



AEI CORPORATION LTD.
Sustainability Report 2018



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Corporate Profile

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

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

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

Figure 1: AEI’s four key strengths



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

Board Statement

2018 was a pivotal year for the Group. AEI has successfully completed the restructuring and begun its business transition, shifting its focus towards assets with long-term growth potential and ability to deliver a stream of sustained value despite the volatility of markets globally. The goal of creating sustainable value remains key to the Group's overall business strategy and direction and, we recognise that Environmental, Social and Governance (ESG) factors will have an important impact on the business, its stakeholders, and the local communities where the Group operates in.

The Board thus works closely with the senior management team, in determining the material ESG matters that are pertinent to our operations, and in supervising and managing these challenging matters. We have concluded that the same ESG matters identified in 2017 remain relevant to the Group this year. We are pleased to present AEI's second Sustainability Report, which reaffirms our commitment towards sustainability.

About this Report

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

This Sustainability Report complements the financial performance of the Group, which can be found in our Annual Report. The reporting period covered in this report is from 1 January to 31 December 2018 ("FY2018"), with relevant prior year performance disclosed for comparative purposes. The data collected in this report includes our wholly owned subsidiaries in Singapore as follows:

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

As this is our second year of sustainability performance reporting, we have set mostly objective-based commitments which we will continually assess as we make progress in our sustainability endeavours.

External Assurance

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

Contact Us

We encourage our stakeholders to join us as we embark on our sustainability journey. 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 2018,

Financial Highlights



Non-financial Highlights



Certifications attained

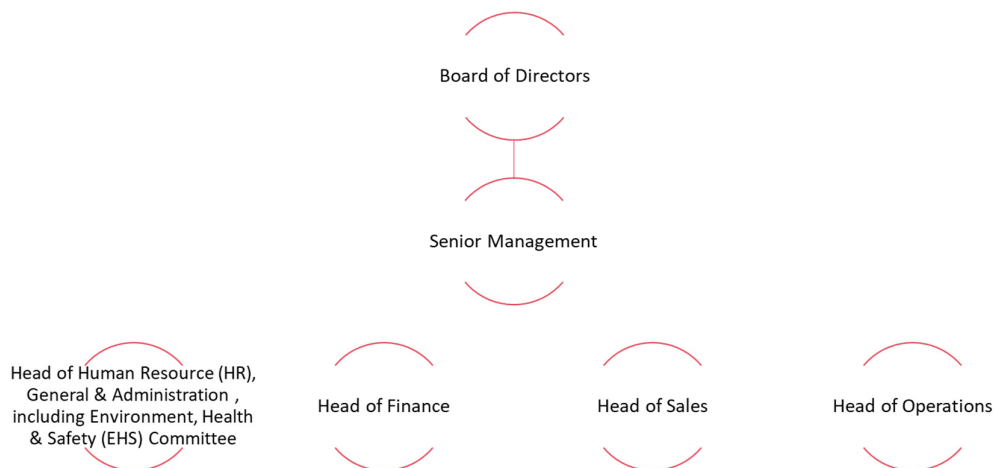
- ISO9001:2015 Quality Management System
- ISO14001:2015 Environmental Management System



Sustainability Governance Structure

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

Figure 2: Governance structure



Stakeholder Engagement

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

Table 1: AEI's Stakeholder engagement table

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

Materiality Assessment

In 2018, we conducted our first materiality assessment to identify AEI’s key ESG matters. Both internal and external stakeholders’ perspectives were considered in the process, which is summarized in Figure 3 below. Five material matters across three focus areas were prioritised, and they remain relevant in FY2018, forming the basis of this report. We will continue to review these matters and update them where necessary.

Figure 3: Materiality assessment process

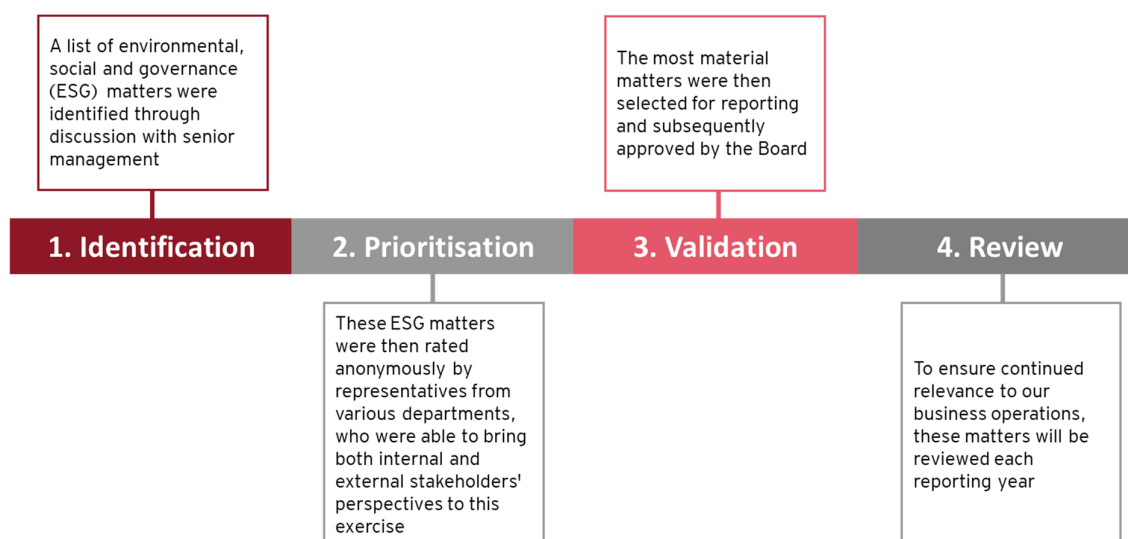


Table 2: AEI’s material sustainability matters identified

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

Managing Corporate Governance

Ethics, Bribery and Corruption

We understand the importance of sound corporate governance and business ethics to grow the organisation successfully. To that end, we have established corporate policies to guide our governance processes and our employees' behaviours. These policies are in line with the revised Code of Corporate Governance 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 policy encourages all employees to raise concerns about improprieties or potential improprieties confidentially, without fear of reprisals. All reports will be treated with full confidentiality to protect the identity and interest of the whistleblowers. Employees can report such matters to their immediate supervisors or the HR department, who are then required to forward the issues to the Audit Committee Chairman. Following investigations, the Chairman will then review the matter and report its findings to the Board. Thereafter, appropriate actions will be taken to ensure that similar occurrences are not repeated.

Interested Persons Transaction Policy

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

Insider Trading Policy

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

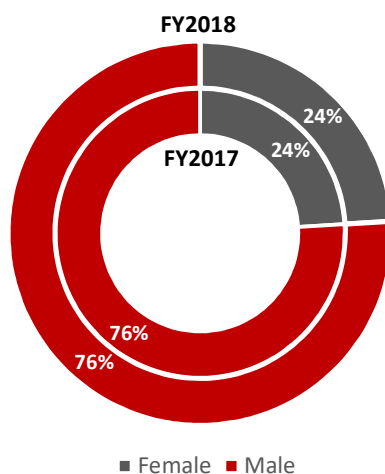
We are pleased to report that we continue to maintain a record of zero incident of corruption for FY2018. We will strive to maintain our positive track record of being free from any corporate governance and law non-compliance.

Our Social Responsibility

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

AEI has a workforce of 68 full-time employees as compared to 78 in FY2017. As illustrated in Figure 4 below, the percentage of female and male employees remain the same as in FY2017.

Figure 4: Percentage composition of total employees by gender



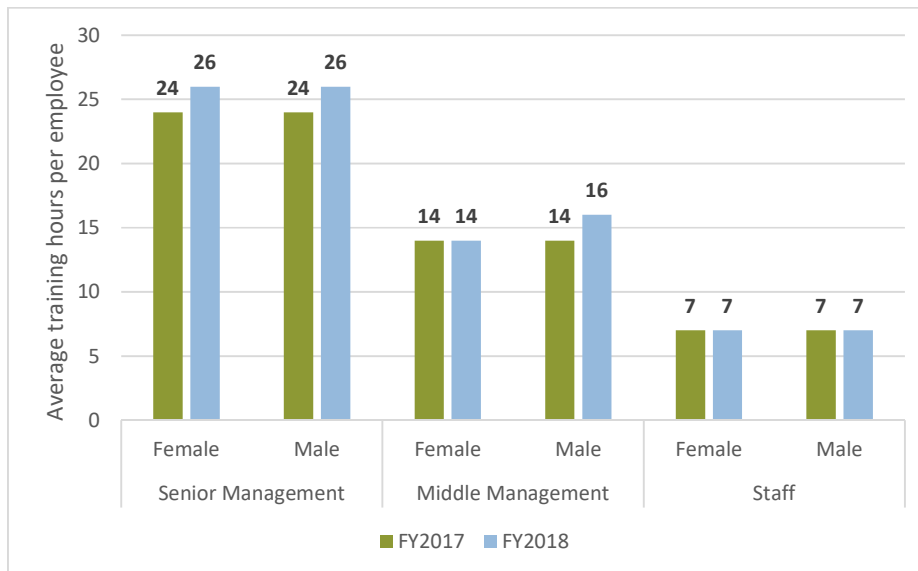
Employee Training

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

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

To complement the trainings provided, AEI also has a quality policy in place which sets out the specifications and requirements to be met for our products. In 2018, we renewed our certification under the ISO9001:2015 Quality Management System standard which continues to guide us in our delivery of quality products and services.

Figure 5: Average training hours by employee category and gender



In addition, we conduct a ‘Skill Test’ annually to assess our employee’s job competency levels. A structured approach is adopted to evaluate and determine the following:

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

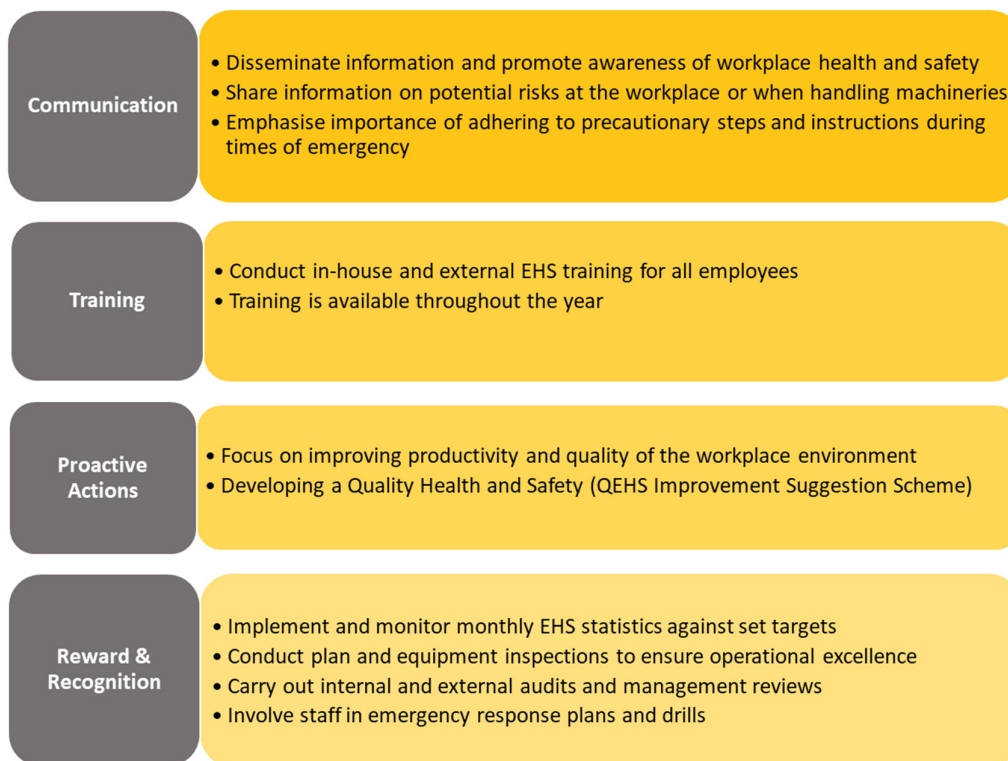
As a group, we strive to support all our employees in their career development and understand their professional needs through the annual appraisal. We also seek to give all employees remuneration that is commensurate with their performance, and taking into account the operating performance of the Group.

Workplace Health & Safety

AEI views workplace health and safety (WHS) as a priority area of concern. A safe and conducive work environment gives our employees and their families peace of mind and ensures minimal operational disruptions and reputational risks to AEI. WHS is of high importance to us due to the nature of our business where machineries are in use daily.

At AEI, we inculcate a safety culture through our EHS Action Plan, which is developed, executed by the EHS Committee. The plan provides a tiered approach to encouraging safe work practices through building safety awareness and taking concrete steps. The EHS Committee meets monthly to review performance against the set targets.

Figure 6: Four phases of AEI’s EHS Action Plan



Taking guidance from international standards, the Environmental Management System was certified with ISO14001:2015 in 2018. Our Health and Safety management system is OHSAS 18001:2007 (Occupational Health and Safety Standard) certified. This is a testament to our ongoing commitment in maintaining high standards of EHS management.

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

We adopted good health and safety practices throughout the year and had zero reportable incidents² in FY2018, achieving our goal of attaining zero work-related fatalities, AFR and ASR. Through consistent and conscientious implementation of best safety practices, we aim to maintain our zero incident records.

Further to this, the company has no known instance of employees suffering from occupational disease during the period of their employment. Employees are provided free audiometry assessments. This

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

² Reported according to Singapore's Ministry of Manpower Workplace Safety and Health (Incident Reporting) Regulations

is part of the efforts which we have taken to safeguard the health of employees who may be exposed to high noise levels in their work environment due to the heavy use of machinery.

The effectiveness of our EHS initiatives are also measured by our employees' absentee rates (refer to Table 3). We aim to keep our absentee rate low so that our day-to-day operations are not impacted. In FY2018, absentee rates have fallen significantly for both female and male employees.

Table 3: Absentee data and rates

Absentee days and rates	Female		Male	
	FY2017	FY2018	FY2017	FY2018
Total number of working days scheduled in a year	4,680	4,160	15,600	13,520
Total absent days in a year	115	43	252	210
Absentee rate	2.46%	1.03%	1.62%	1.55%

Sustainable Environment

Waste Disposal Management

As part of our extrusion-processing phase, our production facility generates aluminium 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 process to minimise negative impacts on the natural landscape and 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 aluminium scrap helps us generate greater value for our stakeholders. In FY2018, the total amount of aluminium scrap generated and sold amounted to 465MT.

We also produce minimal hazardous waste such as Soda and lubricant which are carefully stored in underground tank storages or built-in tanks within the machinery. We ensure that our waste is managed in an appropriate manner by appointing a waste collector that has been licensed by the National Environment Agency (NEA) to periodically collect and dispose of it responsibly.

Energy Use and Associated Carbon Emissions

Given the nature of our business, AEI is conscious of our energy usage. We seek to be efficient in energy usage to reduce our carbon footprint and achieve cost savings.

As part of our EHS action plan, we continuously monitor and assess our energy consumption through monthly plant and equipment inspections to ensure that they are operating at optimal efficiency. In FY2018, AEI has successfully renewed our ISO14001:2015 certification, which reflects our commitment in ensuring that our facility is not only compliant with the required regulations, but also meets the international environmental standards.

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

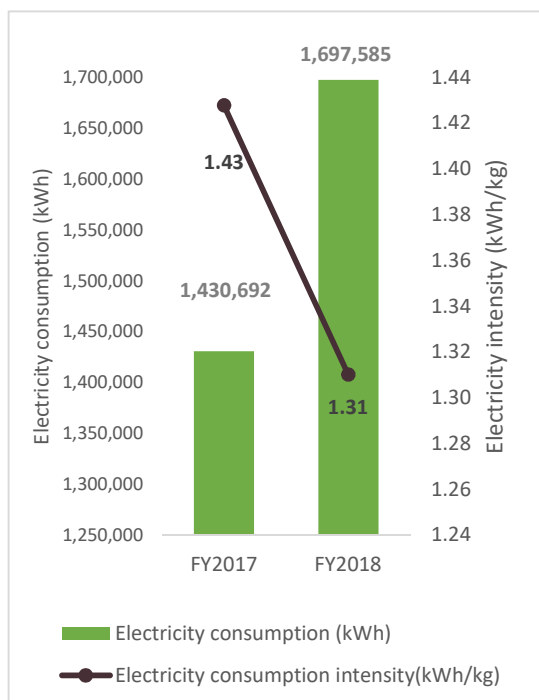
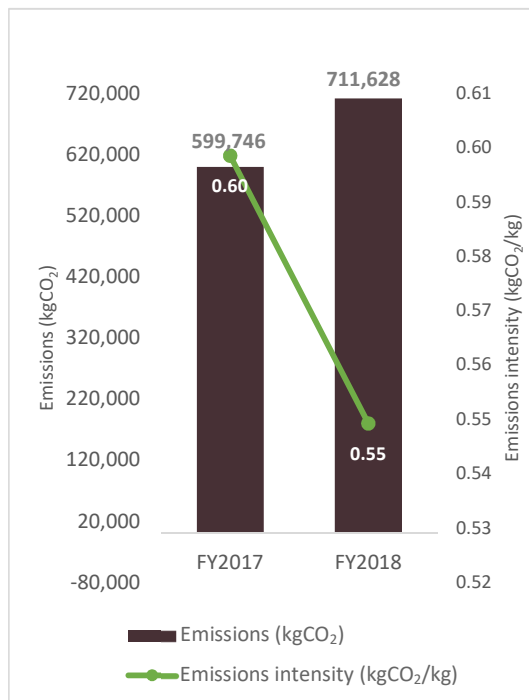


Figure 8: Total carbon emissions (kgCO₂) and intensity (kgCO₂/kg)



In FY2018, the total electricity consumption and emissions³ (scope 2) increased as compared to the year before largely due to the greater quantity of aluminium extruded this year. However, the electricity consumption and emissions intensities (by tonnage of aluminium extruded) have reduced significantly by 8.2% from FY2017 due to active efforts in monitoring and managing our energy use. We will continue to manage our energy consumption prudently across the group to lower our operational carbon footprint.

GRI Content Index

GRI 2016 Standards Disclosure Reference	Description	Section of Report / Reasons for Omission	Page Reference

³ Carbon emissions were obtained by multiplying the total electricity consumption with Singapore’s grid emission factor from the Energy Market Authority, Singapore Energy Statistics Report 2018

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 were no significant changes during the year that had an impact on the reporting scope of AEI's 2 nd Sustainability Report. For more information, refer to AEI's 2018 Annual Report page 2 – 3.	
102-11	Precautionary Principle or Approach	Sustainability Governance Structure	5
102-12	External Initiatives	AEI does not commit to external initiatives.	
102-13	Membership of Associations	Not applicable.	
Strategy			
102-14	Statement from senior decision-maker	Board Statement	3
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Corporate Profile	2
Governance			
102-18	Governance structure	Sustainability Governance Structure	5
Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	6
102-41	Collective bargaining agreements	None of AEI's employees are covered under collective bargaining agreements.	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	6
102-43	Approach to stakeholder engagement	Stakeholder Engagement	6
102-44	Key topics and concerns raised	Stakeholder Engagement	6
Reporting Practice			
102-45	Entities included in the consolidated financial statements	About this Report	4
102-46	Defining report content and topic Boundaries	Materiality Assessment	7
102-47	List of material topics	Materiality Assessment	7
102-48	Restatements of information	Not applicable for this report.	

102-49	Changes in reporting	Not applicable for this report.	
102-50	Reporting period	About this Report	4
102-51	Date of most recent report	About this Report	4
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Contact Us	4
102-54	Claims of reporting in accordance with the GRI Standards	About this report	4
102-55	GRI content index	GRI Content Index	14 – 16
102-56	External assurance	External Assurance	4

ESG Factors				
GRI 2016 Standards Disclosure Reference		Description	Section of Report / Reasons for Omission	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	Ethics, Bribery and Corruption	8
	103-3	Evaluation of the management approach	Ethics, Bribery and Corruption	8
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	Ethics, Bribery and Corruption	8
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 Carbon Emissions	13
GRI 305: Emissions	305-1	Energy indirect (Scope 2) GHG emissions	Energy Use & Associated Carbon 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