



SUSTAINABILITY REPORT

FEDERAL INTERNATIONAL (2000) LTD

REPORT PROFILE

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

Reporting Period : 1 January 2017 to 31 December 2017

Reporting Cycle : Annually based on Federal's financial year

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



Federal International (2000) Ltd

TABLE *of* CONTENTS

1	Message from the CEO
2	About Our Company
4	Sustainability Committee
6	Materiality Assessment
12	Stakeholder Engagement
14	Governance
17	Environment
19	Economic
21	Social
26	GRI Content Index

MESSAGE *from the* CEO

A SUSTAINABLE FUTURE

ALIGNING ECONOMIC SUCCESS WITH OUR ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES.

At Federal, we take a much broader view of sustainability than economic, environmental and social ecosystem. We want to add meaningful benefits to our business and stakeholders. We are happy to share that this year, we have set up the Sustainability Committee who plays the role in championing Corporate Social Responsibility (CSR) within the Group and to steer our sustainability efforts and goals towards enhancing product quality, reducing our environmental footprint, and creating safe and healthy working environment.

Sustainability to us is all about Federal's ongoing and independent ability to meet the needs of society and the expectations of all our stakeholders. We strive to create shared value with our stakeholders to enhance and integrate sustainability into our business models.

This report is a stamp of our commitment towards the Federal Sustainability Vision.

KOH KIAN KIONG

EXECUTIVE CHAIRMAN AND CEO
FEDERAL INTERNATIONAL (2000) LTD



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's 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. Our network of offices empowers us with strong local knowledge and enables us to network with customers and suppliers who are located in different regions. Our key customers include major companies from various industries such as oil, offshore and marine, and transport and logistics.

The Group's main trading business contributes 98% of total turnover in FY 2017. With a belief that forming strategic partnerships promotes sustainable growth of the Group, we actively seek potential partnerships with key industry players.

OUR BUSINESS SEGMENTS

TRADING

We supply flowline control products and distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, oil and gas and petrochemical industries. Also, we are an agency for leading brands.

MANUFACTURING/DESIGN/RESEARCH AND DEVELOPMENT

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

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 the China National Offshore Oil Corporation.

ENERGY AND UTILITIES

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

RESOURCES

We own a 1,200 HP American built land drilling rig which has been chartered out and the charter is expected to commence from second half of 2018.

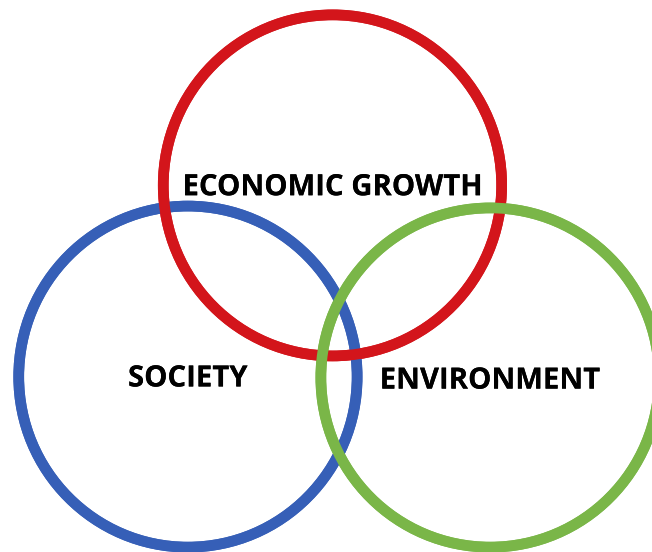
CORPORATE AND OTHERS

Involving Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services

ABOUT *our* VISION

Sustainability is not part of a separate strategy, but is instead integrated into our overall corporate strategy.

At Federal, our Sustainability Vision is to align our economic success with environmental and social responsibilities.



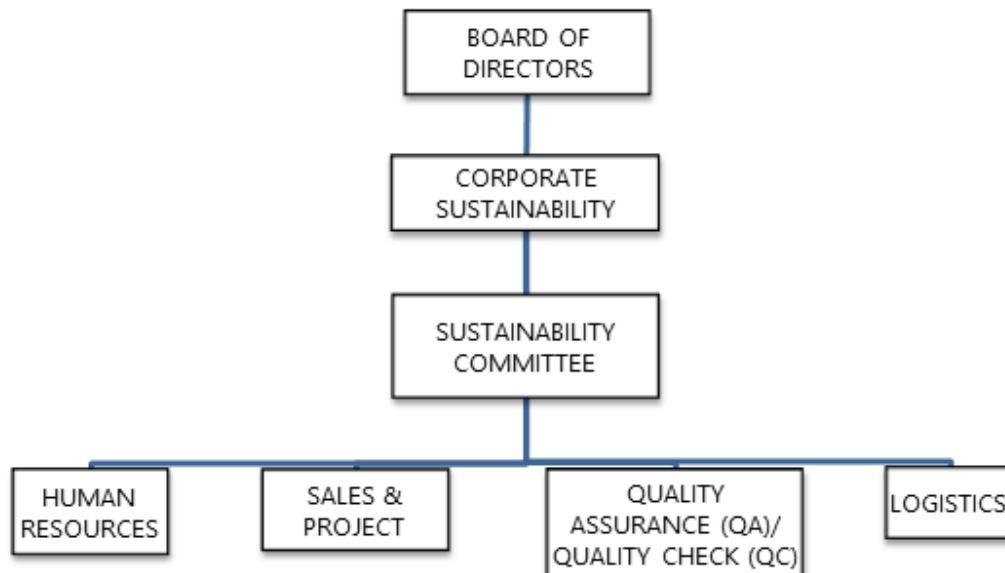
OUR OBJECTIVES

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 Agenda is driven by our Sustainability Committee formed this year and is headed by our Executive Director , Ms Maggie Koh. The Committee consists of Department Heads and middle management team from Human Resources, Sales & Project, QA/QC and Logistics departments. The Sustainability Committee meets at least once a year to review the progress of our sustainability program.



2017 YEAR IN REVIEW



15 employees were
awarded long service award



0 man days lost to
workplace accidents



0 reported accident at our
work sites and office premises



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 is referenced to the Global Reporting Initiative (GRI) guidelines and we have prioritised our topics using a materiality matrix.

Methodology

Identify

Our Sustainability Committee identified the material aspects that are important to our business and stakeholders. Inputs from stakeholders and independent sustainability consultant were considered.

Evaluate

The material aspects are evaluated against 2 criteria: importance to stakeholders and importance to Federal (in terms of the significance of its impact on governance, economic, environment, social).

Validate

These are then validated and approved by the Sustainability Committee headed by our Executive Director.

Our Material Aspects

Our review focuses on 4 key aspects with 10 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.

GOVERNANCE

- a) Corporate Governance
- b) Ethics and Integrity
- c) Risk Management

ENVIRONMENT

- a) Resource and Waste Management
- b) Energy Efficiency
- c) Water Conservation
- d) Environmental Compliance

ECONOMIC

- a) Economic Performance

SOCIAL

- a) Labour Practices and Work Environment
 - b) Product Responsibilities
-

TOPIC

RELEVANCE

APPROACH

(1) GOVERNANCE

(a) Corporate Governance

Apart from maintaining business profitability, we understand that stakeholders are also concerned with the sustainability of our returns.

Establishing a strong foundation for good corporate governance is fundamental in addressing stakeholders' concerns over the sustainability of the Company's future.

We seek to uphold the highest standard of corporate governance and comply with all regulatory requirements.

We maintain various communication channels to provide timely updates and collect feedback from our stakeholders.

(b) Ethics and Integrity

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.

We uphold good business ethics and integrity within the Group. This applies to all employees, including those who are located in foreign jurisdictions. Our Code of Ethics provide guidance to our employees and is made available to all employees. Employees are constantly reminded to make disclosures in the event of conflicted duties or interests.

Our accessible and independent whistleblowing channels, including direct contacts of the Audit Committee Chairman, allow our employees to report any suspected wrongdoings without reprisal.

(c) Risk Management

The constant flux of the business environment has fuelled a heightened need for organisations to identify, measure, prioritise and respond to the risks that threaten business objectives and operations.

At our organisation, we are prudent in managing our risk-reward relationship. We recognise the need to perform an enterprise risk assessment and update our risk register.

TOPIC

RELEVANCE

APPROACH

(2) ENVIRONMENT

(a) Resource and Waste Management

Unsustainable rate of waste output has resulted in land scarcity for waste disposal and cost pressures due to resource scarcity.

Furthermore, the increasing cost of waste treatment and resources will have a significant impact on the long-term viability of our business. Therefore, it is vital that we have a proper waste and resource management programme in place to reduce waste output and improve our resource efficiency.

We aim to reduce resource wastage in our business operations and actively promote – Reduce, Reuse, and Recycle – to our employees. We have established waste recycling programme in our Singapore office.

For our overseas manufacturing sites and plants, we have outsourced the waste management to third-party vendors to oversee that all waste is properly treated and disposed.

(b) Energy Efficiency

We understand that there has been a growing concern amongst stakeholders over carbon emission and global warming. The reduction of energy usage and improving energy efficiency on our part will help to reduce carbon emission and address environment sustainability concerns.

We also recognise that investing in energy conservation not only reduces our carbon footprint but also makes business sense in cost savings. Therefore, we are committed to taking measures in minimising our overall energy consumption and improving energy efficiency.

We have retrofitted fluorescent bulbs with more energy efficient LED lightings at our offices and warehouse. For certain facilities at our offices and warehouse, we have also replaced the lights with motion-activated lightings to reduce energy consumption when the facility is not in use.

Furthermore, we have also sought to consolidate our point of operations to reduce unnecessary wastage of energy and resources.

TOPIC

RELEVANCE

APPROACH

(c) Water Conservation

In recent years, with growing population and business activities, the demand for water supply has increased significantly.

Furthermore, certain operations of our business may contribute to water degradation and the improper management of such wastewater may result in pollution. As such, ensuring the sustainability of our water usage has become a priority for us and our stakeholders.

In our offices and warehouse, we have installed water saving kits to reduce water consumption.

Our active tracking of water consumption also provides information to our Management to manage water usage.

For our industrial water plant, we seek to comply with all environmental regulations of the jurisdiction that our plant operates in. Wastewater sludge are properly processed before discharge. Regular water testing are performed to ensure that the contaminations of water sources are under control.

(d) Environmental Compliance

We recognise that successful businesses establish a strong belief in corporate citizenship, showing commitment to ethical behaviour by striking a balance between the needs of various group of stakeholders and the environment. Therefore, we are committed to ensure that we are compliant with regulations in the various jurisdictions we operate in.

We have established various committees, such as the ISO Committee, to ensure that we comply with environmental regulations and requirements in the various jurisdictions we operate in.

(3) ECONOMIC

(a) Economic Performance

Business productivity and efficiency are key in ensuring the longevity of our growth and success. Therefore, through constant innovation, developments and ventures, we seek to generate the greatest return for our stakeholders.

We are constantly looking for opportunities and ways to improve our business processes. As part of a business value chain, our business activities provides direct and indirect economic benefits and growth to the jurisdictions and communities we operate in.

TOPIC

RELEVANCE

APPROACH

(4) SOCIAL

(a) Labour Practices and Work Environment

- (i) Employment
- (ii) Benefits & Welfare
- (iii) Occupational Health & Safety
- (iv) Training & Development
- (v) Diversity & Equality

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.

We are committed to providing opportunities for compensation, promotion and training on a meritocratic basis.

We have in place an open annual performance appraisal system where we work together with our employees to identify knowledge gaps and address training needs.

We perform monthly safety inspections on all premises to identify safety hazards and implement rectification actions.

We have also established a set of safe work procedures to guide our employees on work safety practices.

(b) Product Responsibilities

- (i) Customer Health & Safety
- (ii) Customer Satisfaction
- (iii) Product Compliance

We believe that product quality and integrity forms the foundation of the reputation and trust that we seek to earn in the markets that we operate in.

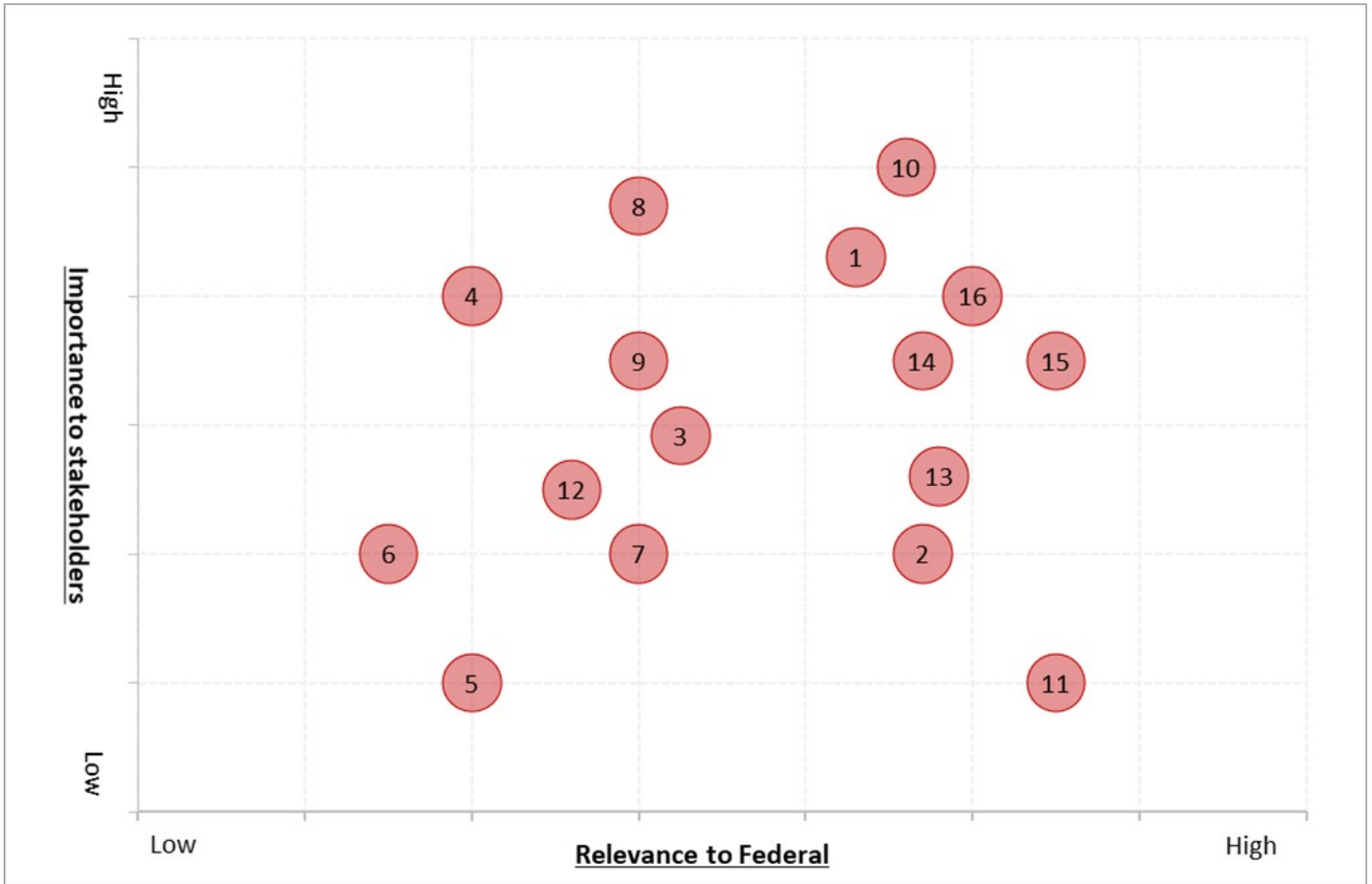
Product safety and reliability are of paramount importance to our customers who operate in the oil and gas industry where occupational health and safety are of their top priority. We seek to develop and deliver quality products that are compliant with the highest standards of product certification.

We have obtained several product accreditations for our in-house brand, KVC (UK), to assure customers of our product's reliability and safety. Furthermore, we perform stringent quality control inspections of materials and products sourced from third-party vendors.

Customer feedback channels are available for our customers to provide feedbacks. We treat all feedbacks from customers as an opportunity to learn more about our customers' needs and to improve our products and services.

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):



Governance	Environment	Economic	Social - Labour Practices and Work	Social - Product Responsibilities
1. Corporate Governance 2. Ethics & Integrity 3. Risk Management	4. Resource & Waste Management 5. Energy Efficiency 6. Water Conservation 7. Environmental Compliance	8. Economic Performance	9. Employment 10. Benefits & Welfare 11. Occupational Health & Safety 12. Training & Development 13. Diversity & Equality	14. Customer Safety 15. Customer Satisfaction 16. Product Compliance



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, customers, vendors, regulators, investors and the community. We actively engage and consult our key stakeholders as we find it effective for our understanding of their concerns and priorities. Moreover, we recognise the value of close collaboration with our key stakeholders, which is critical to our business and sustainability reporting initiatives.

The following table summarises the concerns and prioritise our stakeholders have which we incorporate into our sustainability commitments:

STAKEHOLDERS	ENGAGEMENT	FEEDBACK
(1) Employees	<p>We are committed to providing fair and equal opportunities to all of our employees, and create a safe and cohesive working environment.</p> <ul style="list-style-type: none"> ◦ Feedback/ Suggestion box ◦ Code of Conduct ◦ Policies and procedures ◦ Annual performance appraisals ◦ Recreation and social activities ◦ Training 	<ul style="list-style-type: none"> ◦ Job security ◦ Employee safety and welfare ◦ Staff training and development opportunities ◦ Remuneration and benefits ◦ Work-life balance ◦ Fair and competitive employment practices
(2) Customers	<p>We aim to provide consistent quality products and services at competitive prices to ensure customer satisfaction.</p> <ul style="list-style-type: none"> ◦ Annual customer satisfaction survey ◦ Project milestone meetings 	<ul style="list-style-type: none"> ◦ Timely delivery of products and services ◦ Quality and reliability of products and services ◦ Competitive pricing

STAKEHOLDERS

ENGAGEMENT

FEEDBACK

(3) Vendors

We seek to improve the transparency of our supply chain to meet industry's best practices.

- Annual vendor evaluation
- Quality control inspections
- Regular meetings with key suppliers

- Environmental compliance
 - Certification compliance
-

(4) Regulators

We strictly comply with the relevant laws and regulations.

- Annual sustainability report
- Meetings and regular reporting

- Compliance with laws and regulations
 - Safe working environment
-

(5) Investors

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.

- Annual extraordinary/ General meetings
- Quarterly financial results
- SGX announcements, media releases and interviews
- Annual report
- Annual sustainability report
- Company official website

- Business strategy and outlook
 - Risk management
 - Corporate governance
 - Sustainability performance and reporting standards
 - Timely and transparent reporting
-

(6) Community

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/ government.

- Annual sustainability report
- Community outreach initiatives

- Corporate philanthropy and engagement
- Advocating sustainable practices

1. GOVERNANCE

OUR OBJECTIVE

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

OUR APPROACH

(a) Corporate Governance

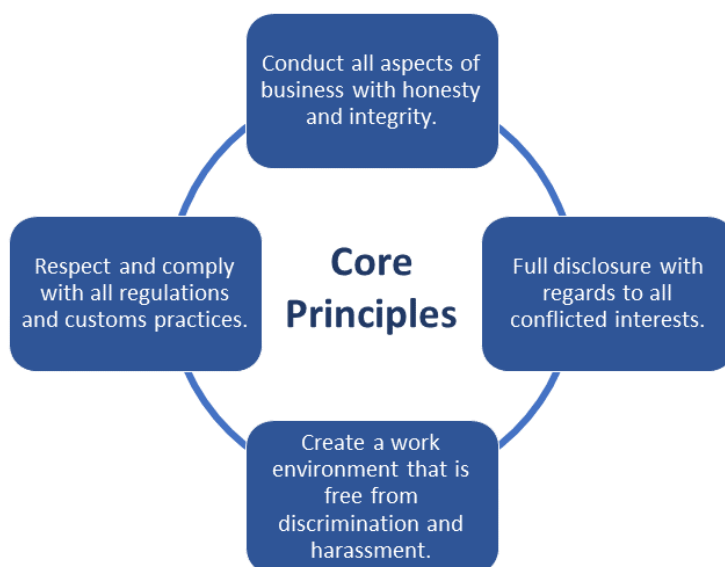
We recognise that establishing a high standard of corporate governance is fundamental to building trust and reputation among our stakeholders. The Board of Directors is committed to ensure alignment of our corporate governance framework with the principles and guidelines of the Code of Corporate Governance 2012 issued on May 2012 by the Monetary Authority of Singapore (MAS). Our strategy to uphold a high standard of corporate governance is underpinned by our commitment to transparency and accountability to stakeholders.

We review our Board's composition annually to ensure an appropriate mix of expertise and experience which enables the Management to benefit from the diverse perspective of issues that are brought before the Board. A performance evaluation process where the effectiveness of the Board as a whole and Board Committees as a whole is carried out annually. The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on amongst others to propose changes which may be made to enhance the performance of the Board and the Board Committees, to provide their views on the functions of the Board and Board Committees including its procedures and processes and if any of these may be improved upon. All directors are required to submit themselves for re-nomination and re-election once every three years. The Company conducts orientation programmes for newly appointed Directors. Formal letters, which include details of the duties, are issued to newly appointed Directors upon their appointment.

Kindly refer to pages 5 to 8 of the Annual Report for more information on the Board Committees.

(b) Ethics and Integrity

We have developed a set of Code of Ethics that provides guidance on the behaviour expected from our employees. The underlying principle for our Code of Ethics is that we expect our management and staff to act with integrity towards those with whom we have business dealings, to the larger society where we conduct our business, and towards each other. All employees are required to acknowledge the requirements of our Code of Ethics. The following principles forms the basis for our processes:



We have zero tolerance towards corruption and fraud. This applies to all employees, including those who are located in foreign jurisdictions. During the orientation programme, new hires are made aware of our stance against corruption and fraudulent activities. An employee handbook that covers penalties for misconduct and fraud, and guides all employees in their everyday conduct is made available to all employees.

We have a Conflict of Interest Policy that defines situations in which an employee's personal interests are in conflict with his/her responsibility towards the Group. It provides guidance to employees by highlighting situations which are viewed to be in conflict with the organisation's interest and the course of action that they should take. All employees are required to make a declaration for any conflicted interest on an annual basis.

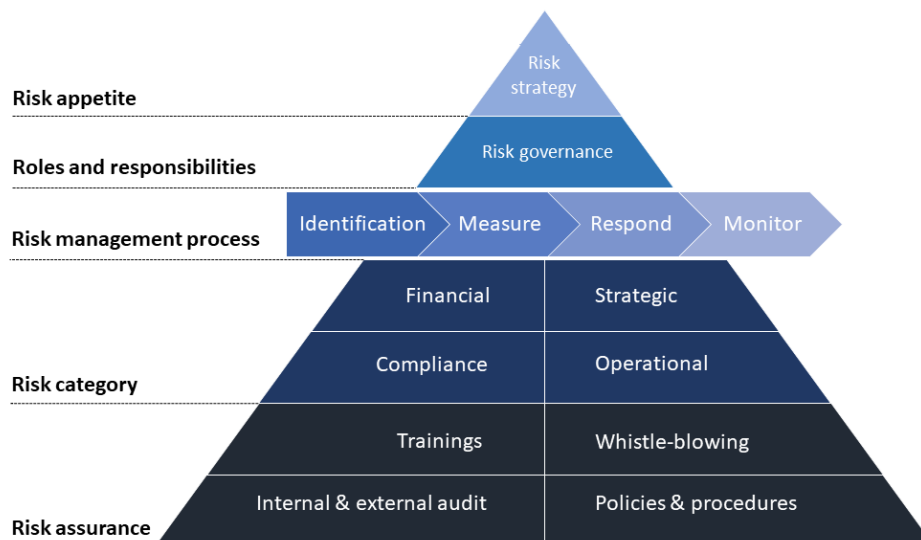
A whistleblowing policy has been in place to help employees who have major concerns over any wrong-doing within our Group relating to unlawful conduct, financial malpractice or dangers to our Group, the public or the environment. Our accessible and independent whistleblowing channels, including direct contacts of the Audit Committee Chairman, allow employees to report any suspected wrongdoings without reprisal. We take any harassment or victimisation (including informal pressures) towards the whistleblower seriously, and will take appropriate action to protect those who raise a concern in good faith.

If an investigation is warranted, matters raised may be investigated by the management, internal audit, a committee set up by the Board of Directors or through the disciplinary process be referred to the police, be referred to the external audit and/or form the subject of an independent inquiry. There are procedures in place to ensure that the outcome of the investigation is communicated to the whistleblower.

We make it our priority to do our utmost in ensuring transparency and accountability to our stakeholders. We strive to be forthcoming in the sharing of our developments and operations. Information on our developments and operations are communicated on a regular basis to all stakeholders through our announcements, quarterly and annual reports, regular analyst briefings, and meetings. We have actively engaged with shareholders and interested parties through media interviews and publications. Investors may also obtain timely updates via the investor relations section on our official company website (http://www.federal.com.sg/investor_highlights.html) and can contact us at info@fedsin.com.sg.

(c) Enterprise Risk Management

The constant flux of the business environment has fuelled a heightened need for organisations to identify, measure, prioritise and respond to the risks that threaten business objectives and operations. At our organisation, we are prudent in managing our risk-reward relationship. We also recognise the need to carry out enterprise risk assessment to ensure that we account for new risks that arise as we continue our foray into new business opportunities.



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 is no incident of employee dismissal or disciplinary case for corruption and fraud. There is also no instance where contract with business partners were terminated or not renewed due to violations related to corruption. We have also not received any whistleblowing reports during the reporting period.

For the reporting period, we have complied with all listing requirements and legal regulations. There are no significant fines or penalties incurred for regulatory non-compliance.

TARGETS & PLANS

We will constantly strive to pursue greater standards of corporate governance and establish a culture of good business ethics and integrity within the Group.

We also understand that given the ever changing business landscape, risk monitoring is an ongoing process. Hence, we will continue to strengthen our risk assessment framework to identify emerging risks in our operations.

2. ENVIRONMENT

OUR OBJECTIVE

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

OUR APPROACH

(a) Resource and Waste Management

Federal practises 'reduce, reuse, recycle' whenever we can. As part of our commitment to environmental preservation, we have put in concerted efforts to make resource management a part of our operations and processes. Being a trading firm, our waste produces are primarily packaging material, office waste and obsolete inventory. Over the years we have put in great efforts to reduce our waste output through recycling, reusing and reducing.

To reduce office paper usage, we have made a gradual transition into a paper-less system. Instead of sending hard-copy documents to customers and suppliers, we have opted for electronic modes of transmission. An electronic-filing system is also established for mill certificates which not only reduces the amount of paper used, but also makes documentation and information sharing more efficient.

We also constantly encourage our employees to partake in our environment conservation efforts. Recycling bins are placed in offices to promote 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.

For obsolete inventory and scrap from manufacturing, we have engaged third-party waste management vendor to ensure that all waste is properly treated and disposed.

(b) Energy Efficiency

We recognise that investing in energy conservation not only reduces our carbon footprint but also makes business sense in cost savings. Therefore, we are committed to taking measures in minimising our overall energy consumption and improving energy efficiency to reduce the environmental impact of our operations.

In the conduct of our business activities, the main areas of energy usage are predominantly across our offices and warehouse operations.

In 2017, we have retrofitted conventional fluorescent bulbs with more energy efficient LED lightings at our warehouse. For certain facilities at our offices and warehouse, we have also replaced the lights with motion-activated lightings to reduce energy consumption when the facility is not in use.

Furthermore, we have also sought to consolidate our point of operations to reduce unnecessary wastage of energy and resources. All our warehouses across Singapore has been relocated to a single site at our leasehold property located in Chin Bee Drive to better utilise space and also reduce energy consumption.

(c) Water Conservation

Water is a scarce resource and we recognise that businesses play an important role in ensuring the sustainability of water resources. Therefore, we have made it our priority to minimise water consumption and manage water quality. In our offices and warehouses, we have installed water saving kits to reduce water consumption. Furthermore, we constantly remind our employees through posters and emails to adopt good practices in water conservation. Given the rising costs of utilities, our water conservation efforts also translate to significant cost savings for the Company.

At our industrial water plant in Chengdu, China, 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. We are in the process of building a natural

dewatering facility to treat the wastewater residue deposited within the pool. The residue from the treatment will be applied to soil for conditioning purposes or dumping as fill.

We also have comprehensive water sampling and testing procedures to ensure compliance with regulatory standards.

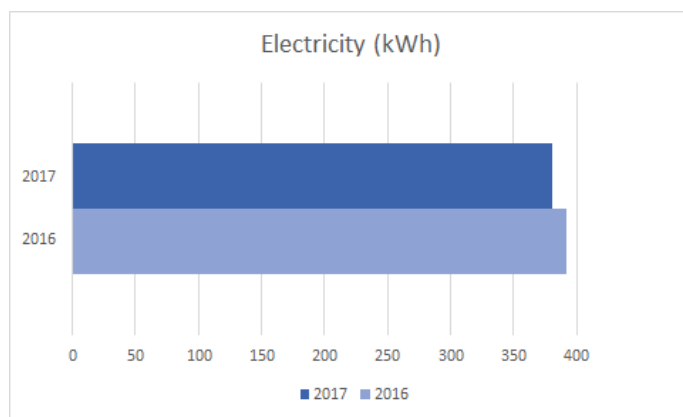
(d) Environmental Compliance

We are fully committed to comply with all environment-related legal requirements as required by local regulatory authorities and other stakeholders. On an annual basis, we undergo certification audits to ensure that our processes are in compliance to international certification standards. Furthermore, we have established an Environment, Health and Safety (EHS) Committee to oversee compliance to relevant environmental requirements and regulations. The committee conducts monthly inspection to ensure that all regulatory requirements are satisfied.

OUR PERFORMANCE

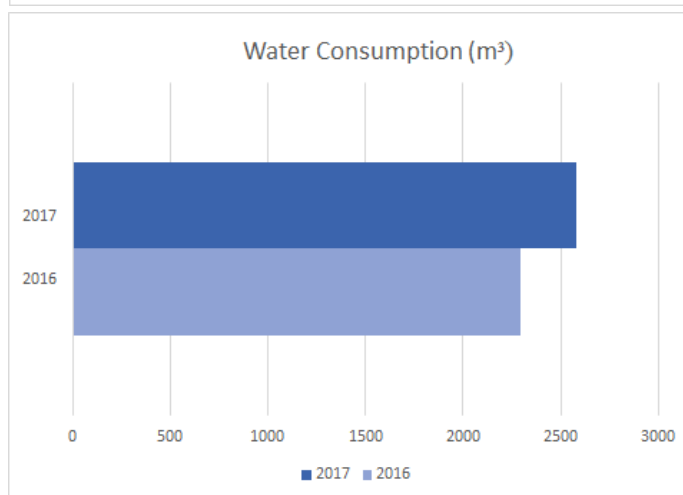
(a) Energy Efficiency

We have been closely monitoring our electricity usage to ensure the optimal use of electricity in our operations. Total energy usage for the year is 380,818 kWh for all three office and warehouse locations in Singapore. The reduction in energy usage is due to consolidation of warehousing space.



(b) Water Conservation

The total water usage by our Singapore's offices and warehouse for the year is 2,576m³. We continue to monitor our water usage on monthly basis and remind our employees on conserving water.



TARGETS & PLANS

In the reporting period, we have undergone certification audits and ensured that our processes are aligned with international environmental standards, such as the ISO 14001:2008 Environmental Management System. There are no fines or penalties for non-compliance with environmental regulations during the period.

Going forward, we will continue to monitor our electricity and water usage. Through our conservation efforts, we target to reduce both electricity intensity and water consumption by 2% in the following year. Furthermore, we will be looking to monitor our waste output in the upcoming year to better manage our waste and resources.

In the upcoming year, our Sustainability Committee will remain vigilant in monitoring our compliance with environmental regulations and we target to maintain zero incident of penalties for non-compliance with environmental regulations.

3. ECONOMIC

OUR OBJECTIVE

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

OUR APPROACH

(a) Economic Performance

We adopt a three-pronged approach to achieve sustainable business growth.

Firstly, we strive to form strategic relationships with both customers and suppliers. Additionally, we continuously seek out development and venture opportunities globally to ensure the continued growth of the Group's operations. We have a robust framework to identify and evaluate potential acquisitions and ventures. All projects will be carefully evaluated by our Directors based on strict criteria and also taking into consideration the long-term viability of these projects.

Secondly, we forge close relationship with bankers and organisations such as Enterprise Singapore to gain access to trade credit and funding for our projects.

Lastly, we perform prudent customer evaluation to manage our credit risks. Most of our payments from customers are secured through arrangement for oil majors to pay into a bank account whereby Federal is mandatory payment signatories.

OUR PERFORMANCE

(a) Business Performance

Amidst tough market conditions in the reporting period, we have achieved healthy financial results of S\$130 million total revenue, representing a total revenue growth of 45.3%. The Group is also pleased to report a net profit attributable to shareholders of S\$4.2 million for FY 2017 with an earnings per share of 3.01 cents.

For more details on our business performance for the reporting period, kindly refer to our Annual Report.

(b) Direct Economic Impact

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. The nature of our business, which relates primarily to trading, also serves to promote commerce between organisations in different countries.

FINANCIALS

S\$ '000	FY 2017	FY 2016
Revenue	129,958	89,481
Cost of Sales	107,785	71,692
Income Tax Expenses	1,447	(182)
Profit after Tax	3,921	7,265
Employee Benefits Expenses	9,363	9,628
Dividends Declared	2,815	2,111

(c) Indirect Economic Impact

Being part of a business value chain, our operations also serve to promote business growth for companies in both downstream and upstream of the supply chain. In this report, we would like to highlight our contributions to the energy and utilities sector in China.

The Group operates an industrial water plant located in Chengdu, under a Build, Operate and Transfer (BOT) agreement with the local government. The plant is able to provide up to 60,000 ton of water to the local industries on a daily basis. With our investment into the industrial water plant and support infrastructures, we have helped drive the growth of business activities and economy of the region.

Additionally, we have also established a company in Suzhou, China, which undertakes Engineering, Procurement and Construction (EPC), and technical consultancy work on industrial waste water and emission treatment. We foresee that with the support of local government and growing focus on environmental protection efforts, we will be able to assist many local businesses in their compliance with environmental regulatory requirements and promoting economic growth in the region.

TARGETS & PLANS

We will continue to remain prudent in the management of our financial position and capital. We recognise that our key strength lies in our strong network and relationship with major players in the oil and gas industry. Therefore, going forward, we will continue to leverage on our network to secure new projects.

4. SOCIAL

OUR OBJECTIVE

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

OUR APPROACH

(a) Labour practices & Work Environment

(i) Employment

The long-term sustainability of our business is dependent on our ability to attract and retain talent. We are committed to recruiting employees on the basis on merit.

Opportunities for compensation, promotion and training are provided on a meritocratic basis. Through the annual performance appraisal system, our employees are able to receive performance review, address training needs and communicate their concerns and needs to their direct supervisors.

Recognising the importance of attracting and retaining talents, Federal ensures that employees are taken care of by offering comprehensive remuneration and benefit packages. We constantly review our employee benefits so that they remain competitive and adequate.

Furthermore, long service awards are given to employees who have been with us for 5 years. A token of appreciation which is in line with the service tenure of the employee, will be given in recognition of their efforts and contributions. In 2017, we have awarded 15 employees with the long service award in recognition of their years of service and commitment to the Group.

Federal has been actively extending re-employment to employees who have reached the retirement age. The compensation package offered are aligned with the new job responsibilities and duties. As specified by the the re-employment legislation by the Singapore government, Federal provides a one-off Employee Assistance Payment (EAP) to employees who reach the retirement age but are not eligible for re-employment.

Our performance appraisal system allows employees to receive formal feedback about their performance from their supervisors. As such, employees are aware of areas for improvement and development to contribute to the success of the Company. The performance appraisal provides an opportunity for employees to discuss with their supervisors on their responsibilities and set goals and objectives which align to the organisational and departmental requirements. The open performance appraisal system helps both employees and their supervisors understand their respective expectations, hence increasing employee satisfaction.

(ii) Benefits & Welfare

Federal adopts welfare practices which conforms to the Singapore government's pro-family legislations. Mothers and fathers of children who are Singapore Citizens, are entitled to maternity leave of 16 weeks and paternity leave of 2 weeks respectively. For children who are not Singapore Citizens, mothers get to enjoy 12 weeks of maternity leave. The Company will present a token gift to mothers and fathers during maternity or paternity leave respectively. We also provide eligible employees with childcare leave and extended childcare leave to manage their commitments in raising a young family.

Federal also provides flexi-time and part-time work arrangement where employees can vary daily start and end times to suit their work and personal commitments.

At Federal, we strive to create a positive and healthy work environment for our employees. A Recreation Committee ('RC') is established to promote and organise work-life balance initiatives within the Company.

(iii) Occupational Health & Safety

Objective: We take pride in our commitment to maintain high level of health and safety standards.

Approach: The framework for our HSE management is modeled after international standards . We have attained certifications such as the ISO14001:2005 and OHSAS18001: 2007.

Understanding the importance of having a safe work environment, we perform monthly safety inspections on all of our premises. Subsequent to the safety inspections, safety meetings are held to follow up on rectification actions to eliminate safety hazards identified. Furthermore, we perform periodical maintenance of our statutory equipment and machinery to ensure that they are safe for our employees to work with.

Placing great emphasis on building a safety culture within Federal, we have established a set of safe work procedures to guide our employees on safety practices at work. We provide safety orientation course to new hires to ensure that they have the necessary training and skills relating to safety. Moreover, we conduct annual warehouse briefing to firmly embed the safety rules among our employees. We also performed annual emergency response drill and fire drill to prepare our employees in the event of emergency situations.

Recognising the importance of the state of health of our employees, we have in place an annual health needs assessment and evaluation for our existing employees. We also offer outpatient medical and dental claims to our employees where the unused credits can be utilised by their immediate family members.

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

In 2017, there has been no cases of non-compliance in health and safety regulations.

(iv) Training & Education

Federal is committed to developing and nurturing its employees so as to form a competent team to drive business goals. We provide opportunities to our employees to participate in learning and development courses in order to upgrade their skills. Through our open annual performance appraisal system, we work together with our employees to identify knowledge gaps and address training needs.

Furthermore, in order to support our employees in their learning and development journey, we grant eligible employees with examination leave for employees who are sitting for examinations conducted during office hours.

Understanding that the business landscape is ever-changing, we constantly review the capabilities of our employees to ensure that the team stays competent. Our employee's capabilities are further enhanced through mentoring and on-the-job exposure.



Employee team-bonding session

(v) Diversity and Equality

At Federal, we believe in fair hiring without discrimination, regardless of age, gender, nationality and ethnicity, and equal opportunity for our employees. Workforce diversity is vital to the enhancement of our competitive edge as it promotes innovative thinking and enables us to overcome business challenges through different perspectives.

We have a diversified workforce across all age groups as we value the experiences and knowledge that

individuals from different age groups bring to the Group.

We adopt a firm stance against human rights infringement and discrimination to ensure a conducive work environment for our employees. At the Group, we have signed our pledge to Fair Employment Practices under Singapore's Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) – our commitment to creating an inclusive work environment for our employees. Although we operate in multiple geographical locations globally, we have adopted a strict adherence to the local employment regulations in all jurisdictions we operate in.

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 and to be covered by collective agreements in the workplace, within regulatory limits of each jurisdiction which we operate in.



Free health screening for employees



Annual Dinner and Dance 2017

(b) Product Responsibilities

We understand the need for a high standard of product reliability and safety for our customers who operate in the oil and gas industry. Product faults may often result in serious safety and operational issues for our customers. Therefore, we make it our priority to ensure that all products undergo stringent certification process and are of the highest quality.

For products that are 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.

For products that are sourced from other suppliers and vendors, we also perform stringent quality inspections on the product and ensure that our suppliers have the required product certifications as per our customers' specifications. Furthermore, we undergo annual audits to ensure that our quality management system follows the quality management system standards as established under ISO 9001:2008. We also have an ISO Committee to oversee our quality management system and ensure compliance to the ISO standards.

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.

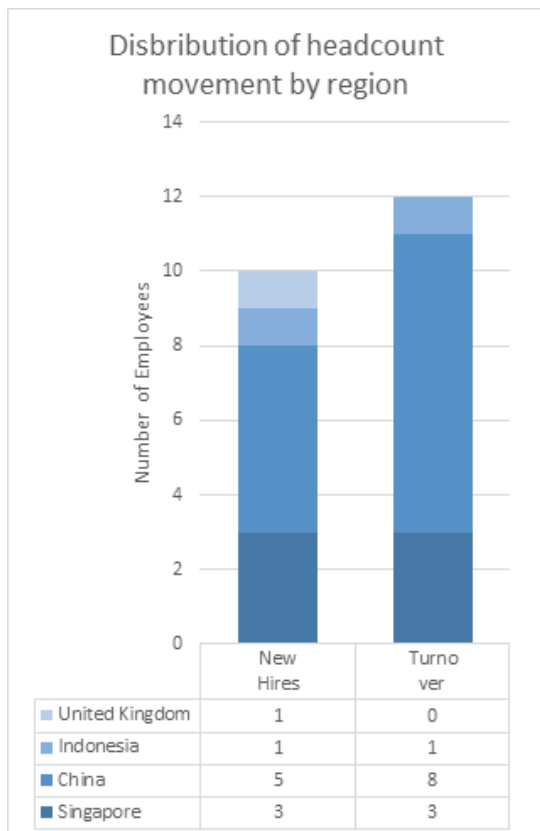
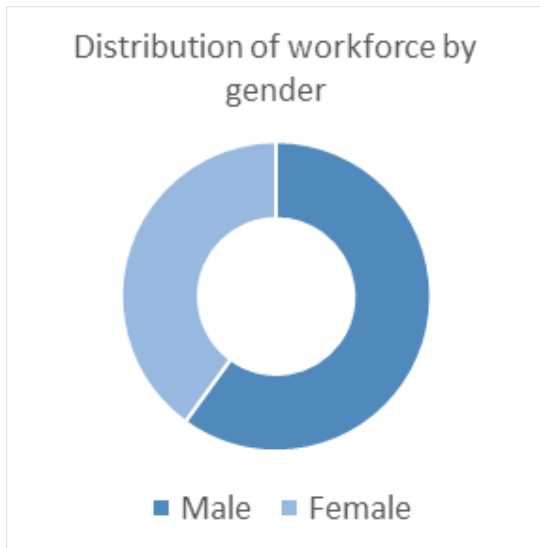
OUR PERFORMANCE

(a) Labour practices & Work Environment

In the reporting period, there have been 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.

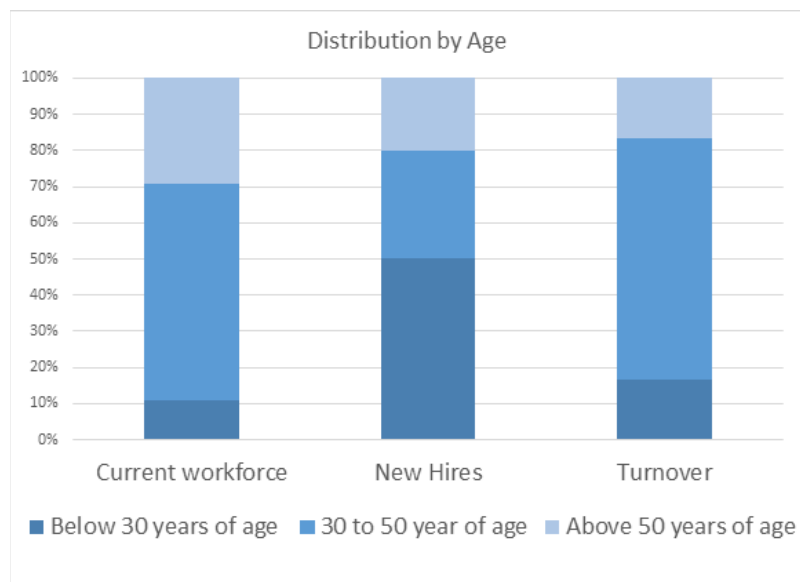
In the reporting period, there are no reported workplace injury, fatality or occupational diseases. We are proud to present our employee demographics for the reporting period:

As of 31st December 2017, we currently employ 175 individuals.



Equality

We believe that all individuals should have equal opportunities and ease of access to resources, regardless of their gender or age. We do not engage in discriminatory employment practices and constantly seeks to achieve greater balance of gender and age in our work force.

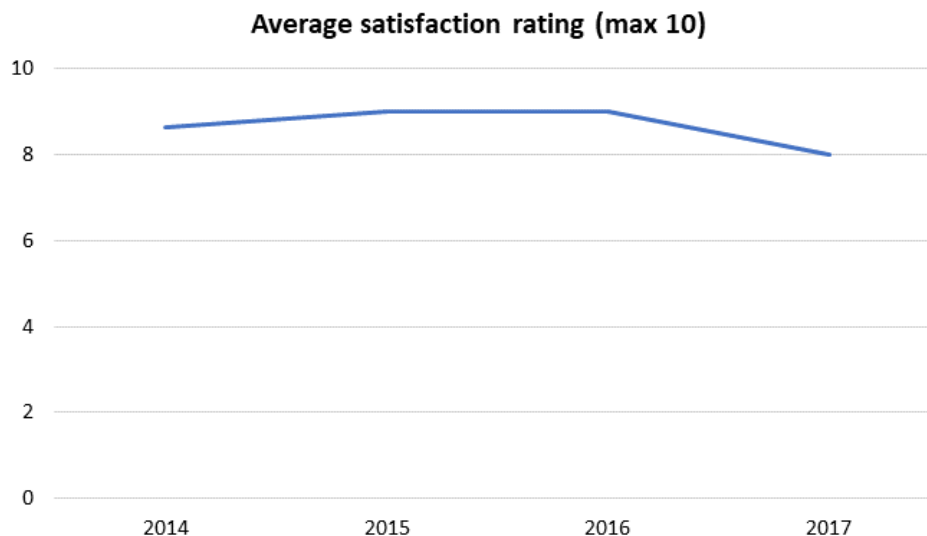


Diversity

We believe that a diverse workforce is key to propelling growth for the organization. As individuals from different backgrounds and cultures come together, it produces a wide variety of solutions to the table based upon different experiences and schools of thought.

(b) Product Responsibilities

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, customers have shown high satisfaction with our products and services, and there are no reported accidents caused by our products in 2017.



TARGETS & PLANS

To facilitate the personal growth and development of our employees, we are looking to empower employees to take on leadership roles in their scope of work. We also are looking at sending employees to more courses and trainings.

Due to the uncertain market conditions in the previous and current years, we have not been engaging with the communities we operate in. We recognise that being part of a greater community, we should do our part to also empower local communities through regular community service activities. Therefore, in the upcoming year, we target to complete at least 2 Corporate Social Responsibility (CSR) activities.

We will continue to deliver high quality product and ensure greater customer satisfaction. In the upcoming year, we seek to achieve a customer satisfaction rating of at least 80%.

The Group is proud of our achievements in OHS performance this year and we strive to maintain our records at zero workplace incident and zero man hour lost in FY 2018.

GRI

CONTENT INDEX

GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
General standard disclosures				
1. Organisational profile	Disclosure 102-1	Name of the organisation	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 AR- Notes to FS: Investment in subsidiaries	1 79-85
	Disclosure 102-5	Ownership and legal form	AR- Corporate Structure	15
	Disclosure 102-6	Markets served	AR- Corporate Profile AR- Notes to FS (segment information)	1 125
	Disclosure 102-7	Scale of the organisation	AR- Business and Financial Review	11-14
	Disclosure 102-8	Information on employees and other workers	SR- Social	21-25
	Disclosure 102-9	Supply chain	AR- Letter to Shareholders	2-4
	Disclosure 102-10	Significant changes to the organisation and its supply chain	AR- Letter to Shareholders AR- Business and Financial Review	2-4 11-14
	Disclosure 102-11	Precautionary Principle or approach	SR- Governance	14-16
	Disclosure 102-12	External initiatives	AR- Letter to Shareholders	2-4
2. Strategy	Disclosure 102-14	Statement from senior decision-maker	SR- Message from CEO	1
3. Ethics and integrity	Disclosure 102-16	Values, principles, standards, and norms of behaviour	AR- Corporate Profile SR- Corporate Profile and Sustainability Vision	1 2-3
4. Governance	Disclosure 102-18	Governance structure	AR- Board of directors, Key Executives AR- Corporate Governance Statement SR- Sustainability Committee	5-10 17-39 4
5. Stakeholder engagement	Disclosure 102-40	List of stakeholder groups	SR- Stakeholder engagement	12-13
	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	79-85
	Disclosure 102-46	Defining report content and topic Boundaries	SR- Report Profile	i
	Disclosure 102-47	List of material topics	SR- Materiality Table	6-11
	Disclosure 102-48	Restatements of information	None. First-time implementing Sustainability Reporting	
	Disclosure 102-49	Changes in reporting	None. First-time implementing Sustainability Reporting	
	Disclosure 102-50	Reporting period	FY2017	
	Disclosure 102-51	Date of most recent report	None. First-time implementing Sustainability Reporting	
	Disclosure 102-52	Reporting cycle	Annual	
	Disclosure 102-53	Contact point for questions regarding the report	SR- Report Profile	i
	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	SR- GRI content index	29-31
Disclosure 102-56	External assurance	AR- Independent Auditor's Report	40-43	

GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
Topic-specific disclosures				
GRI 201: Economic Performance	Disclosure 201-1	Direct economic value generated and distributed	AR- Business and Financial Review AR- Balance Sheet, Consolidated income statement, Consolidated statement of cash flows	11-14 44-52
GRI 205: Anti-Corruption	Disclosure 205-1	Operations assessed for risks related to corruption	SR- Governance	14-16
	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	No reported cases during reported period.	
GRI 302: Energy	Disclosure 302-1	Energy consumption within the organisation	SR- Environment	17-18
GRI 303: Water	Disclosure 303-1	Water withdrawal by source	Our operations do not involve water withdrawal from source.	
	Disclosure 303-2	Water sources significantly affected by withdrawal of water		
	Disclosure 303-3	Water recycled and reused		
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	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	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	Our offices and operations do not discharge significant level of water/ waste. We do not produce hazardous waste during our operations.	
	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	17-18
GRI 401: Employment	Disclosure 401-1	New employee hires and employee turnover	SR- Social	21-25
	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 Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 403: Occupational Health and Safety	Disclosure 403-1	Workers representation in formal joint management-worker health and safety committees	SR- Social	21-25
	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		
GRI 404: Training and Education	Disclosure 404-1	Average hours of training per year per employee	SR- Social	21-25
	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, Key Executives	5-10
GRI 406: Non-discrimination	Disclosure 406-1	Incidents of discrimination and corrective actions taken	No reported cases during reported period.	
GRI 412: Human Rights Assessment	Disclosure 412-1	Operations that have been subject to human rights reviews or impact assessments	SR- Social	21-25
	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	21-25
	Disclosure 413-2	Operations with significant actual and potential negative impacts on local communities		
GRI 417: Marketing and Labelling	Disclosure 417-1	Requirements for product and service information and labelling	SR- Economics	19-20
	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- Economics	19-20
			SR- Social	21-25



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