



Sustainability Report 2019



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1 MESSAGE FROM THE CEO AND CHAIRMAN / BOARD STATEMENT

We are pleased to present our sustainability report of Metal Component Engineering Limited (the “Company”, and together with its subsidiaries, the “Group”) for the financial year ended 31 December (“FY”) 2019, highlighting the progress and achievements of our organisation in FY2019, with particular focus on our commitment to working alongside with our valued stakeholders to build a sustainable business based on our resilience, adaptability and innovation.

We firmly believe that building a sustainable business is vital to our continued success and that we must be fully accountable for our impact on the environment, our customers, our people and our community as well as its financial performance.

The delivery of sustainable results is, however, a critical aspect of our ability to remain a strong and financially stable company. Acknowledging this helps to put into focus our commitment to principles laid out in our Corporate Sustainability Policy. Our responsibility to society is to ensure that sustainable practices are incorporated into every link of our value chain. We must meet the needs not only of our customers, employees and the community we operate in, but also those of our environment and posterity.

This report provides details about how we have met our responsibilities with our key stakeholders during FY2019 and beyond, and is to be read in conjunction with the annual report of the Company for FY2019.

Chua Kheng Choon

Chairman and CEO

31 May 2020



2 ABOUT THE REPORT

This report articulates the Group's commitment to sustainability, transparency, interests of key stakeholders and pragmatic responses to these interests. Comprehensive, accessible information on the Group's strategy towards sustainability, key issues and data (reported in accordance with recognized standards) are presented in this report.

2.1 Report Scope

This report covers the performance of the Company's consolidated entities in FY2019, focusing on the sustainability performance, activities and initiatives under the Company's direct control. Such entities include the Company's headquarters, regional operations, local supply chain as well as overseas activities associated directly with the Company.

Material issues covered in this report are selected according to their significance to the Company's operations (material operations in Singapore, Malaysia, China and Thailand), sustainability context and expectations of stakeholders. The scope and material topics disclosed in this report are relevant to the activities in these countries. Corporate governance and sustainability approaches are drawn from the policies and practices set at the Group level.

This report focuses on the Group's sustainability strategies and practices whilst highlighting the economic, environmental, and social and governance aspects of the Group's activities and developments. It also aims to provide an overview of the Group's approach, priorities, targets and a performance review of key sustainability areas.

2.2 Report Methodology

This report is prepared with reference to the requirements of the 'In accordance-Core' level of the Global Reporting Initiative ("GRI") Standards Sustainability Reporting Guidelines ("GRI Standards"). The GRI Standards offers an international reference for the disclosure of governance approach and the environmental, social and economic performance and impacts of organizations. This report also included primary components set out in the Singapore Exchange Securities Trading Limited's ("SGX-ST") "Comply or Explain" requirements for sustainability reporting. The Company's data are reported in good faith and to the best of our knowledge. The Company strives to continually improve the data collection processes.

The Company did not seek external assurance for this report.

2.3 Report Structure

This report is structured in the following manner:

1. Interests of key stakeholders¹ and management approaches in governing, prioritizing and managing material issues;
2. The Company's initiatives in addressing environmental, social and economic issues relevant to interests identified in (1); and
3. Information of the Group's key performance indicators, performance targets and outcomes.

¹ Key stakeholders are:

1. Environment and future generations;
2. Employees;
3. Customers;
4. Suppliers; and
5. Communities



The information regarding the basis for report boundaries and our materiality assessment is provided in section 4 of this report.

Together, this report provides the basis for our responses and disclosures to the GRI-Standards In-Accordance-To-Core requirements. Relevant sections in the report are referenced in the GRI Content Index provided in section 7 of this report.

2.4 Report Contact and Feedback

Thank you for your interest in the sustainability report. We welcome and value your feedback on the content of this report and encourage you to contact us through the following channels:

❖ In writing to:

Corporate Social Responsibility Department
Metal Component Engineering Limited
7030 Ang Mo Kio Avenue 5,
#08-85 Northstar @ AMK
Singapore 569880

❖ Via our contact page at www.mce.com.sg/contact

This report is provided in PDF format only and is available for download on the following page of our website: www.mce.com.sg/investors



3 CORPORATE PROFILE

3.1 Vision and Values

The Company’s mission is to pioneer clutter-breaking ideas through excellence in innovation, design and technology that enables us to revolutionise and redefine customer engagement. Our vision is to be a world-class mechanical engineering solutions provider.

Our employees operate according to a set of core values that guide all aspects of our business. We recognise that cooperation, communication and trust are essential for us to collaborate to compete, and that care and concern through respect, patience, empathy and consideration are essential, both between each other and among the communities in which we operate.

Value	Description
Commitment	We shall always contribute our 100% work effort with passion and enthusiasm. We conduct our business professionally just like a life-long marriage, with the “can-do” attitude.
Communication	It is important that listeners understand and accept our view. We always ensure two-way interaction is carried out with clarity, precision and be quantifiable. We always strive to master this art to ensure a timely and regular communication.
Creativity	We must always think ahead, be bold to make a difference and to accept changes. We are always dynamic, flexible, continuously making improvement and accountable.
Trust	We will trust others first, followed by check and balance. We shall always respect all individuals the same way we want to be respected. We empower people, but are aware of cross cultural differences and each other’s strength and weakness.
Team	We share a common goal, strive to understand each other’s strength and weakness, work together with a balanced approach, to bring the Company towards its winning state.

3.2 Governance

The Company’s board of directors (the “Board” or “Directors”) oversees all corporate governance and operational matters relating to our business. For corporate sustainability, the Board is supported by the Corporate Sustainability Committee (“CSC”) chaired by the Company’s Chief Executive Officer and Chairman, Mr Chua Kheng Choon. Other members of the CSC include designated senior executives. The CSC provides leadership and approval over corporate sustainability matters such as Corporate Social Responsibility (“CSR”) plan, community investment and environmental initiatives. Supported by the CSC, our Corporate Sustainability Champion (the “Champion”) is our Subject Matter Expert (“SME”) in corporate sustainability who pro-actively raises awareness through education and training across the organization. Through the Corporate Sustainability Work Group, our Champion engages the businesses and functions in collectively executing the CSR plan, identifying and managing the Environment, Social and Governance (“ESG”) Factors as well as engaging sustainability stakeholders. The businesses and functions provide back-to-back assurance over the quality of the information for sustainability reporting.



3.3 Ethics and Compliance

Being listed on the Catalist Board of the SGX-ST, the Company has to uphold high standards of corporate governance as required in the listing rules. The Company strictly conforms to local and international best practices. Our corporate governance framework covers ethics and compliance through a Code of Conduct as well as action guidelines to be adhered by the officers and employees across the organization. New employees are briefed on our Code of Conduct and our policies on ethics and compliances such as anti-bribery, fraud and anti-corruption. Communication channels are in place to enable all employees engaged in the business to report complaints of unethical behaviour. The Company has a designated officer who maintains a register of incidences on ethics and compliance issues and escalates to the management where appropriate.



4 INTEGRATING SUSTAINABILITY INTO OUR BUSINESS

The Company believes that corporate social responsibility is a key driver towards long-term sustainability. Such responsibility is pragmatically integrated into our business practices as one of the core values in our corporate culture. Embedding such responsibility into our management processes across the value chain allows us to establish credibility among our stakeholders. Through our action today, we play a part in influencing the environment for our future generations. Through integrating the notion of sustainability in our business, we ensure that our business strategy and operations are in line with a long-term vision towards a conducive and sustainability future.

4.1 Sustainability Management Framework

In July 2017, the Company establish the sustainability reporting framework, performing an analysis on the business and operation model as the basis for stakeholder mapping and materiality assessment. Through this analysis, the Company identified five key stakeholder groups within our sustainability context and their respective material issues to be shown later in this report.

4.2 Key Stakeholders and Material Issues

The Company regularly reviews, assess and collects feedback on ESG issues through regular risk assessments; which entails the identification, assessment and documentation of material risks (for example, fraud, corruption, environmental, health & safety and ESG relevant human capital risks) and corresponding internal controls. The Company continuously improves the adequacy and effectiveness of its risk assessment process in response to the changing business and operation environment.

The Company identifies and reviews material issues most relevant and significant to its stakeholders. For external stakeholders, priority is afforded to issues important to the society and applicable to us. Thereafter, the Company prioritizes sustainability efforts and report issues that are most material to the business and the stakeholders. In consideration of specific stakeholders and material issues which are country specific, this report focuses on stakeholder engagement and material issues for Singapore operations.

Stakeholders	Material Issues	Significance
Environment and Future Generations	<ul style="list-style-type: none"> ▪ Recycle product material and packaging ▪ Environmental education for employees and customers ▪ Reduction of carbon emissions ▪ Energy consumption ▪ Compliance with best practices and standards on green initiatives. 	<p>The Company’s sustainability agenda for the environment and future generations are embedded into day-to-day operations.</p> <p>We continually strive to improve from a holistic perspective through the Company’s culture, practices and focus on key goals such as curbing global warming, conserving and recycling resources. These areas are crucial to a sustainable economic ecosystem.</p>
Employees	<ul style="list-style-type: none"> ▪ Employee well-being achieved through workplace health & safety and work-life balance ▪ Regular employee training of critical skill sets to sustain competitiveness ▪ Competitive compensation scheme to retain talents ▪ Non-discrimination, diversity and equality 	<p>An ethical and professional working environment cultivates an empowering corporate culture to enable employees to achieve their full potential.</p>



Stakeholders	Material Issues	Significance
	<ul style="list-style-type: none"> Senior management engagement with employees 	
Customers	<ul style="list-style-type: none"> Customer's safety while services are delivered Customer data protection Customer satisfaction and customer-centric approach 	The quality and safety of our services and products to our customers are the core focuses of our commitments. Through our quality and safety commitments to our customers, we will, in turn, be contributing to their own successful sustainable development.
Suppliers	<ul style="list-style-type: none"> Environmental, labour and human rights impact in the supply chain 	It is important that our suppliers and channel partners share our values in business practices such as the environment, corporate ethics, human rights and labour practices. These values are crucial to build mutually beneficial relations with suppliers and channel partners to enhance both their own competitiveness and that of ours.
Community	<ul style="list-style-type: none"> Impact on communities, local economies and future generation education Economic value generated and distributed to local community 	<p>The ability to attract individuals whom have the requisite knowledge and talents are key to the Company's vision and sustainability.</p> <p>The Company intends to focus on education for the younger generation and provide support to targeted communities, via donations, sponsorships, fundraisings and other voluntary activities.</p>
Common To All Stakeholder Groups	<ul style="list-style-type: none"> Compliance with prevailing laws and regulations Good corporate governance, ethics, transparency and non-financial reporting Ethical business practices Grievance mechanisms 	Legal, compliance and ethical practices form the core foundation of the Company's business. The Company's culture is established and sustained through strong corporate governance, transparent reporting and open communications with all stakeholder groups.

4.3 Alignment with International Initiatives

4.3.1 Sustainable Development Goals

Established in 1945 under the Charter of the United Nations (the "Charter"), the general assembly occupies a central position as the chief deliberative, policymaking and representative organ of the United Nations. Comprising all 193 Members of the United Nations, it provides a unique forum for multilateral discussion of the full spectrum of international issues covered by the Charter. It also plays a significant role in the process of standard-setting and the codification of international law.

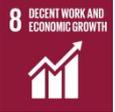
On 25 September 2015, the United Nations General Assembly adopted the 17 Sustainable Development Goals ("SDG") to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. Although the SDGs are primarily aimed at governments, they represent an important opportunity for businesses to also act for a more sustainable world. We will use SDGs as one of the guiding principles for our sustainability initiatives.



We acknowledge that our participation in reaching the SDGs has room for improvement. As we advance on our sustainability journey, we will continue to assess our alignment with the SDGs and, whenever possible, redirect our internal priorities and sustainability strategy to more effectively and comprehensively address the goals.

SDGs Logo Source: <http://www.un.org/sustainabledevelopment/news/communications-material>

SDG Goal	Relevant Targets to Our Businesses <i>(Source: http://sustainabledevelopment.un.org)</i>	Our Participation
	13.3: Improve education, awareness-raising, and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	We have our own internal processes and environmental policies to reduce electricity and fuel consumption. Our approach to mitigating climate change includes staff training and implementing energy-efficient measures. We monitor and report our Greenhouse Gas (“GHG”) emissions and set reduction targets.
	15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.	All the paper used in our offices is Forest Stewardship Council (“FSC”) certified. We actively promote the use of FSC paper across our organization.

				The following SDG goals are relevant to our business, operations and value chain. They are addressed in our various policies at the Group level. Such goals are also embedded in various initiatives carried out across the organization.
				
				

				We do not believe these goals are relevant to our business or industry. They are not within our boundaries and scope of influence, and therefore, we are currently unable to make noticeable contributions to such goals.
				

4.3.2 United Nation Global Compact

The United Nations Global Compact (“UNGC”) is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UNGC is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption.



Below are the references of our report to the 10 principles of the UNGC.

Principle		Report Section
Human Rights		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	5.2.2.1 and 5.2.6
Principle 2	Make sure that they are not complicit in human rights abuses.	5.2.2.1 and 5.2.6
Labour		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	5.2.2.1 and 5.2.6
Principle 4	Elimination of all forms of forced and compulsory labour.	5.2.2.1 and 5.2.4.1
Principle 5	Effective abolition of child labour.	5.2.1 and 5.2.6
Principle 6	Elimination of discrimination in respect of employment and occupation.	5.2.2.1 and 5.2.6
Environment		
Principle 7	Businesses should support a precautionary approach to environmental challenges.	5.1.1
Principle 8	Undertake initiatives to promote greater environmental responsibility.	5.1.2, 5.1.3 and 5.1.4
Principle 9	Encourage the development and diffusion of environmentally friendly technologies.	5.1.2, 5.1.3 and 5.1.4
Anti-Corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	3.3



4.4 Awards and Achievements

Year	Description	Year	Description
2002	Awarded Enterprise 50	2003	Awarded Enterprise 50
2007	Awarded ISO 9001 certification	2010	Awarded ISO/TS 16949 certification
2014	Awarded ISO 14001 certification	2017	Awarded IATF 16949 for plant 1 in Thailand
2019	Awarded IATF 16949 for plant 2 in Thailand		



5 STAKEHOLDER ENGAGEMENT

Good CSR practices goes hand-in-hand with corporate management. It is vital that the Company's management approaches are adaptable to the business dynamics and operational environment in ways which the Company is able to continuously assess the impact, develop sustainability objectives and respond in an appropriate manner to meet stakeholders' expectations. The Company's CSR framework is based on our approach to sustainability which includes policies and measurement mechanisms to monitor the impact made by the Company's businesses and operations.

The key to the Company's success of the sustainability programme is via regular and up-to-date communications on CSR policies and activities to our stakeholders. Stakeholders are encouraged to provide feedback (through the appropriate channels) on the Company's performance. This sustainability report forms a critical component to the continuous cycle of communication and evaluation. The overall sustainability context of stakeholder engagement is managed through the CSR plan for the Company's sustainability governance oversight.

Stakeholders	Management Approach	Engagement Initiatives	Outcomes and Responses	Boundaries
Environment and Future Generations	Environmental Management System ("EMS"), environmental policy, EMS guidelines, waste recycling/management, Green campaigns, ISO 14001 certification	Internal awareness and education	Energy efficient lighting (e.g. LED), and digital filing and document to reduce paper consumption	All operations
Employees	Code of Conduct, fair employment practices, training and career development, flexible work policy, pension scheme, work health and safety framework	Staff communication sessions, staff feedback process and staff exit interviews	Work life balance programmes, training programmes, and employee benefits	All operations
Customers	Customer relationship management system, policies on quality assurance, data security for customer information, privacy policy, ISO 9001 certification, IATF 16949 certification	Customer feedback process, competitive benchmarking survey, customer data protection awareness and education program	Customer complaints and compliments, statistics, and product quality monitoring	All operations
Suppliers	Supplier selection and regular review process	Feedback and communication with suppliers through supplier performance review	Incident register and supplier engagement	All operations
Community	Selection of community initiatives in alignment with organization goals	CSR plan, awards and accolades	Increase visibility of the Company's CSR efforts	All operations

5.1 Protecting Our Environment for the Future Generations

5.1.1 Our approach

The Company is committed to maintain and enhance the adopted environmental policies and standards. We continually seek new and innovative ways to maintain the quality of our products and services and reduce the environmental impact, as it is our responsibility to protect the health and wellbeing of the future generations.



5.1.2 Reduction in carbon footprint

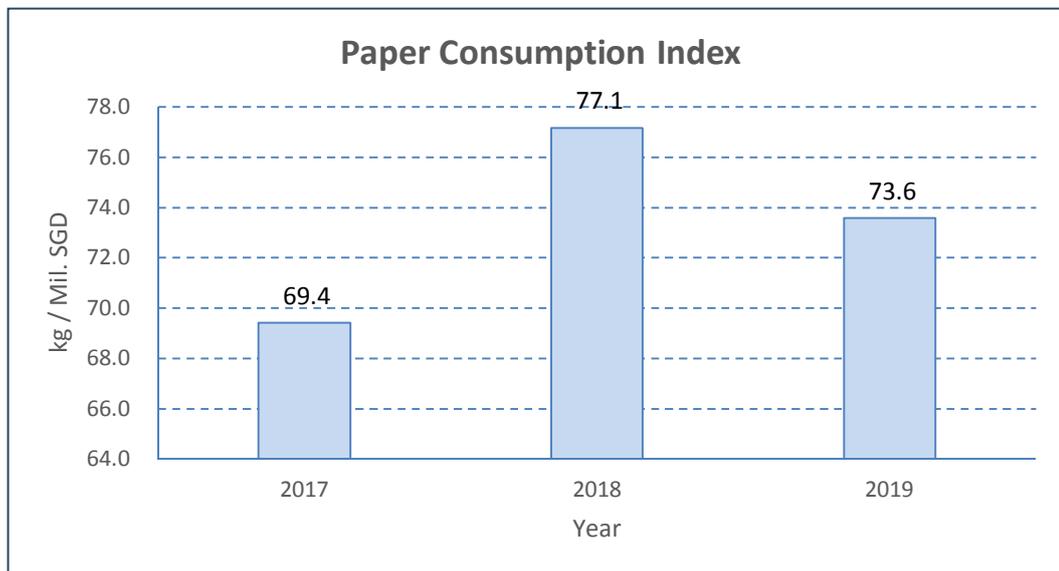
The Company recognizes that effective management and monitoring of the carbon footprint may potentially reduce operating costs, raise brand profile and increase stakeholder value. Our carbon footprint is measured in terms of GHG emission which is an absolute measure of the amount of carbon dioxide equivalent (CO₂e) emitted².

The Company targets to achieve an absolute improvement in GHG emission efficiency by 10% from the base, set in 2017, by 2030³. The GHG index continued to reduce from 75 in 2017 to 65 in 2019, a 13% reduction. Although emissions vary amongst differing business lines, environmental objectives of each business line have been aligned with the targeted emission improvements.

5.1.3 Reduction in paper consumption

All employees are encouraged to minimize paper wastage and adhere to the Internal Paper Usage Reduction Guidelines⁴. The Company targets to reduce paper consumption by 10% from the base, set in 2017, by 2030⁵. Although paper consumption varies amongst differing business lines, objectives of each business line have been aligned with the targeted consumption improvements.

The Company had a further 10.3% decrease in paper consumption in weight from FY2017 to FY2019⁶. Paper consumption index stands at 73.6 (kg/million SGD), which is a decrease of 4.6% as compared to FY2018 at 77.1 (kg/million SGD). We normalize the amount of weights of paper consumed by the amount of our revenues which we use as a proxy of the size of our activities. The paper consumption index is measured in kilograms per SGD million. The Company continues to promote the use of less paper and rely on digital reporting.



² The Company measures its GHG emissions via Scope 1 and 2 (insignificant direct and predominantly indirect respectively) but does not include Scope 3 (GHG emissions generated by suppliers).

³ Average GHG emission improvement per year is approximately 14.0%, in absolute quantity for the past two years.

⁴ For example, double-sided printing is set as a default, lower grammage paper is used for daily printing and drafts are printed on blank sides of unwanted single-sided papers. Waste paper from the Company is collected for recycling. Employees are encouraged to utilize digital documents to further reduce paper consumption.

⁵ Average paper reduction per year is approximately 5% in absolute quantity for the past two years.

⁶ 4,729 kg of paper in FY2019 and 5,275 kg in FY2017. The Company uses Forest Stewardship Council ("FSC") certified papers or those made from KHAN-NA.



5.1.4 Promoting green practices

The Company has adopted the ISO 14001 certification that specifies requirements for an effective environmental management system. This standard provides assurance to our management, employees and external stakeholders that these standards are adopted to minimize operations which may have a negative impact to the environment.

5.2 Caring for Our Employees

5.2.1 Our approach

People are the most valuable resource and an investment to the professional development is vital to the Company's business sustainability. The Company's goal is to establish positive work ethics amongst in employees, in line with the Company's core values and code of conduct. Such values are the foundation upon which the Company builds all its business initiatives and conducts its day-to-day activities.

A motivated workforce conveys a positive and powerful message to the Company's key stakeholders. By attracting, nurturing, empowering and rewarding our employees, we create a conducive environment for innovation and inspiration to flourish and boost our competitiveness. These commitments to our employees promote a corporate culture of passion, quality, excellence and trust within the organization, reflecting in the Company's ability to create value for our stakeholders.

Human Resource ("HR") management principles and policies are developed and established on fair employment practices with the goal of attracting, developing and retaining a robust motivated workforce. The Company's HR policies cover key areas such as remuneration, benefits, staff selection, career development and training. These policies are communicated to all employees through our comprehensive Employee Handbook regularly reviewed by our management. The Company constantly seeks feedback from our staff to ensure that our decisions are aligned as much as possible with their needs.

The Company's business operates in an environment comprises of diverse races, cultures and geographic locations. HR polices implemented across the organization takes into consideration of the prevailing laws and regulations, local culture, norms and racial sensitivity.

5.2.2 Employment practices

The Company's employment practices provide equal opportunities based on merits, comprehensive training and development. We regularly review employee's competency gaps and developments match their strength to the job requirements. Our performance-based reward scheme provides guidance and motivation to employees to perform to their potential, in line with the Company's objectives.

5.2.2.1 *The Tripartite Guidelines on Fair Employment Practices*

The Company proactively pursue and adopt best practices in HR management. HR practices are guided by the Singapore Tripartite Alliance⁷ for Fair and Progressive Employment Practices. The Tripartite Alliance formulated guidelines (covering recruitment, training, treatment and employees' rewards) on fair employment practice to be adopted by employers in Singapore.

⁷ Comprising of the Ministry of Manpower, Singapore National Employers Federation and National Trade Union Congress.



5.2.2.2 Communications

Effective communication across the organization is crucial to ensure the alignment of employee’s and organizational objectives. This is achieved through communication sessions with specific group of employees. Agendas covered at these sessions are customized to the employee’s targeted functional scope⁸.

5.2.2.3 Employee feedback

We value our employees’ expertise in their areas of responsibility and their feedback is important to the improvement of the overall management and operation of the organization. Through various established processes of employee engagement (such as employee objective setting, performance review and exit interview), the Company gathers valuable feedback from Employee Opinion Survey (EOS 2019) for continuous improvement of the organization.

Other feedback channels are available for areas relating to the specific business functions and the Company has also established a whistle-blowing policy on control and compliance issues. Feedback escalation procedures to the senior management are also in place.

5.2.2.4 Career development and training

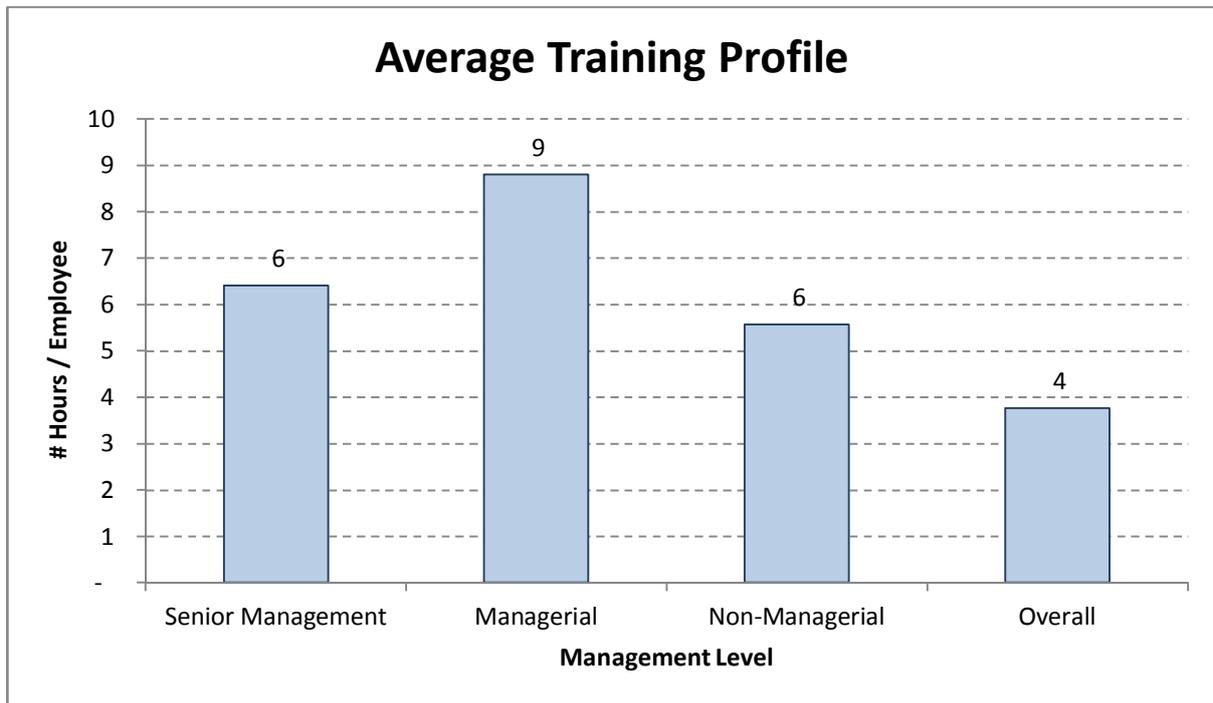
The Company recognises that consistent and ongoing education is critical to maintain a competitive, skilled, productive and motivated workforce. Employee career development and performance management are based on merits and contributing skill sets towards the organization’s objectives through objective settings and regular performance reviews. The Company continues to review and improve the people development and learning process in light of the changing business and operation environment.

The Company’s training programme covers a variety of business areas and cater to employees with different job scopes and skills set requirements. Core training curriculum and contents are developed and guided by well-established industry and international standards such as ISO 9100, ISO 14000 and IATF 16949. Specific training curriculums are developed on the specific requirements of the businesses. Training topics ranges from soft skills development (such as communication and leadership) to technical programmes (such as project management and office productivity tools).

In FY2019, each employee received an average of 4 training hours (as compared to 5 hours in FY2018). The Company recognizes that training requirements may vary depending on the level of management responsibility. Each senior manager registered an average of 6 hours of training while managerial and non-managerial staff received an average of 9 and 6 hours of training respectively. In light of the challenging business situation, we will defer learning opportunities and find other approaches to improve the skills competencies of our staff. We continue to revise our training curriculum and programme to align with organizational objectives and to strive for effectiveness and efficiency in our training approach.

Category	Training hours in FY2017	Training hours in FY2018	Training hours in FY2019
Senior Management	1	9	6
Managerial	10.5	14	9
Non-Managerial	5	6	6
Overall	3	5	4

⁸ For example, in monthly managers’ meeting, operational agendas such as leadership and operation issues may be discussed while at the quarterly sessions, high level topics include strategic business directions, new service launches, ongoing developments and key project reviews.



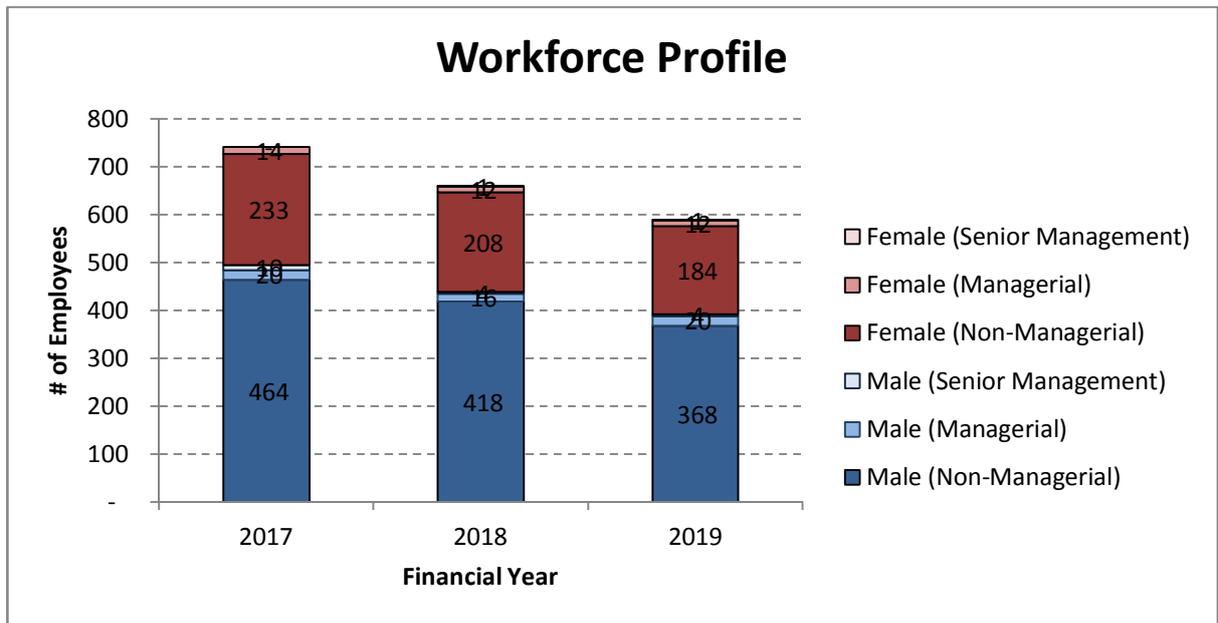
5.2.3 Workforce diversity

The Company’s business thrives on diversity as it leverages on a host of strengths and skills from a diverse workforce consisting of employees from various ethnic groups, religion, age and gender.

As at 31 December 2019, the Company has the following employment statistics:

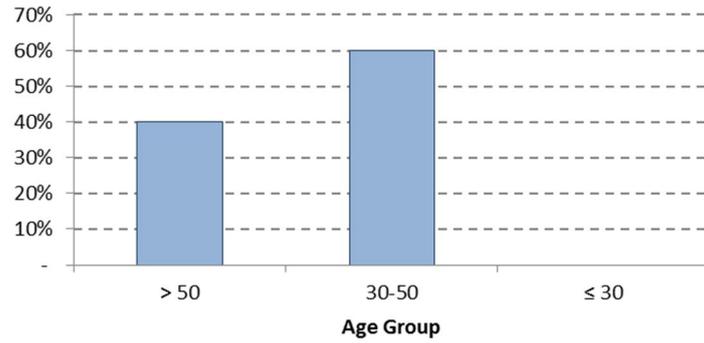
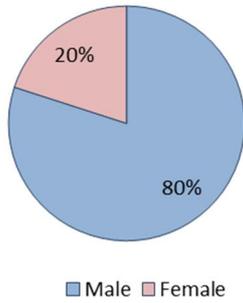
1. Total employee count: 392 male employees (67% of total employees) and 197 female employees (33% of total employees);
2. Employees in senior managerial function: 4 male employees (0.7%) and 1 female employee (0.2%)
Employees in a managerial function: 20 male employees (3%) and 12 female employees (2%);
3. Employees in a non-managerial function: 368 male employees (63%) and 184 females employees (31%);
4. Employees categorised by age:
 - a. Below 30 years old: 248
 - b. Between 30 to 50 years old: 313
 - c. Above 50 years old: 28

The male to female ratio of managerial and non-managerial positions are 5:3 and 2:1 respectively. All members of our senior management team, including general managers, directors and unit heads, are Singaporeans and Malaysian.

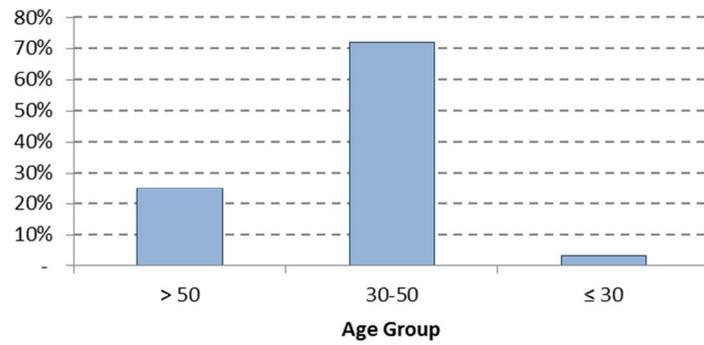
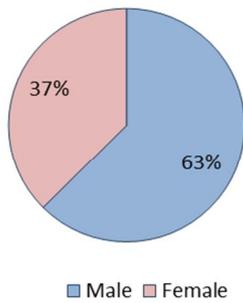




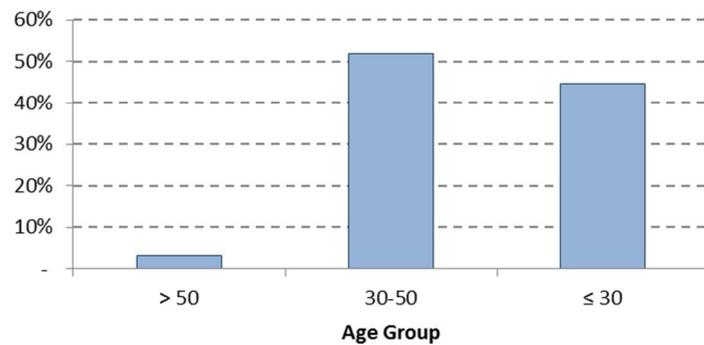
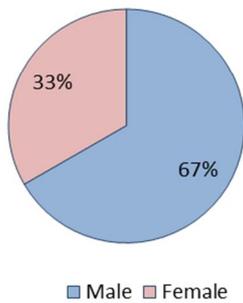
Senior Management



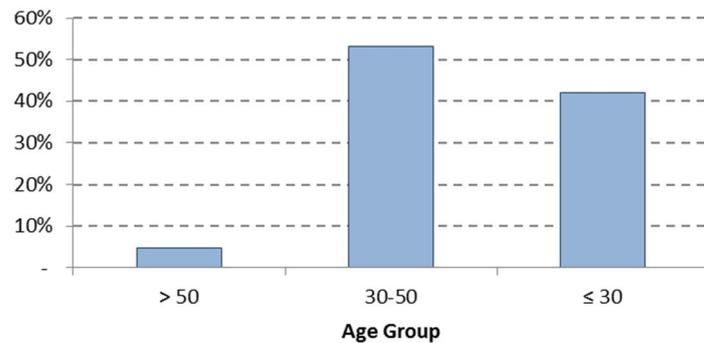
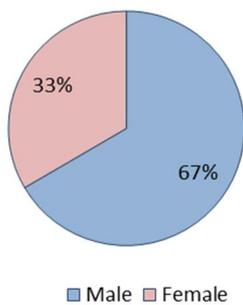
Managerial Staff



Non-Managerial Staff



Overall



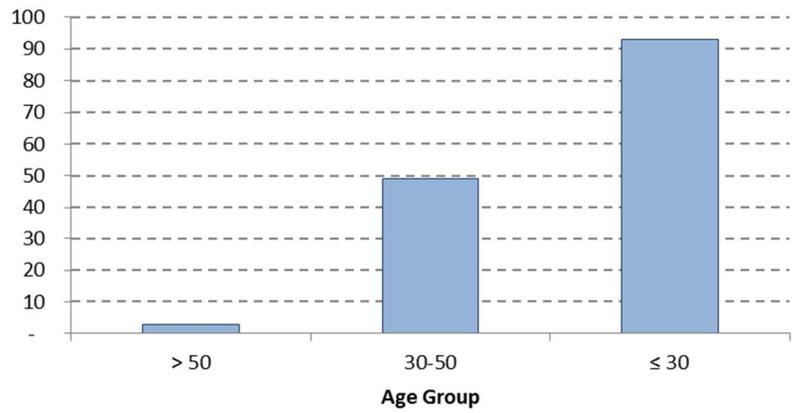
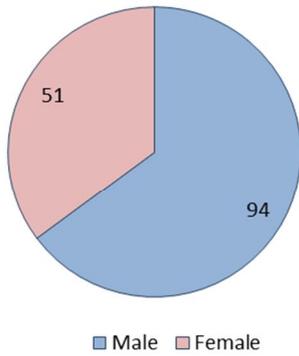


In FY2019, the Company hired a total of 145 new employees, while 421 employees resigned or were retrenched as part of the internal restructuring and cost cutting measures in the same period. This resulted in a net decrease of 276 employees from the workforce. Out of the new hires, 64% of the new employees are below 30, 34% are between 30 and 50 years old while 2% above 50 years old.

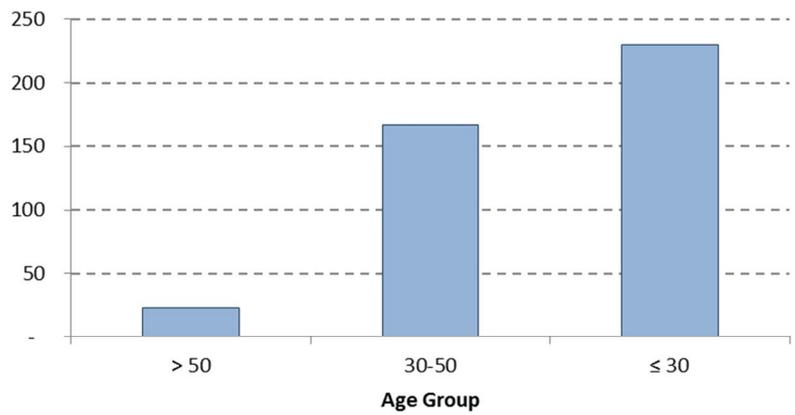
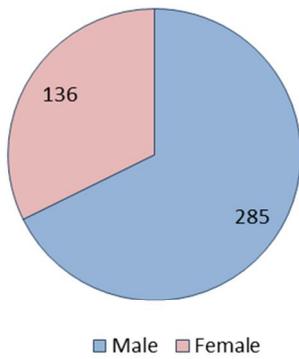
The gender ratio of new hires is 94 males to 51 female employees. For employees who resigned or were retrenched, 55% are below the age of 30, 40% between 30 to 50 years old and 5% above 50 years old. The gender ratio of employees who resigned or retrenched was 285 males to 136 female employees.



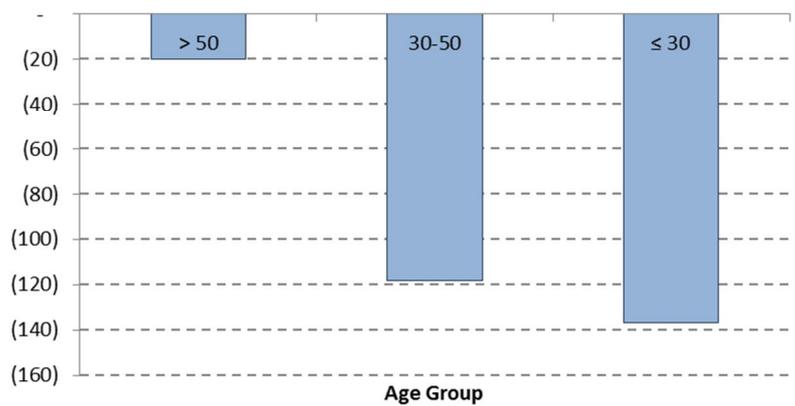
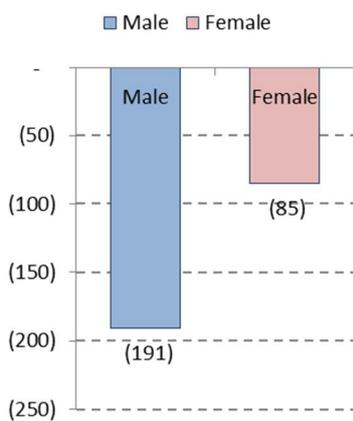
New Hire



Resignee



Net Employee Movement



The above data refers to the Number of Employees in each of New Hires, Resignee and Net Employee Movement.



External contracted companies such as cleaners and security guards working the Company's premises are not included in the head count.

The Company expects all contracted companies to share its core HR management practices. During the vendor selection process, the Company considers the vendor's HR management practices as one of the key selection and performance criteria. Regular review of the vendor's performance is conducted as one of the determining factors to continue the engagement of the service.

5.2.4 Employee benefits

All non-managerial employees in Singapore are covered by the Employment Act, which provides the basic employment terms and working conditions (such as contract requirements, remuneration, hours of work, overtime, rest days and annual leave entitlement).

In addition to the statutory benefits outlined in the Employment Act, we provide beyond-compliance-level benefits to our fulltime employees. Examples of these benefits include vacation, marriage and compassionate leaves.

5.2.4.1 Work-life balance

The Company recognizes that the well-being and contentment of its employees are pivotal to the success, business sustainability and performance. In support of employees to strike a work-life balance, the Company aims to create an environment that allows the harmony in their personal and professional life. The Company intends to adopt a flexible approach to work arrangements and offer programmes to support health and wellness.

We understand that the workplace could be stressful due to the competitiveness of our workforce and our business. To support our employees in their pursuit of excellence, we will launch various programmes and initiatives to balance their work with fun and develop an environment and culture of mutual support.

5.2.4.2 Retirement and healthcare

We have presence in various geographic locations where there are various local laws and regulations on pension and healthcare for employees. Our HR management practices comply with such laws and regulations. In Singapore, the Company participates in the Central Provident Fund ("CPF") personal savings scheme, which helps employees to fund their retirement, home ownership, healthcare and education. Under this scheme, monthly deductions from the employees' gross salaries are paid into their CPF savings accounts. The Company makes employer contributions to these accounts, according to the rates stipulated by the CPF Act. In addition to CPF contributions, the Company provide comprehensive medical coverage for all employees. In other countries such as China, Malaysia and Thailand where we have operations in, we abide by the respective countries' labour compensation regulations in this regard.

Please refer to www.cpf.gov.sg for more information on the CPF scheme and contribution rates.

5.2.5 Health and safety in the workplace

The Company is committed to workplace health and safety and take precaution to prevent occupational injuries among employees. We believe that optimum work conditions boost morale and increase employee's safety.



5.2.6 Individual rights

Respecting and protecting basic human rights is fundamental to all our operations and deeply ingrained in the Company's Code of Conduct. Labour rights, prohibition of discrimination & harassment, protection of privacy, prohibition of forced and child labour, workplace health & safety are strictly observed within the work environment. Discrimination and harassment of any kind is not tolerated by the Company.

We also respect our employees' rights to freedom of association as well as their membership of trade unions and other professional bodies.

In FY2019, 0% of our workforce was covered by a collective bargaining agreement; no incidents of forced labour, child labour or young workers were identified across the organisation, and no human rights-related grievances have been reported.

5.2.7 Data Safety and Privacy

Ensuring safety and privacy of our customers' data is of great priority to us. We have processes and controls in place for handling and communicating sensitive and confidential information of our customers such as contracts, customer orders and product delivery orders. Our information security policies ensure our customers' data are managed in accordance to the level of confidentiality. We strictly observe all local laws and internal regulations applicable to personal information protection.



5.3 Partnering Our Suppliers

5.3.1 Our Approach

As part of our ambition to realize sustainability throughout the Company's value chain, we extend the application of responsible business practices to the local partners and suppliers. We recognize that we are only at the early stages of our journey to integrate sustainable business practice throughout our supply chain and we commit in our pragmatic approach to continuous improvement. We aim to identify new opportunities for collaboration with our suppliers, gradually increase transparency and continue to build shared capacity to minimise our indirect environmental and social impacts.

5.3.2 Supplier Selection

The Company's key suppliers are selected through a supplier selection process, taking into account the financial health, quality of products & services and pricing competitiveness and overall sustainability policies adopted. The final decision is based on the overall assessment, taking a balanced view over the selection criteria.

5.3.3 Supplier Review

The Company regularly reviews the performance of key suppliers to determine whether to extend our partnership with them. During the key supplier review process, the Company engages with key suppliers to communicate our expectations and provide mutual feedback. Such review process ensures alignment of our key suppliers' services and products to our business and sustainability objectives through pragmatic and continuous improvement in our partnership with our key suppliers.



5.4 Supporting for Our Community

5.4.1 Our Approach

We provide support to the communities. The key motivation driving all our community engagement initiatives is to enable and empower young people. By supporting young people today and helping to educate them about the world they are to inherit, our goal is to benefit not only the current generation, but also the next. We welcome school educational visit to our plant and support student internship and attachment where appropriate.

We also recognize that meeting the needs of today's youth goes beyond their own education, security and well-being, extending to that of their families, homes and neighbourhoods as well. To this end, our engagement programmes also encompass financial and practical support in carefully selected communities, through fundraising and voluntary activities.

Our community initiatives are selected according to how closely they are aligned with our own community engagement goals of "enabling and empowering young people", the anticipated staff participation rate, and the tangible impact on the beneficiary. Separately, we will also engage on other community initiatives on an ad hoc basis. All our business units and some of our channel partners are involved in our community engagement programmes.

The culture and spirit of giving back to our society are ingrained into our business visions, and reflected our commitments under our various brands.

5.4.2 Our Community Initiatives Highlight

5.4.2.1 Community Initiative

On 24 September 2019, our Thailand subsidiary organised a visit to the Elder Foundation, Uncle Sanit's House, at Ratchaburi. It is a home for caring of the elderly who are homeless and without relatives. It has been in operation for over 30 years. A total of 16 of our staff attended and helped in the event, spending a total of 32 hours. We donated groceries like biscuits, milk powder, diapers for the elderly, cleaning liquid, floor cleaners and soap. Total cost and donation amounted to about S\$2,309.

Our Thailand subsidiary also participated in a community Panthurat Charity Run event on 25 August 2019.

Our staff in Malaysia visited Xi Le Er Special Childcare Centre on 14 June 2019, a home for handicapped and mentally disadvantaged children. 6 staff participated in the visit. Our donation to the childcare centre amounted to S\$1,514 in cash, together with some groceries.

On 21 October 2019, 7 of the staff in our Singapore Office visited Geylang East Home for the Aged. The staff joined the old folks for clay-making and painting session. We donated S\$2,150 in cash and some groceries. In addition, we also donated S\$3,000 to a local temple for charitable cause.



Elder Foundation (Uncle Sanit's House), Thailand



Panthurat Charity Run Event, Thailand





Xi Ler Er Special Children Care Centre visit, Johor Bahru, Malaysia



Geylang East Home for the Aged, Singapore





6 PERFORMANCE TABLE

6.1 Energy Usage and CO₂ Emissions

Direct and indirect CO₂ emissions in GHG emissions are measured in tonnes (t-CO₂) and kilowatt hours (kWh), from electricity and fuel consumed. The electricity and fuel we purchase are both from non-renewable sources.

Our business and function grow over time, and the GHG emissions and electricity consumption vary. To ensure consistency and comparability of the GHG emission and electricity consumption measures over time, we create a GHG emission index and electricity consumption index for our performance monitoring. The index adjusts the GHG emissions and electricity consumption for the size of our activities. We normalize the amount of GHG emissions and electricity consumption by the amount of our revenues which we use as a proxy to the size of our activities. The GHG emission index is measured in t-CO₂ per SGD million and the electricity consumption index is measured in kWh per SGD million.

	Performance	Performance	Performance	Target
	FY2017	FY2018	FY2019	FY2020
GHG Emission Index (t-CO ₂ / million SGD)	75.05	75.98	64.96	65.20 (reduce by 0.8% per year)
Electricity Consumption Index (kWh /million SGD)	120,763	117,481	107,322	107,446

FY2019 Performance

For performance tracking purpose, we had set FY2017 data as our base for our performance tracking towards our 2030 goals.

As for FY2019, the GHG Emission Index registered a reduction of 14.5% and Electricity Consumption Index registered a reduction in quantity of 8.6% from 2018. We will continue to look for opportunity and cost-benefit solution, for example, exploring the use of alternative and complimentary power sources.



6.2 Paper Consumption

We captured the data for paper consumption by how many reams of paper used where one ream is equivalent to 500 sheets of paper. To ensure consistency and comparability across various paper sizes, such as A3 and A4 papers, we measured the paper consumption by the weight of paper used which is adjusted for the various sizes and quality of papers.

Our business and function grow over time and the paper consumption patterns vary. We devise a paper consumption index for our performance monitoring. The index adjusts the paper consumption for the size of our activities. We normalize the amount of weights of paper consumed by the amount of our revenues which we use as a proxy of the size of our activities. The paper consumption index is measured in kilograms per SGD million.

	Performance	Performance	Performance	Target
	FY2017	FY2018	FY2019	FY2020
Total Weight of Paper from KHAN-NA or Forest Stewardship Council (FSC) Paper Consumed (kg) (%)	5,275 100%	5,020 100%	4,729 100%	4,720
Paper Consumption Index (kg / million SGD)	69.40	77.15	73.56	72.55

FY2019 Performance

For performance tracking purpose, we will use FY2017 data as our base for our performance tracking towards our 2030 goals, with an annual decrease of 0.8%.

In FY2019, the Paper Consumption Index decreased by 4.6% with a reduction in usage quantity in kg by 5.8%, despite with a slight reduction in sales. More effort needed to reduce usage through closer monitoring and improving in processes, for example, we had been using our computer notebooks in meetings and in e-reporting. We have also switched from 80g paper to 70g paper, with some cost reduction.



6.3 Employment Profile

FY2019 Performance

In FY2019, Men-to-Women ratios in managerial positions and non-managerial positions stand at 5:3 and 2:1 respectively. This indicates an increase for Managerial category with a ratio of 1.67 compared to 1.33 in 2018 due to more hires in the planning and production sections. The non-managerial ratio, 2:1, stayed the same as our technical manufacturing industry traditionally had more male participation.

6.4 Employees Engagement and Training

	Performance			Target
	FY2017	FY2018	FY2019	FY2020
Average Training Hours per Employee	2.9	4.6	3.7	4.1

FY2019 Performance

For performance tracking purpose, we will use FY2017 data as our base for our performance tracking towards our 2030 goals.

For FY2019, the average training hours per employee registered at 3.7, with lesser staff sent for training and some work shutdown at our Thailand and China factories towards the last quarter of the year. Managerial staff recorded a reduction of 26% in training hours, due to the ramping up of production in the second quarter of 2019. We will continue to provide for staff learning opportunities in upskilling, generic skills and personal development.



6.5 Customer Feedback

		Performance			Target
		FY2017	FY2018	FY2019	FY2020
Customer	Satisfaction	50%	60%	42.9%	46.2%
Index					

FY2019 Performance

For performance tracking purpose, we will use FY2017 data as our base for our performance tracking towards our 2030 goals.

For FY2019, the Customer Satisfaction Index indicated a 42.9% satisfaction rate. One of the Company's values is "Commitment" and we never stop driving customer centricity and employee commitment in order to deliver quality products and services. Because of some quality issues regarding soldering and surface treatment in the second half of 2019, the number of complaints had increased. We take customer complaints seriously and as a learning opportunity to correct the variances to ensure quality and meeting the specifications.



6.6 Supplier Screening Using Environmental Criteria

Since FY2018, we have started evaluation of key suppliers for sustainability criteria. Following is the evaluation for FY2019:

Environment Protection Management	
ISO14001EMS established or not (attach EMS organization chart)?	Yes, EMS in place from 8 October 2018
What are the major pollution sources? How to control? (state with attached pages)	No reported incidents
Any self-made environment rules and regulations? (state with attached pages)	Under review process
Are there any environment protection equipment and facilities? And environment performances? (state with attached pages)	Work in progress to improve related facilities.
Is "three simultaneous" system implemented? (attach "three simultaneous" report)	Yes, already in the Supplier evaluation form, put into practice
Any punishment by the local environment protection bureau?	No reported cases
Company has a Sustainability Policy in place to govern company's sustainability initiatives? State: Yes/No	No, drafting in progress



6.7 Community Contribution

FY2019 Performance

Date	Location	Activities/ Visits	Number of Staff Participation	Donation (S\$)
14 June 2019	Malaysia	Xi Ler Er Special Children Care Centre	6	1,514
25 August 2019	Thailand	Panthurat Charity Run	16	N.A.
24 September 2019	Thailand	Elder Foundation, Uncle Sanit's House	16	2,309
15 June 2019	Singapore	Temple Charity fund	N.A.	3,000
21 October 2019	Singapore	Geylang East Home for the Aged	7	2,150

In FY2019, we made a total donation of S\$8,973 in cash and in kind. Please refer to section 5.4.2.1 of this report for further information on our community initiative.



7 GRI CONTENT INDEX

This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards Core option. We did not seek external assurance for this report.

N.B.: AR = Annual Report, SR = Sustainability Report (i.e. this report)

GRI Reference	Disclosure	Reference/Description	
General Standard Disclosure			
Organization Profile	102-1	Name of the organization	<i>Metal Component Engineering Limited</i>
	102-2	Activities, brands, products, and services	<i>AR Page 1</i>
	102-3	Location of headquarters	<i>AR Page 2</i>
	102-4	Location of operations	<i>SR Section 2.1</i>
	102-5	Ownership and legal form	<i>AR Page 144</i>
	102-6	Markets served	<i>AR Page 99</i>
	102-7	Scale of the organization	<i>AR Page 3, 7, 8</i>
	102-8	Information on employees and other workers	<i>SR Section 5.2.3</i>
	102-9	Supply chain	<i>SR Section 5.3.1, 5.3.2, 5.3.3</i>
	102-10	Significant changes to the organization and its supply chain	<i>No significant changes</i>
	102-11	Precautionary principle or approach	<i>SR Section 3.2, 3.3, 4, 4.1, 5, 5.1.1, 5.2.1, 5.3.1, 5.4.1, 5.5.1</i>
	102-12	External initiatives	<i>SR Section 4.4</i>
Strategy	102-14	Statement from senior decision-maker	<i>SR Section 1</i>
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	<i>AR Pages 4, 13-37 (Corporate Governance Report), SR Section 3.1, 3.3</i>
Governance	102-18	Governance structure	<i>AR Pages 11-38 (Corporate Governance Report), SR Section 5.3, 5.3.1, 5.3.2, 5.3.3</i>
Stakeholder Engagement	102-40	List of stakeholder groups	<i>SR Section 5, 5.1, 5.2, 5.3, 5.4, 5.5</i>
	102-41	Collective bargaining agreements	<i>SR Section 5.2.6</i>
	102-42	Identifying and selecting stakeholders	<i>SR Section 5</i>
	102-43	Approach to stakeholder engagement	<i>SR Section 5</i>
	102-44	Key topics and concerns raised	<i>SR Section 4.2, 5</i>
Reporting Practice	102-45	Entities included in the consolidated financial statements	<i>AR Page 99</i>
	102-46	Defining report content and topic boundaries	<i>SR Section 2.1, 2.2, 2.3</i>
	102-47	List of material topics	<i>SR Section 4.2</i>
	102-48	Restatements of information	<i>None</i>
	102-49	Changes in reporting	<i>None</i>
	102-50	Reporting period	<i>SR Section 2.1</i>
	102-51	Date of most recent report	<i>31 May 2019</i>
102-52	Reporting cycle	<i>Annual</i>	



GRI Reference		Disclosure	Reference/Description
	102-53	Contact point for questions regarding the report	SR Section 2.4
	102-54	Claims of reporting in accordance with the GRI Standards	SR Section 2.2
	102-55	GRI content index	SR Section 7
	102-56	External assurance	We did not seek external assurance for this SR.
Economic			
Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	SR Section 5.1.4
	201-3	Defined benefit plan obligations and other retirement plans	SR Section 5.2.4.2
Anti-corruption	205-1	Operations assessed for risks related to corruption	SR Section 4.2
	205-2	Communication and training about anti-corruption policies and procedures	SR Section 3.3
	205-3	Confirmed incidents of corruption and actions taken	None.
Anti-competitive Behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None.
Environment			
Energy	302-1	Energy consumption within the organization	SR Section 5.1.2
	302-4	Reduction of energy consumption	SR Section 5.1.2, 6.1
	302-5	Reductions in energy requirements of products and services	SR Section 6.1
Emissions	305-1	Direct (Scope 1) GHG emissions	SR Section 5.1.2, 6.1
	305-2	Energy indirect (Scope 2) GHG emissions	SR Section 5.1.2, 6.1
	305-3	Other indirect (Scope 3) GHG emissions	SR Section 5.1.2, 6.1
	305-5	Reduction of GHG emissions	SR Section 5.1.2, 6.1
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	None.
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	SR Section 5.3.3, 6.6
Social			
Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR Section 5.2.4
	401-3	Parental leave	SR Section 5.2.1 5.2.2.1, 5.2.4
Labour/Management Relations	402-1	Minimum notice periods regarding operational changes	SR Section 5.2.2.2
Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	SR Section 5.2.5
Training and Education	404-1	Average hours of training per year per employee	SR Section 5.2.2.4, 6.4



GRI Reference		Disclosure	Reference/Description
	404-2	Programs for upgrading employee skills and transition assistance programs	SR Section 5.2.2.4, 6.4
	404-3	Percentage of employees receiving regular performance and career development reviews	SR Section 5.2.2.1 5.2.2.4, 6.4
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	SR Section 5.2.3
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	<i>No incident has been reported.</i>
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	<i>None.</i>
Human Rights Assessment	412-2	Employee training on human rights policies or procedures	SR Section 5.2.2.1, 5.2.6
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	SR Section 5.3.1, 5.3.2, 5.3.3, 6.6
Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<i>None.</i>
Marketing and Labelling	417-2	Incidents of non-compliance concerning product and service information and labelling	<i>None.</i>
	417-3	Incidents of non-compliance concerning marketing communications	<i>None.</i>
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<i>None.</i>
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	<i>None.</i>

This sustainability report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report, including the correctness of any of the statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.