



Sustainability Report FY2017

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Board Statement

The Board of Directors is pleased to present ASTI Holdings Limited (“ASTI”)’s inaugural sustainability report.

The Board is responsible for maintaining an oversight of the development and implementation of sustainability strategies and strives to integrate sustainability principles into business policies and practices. The Board oversees the selection of ASTI’s material topics as well as monitors and manages issues relating to these topics regularly. ASTI has a sustainability committee that supports the Board in these sustainability endeavours.

Companies in many industries, including the semiconductor manufacturing industry, are seeing the value that sustainable practices bring to their business and the manufacturing industry as a whole are recognising the importance of focusing on and reporting sustainability issues such as eco-efficiency and occupational health and safety.

As a world-class manufacturer of automated backend equipment, we strive to continually evolve to respond to the changing landscape of the industry in order to remain successful and grow our business. We place honesty and quality customer service at the forefront of our business and these principles extend throughout our activities, from providing our employees with a safe and positive working environment, to being honest and transparent in our dealings with our customers and suppliers and carefully monitoring our adherence to global and industrial standards and guidelines.

Our strong commitment to ethical business practices and product quality guide everything that we do and we believe these principles are of particular significance to our profitability and long-term success. Therefore, sustainability will remain a priority as we move forward in the years ahead.

About This Report

This inaugural report includes information on ASTI's sustainability performance for the period of 1 January to 31 December 2017 ("FY2017"). ASTI researches, designs, develops and manufactures equipment for semiconductor companies. Based in Singapore, the Group has three research and development centres, 10 factories and 24 sales offices located in Southeast Asia, Greater China, South Korea, the United States of America and the United Kingdom. The scope of this inaugural report covers Telford's business operations in Singapore as they are currently the most material to the ASTI.

ASTI reports its sustainability performance annually. This report is in compliance with the requirements of SGX-ST Listing Rules 711A and 711B and references the Global Reporting Initiative (GRI) Standards (2016). This report references the following topic-specific disclosures:

- Disclosure 205-3 from GRI 205: Anti-corruption 2016
- Disclosures 302-1 and 302-3 from GRI 302: Energy 2016
- Disclosures 305-1 and 305-4 from GRI 305: Emissions 2016
- Disclosure 307-1 from GRI 307: Environmental Compliance 2016
- Disclosures 401-1 and 401-2 from GRI 401: Employment 2016
- Disclosure 403-2 from GRI 403: Occupational Health and Safety 2016
- Disclosure 404-2 from GRI 404: Training and Education 2016
- Disclosure 414-1 from GRI 414: Supplier Social Assessment 2016
- Disclosure 419-1 from GRI 419: Socioeconomic Compliance 2016

For any enquires, comments or feedback regarding both our sustainability performance and inaugural sustainability report, please send them to enquiries@astigp.com.

Sustainability Governance

Successful integration of sustainability into our business operations requires strong leadership and an effective governance framework. At ASTI, we have a robust governance structure and various procedures to manage the environmental, social and governance (ESG) issues that are important to us and our stakeholders.

Sustainability Steering Committee (SSC)

The Sustainability Steering Committee (SSC) is represented by senior members of the Administration, Finance, Human Resources and Information Technology divisions at ASTI. The role of the SSC is to provide advice and assistance to the Board in ensuring that policies and procedures in relation to ESG issues are aligned with ASTI's business strategy. The SSC is supported by a Sustainability Task Force (STF), which is responsible for driving sustainability initiatives and programmes across ASTI.

Monitoring and Benchmarking

We monitor and evaluate our sustainability performance against our peer companies in order to improve our own performance and to identify areas of improvement. Once performance gaps have been identified, we conduct a review of our approach to sustainability so that we are in a better position to execute targeted actions to address the gaps.

Assessing Materiality

It is important that we focus our sustainability efforts in areas that are of most importance to us as a business and areas where our stakeholders are most concerned. We engage with stakeholders on an ongoing basis and we use these interactions to better understand the ESG issues that may be of most concern to them. Our approach to stakeholder engagement is presented in the following table, which includes information on our key stakeholders and how we regularly engage with them:

Investors and Shareholders	Employees	Customers	Suppliers
<ul style="list-style-type: none"> • Media releases • Quarterly SGX's announcements • Yearly annual general meeting (AGM) for shareholders • Annual report 	<ul style="list-style-type: none"> • Company handbook • New employee orientation • Whistle blowing policy 	<ul style="list-style-type: none"> • Customer visits • Customers' material safety compliance requirements • Customer satisfaction survey • Factory visits by customers 	<ul style="list-style-type: none"> • Supplier selection process • Supplier assessment • Meetings with suppliers

As well as considering stakeholder priorities, we reflected on ESG issues that are material to us based on their significance to our business. With the help of an independent consultant, we undertook a materiality assessment involving members of the senior management team from ASTI in FY2017. The identification of material issues involved conducting research on global and local trends in our industry, material topics identified by our peers and industry best practices.

We strive to manage, measure and report on issues that are material to us and our stakeholders. In FY2017, we focused on the following material issues:

Economic	Environment	Our People	Our Suppliers	Regulatory Compliance
<ul style="list-style-type: none"> • Economic Performance 	<ul style="list-style-type: none"> • Energy and Emissions 	<ul style="list-style-type: none"> • Talent Attraction and Retention • Training and Education • Occupational Health and Safety 	<ul style="list-style-type: none"> • Supplier Assessment 	<ul style="list-style-type: none"> • Compliance with Laws and Regulations • Environmental Compliance • Anti-Corruption

Economic

Economic Performance

Our stakeholders, including our shareholders, are concerned about our ability to deliver value and generate returns for them. Our focus is to maintain a strong financial position in order to create long-term sustainable growth for our shareholders.

Our financial performance for FY2017 can be found in the Financial Highlights section (page 10) and Appendix 2 – Audited Financial Statements (pages 7 to 69) of the Annual Report.

Environment

Energy and Emissions

Performance in FY2017

- Electricity consumption: 287,798 kilowatt hours (kWh)
- Electricity intensity: 300 kWh/m²
- Greenhouse gas (GHG) emissions from electricity use: 121 tonnes carbon dioxide equivalent (tCO₂e)
- GHG emissions intensity from electricity use: 0.13 tCO₂e/m²

Target for FY2018

- Maintain energy (electricity) intensity within 10% of 2017's levels

In the equipment manufacturing industry, energy consumption is responsible for a significant portion of operating costs and greenhouse gas (GHG) emissions. The industry faces the ongoing challenge of managing the impacts of rising energy costs and climate risks. Therefore, reducing energy consumption and GHG emissions is integral to improving our efficiency and supporting the transition to a low carbon and sustainable future. We strive to adopt sustainable practices and implement initiatives that focus on reducing energy consumption and GHG emissions, while improving our energy efficiency and lowering costs.

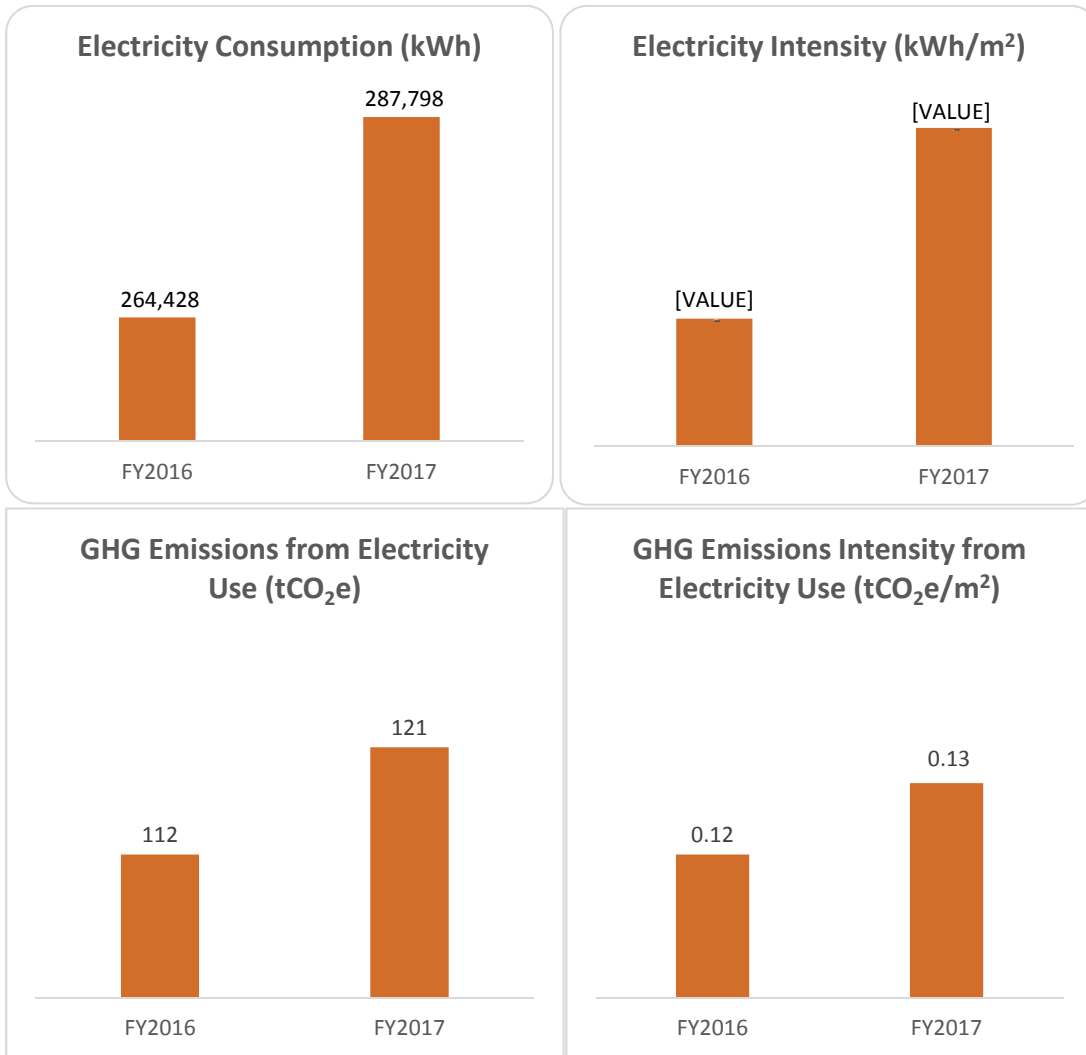
At ASTI, a substantial amount of energy is used for equipment manufacturing, cleanroom heating, ventilation, and air conditioning. We have implemented robust systems to manage and monitor our energy consumption to ensure that our resources are used efficiently and that our operational costs are kept to a minimum. Our utility consumption patterns are tracked and monitored each month to make sure that our operations are as energy efficient as possible.

Several measures have been put in place to reduce energy consumption, including:

- Installing an auto-timer in the air-compressor room at the manufacturing site;
- Conducting regular maintenance checks on equipment, including air compressors to ensure optimal performance;
- Maintaining the air-conditioning within our office at a temperature of 24°C; and
- Encouraging employees to turn off lights and air-conditioners when not in use.

In FY2017, ASTI's total electricity consumption was 287,798 kilowatt hours (kWh), an increase of 8.8% compared to 264,428 kWh in FY2016. Similarly, the electricity intensity grew from 276 kWh/m² in FY2016 to 300 kWh/m² in FY2017. The increase is attributed to a higher production of manufacturing equipment. There was a 7.7% increase in our GHG emissions from electricity use, from 112¹ tonnes carbon dioxide equivalent (tCO₂e) in FY2016 to 121² tCO₂e in FY2017. Nonetheless, the GHG emissions intensity from electricity use rose slightly from 0.12 tCO₂e/m² in FY2016 to 0.13 tCO₂e/m² in FY2017.

^{1 2} CO₂ emissions released were calculated using conversion factors of 0.4192 kg CO₂/kWh and 0.4237 kg CO₂/kWh – Singapore's Average Operating Margin (OM) Grid Emission Factors (GEFs) in 2017 and 2016, respectively.



Our People

Talent Attraction and Retention

Performance in FY2017

- New employee hires: 4 (monthly rate: 0.5%) and employee turnover: 9 (monthly rate: 1.2%)

Targets for FY2018

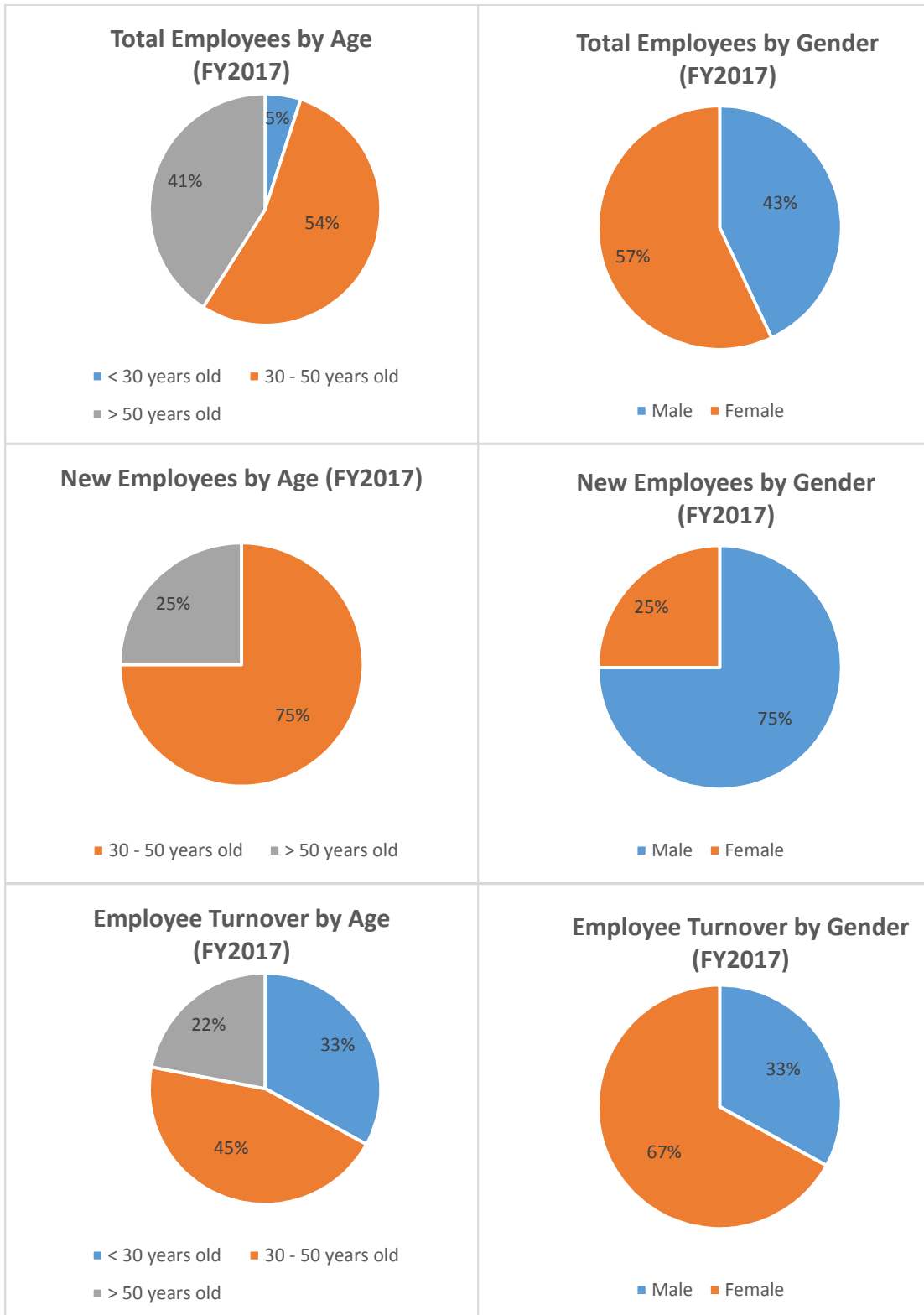
- Achieve an employee turnover rate that is equal to or less than the industry average

We attribute a great part of our success to the value we place on the technical knowledge and operational know-how of our employees. Each of our employees plays a valuable part in providing the highest quality products and services to our customers to ensure that we stay ahead of competition. Therefore, the hiring and retention of talent remains our top priority.

As of 31 December 2017, ASTI had 63³ employees and all of them were based in Singapore. More than half of ASTI's employees were within the 30-to-50-year age group. Male and female employees accounted for 43% and 57% of ASTI's workforce, respectively. In FY2017, our average monthly turnover rate was 1.2% while our average monthly new hire rate was 0.5%.

We collect, track and monitor our human resources (HR) data, including overtime, vacation balances and the number of training days on a regular basis.

³ The figure includes 24 employees at Telford.



To ensure we remain an attractive employer, we offer our employees competitive compensation and a range of other benefits. A framework has been established to ensure that the remuneration offered to our employees is market competitive. In addition, the performance of each employee is evaluated during an annual performance review, which also includes a discussion of employees' personal development and long-term goals.

Benefits provided to our full-time employees include health care coverage, parental leave and retirement plans. We also strive to ensure that sufficient benefit coverage is provided to part-time employees. Exit interviews are conducted to allow us to identify reasons why employees leave the Group. Through the interviews, we gather feedback and comments from employees, which give us key insights into how we can improve our ability to recruit and retain talent.

Training and Education

At ASTI, we strive to meet current and future skill requirements for our business operations as well as to enhance the personal and professional development of our employees. Whereas our employees tend to learn many skills they need on-the-job, succession planning is one of our most important focuses. We aim to groom and train individuals that show promise and dedication and invest time and effort in order for them to take on more responsibility within the company.

Furthermore, we provide all new employees with training under the supervision of experienced employees. The training needs and progress of our employees are monitored regularly, allowing them to take ownership of their professional development.

Occupational Health and Safety

Performance in FY2017

- Zero reported workplace fatalities and zero major accidents

Target for FY2018

- Achieve zero workplace fatalities and/or injuries

Safeguarding the health and safety of our employees is essential to achieving long-term success and furthering our commitment to sustainability. We recognise that it is our responsibility to ensure a safe and healthy working environment for our employees and to address potential health and safety risks.

ASTI has a workplace health and safety committee to promote health and safety initiatives and programmes in the workplace and to ensure that health and safety issues are adequately addressed throughout the Group. The committee consists of management and employee representatives working together to identify any health and safety issues in the workplace. The committee holds meetings on a regular basis and provides recommendations to improve health, safety and working conditions at ASTI. We also have established processes to measure and monitor our occupational health and safety performance.

Safe work practices, such as implementing standard operating procedures and providing emergency response training to our employees, are adopted to reduce the risk of accidents, injuries and health hazards to our employees and contractors. We require all our employees and contractors to comply with standard safety practices and requirements that are listed in our safety handbook. All our employees receive appropriate health and safety training to ensure that they are able to identify common hazards in the workplace and ways to deal with them.

Machines, equipment and work areas within our premises are inspected regularly to identify any risks to employee health and safety. We also review the conditions of the work environment and other relevant work practices in order to identify foreseeable hazards and to monitor the effectiveness of local risk control implemented.

We ensure that fire extinguishers are placed in various locations within our premises and that training is provided to employees to use them. Inspections on fire extinguishers are conducted periodically to ensure that they function properly. Our employees and occupants are expected to follow the emergency evacuation plans and procedures in each building during an emergency situation. In addition, fire drills are held twice a year in order to ensure that our employees are familiar with emergency procedures during a fire.

We have put in place measures to reduce noise and air pollution within and outside our manufacturing plants. For example, compressed air guns in our manufacturing plants are used in short intervals and regular maintenance and inspections of the compressors are carried out in order to cut noise and air pollution. We also ensure that signs are posted in areas where hearing protection is mandatory to reduce employees' exposure to excessive noise. There were zero reported workplace fatalities and zero major accidents among our employees in FY2017.

Our Suppliers

Supplier Assessment

Performance in FY2017

- No new suppliers were engaged, and therefore evaluated in terms of their ability to supply materials according to our requirements.

Target for FY2018

- Ensure that all suppliers comply with ISO Standards (if applicable)

We consider our suppliers as important partners that contribute to our sustainability goals and business success. Since we manufacture semiconductor equipment, our raw materials are sourced from various suppliers that meet our requirements in terms of sustainable practices, quality and pricing. All our suppliers are expected to produce top-quality raw materials and products and conduct their business in an ethical, legal and sustainable manner that is consistent with our values and standards.

We ensure that only the best raw materials are used in the production process by putting in place a stringent selection process and procurement standards to select, monitor, audit and manage our suppliers. Approved suppliers from which we procure materials for our production of equipment are included in a list and their performance is monitored on a regular basis. Suppliers that fail to meet the expected quality and delivery requirement will be removed from the list. In FY2017, no new suppliers were engaged, and therefore evaluated in terms of their ability to supply materials according to our requirements.

We require our suppliers to comply with the Restriction of Hazardous Substances (RoHS) Directive, which includes a CE-marking directive. Our suppliers are also required to meet the requirements of relevant laws and regulations.

Regulatory Compliance

Compliance with Laws and Regulations

Performance in FY2017

- Zero incidents of non-compliance with anti-corruption and environmental laws, socioeconomic regulations and regulatory requirements

Target for FY2018

- Achieve zero incidents of non-compliance with anti-corruption and environmental laws, socioeconomic regulations and regulatory requirements

We believe that good corporate governance practices are about conducting business in a transparent and ethical manner for the benefit of all stakeholders. We strive to comply with relevant laws, including environmental laws and socioeconomic regulations by having various procedures and risk management standards in place. All our employees are required to act with integrity and to conduct business in accordance with the highest ethical standards.

Environmental Compliance

We are committed to complying with all laws and regulations in the places where we operate. In Singapore, we are required to adhere to laws and regulations set by the National Environmental Agency (NEA), the Public Utilities Board (PUB) and the Singapore Civil Defence Force (SCDF). A breach of any law or regulation will significantly inhibit our ability to operate.

In FY2017, there were no incidents of non-compliance with environmental laws and regulations.

Anti-Corruption

At ASTI, all forms of bribery and corruption are unacceptable and will not be tolerated. All our employees are required to abide by the Code of Conduct and policies on corruption within the Group. Each employee has access to the Code of Conduct, which includes information on workplace ethics and the whistle-blowing policy.

We have a whistle-blowing policy that provides our employees an opportunity to raise any concerns regarding suspected fraud, corruption, dishonest practices or other similar matters. Our employees are encouraged to report any suspicious practices or inappropriate activities in the workplace. All complaints will be dealt with by the Head of Human Resources (“HR”) and/or any member of the Executive Committee in a fair, respectful and timely manner. Appropriate disciplinary action will be taken towards employees who are found guilty of fraud, dishonesty or criminal conduct.

In FY2017, there were zero incidents of non-compliance with anti-corruption laws and socioeconomic regulations.

Information on ASTI’s corporate governance, compliance and risk management policies and practices can be found in Appendix 1 – Corporate Governance Report (pages 1 to 15) of the Annual Report.