

SUSTAINABILITY REPORT
FY 2019



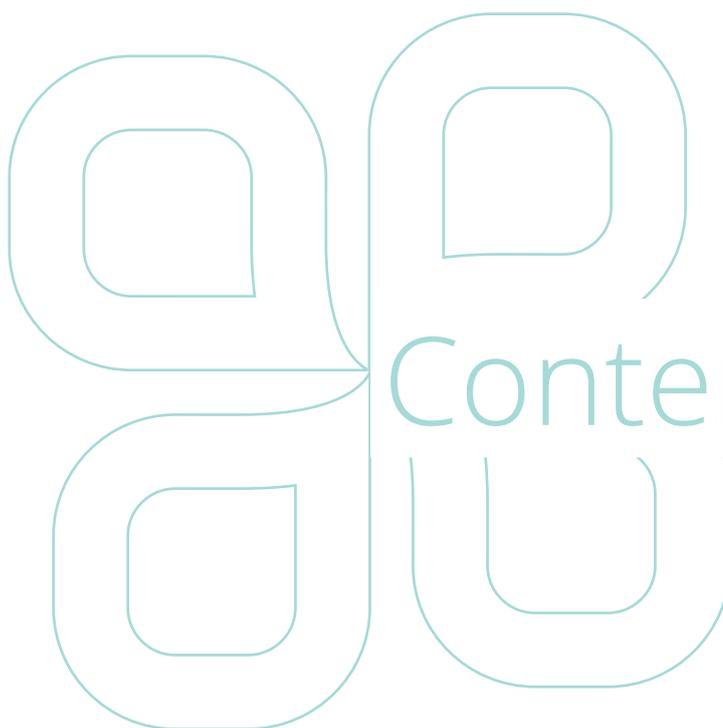
**GROWING TOWARDS A
SUSTAINABLE FUTURE**

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Our Mission

Chemical industries (Far East) limited (“CIL”) hopes to give our customers the best value. With a combination of our core competencies of manufacturing, logistical efficiency, safe procedures and reliability. With these advantages, we aim to be the local supplier of choice.

Our Vision

To be able to supply basic and industrial chemicals to the region in a manner that is safe, sustainable and efficient.

Board Statement

Since 1964, CIL has grown from supplying Chlorine to local waterworks to being the local supplier of choice for all the chemicals we produce. As the Singapore Exchange releases the “comply or explain” sustainability framework, we are confident that the current systems will ensure our future sustainability.

The Board is committed to oversee the company’s initiatives where Environmental, Social and Governance “ESG” factors are concerned. The Board evaluated the internal and external engagement with stakeholder to identify key factors to be revealed in our first report. We are also confident that with our oversight, the Report will be in full compliance in with GRI G4 guidelines within 5 years.

This Report

In this report, we have covered double the number of Material factors covered and we will continue to aim for GRI compliance within 5 years.

This report has not received External assurance.

About CIL

CIL continues to be the sole manufacturer of Chlorine, Sodium Hydroxide and other chlor-alkaline products in Singapore, as we have been since 1963. CIL was established as a pioneer industry to underpin the industrialization, and to-date remains the prime supplier of basic chemicals to the petro-chemical, pharmaceutical, electronics and water-treatment industries. In 1999, we erected a new chlor-alkali plant employing membrane technology on Singapore's Jurong Island.

Our HQ is located at No.3 Jalan Samulun Road, Singapore 629127. This location also acts as a back up storage and continuity site for the business.



Supply chain

We have, our main subsidiary, Chem Transport Pte Ltd to handle all logistics locally.
We have an in house lab to run tests on a daily basis to ensure quality and consistency.
We use dedicated ISO tankers to bring our product to our customers.

Our main feedstock come from multiple sources with redundancies to ensure supply.
We provide piping systems to big off takers on Jurong island for OSH & environment reasons.
Our principle of in house management ensure that our supply chain is unbroken.

Products

1 Chlorine is produced as the main product of our Chlor-alkali facilities. This is used mainly in basic chemical processes as well as in the semi-conductor, industrial and Water treatment industries.

3 Hydrochloric Acid is one of two derivatives of Chlorine that is use for fertilizers, waste water treatment and other industrial processes.

2 Sodium Hydroxide commonly refered to as Caustic Soda is the main by product of Chlorine and is an openly sold commodity on the market. It is used by almost every plant on Jurong island in differing quantities but its use for PH balancing is almost universal.

4 Sodium Hypochlorite or more commonly refered to as Bleach. This product is used by many as a water treatment solution without the hazardous effects of Chlorine gas.

CIL markets served

Burma



Manila



Cambodia



Vietnam



Malaysia



Brunei



Medan



Kuching



Sarawak

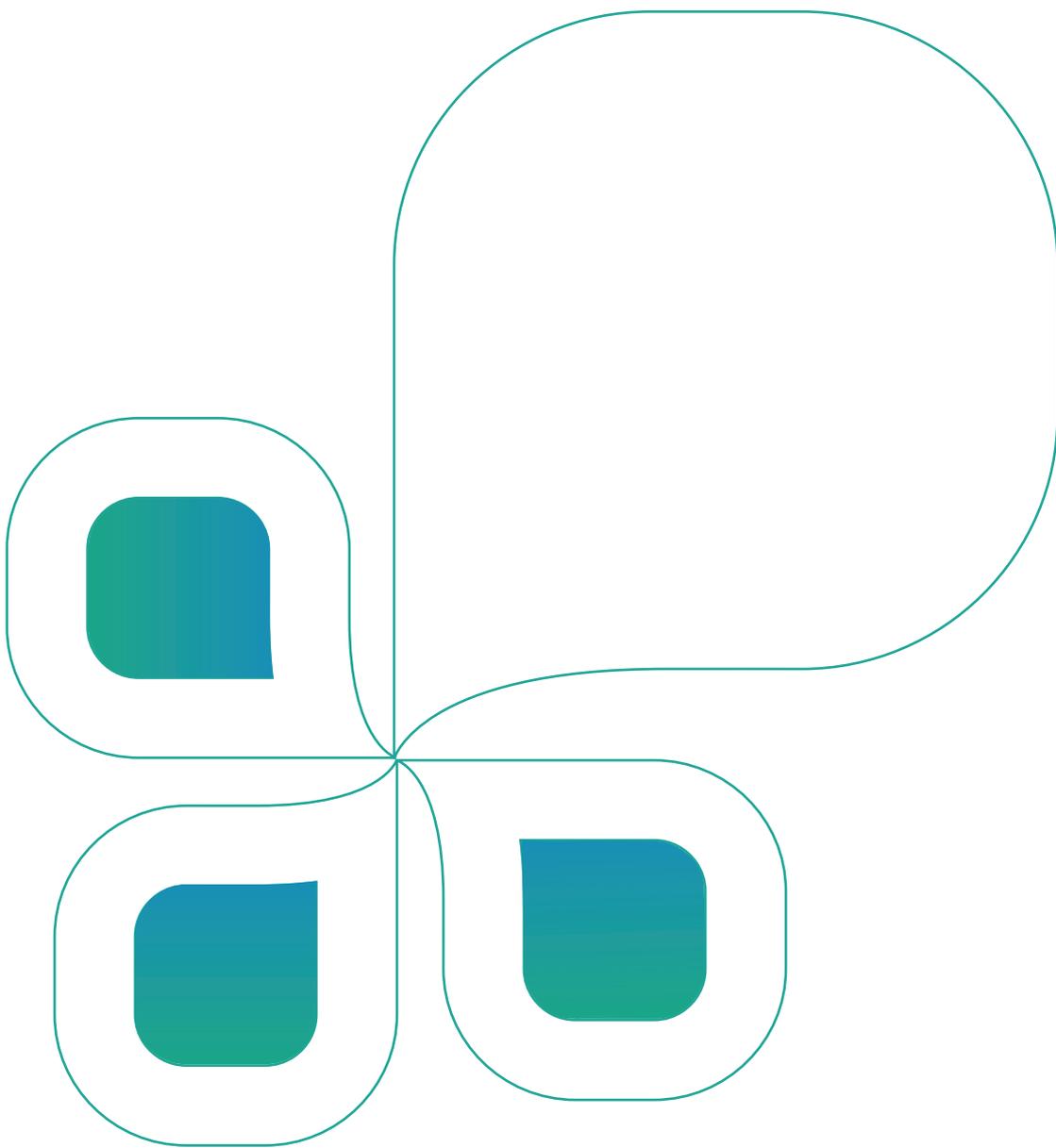


Jurong Island
Plant

Not indicated above but served by CIL

1. Maldives
2. Papa New Guinea
3. Sri Lanka
4. Australia
5. New Zealand
6. Diego Garcia

Materiality



Stakeholders

| Management | Customers | Suppliers | Employees |
|-------------------|--|--|--|
| <u>Engagement</u> | <u>Engagement</u> | <u>Engagement</u> | <u>Engagement</u> |
| Weekly meetings | Contract review Quarterly Calls Customer Surveys | Constant market watch Contract negotiation Trade conferences | Annual Appraisal Collective Bargaining Annual Events |

Identifying keys areas of materiality and engaging our stakeholders

Management identified 25 Environmental, Economic and Social Issues (“ESG” factors) that were to have a material impact on the Company. Key stakeholders were engaged and surveyed to identify the ESG factors that were material to them.

Economic

- 1 Employee Wages and benefits
- 2 Government costs
- 3 Compliance Costs
- 4 Corporate social responsibility
- 5 Climate change
- 6 Employee KPIs
- 7 Infrastructure Costs
- 8 Inflation
- 9 Long term Contract Structure

Environmental

- 10 Materials Used
- 11 Raw Materials Source
- 12 Energy Consumption

Environmental

- 13 Water Recycled and reused
- 14 Energy intensity
- 15 Waste disposal methods
- 16 Significant Spills

Social Issues

- 17 Non-discrimination
- 18 Occupational Safety & Health
- 19 Anti-corruption
- 20 customer satisfaction
- 21 Diversity and Equal opportunity
- 22 Customer privacy
- 23 Customer Health and Safety
- 24 Employee Turnover
- 25 Collective Bargaining

Survey results and key matters to cover

Based on the ESG ranking last year, our first report covered 4 of the factors. In the current report 8 factors are covered and these would be as follows.

Economic

- 1 Corporate social responsibility
- 2 Long term Contract Structure
- 3 Employee Benefits

Environmental

- 4 Energy Consumption

Environmental

- 5 Significant Spills

Social Issues

- 6 Occupational Safety & Health
- 7 Customer satisfaction
- 8 Collective Bargaining

S3 Collective Bargaining

- As part of the Company's commitment to a fair and open workspace, CIL was an early adopter of Unions. We have been maintaining a union and conducting collective bargaining for many years. These collective agreements have seen our staff benefit from industry trends and we have seen a boost in morale when Staff feel that are heard.
- CIL is proud to announce that as of 2018, supervisory and executive staff are covered under the agreement to further liberalise the access to grievance resolution and benefits they may want to enjoy. The following benefits were agreed to in the most recent agreement.
 - **Supervisors are allowed to join the Union as members;**
 - **Transport allowances will be increased in line with cost rises over the years;**
 - **Shared parental leave is given up to 4 weeks instead of the previous 1 week given by law.**

E1 Corporate Social Responsibility

- As part of the Company's commitment in environment sustainability, the Company represents Singapore Manufacturing Federation in the Environment and Resources Standards Committee (ERSC) that spearhead several technical initiatives, such as Energy Management, Water, Solid Waste Management and Environment Management that is involved in nationwide policy making & development for environment sustainability in a holistic way.



- We take part in Local Bodies like the Singapore Chemical Industry Council, and receive awards for our dedication to our National service contributions.



- We are a signatory to the Responsible Care commitment to Sustainability.



Our Targets

- To have at least one CSR or public engagement project a year.

E2 Long Term Contracts

CIL has numerous contracts with other manufacturers and multinational corporations. Our conservative and long term approach to business tends to favour long term contracts with customers that go over 5 years. Of course pricing structures and cost structures tend to change over periods of time and we implement the following measures to mitigate the risk these contractual obligations bring with them.

Self regulating formulas

We implement self regulating formulas with a Cost structure of our production factors plus a fixed margin for profitability. This functions on a monthly, quarterly and annual basis for adjustment depending on customers. This allows Chemical Industries and its customers to share in cost reductions and price hikes together. Most of the indices we refer to are publicly available.

STATLINK
SINGAPORE TRADE STATISTICS



Transparency

Such formulas promote transparency between customer and client. Verification of such information is generally done through the use of Public Indices available to both parties or provided by one for verification. In certain situations, Customers have agreed to alter the structure of the formula with valid basis given. These adjustments and are also available at pre determined intervals in a contract.

Commercial benefits for CIL

While these formulas offer very competitive rates for product, they generally ensure a fixed quantity of demands with a take or pay clause. This ensure a “base” load for our production facilities. They also often include an exclusivity clause which ensures us being the sole supplier of the products we do supply.

E3 Employee Benefits

CIL has always believed that our staff and their commitment is the backbone of our company. To reward our staff, CIL is proud to initiate an employee incentive plan that rewards workers both for their own KPIs and also based on the profits of the company each year. These two components are set before the financial year and both make up equal parts of an employee's variable bonus.

Transport allowances

CIL has this year agreed to a collective agreement (CA) that will raise the transport allowance for staff as we see a higher base cost of transportation. The previous CA had made a differentiation between employees who had addresses in Jurong and those outside of it. We have scrapped this for a single tier system with an across-the-board increase of transportation allowance.



Clear KPIs and goals

- We are currently experimenting with a KPI system that has been agreed to by heads of departments. These KPIs are department based and all members will then work towards common goals.
- The company performance element will be at management's discretion on an annual basis and will ensure that Shareholders as well as employees share in the company's success
- This system is not finalised and will be thoroughly tested.

Commercial benefits for CIL

While these benefits do raise costs for our manpower, CIL has found that our remuneration is still below market standards averages in some areas. We will fine tune the incentives on an annual basis and set benchmarks according to the needs of the company. We currently believe the set KPIs will promote ownership of projects and benefit the company's assets as a whole.

S1 Occupational Safety and Health

- CIL takes a very strong view to ensure workplace and safety standards are complied with. We also have a zero tolerance policy on safety lapses. We want our employees to work in a safe environment and be secure in the knowledge that we take their health and safety seriously.

Our OSH policies and targets

- 100% Briefing of Safety Regulations to employees and contractors/subcontractor
- 100% Supervisor / foreman / process technician in Emergency Response Plans
- Minimum of 2 first aiders on site for each shift
- 100% Trained in Safe Work Procedures
- 100% of staff trained in Relevant Risk Assessment
- At least 1 Tool box briefing a week in plant operations

| | Our Targets | Incident type and classification | April 2017- Mar 2018 | April 2018- Mar 2019 |
|-----|---------------|---|-------------------------|-------------------------|
| (a) | Zero Fatality | a year | Zero | Zero |
| (b) | Zero case | Injury resulting from work requiring more than 1 day in-patient medical leave | Zero | Zero |
| (c) | Zero case | Injury resulting from work requiring more than 3-days outpatient medical leaves | Zero | Zero |
| (d) | < 3 cases | Injury resulting from work requiring less than 2-days outpatient medical leaves | Zero | Zero |
| (e) | < 3 cases | Injury resulting from work requiring less than 2-days outpatient medical leaves | Zero | Zero |

S2 Customer Satisfaction Survey

- The loyalty of customers in Singapore should not be taken for granted. The ease with which foreign competitors can enter the market with Singapore's free trade status should not be underestimated. We thus hold ourselves to the high standards where customer feedback is concerned.

Our Feedback targets

- Our targets for Feedback and complaints are as follows.
- Number of complaints and feedback given must be less than 24 per year.
- Complaints must be replied and resolved within 1 month of receiving them.
- We aim for a number of compliments at least two times of the complaints received in the same period.

| No. of compliments received | FY2018 | FY 2019 | Target for 2020 |
|-----------------------------|--------|---------|-----------------|
| Total from April to March | 80 | 75 | 60 or 5/month |
| No. of complaints received | FY2018 | FY 2019 | Target for 2020 |
| Total from April to March | 3 | 13 | 24 or 2/month |

These feedback forms are sent to all customers and they are given a two week period to respond.

Env1 Energy Consumption

- With the core process of chlorine manufacturing called Electrolysis, we use a lot of energy in production. This used to be much higher when Plastic producers were still situated in Singapore. With our dedication to lowering our Energy consumption, CIL is proud to use advanced technology that uses less electricity than most other producers of Chlorine. For competitive reasons we are unable to share the information of our electricity consumption or costs.

Env2 Significant Spill

- There was a chlorine leak from a cylinder on 4th September 2016. This leak was caused by a faulty fusible plug. The SCDF attended to the scene and the leak was contained. Two SCDF responders and five members of the public outside the workplace were admitted for treatment and were discharged the same day.

Root causes for the leak

The Leak was identified to be due to dezincification of the fusible plug base material.

Preventive actions taken

- Policy to replace fusible plugs every 5 yearly during the testing cycle
- A more structured training module with assessment was devised
- Physical checks are now mandatory and signed off by supervisors
- To have physical samples/ photographs of rejected accessories
- QEWI have ben translated so all staff are able to understand them
- QEWI has been revised to include pictures and illustrations to further enhance checking procedures



Our Staff

Our staff are drawn from multiple background and countries across Asia. We believe in a diverse workforce. Their make up is below



86 staff are permanent full time staff



64 staff are on term employments ranging from 1 to 2 year contracts.



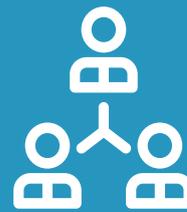
We have 124 male Employees

82%



We have 26 Female Employees

18%



We have a collective agreement in which 60 staff are covered

52%

We have seen 21 resignations in the FY2019 which brings us to an attrition rate of 14%



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