A STRONG FOUNDATION FOR THE FUTURE

SUSTAINABILITY REPORT 2018

AVI-TECH ELECTRONICS LIMITED

CHAIRMAN AND CEO STATEMENT

Avi-Tech Electronics Limited ("Avi-Tech") remains committed to managing its environmental, social and governance ("ESG") impacts, risks and opportunities.

The Singapore Exchange ("SGX") has introduced rules that require issuers to produce an annual sustainability report with effect from the financial year ending 30 June 2018 ("FY2018") in a "comply" or "explain" basis. Complying with the SGX rules, we have prepared our first sustainability report based on the international recognised Global Reporting Initiative ("GRI") standards. The sustainability report provides information about our ESG performance in a phased approach. We will continue to integrate material ESG issues into our business processes to ensure long-term value creation for all stakeholders.

Khor Thiam Beng
Chairman

Lim Eng Hong
CEO

OUR VISION, MISSION AND VALUES

Vision

We aspire to be a local multinational group with the capability to provide efficient support services to the semiconductor, electronics and life sciences industries.

Mission

We aim to excel as the best service provider for the semiconductor, electronics and life sciences industries with faster turnaround time, reliability, quality, optimum production cost and an extension of our facilities to meet any upsurge in capacity from our customers.

Values

We are driven by our core values of "AVI":

- Advancement through technology
- Value-added and customer-centred services
- Innovation

ABOUT THIS REPORT

We are pleased to present Avi-Tech Electronic Limited's inaugural Sustainability Report. This report covers Avi-Tech's ESG performance for the financial year ended 30 June 2018 for our business operations in Singapore unless stated otherwise. The Report should also be read in conjunction with the Annual Report 2018 http://avitech.listedcompany.com/misc/Avi-Tech_AR2018.pdf

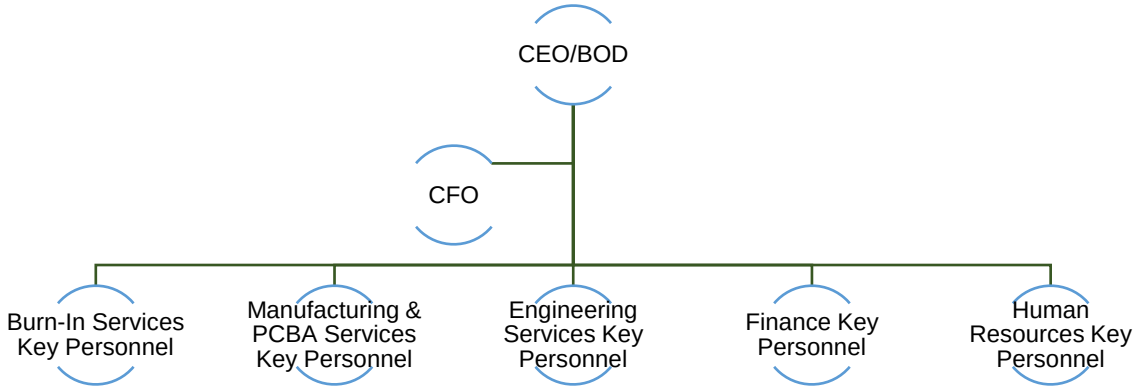
REPORTING FRAMEWORK

This report has been prepared base on the 2016 GRI standards: Core option. The report also complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. A GRI Content Index is included at the end of this report which indicates the location of the relevant disclosures.

REPORTING PROCESS

Avi-Tech's Board of Directors has the ultimate responsibility for directing the management in the development of its sustainability strategy including determining the material ESG factors, its due compliance with the SGX-ST guidelines on corporate governance and sustainability reporting, and the Group's response to the attendant risks and opportunities. The Board is updated at least once a year on Avi-Tech's sustainability performance.

The Board is assisted by the Sustainability Reporting Committee. The Sustainability Reporting Committee is headed by the Group's Chief Financial Officer and key personnel of the various business divisions as well as from the Finance and Human Resources departments. The committee's responsibilities include formulating and implementing sustainability strategies including identifying, reviewing and assessing the various ESG factors, collecting ESG performance data from the various business units, setting performance targets, where applicable, as well as developing, managing and supervising the execution of the sustainability action plans.



REPORT CONTENT AND QUALITY

The content of this report takes into consideration the significance of material ESG topics, risks and opportunities and general sustainability trends and stakeholders' concerns and expectations. We have employed the GRI Standards defining report quality by applying the principles of accuracy, balance, clarity, comparability, reliability and timeliness.

Data provided in the report has been mainly derived from our official records to ensure reasonable accuracy and consistency. We have used internationally accepted measurement units, where applicable, for presenting ESG data. Financial figures are in Singapore dollars unless stated otherwise.

As this is the first year of reporting, we do not have previous targets or benchmarks against which to measure ourselves and we will be adopting a phased implementation approach to our reporting, which will be conducted on an annual basis. In adopting a phased-approach to sustainability reporting, we will be introducing more quantitative and qualitative targets going forward.

RESTATEMENTS

As this is our first sustainability report, restatements do not apply.

ASSURANCE

We did not obtain external assurance for this sustainability report. We have relied on internal verification mechanisms to ensure the accuracy of information. Our ESG performance data is reported in good faith and to the best of our knowledge. ESG data is verified using internal mechanisms and checks. Financial statements included in our Annual Report, however, have been audited by independent auditors.

AVAILABILITY

This report is available on our website www.avi-tech.com.sg

FEEDBACK

As your feedback is valuable to our continuous improvement, please send your questions, comments, suggestions or feedback to us at ir@avi-tech.com.sg

STAKEHOLDER ENGAGEMENT

Stakeholder engagement forms an integral part of our sustainability approach. Our stakeholders have an interest in our business and influence our operations, products and services, business approach and strategies. Our stakeholders have been identified as our customers, business partners and suppliers, shareholders, employees, government/regulatory agencies and the community.

We proactively engage with our stakeholders on a regular, continuing basis through various channels and means to gain insights to their expectations and concerns and use these learnings to make informed management decisions in shaping our business policies and strategies so as to create sustainable business growth and value for all stakeholders.

How we engage with our diverse stakeholders, their expectations and concerns, and how we respond to them, are presented below.

Stakeholders	Stakeholders Expectations and Concerns	Engagement Channels	How We Respond and Address Concerns
Customers	• Quality • Fast turnaround • Pricing • Technical expertise • Ethical practices • Workplace health and safety	• Regular dialogues, consultations and meetings • Feedback and engagement sessions • Project management committee meetings	• Implementing and maintaining quality control standards certifications such as ISO 9001 ISO 14001 and ISO 13485 • Regular training to build and improve skills • Ensuring adherence to Workplace Health and Safety (“WHS”) and Employee Health Safety (“EHS”) policies
Business Partners and Suppliers	• Transparent and fair procurement and other business practices • Compliance with terms and conditions of business contracts	• Regular communication and feedback through meetings, emails and phone discussions	• Communicating Avi-Tech’s business policies • Transparent business process in the award of supply agreements
Shareholders	• Consistent dividends • Risk management when investing in new business • Transparency in business strategy and operations • Business growth • Long-term shareholder value	• IR website which is updated with annual reports, financial announcements and other material information posted on SGXNET • IR email alerts for investors to receive latest news • Half-yearly analyst briefings to provide them with information to enable them to produce	• Ensuring robust risk management and corporate governance • Providing relevant and prompt disclosure on Group’s financials announcements and corporate developments • Responding to investors queries in a timely manner • Engagement opportunities through AGM, emails, investor meetings, conferences and roadshows

		impartial and insightful reports for investors and the public at large • Participation in investor conferences and roadshows • Access to management through - Email - AGM	
Employees	• Competitive numeration and benefits • Reward for performance • Career growth and advancement • Relevant training and personal development • Safe working environment • Non-discriminatory practices	• Management-employee dialogue sessions • Internal announcements • Orientation sessions • Feedback channels • Performance appraisals • Exit interviews	• Conducting employee engagement to understand employees' satisfaction towards the Group and benefits • Employee feedback channels e.g. management dialogues annually, employee suggestion forms to improve environment and policies if needed • Talent management • Ongoing training and development • Salary benchmarking with market practices • Implementing WHS Policy • Implementing fair employment policies and practices
Government/ Regulatory Agencies	• Compliance with all laws and regulations	• Regulatory and governance licensing and filings • Notices and meetings • Seminars	• Ensuring regulatory and governance compliance • Constant updating of policies and procedures based on notifications and advisories received through the relevant channels • Attending seminars conducted by agencies such as SGX, TAFEP, MOM and CPF Board to be updated on the schemes, regulations and guidelines that the government has provided for local companies
Community	• Social responsibility	• Social outreach programmes and activities	• Implementing CSR programmes and activities • Contributing to charity organisations • Employee volunteering

MATERIAL FACTORS

Our approach to sustainability centres on the management of the ESG impacts of our business operations and their potential impact on our stakeholders. Our strategy is to manage our most significant sustainability impacts, risks and opportunities with the aim of creating long-term value for all our stakeholders.

Materiality Methodology

We have identified the material ESG factors using the GRI Standards for Sustainability Reporting which includes guidance for materiality analysis which were then prioritised with regards to their environmental, social and economic impact to Avi-Tech and its stakeholders.

We undertook the following steps to arrive at the list of material factors for reporting:

- Identification: We selected the ESG factors through an internal materiality analysis. We identified sustainability issues that reflect our business' impact on the environment, society and economy and their significance to our stakeholders.
- Prioritisation: We shortlisted the issues that represent the most significant environmental, social and economic impacts of our operations and prioritised the material topics through an in-depth analysis covering Avi-Tech's activities, locations, business partners and customers, engaging with relevant internal key executives of the various business divisions, reviewing the existing Group management system components, risk assessment and internal audit results as well as external commentaries on the semiconductor and wider electronics industries.
- Validation: We considered the significance of our material impacts to stakeholders and how they might influence the assessments and decisions of stakeholders.
- Review: We seek feedback from stakeholders on this report to review our material topics for the next reporting cycle.

Materiality Assessment

Our Sustainability Reporting Committee carried out our first formal materiality process to review, identify and assess our most material sustainability issues based on their knowledge of respective business areas, potential impacts of the Group's business operations, insights from their day-to-day engagement with a range of stakeholders and common challenges facing the industry. The team also considered the Group's long-term business goals and to align these with the sustainability strategies and examined sustainability reporting trends among local semiconductor and manufacturing companies and peer companies for benchmarking. For this report, we did not engage external stakeholders explicitly to take their views on the identified ESG factors. However, the internal stakeholders including the key management and personnel have used their experience of dealing with respective stakeholders and their understanding of stakeholder expectations and concerns in prioritising material factors for reporting.

As this is the first year of sustainability reporting, pursuant to a phased implementation approach, the Group has set out in this report the qualitative targets and where available, the quantitative targets for the majority of the material ESG factors. We have collected data internally from the relevant business segments covering the period under review. In the coming year, we will put in place a data collection and management system to provide information on our sustainability metrics and to enable us to measure and track performance on a yearly basis. The objective is to achieve our set targets for the material ESG factors and meet the key sustainability performance indicators within the timeline.

OUR MATERIALITY TOPICS AND BOUNDARIES

Arising from the exercise, the following are the materiality factors and their boundaries that are of priority to the Group's sustainability risks and opportunities and having the most impact on our stakeholders:

- Environment
- Customers
- People
- Community
- Economic Performance
- Governance and Risk Management

These are materiality factors which we have control or management of and there are other materiality factors that while having an effect on our stakeholders, are not within our control to manage or influence significantly. These include factors that occur within our value chain but are outside of Avi-Tech, for example, although materials used in our products may have an impact on the environment, we have little control over them as most are consigned to us by our customers or specified by our customers due to the stringent product specifications we have to adhere to.

Presented below is a summary of our material factors and their boundaries.

Material Topics	Group's Involvement	Material for Business Division(s)
Environment		
Energy	Direct	• All
Waste Management	Direct	• All
Customers		
Customer Standards Compliance	Direct and Indirect	• All
Legal and Socio-economic Compliance	Direct	• All
Intellectual Property, Data Protection and Customer Privacy	Direct	• All
People		
Hiring	Direct	• All
Diversity, Equal Opportunity and Non-discrimination	Direct	• All
Human Rights	Direct	• All
Anti-Bribery and Anti-Corruption	Direct	• All
Training and Development	Direct	• All
Performance Appraisal and Career Development	Direct	• All
Staff Welfare and Benefits	Direct	• All
Occupational Health and Safety	Direct and Indirect	• All
Community		
Local Communities	Direct	• All
Economic Performance		
Economic Performance	Direct and Indirect	• All
Governance		
Governance and Risk Management	Direct and Indirect	• All

ENVIRONMENT

We are committed to our Environmental Policy of enhancing environmental performance through continual improvement in our environmental management system. Electricity and waste are our primary environmental impacts. Our office and production facility use power for lighting and air-conditioning and in particular, our Burn-In Services business segment utilises significant power for conducting Burn-In tests. We also generate waste mostly from board manufacturing and system integration activities. Our environmental efforts are focused on energy efficiency, reducing and recycling waste and using resources efficiently.

Energy

We aim to operate responsibly within our business activities and to have positive impact on the wider environment through the development of energy saving programmes. Avi-Tech's energy demand for our operation arises mainly from indirect energy which is electricity purchased from external suppliers.

We measure and monitor our energy consumption. In FY2018, our electricity consumption intensity was 6.5 kWh/m^2, with the main user of this energy being Burn-In Services, averaging 51 % of total consumption. This compares against 6.3 kWh/m^2 with Burn-In Services, averaging 50 % of total consumption the year before.

Some of the energy saving programmes we undertook/ planned to undertake include:

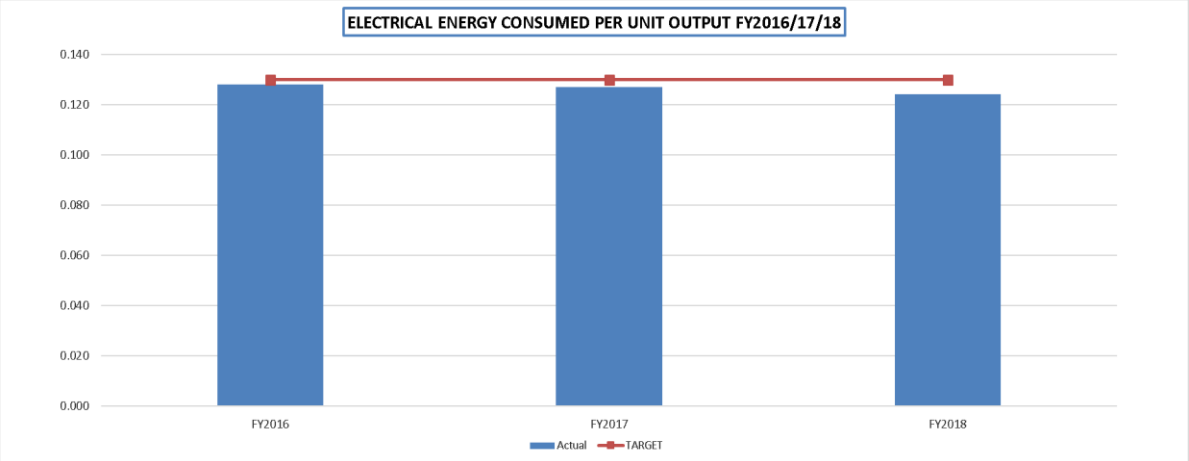
- Chiller/CDA Overhaul and Replacement Programme
  - Installation/replacement of existing equipment to a high-efficiency chiller for efficiency improvement
  - Overhaul and regular maintenance of pumps and compressors
  - Replacement of R-22 (ozone-depleting substance) with R134/R407 refrigerant (ozone friendly) in phases

- Air-conditioning System Optimisation
  - Monitoring of and maintenance of temperature at an optimum level
  - Regular maintenance (monthly) to preserve efficiency

- HT/LT Transformer Optimisation
  - Regular maintenance to maintain efficiency

Based on the energy consumption for FY2018, we aim to maintain below 0.13 kWh per unit in the new financial year.

We have started switching to energy efficient LED lighting in our office and production facility progressively and to optimise our air conditioning system use through temperature control, and lift system through regular maintenance. We also encourage our employees through awareness campaigns to minimise the use of non-essential lighting in the office and production floor, switch off electrical appliances when not in use and to make efforts to conserve water and to recycle paper.



Waste Management

Avi-Tech is mindful of the impact that our operations could have on the environment and have taken steps to monitor and control waste that is a by-product of our operations. This is because we are committed to the long-term preservation of our environment and climate. Furthermore, we are certified to the ISO 14001 environmental management standard.

Waste management is particularly relevant for our board manufacturing and system integration activities. We have put in place a wastage monitoring system which tracks and places targets to attain. The current target set is wastage not exceeding 0.40% of total revenue. A monthly data log is submitted which tracks the wastage for the month. To discourage wastage and inculcate a sense of responsibility towards materials requisitioned, a system has been put in place for the submission and tracking of all wastage requests. Employees have to explain or justify the reason for the wastage which has occurred. The entire monitoring and reporting system is reviewed with senior management at quarterly meetings. Strict control is also maintained over stock levels to minimise potential for write-off which exacerbates wastage.

We dispose of waste and by-products through authorised channels and licensed waste management contractors. Our chemical waste is disposed through licensed National Environment Agency ("NEA") approved vendors. We have an internal recycling programme to recycle, reduce and reuse our solder dross that allows us to recover pure solder from the solder dross. We utilise lead-free processes as much as possible to reduce any environmental impact by the possibility of any heavy metal pollution. We also undertake recycling exercises with our customers, reusing high cost components.

While we do not consume a significant amount of water for it to be a material issue, we are nonetheless mindful of its value as a resource. Any form of water discharge from our production processes are treated in accordance with the NEA guidelines.

In addition, under our Supplier Code of Conduct, our major suppliers are required to comply with relevant environmental laws and regulations, obtain and maintain all required environmental permits (e.g. discharge monitoring), approvals and registrations, reduce pollution and minimise their use of resources (including water and energy) and their generation of solid waste and wastewater and identify and safely manage hazardous substances. This includes, *inter alia*, responsibly managing emissions to air (including volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products) and minimising their greenhouse gas emissions; adhering to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labelling for recycling and disposal.

We are committed to complying with applicable environmental regulations. There were no incidents of non-compliance with environmental laws in the reported period.

We aim to achieve a 0.5% year-over-year reduction in waste generation.

CUSTOMERS

Maintaining our customers' trust depends on our strict adherence to their exacting technical, commercial and ethical requirements, protection of both our own intellectual property and that of our customers and business partners, which is fundamental given the technologically innovative nature of our business and our full compliance with laws. Any breach of trust or of our legal obligations, would have the potential to seriously compromise our business, whether in terms of the loss of valuable commercial relationships and/or the undermining of our reputation.

To safeguard our business reputation and commercial relationships, we have in place our Business Ethics Policy which covers the protection of intellectual property, privacy, fair business and competition, whistleblowing and protection against retaliation, managing conflict of interest and other misconduct such as bribery and corruption and a range of specific policies addressing issues such as responsible sourcing of minerals. In addition, the Group has issued policies on disclosure of information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices. For example, Directors and all key personnel are advised not to deal in the Group's shares on short-term considerations or when they are in possession of material unpublished price-sensitive information which may set out the implications of insider trading.

Customer Standards Compliance

As a supplier of total solutions for burn-in services, manufacturing and PCBA services, and engineering services to the semiconductor, electronics and life sciences industries, we are subject to a significant body of technical, legal and quality control requirements defined by our customers. In many cases, our compliance with these requirements is included as a condition of contract with our customers, making our strict adherence essential. This is particularly the case with respect to the technical specifications and quality of our highly sophisticated products. Any slight variation in this respect is not only likely to render them valueless from the perspective of our customers, but also has the potential to undermine our customers' own products.

As such, we put a significant amount of effort into understanding our customers' extensive requirements and applying comprehensive management systems to ensure that these are fully met. This includes, for example:

- an extensive set of operational quality control measures by which we employ strict adherence to;

- regular business reviews with our partners to understand their current and future capabilities and requirements; and

- our own ongoing auditing against the following management system standards
  - ISO 9001 (quality management system standard)
  - ISO1 4001 (environmental management system standard)
  - ISO 13485 (quality management system for medical devices standard)

Similarly, our customers typically apply their own set of compliance measures to ensure that we are meeting their requirements. This includes auditing of, *inter alia*, our management systems, processes and facility specifications, testing processes and documentation and materials and product traceability.

We evaluate customer satisfaction with the quality and specifications of our products on an ongoing basis, using a mixture of individual reviews, analysis of customer complaints and customer surveys.

Legal and Socio-Economic Compliance

As with all companies, it is incumbent on us to comply with the applicable laws of the countries in which we operate. This may require increased management if we extend our global presence into new jurisdictions. In this context, we seek professional assistance in the countries of our operations to ensure compliance with existing laws and regulations prevailing in those countries. We also regularly review the local legislation to keep our policies updated and our relevant employees up to date with global

compliance issues where appropriate.

In the financial year under review, we were not subject to any legal sanctions or fines for non-compliance with applicable laws.

Intellectual Property, Data Protection and Customer Privacy

The protection of intellectual property is vital for any business focused on the creation of innovative and high-value technological solutions. Any failure in this regard could have profound consequences, for example, on the value of our customers' and business partners' inventions and products, as we necessarily access and work with customers' intellectual property and/or commercial and technological secrets. This requires a high degree of trust on the part of our customers, whose business we would lose were this trust to be broken.

We ensure that all intellectual property is adequately safeguarded through the application of:

- related restrictive provisions in both our Business Ethics Policy and our contracts of employment;
- robust information technology systems to prevent data leakage; and
- access controls to specific project data for employees and third parties

In the financial year under review, we receive no complaints relating to misuse of customers' intellectual property, losses of customer data or breaches of customer privacy.

PEOPLE

The nature of our business, which relies on the ongoing advancement of semiconductor technology, means we are highly reliant on our ability to recruit, retain and develop a high-quality work force, as well as leading management talent. Our people form the core of our organisation and our continued ability to recruit, retain and develop experienced personnel and managers is particularly important given the strong, ongoing competition for skills within the sector.

We take a holistic view towards both recruitment and retention that looks beyond the provision of competitive financial rewards. We also aim to deliver the kind of working environment, training and development opportunities and inclusive culture that allow our people to develop progressive, long-term careers with us.

Employee Profile

We employ about 176 full-time staff as at end of June 2018, made up of various races, nationalities, age groups, and gender. Permanent employees accounted for 90.02% of our workforce. The average age of our employees was 40.6 years.

Hiring

Our goal is to attract and retain the best talent. We offer equal opportunities for employment and progression within the Group based on merit. Our Human Resource policies and procedures provide for equal opportunity and fairness in employment decisions. We do not discriminate on the basis of race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status.

In FY2018, we recruited 19 new employees. Of the new hires, 11 of them were women, 12 were less than 30 years of age and seven were in the age group of 30 to 50 years.

Diversity and Equal Opportunity and Non-discrimination

As a signatory of the of the Employers' Pledge of Fair Employment Practices with the Tripartite Alliance for Fair Employment Practices ("TAFEP"), we abide by the principles which stand for diversity and inclusion and are against discrimination of any kind. TAFEP is an alliance co-chaired by representing employer unions, the National Trade Union Congress and the government.

We are committed to employing and developing people who have the necessary skills, experience and values to excel in their relevant roles irrespective of their gender, ethnicity, religion, disability or any other non-work related or personal characteristic. Furthermore, we recognise the value a diverse workforce can potentially bring in terms of creativity, dynamism and new perspectives. In this context, we aim to nurture a working culture characterised by mutual respect and non-discrimination.

Our workforce represents diverse age groups (see chart). We support the Singapore government's policy of rehiring retiring employees to keep them economically active. In FY2018, we rehired seven retiring employees.

The globalised nature of our sector mean that we enjoy a fairly international workforce, many of whom work for us in locations away from their countries of birth. We are proud of our racially diverse workforce which includes at least seven nationalities.

Although it is a reality that the semiconductor sector performs relatively poorly in terms of gender diversity, our female workforce comprises more than 55% of the total workforce. Notwithstanding, we will continue to focus on removing any invisible or structural considerations that may be limiting female engagement with the sector. Diversity in the Board requires more consideration as currently there is no female representation on our Board of Directors. The Board recognises the importance and value of gender diversity and will take into consideration the skill sets and experience including gender diversity for any future Board appointments.

We also respect our employees' right to freedom of association and collective bargaining.

In the financial year under review, we did not receive any reports of any alleged or actual cases of discrimination.

Human Rights

Avi-Tech recognises the responsibility to respect and protect the rights of our employees and support internationally accepted human rights principles and regulations. We abide by our Labour and Human Rights Policy which advocates, *inter alia*, freely-chosen employment, child labour avoidance, compliance with local labour laws regarding working hours, wages and benefits, humane treatment, and non-discrimination.

We did not receive any reports of incidents of labour and human rights violations, forced labour or child labour in the reporting period.

Anti-Bribery and Corruption

We take a zero tolerance approach to bribery and corruption and are committed to acting with integrity in all our business dealings and relationships.

In this context, we are subject to national anti-corruption laws, including the Singapore Prevention of Corruption Act. Our commitment in this respect is set out in our Business Ethics Policy, which addresses, *inter alia*: bribery, facilitation payments and gifts, and hospitality. Our Business Ethics Policy which covers a Whistle-Blowing Programme, enables staff of the Group and any other persons, in confidence, to raise concerns about possible improprieties in matters of financial reporting or other matters such as suspected fraud, corruption, and dishonest practices.

All new employees are trained in the Business Ethics Policy during the induction process, while all existing employees are provided with easy access to the policy and Whistle-Blowing Programme. We communicate our zero tolerance approach to corruption to all suppliers, sub-contractors and other service providers at the outset of our business relationship. Our Finance department oversees the implementation of appropriate controls and procedures to monitor and prevent inappropriate forms of payment across all our locations. This includes, for example, duplicate or overpayments, and payment requests to third parties not associated with underlying transactions.

Were we to identify any suspected cases, these would be subject to internal (or, if necessary, external) investigation. Any confirmed cases of employees breaching our policy would result in disciplinary action (including potential termination) and/or referral to the relevant law enforcement authorities. Any confirmed cases involving our business partners would result in the review and potential termination of our business relations.

We aim to maintain zero corruption and fraud incidents across Avi-Tech's core operations and ensure that we are not subject to any material legal sanctions or fines for non-compliance with applicable laws.

In the financial year under review, we have not received any report of any corruption risks or cases of suspected or actual corruption. There were also no whistle-blowing reports received in the financial year under review.

Training and Development

Employee training and education is a crucial part of our people management. New employees attend an orientation programme to understand the organisation and its corporate governance. There are also check-in sessions with management to help in employee engagement and culture building.

We develop our people according to their abilities and job specifications. For all production staff, twice yearly re-certification is conducted while management staff are encouraged to upgrade skills through courses provided by external training providers such as Workforce Skills Qualification ("WSQ") and Integrated Assessment Pathway ("IAP").

Our employees have access to ongoing opportunities for learning new skills. We encourage our employees to gain new knowledge, experience and skills even if these lie outside their immediate job

scope. As such, employees are able to request to be sent for relevant training programmes provided by external training providers.

In FY2018, our average training hours per employee was 3.9 hours and our training expenditure per employee was approximately $262.00 per person (or 0.13% of revenue).

We are aiming for a 4% increase in average training hours per employee for the next financial year under review and to achieve an average of 4.2 training hours per employee by 2020.

Performance Appraisal and Career Development

Through a performance management system, we enable our employees to meet their business and personal development goals. Our performance management system covers all permanent employees.

As part of the process, managers hold discussions with their staff at the beginning of the year to establish goals and are encouraged to have ongoing discussions with their employees to review progress and to provide coaching and guidance. Yearly performance appraisals are conducted to encourage self-improvement and to reward hard work. Promotions are based on recommendations by supervisors based on performance and aptitude.

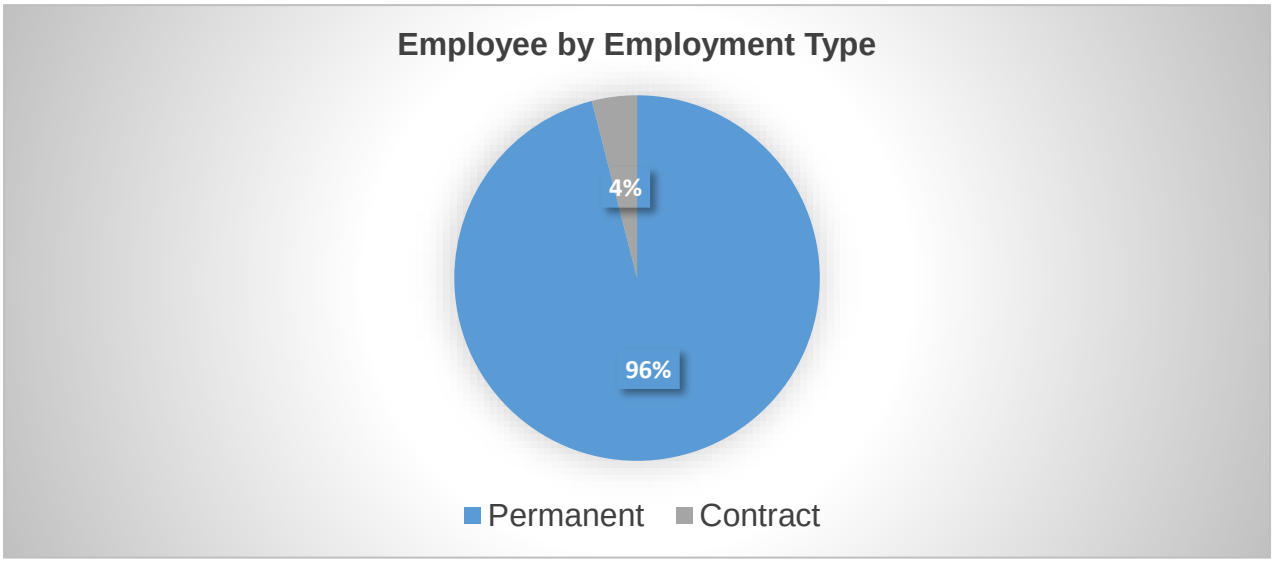
Staff Welfare and Benefits

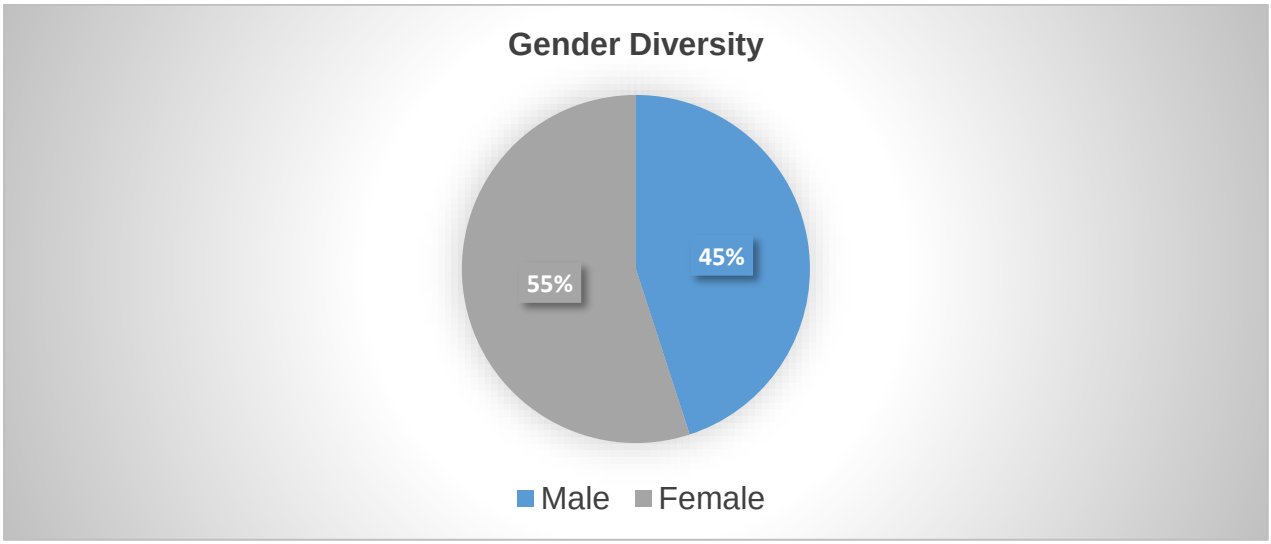
We offer competitive wages and benefits to all our employees including full-time staff members and contract employees:

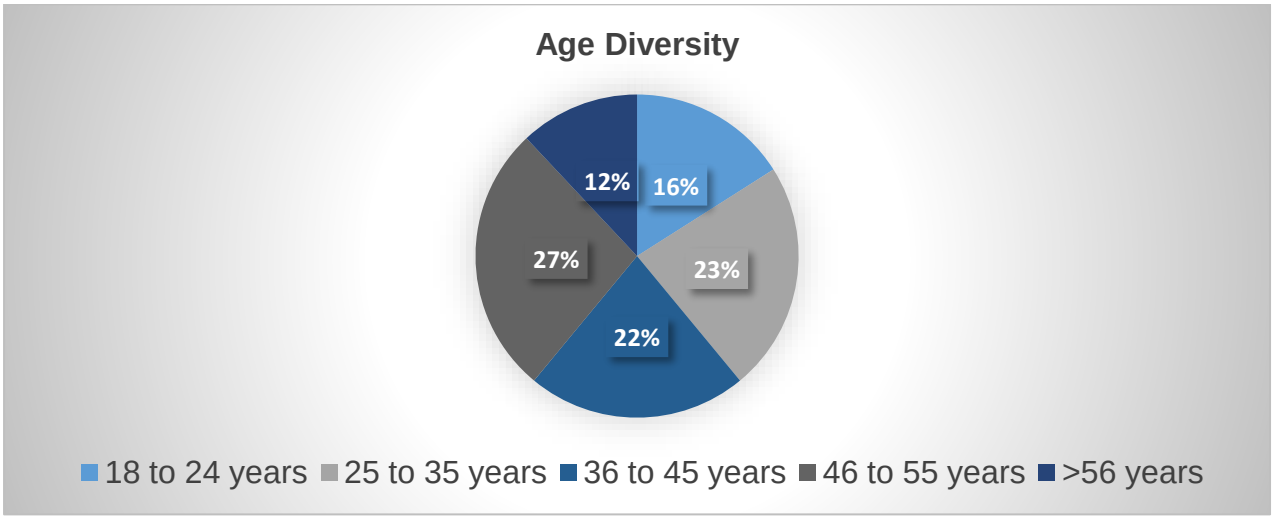
- Sick and hospitalisation leave
- Hospitalisation and surgical plans
- Dental benefits
- Term life insurance policy in the event of death, disability and critical illness (actual limits of coverage of these policies vary according to an employee's grade)
- Marriage/examination leave

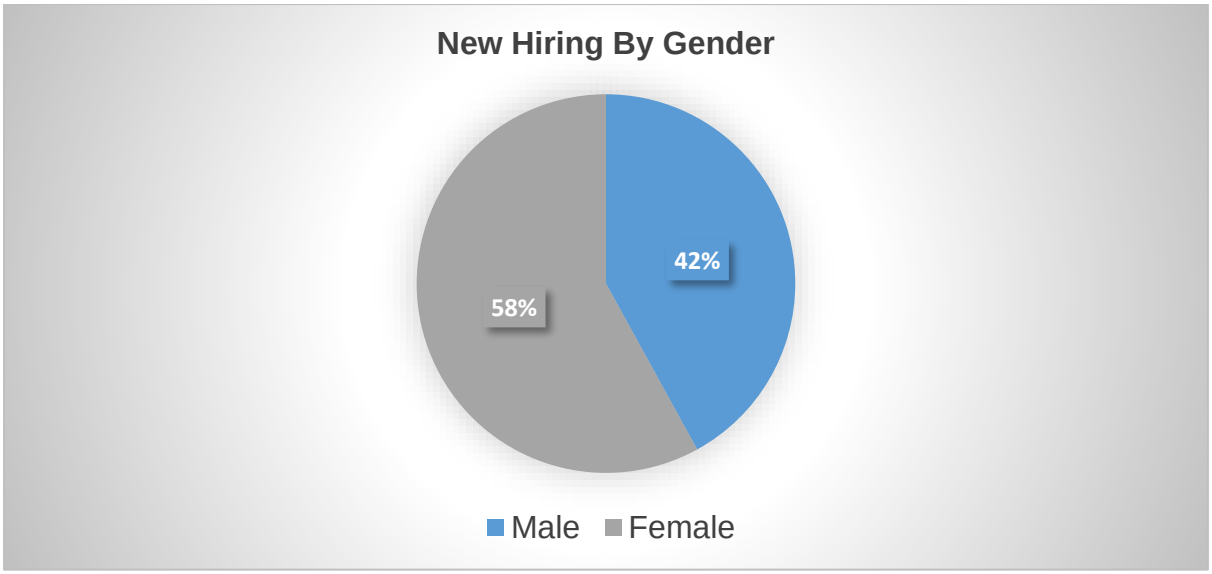
Taking a proactive approach to the health and well-being of our employees, we also organise health-related talks and checkups periodically to encourage employees to adopt healthy lifestyles and to take care of their health.

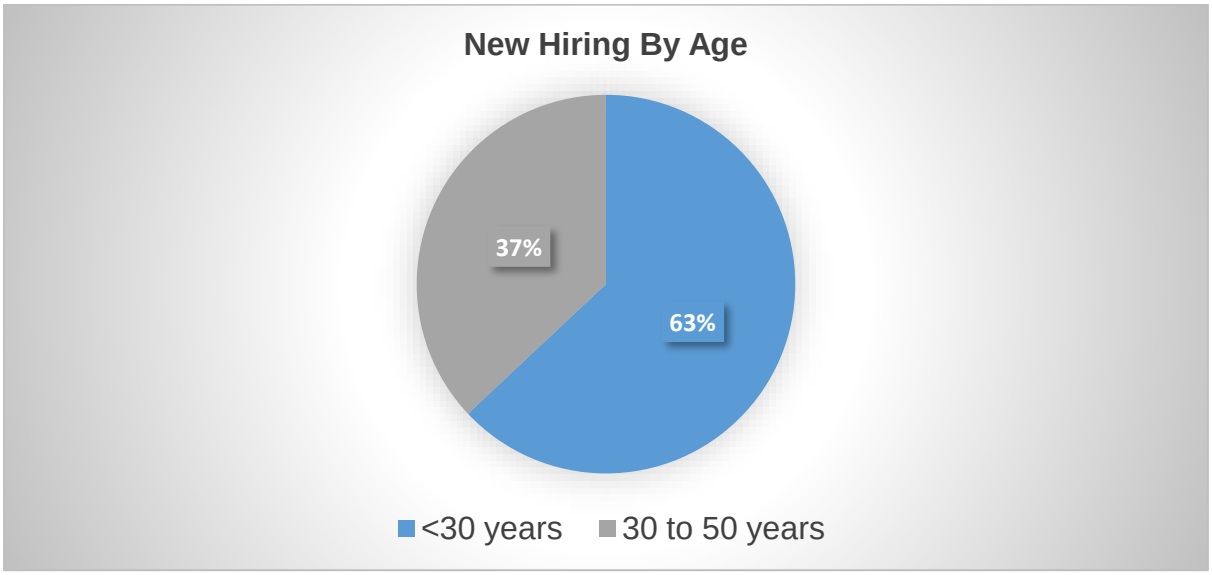
OUR PEOPLE PERFORMANCE

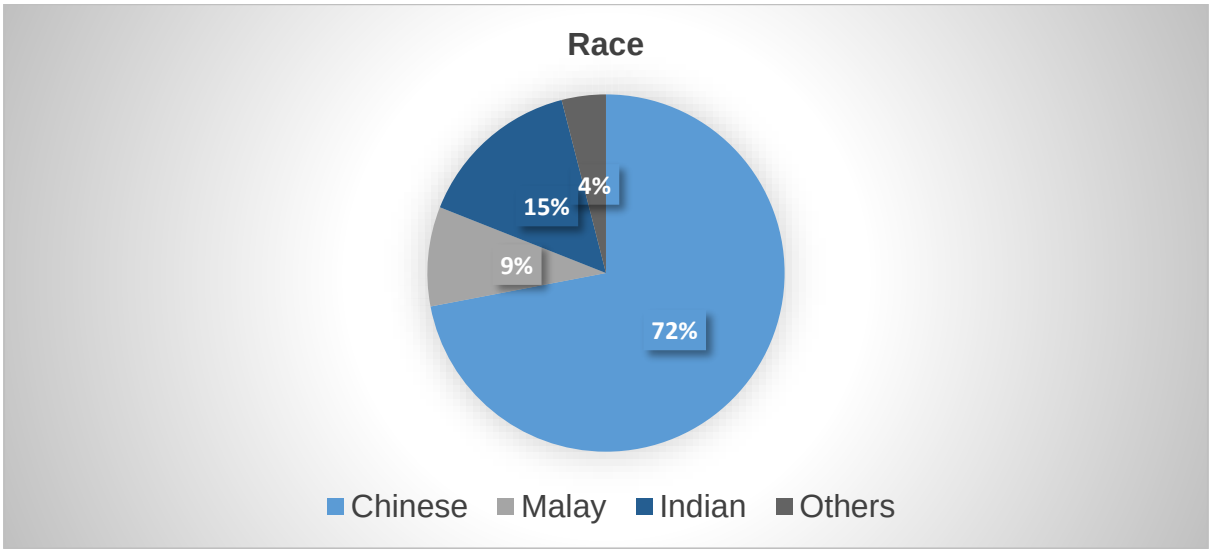


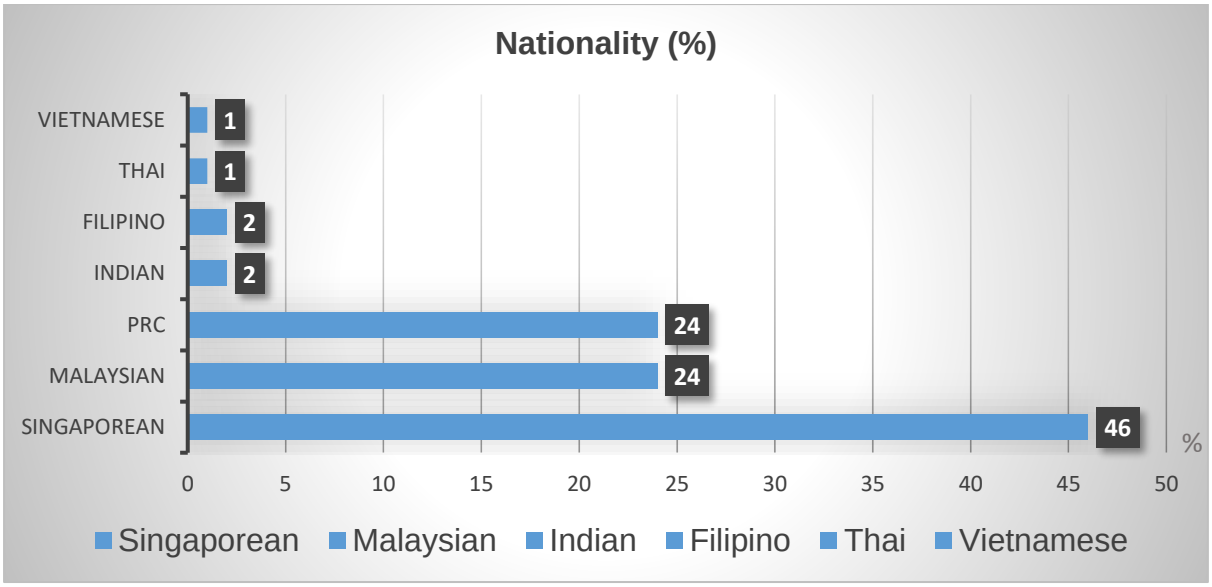


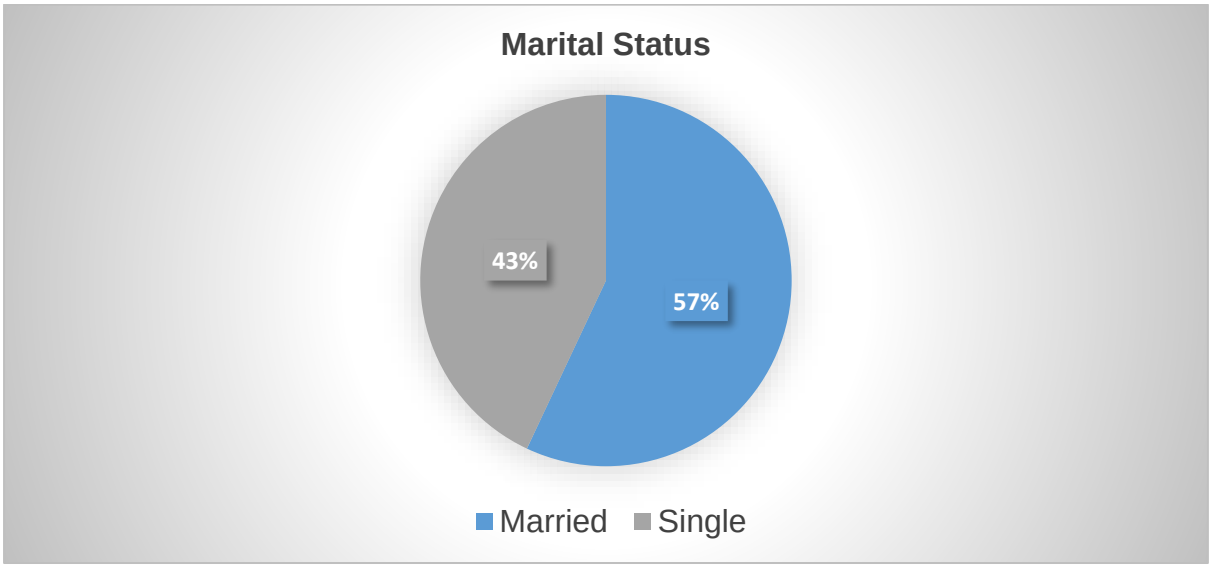


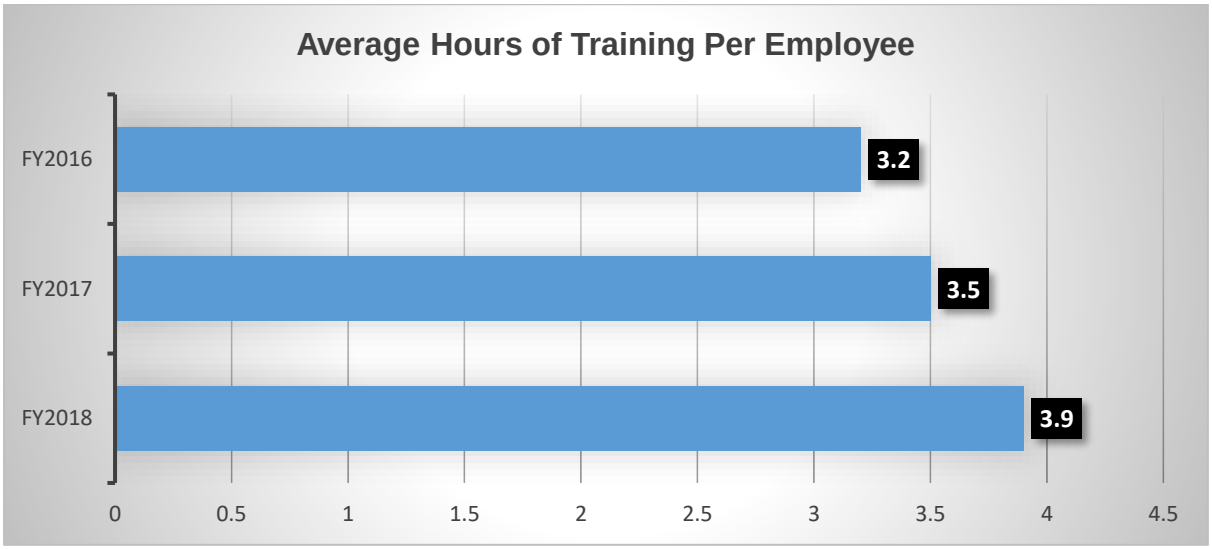

New Hiring By Gender
42%
58%
Male
Female


New Hiring By Age
37%
63%
<30 years
30 to 50 years


Race
4%
15%
9%
72%
Chinese
Malay
Indian
Others


Nationality (%)
VIETNAMESE
THAI
FILIPINO
INDIAN
PRC
MALAYSIAN
SINGAPOREAN
1
1
2
2
24
24
46
%
0
5
10
15
20
25
30
35
40
45
50
Singaporean
Malaysian
Indian
Filipino
Thai
Vietnamese


Marital Status
43%
57%
Married
Single


Average Hours of Training Per Employee
FY2016
FY2017
FY2018
3.2
3.5
3.9
0
0.5
1
1.5
2
2.5
3
3.5
4
4.5

Occupational Health and Safety

The health and safety of our employees is a top priority for Avi-Tech. In addition to minimising the incidence of work-related injury and illness, a safe and healthy work environment enhances the quality of products and services, consistency of production and employee retention and morale.

Avi-Tech is committed to achieving Workplace Safety and Health ("WSH") excellence through:

- Compliance with relevant WSH legislations and regulations and other requirements to which we subscribe to;
- Consistently establish and maintain WSH management performance;
- Operate and maintain our facilities to prevent and minimise risks to the health and safety of our employees, subcontractors and surrounding communities; and
- Ongoing communication of our WSH policy to all parties

We have in place operational procedures for risk assessment and management, and the implementation of workplace safety measures covering occupational safety injury and illness, emergency preparedness, industrial hygiene and machine safeguarding. We also recognise that employee input and education is essential to identifying and solving health and safety issues in the workplace. Our Environment Health and Safety ("EHS") and Fire Safety Committees which comprise staff from all relevant departments, under the counsel of registered safety officers, were set up to oversee the implementation of the WSH management plan with monthly reviews.

Below are the details of the WSH initiatives undertaken:

Initiatives Undertaken	Date Undertaken	Status	Comments/Outcome
EHS Guidelines for staff and external contractors established	22 June 2015	Completed	
WSH Risk Management Plan established	15 February 2016	Completed	
WSH Risk Assessment Record conducted	31 March 2017	Completed	a. Hazard/Risk Identification Assessment Worksheet was generated b. Total Activity-based Risk Identification: 43
Monthly Risk Assessment review during internal safety inspection and EHS Committee Meeting	24 March 2017	Completed	
Record of regulatory compliance of WSH identified risk	31 March 2017	Completed	a. Regulatory compliance of WSH identified risk generated b. Total activity reviewed: 43 c. Result on meeting all relevant legal requirements

Our Executive Management holds a quarterly review of the WSH performance report which covers a summary of complaints, industrial accidents and compliance for WSH and Environmental Inspection.

We had set the following goals for the financial year under review:

Objectives	Goal
Workplace Safety and Health Complaint	0 Cases
Industrial Accident	0 Cases
% compliance for WSH and Environmental Inspection	>90%

For the financial year under review, we had one case of accident resulting in a machine operator suffering a cut on the finger while operating a machine. Necessary actions were taken to prevent any future occurrences.

We aim to achieve our goal of zero cases of WSH complaints and industrial accidents.

COMMUNITY

We understand corporate citizenship as our voluntary social contribution to the local communities in which we operate. As a responsible corporate citizen, we aim to leave our footprint in a positive way on the environment and the community.

We are committed to be a responsible corporate citizen and contribute to community development. We have been supporting charities and not-for-profit organisations such as Bright Vision Hospital, a 318-bed community hospital offering intermediate and long-term holistic care for about 1,500 new patients, since 2015. Our employee volunteers, including our management, took part in the outreach programme which included organising games, arts and crafts events and Patient Birthday Celebrations to celebrate some of the patients' birthdays.

Over the years, we have also raised funds for disaster relief such as for the 2013 Typhoon Haiyan disaster in the Philippines.

ECONOMIC PERFORMANCE

We are committed to creating sustainable value for our shareholders and stakeholders. For a detailed description of our financial performance, please refer to the Group Financial Review section of the Annual Report.

A summarised version of the economic value generated is presented here in line with the GRI Standards.

ECONOMIC PERFORMANCE ($'million)			
Economic performance indicators	**FY2016**	**FY2017**	**FY2018**
Revenue	33.9	40.0	35.7
Profit before tax	7.9	8.0	5.7
Profit after tax (from continuing operations)	6.2	7.0	4.9
Total expenses (including staff costs)	23.0	28.2	25.8
Staff costs	6.3	6.4	6.5
Dividends declared	4.8	3.4	2.6

Financial Assistance from Government

We did not receive any financial assistance from the government in the form of any applicable government schemes/grants in Singapore.

GOVERNANCE AND RISK MANAGEMENT

Our Board and Management are committed to continually enhancing shareholder value by maintaining high standards of corporate governance, professionalism, integrity and commitment at all levels, underpinned by strong internal controls and risk management systems.

Our corporate governance practices are set out in the Group's annual report section entitled, "Corporate Governance Report", with specific references to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"). Where the Group's practices differ from the principles and guidelines under the Code, the Group's position in respect of the same is also set out in our Corporate Governance Report.

We strive to conduct our business to high standards of openness, integrity and accountability and act professionally, fairly and with integrity in all our business dealings and relationships at all times. All business dealings should be transparently performed and accurately reflected in the Group's books and records. We ensure that the Group's zero tolerance policy towards all forms of fraud, bribery, corruption, extortion and embezzlement (covering promising, offering, giving or accepting any bribes) and unethical actions, is strictly adhered to. Monitoring and enforcement procedures are implemented to ensure compliance with anti-corruption laws. To achieve a high standard of corporate governance for the operations of the Group, we have also implemented a Whistle-Blowing Programme. For more information on the Whistle-Blowing Programme, please refer to the Corporate Governance Report in the Annual Report.

Risk management is a critical component to our business success. We have constantly striven to advance risk management practice as an important component in all our business portfolio and activities. It demonstrates our commitment to a high standard of corporate governance. The Group has put in place a risk management and internal control system in areas such as financial, operational, compliance and information technology controls. The principal aim of the internal control system is the management of business risks with a view to safeguarding shareholders' investments and the Group's assets.

The system of risk management and internal controls established is designed to manage, rather than eliminate, the risk of failure in achieving our goals and objectives. The Board wishes to state that the system of internal controls provides reasonable, but not absolute assurance, as to financial, operational, compliance and information technology risks. No such system can provide absolute assurance against the occurrence of material errors and other situations not currently within the contemplation or beyond the control of the Board. For more information on our system of risk management and internal controls, please refer to the Corporate Governance Report in the Annual Report.

Board and Audit & Risk Committee ("ARC")

The Board of Directors has an overall responsibility to ensure that the Group has the capability and necessary resources to manage risks in new and existing businesses, and that business plans and strategies accord with the risk appetite that the Group undertakes to achieve its corporate objectives.

The responsibilities of the ARC include, *inter alia*, assisting the Board in carrying out its responsibility of overseeing and maintaining the Group's risk management framework and policies, including reviewing the Group's levels of risk tolerance and risk policies, and overseeing the management in the design, implementation and monitoring of the Group's risk management and internal control systems. For more information on the role and responsibilities of our ARC, please refer to the Corporate Governance Report.

Risk Governance and Internal Control ("RGIC") Framework

The Board is responsible for risk governance, establishing risk management policies and tolerance strategies that set the appropriate tone and direction, and also overseeing the implementation of risk management framework to ensure that risks are identified and managed. On an ongoing basis, the Board needs to continuously monitor and assess the adequacy of the risk management systems that it has put in place, the system of internal controls and ensure that management takes the appropriate steps to manage and mitigate risks.

The Group's RGIC framework was developed to realise the value of risk management by providing an integrated enterprise-wide perspective of the risks involved in our businesses and institutionalising a systematic risk assessment methodology for the identification, assessment, management, reporting and monitoring of risks on a consistent and reliable basis. The RGIC Manual sets out, *inter alia,* the Board's approved Risk Appetite and Risk Tolerance guidance, Authority and Risk Control Matrix, Key Control Activities and Key Reporting and Monitoring Activities to manage and mitigate risks.

Our RGIC framework is constantly refined, ensuring relevance in a dynamic operating environment. We keep abreast of the latest developments and best practices by participating in industry seminars and interacting with risk management practitioners. Continuous training to build risk awareness and competencies, as well as systems and tools to operationalise the risk management framework are put in place to support our RGIC framework.

As a Group, we take a balanced approach to risk management, recognising that not all risks can be eliminated. To optimise returns for the Group, we will only undertake appropriate and well-considered risks. For more information on risk management and internal controls, please refer to the Corporate Governance Report of the Annual Report.

GRI CONTENT INDEX

GRI Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number(s) and/or URL(s)**
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI102: General Disclosures 2016	**Organisational Profile**	
	102-1 Name of the organisation	Annual Report 2018 – page 1
	102-2 Activities, brands, products, and services	Annual Report 2018 – page 2, 107
	102-3 Location of headquarters	Annual Report 2018 – page 1
	102-4 Location of operations	Annual Report 2018 – page 1
	102-5 Ownership and legal form	Annual Report 2018 – page 1, 114-115
	102-6 Markets served	Annual Report 2018 – page 1, 109
	102-7 Scale of the organisation	Annual Report 2018 – page 1, 20 Sustainability Report 2018 – page 13, 15
	102-8 Information on employees and other workers	Sustainability Report 2018 – page 13, 16-18
	102-9 Supply chain	Not applicable as supply are consigned to us by our customers or specified by our customers due to the stringent product specifications we have to adhere to
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	Annual Report 2018 – page 43-46 Sustainability Report 2018 – page 11-12, 19-20
	102-12 External initiatives	Sustainability Report 2018 – page 2, 10-14, 19
	Strategy	
	102-14 Statement from senior decision-maker	Annual Report 2018 – page 5 Sustainability Report 2018 – page 2
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	Annual Report 2018 – page 24-58 Sustainability Report 2018 – page 2, 10-14, 19
	102-17 Mechanism for advice and concerns about ethics	Annual Report 2018 – page 49

		Sustainability Report 2018 – page 14
	Governance	
	102-18 Governance structure	Annual Report 2018 – page 24-58 Sustainability Report 2018 – page 3
	102-19 Delegating authority	Annual Report 2018 – page 24-58, Sustainability Report 2018 – page 3
	102-20 Executive-level responsibility for economic, environmental, and social topics	Sustainability Report 2018 – page 3
	102-21 Consulting stakeholders on economic, environmental, and social topics	Sustainability Report 2018 – page 3, 7
	102-22 Composition of the highest governance body and its committees	Annual Report 2018 – page 24-58
	102-23 Chair of the highest governance body	Annual Report 2018 – page 24-58
	102-24 Nominating and selecting the highest governance body	Annual Report 2018 – page 24-58
	102-25 Conflicts of interest	Annual Report 2018 – page 24-58
	102-26 Role of highest governance body in setting purpose, values and strategy	Annual Report 2018 – page 24-58 Sustainability Report 2018 – page 3
	102-27 Collective knowledge of highest governance body	Annual Report 2018 – page 24-58
	102-28 Evaluating the highest governance body's performance	Annual Report 2018 – page 24-58
	102-29 Identifying and managing economic, environmental, and social impacts	Sustainability Report 2018 – page 7-8
	102-30 Effectiveness of risk management processes	Annual Report 2018 – page 24-58 Sustainability Report 2018 – page 23-24
	102-31 Review of economic, environmental, and social topics	Sustainability Report 2018 – page 7-8
	102-32 Highest governance body's role in sustainability reporting	Sustainability Report 2018 – page 3
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Sustainability Report 2018 – page 5-6
	102-41 Collective bargaining agreements	Sustainability Report 2018 – page 13
	102-42 Identifying and selecting stakeholders	Sustainability Report 2018 – page 5-6
	102-43 Approach to stakeholder engagement	Sustainability Report 2018 – page 5-6
	102-44 Key topics and concerns raised	Sustainability Report 2018 – page 5-6
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Annual Report 2018 – page 98
	102-46 Defining report content and topic boundaries	Sustainability Report 2018 – page 3, 7-8

	102-47 List of material topics	Sustainability Report 2018 – page 7-8
	102-48 Restatements of information	Sustainability Report 2018 – page 3
	102-49 Changes in reporting	Sustainability Report 2018 – page 3
	102-50 Reporting period	Sustainability Report 2018 – page 2
	102-51 Date of most recent report	Sustainability Report 2018 – page 2
	102-52 Reporting cycle	Sustainability Report 2018 – page 2
	102-53 Contact point for questions regarding the report	Sustainability Report 2018 – page 4
	102-54 Claims of reporting in accordance with the GRI Standards	Sustainability Report 2018 – page 2
	102-55 GRI content index	Sustainability Report 2018 – page 25
	102-56 External assurance	Sustainability Report 2018 – page 3
Material Topics		
Economic		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 22
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 22
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Annual Report 2018 – Page 102-106 Sustainability Report 2018 – page 22
	201-4 Financial assistance received from the government	Sustainability Report 2018 – page 22
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 14
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 14
GRI 205: Anti-Corruption 2016	205-2 Communications and training about anti-corruption policies and procedures	Sustainability Report 2018 – page 14
	205-3 Confirmed incidents of corruption and actions taken	Sustainability Report 2018 – page 14
Environment		
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 9
	103-3 Evaluation of the management approach	Sustainability Report 2018 –
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	page 9
	302-4 Reduction of energy consumption	Annual Report 2018 – page 54 Sustainability Report 2018 –

Effluents and Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 10
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 10
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	Sustainability Report 2018 – page 10
	306-2 Waste by type and disposal method	Annual Report 2018 – page 54 Sustainability Report 2018 – page 10
Environmental Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 9-10
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 9-10
GRI 307: Environmental Compliance 2016	GRI 307-1 Non-compliance with environmental laws and regulations	Annual Report 2018 – page 17 Sustainability Report 2018 – page 9-10
Social		
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 13
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 13
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Report 2018 – page 13
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report 2018 – page 15
Occupational Health and safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 19-20
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 19-20
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	Sustainability Report 2018 – page 19-20
	403-2 Hazard identification, risk assessment, and incident investigation	Sustainability Report 2018 – page 19-20
	403-4 Worker participation, consultation, and communication on occupational health and safety	Sustainability Report 2018 – page 19-20
	403-5 Worker training on occupational health and safety	Sustainability Report 2018 – page 19-20
	403-6 Promotion of worker health	Annual Report 2018 – page 17 Sustainability Report 2018 – page 15

	403-8 Workers covered by an occupational health and safety management system	Sustainability Report 2018 – page 19-20
	403-9 Work related injuries	Sustainability Report 2018 – page 20
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 13-15
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 13-15
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Sustainability Report 2018 – page 18
	404-2 Programs for upgrading employee skills and transition assistance programs	Sustainability Report 2018 – page 15
	404-3 Percentage of employees receiving regular performance and career development reviews	Sustainability Report 2018 – page 15
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 13
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 13
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Annual Report 2018 – page 29 Sustainability Report 2018 – page 13, 16-18
Non-discrimination		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 13
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 13
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Sustainability Report 2018 – page 14
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 13
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 13
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainability Report 2018 – page 13
Child Labour		
GRI 103: Management	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8

Approach 2016	103-2 The management approach and its components	Sustainability Report 2018 – page 14
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 14
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	Sustainability Report 2018 – page 14
Forced or Compulsory Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 14
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 14
GRI 408: Forced or Compulsory Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	Sustainability Report 2018 – page 14
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 21
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 21
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Annual Report 2018 – page 17 Sustainability Report 2018 – page 21
Customer Privacy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 11-12
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 11-12
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report 2018 – page 12
Socio-economic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Sustainability Report 2018 – page 7-8
	103-2 The management approach and its components	Sustainability Report 2018 – page 11-12
	103-3 Evaluation of the management approach	Sustainability Report 2018 – page 11-12
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Sustainability Report 2018 – page 12