MEMTECH

MEMTECH INTERNAT ONAL LTD

STAYING
THE COURSE

SUSTAINABILITY REPORT 2018
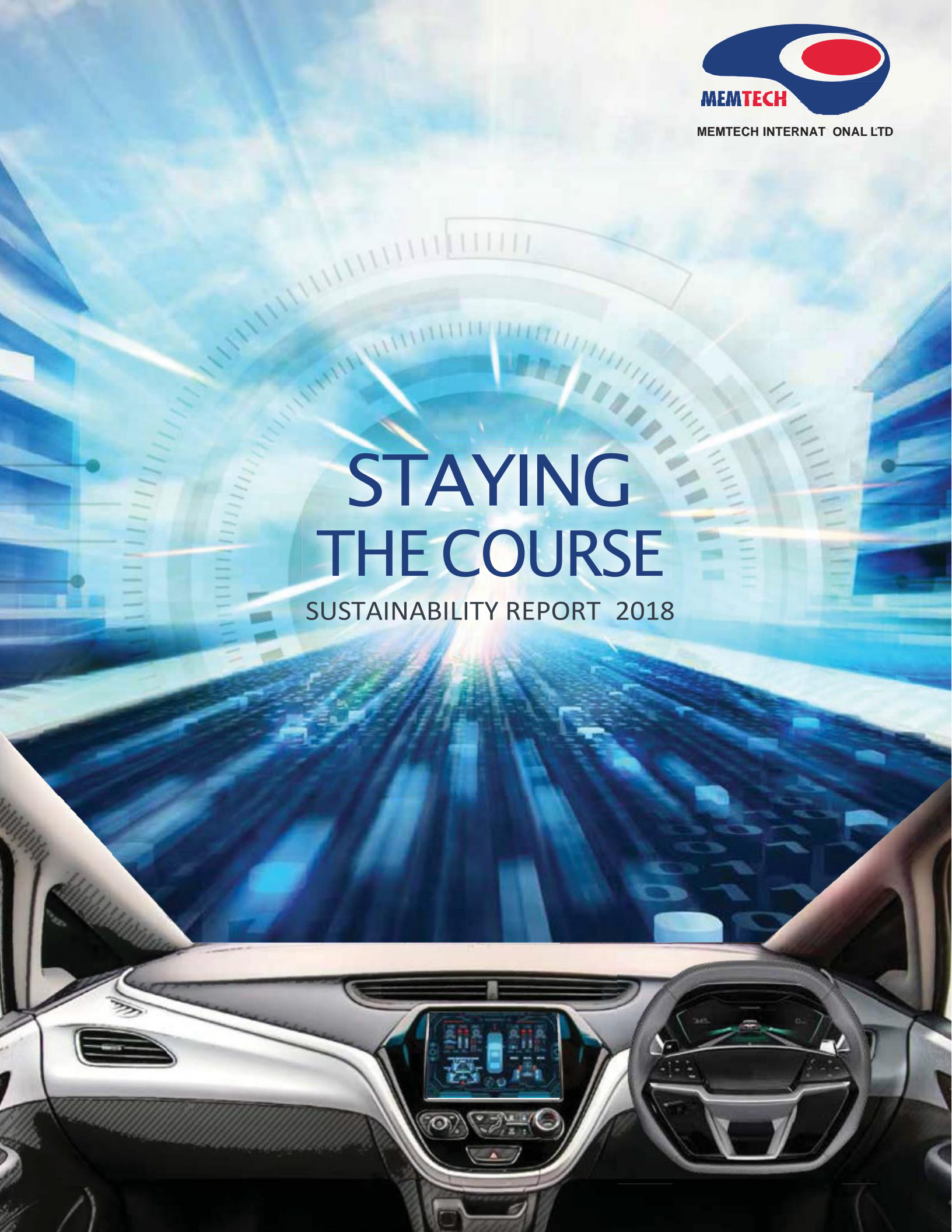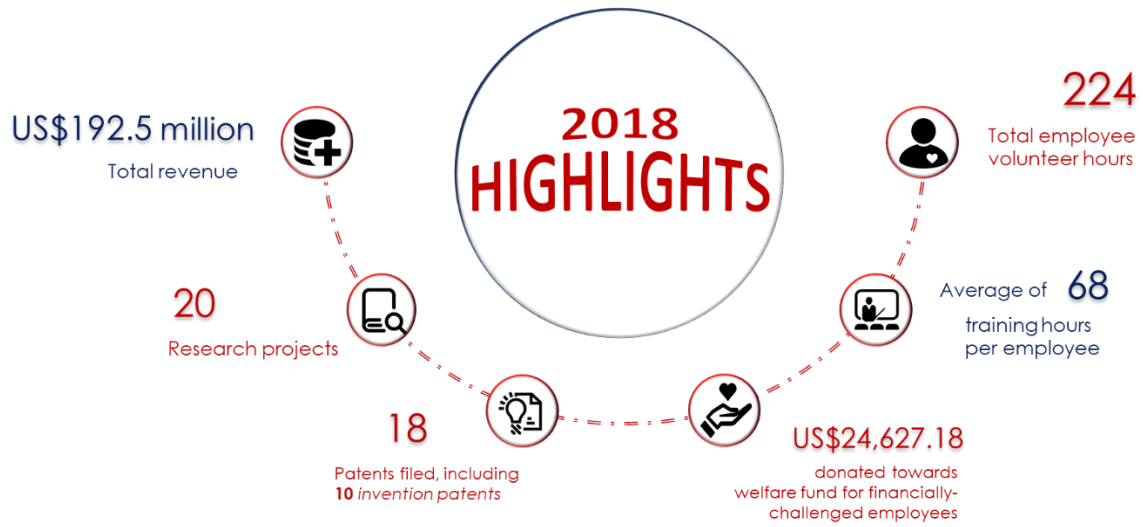
Content Page

Key Highlights in FY2018

2018 HIGHLIGHTS

US$192.5 million
Total revenue

20
Research projects

18
Patents filed, including
10 *invention patents*

US$24,627.18
donated towards
welfare fund for financially-
challenged employees

Average of **68**
training hours
per employee

224
Total employee
volunteer hours

1. About the Report

Memtech International Limited ("Memtech")'s second sustainability report has been prepared in accordance to the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard Listing Rule 711(B) and internationally recognised reporting framework, Global Reporting Initiatives ("GRI") Standards – 'Core' option. The GRI Standards comprises a comprehensive set of disclosures appropriate for Memtech's industry and business. This report further displays Memtech's phased approach towards sustainability in line with SGX's objectives.

Reporting Scope

The scope of reporting covers Memtech's performance of our three manufacturing operations in Dongguan, Kunshan and Nantong, the People's Republic of China ("PRC"), during the period of 1 January 2018 to 31 December 2018 ("FY2018"). Relevant prior year data ("FY2017") is included for comparison, where possible.

We did not seek external assurance for FY2018, but we will consider this as our report matures over time.

Contact Us

We welcome feedback or queries about this report as we progress on our sustainability journey.

Please direct your suggestions regarding to this report to our Financial Officer:
Name: Mr Zhang Liuqing
E-mail: ir@memtechchina.com

2. Board Statement

It is our pleasure to present Memtech's second sustainability report. Memtech recognises the importance of sustainable business operations for the future development of the organization. The Board has considered sustainability issues as part of its strategic formulation and oversees the management of the identified material matters. In FY2018, our management and the Board reviewed the Economic, Environmental, Social and Governance ("EESG") matters identified in FY2017 – Innovation and Research and Development ("R&D"), Effluents and Waste Management, Occupational Health and Safety, and Training and Advancement of our Employees, and confirmed their continued relevance.

Taking reference from the industry's leading practices, we strive to manage the material matters identified in alignment with our company's policies and practices. We are committed to creating and delivering sustainable value for all our stakeholders.

Memtech would like to take this opportunity to thank all our stakeholders, as the sustainability of our operations lies in their hands. Moving forward, we seek continuous support from all our stakeholders in our sustainability journey to improve the communities in which we operate in.

3. Corporate Profile

Overview of Memtech

MEMTECH IS A GLOBAL COMPONENTS SOLUTION PROVIDER WORKING WITH OUR PARTNERS IN THE BUSINESS OF AUTOMOTIVE COMPONENTS, INDUSTRIAL & MEDICAL, MOBILE COMMUNICATIONS AND CONSUMER DIGITAL DEVICES.

Memtech is headquartered in Singapore, with three manufacturing sites in PRC: Dongguan, Kunshan & Nantong. Apart from a wide network of sales and engineering offices in PRC, we also have offices in Germany, Japan, U.S.A and Taiwan to support our global reach of products and services.

Our customers include major automotive suppliers such as Continental, Hella, Magna, and Kostal. We also provide solutions to leading electric vehicle companies such as Nio; leading manufacturers including Foxconn and Celestica, along with our long-term customers such as Amazon, Beats, Netgear and Roku.

Our Business Segments

Our four main business segments - automotive, industrial & medical, mobile communications and consumer digital are shown in Figure 1 below.

Figure 1: Memtech's main business segments

AUTOMOTIVE

Memtech provides solutions to our customers in the automotive segments including:
- Precision parts used in ECU
- Functional parts used in door/seating/ mirror controls
- Decorative parts used in Key-Fobs, body control & Infotainment systems.

MOBILE COMMUNICATIONS

Memtech is highly experienced in the business of high volume / fast moving mobile telecommunications devices, and has developed full capabilities to provide modular services including:
- Keypads
- Window-lens
- Plastic Housings

INDUSTRIAL & MEDICAL

Memtech understands the needs and requirements of different businesses and helps our customers to develop innovative products in various niche Industrial and Medical areas.

CONSUMER DIGITALS

Memtech creates unique value to our customers in the competitive consumer electronics segment by combining our strong capabilities in tooling and manufacturing processes. Our products make full use of the combination of engineering and decorative parts.
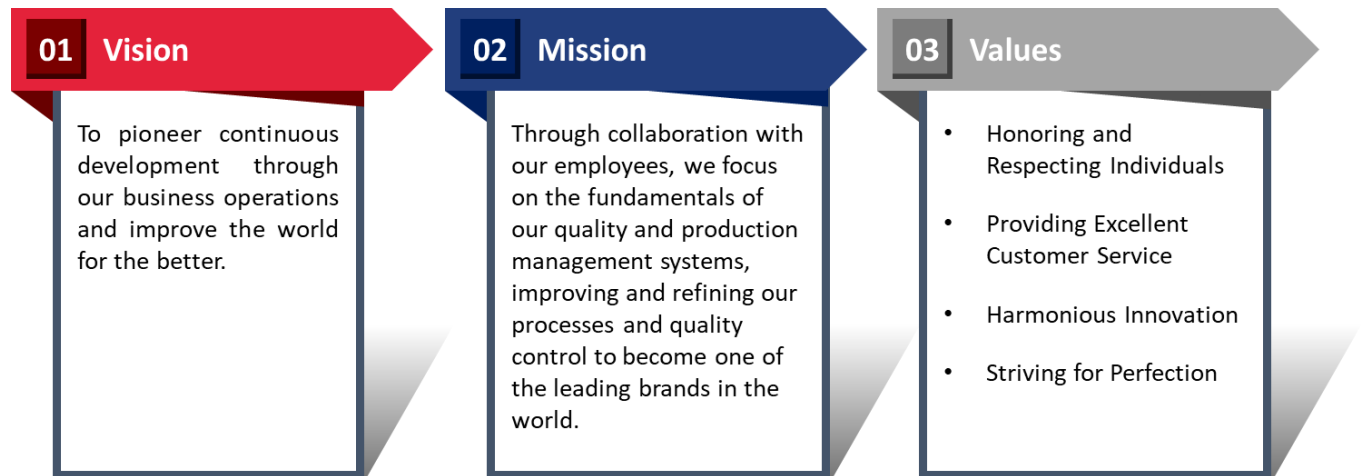
Vision, Mission and Values

Established under the strategic leadership of our Chairman and CEO, the four core values of Memtech (Figure 2) have guided Memtech in responsible business conduct since its incorporation in 2000. Memtech conducts annual refresher sessions on our core values with the Board, our employees and business partners. At the end of each training session, participants would acknowledge and affirm their understanding and commitment to uphold these values.

Figure 2: Memtech's Vision, Mission and Values

| 01 Vision	02 Mission	03 Values
To pioneer continuous development through our business operations and improve the world for the better.	Through collaboration with our employees, we focus on the fundamentals of our quality and production management systems, improving and refining our processes and quality control to become one of the leading brands in the world.	• Honoring and Respecting Individuals • Providing Excellent Customer Service • Harmonious Innovation • Striving for Perfection

Organisation Structure

Three of Memtech's six wholly-owned entities are under the scope of our second-year report. They are indicated by the red boxes in Figure 3.

*Figure 3: Memtech's Organisation Structure*
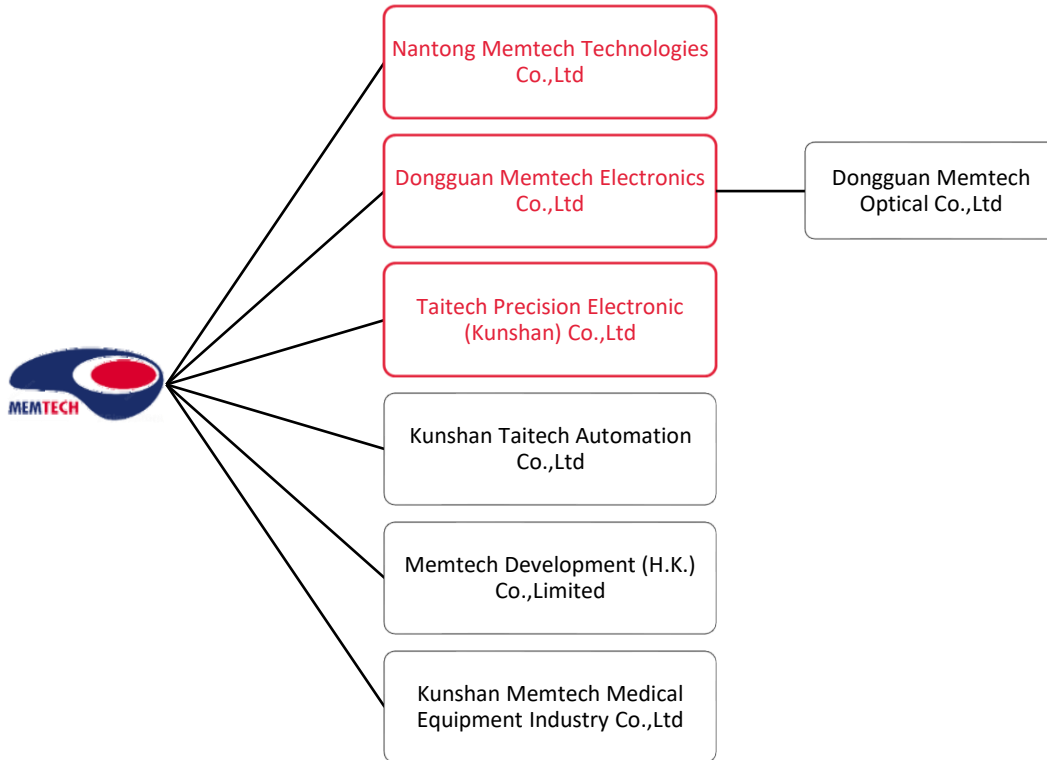
Staff Demographics

Memtech saw a 2% reduction in employees in FY2018. All of our operations are performed by full-time employees on a permanent or temporary contract. Our employees come from various countries including mainland China, Taiwan, Singapore, Malaysia, Korea and the USA. Most of our temporary staff are from mainland China.

Figures 4, 5 and 6 provide more details for FY2016, FY2017 and FY2018.

Figure 4: FY2016, FY2017 and FY 2018 staff breakdown by gender[1]

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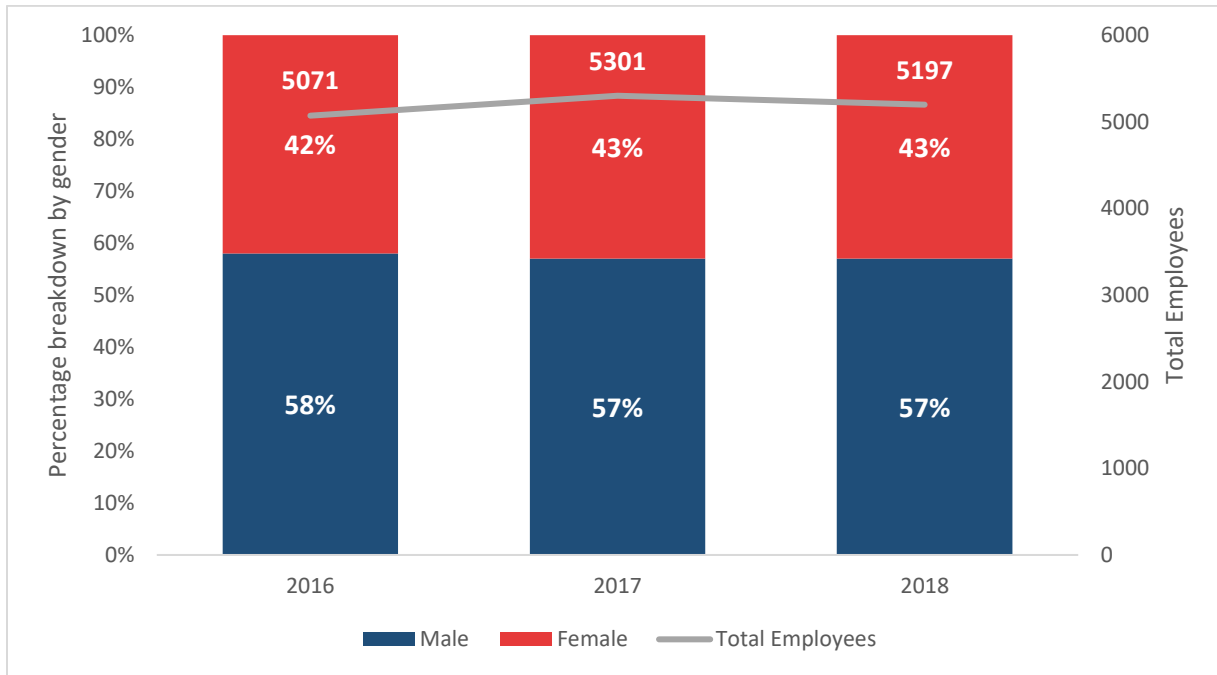
[1] The breakdown by gender for FY2016 and FY2017 has been restated.

Figure 5: FY2016, FY2017 and FY2018 staff breakdown by employment category[2]

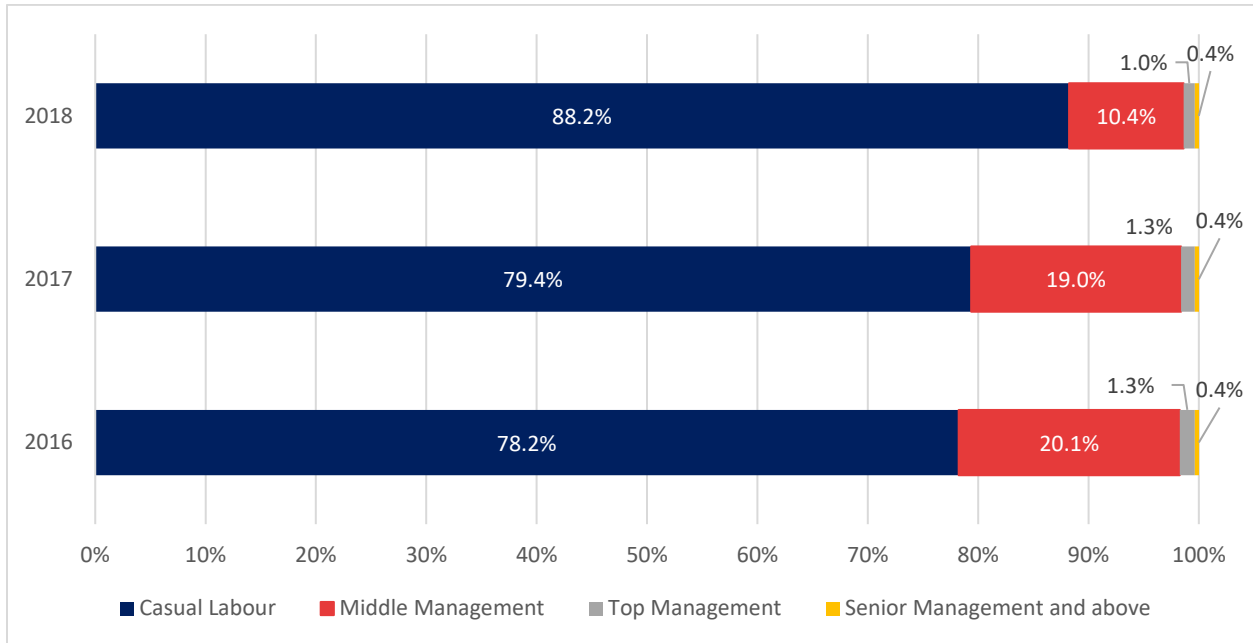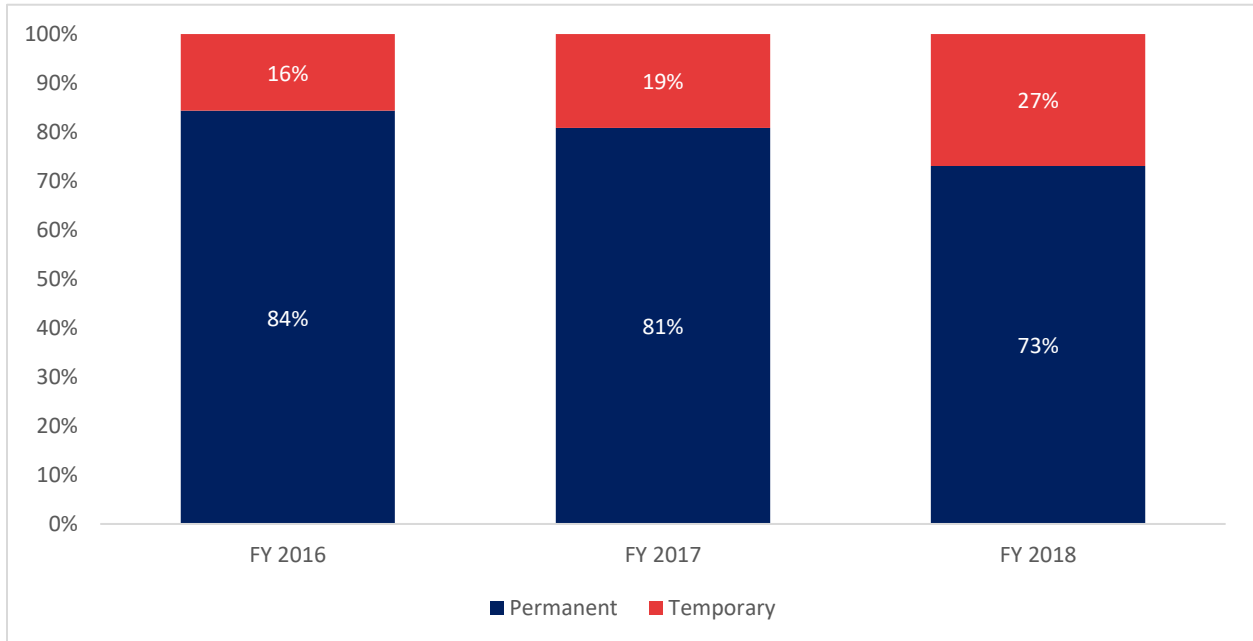Figure 6: FY2016, FY2017 and FY2018 breakdown by employment contract

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[2] Supervisor and Middle Management in FY2016 and FY2017 are classified as Middle Management.

Supply Chain

We procure raw materials such as plastic, silica gel, electroplated components from qualified suppliers with proven track records. Based on a set of internal metrics comprising (i) quality of products supplied, (ii) ability to fulfil contract terms and (iii) financial health of the company, our suppliers are classified and placed into "A", "B", "C" ranks. This ranking allows us to differentiate our suppliers based on the Company's current needs and expectations. Consequentially, potential financial and supplier risks are mitigated and it allows us to build stable and longstanding relationships with our suppliers.

Recognizing the need for active engagement, we hold meetings and discussions routinely to improve communication between Memtech and our key suppliers so as to strengthen collaboration and partnerships with them.

Approximately 96% of our suppliers are China-based. Our top 10 suppliers manufacture plastic particles, silica gel, plastic raw materials, metal conductive particles, electroplating equipment and manufacturing process.

Figure 7: Number of Suppliers Engaged in Memtech and Estimated Monetary Value of Payments Made in FY2018

| Location of Suppliers	Number of Suppliers Engaged in Memtech	Estimated monetary value of payments made to Top 10 suppliers
China	1607	Approximately SG$26.3 million

4. Approach to Sustainability

Sustainability Governance Structure

Memtech's Sustainability Management Committee is responsible for setting the sustainability strategy which guides the formulation of policies and practices at Memtech. It comprises our Chief Executive Officer ("CEO"), our Deputy General Manager and Head of Human Resources.

Reporting to the Sustainability Committee is the Sustainability Working Committee, which comprise the Head of Occupational Health and Safety, Head of Employment Practices and Business Ethics and Head of Environmental Protection (See Figure 8). Each Head of Department works closely with leaders from their respective divisions to ensure the routine implementation of practices and initiatives in day-to-day operations. Sustainability performance is communicated to the Board twice a year.

Figure 8: Memtech Sustainability Committee
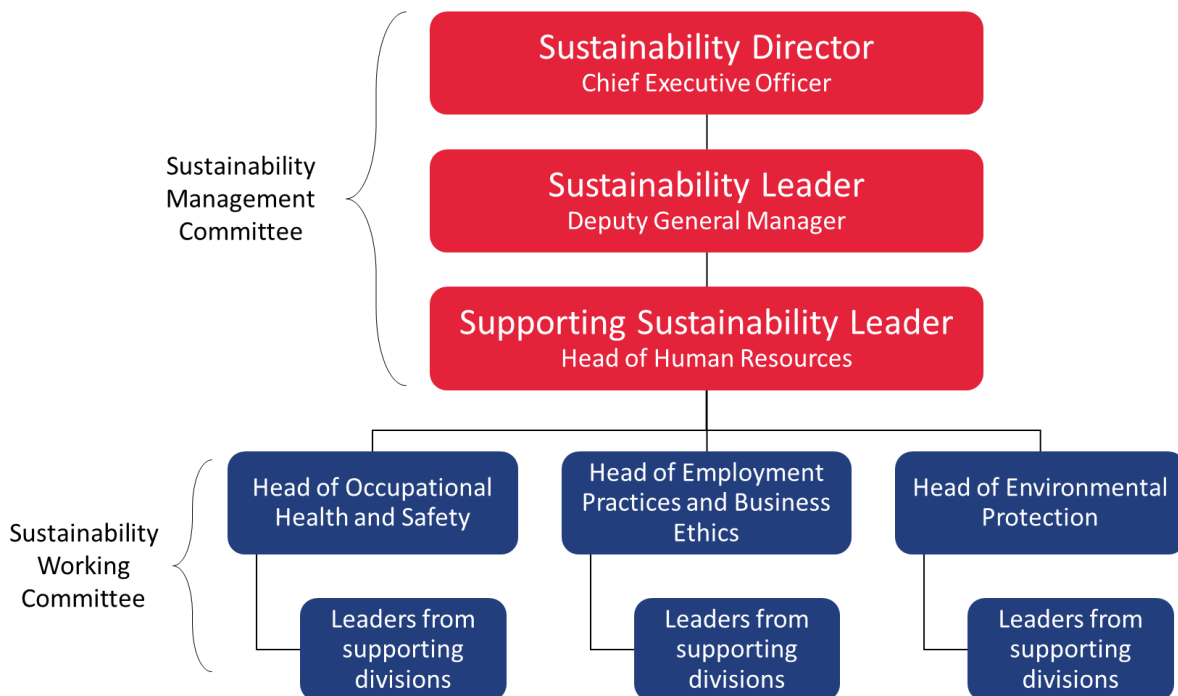
Stakeholder Engagement

Memtech strives to foster strong and lasting ties with all stakeholders. Understanding the need of our stakeholders and areas of concern provide Memtech with insight regarding resource allocation. Table 1 summarises the key concerns raised by stakeholder groups identified and Memtech's response.

Table 1: Stakeholder Engagement

Stakeholder Groups	Key concerns/ interests raised by Stakeholder Groups	Memtech's Response	Modes of Engagement	Frequency of Engagement
Customers	• Provision of consistent and high-quality products • Customer satisfaction	• Active customer engagement to better understand their needs and expectations	• Meetings and discussions with customers	• As appropriate
Employees	• Freedom of association and protection under collective bargaining agreements • Safe and healthy working environment	• Active employment engagement • Organise activities based on feedback collected	• Work Satisfaction Survey	• Yearly
			• Employee feedback through feedback boxes	• Monthly
			• Management walkabout	• Monthly
			• Events and activities organised	• As appropriate
Government Bodies and Auditors (Customer and Third-Party)	• Memtech's social responsibility towards employees, environment and the community	• Provision of a safe and healthy living and working environment for employees • Adequate training and career advancement opportunities for employees	• Audits from customers and/or trusted third-party auditors engaged by customers	• Yearly
Suppliers	• Continued use of services, opportunities for more business and cooperation • Timely delivery to and payment from Memtech	• Communication on Memtech's expectations of service quality and timeliness of deliveries • Ensure compliance by suppliers	• Meetings with suppliers	• As appropriate

Shareholders and Investors	• Economic performance • Growth strategy and market outlook	• Dedicated Investor Relations (IR) website for all financial news • Transparent and timely disclosure of financial information and corporate news through the company website	• Annual General Meeting (AGM)	• Yearly
			• Annual Report	• Yearly
			• Financial updates	• Quarterly
			• Other financial news and announcement	• As appropriate
Local Communities	• Responsible and sustainable use of resources • Proper management of Memtech's impact on the community	• Monetary, in-kind sponsorships to various organisations • Support initiatives that focus on corporate giving and employee volunteerism	• Outreach programmes • Sponsorships	• As appropriate

Materiality Assessment

For FY2017, a four-step materiality assessment was conducted with the help of independent sustainability consultants which resulted in the identification of four material topics namely Economic, Environmental, Social and Governance ("EESG"). In FY2018, the Board together with our management reviewed the material matters for continued relevance to our operations. The process is detailed in Figure 9. The four topics (3 material and one additional) are presented in Figure 10 below. Please refer to our SR2017 report for the materiality matrix.

Figure 9: Materiality Assessment Process

2017

Materiality Assessment

In 2017, a series of EESG topics generated through desktop analysis of the peers and interviews with key personnel across departments was ranked according to their importance via an anonymous electronic voting exercise with both internal and external stakeholders. The top four material topics were then presented to the board for validation and approval.

2018

Review

In 2018, we re-assessed the selected material matters to ensure their continued relevance to Memtech.
The material topics will be reviewed again in subsequent reporting periods to ensure that they continue to be relevant and aligned across the divisions.

Figure 10: Mapping of Memtech's Material and Additional Matter for Reporting to GRI Topics

No.	Material Matter	Category	GRI Disclosures	Page Reference
1	Occupational Health and Safety	Social	GRI 403 Occupational Health and Safety [403-2]	
2	Innovation and R&D	Economic	No relevant GRI topic-specific standard for this matter	
3	Effluents and Waste Management	Environment	GRI 306 Effluents and Waste [306-1, 306-2]	
Additional Matter Selected for Reporting				
A1	Employees Training and Advancement	Social	GRI 404: Training and Education [404-1, 404-3]	

5. Economic

Innovation and R&D
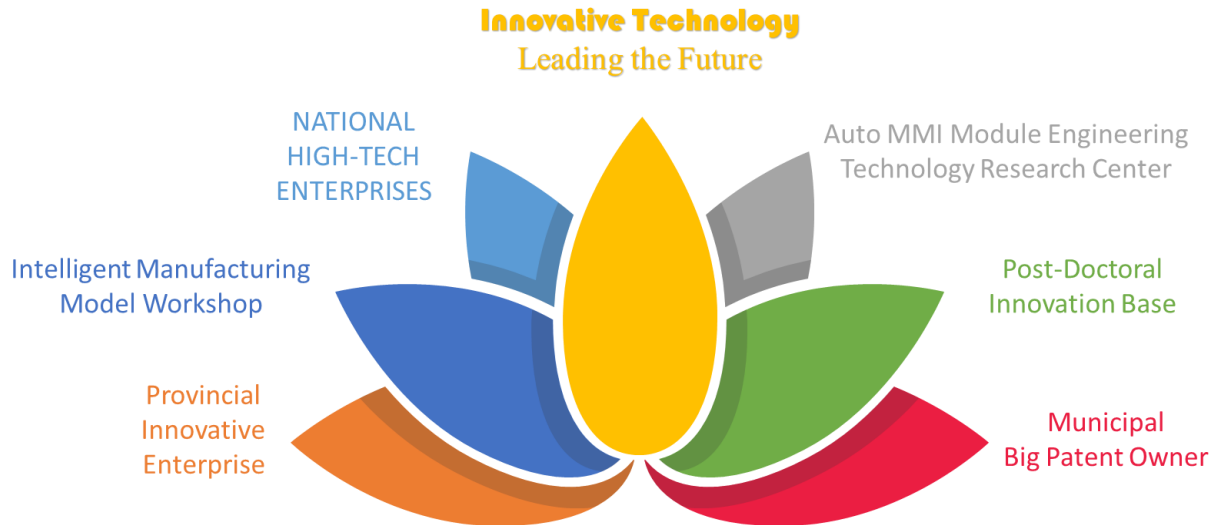
Perpetual target	Current year performance	Target status
File more than 15 patents annually, including at least 5 invention patents. (All patents are developed in-house)	5 invention patents and 15 utility patents	Achieved

Policies

Memtech recognises that innovation and development of new technologies is the key for a competitive enterprise in the modern business world because they:

- meet the needs and expectations of customers, and enable us to perform better than our competitors
- comply with laws and regulations
- reduce material consumption through energy efficiency and recycling of reusable materials
- strengthen the Group's capabilities of ensuring sustainable development in line with the promotion of new businesses

Figure 11 Memtech's Innovation and R&D policies

For more details on Memtech's Innovation and R&D policies, please refer to SR2017.

Practices

In line with international and Chinese regulations on environmental protection, our Innovation and R&D focus on the application of new materials, new processes, new production models and new resource recycling technologies so that businesses are conducted more efficiently and achieve a higher value.

In FY2018, the Group committed to:
- ✓ promoting the recycling of resources
- ✓ enhancing research and development of new materials with supporting facilities in factories and to obtain respective patents
- ✓ improving the formulation of adhesives and modifiers for new processes and to obtain respective patents

Practices in the past year are summarized in the following table.

Memtech	Dongguan	Kunshan	Nantong
• Respect for Talents, Knowledge and Innovation • Constitution of an Innovative Talent Team	• Intellectual Property Management	• R&D Staff Performance Evaluation	• Receiving Government Support

In FY2018, we introduced a new scheme under which incentives would be given to employees who have completed R&D projects. Appropriate compensation will also be given to engaged R&D engineers as a token of appreciation for their efforts should the project not be able to meet the set goals or targets set. FY2018, several new practices were implemented in Nantong.

R&D Centre

In line with our sustainable development strategy, we have applied to the Jiangsu Provincial People's Government for permission to establish a provincial-level innovative research and development centre. At this research facility, we aim to develop human-computer control modules for use in automobile electronic information which are in line to international standards. To better improve oversight and management of R&D operations, we have established six new functional departments. They comprise of (1) new material development and self-production, (2) new process development, (3) precision mould design and manufacturing (4) process design, (5) mass production conversion and (6) IT and Finance.

To build and enhance capabilities at this R&D centre, we have recruited two PhD, five Masters and 20 undergraduates. The facility also has an additional 500 m^2 area dedicated towards expansions of our laboratories.

With these new additions, we hope to

- Strengthen our organisation's knowledge and expertise on intellectual property
- Raise and promote industry's standards and quality
- Spearhead upstream and downstream industrial chain development
- Provide automobile industry with transfer of technological information, solution on technological radiation and related consultancy services

Under the leadership and guidance of the Board of Directors, the various committees, namely the General Manager, Executive Working Committee, Committee on strategic sustainable development will ensure that we are aligned with the Company's strategy direction.

Meanwhile, according to different orientation of development, we mainly assist and focus on the use of new materials and introduction of new technology in order to achieve practical use of our technology.

Smart Factory

During the year, we enhanced our factories' capabilities and automated over 600 assembly lines in manufacturing operations including mould processing centre, injection moulding, automatic printing, painting and assembly.

We invested over RMB 70 million in the construction of new facilities, upgrading works and equipment enhancement. We also made improvements to over 200 assembly lines and consolidated hard and software resources. Capabilities have also been strengthened with the recruitment of subject-matter experts and management-level employees at various levels in areas of manufacturing, moulding and IT. Additionally, more than 2500 sqm was added to our existing workshop area for the construction of intelligent manufacturing industrial workshops.

Case study: Research and Application of Water-based coating

Purpose

Organic volatiles released from coatings, especially aromatic hydrocarbons and formaldehyde, have a serious impact on human health. Water-borne coatings, also known as green coatings or environmentally friendly coatings, have significant advantages. They are non-toxic and harmless in water when used as a dispersion medium. Water-borne coatings do not cause pollution to the environment, are harmless to the ecological environment system and do not have a negative impact on human health.

Method

The environmentally friendly water-borne resins are synthesised and used. The physical properties of water-borne coatings can be specified according to customer's requirement by modifying the resin or adding specific water-borne additives. All resin will be manufactured to meet adhesion requirements.

Key R&D Achievements

Modification of Engineering Plastics

Polycarbonate ("PC") is an essential component in engineering plastics and is one of the commonly used raw materials at Memtech. We have developed a new technology to improve the toughness of PC through a compounding process aimed at strengthening its properties. This enhanced PC has been used in our injecting moulding process.

Injection moulding of PC with in-mould polyimide-based Flexible Circuit Board

Embedding a flexible circuit board inside a plastic part is carried out by double injection moulding. With the use of the primer formulated by our in-house laboratory, an appropriate adhesion between the polyimide-based flexible circuit board and plastics has been achieved. The adhesion strength can be adjusted according to the process requirements.

Continuous Knurling Machine

Our engineers have developed a continuous knurling machine to produce knurled nickel strips. Using this machine, we are now able to produce high quality knurled nickel strips achieving much higher production efficiency than the previous method of producing it one sheet at a time. The electrical properties of conductive pills made with the use of the knurled nickel strip are also improved. The conductive pills have a good anti-chatter performance.

Synthesis and Application of Primer for Thermal Vulcanization Bonding of PEI with Liquid Silicone Rubber

A basic polymer, which is the key component in the primer for thermal vulcanization bonding of polyetherimide ("PEI") with liquid silicone rubber, was prepared by graft copolymerization. Use of the primer gives a good adhesion between PEI and silicone rubber. After boiling at $100°C$ for 1 hour, the bonding strength is maintained, resulting in a cohesive rupture after the peel test. Adhesion strength can be catered to customers' requirements.

Figure 12: R&D Capabilities at Memtech
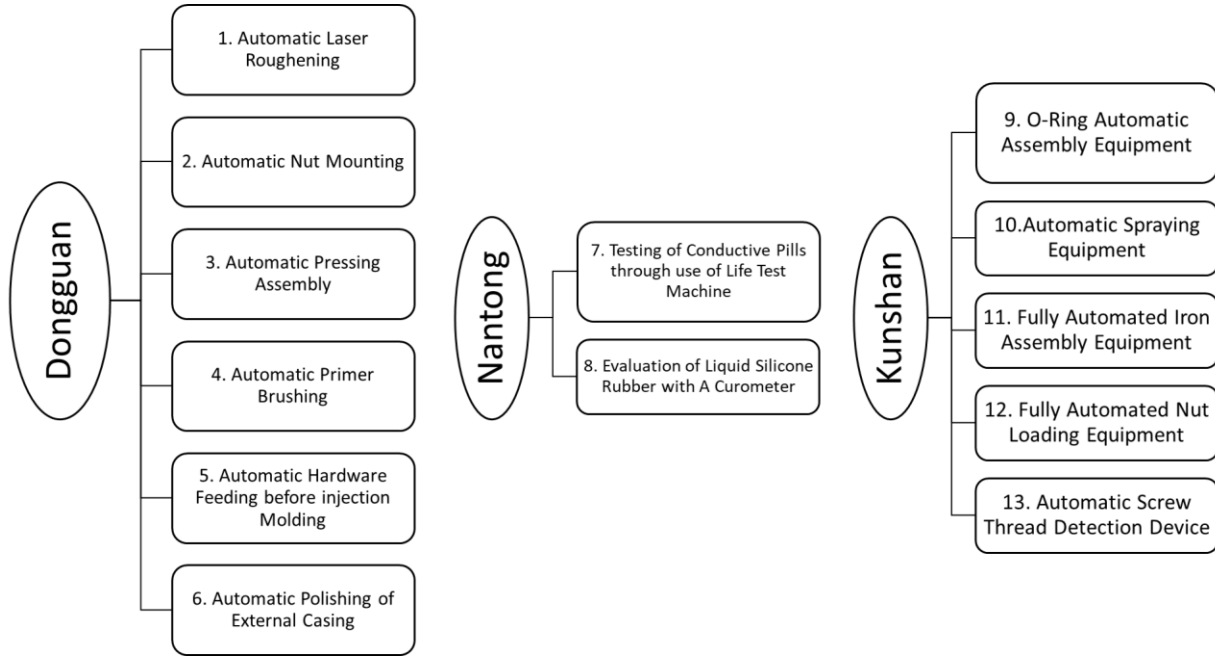
For each R&D project, daily reports and monthly summaries are prepared, together with monthly KPI assessment system which combines reward systems and elimination systems. This provides for effective supervision of the progress of the projects. We engage external accredited organisations to conduct third-party performance testing to ensure that we meet European Union Restriction of Hazardous Substances ("RoHS") and other hazardous materials testing standards.

Performance

Figure 13: FY2016, FY2017 and FY2018 Key Statistics on Innovation and R&D

	FY2016	FY2017	FY2018
Total amount invested (RMB '000)	17,774	20,202	23,941
Number of research projects	20	23	18
Number of patents filed	42	22	38

Future Actions

- Development of compound moulds with high precision, high yield and high applicability.
- Continuous improvement of safety, reliability and current carrying ability of electronic control modules.
- Research and industrialization of materials integration technology and 3D high pressure forming technology.
- Modification and industrialization of new functional, lightweight and micro-moulding plastic materials.
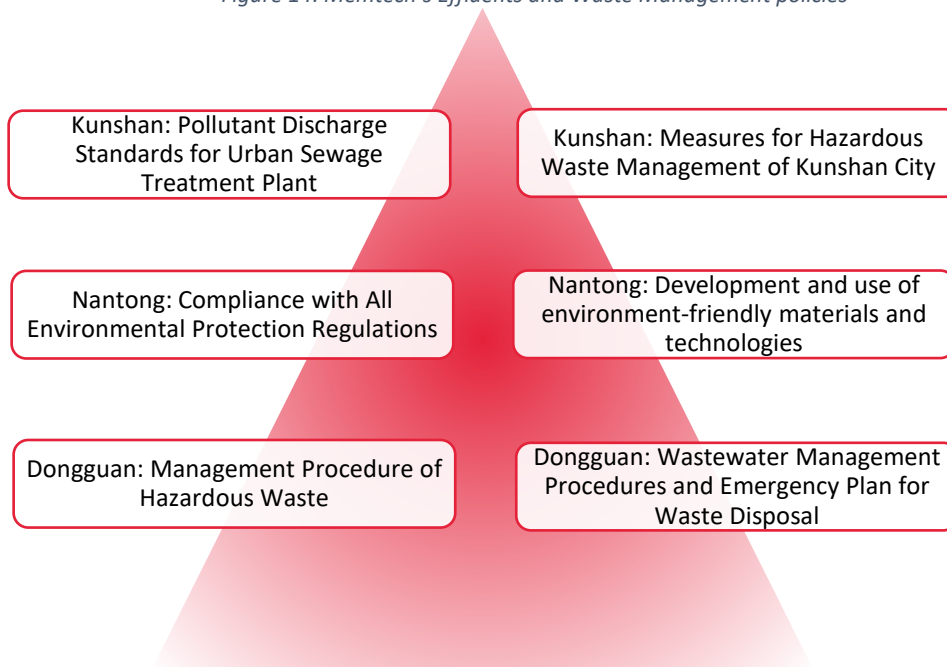- Development of environment-friendly materials and technologies.

6. Environment

Effluents and Waste Management

Perpetual target	Target status
Proper treatment and disposal of waste and discharge of effluents in accordance to all applicable standards, laws and regulations	Achieved

Policies

We recognise the importance of environmental protection as we further our journey in sustainable development. In addition to complying with laws and regulations, we inculcate environmental awareness amongst our employees. Annual training has been organised for our employees to improve their knowledge of the various treatment methods and systems available in wastewater and waste management. As part of our environmental protection efforts, comprehensive policies have been drawn up across our facilities, as summarised in the table below.

Figure 14: Memtech's Effluents and Waste Management policies

Kunshan: Pollutant Discharge Standards for Urban Sewage Treatment Plant

Kunshan: Measures for Hazardous Waste Management of Kunshan City

Nantong: Compliance with All Environmental Protection Regulations

Nantong: Development and use of environment-friendly materials and technologies

Dongguan: Management Procedure of Hazardous Waste

Dongguan: Wastewater Management Procedures and Emergency Plan for Waste Disposal

Please refer to our SR2017 report for more details on each policy.
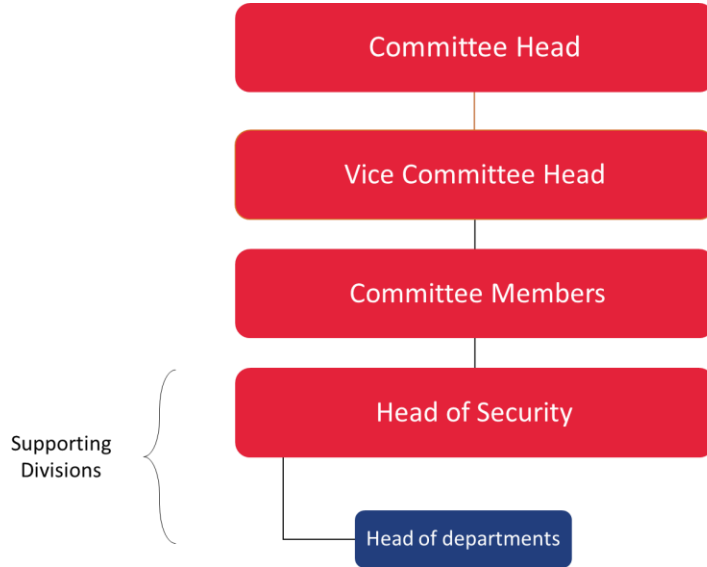
In FY2018, we implemented Hazardous Waste Management Regulations in Dongguan, aiming to improve the management and safe disposal of hazardous waste to ensure the safety of employees as well as maintaining the cleanliness of the environment. Exhaust gas emergency management procedure was also carried out to control exhaust gas generated by the Company and reduce pollutant in the exhaust gas.
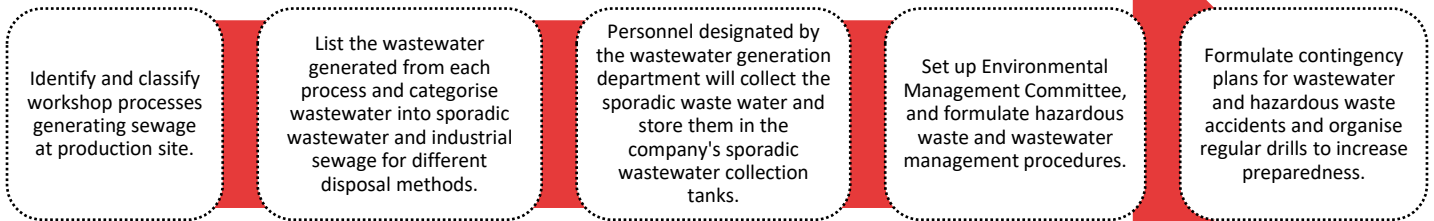
Responsibility

Stakeholders can file complaints or raise feedback on our waste management systems or procedures through mail, email or through our Company hotline. Our Environment Committee oversees the reporting channels. Should further investigation or assistance be needed, these cases will be escalated to the Head of this committee. In FY2018, we did not receive any cases through this reporting channel.

Figure 15: Environment Committee in Nantong

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┌─────────────────────────────┐
│       Committee Head        │
└─────────────────────────────┘
                │
┌─────────────────────────────┐
│     Vice Committee Head     │
└─────────────────────────────┘
                │
┌─────────────────────────────┐
│      Committee Members      │
└─────────────────────────────┘
                │
┌─────────────────────────────┐
│      Head of Security       │
└─────────────────────────────┘
                │
        ┌──────────────────┐
        │ Head of departments │
        └──────────────────┘
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Supporting Divisions

Practices

1. Effluents Management Process

| Identify and classify workshop processes generating sewage at production site. | List the wastewater generated from each process and categorise wastewater into sporadic wastewater and industrial sewage for different disposal methods. | Personnel designated by the wastewater generation department will collect the sporadic waste water and store them in the company's sporadic wastewater collection tanks. | Set up Environmental Management Committee, and formulate hazardous waste and wastewater management procedures. | Formulate contingency plans for wastewater and hazardous waste accidents and organise regular drills to increase preparedness. |

2. Waste Management Process

| Identify all waste in the company and prepare a list for waste management. | Formulate waste management plan and report to the local environmental protection department regularly. | Liaise with qualified processors and dispose of the company's solid waste periodically; | Develop training materials on the topic of solid waste and provide regular training for relevant collection or operational personnel; | Formulate and manage environmental safety target indicators and control plan. |

Memtech conducts periodic reviews on environmental hazards management process and the results are reported to management during environmental safety management meetings to ensure the effectiveness of our management systems. Our manufacturing facilities also undergo annual audits from government environmental agencies, customers or their appointed third-party auditors on our waste management systems. All our operations are compliant with all applicable standards, laws and regulations and we are committed to maintaining this track record in FY2019.

Performance

1. Wastewater

The total volume of planned wastewater discharge increased from 273m^3 in FY 2017 to 393m^3 in FY2018 because Dongguan had increased water consumption to clean the filters of its new air purifiers. The figures below show wastewater processing methods and total volume processed over the past three years.
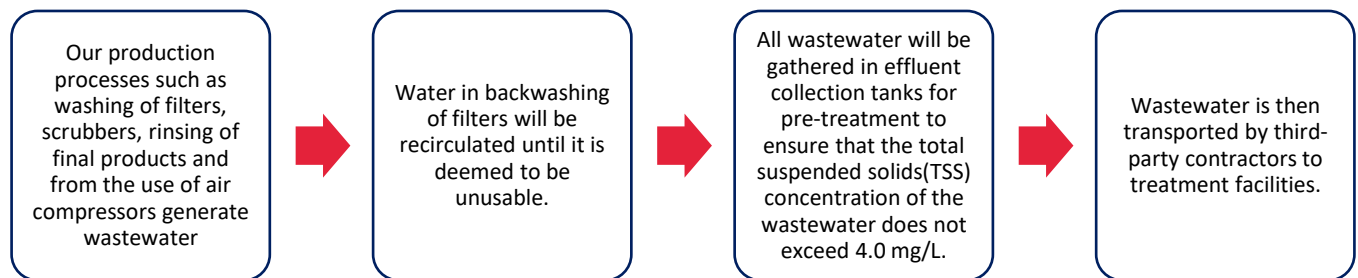
Figure 16: Memtech's wastewater processing method

| Our production processes such as washing of filters, scrubbers, rinsing of final products and from the use of air compressors generate wastewater | → | Water in backwashing of filters will be recirculated until it is deemed to be unusable. | → | All wastewater will be gathered in effluent collection tanks for pre-treatment to ensure that the total suspended solids(TSS) concentration of the wastewater does not exceed 4.0 mg/L. | → | Wastewater is then transported by third-party contractors to treatment facilities. |

Figure 17: FY2016, FY2017 and FY2018 Total Volume of Planned Wastewater Discharge (m ^{3}) by Destination
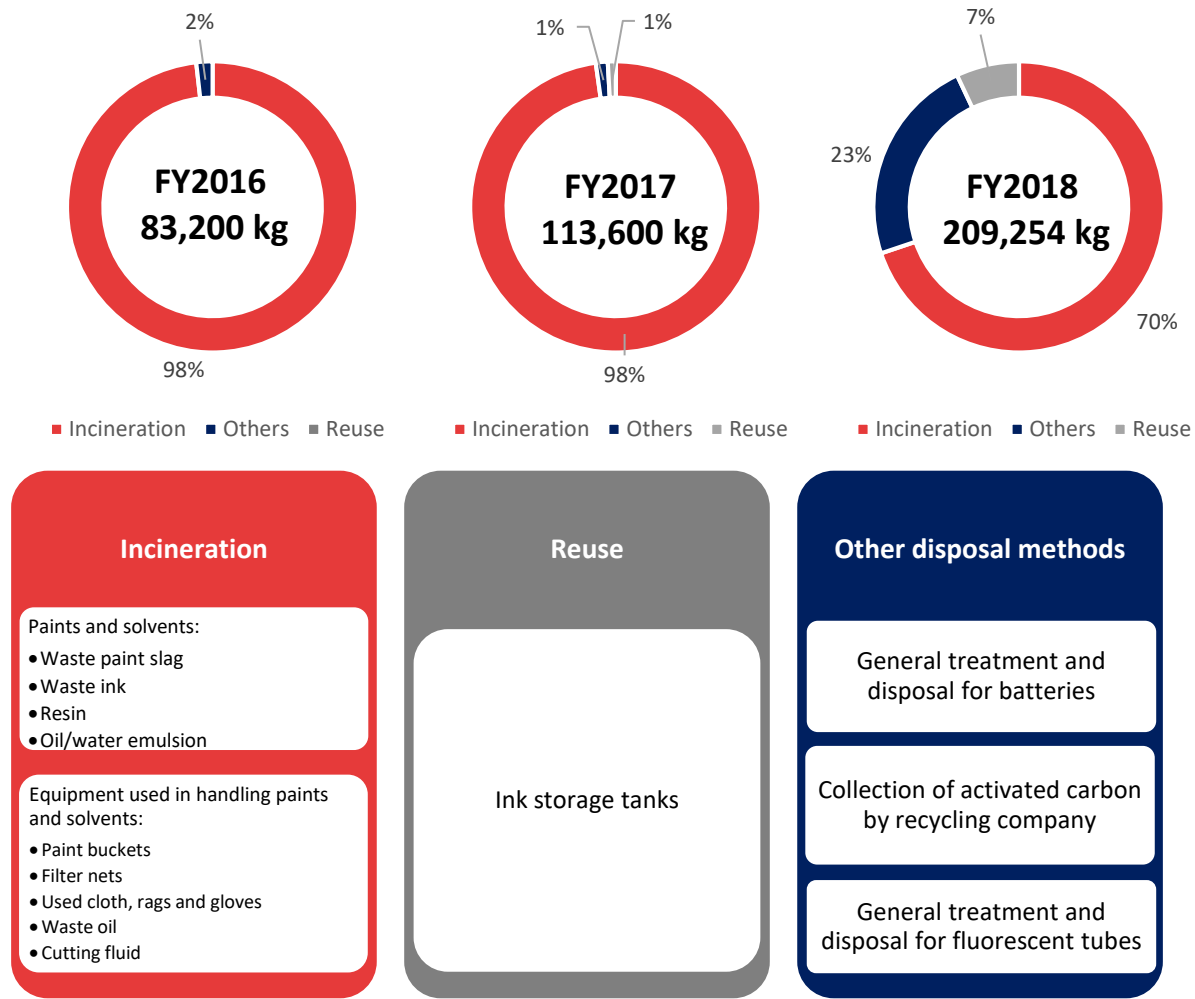

Total Volume Of Planned Wastewater Discharge (m3)
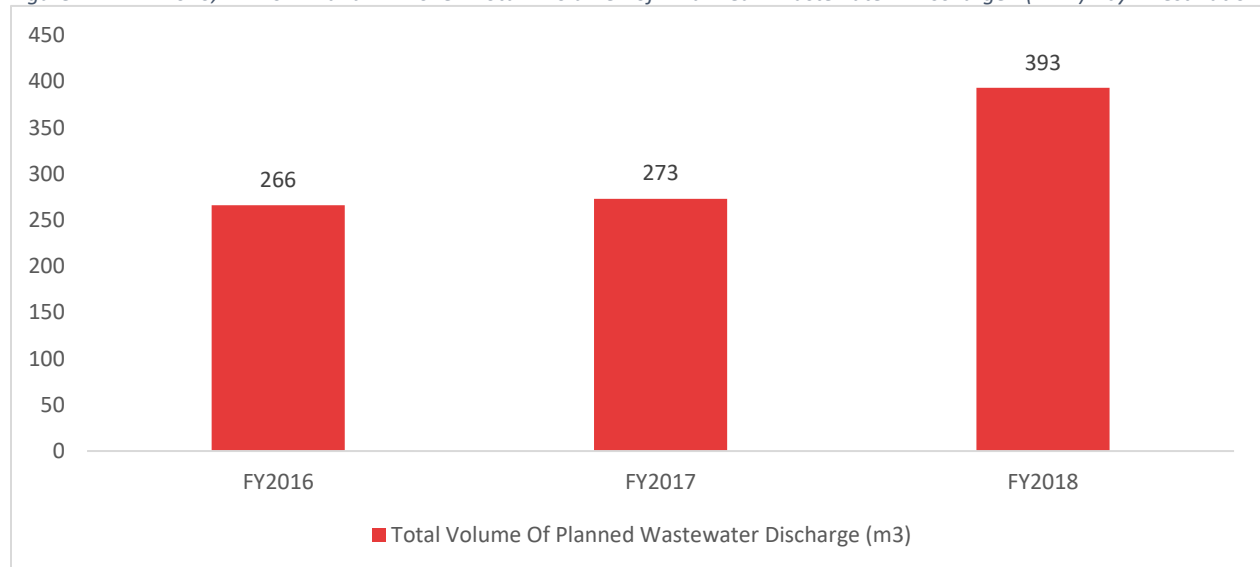
2. Hazardous waste

Total hazardous waste in FY2018 increased by 84.2% compared to last year due to the increase in new equipment and additional production facilities, the cleaning of such facilities and increase in tool recycling..

The percentage of waste disposed of by incineration had reduced greatly, from 98% in FY2017 to 70% in FY2018. The breakdown of the hazardous waste disposed of are shown below.

Figure 18: FY2016, FY 2017 and FY2018 Breakdown of Disposal of Hazardous Waste (kg)

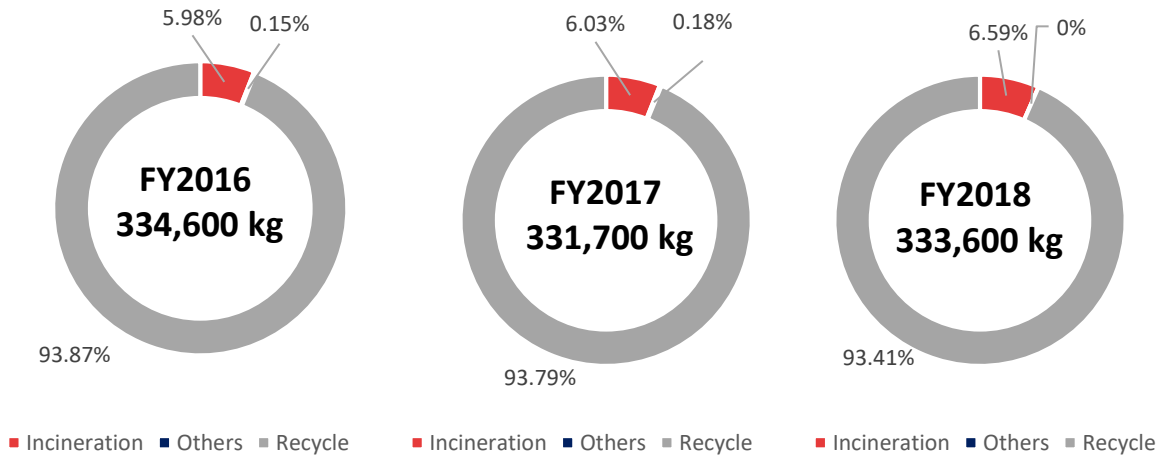| Incineration	Reuse	Other disposal methods
Incineration	**Reuse**	**Other disposal methods**
Paints and solvents: • Waste paint slag • Waste ink • Resin • Oil/water emulsion Equipment used in handling paints and solvents: • Paint buckets • Filter nets • Used cloth, rags and gloves • Waste oil • Cutting fluid	Ink storage tanks	General treatment and disposal for batteries Collection of activated carbon by recycling company General treatment and disposal for fluorescent tubes

3. Non-hazardous waste

For non-hazardous waste, Memtech recovers mainly waste engine oil and scrap packaging materials including cardboard and cartons, metal, wood and rubber. Domestic waste is often incinerated and office stationery and supplies are disposed of in this manner. In FY2018, there was a slight increase in the total weight of non-hazardous waste disposed of. Continuing our effort in moving towards more environmentally friendly disposal methods, we recycled 93% of our non-hazardous waste in FY2018.

Figure 19: FY2016³, FY2017 and FY2018 Breakdown of Disposal of Non-hazardous Waste (kg) in Dongguan and Kunshan

FY2016
334,600 kg

5.98%   0.15%
93.87%

■ Incineration ■ Others ■ Recycle

FY2017
331,700 kg

6.03%   0.18%
93.79%

■ Incineration ■ Others ■ Recycle

FY2018
333,600 kg

6.59%   0%
93.41%

■ Incineration ■ Others ■ Recycle

Future Actions

To achieve better performance, Memtech plans to:

- improve the production processes
- replace old equipment with advanced equipment
- formulate and implement energy conservation and emission reduction plans

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³ Breakdown of disposal of Non-hazardous Waste in FY2016 has been restated due to restated information.

7. Social

Occupational Health and Safety (OHS)

Perpetual target	Target status
Zero cases of fatalities	Achieved
Zero cases of major injuries[4]	Achieved
Zero occupational disease rate	Achieved
Zero major safety incidents[5]	Achieved

Policy

Memtech commits to reducing workplace injuries and property damage:

- Our employees are our valuable assets. A positive work attitude and a strong sense of belonging will increase employees' performance and their loyalty to the company and will ultimately lead to better greater success of Memtech.
- Good OHS embodies the company's "People-oriented", "Creating a harmonious enterprise" and "Safety First" ethoses. Being in the manufacturing industry, it is our responsibility to provide a safe, secure and healthy working environment for our employees.
- Memtech promotes the implementation of occupational health and safety regulations and ensures compliance with all applicable regulations, laws and standards.
- Good OHS efforts can establish a good social image of the Company.

We have established a strong foundation in OHS through the various policies and practices put in place across all three manufacturing facilities, including Personal Protective Equipment ("PPE") Management Policy, Workplace Injury Management Policy and Fire Safety Management Policy. Please refer to SR2017 for more details on these policies.

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[4] Major injuries are defined as the loss of limbs, sight and hearing, resulting in prolonged disabilities and more than 105 lost days and the loss of ability to perform work.
[5] Major safety incidents are defined as explosions or chemical spills and leaks.

Responsibility

Our Occupational Health Management Committee and Safety Production Committee maintain oversight on the implementation of safe production practices and the communication of safety information to employees at our manufacturing facilities. Memtech also adopts a performance-linked system group-wide to encourage safe production practices according to the guidelines listed in the Safety Production Reward Standards.

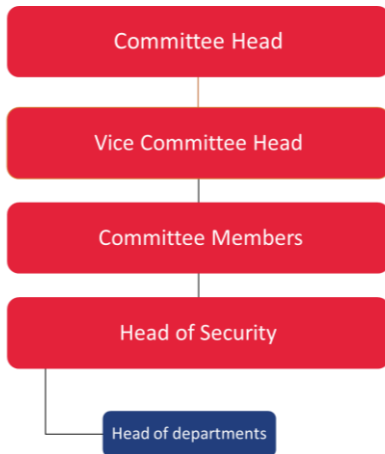*Figure 20: Safety production committee (Nantong)*

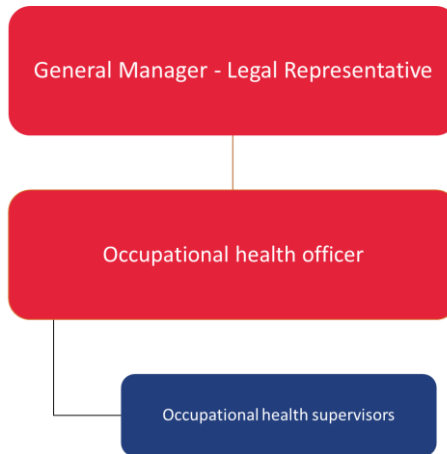*Figure 21: Occupational health management committee (Dongguan)*

*Figure 22: Safety production committee (Dongguan)_*

Practices

Memtech adheres to the principle of "safety first, prevention first" which strictly abides by relevant laws and regulations. We continuously improve production methods and enhance safety measures to improve safety management. We advocate having each employee understanding the need for occupational health and safety, and accepting that he must play an important role in safeguarding his own health and safety in the work environment. We encourage all employees to provide feedback through our reporting channel should there be any cases of safety non-compliance or areas for improvement.

Figure 23: Memtech's Grievance Reporting Mechanism for Occupational Health and Safety
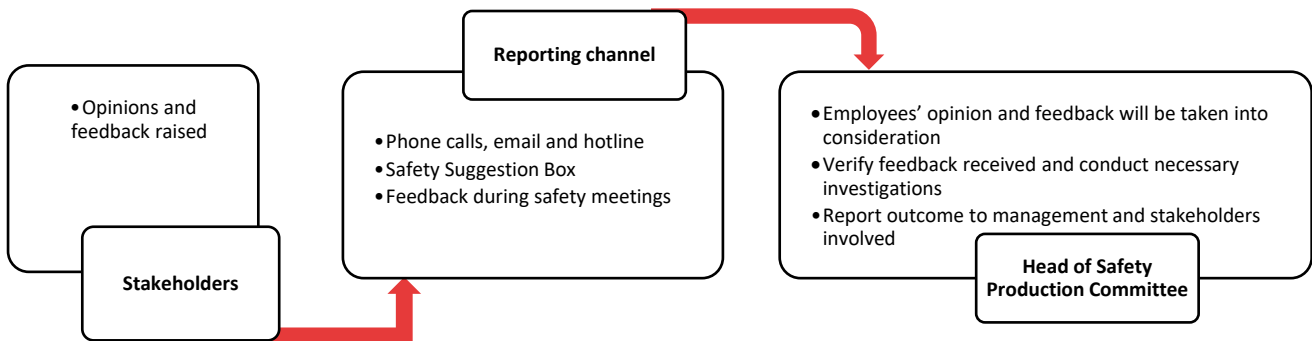
Memtech conducts risks and hazards assessments on the use of equipment and materials to improve production processes. Mitigative actions have been taken which include replacement of old and used equipment with newer, low-risk equipment and installation of safety protection devices. For employees, mandatory induction training covering occupational health and safety, fire safety, use of PPE and ad-hoc training based on specific skillset required are provided where necessary. In FY2018, Memtech Dongguan conducted occupational disease examination for 360 employees who are exposed to benzene, toluene, xylene, methanol, noise, dust and electrical work.

Safety meetings are held bi-weekly and safety performance appraisals are carried out annually. To ensure the effectiveness of management systems, Memtech conducts regular checks and maintenance using our safety operation guidelines as a checklist to ensure compliance with all applicable laws and regulations. Periodic evaluation in the occurrence of occupational disease is also performed. Memtech achieved Safety Standardisation in Guangdong Province – Level 2 certification and OHSAS 18001:2007 certification in FY2017.

Our internal and external audits show good performance for FY2018. In December 2018, Nantong obtained the Standardisation certificate from the Nantong Safety Supervision Bureau and received zero negative feedback on related topics.

Performance

Figure 24: FY2017 and FY 2018 Safety Performance[6]

	FY2017			FY 2018		
Gender	Male	Female	Total	Male	Female	Total
Number of Injuries	12	2	14	13	0	13
Injury Rate[7] **(Per 1,000,000 manhours)**	9.19	2.11	6.22	9.89	0	5.75
Lost Day Rate[8] **(Per 1,000,000 manhours)**	225	71	160	206	0	120
Absentee Rate	3.29%	2.71%	3.05%	4.53%	4.90%	4.68%

In FY2018, the number of incidents of fatalities and occupational diseases remained zero. Our injury rate has reduced from 6.22 in FY2017 to 5.75 in FY2018. Details of injuries and corrective actions are listed in Figure 25.

Our total lost day rate decreased by 40 in FY2018. However, our absentee rate had a small increase from 3.05% to 4.68%.

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[6] Safety statistics have been calculated in accordance to International Labour Organisation standards. All values in FY2017 are restated for more accurate representation of Memtech's workforce.

[7] As basis for calculation has been revised to per 1,000,000 manhours worked instead of per 100,000 employed persons, injury rate for FY 2017 has been restated.

[8] As basis for calculation has been revised to per 1,000,000 manhours worked instead of per 100,000 employed persons, injury rate for FY 2017 has been restated.

Memtech strives to keep reducing the reported injuries towards the "zero" target. We analyse each incident to identify its root cause and ensure corrective actions are implemented to prevent any reoccurrence. To this end, we implement stricter supervision and inspection of workplace hazards, enforce the use of PPE and maintenance of equipment and impose strict regulations on operation procedures. Safety training for our employees are also provided on a more frequent basis.

Figure 25: Details of injuries and corrective actions

Causes / Reasons for injury	Description of injury cases
Slip and trips	• Fall and suffered a fracture of the right knee • Fall due to the slippery floor
Human negligence/one-off accidents	• Injuries sustained from falls due to human negligence • Injuries due to road accident occurring on the way to work • Employees sustained various injuries to their right palm, face, left ankle, lacerations due to accidents
Injury from the operation of equipment	• Injury to hands • Burns resulting from the operation of equipment • Injury to the left index finger • Injury to the right palm

Employees Training and Advancement

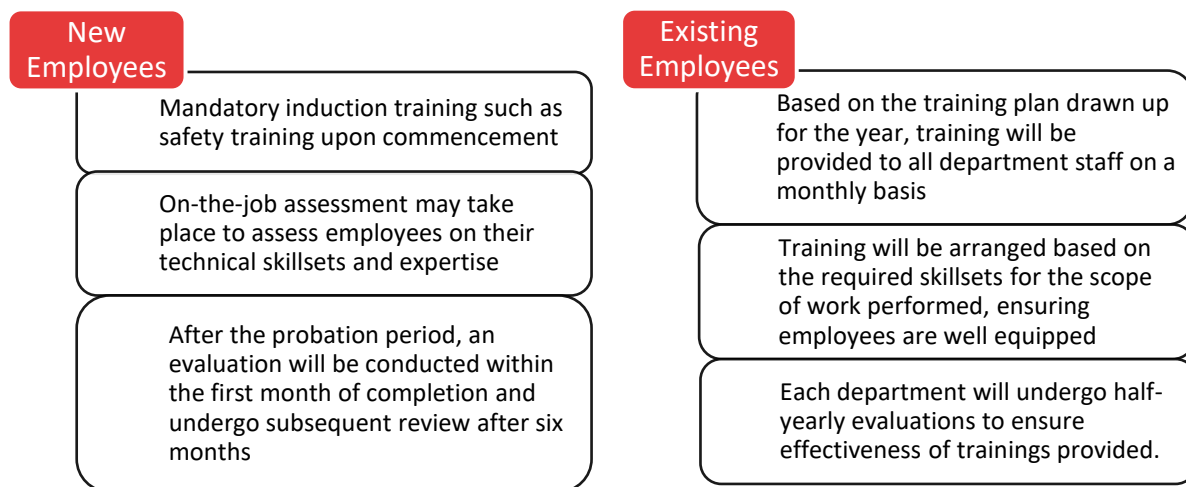| Perpetual target	Target status
16 hours of training per employee	Achieved
Refine training and advancement opportunities for employees across every employment category	Achieved
Improve incentive system to encourage employees to take on opportunities for personal growth and development	Achieved

Policies

Provision of training for employees is necessary to build a strong, motivated and productive workforce. While it increases the productivity of our workforce, it also provides employees with more opportunities to grow and advance in their careers at Memtech. This allows us to stay competitive and relevant in our industry. The Sustainability Management Committee developed a Staff Training Regulation and Employee Training Assessment to better manage training. Please refer to SR2017 for more details on the policies.

Practices

Our training framework is prepared according to our employees' needs. We provide sufficient training for new employees before commencement and continuously build capability for existing employees.

Figure 26: Memtech's training framework

New Employees

- Mandatory induction training such as safety training upon commencement
- On-the-job assessment may take place to assess employees on their technical skillsets and expertise
- After the probation period, an evaluation will be conducted within the first month of completion and undergo subsequent review after six months

Existing Employees

- Based on the training plan drawn up for the year, training will be provided to all department staff on a monthly basis
- Training will be arranged based on the required skillsets for the scope of work performed, ensuring employees are well equipped
- Each department will undergo half-yearly evaluations to ensure effectiveness of trainings provided.

We recognise the importance of providing employees with avenues to voice their opinions on their training and advancement programmes. We actively encourage employees to participate in various

reporting channels. Memtech takes into consideration their training needs and ensures adequate follow up actions are taken.

In FY2018, Memtech implemented its succession training plan. The succession plan is a comprehensive selection, training and evaluation system designed to cultivate the recognition of Memtech's value and culture and to improve the successor's analytical and problem-solving skills. Combined with career planning, the plan can establish a transparent, objective and efficient channel for internal promotion.

Figure 27: Training system for succession training plan

College students and graduate students	Employee	Middle management	Senior management
Internal training	Internal training	Internal training	Internal training
External training	External training	External training	External training
Customer communication training for expatriates	Rotation training	Rotation training	Rotation training
	Customer communication training for expatriates	Part-time training	Trainer training
		Role-play training	Role-play training
		Project training	Project training

Assessment
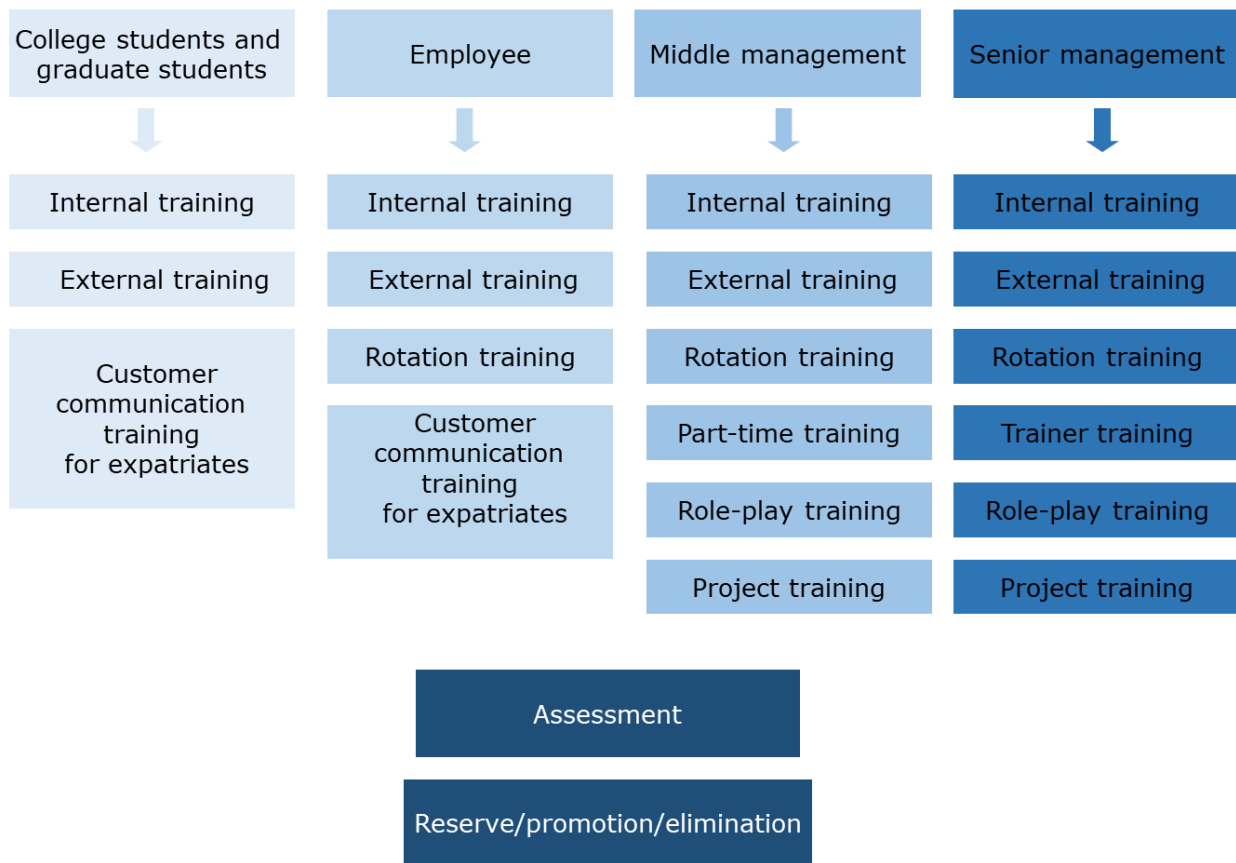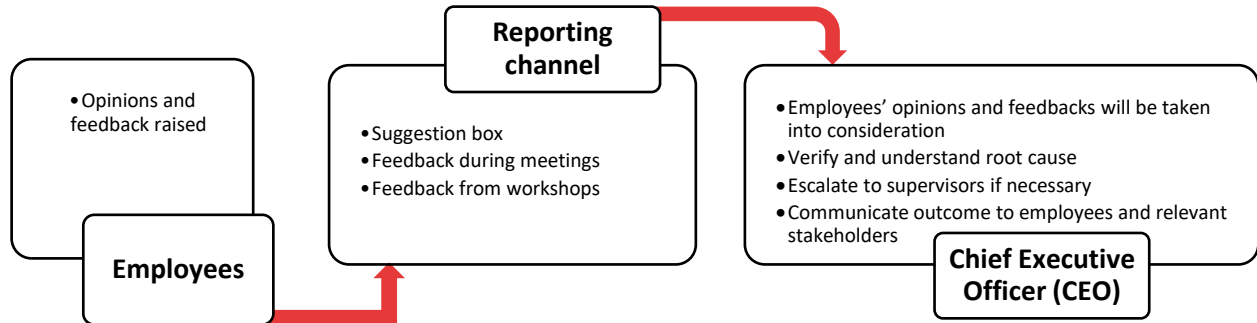
Reserve/promotion/elimination

Figure 28: Memtech's reporting channel for Training and Advancement

From the results of performance evaluation and feedback received from the reporting channel, we reviewed and assessed the effectiveness of our training. We strive to provide more than what is required and aim to meet the expectations of employees and stakeholders. The evaluation methods and results in the reporting year are shown in the following table.

No.	Evaluation method	Result in FY2018
1	Internal audit by quality control department (company-wide)	Comply with internal audit's requirements
2	External audit by customers (company-wide)	Meet customers' requirements
3	External performance rating (twice a year)	Meet customers' requirements
4	Stakeholder feedback after the company's review	In line with customer requirements
5	Grievance mechanism including employee suggestion box, feedback during weekly morning meeting, inspection personnel	The problem reported in the employee feedback has been resolved through consultation in the department

Performance

In FY2018, average training hour increased by 5 for male and 8 for female employees as compared to FY2017, surpassing our target. Staff, supervisor and middle management received relatively more training hours among the employee categories. They include monthly training and various career training to aid career progression. For the top and senior management, external training and ad-hoc training are provided.

Memtech recognises the importance of performance appraisals and achieved an increase in the percentage of employee who received reviews in FY2018. They are detailed in Figure 26.

Figure 29: FY2016, FY2017 and FY2018 Average Training Hours per Employee by Gender and Employment Category
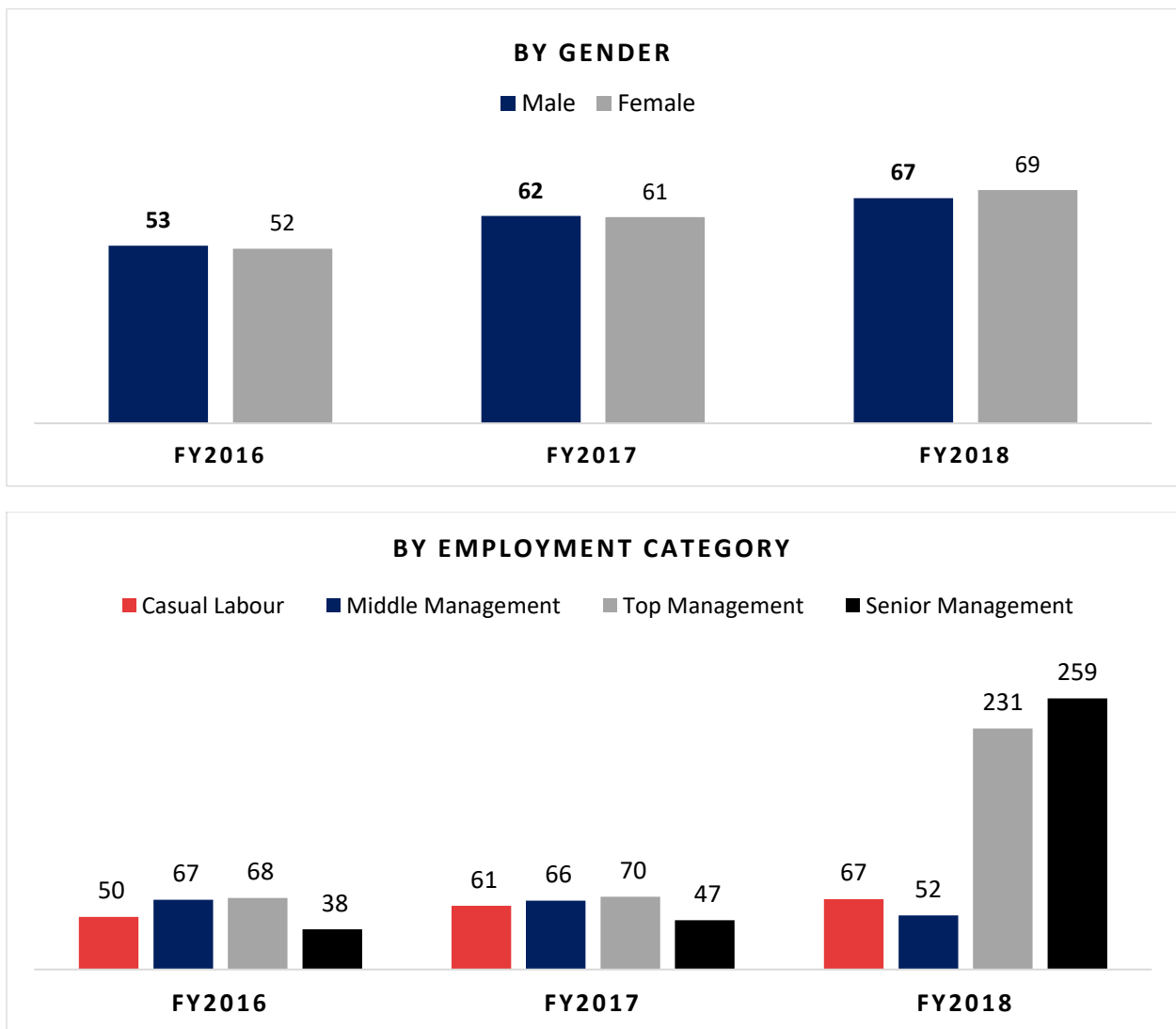
Figure 30: Percentage of total employees by gender and by employee category who received a regular performance and career development review

Percentage of total employees by gender and by employee category who received a regular performance and career development review

■ FY 2017 ■ FY 2018

Casual Labour — Male: 40.30 / 42.96, Female: 35.23 / 36.65

Supervisor — Male: 27.98 / 28.49, Female: 26.92 / 27.03

Middle Management — Male: 26.73 / 27.11, Female: 26.07 / 26.33

Top and Senior Management — Male: 26.49 / 26.96, Female: 0.08 / 0.06
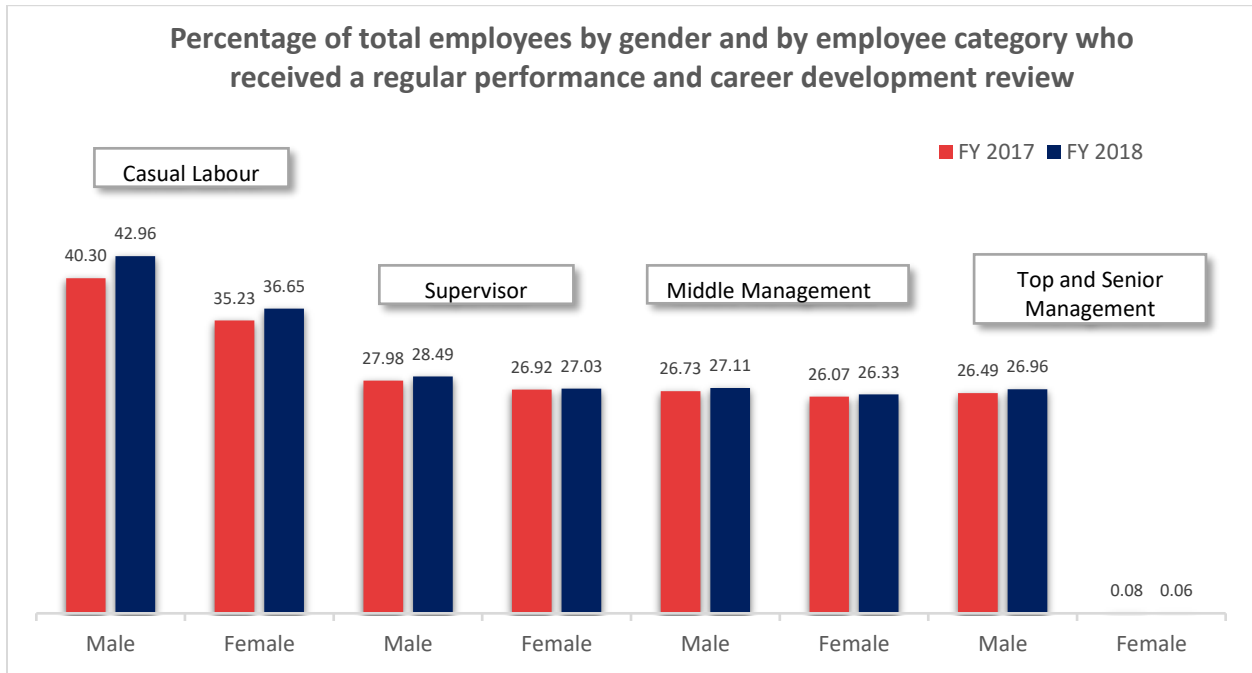
Future Actions

- Collect feedback from employees on their expectations
- Engage with supervisors on specific training required for the job
- Explore and engage with external training companies to arrange staff training

GRI Content Index

GRI Standard Disclosure Reference	Description	Section of Report / Reasons for Omission	Page
GRI 101: Foundation 2016			
GRI 102: General Disclosures			
Organisational Profile			
102-1	Name of the organisation	About the Report	3
102-2	Activities, brands, products, and services	Overview of Memtech	5
102-3	Location of headquarters	Overview of Memtech	5
102-4	Location of operations	Reporting Scope; Overview of Memtech	3 5
102-5	Ownership and legal form	About the Report; Overview of Memtech	3 5
102-6	Markets served	Overview of Memtech	5
102-7	Scale of the organisation	Overview of Memtech	5
102-8	Information on employees and other workers	Staff Demographics	8
102-9	Supply chain	Supply Chain	10
102-10	Significant changes to the organisation and its supply chain	Supply Chain	10
102-11	Precautionary Principle or Approach	Sustainability Governance Structure	11
102-12	External Initiatives	Overview of Memtech	5
102-13	Membership of Associations	Overview of Memtech	5
Strategy			
102-14	Statement from senior decision-maker	Board Statement	4
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Vision, Mission and Values	6
Governance			
102-18	Governance structure	Sustainability Governance Structure	11
Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	12
102-41	Collective bargaining agreements	None of Memtech's employees is covered under collective bargaining agreements	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	12
102-43	Approach to stakeholder engagement	Stakeholder Engagement	12
102-44	Key topics and concerns raised	Stakeholder Engagement	12
Reporting Practice			
102-45	Entities included in the consolidated financial statements	Annual Report 2018 – Notes to the Financial Statement	
102-46	Defining report content and topic Boundaries	Reporting Scope	3
102-47	List of material topics	Materiality Assessment	14

GRI Standard Disclosure Reference	Description	Section of Report / Reasons for Omission	Page
102-48	Restatements of information	N/A	
102-49	Changes in reporting	N/A	
102-50	Reporting period	1 January 2018 to 31 December 2018	
102-51	Date of most recent report	30 November 2018	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Contact Us	3
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	3
102-55	GRI content index	GRI Content Index	36
102-56	External assurance	Reporting Scope	3

ESG Factors			
GRI Standard Disclosure Reference		**Description**	**Section of Report**	**Page**

Innovation and R&D				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Reporting Scope; Materiality Assessment	3 14
	103-2	The management approach and its components	Innovation and R&D	15
	103-3	Evaluation of the management approach	Innovation and R&D	15
Non-GRI Topic Specific Disclosure		Total amount invested into R&D	Innovation and R&D	15

Effluents and Waste Management				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Reporting Scope; Materiality Assessment	3 14
	103-2	The management approach and its components	Effluents and Waste Management	22
	103-3	Evaluation of the management approach	Effluents and Waste Management	22
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	Effluents and Waste Management	22
	306-2	Waste by type and disposal	Effluents and Waste Management	22

Occupational Health and Safety (OHS)				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Reporting Scope; Materiality Assessment	3 14
	103-2	The management approach and its components	Occupational Health and Safety (OHS)	27
	103-3	Evaluation of the management approach	Occupational Health and Safety (OHS)	27
GRI 403: Occupational	403-2	Types of injury and rates of injury, occupational diseases, lost days,	Occupational Health and Safety (OHS)	27

ESG Factors				
GRI Standard Disclosure Reference		Description	Section of Report	Page
Health and Safety 2016		and absenteeism, and number of work-related fatalities		
Employees Training and Advancement				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Reporting Scope; Materiality Assessment	3 14
	103-2	The management approach and its components	Employees Training and Advancement	31
	103-3	Evaluation of the management approach	Employees Training and Advancement	31
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Employees Training and Advancement	31
	404-3	Percentage of employees receiving regular performance and career development programs	Employees Training and Advancement	31