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AEI CORPORATION LTD.
Sustainability Report 2019

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Corporate Profile

AEI Corporation Ltd (“AEI” or “Group” or “Company”) headquartered in Singapore, was founded in 1983 and is the sole aluminium extruder in Singapore with cutting-edge technology production facilities. The Company has been listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 11 February 2004.

The Group comprises three main core business segments, namely (i) Electronics, (ii) Precision Engineering components and (iii) Construction and Infrastructure. It offers precision aluminium extrusions and machining services to electronics and precision engineering industries as well as a wide range of aluminium extruded products for the construction industry. We are one of the key approved suppliers to contract manufacturers, Original Equipment Manufacturers and Hard Disk Drive component manufacturers. Our customer reach extends beyond Singapore to include Malaysia, Thailand, Greater China and other regional countries.

At AEI, we value partnerships and continuous innovation. Our commitment to quality excellence and constant improvement is reinforced by our four key strengths as shown below, positioning us to be a trusted business partner to many who see our potential.

Figure 1: AEI’s four key strengths



For more information, please visit our website: aei.com.sg

Board Statement

We are pleased to present AEI's third Sustainability Report and share our progress and commitment towards sustainability in Financial Year (FY) 2019.

As the sole aluminium extruder with production facilities in Singapore, AEI aims to meet our customers' needs with quality and in a timely manner. In our efforts to maximize returns to our shareholder, we understand the need that to do so requires the ability to create sustainable value over the long-term which calls for the integration of Environmental, Social and Governance (ESG) matters into our business.

The Board works closely with our senior management team to understand which and how ESG matters could impact our business and stakeholders, including our employees, suppliers, investors and local communities where we operate. In our annual review to prioritise the material ESG matters that are most relevant to our operations, we have concluded that the same matters identified in FY2018 remain relevant to the Group in FY2019. We will continue to provide oversight in supervising and managing these challenging matters. The Board is also actively reviewing the future business direction of the Company.

In view of the COVID-19 pandemic that has caused disruptions to economic and social activities globally at the point of publication, we are committed to stepping up our existing measures to further safeguard the health and safety of our stakeholders, while seeking to minimise any potential disruptions to our operations.

We are grateful for your continued support and confidence, and look forward to working with you to build a better and sustainable business.

About this Report

This Sustainability Report has been prepared with reference to the SGX-ST Mainboard Listing Rule 711(B) and international reporting framework, Global Reporting Initiatives (“GRI”) Standards 2016 – “Core” option and its reporting principles. In line with SGX’s objectives, the Company adopts a phased approach towards sustainability.

This report complements the financial performance of the Group, which can be found in our Annual Report. The reporting period covered in this report is from 1 January to 31 December 2019 (“FY2019”), with relevant prior year performance disclosed for comparative purposes. The data collected in this report includes our wholly owned subsidiaries in Singapore as follows:

- AEI Trading and Investments Pte Ltd¹
- AEI (China) Holdings Pte Ltd
- AEI Corporation (Singapore) Pte Ltd

External Assurance

This report has not been externally assured and we will consider obtaining external assurance in future as our sustainability reporting matures.

Contact Us

Any feedback, suggestions and enquiries can be directed to Ms Lum Soh Ping, Chief Financial Officer at splum@aei.com.sg.

¹ With effect from 17 September 2019, AEI Engineering Pte Ltd, a wholly owned subsidiary of AEI Corporation Ltd, has changed its name to AEI Trading and Investments Pte Ltd in line with the Group’s restructuring of its business.

Key Highlights of the Year

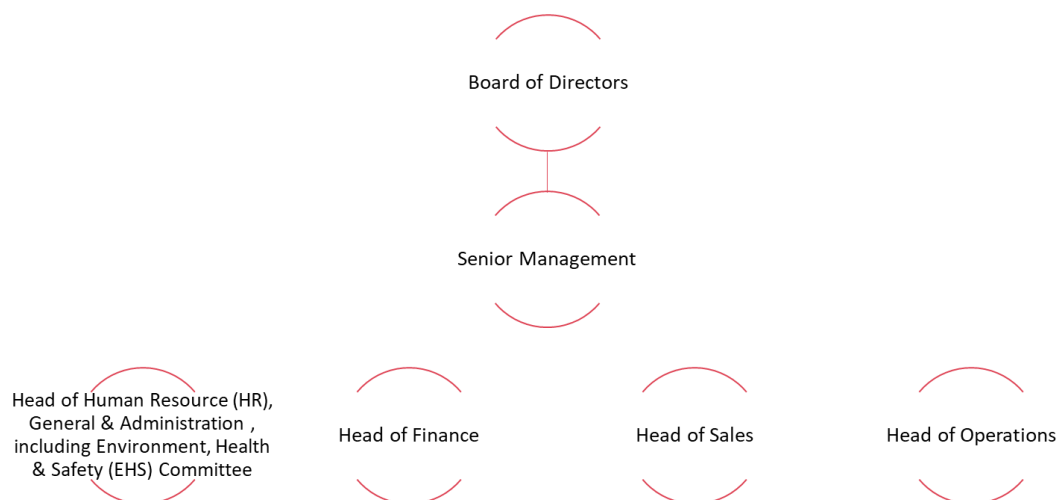
As at 31 December 2019,



Sustainability Governance Structure

AEI’s sustainability efforts are guided by our Board of Directors. The Board ensures that sustainability thinking is integrated into the Group’s strategies, and provides direction for the formulation of policies and best practices. The senior management team and department heads are jointly responsible for the execution of sustainability in AEI’s daily operations. To ensure that priority is given to the ESG matters that are most relevant to the Group, the Board reviews them at least once a year.

Figure 2: Governance structure



Stakeholder Engagement

AEI values the relationships we have developed with our stakeholders and their feedback and insights. We are proactive in engaging with them to better understand their needs and concerns and learn from their suggestions. Table 1 below provides details about our stakeholder engagement approach.

Table 1: AEI’s Stakeholder engagement table

Key Stakeholder Groups	Matters important to our stakeholders	AEI’s approach	Frequency
Regulators	<ul style="list-style-type: none"> Compliance with applicable laws and regulations Impact of ESG matters on employees and the community 	Seek clarification with relevant regulatory agencies via email	As required
Employees	<ul style="list-style-type: none"> Career Progression Remuneration Conducive and safe working environment 	Employee appraisals	Annual
		Communication via emails and bulletin boards on workplace health and safety matters	As required
Customers	<ul style="list-style-type: none"> Product Quality Competitive Pricing 	Communication via email on production specifications and requirements	As required
		Quotations provided on pricing	As required
		Meetings and discussions	As required
Suppliers	<ul style="list-style-type: none"> Payment Continuing orders 	Adherence to stipulated credit-terms	As required
		Negotiation of competitive fees and prices in return for a longer-term contract	As required
Investors	<ul style="list-style-type: none"> Growth of business Dividend 	Annual Report	Annual
		Financial results announcements	Biannual
		Announcements and circulars on SGX website	As required

Materiality Assessment

In 2018, we conducted our first materiality assessment to identify AEI’s key ESG matters. Both internal and external stakeholders’ perspectives were considered in the process, which is summarised in Figure 3 below. Five material matters across three focus areas were prioritised, and they remain relevant in FY2019, forming the basis of this report. We will continue to review these matters and update them where necessary.

Figure 3: Materiality assessment process

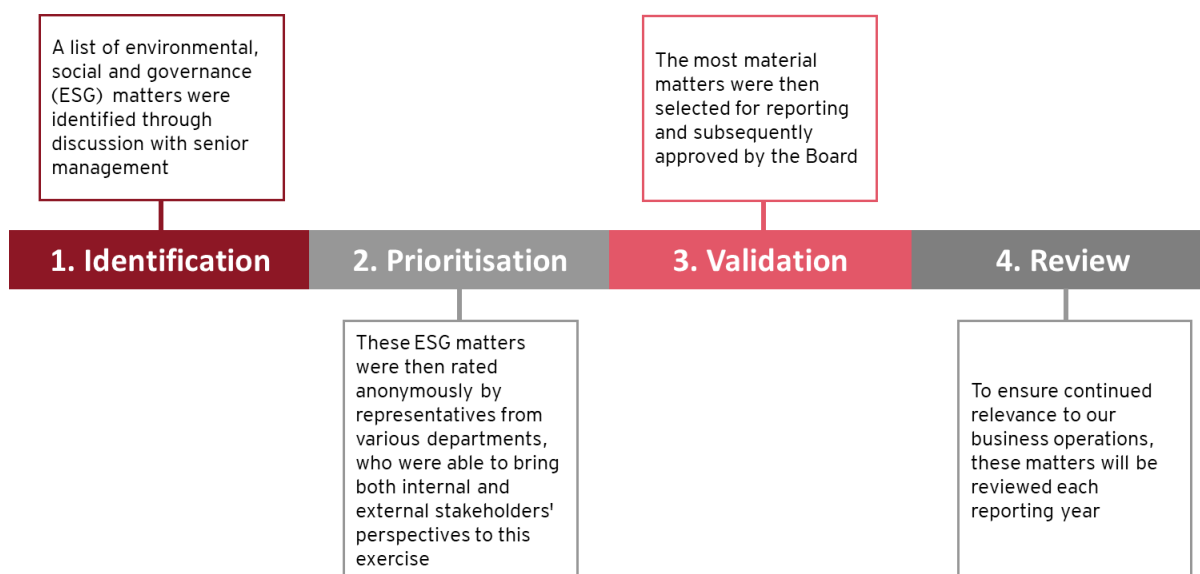


Table 2: AEI’s material sustainability matters identified

Focus Area	Sustainability Matters	Mapped GRI Topics	Concerned Stakeholders
Managing Corporate Governance	Ethics, Bribery and Corruption	Anti-corruption [GRI 205-3]	Regulators, Suppliers and Investors
Our Social Responsibility	Employee Training	Employment [GRI 404-1]	Employees
	Workplace Health and Safety	Occupational Health and Safety [GRI 403-2]	Employees
Sustainable Environment	Waste Disposal Management	Effluents and Waste [GRI 306-2]	Regulators and Investors
	Energy Use and associated Carbon Emissions	Energy [GRI 302-1], Emissions [GRI 305-1]	Regulators and Customers

Managing Corporate Governance

Ethics, Bribery and Corruption

We understand the importance of sound corporate governance and business ethics for sustained growth of our organisation. To that end, we have established corporate policies to guide our governance processes and our employees' behaviours. These policies are in line with the revised Code of Corporate Governance 2018 issued under the Monetary Authority of Singapore.

Whistle-blowing Policy

AEI's whistle-blowing policy is communicated to all employees upon employment. The whistle-blowing policy encourages all employees to raise concerns about improprieties or potential improprieties confidentially, without fear of reprisals. All reports will be treated with full confidentiality to protect the identity and interest of the whistleblowers. Employees can report such matters to their immediate supervisors or the HR department, who are then required to forward the issues to the Audit Committee Chairman. Following investigations, the Chairman will then review the matter and report the findings to the Board. Thereafter, appropriate actions will be taken to ensure that similar occurrences will not be repeated.

Interested Persons Transaction Policy

This policy is established with internal procedures and controls to ensure that transactions with interested persons are properly reviewed, approved, and conducted at arm's length basis.

Insider Trading Policy

We have an Insider Trading Policy, which details restrictions for Directors and employees of the Company on trading in AEI's securities when they are privy to insider information.

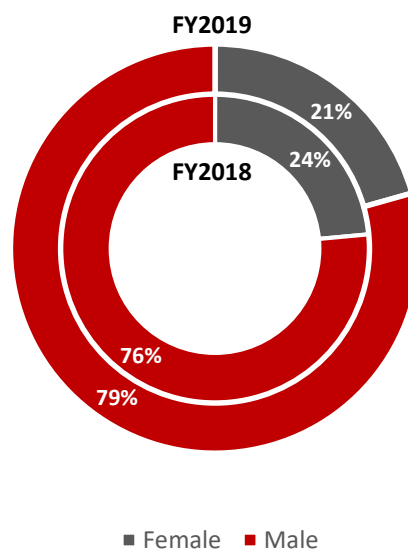
We are pleased to report that we continue to maintain a record of zero incident of corruption for FY2019. We will strive to maintain our positive track record of being free from any non-compliance with corporate governance requirements and the law.

Our Social Responsibility

AEI believes that our employees are our key assets and we are committed to fair hiring practices and treatment. We hire our employees based on merit and offer suitable candidates job opportunities regardless of their race, gender, religion or ethnicity. We are in full compliance of all relevant labour laws and regulations where we operate.

As at 31 December 2019, AEI had a workforce of 63 full-time employees as compared to 68 in FY2018. All the 63 employees are based in Singapore and employed under permanent contracts. As illustrated in Figure 4 below, the percentage of female to male employees remained rather consistent with the previous year.

Figure 4: Percentage composition of total employees by gender



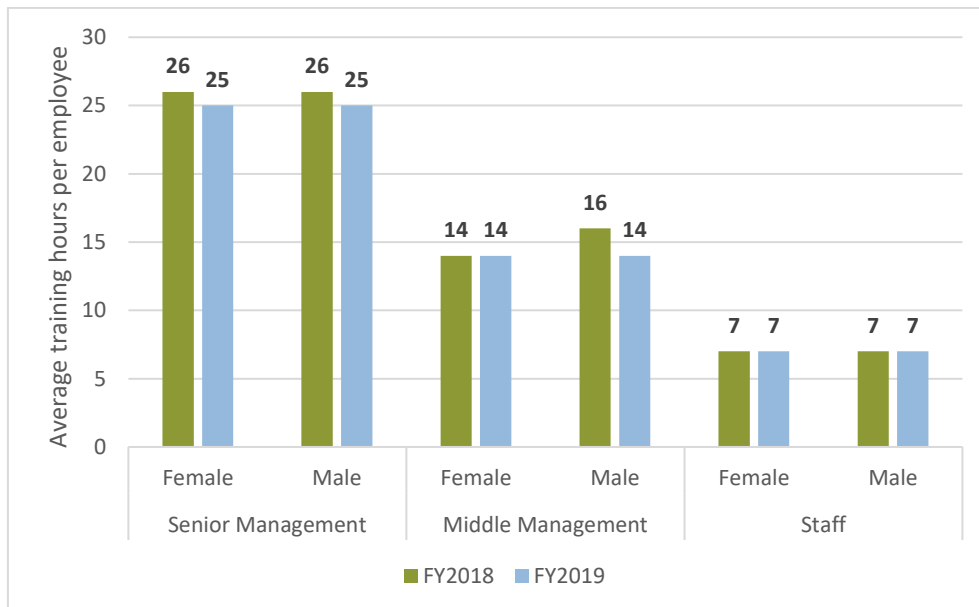
Employee Training

We believe that reliable and experienced employees are key to delivering quality products and maintaining trusting relations with our customers. As such, our HR department invests in and plans for appropriate training opportunities to equip and keep our employees up-to-date with the necessary knowledge and skillsets. A training policy has been established by the HR team, detailing a process to identify important training needs for the company.

All new employees are introduced to the organisation via a mandatory orientation programme. Through this programme, they learn about AEI's strategic business objectives, corporate values and ethics, and sustainability direction from internal teams and the EHS Committee. Throughout the year, trainings are also organised with a focus on building on subject matter expertise relating to work requirements, which are primarily led by external training professionals. A myriad of topics is covered, including quality requirements, environmental risks and impacts, safety procedures and emergency responses, and technical knowledge such as the operating, repairing and maintenance of key equipment and machineries.

To complement the trainings provided, AEI also has a quality policy in place which sets out the specifications and requirements to be met for our products. In 2019, we maintained our certification under the ISO9001:2015 Quality Management System standard which continues to guide us in our delivery of quality products and services.

Figure 5: Average training hours by employee category and gender



As a result of our consistent efforts in providing training opportunities to our employees, we have achieved average training hours in FY 2019 that are fairly similar to that in the previous year. To ensure we continue to address our employees’ training needs and develop their competencies, we conduct a ‘Skill Test’ annually for all employees. A structured approach is adopted to evaluate and determine the following:

- Adequacy of training received
- Basis for promotion
- Suitability of scope of work for employee
- Appropriate salary range

As a group, we strive to support all our employees in their career development and seek to understand their professional needs through the annual appraisal. We also seek to give all employees remuneration that is commensurate with their performance.

Workplace Health & Safety

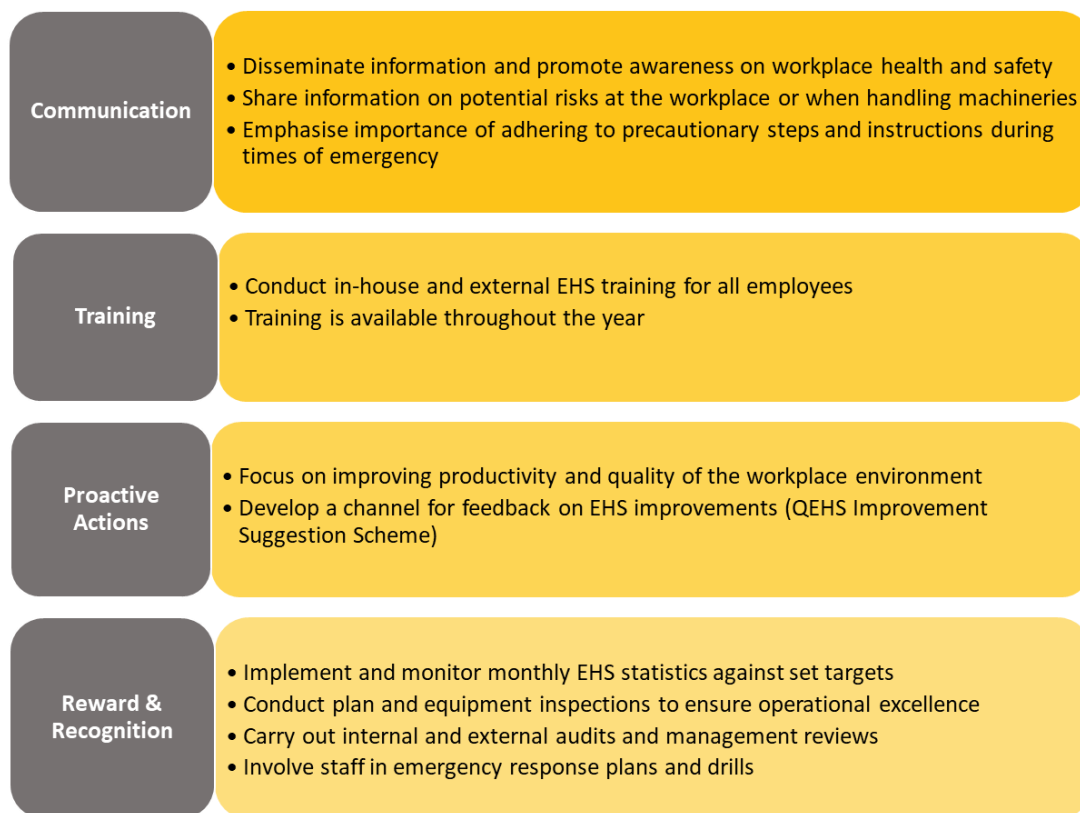
Workplace health and safety (WHS) is of utmost importance to us due to the nature of our business where machineries are in use daily. We believe in the promotion of Total WHS where our employees’ wellbeing is holistically taken care of. This goes beyond providing a safe work environment, and includes ensuring good health and productivity at work.

At AEI, we inculcate a Total WHS culture through our EHS Action Plan, which is developed and executed by the EHS Committee. The plan provides a tiered approach to encourage healthy and safe work practices through building awareness and proactively implementing relevant measures (Figure 6). The EHS Committee meets monthly to review our performance against the yearly targets, which include attaining:

- Zero fatality rate; and

- Accident frequency rate ('AFR') and accident severity rate ('ASR') being less than one-third of the industry's average²

Figure 6: Four tiers of AEI's EHS Action Plan



To ensure the highest standard of health and safety measures, AEI has developed and implemented a WHS management system that is internationally certified with OHSAS 18001:2007 (Occupational Health and Safety Standard) in 2018. AEI targets to obtain the ISO 45001:2018 (Occupational Health and Safety Standard) in 2020, which is an updated revision to the OHSAS 18001:2007.

As part of our Total WHS measures, AEI has identified the high noise levels at our factories to be a potential health risk to our employees. As such, we provide employees with free audiometry assessments to detect any potential hearing losses early, so that they will be able to seek timely treatment when necessary.

Through the implementation of good WHS practices throughout the year, we achieved our target of zero work-related fatalities, and surpassed our AFR and ASR targets with zero reportable incidents³ in FY2019. As at the end of FY2019, AEI also attained a total of 365 accident-free days in the year. Further to this, the company has no known instance of employees suffering from occupational disease during the period of their employment.

Table 3: Absentee data and rates

² AFR and ASR industry average is obtained from Workplace Safety and Health National Statistics Report 2019, under the Manufacturing (metalworking) sector

³ Reported according to Singapore's Ministry of Manpower Workplace Safety and Health (Incident Reporting) Regulations

Absentee days and rates	Female		Male	
	FY2018	FY2019	FY2018	FY2019
Total number of working days scheduled in a year	4,160	3,380	13,520	13,000
Total absent days in a year	43	61	210	162
Absentee rate	1.03%	1.80%	1.55%	1.25%

We also monitor our employees’ absentee rates to track the effectiveness of our Total WHS initiatives (Table 3). In FY2019, the absentee rate for female employees has increased by close to 0.8 percentage points while that for male employees has decreased by 0.3 percentage points. We will continue to enforce relevant practices to improve our WHS performance.

In view of the COVID-19 pandemic at the point of publication, we have complied with all national measures to safeguard our stakeholders’ health and safety and curb the spread of COVID-19. These include enforcing safe distancing measures and mandating the wearing of masks in our workplace.

Sustainable Environment

Waste Disposal Management

Our extrusion-processing phase generates both non-hazardous and hazardous waste. We implement proper waste management approaches and also constantly seek to improve the efficiency of our waste disposal process to minimise negative impacts on the natural landscape and biodiversity.

As part of our extrusion-processing operations, our production facility generates aluminium scrap as a by-product. These by-products are typically sold to our subsidiary, AEI Trading and Investments Pte Ltd, which then on-sells them to external third parties. Proper management of these aluminium scrap helps us generate greater value for our stakeholders. In FY2019, the total amount of aluminium scrap generated and sold amounted to 602MT.

We also produce minimal hazardous waste such as soda and lubricant which are carefully stored in underground tank storages or built-in tanks within the machinery. Such waste is accumulated and disposed of when a certain threshold volume is met. We appoint a waste collector that has been licensed by the National Environment Agency (NEA) to collect and dispose of it responsibly.

Energy Use and Associated Carbon Emissions

Given the nature of our business which involves operation of machineries and equipment, AEI is conscious of our energy usage. We seek to be efficient in energy usage to reduce our carbon footprint and achieve cost savings. As part of our EHS action plan, we continuously monitor and assess our energy consumption through monthly plant and equipment inspections to ensure that they are operating at optimal efficiency. In FY2019, AEI has successfully maintained our ISO14001:2015 certification, which reflects our commitment in ensuring that our facility is not only compliant with the required regulations, but also meets the

Figure 7: Total electricity consumption ('000 kWh) and intensity (kWh/kg)

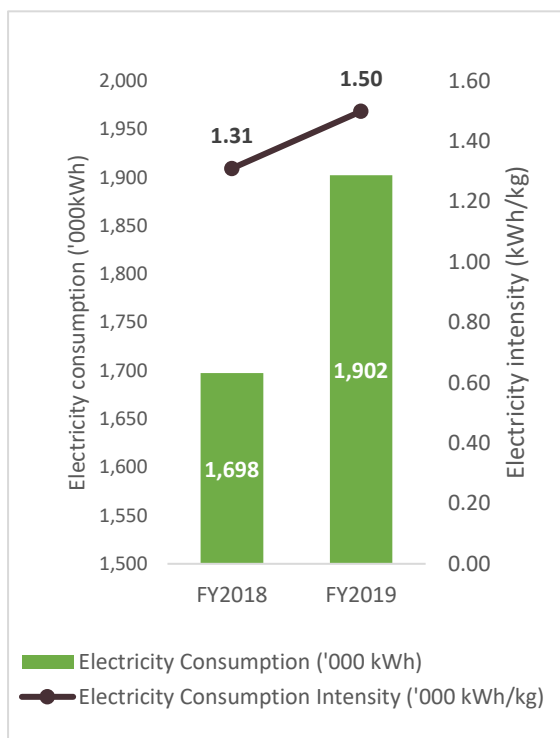
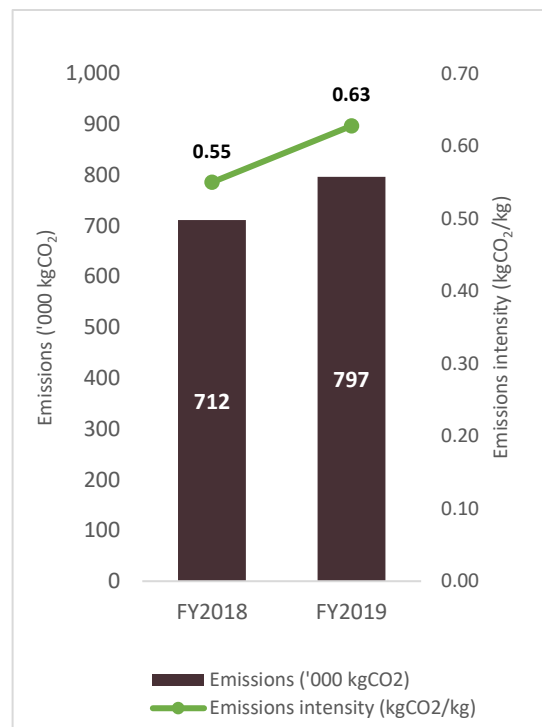


Figure 8: Total carbon emissions ('000 kgCO₂) and intensity (kgCO₂/kg)



international environmental standards.

In FY2019, the total electricity consumption and emissions⁴ (scope 2) increased by 12% as compared to the year before. The electricity and emissions intensities also increased by 14% from FY2018. This was primarily due to an extension in our production hours in FY2019 as we produced more products that had to meet stringent and time-consuming requirements. We also carried out non-routine testing of new mold and die tooling prior to the mass production of new products.

We will continue to manage our energy consumption prudently across the group to lower our operational carbon footprint.

⁴ Carbon emissions were obtained by multiplying the total electricity consumption with Singapore's grid emission factor from the Energy Market Authority, Singapore Energy Statistics Report 2019

GRI Content Index

GRI 2016 Standards Disclosure Reference	Description	Section of Report / Reasons for Omission	Page Reference
GRI 101: Foundation 2016, GRI 102: General Disclosures			
Organisational Profile			
102-1	Name of the organisation	Corporate Profile	2
102-2	Activities, brands, products, and services	Corporate Profile	2
102-3	Location of headquarters	Corporate Profile	2
102-4	Location of operations	Corporate Profile	2
102-5	Ownership and legal form	Corporate Profile; About the Report	2 4
102-6	Markets served	Corporate Profile	2
102-7	Scale of the organisation	Corporate Profile	2
102-8	Information on employees and other workers	Our Social Responsibility Third-party workers engaged by AEI do not perform a significant portion of the organisation's activities.	10
102-9	Supply chain	Corporate Profile	2
102-10	Significant changes to the organisation and its supply chain	There were no significant changes during the year that had an impact on the reporting scope of AEI's 3 rd Sustainability Report.	
102-11	Precautionary Principle or Approach	AEI does not subscribe to the precautionary approach but considers environmental risks and impacts in its operations.	
102-12	External Initiatives	AEI does not commit to external initiatives.	
102-13	Membership of Associations	AEI is not a member of any associations.	
Strategy			
102-14	Statement from senior decision-maker	Board Statement	3
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Corporate Profile	2
Governance			
102-18	Governance structure	Sustainability Governance Structure	5
Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	6
102-41	Collective bargaining agreements	None of AEI's employees are covered under collective bargaining agreements.	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	6
102-43	Approach to stakeholder engagement	Stakeholder Engagement	6
102-44	Key topics and concerns raised	Stakeholder Engagement	6

Reporting Practice			
102-45	Entities included in the consolidated financial statements	About this Report	4
102-46	Defining report content and topic Boundaries	Materiality Assessment	7
102-47	List of material topics	Materiality Assessment	7
102-48	Restatements of information	No restatements were made.	
102-49	Changes in reporting	No changes in reporting.	
102-50	Reporting period	About this Report	4
102-51	Date of most recent report	May 2019	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Contact Us	4
102-54	Claims of reporting in accordance with the GRI Standards	About this report	4
102-55	GRI content index	GRI Content Index	14 – 16
102-56	External assurance	External Assurance	4

Material Sustainability Matters			
GRI 2016 Standards Disclosure Reference	Description	Section of Report / Reasons for Omission	Page Reference
Material matter: Ethics, Bribery and Corruption			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	About this Report; Materiality Assessment; Corporate Governance 4 7 8
	103-2	The management approach and its components	Ethics, Bribery and Corruption 8
	103-3	Evaluation of the management approach	Ethics, Bribery and Corruption 8
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	Ethics, Bribery and Corruption 8
Material matter: Employees Training and Advancement			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	About this Report; Materiality Assessment; Employee Training 4 7 9 - 10
	103-2	The management approach and its components	Employee Training 9 - 10
	103-3	Evaluation of the management approach	Employee Training 9 - 10
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Employee Training 9 - 10
Material matter: Workplace Health and Safety			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	About this Report; Materiality Assessment; 4 7 10 - 12

			Workplace Health and Safety	
	103-2	The management approach and its components	Workplace Health and Safety	10 - 12
	103-3	Evaluation of the management approach	Workplace Health and Safety	10 - 12
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Workplace Health and Safety	10 - 12
Material matter: Waste Disposal Management				
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About this Report; Materiality Assessment; Waste Disposal Management	4 7 12
	103-2	The management approach and its components	Waste Disposal Management	12
	103-3	Evaluation of the management approach	Waste Disposal Management	12
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	Waste Disposal Management	12
Material matter: Energy Use and Associated Carbon Emissions				
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	About this Report; Materiality Assessment; Energy Use & Associated Carbon Emissions	4 7 13
	103-2	The management approach and its components	Energy Use & Associated Carbon Emissions	13
	103-3	Evaluation of the management approach	Energy Use & Associated Carbon Emissions	13
GRI 302: Energy	302-1	Energy consumption within the organisation	Energy Use & Associated Carbon Emissions	13
GRI 305: Emissions	305-1	Energy indirect (Scope 2) GHG emissions	Energy Use & Associated Carbon Emissions	13