



ASIA ENTERPRISES HOLDING LIMITED

# 2017 Sustainability Report

# CORPORATE PROFILE

Asia Enterprises is a major distributor of a comprehensive range of steel products to industrial end-users in Singapore and the Asia-Pacific region.

With operating history dating back to 1973, Asia Enterprises boasts a wide range of products that is complemented by its value-added services to offer 'one-stop' solutions and just-in-time delivery to its customers. Today, the Group has a ready inventory consisting of more than 1,200 steel products that it supplies to over 700 active customers involved primarily in marine and offshore, oil and gas, construction, engineering and fabrication, as well as manufacturing industries. Particularly, the Group has forged a strong reputation as a reliable distributor of

steel products to the marine and offshore industries.

Asia Enterprises presently operates three facilities in Singapore – two warehouses and a steel processing plant-cum-warehouse with a total combined land area of 45,934 square metres, including a newly completed double-storey warehouse with a three-storey ancillary office. To complement its steel distribution business, the Group also provides precision steel processing services through a joint-venture with Marubeni-Itochu Steel Inc.

The Group was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 1 September 2005.

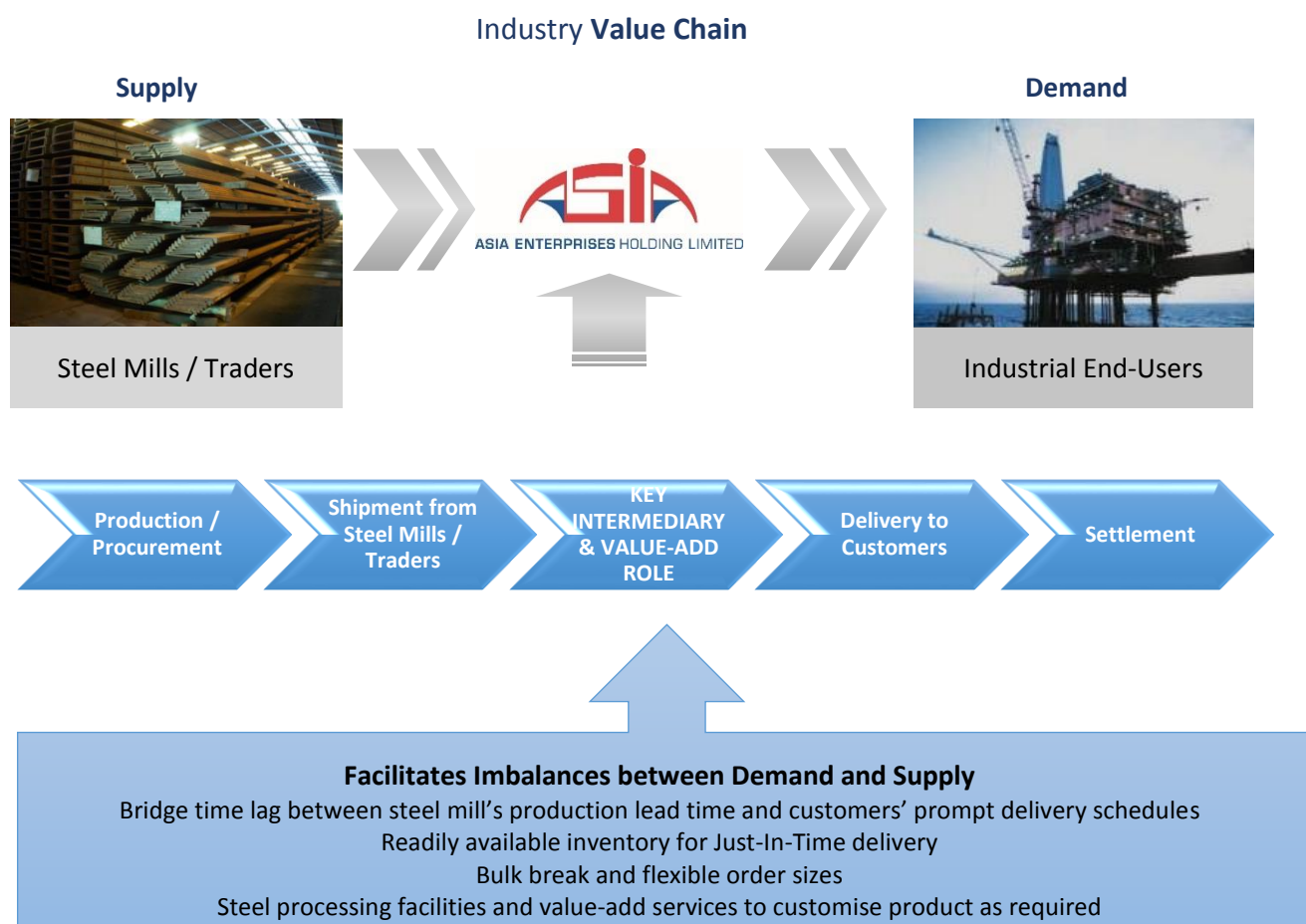
# OUR BUSINESS

As a steel distributor, Asia Enterprises' key role is to bridge the gap and facilitate imbalances of demand and supply of steel products between steel mills and industrial end-users.

The majority of industrial end-users typically purchase a large variety of steel products in relatively small quantities and require intermittent deliveries that are made promptly or on a just-in-time basis. Steel producers, on the other hand, manufacture a limited variety of products, require minimum order sizes of

substantial quantities and have long production and shipment lead times.

As a crucial link between steel producers and steel users, we source and procure steel products in large quantities and comprehensive varieties. Through efficient and effective deployment of financial, human and logistics resources, we have the capability to provide readily available inventory in flexible order sizes, with customization and value-added services where required, to industrial end users.



# SUSTAINABILITY REPORTING

This first Sustainability Report covers the period from 1 January to 31 December 2017.

## BOARD STATEMENT

Asia Enterprises Group recognizes the importance of and seeks continuous improvement to the sustainability of our business. The Board regularly conducts reviews of the business environment that we operate in and considers sustainability issues as an integral part of its formulation of the Group's strategy.

On a day-to-day basis, the Management monitors and oversees the sustainability execution and efforts of the Group, and makes regular reports directly to the Board.

Over and above the financial reports which track the financial health of the Group, the Sustainability Report is intended to provide supplementary information on the Group, with a focus on material economic, environmental, social and governance ("EESG") factors that impact the business now and in the future. Taken together, the combined financial and sustainability reports provide a holistic assessment of the business environment and the quality of management of Asia Enterprises.

## SCOPE OF REPORT

This report is prepared in accordance with SGX-ST Listing Rules 711a and 711b – Sustainability Reporting Guide. The structure is oriented towards the Global Reporting Initiative ("GRI") Standards 2016: Core Option issued by the Global Sustainability Standards Board.

In line with our approach of integrating sustainability into our operations, we aim to periodically gather feedback and suggestions from our stakeholders and perform a structured process of materiality assessment to identify, rate, prioritise and validate sustainability risks and opportunities.

Data provided for FY2017 will form a baseline upon which our subsequent reporting will make comparison. We will continue to refine the quality of our data collection to enhance subsequent reporting and transparency going forward.

More information on our risk management can be found in the Risk Management section (pages 23-24) of our Annual Report 2017 ("AR 2017").

The disclosures taken into account can be found in the GRI Content Index starting from pages 16 to 19 of this report.

The table below summarises our approach to stakeholder engagement:

Key Stakeholder	How We Engage Them	Key Topics and Concerns Raised
<b>Customers</b>	Regular visits, meetings, phone calls and e-mails	<b><u>Economic</u></b> 1. Financial performance 2. Product quality 3. Inventory holding and credit management 4. Fluctuations in steel prices 5. Fluctuations in foreign exchange rates 6. Cyclical movements in industries that our customers operate  <b><u>Environment</u></b> 7. Electricity and water conservation, waste management 8. Climate change  <b><u>Social</u></b> 9. Health and safety 10. Wage and hiring 11. Training and development 12. Work-life balance  <b><u>Governance</u></b> 13. Regulatory compliance and corporate governance 14. Succession planning 15. Threat of cyber-attacks 16. Business conduct and ethics
<b>Suppliers</b>	Regular meetings, phone calls and e-mails	
<b>Employees and Directors</b>	Department meetings, company events, phone calls, e-mails and performance appraisals Board, Audit Committee, Remuneration Committee and Nominating Committee meetings	
<b>Shareholders and Financial Community</b>	Annual general meetings, results briefing sessions, roadshows, investment seminars, open house	

## Materiality Assessment

Our materiality definition is guided by GRI Standards 2016. Material sustainability factors are defined as those that:

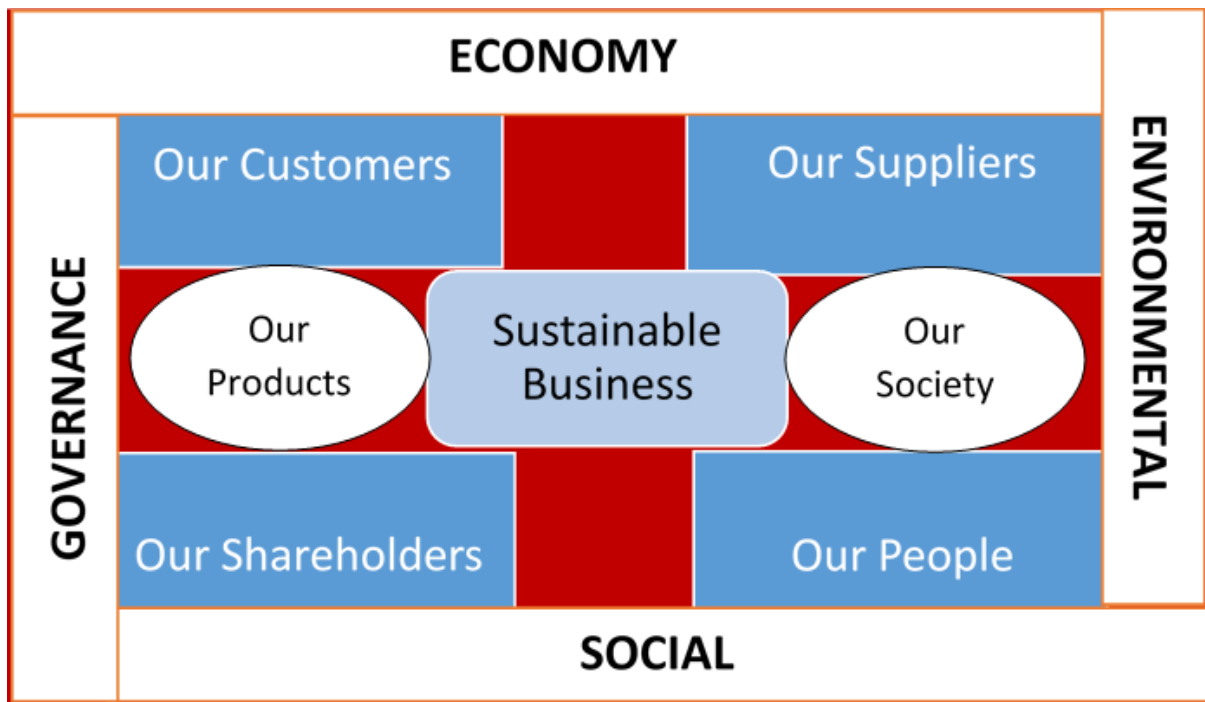
1. reflect significant economic, environmental, social and governance impact on Asia Enterprises; and/or
2. substantively influence the assessments and decisions of stakeholders

The material sustainability factors are ranked accordingly in the Material Factors Matrix as follows:-

**Material Factors Matrix**

Influence on Stakeholder assessment and decisions	High			Economic Factors
	Medium		Governance Factors	Social Factors
	Low	Environmental Factors		
		Low	Medium	High
<b>Significance of Material EESG Factors Impact on Asia Enterprises</b>				

For our first report, we have identified, rated, prioritised and validated the following material sustainability factors:-



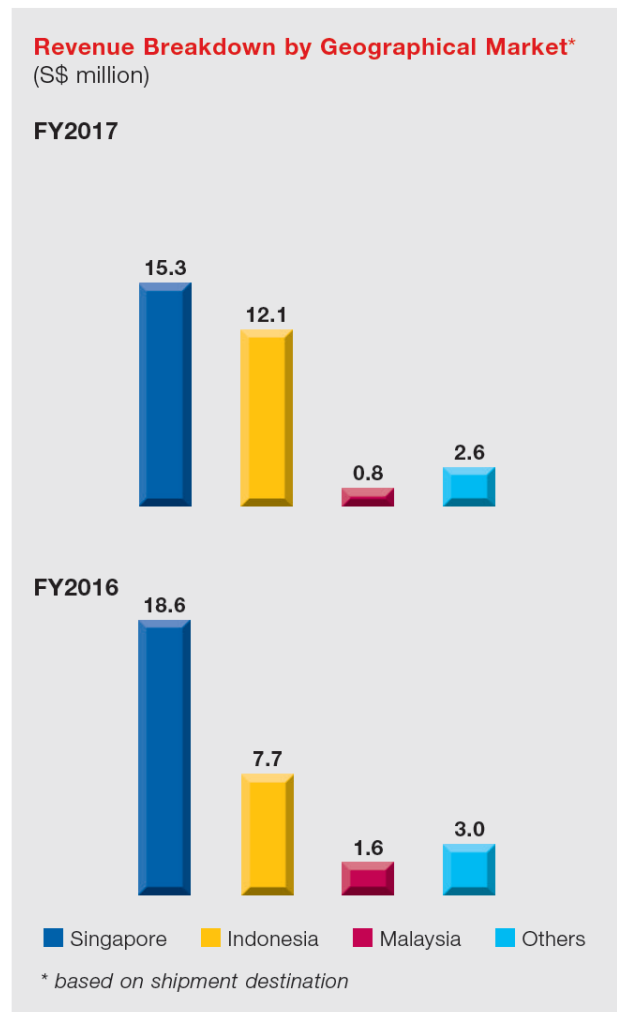
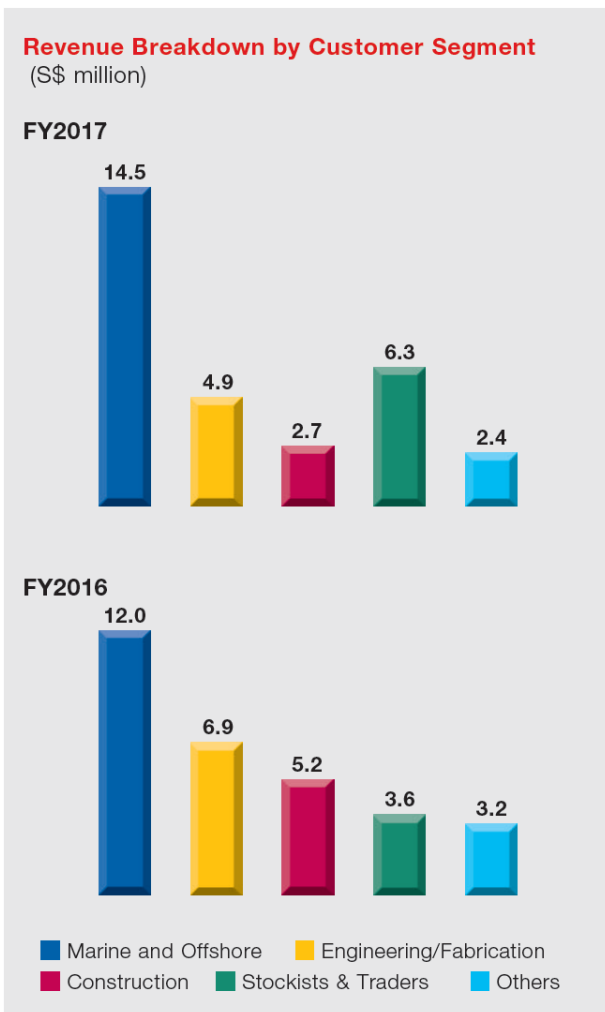
## OUR CUSTOMERS

Over the past 45 years, we have established a diverse pool of more than 700 active customers in the Asia-Pacific region, with Singapore, Indonesia and Malaysia being the primary destinations of our products. Operating out of Singapore, we are able to capitalize on the island state's status as a major transshipment hub which allows us unrivalled connectivity to every major port in the world.

We distribute our products to industrial end-users engaged in businesses such as marine and offshore, oil and gas, construction, engineering/fabrication as well as manufacturing industries. While we are not reliant on any single customer, we do have a higher concentration of revenue generated by customers from the marine and offshore segment.

Through regular and close collaboration with our customers, we have built a good understanding of their business requirements. As a result, our Group is able to formulate optimal solutions that help our customers to achieve their goals.

We commit to supplying our customers with high quality products on time, every time. The partnerships we forge with our customers is built on trust, respect and mutual benefit.

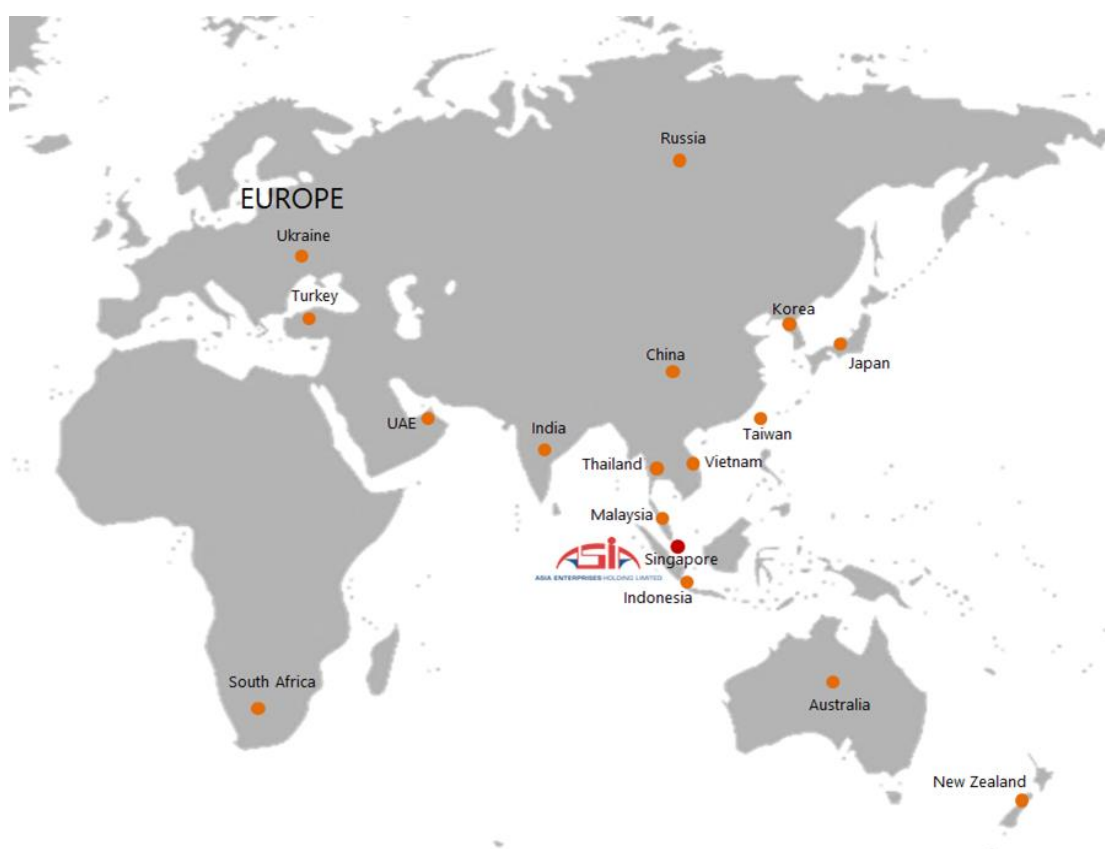




## OUR SUPPLIERS

We source our products from major steel mills worldwide, directly or through international steel traders. We purchase carbon steel plates, profiles, beams, pipes and coils globally. Over the past 45 years, we have established close working relationships with these suppliers. Our strong rapport with them provides us with timely access to critical industry trends and information, competitive prices for quality products and timely delivery of products. We also share feedback from customers with our suppliers to help them improve subsequent product offerings.

We expect our business partners to conform to acceptable social and environmental standards. Our Code of Conduct forms the basis for our contracts with our suppliers and we regularly assess their contractual performance.





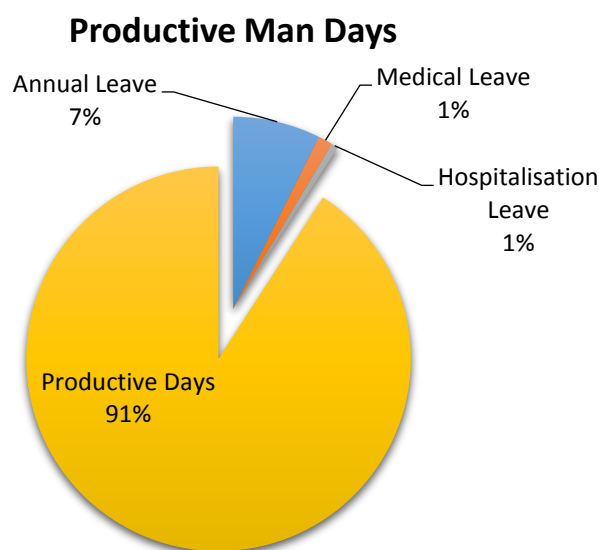
## OUR PEOPLE

We operate out of Singapore. Our colleagues form the core of our organization and are fundamental to our business success. Our Board comprises professionals with legal, financial and business experience. The sustainability of our business is attributable to the efforts of our experienced and committed Board, management team and colleagues. Our years of operation have enabled us to build a wealth of experience and extensive product knowledge, as well as a good understanding of the industries in which our customers operate.

We aim to provide a working environment that is safe, fair, compassionate, supportive and stimulating for our colleagues. Our goal is for everyone in our Group to realise their full potential and contribute positively to the society and our organization.

### Health and Safety

To elevate the importance of workplace safety and to sustain a high level of safety awareness, we implemented OHSAS 18001:2007 occupational health and safety management system in 2012 with accreditation by Lloyds. With clear guidance on safety measures, we aim to maintain a clean record for workplace accidents.



### Fair Employment

We do not condone any personal discrimination based on nationality, age, gender or religion and support the growth of a fair and inclusive workplace. We continue to engage employees who reach statutory retirement age in our workforce for as long as they can contribute to the Group.

We aim to provide comprehensive compensation for all our colleagues and follow fair employment practices. As part of our hiring and retention strategy, we identify, recognize, remunerate and reward quality employees based on their merits and performances. Over and above statutory provisions, we also reward our colleagues for their commitment and service with special bonuses when they reach their tenth, twentieth, thirtieth and fortieth anniversaries of service with the Group.

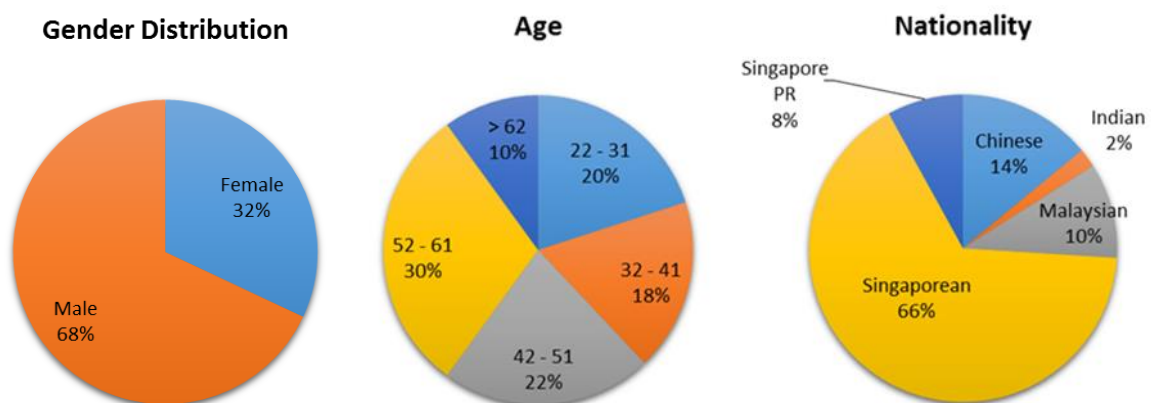
## Training and Development

We believe in continuous improvement of skills and capabilities so as to maintain high levels of productivity and quality of our services. We encourage on-the-job training and the attendance of externally conducted courses and seminars. Going forward, we hope to implement a more structured training and development programme for the different functional roles of our employees.

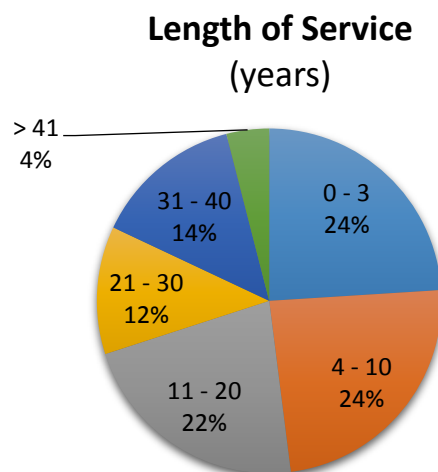
FY 2017	
Average Training Hours per Employee	3.04

## Diversity and Equality

While we operate in a male dominant industry, we have secured significant female representation in our workforce, management team and Board. We embrace gender diversity and equal opportunities in our non-discriminatory organization, where remuneration is ascertained based on the individual's work performance and not on gender.



As a testament to our efforts, we have high staff retention with 52% of our colleagues having worked in the Group for more than 10 years.



The Board, which comprises members with diverse skill sets, meets regularly to receive updates on significant governance, economic and financial issues. The Board also actively discusses and deliberates strategies for the Group. Please refer to AR 2017 – Board of Directors and Executive Officers (pages 5-6).

## OUR SHAREHOLDERS

We are a publicly traded company and have over 1,000 shareholders. We communicate regularly with our shareholders and the wider investing community via public announcements on SGXNet and our corporate website, general meetings, investment seminars and briefings and company visits. Financial announcements and presentations are uploaded to our website in a timely manner. We actively encourage open communication with the investing community.

### Corporate Governance

The Management is vigilant in ensuring that the Group strictly complies with all relevant legal and regulatory requirements, as well as the Group’s operating policies and procedures. There have been no reports or notifications in relation to any material non-compliance of the Group since its listing in 2005.

The Board is committed to upholding high standards of corporate governance, accountability and transparency, as guided by the Code of Corporate Governance, to protect and enhance the interests of shareholders. Please refer to our AR 2017 - Corporate Governance Report (pages 9-22).

In the Singapore Governance & Transparency Index (“SGTI”) 2018, the Group’s ranking improved to 100 from 309 in the SGTI 2017, with a higher score of 71 points compared to 50 points previously.

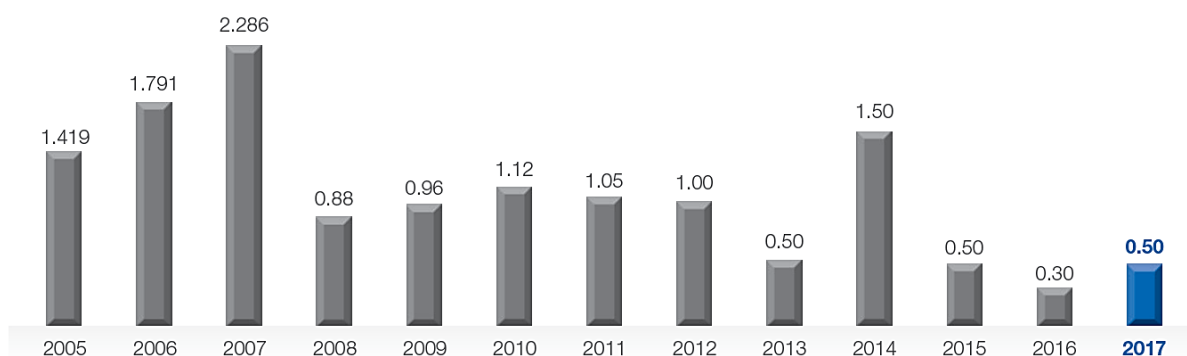
The SGTI is prepared by the Centre for Governance, Institutions and Organisations (“CGIO”) established by the National University of Singapore, Business School since 2010. SGTI 2018 assessed 589 companies based on their annual reports for Financial Year 2017 released by 31st May 2018.

	FY 2017	FY 2018
Overall SGTI score	50	71
Overall SGTI ranking	309	100

### Financial Performance

The Group’s economic performance is pivotal to our ability to continue as a going concern and is of the utmost importance. We are committed to ensuring that our shareholders are rewarded financially for their investment in the Group. The Group has been consistently distributing dividends to shareholders. In the last 12 years, the Group has consistently paid an annual dividend representing at least 40% of its yearly earnings.

### Dividend Payments (cents per share)



## OUR PRODUCTS AND SERVICES

The sustainability of our economic performance hinges upon our ability to provide products and services that continue to be relevant to the market.

Steel is a basic commodity with a wide spectrum of applications due to its durability, strength, versatility and relatively low cost. It is used in the construction of homes, buildings, road, bridges, in transportation in the form of ships, vehicles, trains, containers, in home appliances and telecommunication equipment etc. Once produced, steel is infinitely recyclable without any loss of its inherent properties. It is **the** most recycled and recyclable material on earth.

Steel is produced to different grades and qualities. Due to the discerning requirements of our customers, we practice responsible sourcing from a network of established and reliable steel mills. These suppliers not only produce material that conforms to international standards but also do so in an economically competitive, socially and environmentally responsible manner.

### Product Quality

Depending on our customers' requirements, the products that we supply conform to the requirements set forth by international accredited standards such as European Standards (EN), American Society for Testing and Materials (ASTM), Japanese Industrial Standards (JIS) and American Bureau of Shipping (ABS).

### Quality Assurance

We enforce strict quality controls by inspecting and checking all steel materials upon receipt and before delivery to customers. As an additional quality assurance to our customers, our inventory management and steel service operations system is certified to ISO 9001:2015 quality management system. All products are traceable to their respective sources and are accompanied with test certificates issued by the producers. Where possible, we procure from steel mills that have qualified factory production control systems attested by an independent third party certification agency.

## Value-added Services

As a supplementary service to our customers, we also operate a steel service centre that customizes hot rolled, cold rolled, electro galvanized and hot-dipped galvanized steel coils into specific dimensions for our customers' production needs. Where required, we engage third party contractors to provide further value-added services as required by our customers.

## Inventory Holding

The Group's storage facilities comprise of three covered warehouses which have a combined land area of 45,934 square metres. Our steel products are stored in these covered warehouses to protect them against weathering elements which maintains their quality and lifespan. We also operate a fleet of prime movers, trailers and trucks which takes care of our day-to-day delivery needs. We use SAP Business One as an enterprise resource planning tool.

Our capital investment in warehousing, logistics and processing facilities enable us to maintain a wide variety of steel products for prompt delivery to our customers. It frees our customers from the need to invest in space, equipment and the financial burden of holding inventory.



## **OUR SOCIETY**

We recognize the importance of attaining high standards of responsibility to the society at large and to manage the impact of our business to the environment and community. We aim to continuously contribute to society, to support and assist the less fortunate, to improve their quality of life and to promote a better future.

### **Regulatory Governance**

We are conscious of the need to continuously evolve ourselves, to keep up with the government's initiatives. In line with the government's directive to sustain business operations in land-scarce Singapore, we completed the re-development of our largest warehouse, invested heavily in equipment and re-designed our operations flow. The new facility has achieved land intensification by increasing the built-up area on its existing plot of land and, by re-designing our workflow, throughput has been increased tremendously.

### **Business Conduct and Ethics**

At Asia Enterprises, the Board and Management regards ethics and integrity very seriously. Any misconduct or non-compliance is dealt with severely. We are governed by a Code of Conduct ("Code") that covers:-

- Social responsibility
- Legal compliance
- Corruption
- Data protection
- Whistle blowing
- Dealing in securities
- Conflicts of interest

The Code governs appropriate behavior by all members of the Group, including staff, directors and substantial shareholders. We expect all members to adhere to the Code. Members are periodically reminded of the consequences of non-compliance. Through the Whistle-Blowing Policy, an avenue for reporting of inappropriate behavior or conduct is provided, with the assurance of protection from possible retaliation or victimisation.

To prevent insider trading, members are regularly reminded not to deal in the shares of the Company, especially when they may be in possession of sensitive information, at all times. Particularly, members are not allowed to trade in the 14 to 30 day periods prior to the release of our financial results.

### **Corporate Social Responsibility**

At Asia Enterprises, we are mindful that an organization must strive to attain high standards of Corporate Social Responsibility ("CSR") as it pursues its economic goals and to develop a sustainable growth path for long term success. The Group observes CSR practices to manage the impact of our business on the environment and community.

We believe in giving back to the society, to support and assist the less fortunate in our community. We have been making annual contributions to an average of 30 charitable and voluntary welfare organisations that support different social causes. These institutions are selected based on the causes they support and their standing as an approved Institution of Public Character (“IPC”). Our employees are also encouraged to give back through donations or to participate in community services.

	FY 2017
Donations to IPC as a percentage of profit for the year	1.2%

## Sustainable Environment

The production of steel has a significant carbon footprint and while steel is our base product offering, we do not deal in manufacturing of the steel products, so its environmental impact is beyond our control and the boundaries of this report. Once produced, however, steel is an environmentally friendly product due to its durability, ease of transportation, low material wastage and is infinitely recyclable. In this respect, steel, as a product, is a permanent resource that results in both energy efficiency and conservation of the earth’s natural resources.

We strive to store and transport all our steel products in a safe and responsible manner that does not pose any risks to our surrounding environment and community. Our fleet of transport vehicles comply with acceptable Euro IV and V emission requirements and together with steel processing and lifting equipment, undergo regular maintenance to ensure optimal performance and to prolong their useful life spans. Our drivers are required at all times to ensure that their loads are safely lashed and secured and to practice safe driving.

Our newly re-developed warehouse adopts an “airy” design that allows for natural lighting and air-flow throughout the storage area. The equipment and electrical devices installed take into account the need for energy efficiency and durability. Its multi-storey design also intensifies land usage, effectively increasing the gross floor area by 72.5%.

In addition, the Group promotes conservation of resources through Reduce, Reuse and Recycle. We strongly encourage efficient usage of electricity, water and paper at the workplace and proper disposal of scrap metals to scrap collectors for recycling purposes.

We aim to do our part towards the conservation of natural resources, against global warming and climate change.



# GRI Content Index

## GENERAL STANDARD DISCLOSURES

GRI Ref	Disclosure Title	Page References / Information
<b>Organisational Profile</b>		
102-1	Name of the organisation	Asia Enterprises Holding Limited
102-2	Activities, brands, products, and services	Sustainability Report (“SR”) – Corporate Profile (page 2)
102-3	Location of headquarters	SR (page 20)
102-4	Countries of operation	SR – Corporate Profile (page 7)
102-5	Ownership and legal form	Incorporated in Singapore with limited liability.
102-6	Markets served	SR – Our Customers (page 7)
102-7	Scale of the organisation	AR 2017 – Financial Highlights (page 4) SR – Our People (pages 9-11)
102-8	Information on employees and other workers	SR – Our People (pages 9-11)
102-9	Supply Chain	SR – Our Business (page 3)
102-10	Significant changes to organisation and its supply chain	SR – Our Society: Regulatory Governance (page 14)
102-11	Precautionary principle or approach	AR 2017 – Risk Management (pages 23-24), Corporate Governance: Risk Management and Internal Controls (page 17) SR – Our Society: Business Conduct and Ethics (page 14)
102-12	External initiatives	1. ISO 9001:2015 2. OHSAS 18001:2007
102-13	Membership of associations	1. Singapore Metal & Machinery Association 2. Singapore Business Federation 3. Singapore Chinese Chamber of Commerce & Industry
<b>Strategy</b>		
102-14	Statement from senior decision maker	SR – Board Statement (page 4)
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	SR – Our Society: Business Conduct and Ethics (page 14)
<b>Governance</b>		
102-18	Governance structure	AR 2017 – Corporate Governance: Board Matters (pages 9-13), Accountability and Audit (pages 16-19) SR – Board Statement (page 4)

GRI Ref	Disclosure Title	Page References / Information
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	SR – Scope of Report (pages 4-6)
102-41	Collective bargaining agreements	Not applicable. Our employees are not unionised
102-42	Identifying and selecting stakeholders	SR – Scope of Report (pages 4-6)
102-43	Approach to stakeholder engagement	SR – Scope of Report (pages 4-6) AR 2017 – Corporate Governance Report: Shareholder Rights and Communication with Shareholders (pages 20-21)
102-44	Key topics and concerns raised	SR – Scope of Report (pages 4-6)
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	AR 2017 – Notes to the Financial Statements: Notes 15 Investments In Subsidiaries (pages 53-54)
102-46	Defining report content and topic boundaries	SR – Scope of Report: Materiality Assessment (pages 5-6)
102-47	List of material topics	SR – Scope of Report: Materiality Assessment (pages 5-6)
102-48	Restatements of information	Not applicable. This is our first SR
102-49	Changes in reporting	Not applicable. This is our first SR
102-50	Reporting period	1 January 2017 – 31 December 2017
102-51	Date of most recent report	Not applicable. This is our first SR
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report	Investor Relations Consultant: Octant Consulting Tel: (65) 6296 3583
102-54	Claims of reporting in accordance with GRI Standards	SR – Scope of Report (page 4)
102-55	GRI Content index	SR – GRI Content Index (pages 16-19)
102-56	External assurance	Not applicable.
<b>Management Approach</b>		
103-1	Explanation of the material topic and its boundary	SR – Our Customers, Our Suppliers, Our People, Our Shareholders, Our Products and Services and Our Society (pages 7-15)
103-2	The management approach and its components	SR – Our Customers, Our Suppliers, Our People, Our Shareholders, Our Products and Services and Our Society (pages 7-15)
103-3	Evaluation of the management approach	SR – Our Customers, Our Suppliers, Our People, Our Shareholders, Our Products and Services and Our Society (pages 7-15)

## TOPIC-SPECIFIC DISCLOSURES

GRI Ref	Disclosure Title	Page References / Information
<b>Material Aspect: Economic Performance</b>		
201-1	Direct economic value generated and distributed	AR 2017 – Financial Highlights (page 4), Consolidated Statement of Profit and Loss and Other Comprehensive Income (page 31), Statements of Changes in Equity (page 33), Notes to the Financial Statements: Notes 4, 5, 9, 11, 12 (pages 45-49, 51)
201-2	Financial implications and other risks and opportunities due to climate change	AR 2017 – Risk Management (pages 23-24)
201-3	Defined benefit plan obligations and other retirement plans	AR 2017 – Notes to the Financial Statements: Note 9 Employees Benefits Expense (page 49)  Central Provident Fund (CPF) contributions are duly made on behalf of Singaporean employees in accordance with the Singapore government’s mandated requirement for all employers.
201-4	Financial assistance received from government	Wage Credit, Special Employment Credit
<b>Material Aspect: Anti-Corruption</b>		
205-3	Confirmed incidents of corruption and actions taken	SR – Our Society: Business Conduct and Ethics (page 14)
<b>Material Aspect: Materials</b>		
301-1	Materials used by weight or volume	SR – Our Products and Services (pages 12-13)
<b>Material Aspect: Socio-Economic Compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	SR – Our Society (pages 14-15)
<b>Material Aspect: Employment</b>		
401-1	New employee hires and employee turnover	SR – Our People (pages 9-11)
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR – Our People (pages 9-11) AR 2017 – Notes to the Financial Statements: Note 9 Employees Benefits Expense (page 49)

GRI Ref	Disclosure Title	Page References / Information
<b>Material Aspect: Labour / Management Relations</b>		
402-1	Minimum notice periods regarding operational changes	In the event of termination, a minimum notice period of one to three months needs to be fulfilled, depending on the employee's job position.
<b>Material Aspect: Training and Education</b>		
404-2	Programs for upgrading employee skills and transition assistance programs	SR – Our People: Training and Development (page 10)
404-3	Percentage of employee receiving regular performance and career development reviews	Yearly performance appraisal for all permanent full-time employees
<b>Material Aspect: Diversity and Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees	SR – Our People: Diversity and Equality (page 10)



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