

AEI CORPORATION LTD
Sustainability Report 2017

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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 aluminum 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 3 main core business segments, namely (i) Electronics, (ii) Precision Engineering component and (iii) Construction and Infrastructure, offering precision aluminum extrusions and machining services catered to electronics and precision engineering industries as well as offering a wide range of aluminum 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. Through our strong technical competencies reinforced by AEI’s focus on training, and commitment to quality excellence as well as the encompassment of our 4 key strengths as shown below, we are currently well-positioned and a trusted business partner to the many who see our potential.



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

Statement from the Board

As the main aluminium extruder in Singapore, the Board believes that the creation of sustainable value is key to the Group's overall business strategy and directions. We recognise that certain Environmental, Social and Governance (ESG) matters are becoming more critical to our stakeholders, including the communities in which we operate. We are therefore pleased to present our inaugural Sustainability Report for the financial year ended 31 December 2017, in which we have identified the ESG matters that are material to our operations. In working closely with the senior management team, the Board will continue to supervise and manage these challenging matters, which are pertinent to our business.

About this Report

AEI’s inaugural 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 will be adopting a phased approach towards sustainability.

This Sustainability Report complements the financial performance of the Group, which can be found in our Annual Report. Similarly, the reporting period is from 1 January to 31 December 2017 (“FY2017”). The data collected in this report includes our wholly owned subsidiaries in Singapore as follows:

- AEI Engineering Pte Ltd
- AEI (China) Holdings Pte Ltd
- AEI Corporation (Singapore) Pte Ltd

Although external assurance has not been sought for our inaugural report, the Board and Management will consider it at an appropriate juncture.

At AEI, we hold great attributes to shape tomorrow’s world, and we encourage our stakeholders to join us as we embark on our sustainability journey. As this is our first year of sustainability performance reporting, we have set mostly objective-based commitments which we will assess as we gradually progress on our sustainability efforts and reporting matures in the years to come.

Contact Us

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

Key Highlights of the Year

As at 31 December 2017,



Financial Highlights

- Revenue of **S\$8,187,000**
- Net assets worth **S\$35,354,000**




Non-Financial Highlights

- Certifications attained*
- ISO 9001: 2008 Quality Management Systems
 - ISO 14001: 2004 Environmental Management Systems
 - OHSAS 18001: 2007 Health & Safety Management System



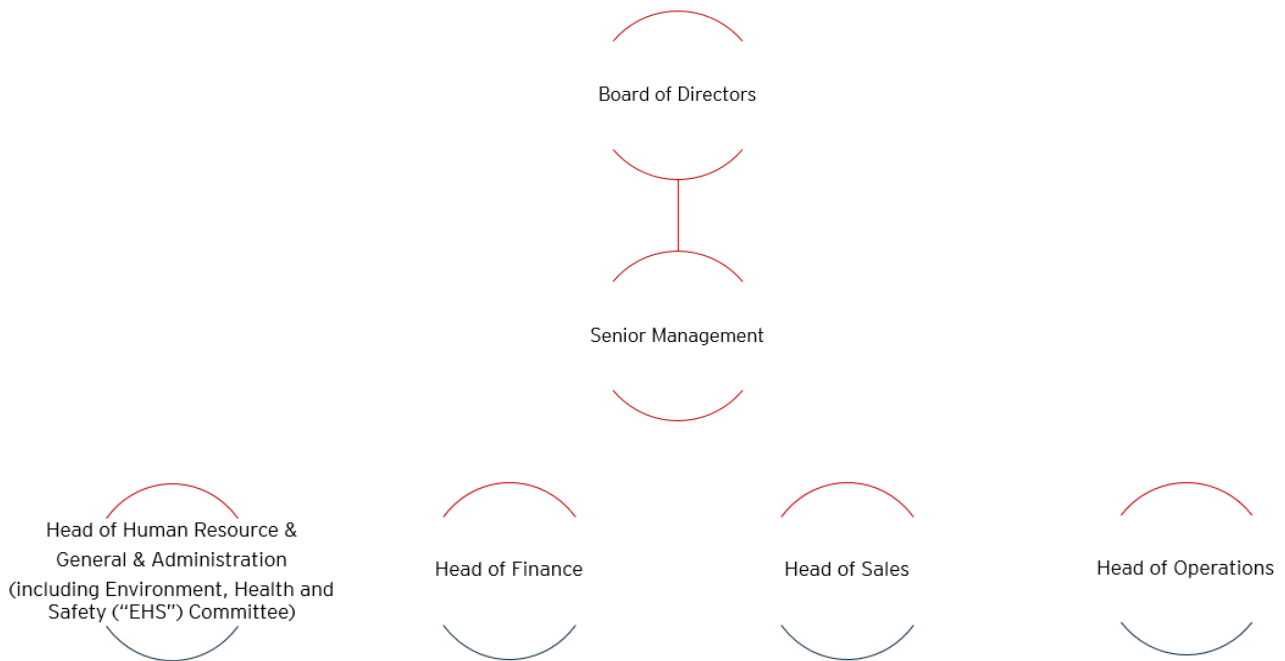
Workplace Safety

- Zero fatalities
- Achieved goal of less than one-third of industry’s average for Accident Frequency Rate and Average Severity Rate

Sustainability Governance Structure

Our Board, which sets the direction for formulation of policies and practices as well as incorporating sustainability into the group’s strategies and goals, guides sustainability efforts at AEI. The senior

management, including department heads are responsible for the integration and implementation of sustainability into AEI's daily operations. To ensure relevance, ESG matters are monitored and reported to the Board at least once a year.



Stakeholder Engagement

Acknowledging the importance of long-lasting ties with all stakeholders, we actively seek to engage with our stakeholders, allowing us to better understand their requirements and allocate our resources efficiently. The approach taken by the Company can be found in the table 1 below.

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

We conducted our first materiality assessment whilst taking into consideration both internal and external stakeholders’ perspectives during the prioritisation process to identify AEI’s ESG matters that are imperative to our business operations, as listed in Table 2. The four-step process is summarized in Figure A below.

Figure A: Materiality assessment process

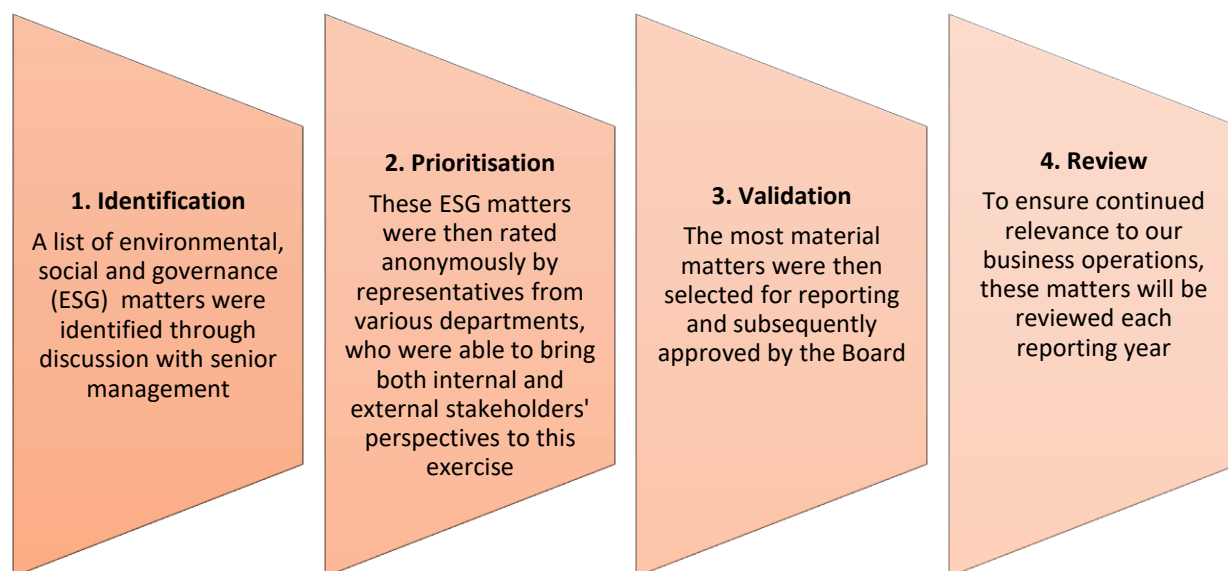


Table 2: AEI’s material sustainability matters identified

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

Managing Corporate Governance

Ethics, Bribery and Corruption

To ensure sound corporate governance and business ethics and to promote the awareness of fraud control, we have established several corporate policies and guidelines, which are in line with the revised Code of Corporate Governance 2012 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 procedures 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 such complaints to the AC Chairman. Following investigations, the AC Chairman will then review the matter and report its findings to the Board and the appropriate actions to be taken to ensure that no reoccurrence takes place.

Interested Persons Transaction Policy

This policy is established with internal 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 and use of insider information.

We are pleased to report zero incidents of corruption for FY2017. We will strive to continue our good track record of being free from any incidents of corruption and breaches of the law and regulations.

Our Social Responsibility

At AEI, we believe that our employees are critical to the sustainability of our business operations. Our hiring of staff is based on merit, where a suitable candidate will be given an opportunity regardless of

his race, religion or ethnicity. We are committed to upholding fair employment practices, and strongly believe in providing our employees with equal opportunities to improve. We are in full compliance of all relevant labour laws and regulations.

AEI has a workforce of 78 full-time employees, with the gender breakdown illustrated in figure B.

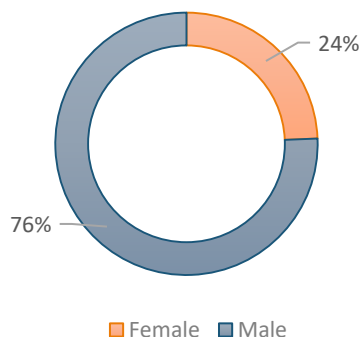


Figure B: Percentage composition of total employees by Gender

Employee Training

A reliable and skilled workforce is central to our business operations and in delivering quality products for customers who entrust this responsibility to us. As such, extended focus and investment are made to develop the skills and broaden the knowledge of our employees to enable them to keep pace with the best practices in this industry. To achieve this, our Human Resource (“HR”) Department has developed a training policy detailing a structured set of procedures to adhere to, in identifying training needs and equipping our resource pool with the needed skill sets.

The orientation program and internal programmes which are carefully tailored to be aligned with business strategic objectives and needs of our employees, are currently conducted by AEI’s internal departments, including the HR Department and Environment, Health and Safety (“EHS”) Committee. Further to this, AEI offers trainings by external parties covering a multitude of subject matters such as quality requirements, potential environmental risks and impacts, safety procedures and emergency responses, as well as, key technical knowledge needed for relevant employees to operate, repair and maintain equipment and machineries.

To complement the trainings provided, AEI also has a quality policy in place which designates specifications and requirements to be met for our products. We are pleased to announce that AEI has been certified under ISO9001:2008 Quality Management Systems and, is currently under proposal to be renewed in line with 2015 Standards.

Table 3: Average training hours by employee by gender

Employee Category	Average hours of training that the organisation’s employees have undertaken	
	Male	Female
Senior Management	24	24
Middle Management	14	14
Staff	7	7

Additionally, we conduct a 'Skill Test' once a year to appraise our employees' job competency levels. A structured approach is adopted to assess 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 continually seek to ensure that all our employees undergo this appraisal and receive the necessary trainings in performing their best for their respective roles and are given remuneration that is commensurate with their performance.

Workplace Health & Safety

The health and safety of all our staff are our utmost priority and our employees are entitled to a safe and conducive workplace environment. This would allow them to feel and perform at their best, fulfilling our customers' needs. Furthermore, poor management of workplace health and safety may put the organisation's reputation at risk, resulting in a cascade of negative effects.

At AEI, we strive to inculcate a culture of safety through our EHS Action Plan comprising four phases, developed and overseen by our EHS committee, carried out throughout the year. The EHS committee also dedicates time for meetings once every month to track the progress of the EHS Action Plan.

Figure C: Four phases of AEI's EHS Action Plan

1 Communication

To disseminate information and promote awareness by educating employees on workplace and building health and safety. This includes sharing information on potential risks that might occur at the workplace or when handling machineries and the importance of adhering to precautionary steps during events of emergency as well as when operating machineries.

2 Training

Both in-house and external EHS trainings are provided to all employees during the year to embed the culture of safety throughout the organization.

3 Pro-active Actions

- Implementation and monitoring of monthly EHS statistics against objectives/targets set
- Plant and equipment Inspections and tests conducted in ensuring operational excellence
- Internal audit and management review; external audit
- Emergency response plan and drills conducted during the year

4 Reward & Recognition

In promoting innovation and ownership of work with key focus being improvement to productivity and overall quality and workplace environment, AEI is in midst of developing a Quality Health and Safety (QEHS) Improvement Suggestion Scheme.

As at end FY2017, our environment management and health and safety management systems are ISO14001:2004 and OHSAS 18001:2007 certified respectively. This is a testament of our ongoing commitment in maintaining high standards of EHS management. The EHS committee is currently looking to upgrade our EMS to be aligned with the latest international standard, ISO14001:2015 in the coming year.

As part of our EHS Action Plan, we have also established the following yearly targets:

- Zero fatality rate
- Accident frequency rate ('AFR') and accident severity rate ('ASR') being less than one-third of the industry's average¹

During the year, we managed to achieve our goal of attaining zero work-related fatalities, as well as, AFR² of 0.49 and ASR² of zero, which is accordingly less than one-third of the industry's average.

However, we had five workplace incidents³. All of these incidents involved our male employees, with four involving injuries to the finger and back arising from lifting heavy materials and inappropriate handling of tools. The fifth incident, which resulted in a sprain and cuts suffered by the motorcyclist during a delivery, whose motorbike skidded due to wet road conditions. When such incidents occur, the respective supervisors-in-charge are required to oversee that corrective actions are put in place

¹ AFR and ASR industry average is obtained from Workplace Safety and Health National Statistics Report (January – June 2018), under the Manufacturing (Metalworking) sector

² Calculation of AFR and ASR are based on reportable incidents in accordance with Ministry of Manpower ('MOM') regulations and are per million-hour man-hours worked. AFR and ASR is equivalent to the terms 'Injury Rate' and 'Lost Day Rate' used by GRI Standards respectively.

³ Out of the five workplace incidents, one was reportable under MOM regulations, which is when the injured employee is given 4 days of medical leave, consecutive or otherwise, due to single work-related accident.

to prevent re-occurrence. Further to this, the company has no known instance of employees suffering from occupational disease during the period of their employment.

The effectiveness of our EHS initiatives are also measured based on the performance of our employees' absentee rate (refer to table 4). We aim to keep our absentee rate low so that our day-to-day operations are not impacted.

Table 4: Absentee data and rate

Absentee days and rate in FY2017	Male	Female
Total number of working days scheduled in a year	15,600	4,680
Total days of absence in a year	252	115
Absentee rate	1.62%	2.46%

Sustainable Environment

Waste Disposal Management

As part of our extrusion-processing phase, our production facility generates aluminum scrap as a by-product. The proper management of these by-products is imperative to minimise AEI's contribution to the landfill, allowing us to do our part in saving resources and the environment. We constantly seek to improve the efficiency of our waste disposal performance to minimize negative impacts on the natural biodiversity.

The by-products of our extrusion process are typically sold to our subsidiary, AEI Engineering Pte Ltd, which then on-sells them to external third parties. Proper management of these aluminum scrap helps us generate greater value for our stakeholders. We also have hazardous waste, such as Soda and lubricant which are carefully stored in underground tank storages or built-in tanks within the machinery.

At AEI, we will continue to ensure that our waste is disposed of in an appropriate and responsible manner that complies with the regulations set by National Environment Agency ('NEA') of Singapore. Our hazardous waste is periodically collected and disposed of by a waste collector that has been licensed under the relevant regulations.

For FY2017, the total amount of aluminum scrap generated and sold amounted to 520 MT whilst our hazardous waste amounted to 3,800 litres³.

Energy Use and Associated GHG Emissions

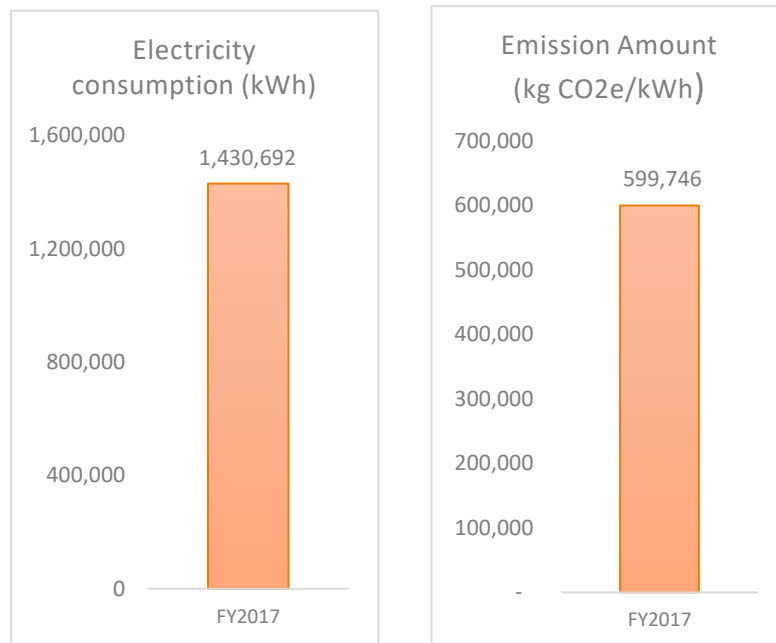
Given the nature of our business, AEI is conscious of our energy usage. We seek to be efficient in energy usage so as to create value that will be sustainable in the long-run for our business and stakeholders.

³ Chemical waste data was accumulated between 17 November 2016 and 19 December 2017. The amount of chemical waste generated is dependent on production levels. In managing an efficient waste collection process, the tanks are required to be adequately filled before collection by a licensed vendor.

As part of our EHS action plan, we continuously monitor and assess our energy consumption through monthly plant and equipment inspections, as machines that function at an optimal level will not consume additional energy. Since 2016, AEI has obtained the ISO14001 certification, which reflects our commitment in ensuring that our facility is not only compliant with the required regulations, but also meets the international environmental standards.

We will continue to adhere to these good practices with the aim to renew the certification when due.

Figure D: Electrical energy consumption and associated emission (scope 2) in FY2017



GRI Content Index

GRI Standard 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	9
102-9	Supply chain	Corporate Profile	2
102-10	Significant changes to the organisation and its supply chain	There have been no significant changes to the organisation and its supply chain.	
102-11	Precautionary Principle or Approach	Sustainability Governance Structure	5
102-12	External Initiatives	No external initiatives committed to.	
102-13	Membership of Associations	Not applicable.	
Strategy			
102-14	Statement from senior decision-maker	Statement from the Board	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	This is AEI's inaugural Sustainability Report.	
102-49	Changes in reporting	This is AEI's inaugural Sustainability Report.	
102-50	Reporting period	About this Report	
102-51	Date of most recent report	This is AEI's inaugural Sustainability Report.	
102-52	Reporting cycle	Annual	
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ESG Factors			
GRI Standard Disclosure Reference	Description	Section of Report	Page Reference
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	Corporate Governance 8
	103-3	Evaluation of the management approach	Corporate Governance 8
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	Corporate Governance 8
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
Energy Use and GHG Emissions			
GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About this Report; Materiality Assessment; Energy Use & Associated GHG Emissions 4 7 13
	103-2	The management approach and its components	Energy Use & Associated GHG Emissions 13
	103-3	Evaluation of the management approach	Energy Use & Associated GHG Emissions 13
GRI 302: Energy	302-1	Energy consumption within the organisation	Energy Use & Associated GHG Emissions 13
GRI 305: Emissions	305-1	Energy indirect (Scope 2) GHG emissions	Energy Use & Associated GHG Emissions 13
Occupational Health and Safety (OHS)			

GRI 103: Management Approach	103-1	Explanation of the material topic and its Boundary	About this Report; Materiality Assessment; Workplace Health and Safety	4 7 10 - 12
	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
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