
SUSTAINABILITY REPORT

2018

PNE INDUSTRIES LTD
996 Bendemeer Road, #07-06, Singapore 339944

Contents

ABOUT THE REPORT	2
CONTACT US	2
ABOUT PNE	2
CONTRACT MANUFACTURING AND TRADING (CMT).....	3
EMERGENCY LIGHTING/TRADING.....	3
PNE'S SUPPLY CHAIN.....	3
BOARD STATEMENT.....	4
ENVIRONMENT	4
SOCIAL.....	4
GOVERNANCE	5
MATERIALITY ASSESSMENT.....	6
STAKEHOLDER ENGAGEMENT	6
MATERIAL FACTORS	7
ECONOMIC.....	7
ECONOMIC PERFORMANCE.....	7
ENVIRONMENT	8
ENERGY	8
ENVIRONMENTAL COMPLIANCE	8
SUPPLIER ENVIRONMENTAL ASSESSMENT	9
SOCIAL.....	10
EMPLOYMENT	10
OCCUPATIONAL HEALTH AND SAFETY	10
TRAINING AND EDUCATION	11
GOVERNANCE.....	12
COMMUNITY.....	13
GRI CONTENT INDEX.....	14

ABOUT THE REPORT

The Sustainability Report ("SR") of PNE Industries Limited ("PNE") is prepared in accordance with the Global Reporting Initiative ("GRI") Standards 2016: Core Option – the international standard for sustainability reporting, and with reference to the Singapore Exchange Securities Limited Listing Rules 711A and 711B. For additional information regarding the various material factors, kindly refer to the GRI Content Index at the end of this report.

PNE is pleased to present its inaugural report for the financial year ending 30th September 2018, which would be released on an annual basis to further provide a detailed overview regarding our various initiatives relating to Economic and Environment, Social and Governance since we strive to be a socially responsible business.

All information in this report relates to the period from 1st October 2017 to 30th September 2018 ("FY2018") unless otherwise stated. The report covers the operations in Singapore, China and Malaysia.

CONTACT US

PNE aims on constantly improving itself, and always welcomes feedback. For any further questions regarding the report or to deliver any feedback, kindly contact us at:

PNE Industries Ltd

996 Bendemeer Road,
#07-06, Singapore 339944

Tel : (65) 6291 0698
Fax : (65) 6295 8440
Email : pnehq@pne.com.sg

ABOUT PNE

PNE Industries Ltd comprises of two divisions namely Contract Manufacturing and Trading. It has been listed on the Main Board of Singapore Exchange since the year 2000.

The products sold under the Contract Manufacturing division include electronic controllers and other electrical and electronic products. These are products made to each individual customer's unique specifications. Due to the demands of increasingly sophisticated consumers, increasing number of electrical appliances are now equipped with intelligent features made possible by the use of microprocessors or by the connection to the internet (devices incorporated with "Internet of Things" or IoT features). The Group, in collaboration with its customers, develops electronic controllers incorporating such intelligent features.

The products sold under the Trading division include emergency lighting equipment and related products. These are products made based on general specifications for the mass market. Emergency lighting equipment is a type of lighting equipment that turns on or remains on when a power failure occurs. A type of such emergency lighting equipment is the "Exit" sign. "Exit" signs are self-lit signage installed in buildings to indicate to occupants the direction and location of emergency escape routes and/or exits. The Group designs, manufactures and distributes a wide range of emergency lighting equipment, including those for indoor use or outdoor use. These products are marketed under its own "PNE" brand.

PNE is headquartered in Singapore, and has its sales offices and manufacturing facilities in various countries which include Singapore, Malaysia, China and Netherlands.

CONTRACT MANUFACTURING OF ELECTRONIC CONTROLLERS

PNE started its manufacturing in 1983. Since then it has grown into various divisions and has spread its wings around the world. With consistent effort, all the products produced by PNE are scrutinized and verified by professional boards.

PNE designs not only innovative products for its clients but also emphasizes on post-sales value added services, which ensures that clients receive the highest quality of products that enables PNE to meet specific needs of various organizations. The products manufactured in the Malaysia and China plants comply with the international standard quality and regulatory requirements Qualification ISO 9001:2015, Qualification ISO 14001:2015, Qualification ISO 13485:2016, Qualification IATF 16949:2016, Qualification PSB (Singapore) and Qualification SIRIM (Malaysia).

The manufacturing facility located at Tebrau Industrial Estate, Johor Bahru is 8,000 square meter and produces high mixed to low volume products. Another plant in China is also involved in producing high volume products. PNE group has a team in Malaysia which consists of experienced engineers who work together with customers to embark on important activities to ensure that products not only meet the requirements of the customers but also ensure that their engineers are well developed allowing them to innovate and discover novel manufacturing concepts.

The plant in Malaysia is responsible for manufacturing PCBA, electronic control systems and engineering software and is also involved in system verifications and production testing designs. PNE also has a team of highly trained engineers based in Netherlands who are committed to ongoing Research and Development (R&D). The R&D division anticipates future challenges, develops various solutions to mitigate these challenges and also ensures that there are sufficient resources which allows PNE to readily adapt to technological changes.

TRADING OF EMERGENCY LIGHTING EQUIPMENT

PNE has made itself a reputable name in the Southeast Asia region in the construction and building industry. It has offered emergency lightings to buildings and construction companies throughout Singapore and also has a leading brand name in Malaysia. The sales office in Malaysia and Singapore which focus on emergency lighting are responsible for marketing and sales of PNE emergency lighting equipment in Singapore, Malaysia and overseas. The emergency lightings offered by PNE have been certified and approved for use of SIRIM and PSB/TUV.

PNE'S SUPPLY CHAIN

Given the business model, PNE recognises the importance of building a sustainable and responsible supply chain that will safeguard its reputation and contribute to the success of its business. Hence, PNE is committed to ensuring that appropriate risk management procedures are in place and applied across its supply chains, which is managed by an integrated supply chain management system covering procurement and inventory management processes.

BOARD STATEMENT

PNE is pleased to present its inaugural Sustainability Report for the financial year 2018. The report highlights PNE's commitment towards sustainability, operational efficiency and a sound corporate governance.

To better enforce the sustainability strategies, the ISO14001 steering committee has been tasked to monitor and review the progress of those implemented.

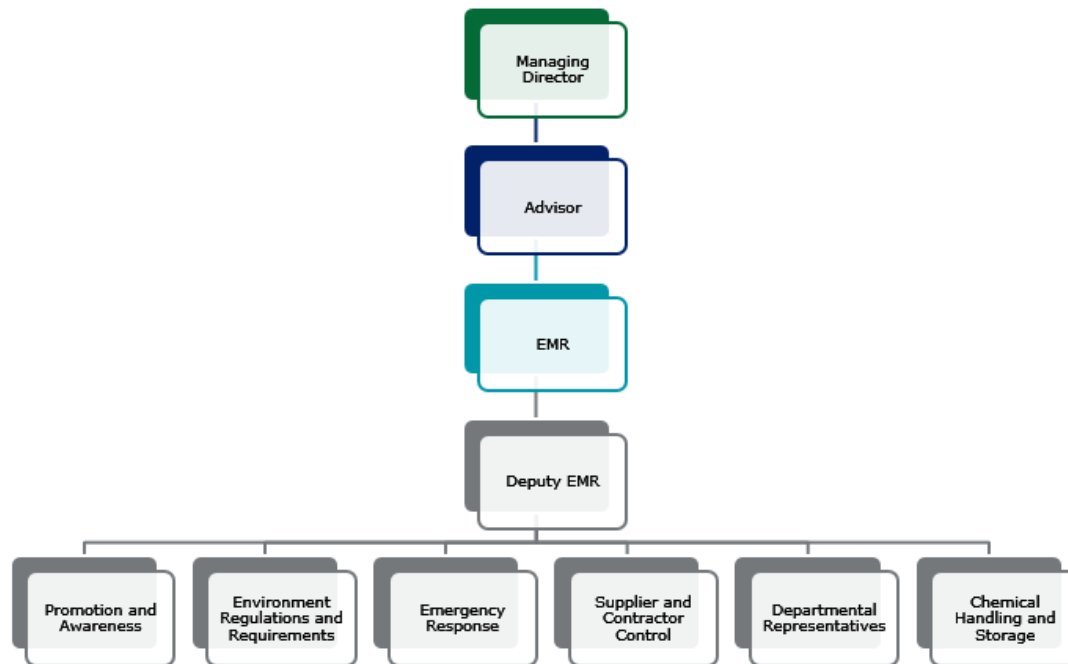


Figure 1: Structure of the ISO14001 Steering Committee

ENVIRONMENT

Minimizing the harmful impact on the environment has been core to our business strategies which not only makes us a successful business but also a sustainable business – creating numerous benefits for the environment and the community we operate in.

Employee training has been conducted to raise awareness of such vital issues which include conducting a supplier assessment, minimizing the use of electricity etc. Moreover, an environmental policy has also been established by the top management which has been effectively communicated to all stakeholders for continual improvement in the environmental performance relating to our activities, products and services. We have established various environmental objectives which include reducing solder dross and reducing electricity usage by replacing fluorescent lights with LED lights, and the results are constantly monitored and tracked to ensure the operational effectiveness and efficiency of our company.

SOCIAL

We believe that employee growth and development is vital to the success of our company, and hence; we emphasize on employee training, development and growth. This can be highlighted by each employee clocking in more than 18 hours of training on average.

High emphasis is placed on the training of our employees due to the nature of our operations, to ensure that our employees are always updated with the latest technological advancements and trends. Moreover, due to the style of our business operations, it is our fundamental responsibility to ensure that our employees are operating in a safe and healthy environment. Hence, we have an active health and

safety committee which ensures the well-being and safety of our employees by ensuring that they are trained to handle complicated machinery, operated in a safe working environment and maintain good discipline. With these policies in place, we have been able to achieve an accident-free status in our business operations.

Strong emphasis is placed on internal opportunities for career growth, where an individual from within the company is given higher preference for promotion in comparison to hiring someone externally. We also conduct an annual appraisal for all our employees where we reward them for their strengths and also encourage them to further build upon their existing strengths. The annual appraisal also caters for promotion of deserving employees.

GOVERNANCE

Incorporating corporate governance in our business strategies when achieving our sustainability goals is vital. We aim on developing an ecosystem where the highest standards of governance, and the best practices are applied in our day to day operations. The foundation of our business lies on transparency, integrity and accountability which we strive to maintain for the coming years while successfully meeting our business objectives.

MATERIALITY ASSESSMENT

Materiality Assessment

Peer Benchmarking

Conducted a peer benchmarking exercise against its peers to better understand the material factors relevant to the industry.

Conduct Internal Discussion

Internal discussion is carried out within the organisation to further understand the material factors important to the various groups of stakeholders.

Conduct Management Review

After the internal discussion is conducted, a management review is conducted to evaluate the various material factors discussed previously. The management then ranks these ESG factors according to order of importance.

Endorsement by Management

The management finalises the material factors to be published in the FY2018 Sustainability Report.

STAKEHOLDER ENGAGEMENT

PNE recognizes the importance of having a transparent communication channel with its stakeholders and that it directly translates to long term growth for the business. Hence, PNE communicates with all its stakeholders regarding the relevant ESG topics on a regular basis, emphasizes on reviewing all their concerns and responds to all the concerns in a timely manner.

Stakeholder Engagement		
Stakeholder Group	Mode of Engagement	Frequency
Government and Regulators	- SGX Announcements - Annual Report	- Ad Hoc - Annually
Customers	- Customer Feedback Forms - Face to Face/Phone Meetings with Clients - Company Website/Phone Calls	- Ad Hoc - Regular - Regular
Employees	- Staff Training Sessions - Annual Year End Performance Appraisal System - Company News via Company Newsletter or Intranet	- Annually - Annually - Regular
Investors and Shareholders	- Annual General Meeting - Quarterly Results and Announcements - Company Website	- Annually - Quarterly - Ad Hoc
Contractors and Suppliers	- Supplier Feedback Form - Phone/Face to Face Meeting with Supplier	- Ad Hoc - Regular

Table 1: Stakeholder Engagement

MATERIAL FACTORS

Topics	Disclosure	Aspect Boundary ¹
Economic		
Economic Performance	201-1: Direct Economic Value Generated and Distributed	Within Organisation
Environment		
Energy	302-1: Energy Consumption within the Organisation	Within Organisation
Environmental Compliance	307-1: Non-Compliance with Environmental Laws and Regulations	Within Organisation
Supplier Environmental Assessment	308-1: New Suppliers that were screened using Environmental Criteria	Within Organisation
Social		
Employment	401-1: New Employee Hires and Employee Turnover	Within Organisation
Occupational Health and Safety	403-2: Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, Absenteeism and Number of Work – Related Fatalities	Within Organisation
Training and Education	404-1: Average Hours of Training per Year per Employee	Within Organisation

Table 2: Summary of Material Factors and Aspect Boundary

ECONOMIC

ECONOMIC PERFORMANCE

PNE aims to be the leading manufacturer in EMS products and emergency lighting products and focuses on offering high quality products to all its consumers which would further enable them to yield positive economic results and also gather a strong customer base. The highlights of PNE's economic results for FY2018 have been highlighted below.

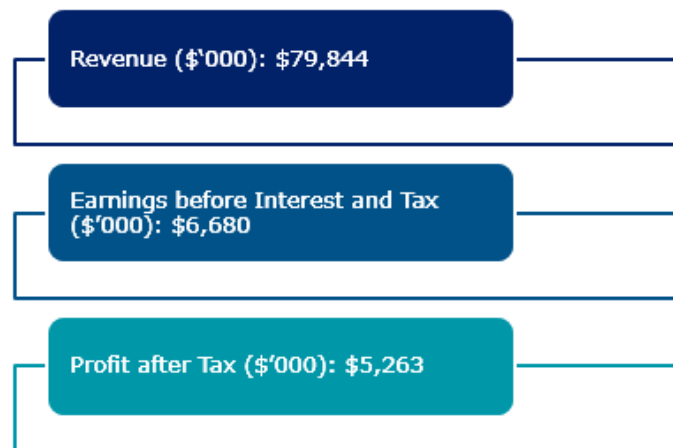


Figure 2: Summary of PNE's Financials for the year ended 30th September 2018

For additional reference, kindly refer to PNE's annual report for the financial year 2018.

¹ Aspect Boundary is a description of where the impacts occur for a material topic and the organisation's involvement with those impact. Organisations might be involved with impacts either through their own activities or as a result of their business relationships with other entities. Global Reporting Initiatives (GRI).

ENVIRONMENT

ENERGY

Being involved in the manufacturing of electrical products, PNE tends to consume energy in the form of electricity with a high proportion being utilized at their manufacturing plants. However, since PNE is highly dedicated to develop a sustainable business model, various efforts and practices have been in place to control the amount of energy consumed and going forward PNE aims on utilizing renewable sources of energy as part of their manufacturing process. The electricity usage is monitored on a daily basis to filter out and investigate any anomalies. Specialists visit the electrical room, transformer room and main switch board room twice a month to monitor and carefully assess the readings to ensure that there is no abnormality in PNE's electricity usage. The total amount of energy consumed by PNE in FY2018 totaled 4,665,571 kWh.

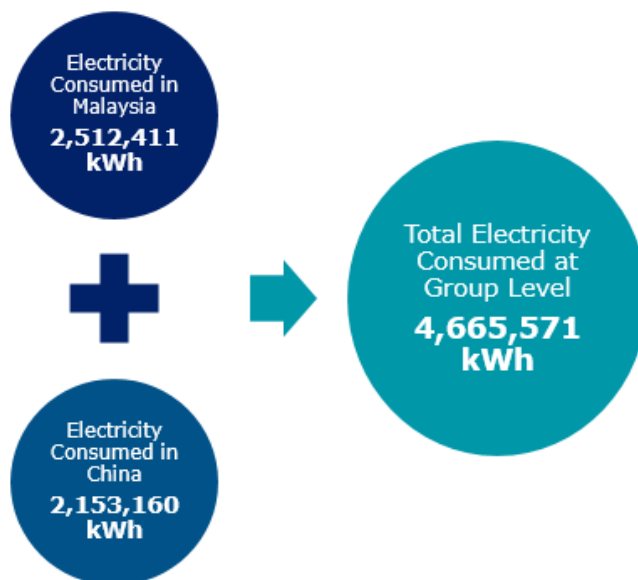


Figure 3: Breakdown of Electricity Consumed by PNE by Region

FY2018	FY2019
Status	Target
Total electricity consumed at group level totalled 4,665,571 kWh	Aim on reducing the energy consumption by introducing energy-saving initiatives

Table 3: Targets and Status of Electricity Consumed by PNE for FY2018 and FY2019

ENVIRONMENTAL COMPLIANCE

PNE is dedicated to complying with all the local and international laws and regulations such as the ISO14001:2015 to eliminate, prevent and minimize environmental pollution. The top management has established an environmental policy which specifies the objectives and strategic directions for all internal and external parties to familiarize them with PNE's environmental policy and their responsibility to ensure that PNE complies with its policy. Training is provided to all employees for them to understand the requirements thoroughly as well. PNE has a dedicated team as well which keeps track of changes in all the laws and regulations PNE is required to comply with and also ensures that the company is meeting the requirements of all the policies.

PNE has completely adhered to all the laws and regulations in place which can be supported by zero monetary value of significant fines, non-monetary sanctions and cases brought through dispute resolution mechanisms. PNE strives to maintain this track record in the coming years and further tighten their policies to ensure that this track record is maintained as well.

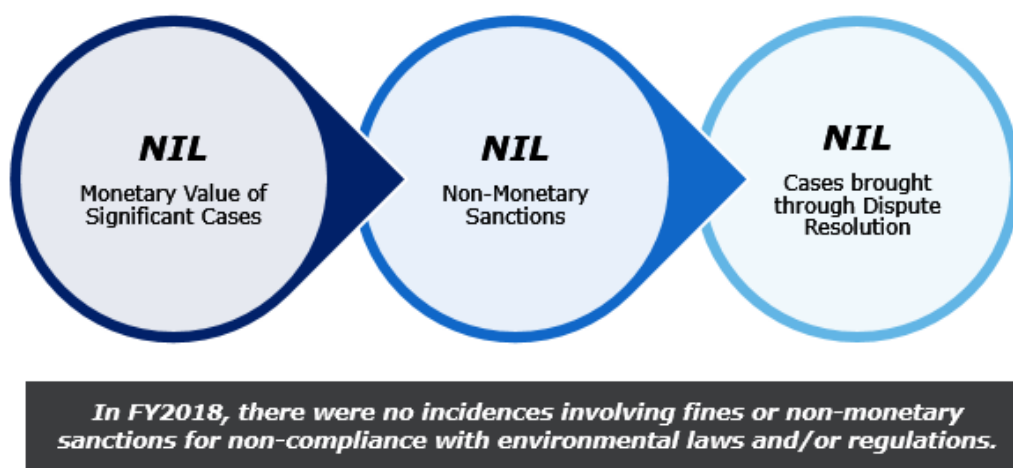


Figure 4: Monetary Fines placed on PNE due to Non-Compliance with Environmental Laws and/or Regulations

SUPPLIER ENVIRONMENTAL ASSESSMENT

PNE's strong dedication towards becoming a sustainable business, encourages PNE to evaluate all its potential suppliers to ensure that the suppliers onboarding meet the environmental standards required by PNE. When screening a supplier, PNE refers to a supplier assessment form which requires the suppliers to meet a set of standards. The suppliers are assessed on various topics which have been included in the table below.

Percentage of Materials Recycled	Energy Intensity/Consumption Reduction by the Suppliers	Amount of Water Used/Recycled/Withdrawn by the Suppliers
Impact of Supplier's Activities on the Biodiversity	Emission of Greenhouse Gases by the Suppliers	Waste or Effluents Discharged by Supplier's Operations
Impact of Supplier's Products on the Environment	Compliance to Environmental Laws or Regulations	Impact of the Supplier's Transport Operations on the Environment

Figure 5: Supplier Assessment Criteria

In FY2018, PNE on boarded 44 additional suppliers for its operations in Malaysia and 10 additional suppliers for its operations in China, thus the total number of additional suppliers on boarded would be 54. PNE has ensured that the additional suppliers who on boarded the company in FY2018 have gone through the supplier assessment screening. PNE maintains an approved vendor list as well, where all the suppliers in the list go through an annual screening to ensure that the list is updated and all the companies on the list coincide with PNE's policy.

SOCIAL

EMPLOYMENT

PNE strongly aims on hiring a diverse and qualified workforce which would add value to its company. There are various practices in place to ensure that PNE carries out an inclusive and fair recruitment practice based on age and gender. This would diffuse fresh perspective into the company and enable PNE to continue to be competitive amongst its peers.

In 2018, PNE had a new hire rate of 10.30%, and a turnover rate of 9.70% across its Singapore, China and Malaysia operations. Thus, the total number of employees in PNE were 1,230 as at 30th September 2018, which consists of 479 (38.9%) male and 751 (61.1%) female employees.

FY2018	FY2018	FY2019
	Status	Target
New Hire Rate	10.30%	Maintain the current rate
Turnover Rate	9.70%	Maintain and manage at the minimum rate

Table 4: Summary and Targets of New Hires and Turnovers in FY2018

OCCUPATIONAL HEALTH AND SAFETY

PNE's priority is the safety of its employees and several policies have been established to ensure that rates of injuries, occupational diseases, lost days and absenteeism and the number of work-related fatalities are minimal. PNE complies with all local occupational health and safety (OSH) regulations.

To achieve an accident free status, PNE emphasizes strongly on the need for all employees to attend training, work in a safe environment and maintain good discipline. PNE believes that its employees are great assets to the company, and their well-being and safety would translate to high productivity and higher quality products being produced which would result in greater customer satisfaction as well. To further achieve this, PNE has an active safety and health committee which works towards ensuring that the working environment at PNE is safe and sound. The health and safety procedures go through regular audit procedurals to confirm that the policies in place are updated and the safety of PNE's employees is not compromised.

In 2018, the number of injuries totaled to zero and PNE aims on maintaining this rate for the upcoming financial years as well. The rates of injury, occupational diseases, lost days, and absenteeism, and the number of work related fatalities have been summarised below.



Figure 6: Summary of Occupational Health and Safety Metrics in FY2018

	FY2018	FY2019
	Status	Target
Injury Rate	Zero	Zero
Occupational Disease Rate	Zero	Zero
Lost Day Rate	Zero	Zero
Absentee Rate	0.0033	To continue reducing it to 0

Table 5: Summary and Targets of Occupational Health and Safety Metrics for FY2018 and FY2019

TRAINING AND EDUCATION

Investment in constantly evolving the skills of its employees is essential, since this would benefit the organization with higher productivity, higher employee satisfaction and greater efficiency further translating to a higher staff retention rate.

With the aim of constantly enhancing the skills of the employees, PNE has established several programs. The senior management builds a training calendar at the start of the year depending on the needs and requirements of its employees when they are in the process of being transferred or promoted. External trainers are hired by PNE to train its employees, the training programs are tweaked by the trainers so that it successfully meets the needs of PNE and its employees. Different employee categories are subjected to different sets of training. The factory workers go through additional on the job and safety training at the manufacturing plants and the employees at the managerial level go through training to better manage their teams and also showcase effective leadership. There are regular appraisals which take place within the company to further motivate and boost the capabilities of the employees.

In the financial year 2018, the total number of training hours offered to the employees was 24,120 hours and on average each employee received more than 18 hours of training.

Average Training Hours per Employee: 18 hours			
Gender	Hours/Employee	Employee Category	Hours/Employee
Male	22 hours	Managerial	22 hours
Female	18 hours	Executive	25 hours
		Non-Executive	18 hours

Table 6: Average Training Hours per Employee by Gender and Employee Category

	FY2018	FY2019
	Status	Target
Training Hours per Employee	18 Hours	To maintain at least 15 hours of training per employee

Table 7: Summary and Targets of Training Hours per Employee in FY2018 and FY2019

GOVERNANCE

PNE strives to maintain good governance and integrity in all the business practices it carries out to ensure that there is no conflict of interest and it is successful in its journey to becoming a sustainable business.

PNE is committed to good standards of corporate governance to protect the interests of its shareholders and maximise long-term shareholder value.

For additional information on corporate governance and risk management, kindly refer to the corporate governance section in PNE's annual report for the financial year 2018.

COMMUNITY

At PNE, we actively give back to the community. The various events which took place in PNE include the Hari Raya Celebrations at Cheshire Home for the physically challenged in 2017, Deepavali Celebrations at the school for the physically challenged in 2017 and New Year Celebrations with a Rock Concert held within the factory compound in 2018.



Figure 7: Deepavali Celebrations at PNE in 2017



Figure 8: Hari Raya Celebrations at PNE in 2018

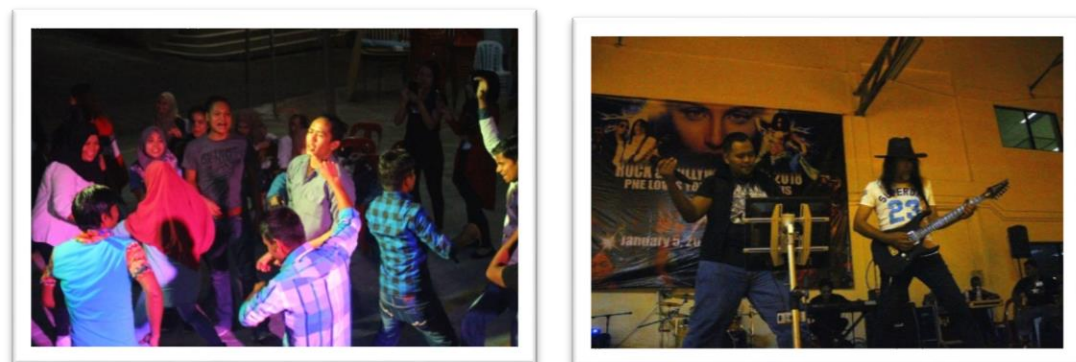


Figure 9: New Year Celebrations at PNE in 2018

GRI CONTENT INDEX

GRI 102: GENERAL DISCLOSURES 2016			
GRI Standards 2016	Disclosure	Page Reference	Omission
ORGANISATIONAL PROFILE			
GRI 102: General Disclosures 2016	102-1 Name of the organisation	Page 2	
	102-2 Activities, brands, products and services	Page 2, 3	
	102-3 Location of headquarters	Page 2	
	102-4 Location of operations	Page 2	
	102-5 Ownership and legal form	Page 2	
	102-6 Markets served	Page 2, 3	
	102-7 Scale of the organisation	Annual Report - Group Structure, Page 3	
	102-8 Information on employees and other workers	Page 10	
	102-9 Supply chain	Page 3	
	102-10 Significant changes to organisation and its supply chain	Not applicable	
	102-11 Precautionary principle or approach	Page 12	
	102-12 External Initiatives	Page 8,	
	102-13 Membership of associations	Malaysia Employer's Federation (MEF)	
STRATEGY			
GRI 102 : General Disclosures 2016	102-14 Statement from senior decision-maker	Page 4, 5	
ETHICS AND INTEGRITY			
GRI 102: General Disclosures 2016	102-16 Values, principles, standards, and norms of behaviour	Corporate website – About Us – Vision & Mission	
GOVERNANCE			
GRI 102: General Disclosures 2016	102-18 Governance structure	Page 12	
STAKEHOLDER ENGAGEMENT			
GRI 102: General Disclosures 2016	102-40 List of stakeholder groups	Page 6	
	102-41 Collective bargaining agreements	Not applicable	
	102-42 Identifying and selecting stakeholders	Page 6	
	102-43 Approach to stakeholder engagement	Page 6	
	102-44 Key topics and concerns raised	Page 7	
REPORTING PRACTICE			
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	Page 2	
	102-46 Defining report content and topic Boundaries	Page 7	

GRI 102: GENERAL DISCLOSURES 2016			
	102-47 List of material topics	Page 7	
	102-48 Restatements of information	Not applicable	
	102-49 Changes in reporting	Not applicable	
	102-50 Reporting period	Page 2	
	102-51 Date of most recent report	Not applicable	
	102-52 Reporting cycle	Page 2	
	102-53 Contact point for questions regarding the report	Page 2	
	102-54 Claims of reporting in accordance with the GRI Standards	Page 2	
	102-55 Content index	Page 14, 15, 16	
	102-56 External assurance	Not externally assured	
CATEGORY: ECONOMIC			
ECONOMIC PERFORMANCE			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 7	
	103-2 The management approach and its components	Page 7	
	103-3 Evaluation of the management approach	Page 7	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Page 7	
CATEGORY: ENVIRONMENT			
ENERGY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 8	
	103-2 The management approach and its components	Page 8	
	103-3 Evaluation of the management approach	Page 8	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 8	
ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 8	
	103-2 The management approach and its components	Page 8	
	103-3 Evaluation of the management approach	Page 8	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Page 9	
SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 9	
	103-2 The management approach and its components	Page 9	
	103-3 Evaluation of the management approach	Page 9	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 9	

CATEGORY: SOCIAL			
EMPLOYMENT			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 10	
	103-2 The management approach and its components	Page 10	
	103-3 Evaluation of the management approach	Page 10	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 10	
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 10	
	103-2 The management approach and its components	Page 10	
	103-3 Evaluation of the management approach	Page 10	
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 10, 11	
TRAINING AND EDUCATION			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Page 11	
	103-2 The management approach and its components	Page 11	
	103-3 Evaluation of the management approach	Page 11	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 11	