value for the Group and all its stakeholders is an integral part of the Group’s strategy and operations.

The Board oversaw the identification, management and monitoring of material sustainability topics by Management with reference to the GRI Standards and SGX-ST requirements in this Report.

We continue to focus on improving the material sustainability topics which we had identified in our first-year report for FY2017 deemed material to our business and stakeholders, namely Health and Safety; Training and Education; Economic Performance and Reducing Energy Consumption.

The Board would like to take the opportunity to thank all stakeholders who have contributed to our sustainability effort 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 strategies to enhance long-term values which are sustainable to our stakeholders.

On behalf of the Board,

David Teo Kee Bock

Chairman

28 May 2019

About This Sustainability Report

This sustainability report presents the annual sustainability performance of Fuji Offset Plates Manufacturing Ltd (the “Company” or “Fuji Offset”), together with all its subsidiaries, collectively (the “Group”), for the period 1 January 2018 to 31 December 2018. The information in this report is organised and presented in accordance with the GRI Standards: Core option published in 2016, established by the Global Reporting Initiative (“GRI”). All data and information reported are with respect to the timeframe above unless stated otherwise.

This report aims to disclose our Economic, Environmental, Social and Governance (“EESG”) performance against issues that are considered most material to our Group’s stakeholders, which 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 the second sustainability report issued and it provides an update of the performance and targets on sustainability as set out in the inaugural report in FY2017, which was published on the SGX website on 3 December 2018.

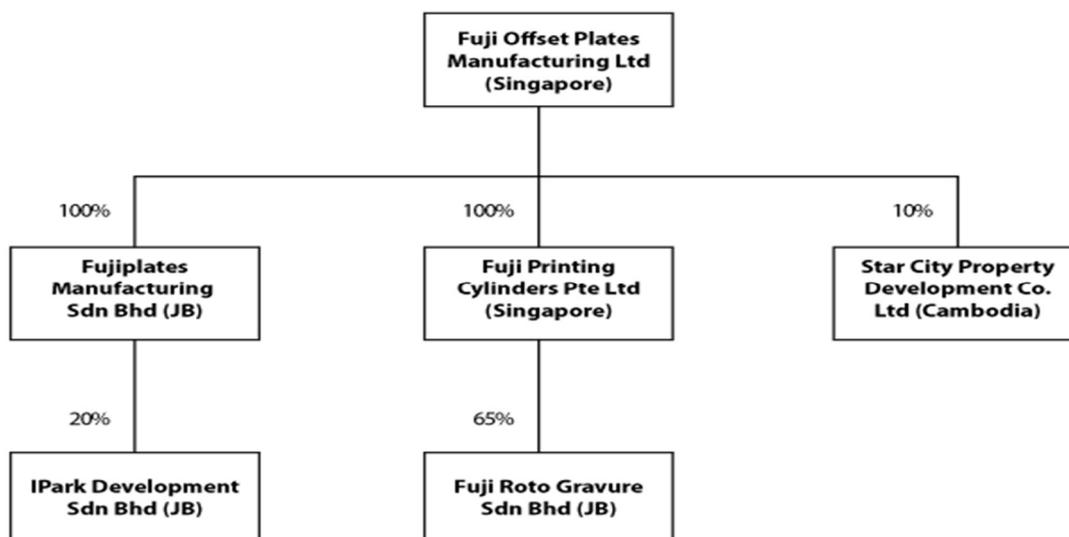
The content of this report is defined by the 4 Content Reporting Principles established by GRI as follows:



This report is also prepared in accordance with Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules 711A and 711B and the relevant SGX Practice Notes on Sustainability Reporting Guide. 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 under ‘Investors Relations’.

Corporate Structure



About the Group

Fuji Offset is a limited liability company incorporated in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). As at 15 March 2019, approximately 22.0% of the issued ordinary shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

The principal activities of the Group are those relating to the manufacture and sale of gravure printing cylinders, related services in 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 production plant achieved an output of 18,000 printing cylinders for the year.

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

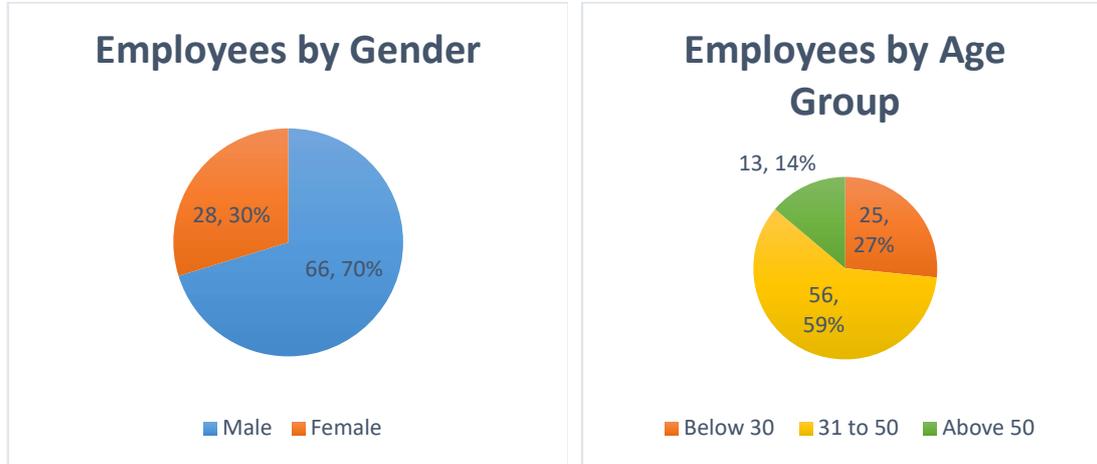
The Group is fully committed to deliver products that are of the highest quality. Therefore, the Group has strict procedures for identifying, selecting and monitoring vendors supplying steel cylinders, printing ink and chemicals in order to assess their performance.

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.

Human Resources of the Group

The Group has 94 employees (inclusive of 2 temporary male employees) in its employment in the Singapore and Malaysia offices who fall under the following categories:



Mission and Vision

We visualise being able to expand our operations outside of Singapore and Malaysia. With more than 35 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 employee which is to be applied when dealing with people internally and externally:

Team Work

- Work and learn together, share knowledge and experiences so as to solve problems together

Initiative

- Take immediate action to identify and overcome problems

Commitment

- Passion to contribute and grow with the Group

Improvement

- Continue learning new technologies

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.

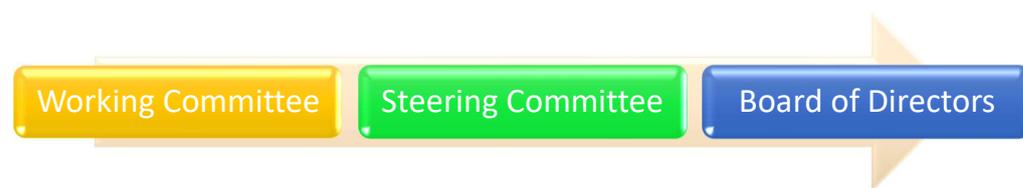
The Board comprises Directors who provide core competencies in accounting and finance, business experience, industry knowledge, strategic planning, legal knowledge and customer-based experience and knowledge. Where appropriate, the Directors receive relevant briefings from time to time on new updates 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 Governance Structure of the Group is as follows:



The Sustainability Working Committee, comprising discipline-specific working groups, identifies possible material topics and to reach an agreement on the action plan for the reporting process.

The Sustainability Steering Committee, comprising key management executives, provides guidance on the Group’s sustainability strategies. The Steering Committee reviews and reports progress for delivering targets and plans to the Board of Directors on the sustainability management performance of the Group and key material issues identified by stakeholders. The Board will then review and endorse the targets and plans accordingly.

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 employees.

This is to encourage employees and external stakeholders to voice out issues that are not in line with 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.

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:

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2 Jalan Rajah #06-28
Golden Wall Flatted Factory
Singapore 329134
(65) 6265 9111

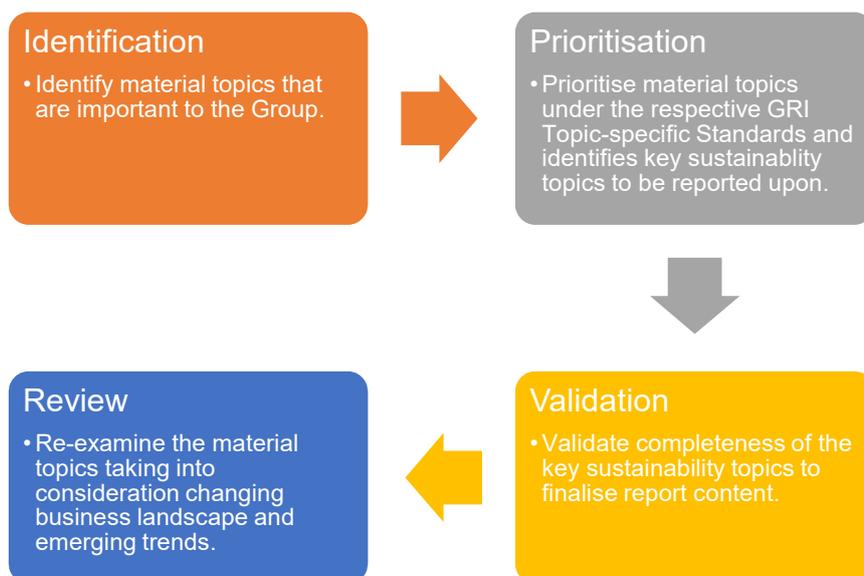
Stakeholder Engagement & Materiality Assessment

The Sustainability Consultants (the “Consultants”) worked with the Steering Committee to conduct a materiality assessment to identify the relevant EESG topics of which the Group considered important to stakeholders. Stakeholders includes shareholders, suppliers, customers, management and employees. The Group engages shareholders through annual general meetings, customers and suppliers through industry forums and employees through regular internal meetings.

The material topics were evaluated for its potential impact on the environment and society, its influence on the stakeholders and impact on the Group’s operations.

The Steering Committee aims to conduct an annual review of the Group’s material topics as well as monitor the performance of the topics as part of the Group’s sustainability strategy.

The Group adopts a four-step process to define the material topics:



Material Topics and Boundaries

The topics reported in the FY2017 Sustainability Report were re-evaluated by the Steering Committee and they were deemed to be material to the Group for FY2018. The Steering Committee recommended, and the Board approved the following topics to be the material topics to be reported in FY2018.

<u>Material Topics</u>		
GRI 201-1	Direct economic value generated and distributed	Economic Performance
GRI 302-1	Energy consumption within the organization	Reducing Energy Usage for Production
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health and Safety of Employees
GRI 404-1	Average hours of training per year per employee	Training and Education for Employees

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

Economic Performance (GRI 201-1)

Economic performance is defined as our most material topic because our economic success ensures our long-term viability and enables the execution of our sustainability strategies.

For FY2018, the Group recorded a profit after tax from continuing operations of S\$3.53 million as compared with a loss after tax of S\$0.04 million for FY2017.

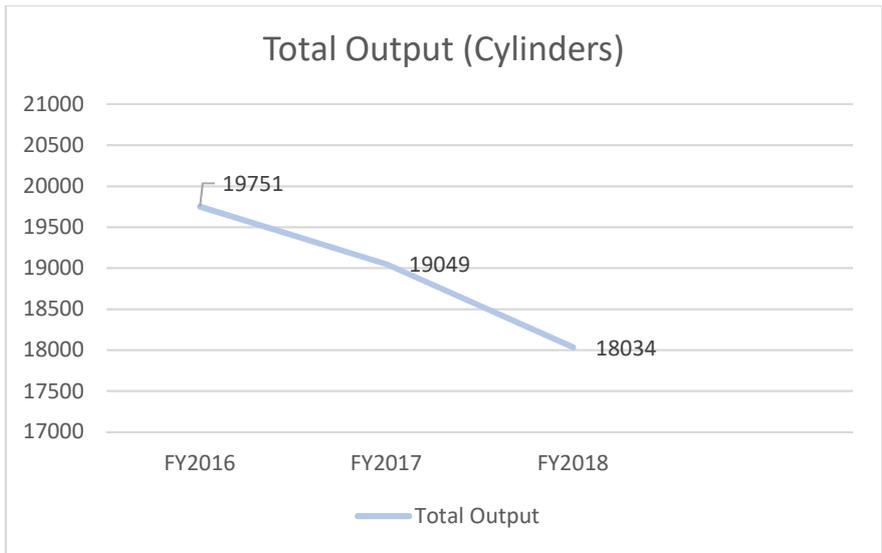
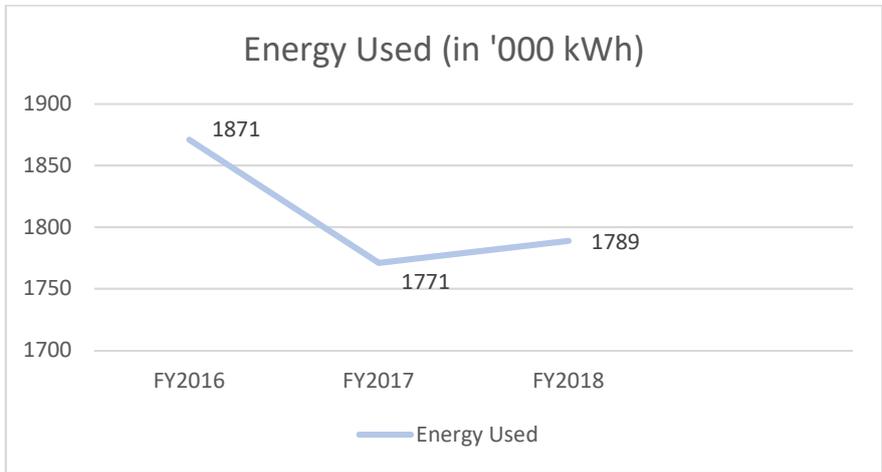
For FY2018, the Group is in a healthy financial position with revenue of S\$5.02 million and is in a net equity position of S\$31.21 million as compared to revenue of S\$5.06 million and net equity of S\$24.26 million for FY2017.

For a detailed breakdown of our FY2018 financial results, please refer to the Group’s Annual Report for FY2018.

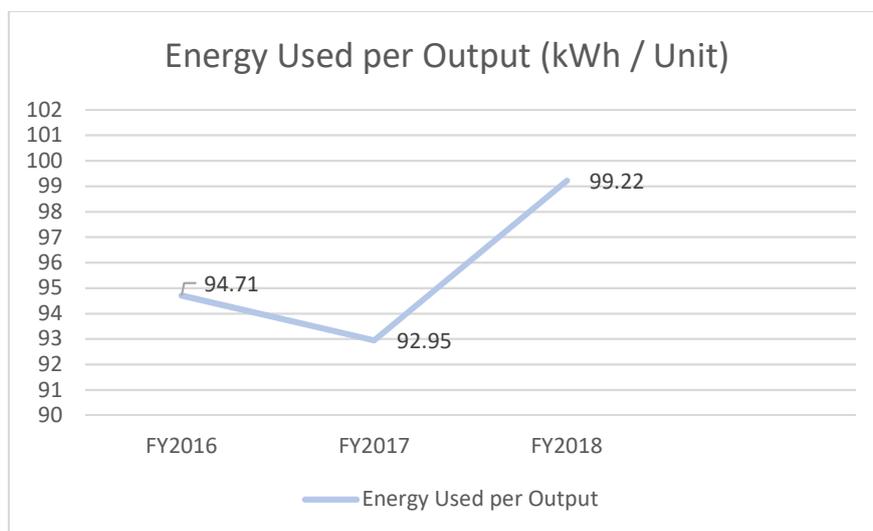
Reducing Energy Usage for Production (GRI 302-1)

The Group recognises the importance of properly managing and regulating energy consumption so as to keep operational costs low and also to reduce the impact on the environment. As such, this topic is deemed to be material to the Group. To keep track of its energy consumption, there is a monitoring system in place and a group of trained individuals in its maintenance team at the Production Plant.

The following graphs (based on computed electricity bill for the entire Production Plant) show the total energy consumption and the total output from FY2016 to FY2018.



The graph below shows the energy consumption per output level (inclusive of energy consumed) at the Production Plant:



The increase in the energy used per cylinder for FY2018 is mainly attributed to the following reasons:

1. The amount of energy required to start up the machines is constant regardless of the output per day, even though the output in FY2018 was 1,000 cylinders lower than in FY2017, Energy used per output was higher given the lower base of total output in FY2018.
2. The machines used for production are considered more energy inefficient compared to the previous year due to ageing factor. Due to the substantial costs involved in replacing older machines, only a small fraction of older machines (4 machines) have been replaced since end-2018 and the Group targets to replace 2 machines every year.

The Group's target is to reduce this consumption per output ratio by around 5% for FY2019. The Group intends to achieve this target by adopting the following measures:

1. Replacing older machines as stated above.
2. 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;
3. Setting air-conditioning at a minimum of 25 degrees Celsius;

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.

	<i>FY2016</i>	<i>FY2017</i>	<i>FY2018</i>	<i>FY2019 Target</i>
<i>Energy Used per Output (kWh / Unit)</i>	94.71	92.95	99.22	95.00

Health and Safety of Employees (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 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. As such, this topic is deemed to be material to the Group. The Group is pleased to report that there has not been any reportable serious work-related injuries in the past 5 years.

All production 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. Reminder messages are also pasted around the production area to reinforce these values accordingly.

The Occupational Safety and Health Administration (“OSHA”) 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 and Rescue Department of Malaysia performs annual checks to ensure that the necessary requirements are met.

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

1. Department of Occupational Safety and Health (“DOSH”) - the objective of this agency 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; and
2. Department of Environment (“DOE”) – the objective of this agency is to achieve 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.

	<i>FY2016</i>	<i>FY2017</i>	<i>FY2018</i>	<i>FY2019 Target</i>
<i>Number of fatalities as a result of work-related injury</i>		None		None
<i>Number of high-consequence work-related injuries (excluding fatalities)</i>		None		None
<i>Number of recordable work-related injuries</i>		None		None

Training and Education for Employees (GRI 404-1)

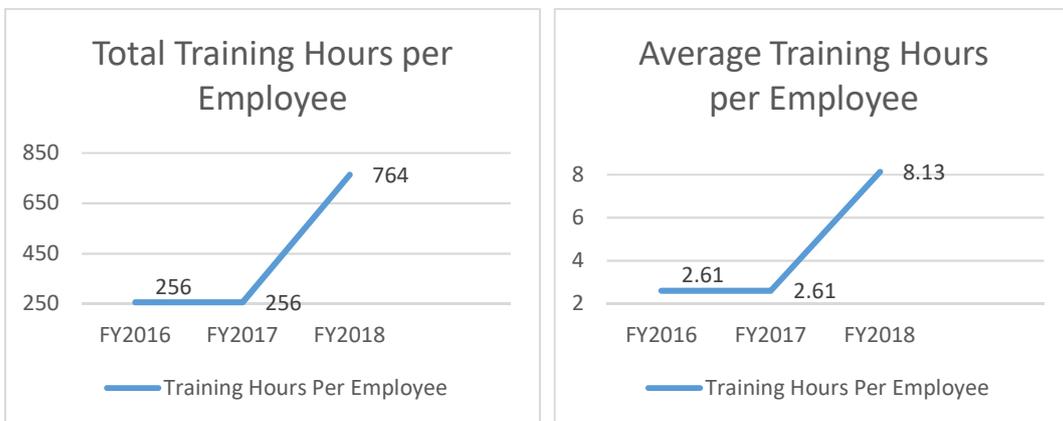
Training and education is an important topic for the Group as it enhances productivity of all employees by equipping them with the necessary skillsets to perform their duties in an ever-changing working environment. Training and education helps employees to learn specific knowledge or skills to improve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

The training process is as follows:

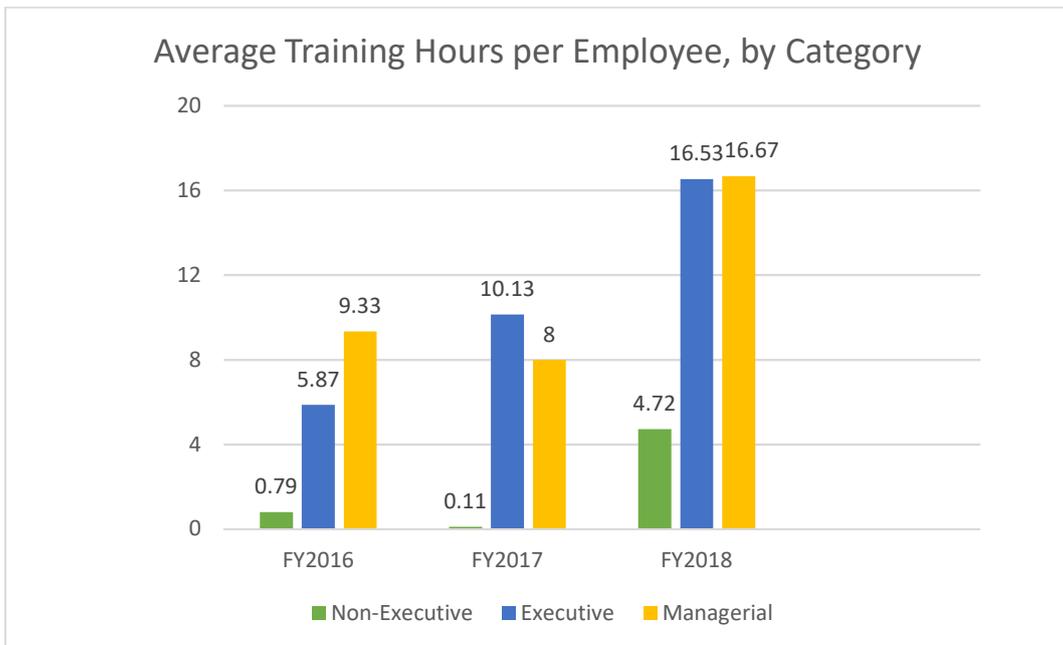
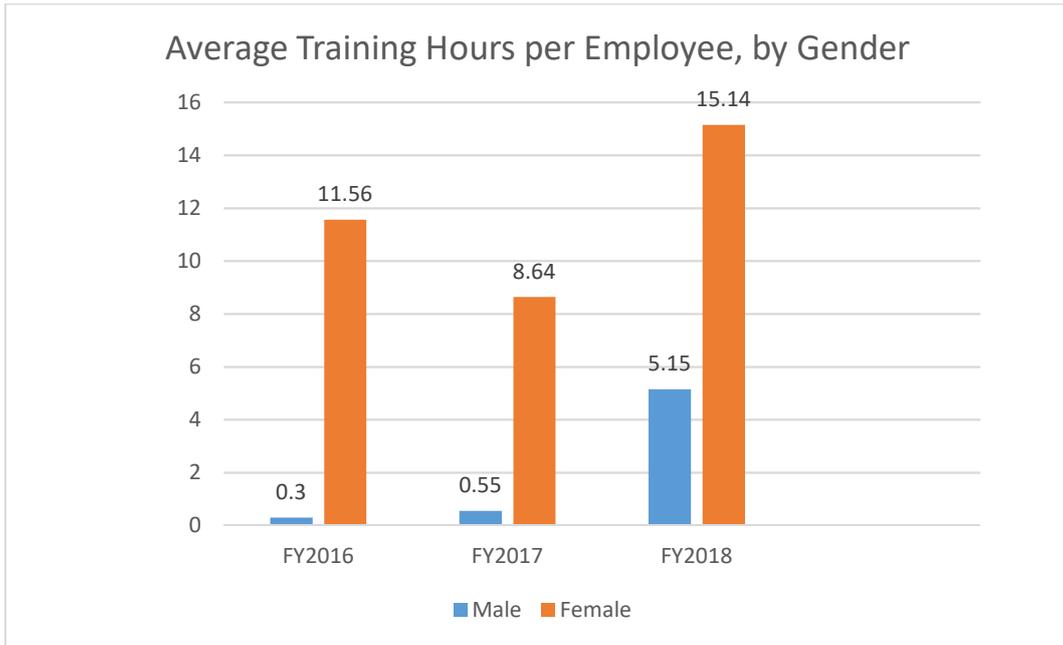


Management will also choose some safety courses which are open to all employees. The Group has been consistently providing all employees with both internal and external training for them to perform their job duties efficiently whenever necessary.

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



Note: Total training hours is inclusive of 360 hours for the biennial fire safety training in FY2018, which explains the spike in training hours in FY2018, and one-off training of 80 hours for handling waste and effluents for the OSHA officer.



The Group recorded 764 training hours in FY2018, which was substantially higher than the 256 training hours in FY2016 and FY2017, primarily due to the 360 hours attributed to the mandatory biennial fire safety training for employees and 80 hours attributed to training on handling waste and effluents attended by the OSHA officer (female, executive category).

Excluding the 440 hours attributed to the specified training courses above, there is a slight increase in training hours (324 hours compared to 256 hours) for general courses, which the Group targets to further increase by around 5% for the following year.

The Group believes that its investment in training for employees 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 employees in order for them to select the training they require. Some examples of training courses offered to employees are as follows:

- a) Financial reporting
- b) ISO 9001:2015
- c) System administration
- d) Occupational safety and health training

After attending training courses, 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.

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.

	<i>FY2016</i>	<i>FY2017</i>	<i>FY2018</i>	<i>¹FY2019 Target</i>
<i>Average hours of training per employee for the year</i>	2.6	2.6	3.4	3.6

¹ The 440 hours of additional training due to fire safety and OSHA, mentioned above are excluded from FY2018 training hours,

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