



SUNVIC CHEMICAL HOLDINGS LIMITED

SUSTAINABILITY REPORT FY2017

BUILDING RESILIENCE & CONTINUOUS SUSTAINABILITY

SUSTAINABILITY REPORT **FY2017**
Company Registration Number: 200406502E



SUNVIC CHEMICAL HOLDINGS LIMITED
112 ROBINSON ROAD, #11-01 ROBINSON 112, SINGAPORE 068902
TEL: +65 6220 9070 FAX: +65 6223 9177
WEBSITE: WWW.SUNVIC-CHEM.COM
EMAIL: INVESTOR@SUNVIC-CHEM.COM



ORGANIZATION PROFILE

Sunvic Chemical Holdings Limited (“Sunvic” or the “Company”) and its subsidiaries (collectively, the “Group”) are one of the largest and prominent producer of Acrylic Acid (AA), Acrylate Esters (AE), PMIDA (N-phosphonomethy Iminodiacetic Acid) and Glyphosate in the People’s Republic of China (the “PRC”).

The main raw material used in the production for AA is propylene. AA is further processed to produce AE through an esterification process. Esterification is a chemical process by which AA is reacted with alcohol in the presence of a catalyst to produce various types of esters. We need Diethanolamine and Sodium Hydroxide to manufacture PMIDA.

Our products are mainly used as the raw material to produce industrial, consumer, and agricultural products such as detergent, textiles, coatings, automotives and water treatment materials. Our customer base spans across the following regions:

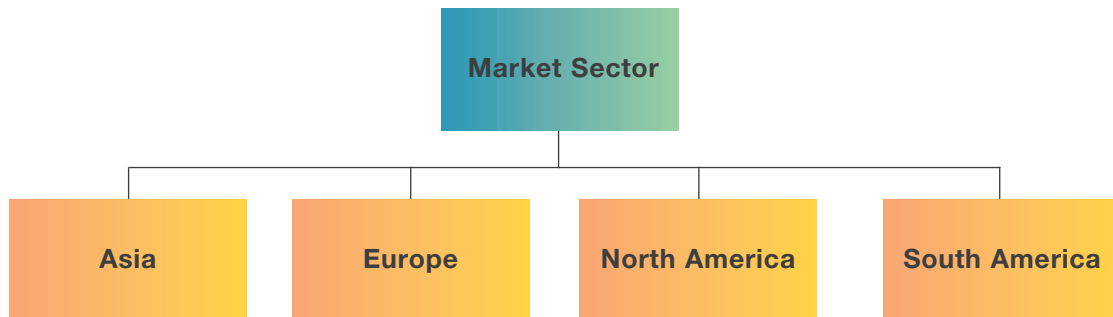


Figure: Geographic locations where products are offered

During the year of FY2017, the Group’s revenue increased by 5.3% or RMB113.2 million to RMB2,246.7 million as compared to RMB2,133.6 million in FY2016. This was mainly due to a RMB39.3 million and RMB85.5 million rise in revenue contribution from sale of acrylic acid (“AA”) and acrylate esters (“AE”) as well as other chemical products respectively. The increase in revenue from AA and AE was due to a 28.3% higher average selling price of RMB7,700 per tonne as compared to RMB6,000 per tonne a year before.

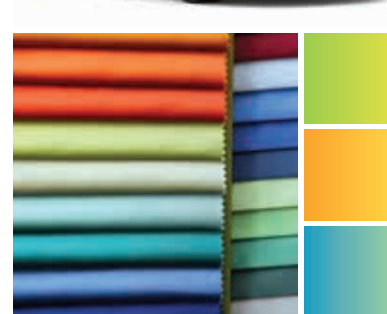
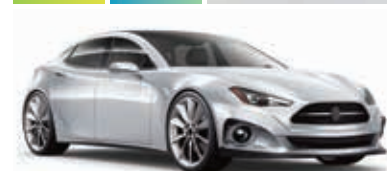
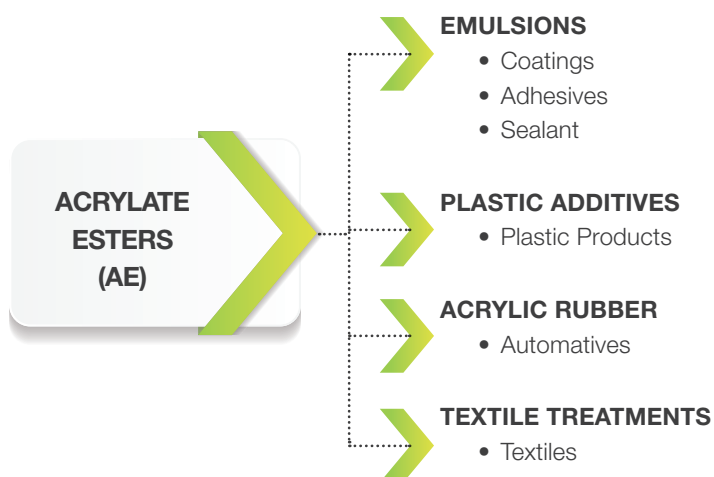
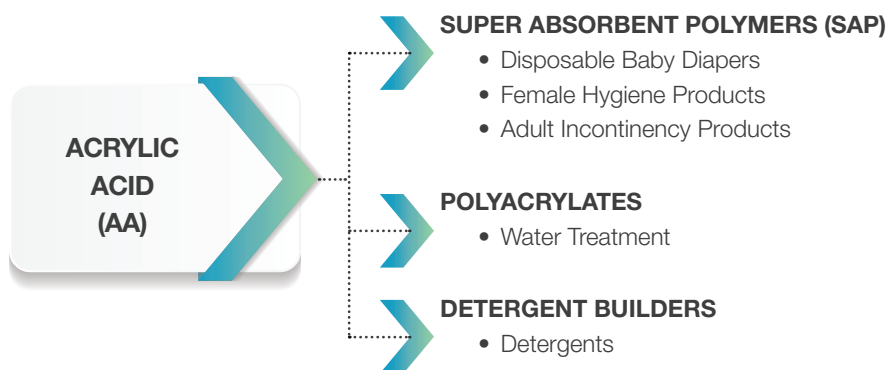


Figure: Our Products



Sunvic Chemical is a limited liability company incorporated and domiciled in Singapore with the business and operation in the PRC and is listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

As at 22 March 2018, approximately 37.56% of the Company's total number of issued shares excluding treasury shares is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of a listed issuer's total number of issued shares excluding treasury shares at all times held by the public.

Sunvic Chemical holds the membership in Xiangshui Merchants Association, National Chemical Industry Green Enterprise Association and Easy-To-Manufacture Chemicals Management Association.

OUR PEOPLE

The Group has 250 staff in its employment in the Singapore and PRC offices which can be classified as follows:

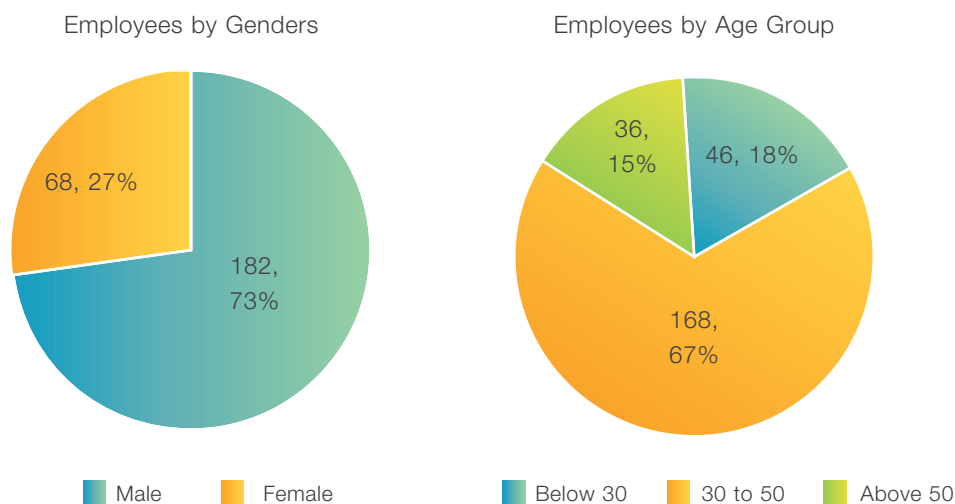


Figure: Staff Strength of Sunvic Chemical Holdings Limited and its Subsidiaries

MISSION AND VISION

We visualize being able to pursue excellence in our Company's performance and build a sustainable Company with the excellence reputation to our customer. We developed the Company culture stipulating the Group's business principles and practices in our day-to-day operations.

We maintain and adhere to the philosophy of people-oriented and serve our customers in an assertive and consultative manner. Our product quality is also one of the key focuses in our business as we want to meet our customer's requirement and retain their loyalty to purchase our product.

BOARD STATEMENT

On behalf of the Board, I am pleased to present to you the Sustainability Report of Sunvic Chemical Holdings Limited ("Sunvic", together with its subsidiaries, collectively the "Group") for the financial year ended 31 December 2017 ("FY2017") in accordance with the Global Reporting Initiative (GRI) G4 guidelines: "Core" option.

The operating environment of AA industry remains challenging for the past few years for the Group's operations. This is mainly due to several factors, which include the current oversupply situation of AA in PRC, rising raw material costs and volatile selling prices of AA and AE. In September 2017, our Xiangshui AA plant recommenced its production after certain equipment modifications, however in response to a media exposure about pollution by chemical producers in the region, the local government of Yancheng city, in which our Xiangshui plant is located, has ordered a shutdown of all chemical producers to evaluate the compliance of environment regulations of each of these producers. Our Xiangshui plant, which has an annual AA capacity of 205,000 tonnes, has remained shut down since then to comply with the directive and the Management is still working with the local government to re-commence the production. On 8 November 2018, we announced a proposed disposal of our entire 45% equity state in our joint venture with Arkema, Taixing Sunke.

With the "Stop of Supply" order implemented against our subsidiary, Taixing Jurong, and the shutting down of our Xiangshui plants (as announced in our Q1 2018 results announcement), the Company is currently purchasing from third parties to satisfy our customers' needs.

The GRI guidelines provide a useful framework for us to focus on issues that are important to us, how we manage our processes and track our sustainability performance. We believe that by meeting our obligations to our staff, customers, suppliers, shareholders, government regulators and the communities where we operate in a responsible and sustainable manner, we will be able to achieve and entrench our long-term benefits.

This is our inaugural report and as the chairman of the sustainability committee, I am grateful for the efforts of my committee members.

Yours Sincerely,

Sun Xiao

Executive Director and Chief Executive Officer
December 2018



GOVERNANCE STRUCTURE

The Board is committed to maintain high standards of corporate governance within and throughout the Group by closely following the recommendations of the Code of Corporate Governance 2012 (the “Code”), together with other applicable laws, rules and regulations, including the Listing Manual (the “Listing Rules”) of the SGX-ST.

The Board is entrusted with the responsibility for the overall management of the Group with primary function to protect interest of shareholders and to enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board is also responsible for a few key matters, such as approving the broad policies, strategies and objectives of the Group and providing oversight in the proper conduct of the Group’s business.

To assist in the execution of the responsibilities, the Board has formed three committees, namely the Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”).

Steering Committee and Working Committee have formed and established at the China subsidiary level to implement and monitor the fieldwork of sustainability reporting.

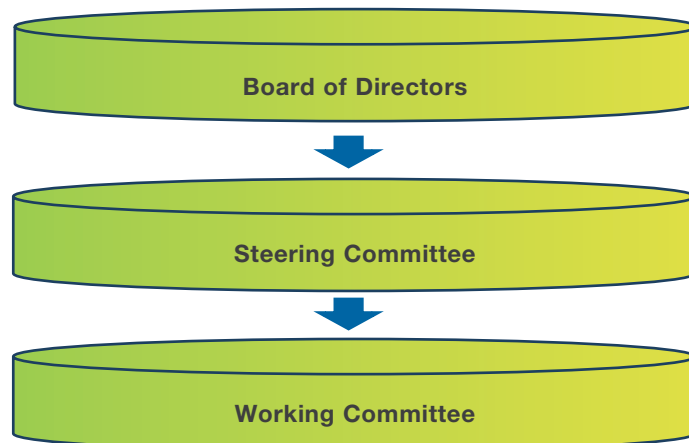
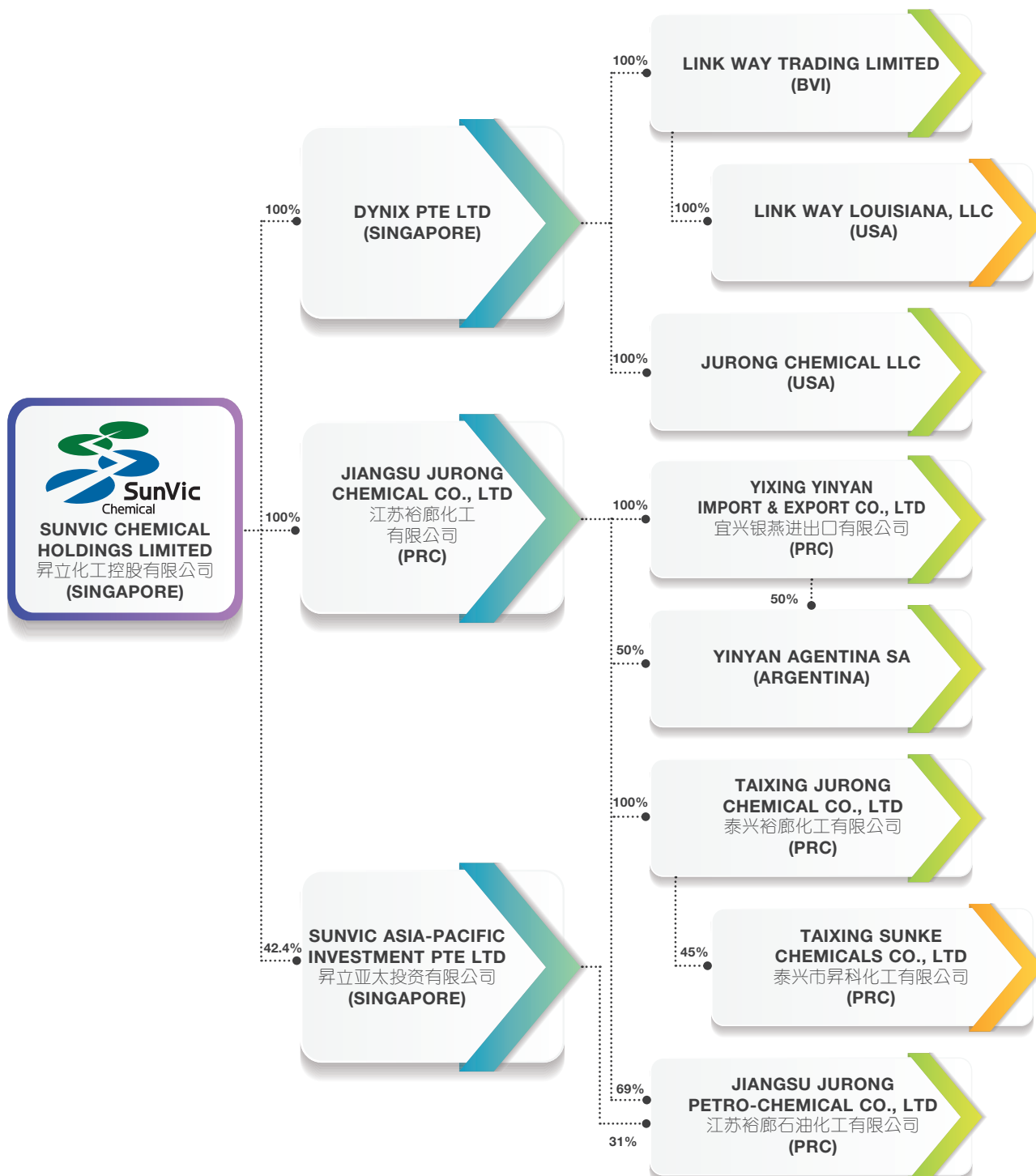


Figure: Governance Structure

The Steering Committee develops and oversees the sustainability strategy, framework and policy. The role and responsibility of Working Committee is to assist the Steering Committee in providing relevant information or data and conduct the action plan of the sustainability strategy. Both committees comprise the representative of each department. Steering Committee updates regularly to the Board of Directors in relation of the sustainability matters.

GROUP STRUCTURE





ABOUT THE SUSTAINABILITY REPORT

Sunvic Chemical Holdings Limited would like to present the inaugural sustainability report in accordance with the Global Reporting Initiative (“GRI”) G4 Guidelines – “Core” option, the framework of sustainability reporting. This report is also prepared in accordance with SGX-ST Listing Rules 711A and 711B – Sustainability Reporting Guide and the relevant SGX Practice Notes.

We would like to present our management approach to manage the environmental, social and governance related issue that is considered important and material to our Company. Through this sustainability report, we hope the various stakeholders such as the shareholders, suppliers, customers and employees would be able to understand our sustainability strategies and commitment.

The reporting period of this sustainability report is aligned with the Group’s financial year, which is the period from 1 January to 31 December 2017. We have not obtained any independent assurance for this report. The management will review the need for assurance as our reporting matures over the next few reporting periods.

FEEDBACK

We welcome feedback and suggestion from our stakeholders on the sustainability matters in order to enable us to improve continually on the sustainability strategy. Please send your feedback and suggestions to investor@sunvic-chem.com or the address below:

Sunvic Chemical Holdings Limited
112 Robinson Road,
#11-01 Robinson 112,
Singapore 068902

STAKEHOLDER ENGAGEMENT & MATERIALITY ASPECT

In order to achieve more sustainable environment for the Company, we work closely with all the parties that understand our day-to-day activity and business operation. The Company is in full support of shareholders participation at general meetings, to enquire on any matters concerning the Company and the Group. The Company engages in regular, effective and fair communication with shareholders. On a regular and timely basis, the Company disseminates material information via SGXNET and its official website.

We have identified our customers, our investors, our employees, our business partners and local authorities as our stakeholders. These key stakeholders were identified based on their ability to influence our performance and provide effective solutions to incorporate sustainability into our operations.

During this first year of reporting, we have engaged with our employees to enable understanding their sustainability issues concerns. Moving forward, we plan to engage more stakeholders and more frequently.

Stakeholder Group	Engagement Approach	Key Interests
Managers and employees	• Regular dialogue • Training program • Work related meeting and discussion • Survey	• Staff benefit • Work life balance • Development of technical skills • Discipline
Suppliers and customers	• Phone call • Email contact • Formal and informal meeting • Survey	• Ensure the good quality of product and services • Goods and services provides on time

Figure: Approach of Stakeholder Engagement

The materiality assessment process was conducted based on the current situation of the Company to identify the material Environmental, Social and Governance (“ESG”) factor. The process concluded with Sunvic Chemical’s management identifying one ESG factor to be considered as the top priority of the reporting. The selected ESG factor is the restructuring of the Company, in which bring impact to the organization.

RESTRUCTURING

The Company is facing a challenging year with a slowdown global market growth and an over-supply situation of the AA industry. Nevertheless, we remain affirmative by developing and improving our business operation to stay strong in the market. We also believed that the PRC continues to lead as the world’s largest production and consumption country of both AA and AE industry.

Another challenge has also risen from the disposal of 45% equity interest in Taixing Sunke Chemical Co., Ltd (“Taixing Sunke”), a joint venture company between our wholly-owned subsidiary, Taixing Jurong Chemical Co., Ltd (“Taixing Jurong”), and Arkema Asie SAS. Taixing Jurong has entered into a binding letter of intent (“LOI”) on 5 November 2018 to dispose its entire 45% equity interest in Taixing Sunke to Arkema Asie SAS.

Taixing Sunke engages in the business to manufacture and sell AA and AE. Taixing Jurong conducts the procurement of AA and AE products from Taixing Sunke and sell it to its own customers.

The Company expects to incur a loss of approximately RMB20.1 million from the Proposed Disposal representing a deficit of the proceeds over the book value of the Sale Shares of approximately RMB720.1 million.

We are seeking opportunity to upgrade our plant. With the current over-supply situation of AA industry persisting in the PRC, we expect the operating environment of the AA industry to remain challenging. Despite of being in the challenging industry, we remain cautious and continue to brainstorm to develop strategy in order to maintain the Group’s performance.



GRI CONTENT INDEX

GRI G4 Disclosure Reference	Disclosure Title	Section	Page Reference
Strategy and Analysis			
G4-1	Statement from the most senior decision maker of the organisation	Board Statement	Page 4
Organizational Profile			
G4-3	Name of the organisation	Organization Profile	Page 1
G4-4	Primary brands, products and services	Organization Profile	Page 1
G4-5	Location of headquarters	Organization Profile	Page 3
G4-6	Number and names of countries where the organisation operates	Organization Profile	Page 1
G4-7	Nature of ownership and legal form	Organization Profile	Page 3
G4-8	Markets served	Organization Profile	Page 1
G4-9	Scale of the organisation	Organization Profile	Page 3
G4-10	Total workforce	Our People	Page 3
G4-11	Percentage of employees covered by collective bargaining agreements	None	
G4-12	Organization's supply chain	Organization Profile	Page 1
G4-13	Significant change of operation	None	
G4-14	Precautionary approach	Board Statement	Page 4
G4-15	Charters, principles or other initiatives to which the organisation is subscribed to	None	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	Organization Profile	Page 3

GRI G4 Disclosure Reference	Disclosure Title	Section	Page Reference
Identified Material Aspects and Boundaries			
G4-17	Entities included in the organisation's consolidated financial statements. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the Report	Group Structure	Page 6
G4-18	Process for defining Report content and Aspect Boundaries, and how the organisation has implemented the Reporting Principles for Defining Report Content	Stakeholder Engagement & Materiality Aspect	Page 7 – 8
G4-19	Material Aspects identified in the process for defining report content	Materiality Aspect	Page 7 – 8
G4-20	For each Material Aspect, report the Aspect Boundary within the organisation	Materiality Aspect	Page 7 – 8
G4-21	For each Material Aspect, report the Aspect Boundary outside the organisation	Materiality Aspect	Page 7 – 8
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	Not applicable	This is the inaugural report for Sunvic Chemical Holdings Limited
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Not applicable	This is the inaugural report for Sunvic Chemical Holdings Limited
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	Stakeholder Engagement & Materiality Aspect	Page 7 – 8
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement & Materiality Aspect	Page 7 – 8
G4-26	Organisation's approach to stakeholder engagement	Stakeholder Engagement & Materiality Aspect	Page 7 – 8
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	Stakeholder Engagement & Materiality Aspect	Page 7 – 8



GRI G4 Disclosure Reference	Disclosure Title	Section	Page Reference
Report Profile			
G4-28	Reporting period for information provided	About the Sustainability Report	Page 7
G4-29	Date of most recent previous report	Not applicable	This is the inaugural report for Sunvic Chemical Holdings Limited
G4-30	Reporting cycle	About the Sustainability Report	Page 7
G4-31	Contact point for questions regarding the report or its contents	Feedback	Page 7
G4-32	GRI Content Index	GRI Content Index	Page 9 – 11
G4-33	External assurance provided	Not externally assured	
Governance			
G4-34	Governance structure of the Group	Governance Structure	Page 5
Ethics and Integrity			
G4-56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Mission and Vision	Page 3
Topic: Restructuring			
G4-DMA	Generic disclosures on management approach	Restructuring	Page 8