



Hi-P International Limited
赫比国际有限公司



Hi-P INTERNATIONAL LIMITED

Sustainability Report 2019



CONTENTS

1	INTRODUCTION	14	GOVERNANCE
1	About This Report	14	Anti-Corruption
2	About Hi-P International Limited	17	ECONOMIC
3	Our Business Segments	17	Economic Performance
4	Our Core Services	19	PEOPLE
5	Our Core Values	20	Hi-P's Workforce Profile
6	Our Execution Foundation	22	Training And Education
7	Membership Of Associations	25	Occupational Health And Safety
7	Certification And Recognition	32	Fair Employment And Labour Practices
8	MESSAGE FROM THE BOARD	33	ENVIRONMENT
8	Board Statement	33	Energy Consumption
9	HIGHLIGHTS OF ACHIEVEMENTS	37	Greenhouse Gas Emissions
10	OUR SUSTAINABILITY APPROACH	40	CONTRIBUTION TO LOCAL COMMUNITY
10	Sustainability At Hi-P	40	Corporate Social Responsibility
11	Stakeholder Engagement	43	GRI CONTENT INDEX
12	Materiality Review		

INTRODUCTION



ABOUT THIS REPORT

Hi-P International Limited (“Hi-P”) is pleased to present our third annual sustainability report for the financial year 2019 (“FY2019”) from 1 January 2019 to 31 December 2019, including financial year 2018’s (“FY2018”) data for comparison purposes.

This report has been prepared in compliance with the Singapore Exchange Securities Trading Limited (“SGX-ST”) Mainboard Listing Rule 711(B) and in accordance with the Global Reporting Initiative (“GRI”) Standards – Core reporting requirements. To be in line with the latest GRI standards, we have transitioned from GRI 2016 to GRI 2018 on the topic of Occupational Health and Safety.

The scope of this report covers Hi-P’s manufacturing operations and support offices¹ in Singapore, China, Thailand and Poland. More information about our subsidiaries can be found in Hi-P International Annual Report 2019. Although Hi-P has not sought external assurance for this report, we may consider doing so as our reporting matures.

For any feedback or queries about this report, please direct them to:

Senior Finance Manager
Tan Teck Yong John
Hi-P International Limited
11 International Business Park,
Singapore 609926
Tel.: (65) 6268 5459
Fax: (65) 6564 1787
E-mail: john.tan@hi-p.com

1. Support offices applies to Singapore and China only.

INTRODUCTION

ABOUT HI-P INTERNATIONAL LIMITED

Hi-P was first established in 1980 as an insert moulding and metal forming tool maker. Subsequent development saw Hi-P diverging from our industrial roots through the expansion of overseas manufacturing facilities. Our robust growth has provided us with several defining moments, including our listing on the Singapore Stock Exchange in 2003. Today, as a leading contract manufacturing provider, we continue to utilise our core competencies in product design and process development to create one-stop turnkey solutions for customers stemming from a variety of industries. Our clients are some of the world's biggest names in mobile phones, tablets, household and personal care appliances, computing and peripherals, lifestyle, medical devices and industrial electronic devices.

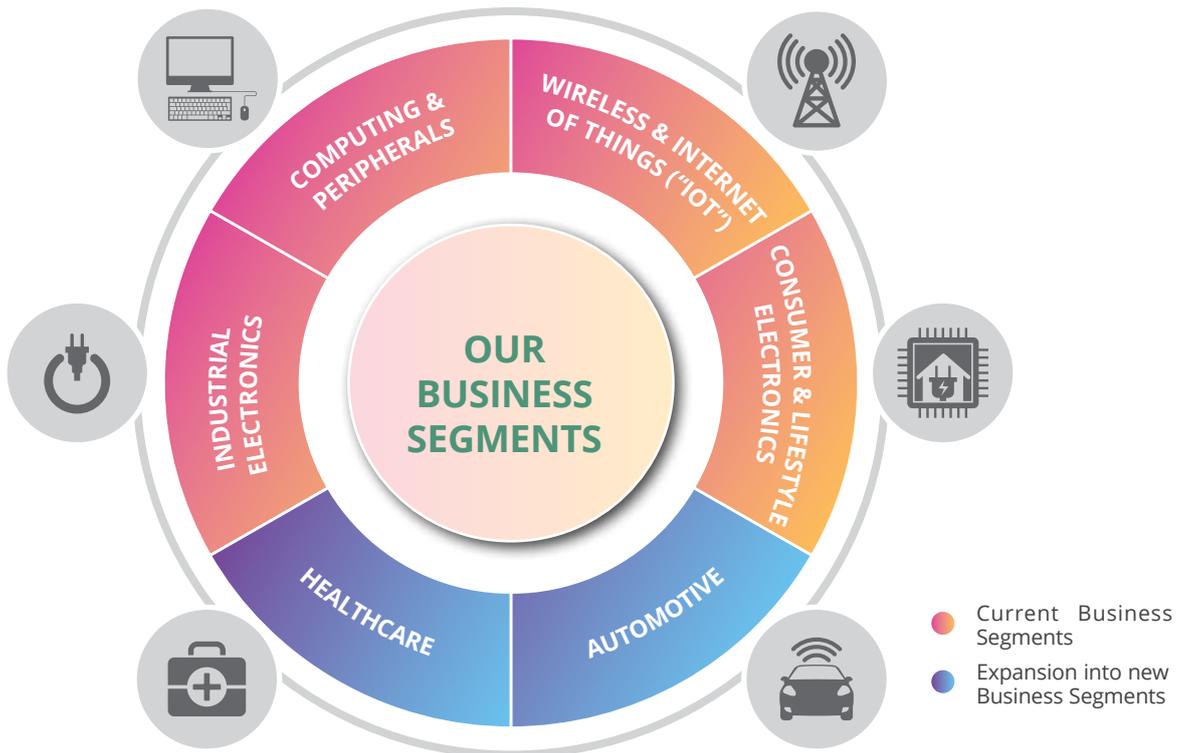


In FY2019, we completed the acquisition of a 100% stake in South East Asia Moulding Company Pte. Ltd. ("SEAMCO"), a manufacturer of high-volume and high-precision engineering plastic components. As at 31st Dec 2019, Hi-P operates 13 manufacturing operating plants in several cities across several countries including the People's Republic of China (Shanghai, Chengdu, Xiamen, Suzhou and Nantong), Poland, Thailand and Singapore. Our global network also consists of several marketing and engineering support centres in China, Singapore, Japan, Germany and the United States of America.

INTRODUCTION

OUR BUSINESS SEGMENTS

Hi-P aims to retain and advance our competitive advantage by providing manufacturing solutions that value-add to our clients' businesses. Our range of services spans across four different segments, ranging from technological advancement in electronic equipment to consumer products including lifestyle accessories and electronics. Looking ahead, we aim to expand into several new sectors in line with our entrepreneurial spirit and continue to seek innovative approaches in our business relations.



COMPUTING & PERIPHERALS

The field of electronics technology has experienced rapid development and advancement in recent years, creating high demand for powerful and efficient products and applications. In understanding the importance of precision and quality in computer peripherals, Hi-P does not compromise on precision and quality, and is a trusted source for many clients in delivering custom components on time at highly affordable prices.



WIRELESS & INTERNET OF THINGS

The International Data Corporation has earmarked the increasing significance of the Internet of Things (IoT) in our world in recent years, as speed and flexibility become keys to success in the fast-paced wireless technology industry today. Hi-P leverages on our technological expertise and skills to seek unique and innovative solutions customised to the needs and specifications of our clients.



INDUSTRIAL ELECTRONICS

Our expertise in industrial electronics has been one of the factors that have led to our success in the manufacturing industry today. Today, Hi-P has a strong understanding of the unique challenges facing this business segment in the face of the complexities in electrical and mechanical assemblies, and the vertical integration of capabilities within our dedicated assembly teams have lowered production costs and the acceleration of product release for many companies.



CONSUMER & LIFESTYLE

In the incredibly competitive consumer market, Hi-P works in collaboration with our clients to understand current market trends. Our vertically integrated manufacturing capabilities allows the end-to-end development of products that meet specific customer needs and allow clients to obtain the best value from outsourcing.



HEALTHCARE

In our forecasted expansion into healthcare, our expert teams will be highly committed towards delivering quality medical equipment and technology that match the stringent regulatory requirements of this industry, tailored specifically for our clients.



AUTOMOTIVE

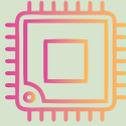
In light of the rapid expansion of the automotive industry, Hi-P recognises the increase in demand for automotive parts and accessories. We will be developing plans in the near future to re-invest our profits and expand our technical capabilities in the automotive sector by leveraging on one of our core competencies in product design.

INTRODUCTION

OUR CORE SERVICES

Our Core Services	Description	Product Scope
<p>Tooling</p> 	<p>Hi-P first started out as a tooling specialist and this area of expertise has continued to this day. Tooling is one of our core competencies where we take pride in providing services that are reliable and of exceptional quality.</p>	
<p>Moulding</p> 	<p>From double and triple shot plastic injection to metal and glass insert moulding, Hi-P has constantly met and exceeded clients' expectations. The unique value proposition Hi-P offers is its exceptionally precise mould designs that are made with best-practice manufacturing techniques.</p>	<ul style="list-style-type: none"> • High Precision and Cavitation Moulding • Double and Triple Shot Moulding Insert • Insert Moulding • Glass Insert Moulding • Thin Wall High Speed Moulding • In Mould Decorative Moulding • In Mould Labelling Moulding
<p>Stamping</p> 	<p>Hi-P is able to deliver customised cosmetic and precision stamping components for a wide variety of products and industries. Combining our in-depth expertise in both areas of metal shaping and plastic moulding, Hi-P's value proposition is amongst the best in the industry.</p>	<ul style="list-style-type: none"> • Progressive Tool Making • Various Components • Thin Wall • Precision Forming • Deep Draw • Spot and Laser Welding • Chemical Etching • Anodising
<p>Metal Computer Numerical Control ("CNC")</p> 	<p>Hi-P has been constantly investing in the latest CNC equipment over the years and it will continue its investment so as to increase efficiencies, meet short lead-time and improve our clients' bottom line.</p> <p>Hi-P's 3-4 axis CNC equipment is also able to provide customised form drills, taps, and reamers to our clients' specifications and deliver service of value.</p>	<ul style="list-style-type: none"> • Aluminium • Stainless Steel • Copper • Special Metal

INTRODUCTION

Our Core Services	Description	Product Scope
<p>Surface Decoration</p> 	<p>Hi-P is able to separate itself from other contract manufacturers in the industry with its extraordinary pallet of decorating options and leading edge design techniques that clients can incorporate into their final design.</p>	<p><u>Plastic Decoration</u></p> <ul style="list-style-type: none"> • Spray Painting • Pad Painting • Heat Transfer • Laser Etching • Electro Plating • In mould Decoration • In mould Labelling • Non-Conductive Vacuum Metallisation (“NCVM”) • CNC <p><u>Metal Decoration</u></p> <ul style="list-style-type: none"> • Complex 3D DeepDraw Cosmetic Metal Stamping • Cutting Edge Single and Multi- Colour Anodising • State-of-the-Art Surface Finishing with the Latest Materials • Physical Vapour Deposition (“PVD”) • Electrolytic Deposition (“ED”) • Chemical Etching Digital Printing Over Complex Geometrics and Multiple Materials • NCVM/ Tinted Non-Conductive Vacuum Metallisation (“TNCVM”) • Diamond Cutting • Hairline Finishing • Anodising
<p>Electronic Manufacturing Services (“EMS”)</p> 	<p>Hi-P’s EMS site is located in Suzhou and is certified for ISO 9001:2015 and ISO 13485:2016. For EMS solutions, Hi-P offers end-to-end production capabilities which include board level assemblies, modules assemblies and final product assemblies with test capabilities. The quality of final products is assured by a pre-delivery reliability test, customised to simulate actual use by customers. Monitoring systems are installed on the assembly lines so as to allow for traceability and quality control.</p>	<ul style="list-style-type: none"> • Experienced and strong Supply Chain Management team to support turnkey solutions for industrial and consumer products • Capability in Product Validation • Capability in testing solution development • Expanding into global

INTRODUCTION

OUR EXECUTION FOUNDATION

OUR VISION

Recognised leader as an integrated electro-mechanical solution provider focusing on value creation and exceeding customer expectations through innovation

OUR MISSION

Partner with customers to add value and contribute to mutual success

A strong execution foundation has been the cornerstone of the successful implementation of our corporate strategy over the years. At Hi-P, we are performance driven and people centric. Our people seek continuous improvement in all areas so as to maximise results. The principles of our execution foundation are applied consistently throughout all functional areas, from Finance, HR, Supply Chain, Quality, IT, to Business Development and Operations.

Following our main guiding spirit of contribution and ownership, we strive to achieve a strong organisation structure by attracting, retaining and nurturing the best talents available. We enforce a transparent system that recognises and rewards our employees. We believe that being people-oriented creates a Hi-P spirit where our employees are helpful and considerate towards one another and are able to build one another up.

Our core behavioural principles are communicated clearly to employees to encourage all Hi-P employees to have good manners, positive spirit, integrity, discipline, humility and maturity. Our execution discipline is also communicated to all employees to establish a minimum expectation for punctuality, commitment fulfilment, focus and strict compliance, and thorough follow-up action.

INTRODUCTION

MEMBERSHIP OF ASSOCIATIONS

Hi-P's memberships of associations are illustrated as follows.



CERTIFICATION AND RECOGNITION

Key certifications and recognitions achieved in FY2019 are as follows.



MESSAGE FROM THE BOARD

BOARD STATEMENT

On behalf of the Board, it is my pleasure to present Hi-P International Limited's third sustainability report.

As both our Board and Management continue to dedicate our efforts in achieving stability and long-term value creation for our stakeholders, we are mindful of the continuous changes in market trends. FY2019 was a difficult year, resulting from trade war tensions and challenging market conditions. Despite these challenges, we have maintained our business performance. The worldwide spread of COVID-19 and the rapid pace at which the situation evolves poses great uncertainty to the global economy and our business. We are determined to weather through the crisis, driven by our strong foundation as an organisation.

We will continue to drive Hi-P's philosophies throughout the organisation such as Hi-P's Culture, Should-be Concept, Execution Foundation, Purpose-Oriented Approach, Matrix Approach, Self-Aspiration, among others. We believe that these mindsets will continue to carry us in good stead in the present and future years.

As we seek to continually enhance our disclosures for our stakeholders, we have expanded our reporting this year on Occupational Health and Safety and included an additional Economic, Environment, Social and Governance ("EESG") factor, fair employment and labour practices. The health, safety and well-being of our employees are highly regarded at Hi-P, especially so as our large human capital forms the crux of our organisation. We strive to always uphold a good working environment and are pleased to share that we have achieved zero cases of work-related fatalities and high-consequence² work-related injuries in this financial year.



Finally, we would like to express our appreciation to all our stakeholders who have been with us throughout our sustainability journey. We look forward to your continued support as we continue to create value for our stakeholders in the years to come.

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

2. A high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

HIGHLIGHTS OF ACHIEVEMENTS



GOVERNANCE

100%

communication and training of anti-corruption policies to governance body members



100%

communication of anti-corruption policies to new suppliers



SOCIAL

ZERO

fatalities and high-consequence injuries



ZERO

fire accident



Established

Hi-P College

for sharing of good culture



ENVIRONMENT

More Than

5% reduction on GHG emission trading amount in Shanghai Emissions Trading System ("ETS") in FY2019 compared to FY2018



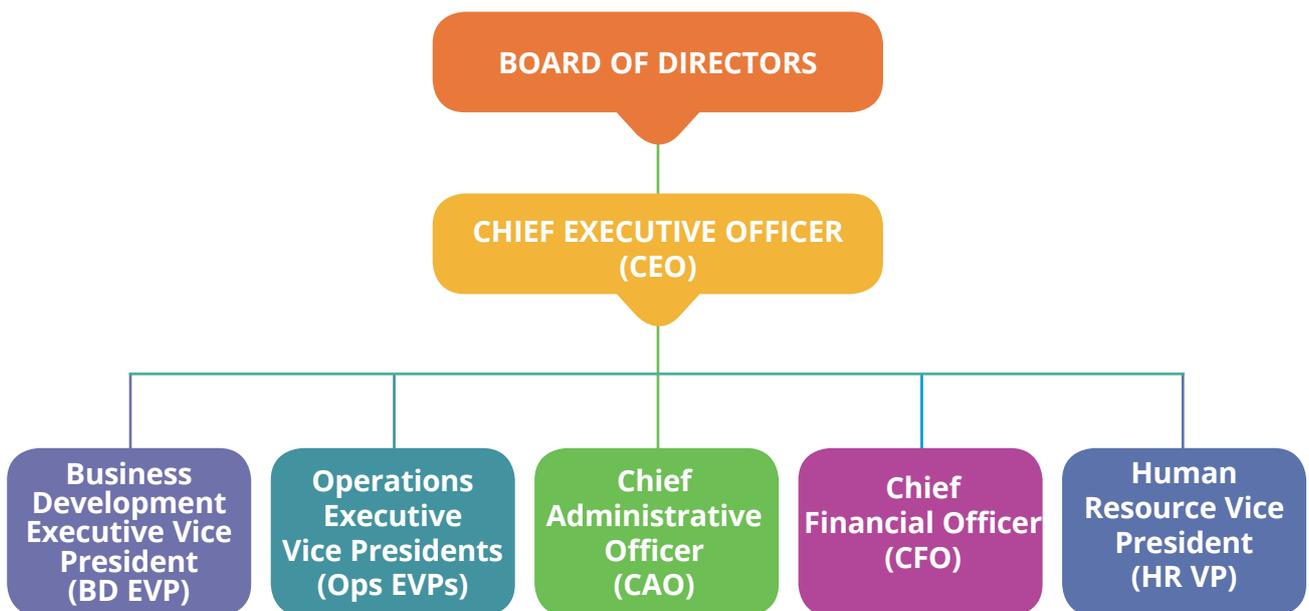
OUR SUSTAINABILITY APPROACH

SUSTAINABILITY AT HI-P

Sustainability is at the heart of our business and culture. Policies and practices at Hi-P are established towards ensuring the integration of sustainability principles in our business, with performance monitoring systems to manage our sustainability performance. The importance of these policies is emphasised during the mandatory corporate induction training for all new Hi-P employees. More information on our policies can be found under the various material topic sections in the report.

Our sustainability management team, established in FY2017, consists of members from senior management. Under the direct supervision of the Board, the team coordinates and implements sustainability initiatives across all our business functions.

Figure 1: Hi-P's sustainability management team



OUR SUSTAINABILITY APPROACH

STAKEHOLDER ENGAGEMENT

At Hi-P, we are committed to understanding and meeting the needs of our stakeholders as we believe they play a strategic role in our long-term success as an organisation. We have identified the following stakeholders who have large impact on Hi-P's business and the ability to influence our sustainability performance. Our approach towards stakeholder engagement and how we respond to their needs are summarised in the table below.

Stakeholders	Key concerns/issues	Our responses	Mode of engagement	Frequency of engagement
Customers	<ul style="list-style-type: none"> Compliance with environmental laws and regulations High quality products 	<ul style="list-style-type: none"> Fully comply with all laws and regulations Committed to providing the best quality in the timeliest manner 	<ul style="list-style-type: none"> Customer Review Meetings Customer feedback surveys Friendly visits to customers by senior management 	<ul style="list-style-type: none"> Quarterly or more frequently depending on customer's requirements Annually/Half-yearly Frequently
Employees	<ul style="list-style-type: none"> Career development Safe and conducive working environment 	<ul style="list-style-type: none"> Concerns will be discussed by the management by site and improvement plans will be implemented 	<ul style="list-style-type: none"> Engagement Survey Newsletter Visits by senior and middle management to facilities to observe work environment 	<ul style="list-style-type: none"> Annually Quarterly Monthly
Trade Unions	<ul style="list-style-type: none"> Fair and progressive employment practices Well-being of members 	<ul style="list-style-type: none"> Provide fair remunerations and career development for employees Conduct employee activities that promote health and safety 	<ul style="list-style-type: none"> Hi-P-Union engagement sessions when necessary 	<ul style="list-style-type: none"> As and when necessary
Regulators	<ul style="list-style-type: none"> Compliance with all laws and regulations 	<ul style="list-style-type: none"> Internal compliance Full regulatory compliance 	<ul style="list-style-type: none"> Electronic communication Meetings 	<ul style="list-style-type: none"> Depends on market situation
Shareholders	<ul style="list-style-type: none"> Received sustainable returns from their investment Transparent and timely updates 	<ul style="list-style-type: none"> Maintain sustained growth with increased sales and cost-effective processes Periodic and transparent communication of financial and non-financial information 	<ul style="list-style-type: none"> Annual General Meeting ("AGM") Analyst Meetings Meetings with institutional investors 	<ul style="list-style-type: none"> Annually Quarterly As and when requested
Suppliers	<ul style="list-style-type: none"> Timely payments Good working relationship 	<ul style="list-style-type: none"> Receipt of prompt payments for goods and services rendered To request orders in accordance with end customer's demand 	<ul style="list-style-type: none"> Supplier performance feedback 	<ul style="list-style-type: none"> Quarterly or half yearly depending on business needs
Local Communities	<ul style="list-style-type: none"> Engagement with local people in the area 	<ul style="list-style-type: none"> Outreach community activities are conducted to serve the local community's needs 	<ul style="list-style-type: none"> Charity work to homes 	<ul style="list-style-type: none"> Sites are encouraged to conduct such activities at least once a year

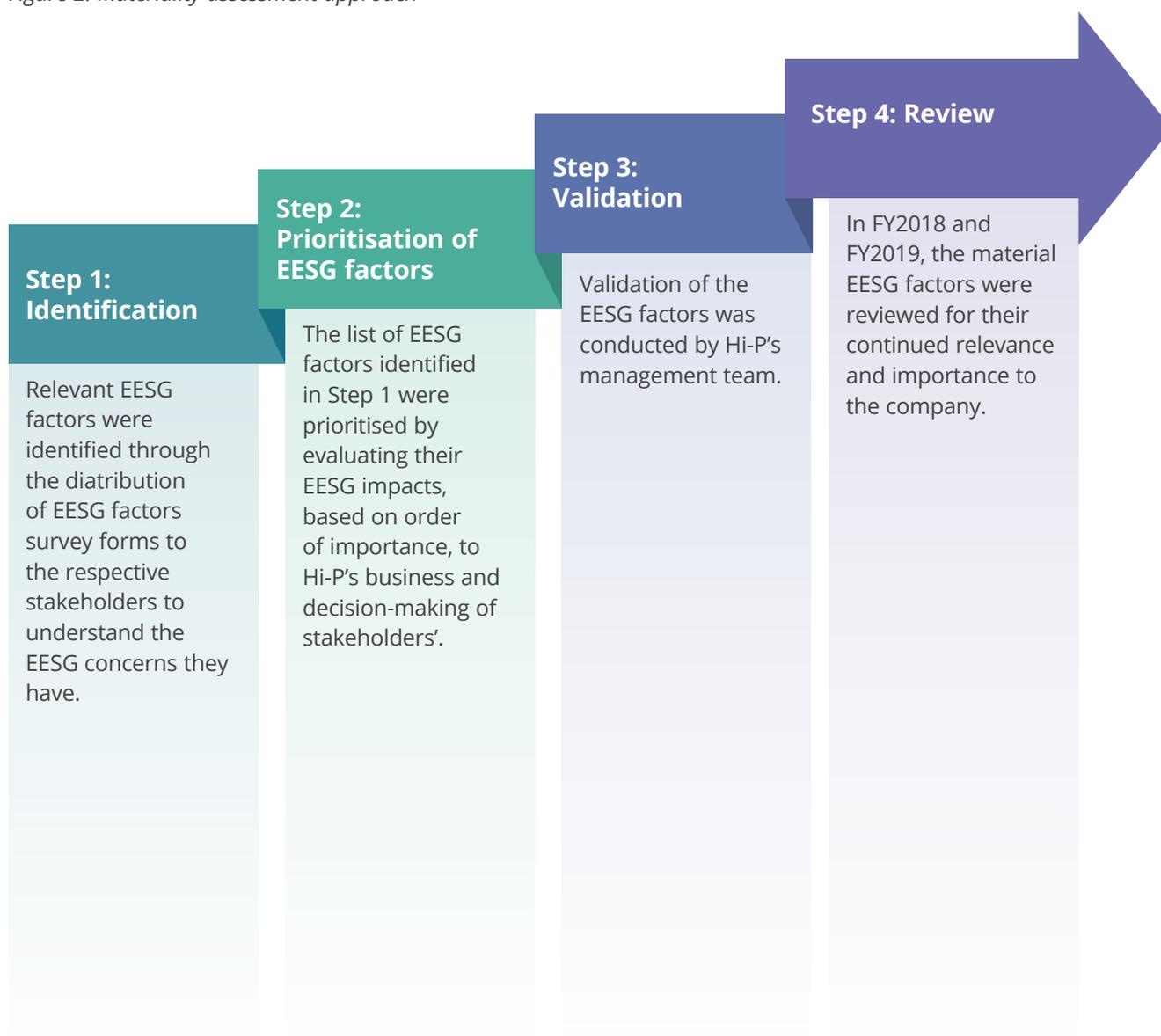
OUR SUSTAINABILITY APPROACH

MATERIALITY REVIEW

In October 2017, Hi-P conducted our first formal materiality assessment under the guidance of an independent sustainability consultant. In the subsequent financial years, we continue to review the identified Economic, Environment, Social and Governance (“EESG”) factors for their relevance to our business.

The four-step materiality assessment approach is presented in Figure 2 below. In FY2019, we have determined the material factors as reported in FY2018 to still be relevant to our business, with inclusion of an additional EESG factor as shown in Figure 3.

Figure 2: Materiality assessment approach



OUR SUSTAINABILITY APPROACH

In reviewing the relevant material EESG factors, we also conducted an analysis of our existing EESG factors against peers within the same industry and concluded that our material EESG factors remain relevant. This year, we have also included an additional EESG factor “Fair employment and labour practices”, recognising its importance in our industry and in line with our commitment to continually improve our sustainability disclosures. To align with the latest Global Reporting Initiative (“GRI”) standards, we have transitioned from GRI 2016 to GRI 2018 on the topic of Occupational Health and Safety. The following table summarises the EESG factors in FY2019, alongside the relevant GRI disclosures.

Figure 3: Hi-P's EESG Factors

Category	EESG factor	GRI disclosure	'17	'18	'19
Material EESG Factor					
Governance	Anti-corruption	GRI 205-2: Communication and training about anticorruption policies and procedures		√	√
Economic	Economic Performance	GRI 201-1: Direct economic value generated and distributed	√	√	√
Social	Training and Education	GRI 404-1: Average hours of training per year per employee	√	√	√
	Occupational Health and Safety	[a] GRI 403-2 (2016 Standards): Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	√	√	√
		[b] GRI 403-9 (2018 Standards): Work-related injuries	[a]	[a]	[b]
[b] GRI 403-10 (2018 Standards): Work-related ill health					
Environment	Energy Consumption	GRI 302-3: Energy intensity	√	√	√
	Greenhouse Gas Emissions	GRI 305-1: Direct (Scope 1) GHG emissions GRI 305-2: Energy indirect (Scope 2) GHG emissions	√	√	√
Additional EESG Factor					
Social	Contribution to Local Community	GRI 413-1: Operations with local community engagement, impact assessments, and development programmes	√	√	√
	Fair employment and labour practices	GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees			√

GOVERNANCE

ANTI-CORRUPTION

Why It is Important to Hi-P

Integrity is one of the core foundations to the way Hi-P conducts business, as reflected in Hi-P's Core Behavioural Principles. Any compromise to our zero-tolerance approach to corruption erodes trust in our organisation and undermines our reputation.

We take a strong stand against unlawful conduct, financial malpractice, impropriety, statutory non-compliance or wrongdoing by employees, and place emphasis on complying with all anti-corruption laws and regulations in our countries of operations, including the Singapore Exchange ("SGX") and Singapore's Prevention of Corruption Act ("PCA"). With a strong culture of anti-corruption, Hi-P also ensures it aligns with the U.S. Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act as our customer base consists largely of American and European markets.

Perpetual Target

	Achieved
Zero substantiated cases of corruption	

Policies relating to anti-corruption	
Business Ethics Policy	<p>Hi-P is committed to Ethical Business Conduct in achieving a high standard of Corporate Governance and zero tolerance towards corruption. As a company, we strive to:</p> <ul style="list-style-type: none">• Be a responsible corporate citizen by complying with applicable laws, regulations and business ethics practices.• Establish sound relationships with stakeholders to provide safe, quality products and adhere to proper Business Ethics conduct. <p>Hi-P shall abide by honesty and integrity when conducting business with customers and suppliers, doing it in a trustworthy manner and abiding by legal and other requirements. This procedure should be communicated to new and existing employees once a year. Hi-P and its subsidiary companies will oppose corruption and bribery, and strictly avert this kind of behaviour from occurring within the organisation and its subsidiaries within the scope of business activities.</p>
Hi-P Whistle-blowing Policy	<p>The Policy is designed to encourage employees of Hi-P and external parties to raise concerns or disclose information which they reasonably believe relate to acts of improprieties by an employee of Hi-P, including accounting impropriety, violation of law, breaches of Code of Ethics/Good Conduct, abuse of office, retaliatory acts against whistle-blowers and attempts to conceal any of the above.</p>

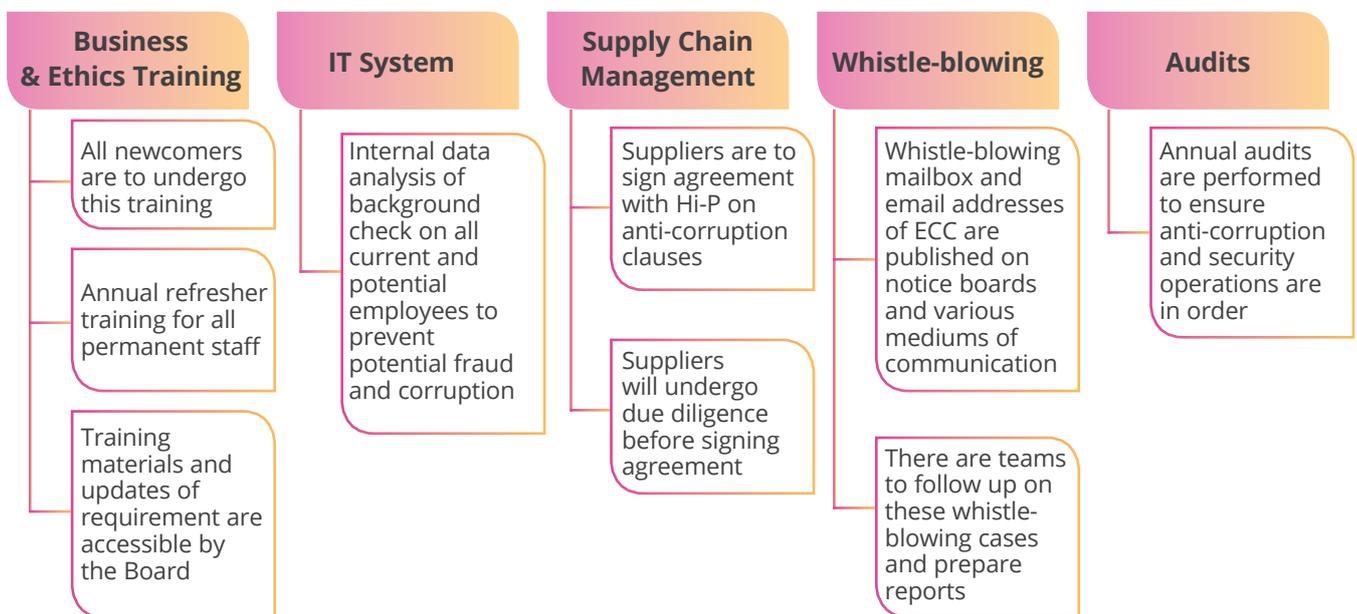
Management Team

The Ethics and Compliance Committee ("ECC") is responsible for overseeing the investigation of whistle-blowing cases. All concerns and irregularities raised will be treated with confidence and confidentiality will be maintained throughout the process. All allegations of improprieties will be investigated and reported to the ECC for review on a quarterly or sooner basis, as the circumstances may require. Remedial and corrective actions to be taken include disciplinary actions in accordance with the Group's Human Resource Policy such as dismissal or reporting of the case to the legal authorities.

Our Approach

With the above policies around anti-corruption in place, Hi-P builds our internal defence by employing PDD: Prevention through Education Awareness, Detection through transactions monitoring, whistle-blowing etc and Deterrence through internal publication of confirmed cases handed over to the authorities. We conduct training for all employees on Ethical Business Conduct annually. This training is validated and reviewed annually to ensure Hi-P stays relevant on applicable corruption matters and to continuously improve our anti-corruption practices. Figure 4 below elaborates on the practices that Hi-P mandates across our operations to safeguard our business from the risk of corruption.

Figure 4: Anti-corruption procedures



Performance

To prevent future corruption cases from occurring, we have an anti-corruption policy and procedures, i.e. the Whistle-blowing Procedure and ethical business training for both existing and new on-board employees. We are pleased to share that there were zero substantiated cases of corruption in FY2019. Our Organic Management System (“OMS”) is set to record non-compliance incidents, including every employee’s code of conduct, corruption, business and ethics, and other behaviours.

In addition, we intend to implement the ISO 37001 Anti-bribery Management System to improve Hi-P’s anti-corruption prevention process. We strive to obtain this certification in the near future.

Anti-corruption policies and procedures have been communicated to our employees, with the numbers and percentage in FY2019 shown in Figure 5 below. 100% of our governance body members have been communicated to on anti-corruption policies and received training on anti-corruption. Furthermore, 100% of our new suppliers³ have been communicated to on anti-corruption.

3. Communication on anti-corruption policies are carried out only for new suppliers. Percentage is based on total new suppliers in FY2019.

GOVERNANCE

Figure 5: Number⁴ of employees⁵ and subcontract workers that Hi-P's anti-corruption policies and procedures have been communicated to in FY2019

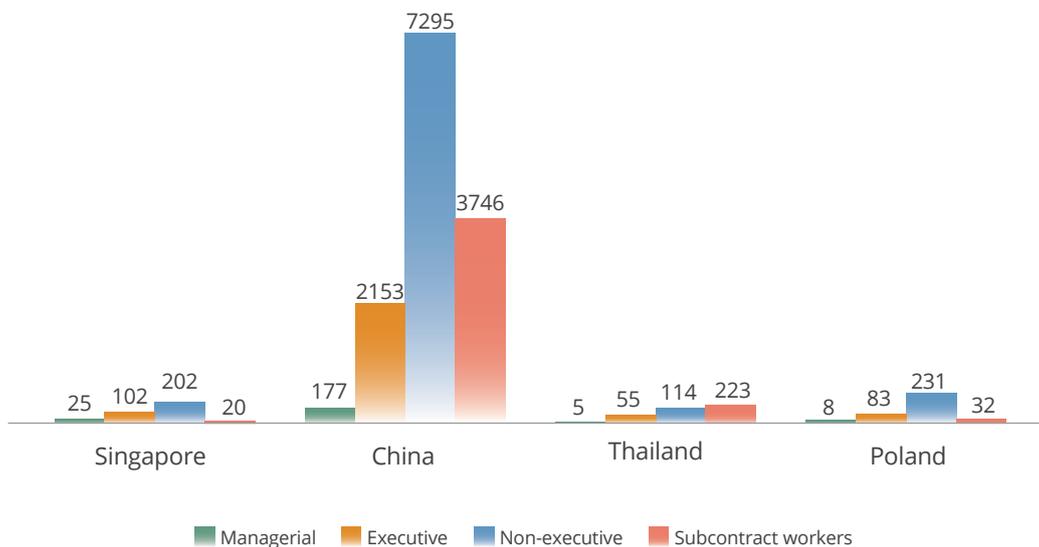
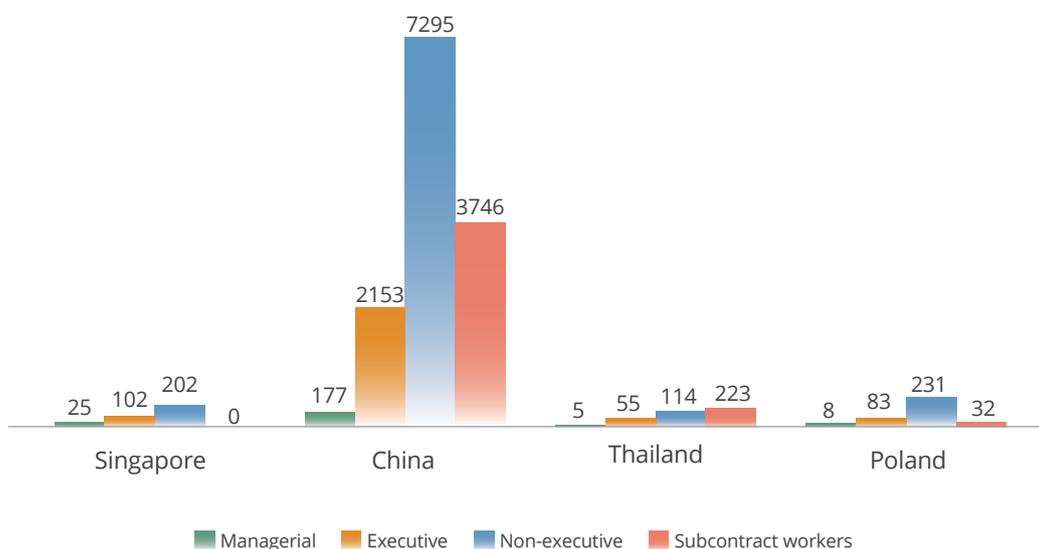


Figure 6: Number of employees and subcontract workers that who received training on anti-corruption in FY2019



4. Number of employees and/or subcontract workers who have been communicated on anti-corruption policies and procedures in certain countries are higher than that reported in Hi-P's Workforce Profile due to employee turnover within the reporting year. In addition, percentage has been omitted due to employee turnover which may cause the percentage to be misrepresented.
5. Employees consists of executive, managerial and non-executive categories.
6. Number of employees and/or subcontract workers received training on anti-corruption in certain countries are higher than that reported in Hi-P's Workforce Profile due to employee turnover within the reporting year. In addition, percentage has been omitted due to employee turnover which may cause the percentage to be misrepresented.

ECONOMIC PERFORMANCE

Why It is Important to Hi-P

In a dynamic business environment driven by the demand of customers, it is imperative that Hi-P constantly evaluates our responsiveness to evolving market trends and business conditions. In staying adaptable, we constantly seek new technologies in our manufacturing processes. To reduce concentration risks and improve revenue, we broaden our production base by expanding into new markets. With a large scale of customers from different markets, it is crucial that we manage our risk appetite and exposure to credit and bad debt. Through a newly implemented framework, Hi-P has seen an increase in our financial standing which we hope will instil more confidence amongst our stakeholders.

Perpetual Target

Not Achieved

To **increase** economic value generated

Our Policy: Total Exposure Limit Framework

Managing Hi-P's risk appetite

To strike a balance between risks and benefits, Hi-P controls and mitigates our risk to a level which is in line with Hi-P's risk appetite.

Managing Hi-P's Total Exposure Limit ("TEL")

TEL is the risk or loss that Hi-P is able to absorb at any point of time should a customer fail to deliver payment and procure the goods purchased. Through a combination of credit and inventory controls, Hi-P limits our risk according to our risk appetite.

Management Team

Our TEL Committee which consists of the Chief Financial Officer ("CFO") and Heads of Business Development ("BD"), Operations and Corporate Supply Chain Management ("SCM"), meets on a monthly basis to review the effectiveness of the TEL controls.

Supply Chain Management

Supply chain has always been a crucial factor in affecting the economic agility of our business as the quality of our products is correlated with our continued partnership with our customers. As a responsible contract manufacturer, we do our part in ensuring that our suppliers fulfil minimum requirements on safety and the environment. We engage mainly suppliers who provide resin, graphite, PCBA and metal parts globally, with the bulk from China.

01



Check before every procurement if the potential supplier provides an Environmental, Health and Safety ("EHS") report or ISO 14001 Environmental Management System certification

02



Conduct random audits on suppliers who have potentially higher environmental impact due to the nature of their business.

(Many of our customers have appointed suppliers that Hi-P should procure from and have already passed the audit of our customers.)

03



Shortlist vendors and select the one that fits our criteria best in terms of price and quality.

ECONOMIC

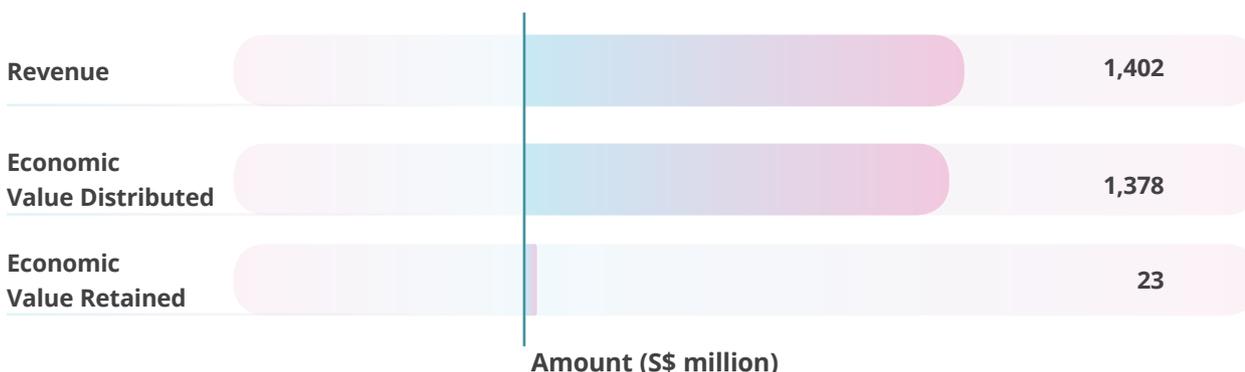
Performance

Despite the challenging market conditions, trade war tensions and subdued global growth, the Group's revenue declined only marginally, 2.5% year-on-year ("yoy") to S\$1.37 billion for FY2019. The Group's net profit after tax declined 20.4% yoy to S\$80.3 million for FY2019 due to price pressure, higher employee share award expenses and annual salary increments as well as the absence of a one-off gain compared to FY2018.

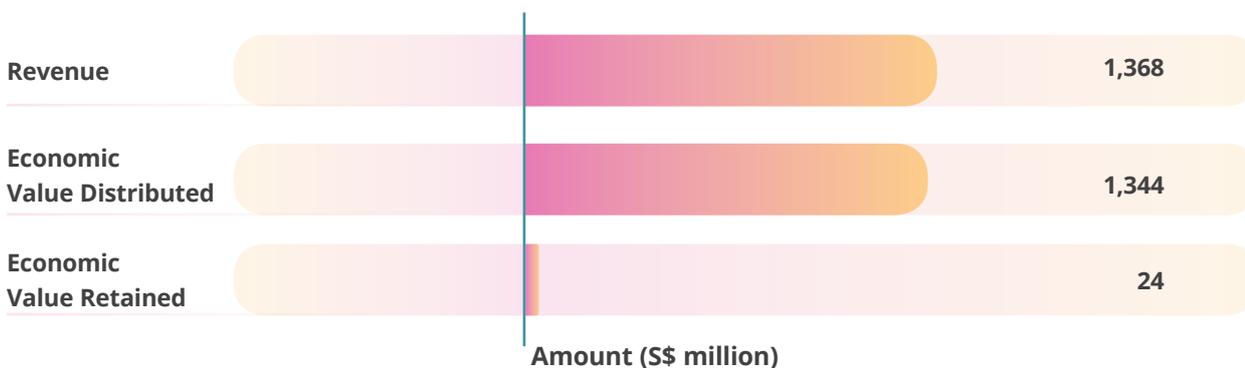
In FY2019, Hi-P further injected S\$51.7 million in our overseas subsidiaries, as well as S\$4.0 million in an overseas associate. We also made an investment in an overseas company for S\$3.0 million and acquired 100% of a local group of companies for S\$42 million. We have also invested S\$86.6 million in capital expenditure, of which S\$84.1 million were for our overseas subsidiaries. In spite of the reduction in revenue, we managed to maintain our economic value retained of S\$24m in FY2019.

Figure 7: Economic value generated and distributed in FY2018 and FY2019

FY2018 Economic Value Generated and Distributed



FY2019 Economic Value Generated and Distributed



At Hi-P, it is in our ethos that we treat all our employees fairly, with dignity and respect. We believe that having a healthy working culture is key to building a resilient workforce that embodies Hi-P's culture and values. As a ground rule for Hi-P's relations among our employees and subcontract labour, we have in place a labour policy that is accessible through our corporate website, and also outlined below.

Our Policy: Labour Policy

<p>1 VOLUNTARY EMPLOYMENT</p>	<p>Forced, bonded, or involuntary prison labours are not allowed. All work will be performed on a voluntary basis and workers should be free to resign upon giving reasonable prior notice.</p>
<p>2 PROHIBITION OF CHILD LABOUR</p>	<p>Child labour is forbidden to be employed at any stage of production or manufacturing. Please refer to our corporate website for more information.</p>
<p>3 WORKING HOURS</p>	<p>Company will define the style of working hours for employees as per government regulations. The types of holidays and leaves will be determined based on the guideline in the country of employment.</p>
<p>4 WAGES AND BENEFITS</p>	<p>Compensation paid to workers shall comply with all applicable wage laws in the country of employment, including those relating to minimum wages, overtime hours and legally mandated benefits. Workers shall be compensated for overtime work at pay rates greater than regular hourly rates, in compliance with local laws and regulations.</p>
<p>5 HUMANE TREATMENT</p>	<p>There is to be no harsh or inhumane treatment of workers, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse of workers, nor is there to be any threat of the use of any such treatment.</p>
<p>6 NON-DISCRIMINATION</p>	<p>There must be no discrimination based on race, colour, age, gender, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status etc. in hiring and employment practices (such as promotions, rewards, and access to training etc.).</p>
<p>7 FREEDOM OF SPEECH</p>	<p>Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation conflicts. Workers must be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment.</p>

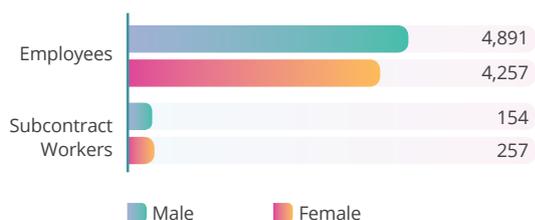
PEOPLE

HI-P'S WORKFORCE PROFILE

Hi-P's workforce consists of 9,851 employees as at the end of FY2019, a slight increase as compared to 9,148 employees in FY2018. The increase is mainly due to a slight change in product mix in our China operations and extensive product requirements from customers, which necessitated higher manpower requirements. All employees at Hi-P are on permanent contract and are full-time employees. There are no temporary, fixed-term or part-time employees. Hi-P also increased the number of subcontract workers⁷ engaged from 411 in FY2018 to 757 in FY2019 due to higher manpower needed at our operations in Thailand⁸ and China⁹. As our operations are labour intensive at different periods of time, we outsource subcontract workers from external agencies. Approximately 7.1% of our workers were subcontract workers in FY2019, an increase from 4.3% in FY2018. We strive towards maintaining a culture of equality so that our employees are treated fairly and with respect regardless of their gender, race or religion.

Figure 8: Total number of workers by gender in FY2018 and FY2019

Total number of workers by gender in FY2018



Total number of workers by gender in FY2019

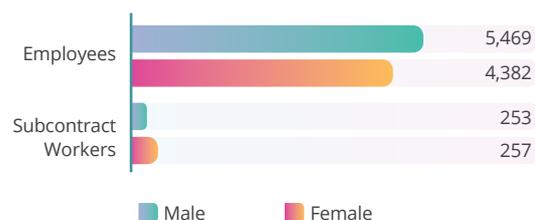
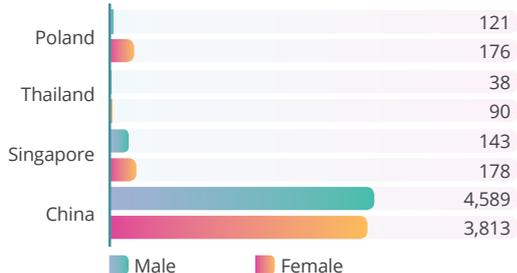
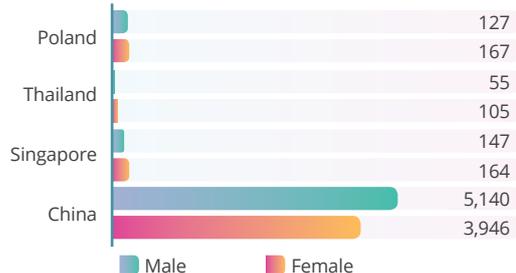


Figure 9: Total number of employees by region and gender in FY2018 and FY2019

Total number of permanent employees by region and gender in FY2018



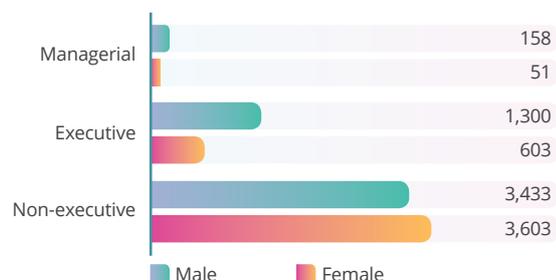
Total number of permanent employees by region and gender in FY2019



7. Subcontract workers in Hi-P are regarded as non-employees engaged from employment agencies to perform line operator duties. Non-employees refer to individuals who do not have employment relationship with the organisation, according to national law or its application, but whose work and/or workplace is controlled by the organisation.
8. Increase in manpower needed in Thailand due to preparation for expansion in FY2020.
9. Increase in manpower needed in China due to change in product mix, resulting in a more labour-intensive process.

Figure 10: Total number of employees by employment category and gender in FY2018¹⁰ and FY2019

Total number of employees by employment category and gender in FY2018



Total number of employees by employment category and gender in FY2019

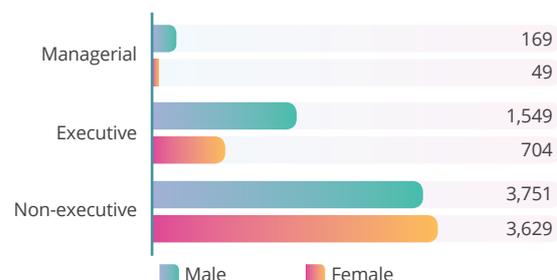
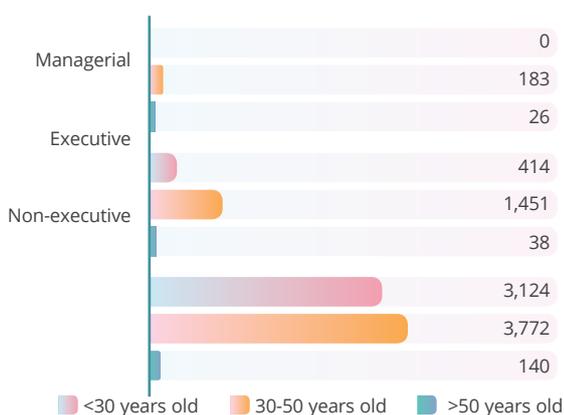


Figure 11: Total number of employees by employment category and age group in FY2018 and FY2019

Total number of employees by employment category and age group in FY2018



Total number of employees by employment category and age group in FY2019

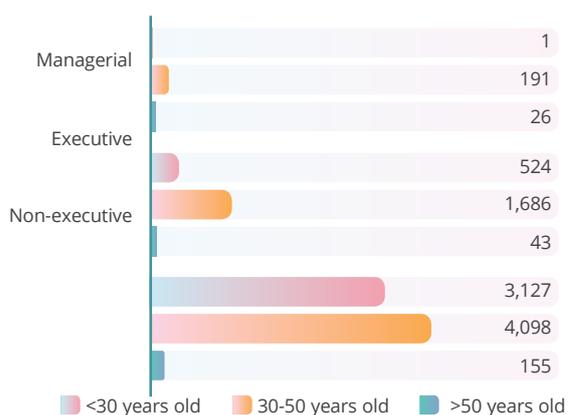
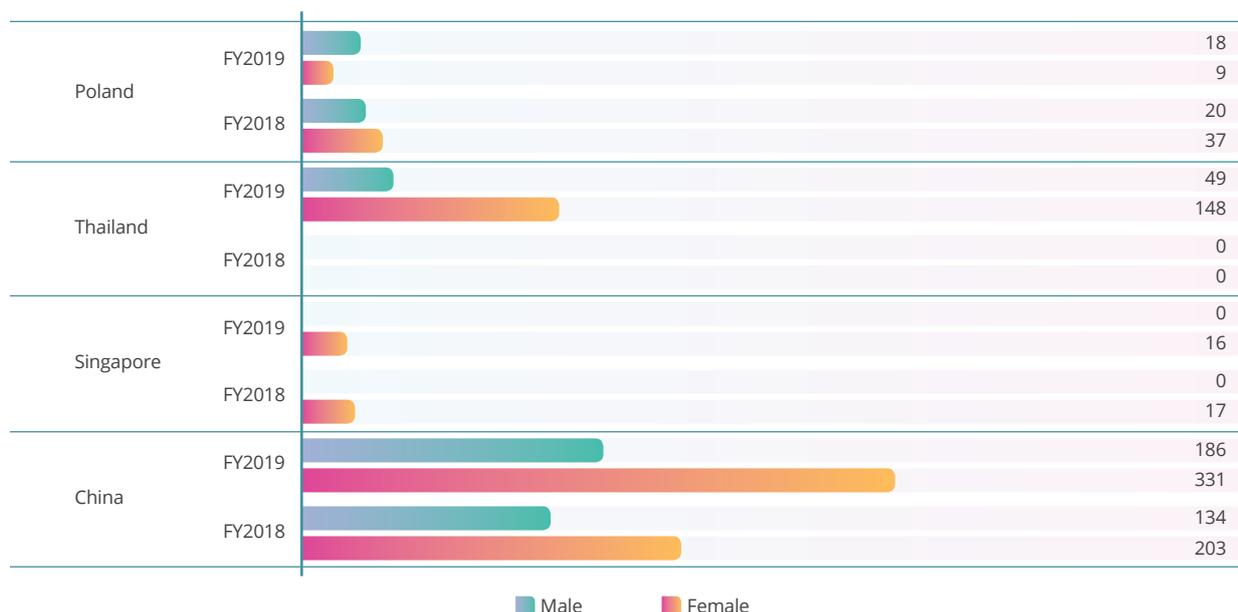


Figure 12: Total number of subcontract workers by gender and region in FY2018 and FY2019

Total number of non-employees by gender and region



10. The number of male managers in FY2018 is restated from 56 to 58 due to a minor correction in calculation.

PEOPLE

TRAINING AND EDUCATION

Why It is Important to Hi-P

Hi-P places great emphasis in the development of our workforce as human talent is key to the capability of the firm. We believe that investment in our human capital will generate returns to enable the long-term stability and success of our business. It is with this mindset that we ensure our employees undergo proper training to be equipped with the necessary skills for their job functions.

Perpetual Target

Achieved
All staff to undergo mandatory training of at least **3 hrs/year**, focusing on Environmental, Health and Safety (EHS), security and culture

Achieved
Managerial level and above to undergo Hi-P Management Tools and Philosophy training annually

Achieved
Technicians to undergo dedicated three months technical training once on-board Hi-P

Achieved
Operators to undergo Operator Certification Programme (“OCP”) (theoretical and practical training) within 1 month after on-boarding Hi-P, and to be retrained every year

Policies relating to training and education

Compulsory Courses Implementation Policy

- Training and Development (“T&D”) staff at each site shall arrange compulsory courses training for employee according to our Compulsory Courses Matrix.
- Employee’s supervisor is responsible for evaluating the Post-training action Assessment Form (“PTAAF”)
- Employee shall complete compulsory courses training

Fresh Graduates Management Policy

- The policy contains provisions for On-boarding Preparation, Orientation Training, On Job Training/ Rotation Training, Communication Session, Talent Identification, Internal Transfer and Resignation.

Management Team

The Training and Development (“T&D”) team as well as the Human Resource Vice President, Site General Managers (“GMs”) and site T&D teams work together in implementing these policies at each site.

Our Approach

To ensure that we provide the necessary trainings for all employees, we have implemented a list of training procedures for different groups of employees as outlined below.

Training Procedures

- Training and Development Procedure
- New employee Orientation Procedure
- Operator Certification Procedure
- Technical Training and Development Procedure
- External Training Management Procedure
- Internal Trainer Selection and Management Procedure
- Compulsory Courses Implementation Procedure
- Fresh Graduates Management Procedure
- Training Budget Management Procedure

Hi-P places a strong emphasis on training all our employees to ensure everyone is equipped with sufficient knowledge on their roles.

In FY2019, we continued to provide customised training programmes for our fresh graduates and line-leader certification programmes to equip our frontline workers with leadership skills after passing the theoretical and practical trainings. This year, we provided more trainings courses for our management, through internal trainings such as Manager's Work Refresh, Mould Management Skills Training and Geometric Dimension & Tolerances ("GD&T") Refresh as well as external trainings to further enhance management skills, such as Strategy Formulation and Execution training. In addition, we established Hi-P College in FY2019 to share examples of good culture among our employees, as well as educate our employees on management thoughts and values.

We recognise the different training needs of our employees and aim to provide training programmes through different channels to meet these needs. Our Training Centre has established a new e-learning platform for our employees which is scheduled to launch in March 2020.

Hi-P has also established platforms for employees to submit their feedback, such as the training courses feedback table. In addition, together with our Compliance Committee, site and corporate HR, our customers will evaluate our approach to training and education through external audit. This helps ensure that our trainings always remain relevant and useful to develop our human capital to the fullest.

Case Study 1: Hi-P College

In FY2019, Hi-P established an internal Hi-P College for sharing knowledge with all our employees online. This ranges from company cultures, such as Huawei Wolf Culture to individual improvement, such as Toyota Time Management.

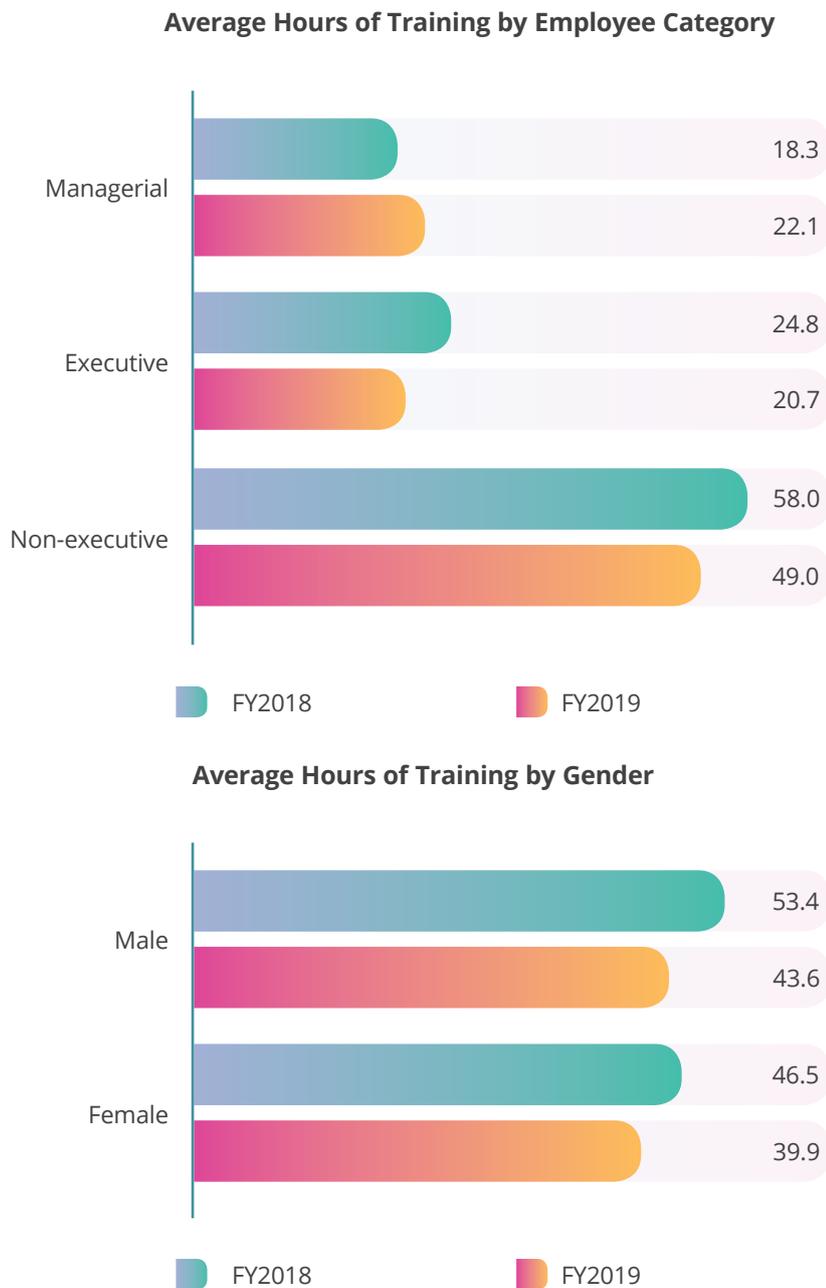
These good concepts are adopted into Hi-P's culture to improve our management, enhance our employees' belonging to Hi-P and strengthen the awareness of individual responsibilities on work.

PEOPLE

Performance

In FY2019, our average training hours per employee was 42.0 hours, a decrease from 50.2 hours per employee in FY2018. This is due to a decrease in our new hires in FY2019 (who typically undergo more training programmes), resulting in less total training hours collectively in FY2019.

Figure 13: Average hours of training by employee category and gender in FY2018 and FY2019



OCCUPATIONAL HEALTH AND SAFETY

Why It is Important to Hi-P

Having a safe, healthy and secure working environment safeguards the interests of our employees and workers. This aligns with our culture of being people-oriented – where we ensure care of our employees.

Targets for FY2019

		Our Policy: Environment, Health, Safety (“EHS”) Policy
To achieve lost workday case rate of 0.05¹¹ and below per 200,000 manhours worked ¹²	Not Achieved	<p>Compliance with applicable laws and regulations Implementing systems, programmes and measures to ensure compliance with all applicable laws and regulations</p> <p>Minimise risks to the environment Control emissions and minimise waste arising from operations; design, operate and maintain facilities</p> <p>Emphasis on preventive measures We firmly believe that all industrial accidents and occupational diseases are preventable. We will strive continuously to improve by identifying and managing safety and health risks associated with our activities.</p> <p>Continuous improvement Undertaking appropriate reviews and evaluation of our performance in the areas of EHS to identify opportunities for continuous improvement</p> <p>Staff awareness Improve EHS awareness of company personnel and others involved in our operations through regular communication and training</p>
Zero fire accident	Achieved	
Zero cases of occupational disease	Achieved	
Targets for FY2020		
Zero cases of work-related fatality		
Zero cases of high-consequence work-related injuries ¹³		
Zero cases of work-related ill health		

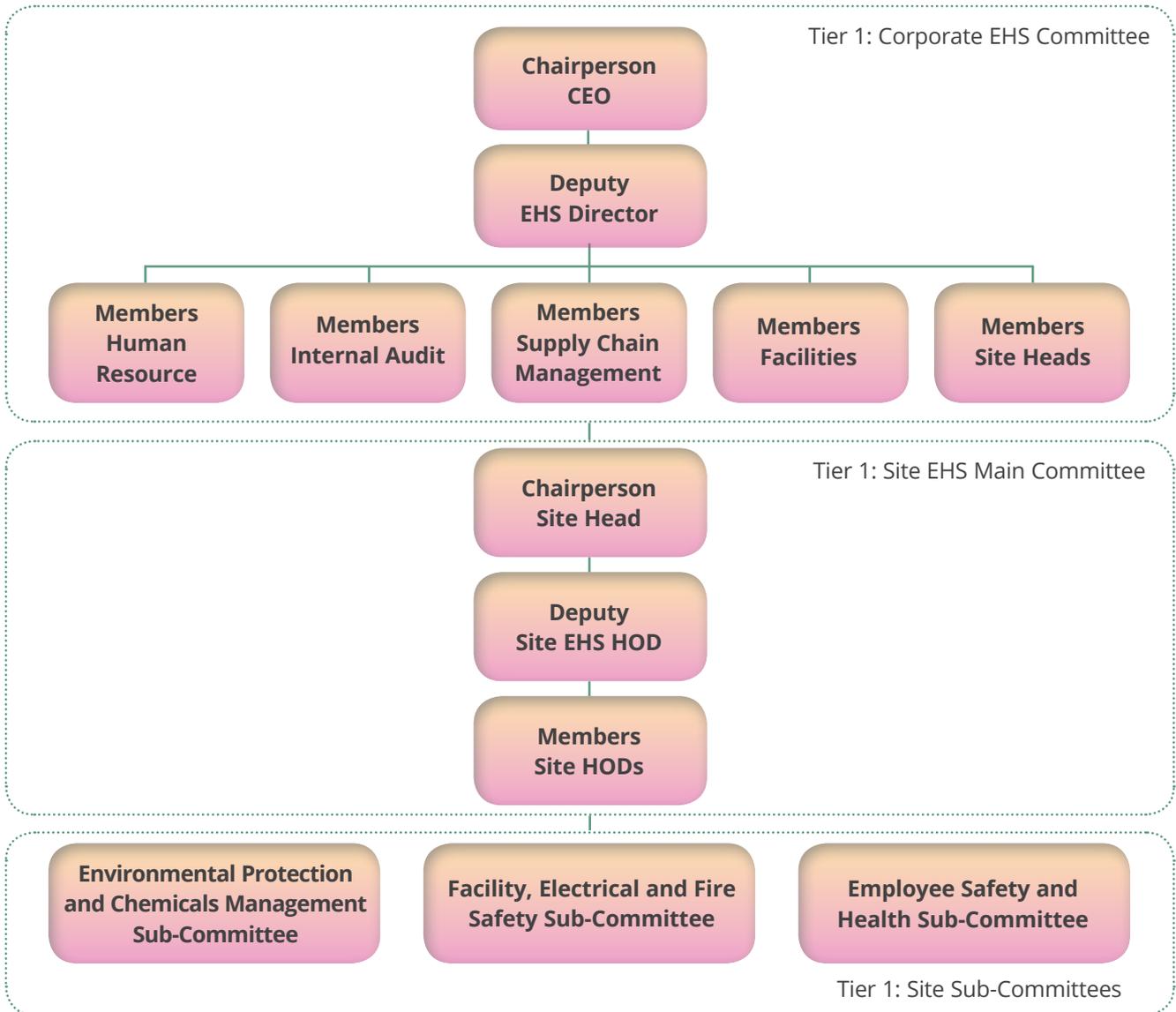
Management Team

At Hi-P, our corporate and site EHS committees are responsible for daily EHS matters. We have also established a three-tier EHS management committee to ensure all EHS issues have been sufficiently communicated at sites, as well as between corporate and site. Figure 14 illustrates our EHS committee structure.

- Restatement of target for a precise definition. The definition of lost workday case rate per 200,000 working hours is the number of lost workday cases in the year due to work-related injury per 200,000 working hours. Lost workday case is a type of work-related injury which is defined as worker is diagnosed to stop work from next working days for the purpose of continued treatment.
- There are a total of 6 lost workday cases recorded in FY2019 resulting in a lost workday case rate of 0.07 in FY2019, most of which are due to machine injuries because of the increased production in FY2019. Please see page 33 for more actions taken in FY2019.
- A high-consequence work-related injury refers to a work-related injury that results in a fatality or an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

PEOPLE

Figure 14: Hi-P's EHS Committee Structure



Roles and Responsibilities of our EHS management committees

Tier 1 EHS Management Committee	Tier 2 Site EHS Main Committee	Tier 3 Site EHS Sub-Committees
To provide strategic direction and management practices by setting goals and objectives to ensure all sites are in compliance with regulatory requirements and for the continuous improvement of our EHS	To ensure the site has fully complied with all applicable EHS regulations To set measurable EHS goals and objectives / KPIs for continuous improvement	To develop, review and update relevant management systems and procedures for the site To conduct periodic inspections and audits specific to the scope of the sub-committee and report these results to the Site EHS Main Committee

Practices

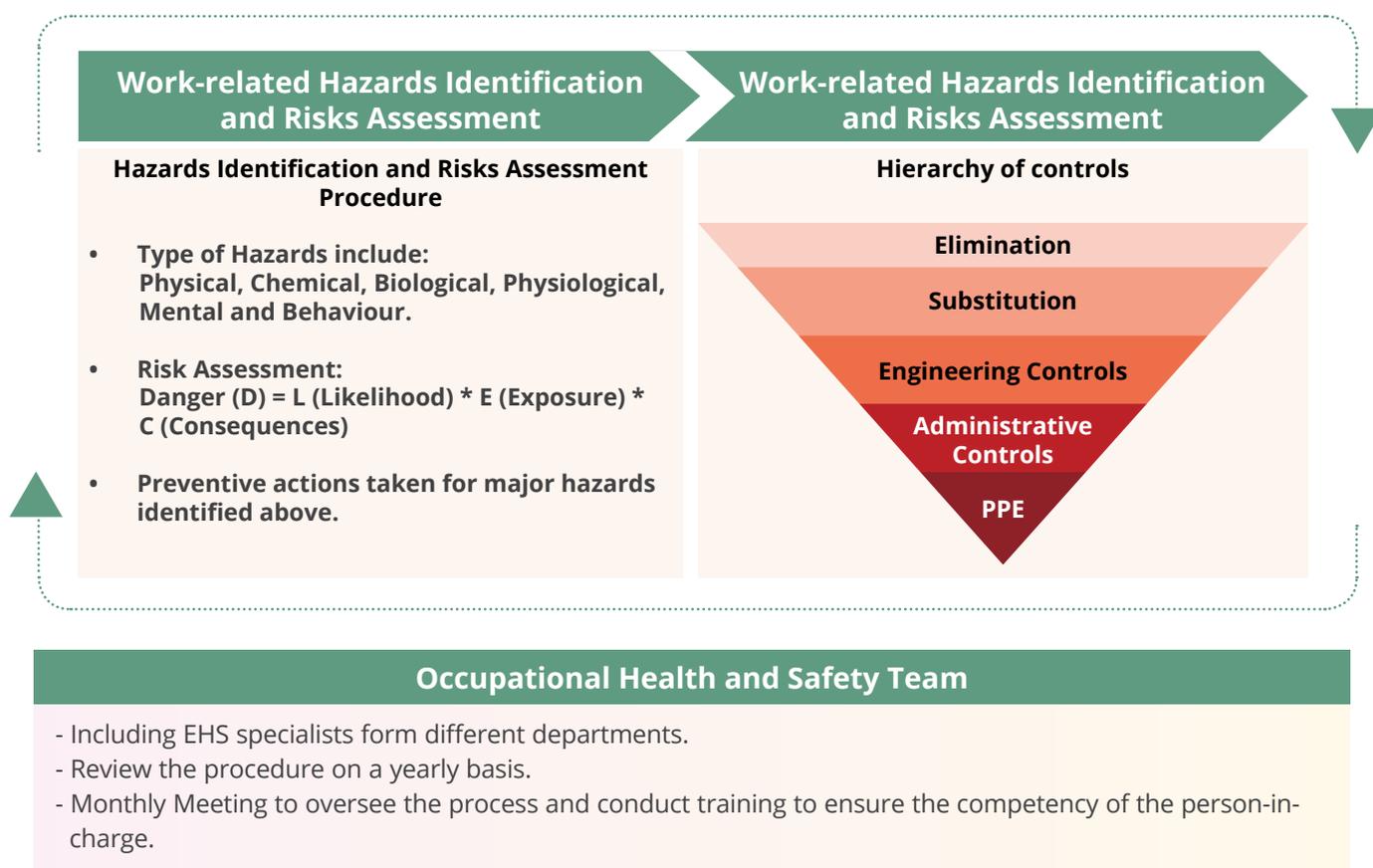
Occupational Health and Safety Management System (“OHSMS”)

In line with national regulations, Hi-P has implemented a robust Occupational Health and Safety Management system and is certified OHSAS 18001:2007 Occupational Health and Safety for all factories under Hi-P’s control. To ensure the effectiveness of our OHS management system, a third-party is engaged for external audits on all our sites annually. In the meantime, we conduct internal audits every year, including an annual audit by our corporate EHS team at every site and site-level internal audits twice a year.

Hazard Identification, Risk Assessment, and Incident Investigation

Our process of identification of work-related hazards, as shown in the diagram below, is applicable to all sites. It includes our hazard identification procedures and risks control methods, including the Likelihood, Exposure and Consequences (“LEC”) risk assessment standards and hierarchy of control. Our Occupational Health and Safety Team consists of competent personnel to drive this process and ensure hazards and risks assessment is robust.

Figure 15: Process of identification of work-related hazards and assessment of risks



Every site is required to submit to the EHS Management team at least 40 cases¹⁴ of potential false alarm or hidden dangers for every 20,000 working hours so as to continuously find improvement areas. In response to these cases, the site EHS team is required to investigate all the cases and take corresponding actions.

14. 40 cases are an estimation based on past working experience.

PEOPLE

Worker Participation, Consultation and Communication on OHS

Every month, we collect feedback from our employees and long-term suppliers on how to improve our OHS management system. The suggestions will be summarised quarterly and prizes awarded to the top 3 suggestions to encourage more people to provide feedback.

Occupational Health Services

Our Occupational Hazard Control Evaluation Report has identified the occupational health hazards for different working types at each site. Based on the types of hazards identified in the report, our employees who have the risks that are exposed under occupational health hazards will be sent for occupational health checks before they first start on the job, during employment and when they leave the job position or the firm.

Promotion of Worker Health

In order to promote a healthy lifestyle, we provide free ad-hoc health screening for employees. In addition, in accordance with Chinese laws, we organise health checks for our female employees in China every 2 years. In all our factories, we also assigned designated areas for smoking and restrict smoking breaks during working hours to encourage employees to kick the habit. We also conduct a 10-min exercise every morning in all our plants before starting work.

Worker Training on OHS

Every year, we conduct EHS training for different categories of employees, including orientation and refresher trainings, first aid and environment management trainings etc. We also conduct briefings on the applicable national regulations and laws during the orientation training sessions, including the rights of workers during these incidents.

In FY2019, we organised various activities for our employees as featured in the case studies below.

Case Study 1: Fire Fighting competition

As one of the 400 companies equipped with mini firefighting stations in Pudong, Shanghai, Hi-P actively participates in the fire fighting competition organised by the local Fire Fighting Force.

We are proud to announce that our employees have undergone professional firefighting trainings, which helped us clinch the first prize among the 342 teams.

Following this competition, Hi-P Shanghai organised its own firefighting competition involving all departments within Hi-P. Through these competitions, we have raised employee awareness on the importance of fire safety, protection and firefighting capabilities.



Mini Firefighting Station Competition



Hi-P Internal Firefighting Competition - Fire Equipment Quiz



Hi-P Internal Firefighting Competition - Firefighting Demonstration



Hi-P Internal Firefighting Competition - Fire Hose Operation Competition

PEOPLE

Case Study 2: Traffic Safety Poster Competition

To continually improve our employees' awareness on traffic safety and spread the traffic safety culture in Hi-P, one of our operations in China organised a traffic safety poster competition for 2 weeks in FY2019.

All departments were actively engaged in the competition through preparing materials and spreading awareness of traffic safety rules and pointers to everyone.



Case Study 3: Safe Operation Knowledge Competition

In response to China's 18th Safe Operation Month in June 2019, Hi-P organised a safe operation knowledge competition which tested knowledge of national laws and regulations and the company's rules and procedures, such as Equipment Safety Management Procedure, Environment Management Procedure and Hi-P Basic Safety Rules, etc.

A total of 1,126 employees were involved in the competition and half of the participants received scores over 80 in the first round.



Performance

In FY2019, we had zero cases of work-related fatalities and high-consequence work-related injuries. The number of cases of employees' work-related injuries also decreased from 26 in FY2018 to 21 in FY2019. The details of employee injury rate¹⁵ by region is presented in Figure 16. In FY2019, we continued to lower our employees' injury rate from 1.42 in FY2018 to 1.15 in FY2019, mainly due to the decrease of injury cases in China. Similarly, there was a decrease in injury rate for our subcontract workers from 3.39 in FY2018 (a total of 3 cases in FY2018) to 0.48 in FY2019 (one case in FY2019). Despite our best efforts, we sustained 1 female injury case among our subcontract workers in China.

These injuries include factory work-related accidents, such as first aid cases, lost workday cases or medical treatment cases and injuries due to traffic accidents as defined in Hi-P's Incident Management Procedure. Hi-P takes a serious view of all injuries, putting in place proper corrective actions, improving safety awareness of our employees by training, communication, friendly competitions and enhancing on-site inspections on safety issues. HQ EHS has since set up a Machine Safety Protection Team to manage these accidents. Corrective and preventive actions have also been taken, such as in-time collection of unused tools and materials, safer cabinet positioned and more safety trainings or communications to our employees and workers.

There were zero cases of work-related ill health¹⁶ recorded in FY2019. To maintain this record, we have provided safety trainings to all employees and workers to reinforce the safety message and put in place preventive actions, such as earplugs for employees who are exposed to noise hazards.

Figure 16: Employee recordable work-related injury cases and rate¹⁷ by region

	Injury Case		Injury Rate	
FY2018	Singapore	0		0
	China	25		1.53
	Poland	1		1.91
	Thailand	0		0
	Total	26		1.42
FY2019	Injury Case		Injury Rate	
	Singapore	3		4.56
	China	15		0.89
	Poland	3		6.24
	Thailand	0		0
	Total	21		1.15

Figure 17: Total working hours by employees and subcontract workers

	Employee	Subcontract Workers
FY2018	18,297,579	886,176
FY2019	18,278,014	1,750,960

15. Work-related injury rate is the number of work-related injury cases per 1,000,000 working hours.

16. Work-related ill health is defined as negative impacts on health arising from exposure to hazards at work.

17. Work-related injury rate is defined as the number of recordable work-related injuries per million man hours worked.

PEOPLE

FAIR EMPLOYMENT AND LABOUR PRACTICES

Why It is Important to Hi-P

Hi-P believes investment in human resources is important to attract and retain our valued employees.

At Hi-P, we strive to uphold fair employment and labour practices within our organisation. Regardless of nationalities, gender and religion, we have provided several different forms of benefits to all full-time employees considering the local conditions. In caring for our employees' health conditions, we have provided commercial insurance which covers medical services, disability and invalidity coverage and other healthcare services, such as free medical treatment at designated clinics and hospitals for all our full-time employees. In addition, we have also provided retirement provision and parental leave in more than 70% of our operations, regardless of gender. As appreciation for their hard work, employees are also provided with company stocks.

Case Study 1: Employee Engagement

At Hi-P, we organise various activities to enrich the daily lives of our employees, including celebrating public holidays and festivals together, as well as providing gifts to our valued employees during these special occasions. We hope that our employees are able to bond during these festivities and enjoy their time at Hi-P. It is also a way for us to show our appreciation to them for their hard work and commitment to the organisation.

Below are some examples of the activities organised in FY2019.



Movie nights



Birthday celebrations



Festival gifts for our employees

Dragon Boat Festival(left), Women's Day (middle) and Mid-Autumn Festival (right)

ENERGY CONSUMPTION

Why It is Important to Hi-P

As a manufacturing operator, Hi-P is conscious of our environmental footprint and strives to manage our energy consumption in a sustainable manner. Through the various policy and procedures, we constantly work towards enhancing our internal capabilities in order to increase energy efficiency in all aspects of our operations.

Targets for FY2019

To achieve total electricity savings **by 5%** with FY2018 electricity consumption as base year¹⁸

Achieved

Targets for FY2020¹⁹

To achieve total electricity savings **by 7.9%** with FY2019 electricity consumption as base year

Our Policy: Energy Management Policy

- Implement effective energy management systems, develop, and periodically review the energy target indicators, as well as continually improve system
 - Comply with local energy laws and regulations, as well as other requirements.
 - Ensure energy management systems are established, implemented, maintained and continuously improved in accordance with the requirements of ISO 50001 Energy Management System (“EnMS”) Standard, and that energy-efficient material is used
 - To carry out energy conservation and consumption reduction awareness events for all employees on waste recycling and strive to minimise resource consumption
- This policy is communicated to all employees and the awareness of energy conservation is raised among all employees through education and training.*

18. Restatement of FY2019 target to align with FY2019 ISO 50001 Energy Management System target. Our target is only applicable for our seven sites in China for FY2019. Due to the official approval for the target since April 2019, target achievement status in FY2019 is monitored from 1st April 2019 to 31st December 2019. Hi-P has achieved a total of 1.06 million kWh electricity savings in FY2019, with 0.84 million kWh electricity savings as target for FY2019.

19. From FY2020, the target is applicable for the whole financial year for the 7 sites in China in this scope of report. Due to different energy management capability at each site, the targets are set differently for each site and the overall percentage is calculated by total target electricity savings divided by total electricity consumption in FY2018. The scope of the target may increase with the enhancement of our ISO 50001 Energy Management System (“EnMS”) in future.

ENVIRONMENT

Management Team



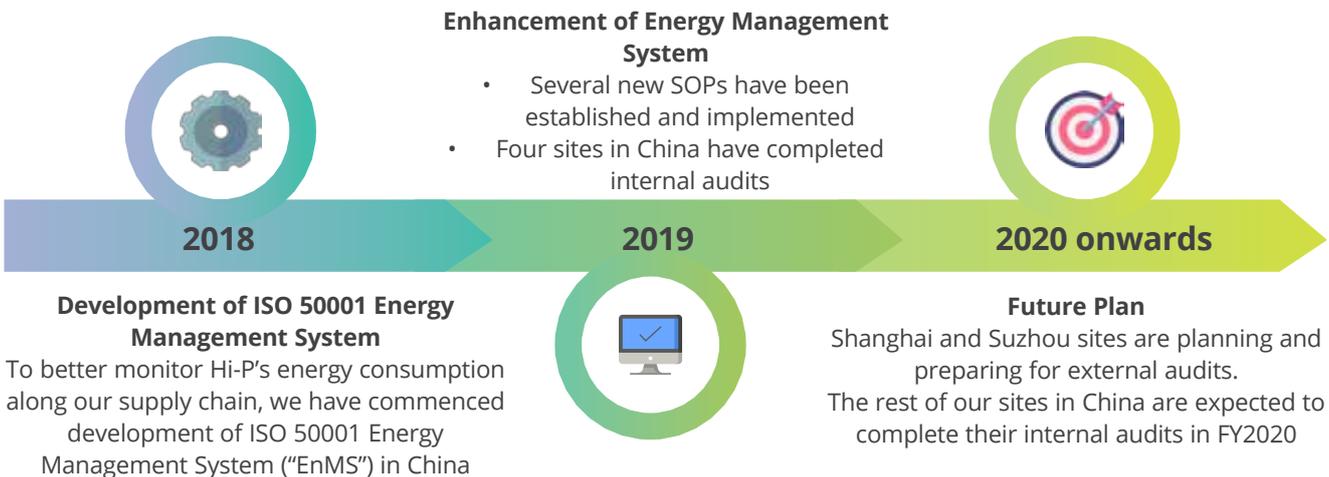
Roles and Responsibilities

Top Management	Management Representative	Regulatory Team Supervisor
Oversees implementation of energy	Provides energy management direction	Drive energy management programmes under the support of the managers from each site

Our Practices

In 2018, Hi-P commenced development of the ISO 50001 Energy Management System (“EnMS”) for our sites in China to monitor our energy consumption along with our supply chain. This year, to ensure effective implementation of our EnMS and continuously improve the system, four sites in China have undergone internal audits and another two sites are planning for external audits, including our operations in Shanghai and Suzhou. We plan to complete the internal audits for the rest of our sites in China by March 2020.

Figure 18: Hi-P’s Energy Management System



Throughout the audits, Hi-P identified several common findings at different sites, including recommendations on implementing more detailed energy management related procedures and setting up a standard energy database. Hi-P has taken several actions accordingly as follows.

Enhancing Energy Management Procedures

Hi-P believes well-defined procedures and proper documentation is the foundation for implementing our EnMS. In FY2019, we have implemented more energy-related procedures on site as shown in Figure 19.

Figure 19: List of Implemented Energy Management Procedures



Energy Management Dashboard

To satisfy the requirement outlined in ISO 50001 Energy Management System and with reference to General Rules for the provision and management of energy measuring instruments in China, we have initiated our pilot establishment of an energy management platform in Shanghai, which will consolidate our energy procurement, conversion, processing, and utilisation status in one platform and improve our energy consumption efficiency.

Figure 20: Examples of pilot energy management dashboard



Optimising EnMS proposal workflow

This year, we have also introduced an online E-office system to standardise our workflow on raising suggestions or proposals on the EnMS. It also encourages all our employees to be engaged in our EnMS development. This system provides an online platform for employees to translate their ideas and proposals into defined work steps for the team leader's approval. Please refer to the case study below for details.

ENVIRONMENT

Case Study: Raising Energy Saving Proposal through E-office

In June 2019, Hi-P launched an E-office system to provide a channel for our employees to raise proposals on energy savings in an easily accessible way.

This improves our employees' awareness on energy savings in line with our energy management policy and we are glad to see the active involvement of our employees. For example, in Oct 2019, one of our employees from facility department in Shanghai, China, observed a potential wastage of energy from the exhaust fan. The machine operates only at night and needs to be manually stopped during meal times and weekends. To better control the energy consumption from the machine, auto turn off mode was suggested to be installed in the machine's control system which will potentially save 174,720 kWh energy per year.

The proposal was raised through our E-office system and automatically sent to the team leaders and project managers for approval. The system also offers the function to track the project completion date and the actual amount of energy savings for documentation.

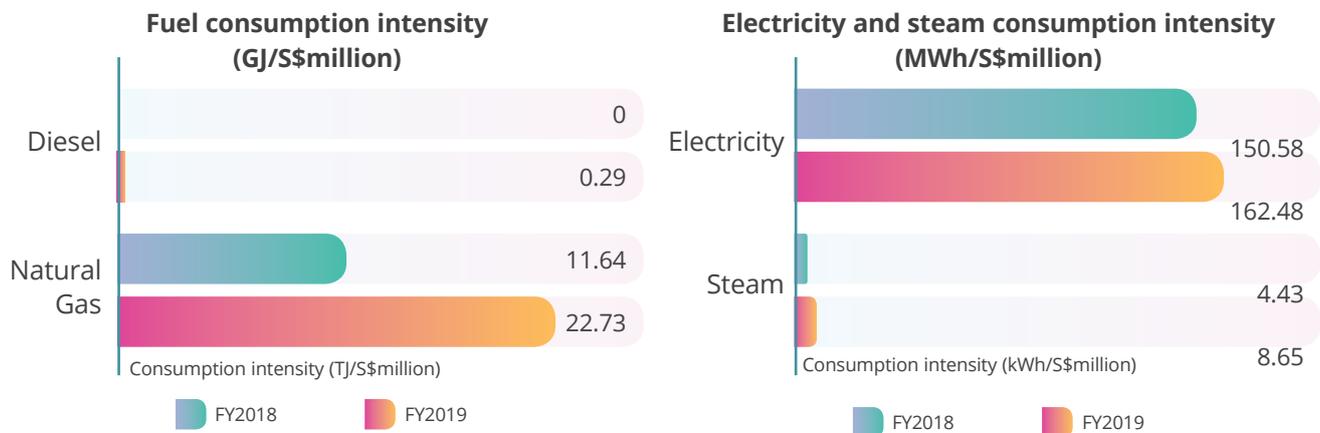
Energy Saving Practices

To minimise our internal energy usage, we encourage our employees to turn off the lights and air-conditioners whenever they are not required and to use natural lighting and wind where possible. We have also replaced some of our old equipment into energy-saving ones. To better monitor our energy consumption data, we have installed a set of meter instruments in one of our sites in Suzhou, which is currently under commissioning. Moreover, we are considering tapping into residual steam for conversion into energy in the future.

Performance

Our primary energy sources come from fuel, electricity and steam consumption. Diesel consumption mainly comes from the usage of rented vehicles by the company in China. In FY2019, the total energy intensity in Hi-P increased by about 12% from 569.67 GJ/S\$ million in FY2018 to 639.09 GJ/S\$ million in FY2019 due to several activities in Hi-P.

Figure 21: Energy intensity for fuel, electricity and steam consumption²⁰



To be in line with local environmental requirements, we have newly installed Regenerative Thermal Oxidizer ("RTO") equipment for the treatment of exhaust air at Suzhou site. This equipment requires natural gas to operate, resulting in higher overall natural gas consumption. Our Nantong site in China commenced operations in FY2019 which resulted in an increase in steam consumption while the increase of our electricity consumption can be attributed to the establishment of a facility in Suzhou, expanded operations in Xiamen and an increase in operating activities in Poland in FY2019.

20. Restatement of FY2018 Natural Gas and Steam data for accuracy.

GREENHOUSE GAS EMISSIONS

Why It is Important to Hi-P

At Hi-P, we recognise that most of our greenhouse gas emissions (“GHG”) stems from our energy-intensive manufacturing activities. To ensure that we remain a responsible manufacturer, we have an energy saving and emissions reduction team who drives the organisation in reducing our emissions through identification of energy-saving initiatives as well as ensures we comply with the laws and regulations applicable to Hi-P.

Targets for FY2019

Not Achieved

To reduce total emissions by **5%** (approximately 8,500 tonnes CO₂), with FY2018 as base year

Targets for FY2020

To reduce total emissions by **5%** compared to the previous year

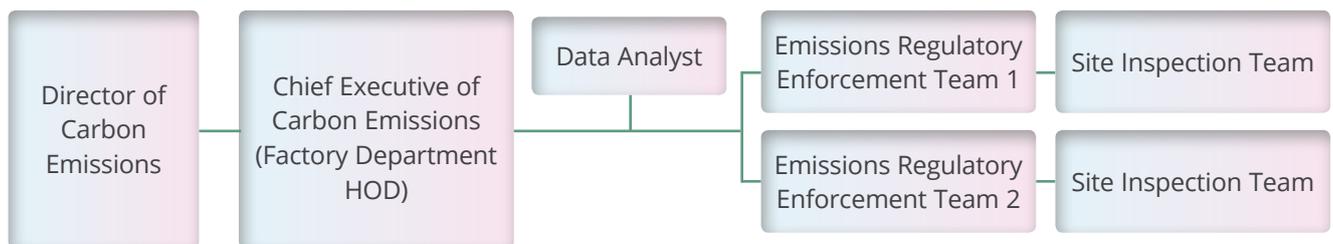
Our Policy: Energy Management Policy

Our corporate Energy Management Policy guides both energy consumption and greenhouse gas emissions management in Hi-P.

Details of our Energy Management Policy can be found in Section: Energy Consumption.

Each site will also have to be in strict compliance with local regulations and policies on greenhouse gas emissions performance.

Energy Saving and Emissions Reduction Team



Our Practices

As most of Hi-P’s operations are in China, our emissions are heavily regulated by the authorities, particularly governed by the Shanghai Emissions Trading System (“ETS”). In FY2019, our carbon emissions trading amount was 40,910 tCO₂, a decrease of 7% as compared to FY2018.

To help achieve our emissions reduction target, we have conducted trainings and communicated our emission targets to our employees. Furthermore, we have conducted internal and external audit based on local regulations and requirements. In Suzhou and Shanghai, we have implemented a strict GHG checklist based on our customers’ requirements.

ENVIRONMENT

Case Study: Retrofitting of steam boilers

Based on China's national regulation and Shanghai's local requirement, Hi-P has upgraded our steam boiler to meet the strictest requirement in FY2019.

We have retrofitted the boiler with more advanced technology to enhance boiler efficiency and lower NOx emissions. It is equipped with multiple layer input and a unique ultra-low nitrogen combustion technology to ensure air and fuel are mixed evenly and thus ensures complete combustion inside the equipment.



After Retrofitting

The estimated GHG emissions reduction is over 138 tCO₂e/year.

Performance

As shown in Figure 22, in FY2019, our scope 1 emissions increased by 49% due to the increase in natural gas usage, mainly from the installation of RTO at Suzhou site. Due to the expansion of our operations at some of our sites in China, there was a 6.9% increase of our scope 2 emissions in FY2019²¹. Overall, our total GHG emissions increased by 11,700 tonnes CO₂, or 6.8% from FY2018.

21. Refer to page 39 for more details of the reasons for the increase of our energy consumption.

Figure 22: Total greenhouse gas emissions (Scope 1)²²

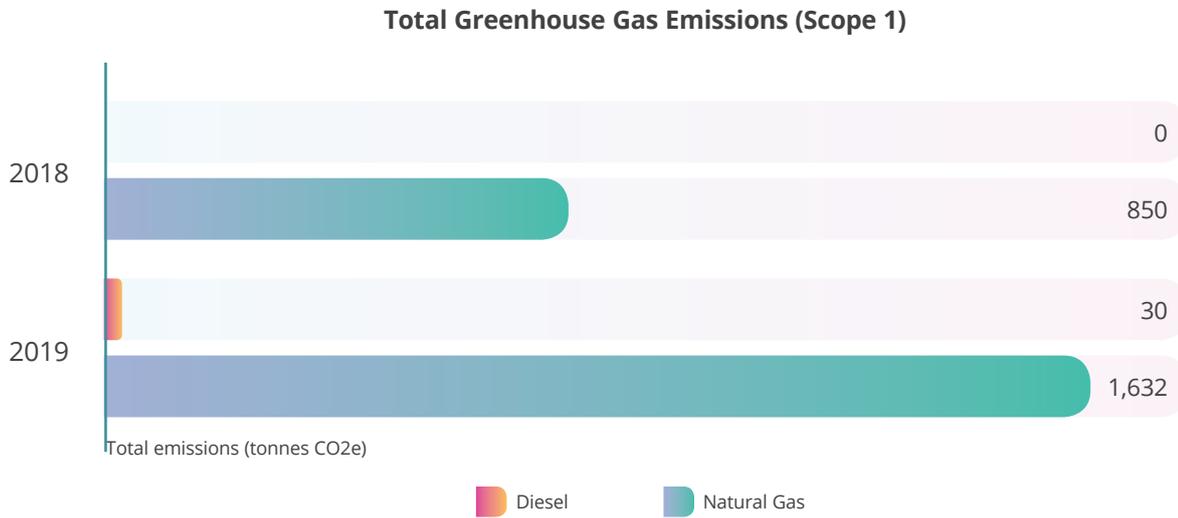
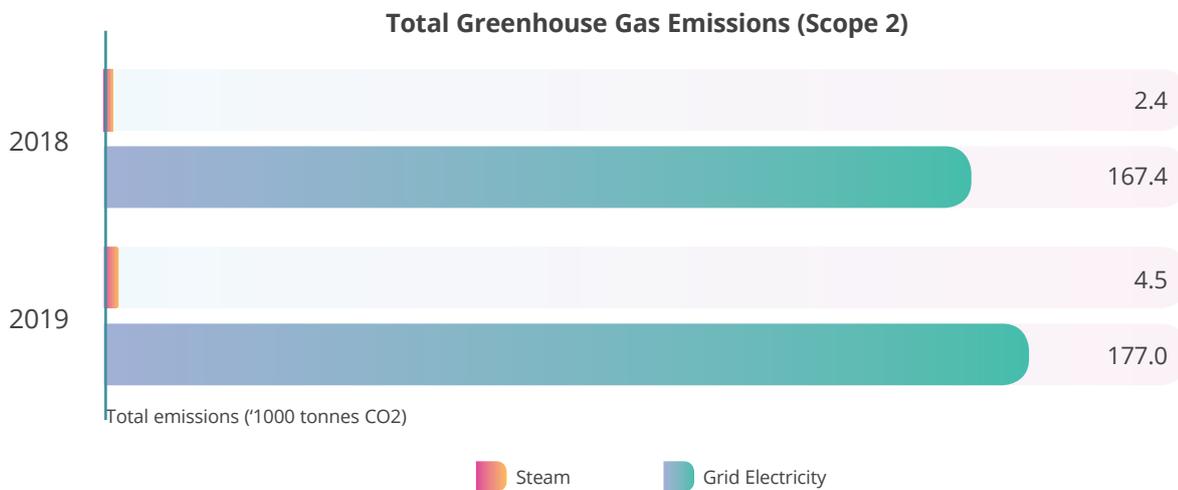


Figure 23: Total greenhouse gas emissions (Scope 2)²³



22. GHG emissions are calculated following the requirements and principles of ISO 14064-1 and Greenhouse Gas Protocol. Scope 1 emission factors are sourced from 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
23. Scope 2 grid electricity emission factors are sourced from Singapore Energy Market Authority 11 July 2018, 2017 Baseline Emission Factors for Regional Power Grids in China (Ministry of Ecology and Environment of the People's Republic of China), and Covenant of Mayors (CoM) Default Emission Factors for the Member States of the European Union (Dataset Version 2017). Scope 2 steam energy emission factor is obtained from 2006 IPCC Guidelines for National Greenhouse Gas Inventories for coal emission factor, with the assumption of 90% thermal efficiency for steam generation according to the steam energy supplier.

CONTRIBUTION TO LOCAL COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY

Why It is Important to Hi-P

Hi-P recognises the positive impact that we can have on the communities located in close proximity to our manufacturing sites. We are thankful for the support from stakeholders and are committed to giving back to the society through our contributions to these communities.

Our Practices

In FY2019, the Group has donated a total of S\$ 443,945 in cash to local communities. Strong social responsibility is an important part of our corporate culture. Many of our sites have organised various activities in FY2019 to contribute back to the local communities. Please refer to the case studies below for details.

Case Study 1: Food distribution to the needy

The Food Bank Singapore collects excess food from food industries and the public and redistributes them to other organisations and charities. On 25 May 2019, Hi-P (Singapore) organised a volunteering activity at The Food Bank Singapore warehouse to help filter, sort and store the collected food to facilitate their distribution to the charities.



CONTRIBUTION TO LOCAL COMMUNITY

Case Study 2: Caring for the disabled

Helping the weak and the disabled is held up as a traditional virtue in China. On 26 November 2019, Hi-P donated water dispensers and steamers to Shanghai Pudong Nanhui Sunshine Project Base based on their needs.

Our employees also visited the Base to celebrate Christmas Day with the students in advance, bringing warmth and hope to the students.



Case Study 3: Caring for orphans

On 13 July 2019, Hi-P visited an orphanage where we interacted and played with the children.



CONTRIBUTION TO LOCAL COMMUNITY

Case study 4: Protecting our Environment – Cleaning Activity

Hi-P seeks to improve our employees' awareness of protecting our living environment.

Every Wednesday, the employees of our Shanghai plants will come together to clean and clear rubbish around our company and its surroundings. We aim to achieve "Zero Rubbish" work environment and provide a healthy working environment to our employees.



Case study 5: Caring for the elderly

Hi-P continues to care for the elderly. Every year, Hi-P will organise visits to the nursing homes, spending time with the elderly, especially during festive seasons.

In FY2019, our China sites (Shanghai and Suzhou) organised several visits to nursing homes. We brought gifts with love to the elderly and put on singing and dancing performances to entertain them. We also spent time listening and communicating with the elderly while attending to their physical needs.



GRI CONTENT INDEX

GRI Standard Disclosure Reference	Description	Section of Report	Page Reference
GRI 102: General Disclosures			
Organizational Profile			
102-1	Name of the organization	Introduction: About Hi-P International Limited	2
102-2	Activities, brands, products, and services	Introduction: Our Business Segments; Our Core Services	3-5
102-3	Location of Headquarters	Introduction: About Hi-P International Limited	2
102-4	Location of operations	Introduction: About Hi-P International Limited	2
102-5	Ownership and legal form	Introduction: About Hi-P International Limited	2
102-6	Market served	Introduction: About Hi-P International Limited	2
102-7	Scale of the organization	Introduction: About Hi-P International Limited	2
102-8	Information on employees and other workers	People: Hi-P's Workforce Profile	20-21
102-9	supply chain	Economic: Economic Performance	17-18
102-10	Significant changes to the organisation and its supply chain	Introduction: About This Report	1
102-11	Precautionary Principle or approach	Refer to Corporate Governance Section in Annual Report 2019	9-39
102-12	External Initiatives	Hi-P does not subscribe to any external initiatives	
102-13	Memberships of associations	Introduction: Membership of Associations	7
Strategy			
102-14	Statement from senior decision-maker	Board Statement	8
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Introduction: Our Execution Foundation Governance: Anti-Corruption	6 14-16
Governance			
102-18	Governance structure	Our Sustainability Approach: Sustainability at Hi-P	10
Stakeholders Engagement			
102-40	List of stakeholder groups	Our Sustainability Approach: Stakeholder Engagement	11
102-41	Collective bargaining agreements	More than 90% of our employees are union members which could cover negotiations with management	
102-42	Identifying and selecting stakeholders	Our Sustainability Approach: Stakeholder Engagement	11
102-43	Approach to stakeholder engagement	Our Sustainability Approach: Stakeholder Engagement	11
102-44	Key topics and concerns raised	Our Sustainability Approach: Stakeholder Engagement	11

GRI CONTENT INDEX

GRI Standard Disclosure Reference	Description	Section of Report	Page Reference
Reporting Practice			
102-45	Entities included in the organisation's consolidated financial statements	Refer to Hi-P Group of Companies section in Annual Report 2019	8
102-46	Defining report content and topic boundaries	Introduction: About This Report	1
102-47	List of material topics	Our Sustainability Approach: Materiality Review	12-13
102-48	Restatements of information	People: <ul style="list-style-type: none"> • Hi-P's Workforce Profile • Occupational Health and Safety Environment: • Energy Consumption 	21 25 33, 36
102-49	Changes in reporting	Introduction: About This Report	1
102-50	Reporting Period	Introduction: About This Report	1
102-51	Date of previous report	Hi-P International Limited Sustainability Report 2018	
102-52	Reporting cycle	Introduction: About This Report	1
102-53	Contact point for questions regarding the report	Introduction: About This Report	1
102-54	Claims of reporting in accordance with GRI Standards	Introduction: About This Report	1
102-55	GRI Content Index	GRI Content Index	43-47
102-56	External assurance	Introduction: About This Report	1
Category: Economic			
GRI 205: Anti-Corruption			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	Governance: Anti-Corruption	15-16
103-3	Evaluation of the management approach	Governance: Anti-Corruption	15-16
205-2	Communication and training about anti-corruption policies and procedures	Governance: Anti-Corruption	16

GRI CONTENT INDEX

GRI Standard Disclosure Reference	Description	Section of Report	Page Reference
Category: Economic			
GRI 201: Economic Performance			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	Economic: Economic Performance	17-18
103-3	Evaluation of the management approach	Economic: Economic Performance	17-18
201-1	Direct economic value generated and distributed	Economic: Economic Performance	18
Category: Environmental			
GRI 302: Energy			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	Environment: Energy Consumption	33-36
103-3	Evaluation of the management approach	Environment: Energy Consumption	33-36
302-3	Energy intensity	Environment: Energy Consumption	36
GRI 305: Emissions			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	Environment: Greenhouse Gas Emissions	37-39
103-3	Evaluation of the management approach	Environment: Greenhouse Gas Emissions	37-39
302-3	Direct (Scope 1) GHG emissions	Environment: Greenhouse Gas Emissions	39
305-2	Energy indirect (Scope 2) GHG emissions	Environment: Greenhouse Gas Emissions	39
Category: Social			
GRI 401: Fair employment and labour practices			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	People: Fair Employment and Labour Practices	32
103-3	Evaluation of the management approach	People: Fair Employment and Labour Practices	32
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	People: Fair Employment and Labour Practices	32

GRI CONTENT INDEX

GRI Standard Disclosure Reference	Description	Section of Report	Page Reference
GRI 403: Occupational Health & Safety			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	People: Occupational Health & Safety	25-31
103-3	Evaluation of the management approach	People: Occupational Health & Safety	25-31
403-1	Occupational health and safety management system	People: Occupational Health & Safety	27
403-2	Hazard identification, risk assessment, and incident investigation	People: Occupational Health & Safety	27
403-3	Occupational health services	People: Occupational Health & Safety	28
403-4	Worker participation consultation, and communication on occupational health and safety	People: Occupational Health & Safety	28
403-5	Worker training on occupational health and safety	People: Occupational Health & Safety	28
403-6	Promotion of worker health	People: Occupational Health & Safety	28
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not applicable for Hi-P International	-
403-9	Work-related injuries	People: Occupational Health & Safety	31
403-10	Work-related ill-health	People: Occupational Health & Safety	31

GRI CONTENT INDEX

GRI Standard Disclosure Reference	Description	Section of Report	Page Reference
GRI 404: Training and Education			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	People: Training and Education	22-24
103-3	Evaluation of the management approach	People: Training and Education	22-24
404-1	Average hours of training per year per employee	People: Training and Education	24
GRI 413: Local Communities			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	12-13
103-2	The management approach and its components	Contribution to Local Community: Corporate Social Responsibility	40-42
103-3	Evaluation of the management approach	Contribution to Local Community: Corporate Social Responsibility	40-42
413-1	Operations with local community engagement, impact assessments, and development programs	Contribution to Local Community: Corporate Social Responsibility Corporate Social Responsibility	40-42



Hi-P International Limited
赫比国际有限公司

Company Registration Number 198004817H

11 International Business Park, Singapore 609926
www.hi-p.com