SERIAL 新曄集團

Your Integral Component To Success

Sustainability Report 2019

SERIAL SYSTEM LTD

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SUSTAINABILITY STRATEGY

About This Report

This is the third Group Sustainability Report by Serial System Ltd. The report outlines the Group's sustainability strategies, initiatives and performance in relation to Environmental, Social and Governance ("ESG") issues for the financial year ended 31 December 2019 ("FY2019"). Through this report, we hope to share our sustainability commitments with our various stakeholders, including investors, customers, business partners, suppliers, staff, the community and government and regulators.

Message from the Board

Climate change, changing consumer expectations as well as a volatile global economy remain the drivers of the Group's commitment to design and execute an effective Sustainability Management framework.

Recognising that organisations can add value to the community at large, especially in view of the ongoing global pandemic and climate situation, the Board continues to assess and refine ESG aspects in the Group's day-to-day operations.

The Board would like to extend its gratitude to all who have been with us throughout our sustainability journey. We look forward to your continued support and cooperation.

Board of Directors
Serial System Ltd

OUR SUSTAINABILITY APPROACH

STRATEGY AND GOVERNANCE

As one of the leading distributors of semiconductor and electronic components in the Asia Pacific region, the Group strive for sustainable growth as we seek to generate long-term value and sustainable returns for our stakeholders in a socially and environmentally responsible manner. We established and periodically review our sustainability strategy in view of the existing and emerging risks and opportunities.

The Board has overall responsibility for sustainability for the Group and plans to ensure that our growth is sustainable in the long term. The Board determines material ESG factors for sustainability strategy formulation and reporting.

REPORTING FRAMEWORK AND METHODOLOGY

This Report has been prepared in accordance with the sustainability reporting regulatory requirements set out in the Singapore Exchange Securities Trading Limited Listing Manual (SGX-ST Listing Manual): Listing Rules 711A and 711B, and the Global Reporting Initiative ("**GRI**") Standards: Core Option. A materiality assessment, taking into consideration the expectations of our stakeholders, was conducted to identify and prioritise ESG factors that are material to our Group's operations. No independent assurance has been obtained for this Report.

STAKEHOLDER ENGAGEMENT

The Group's sustainability journey involves identifying our stakeholders and material aspects relevant to our business. Formal and informal channels of communication were adopted with both internal and external stakeholders to understand their needs, interests and priorities. This enables us to strategise our business decisions and operations, thereby ensuring the growth of our business operations and stakeholders' satisfaction.

The following illustrates the approach the Group undertakes to engage with our key stakeholders:

Stakeholders	Stakeholders' Key Concerns and Expectations	Engagement and Communication Channels	Our Response
Customers	• Provide quality customer service and experience • Ensure product quality • Solve product's related technical problems Competitive pricing • On-time delivery • Quality control in place	• Meeting sessions and client management • Regular communications via phone, emails, website and/or circulars • Contracts and agreements • Business reviews	• Manage key accounts • Build and maintain a good relationship with customers • Expand product lines • Review regularly to fulfil customers' needs • Seek and provide timely feedbacks
Business Partners	• Collaborative partnerships and opportunity to nurture and expand the business.	• Business meetings • Strategic partnerships	• Engage suitable business partners to pursue business objectives, work towards growth and profitability
Local Communities	• Serve the community • Help the less privileged	• Volunteering initiatives • Donations to charitable organisations	• Volunteer activities • Contribute to charitable causes
Government and Regulators	• Regulatory compliance • Promoting workplace health and safety • Address pertinent issues	• Regulatory filing and submissions • Government and Regulators website	• Timely announcements of material information through SGXNet • Ensure compliance with prevailing laws and regulations • Annual Report/Circular

Employees	• Competitive remuneration and benefits • Career growth and personal development • Work-life balance • Job security • Health and safety in the workplace	• Annual performance appraisal system • Training and career development programs • Employee feedback channels • Social and team-building activities • Health and safety trainings	• Establish and communicate human resources policies and practices which promote work-life balance and a safe working environment • Reward good performance and long service employees • Provide opportunity for career development • Establish a platform for staff to submit suggestions and feedback to management
Suppliers	• Fulfil contractual obligations and receive payments timely • Promote joint efforts on product development and growth • Supplying good quality products • Develop value-added services	• Contracts and agreements • Regular meetings • Monthly/quarterly reviews with suppliers • Electronic data interchange	• Market the supplier's products • Review regularly whether we are meeting supplier' needs • Meet and exceed targets set
Investors and Shareholders	• Group's strategy and long-term growth • Corporate governance • Risk management and internal controls • Deliver strong economic performance • Shareholders' return • Timely and accuracy of release of the Group's business progress and financial report.	• Timely announcement of financial results and relevant disclosures through SGXNet and corporate website • Annual / extraordinary general meeting • Annual reports • Meeting analysts and investors	• Strive for sustained and long-term growth • Adhere to the rules of the Singapore Exchange Securities Trading Limited and other regulatory requirements • Embrace good corporate governance, effective risk management and internal controls • Ensure timely and accurate disclosure of financial and non-financial information

MATERIAL ASPECTS ASSESSMENT

The material assessment involves analysing inherent opportunities and risk, determining and prioritising ESG factors that are material to the Group's operations and concerns of our stakeholders. We identified the following material aspects based on GRI Standards' materiality principle for defining report content:

Economic	• Economic performance • Value and supply chain
Environmental	• Energy consumption and emissions • Water conservation • Material and waste
Social	• Diversity and inclusive • Training and development • Occupational health and safety • Local communities involvement
Governance	• Corporate governance • Business code of ethics • Regulatory compliance

OUR ECONOMIC

Economic Performance

We are committed to creating sustainable and long-term business growth, while creating value and positive contributions for our marketplace and customers, the communities we operate in, our people and the environment.

Despite economic performance weakened in 2019, we will continue to find ways to be and remain resilient in the face of some major changes to our business. By sustaining our energy and motivation, we will build stronger global partnerships with existing and potential suppliers and customers, with a focus on our core electronic components distribution business. Over the years, the Group has also diversified into consumer products distribution, investment holding of high-profit margin companies and other businesses to provide additional income streams with a view to enhance shareholders' value over the long term.

As a company listed on the Singapore Exchange Limited ("**SGX**"), we publish a detailed annual report comprising our risk management, corporate governance and financial performance. A summary of our economic performance is provided below, in line with the GRI Standards. For detailed financial results, please refer to the financial statements in our Annual Report 2019:

Economic Performance Indicators (US$' million)			
	FY2019	**FY2018**	**FY2017**
Revenue	792	1,527	1,492
Gross Profit	54.2	118.6	105.1
EBITDA	19.6	43.2	26.1
Profit attributable to Equity Holders	8.0	17.7	9.6
Shareholders' Return (Dividend Yield)	4.3%	21.9%	4.6%

Value and Supply Chain

The Group is committed to collaborating with transparent, ethical, environmentally and socially responsible suppliers. As such, we have established a stringent pre-qualification and procurement process to ensure the quality of our supply chain. All our suppliers and customers underwent restricted party screening through our automated denied party screening software which comprise the database from government authorities and international organizations. Our logistics service providers are also frequently assessed against their suitability and capability to meet our Group's requirements as well as their adherence with Singapore Customs requirements. We aim to progressively strengthen our supply chain processes in FY2020.

We strived to continuously review our growth strategies in order to enhance our value proposition as a distribution intermediary between chipmakers and manufacturers of electronic end-products. As an established distributor with a proven track record, we expect to continue this trade for many more years and remain an integral part of the international supply chain for chipmakers, original equipment manufacturers and major electronic brands.

OUR ENVIRONMENT

Environment Protection

We are committed to minimising our environmental impact and utilizing our resources efficiently. Our current environmental impact may be attributed to the use of electricity and paper in our offices and warehouses, the use of fuel in transportation for deliveries of inventories. While our existing carbon footprint from electricity consumption is relatively small, we understand the value of reducing energy consumption to mitigate the threat of climate change. We have also reduce on printing and presently, use recycled papers whenever possible. Through regular monitoring of our resource consumption, we strive to minimize our impact on the environment as we continuously encourage our employees to think and act green.

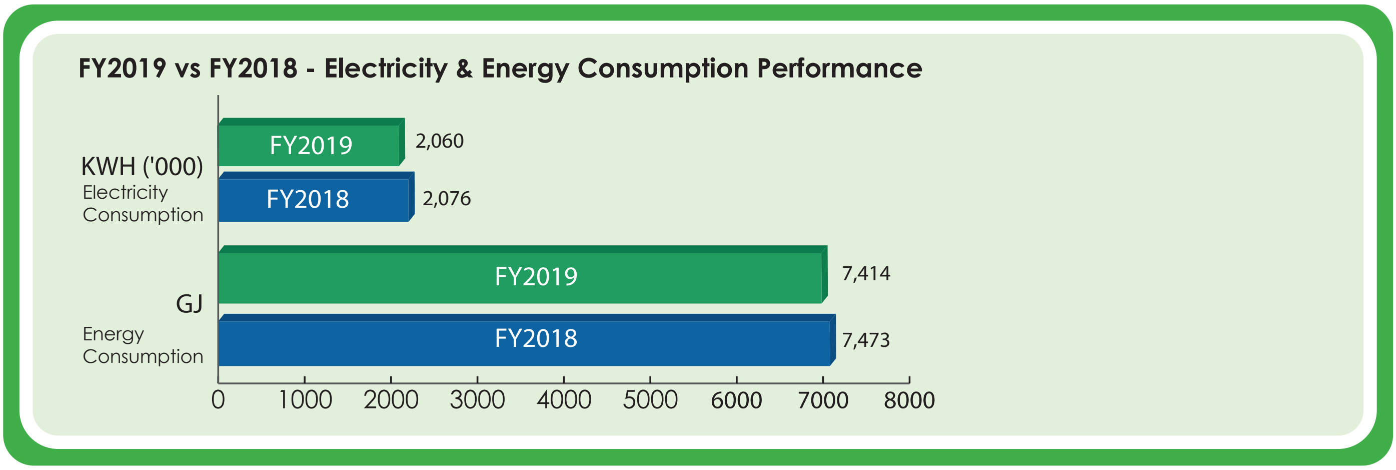
Energy Consumption and Emissions

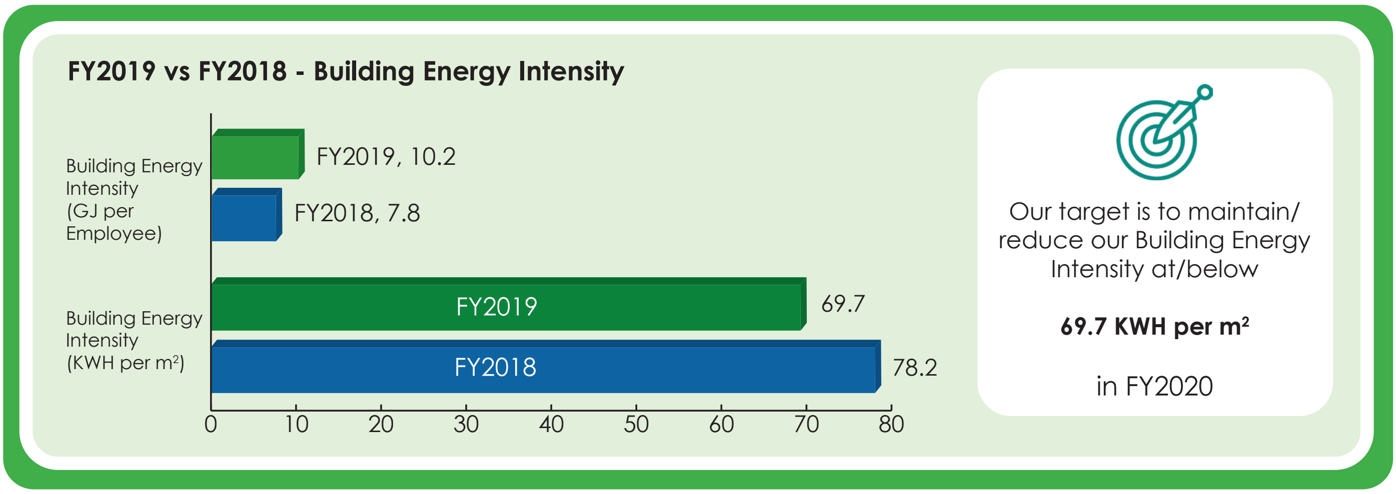
Given the nature of our operations, electricity from the grid and fuel consumption in transportation of goods to customers via air or sea freight are the main sources of energy consumed at our sites. Our offices in Singapore, Hong Kong and China accounted for 84% of the total electricity consumed. We have also put up reminders in our offices to switch off office lights and air conditioners when not in use and periodically remind our employees about it.

Based on available data through statements from utility providers in the territories that the Group operates in, the Group managed to achieve a slight reduction in electricity consumption in FY2019 (2,059,590 kWh) from FY2018 (2,075,984 kWh). The Group's energy intensity per employee increased to 10.2 GJ in FY2019 from 7.8 GJ in FY2018, mainly due to higher attrition rate in FY2019 as a result of the cessation of a long-standing agreement of one of the Group's single largest suppliers in late 2018. The Group's building energy intensity, however, decreased from 78.2 kWh/m^2 in FY2018 to 69.7 kWh/m^2 in FY2019. In line with our building energy intensity, the Carbon Dioxide ("**CO^2**") emissions intensity for our offices reduced in FY2019 (49.3 kgCO^2e/m^2) from FY2018 (53.5 kgCO^2e/m^2). The Group believes that building energy intensity, which measures the "site" energy usage is a better benchmark to measure the Group's energy consumption as opposed to energy intensity per employee. We will strive to maintain or reduce the building energy and CO^2 emissions intensity in FY2020.

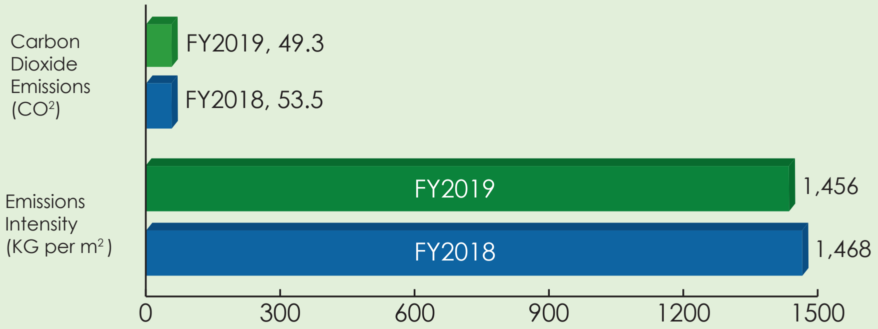
For operations, there was an increase in emissions intensity by revenue in FY2019 (1.07 gCO^2e) from FY2018 (0.48 gCO^2e). In prior year, significant amount of revenue was generated from the sales of consigned goods from our single largest supplier. Upon the cessation of distributorship, the significant drop in revenue resulted in the increase in our emissions intensity by revenue. Airfreight continues to be the main mode of transport for the Group to facilitate our sales. It is our goal to strive to continually reduce our emissions of Carbon Dioxide ("**CO^2**") and play our part to alleviate the impact of global warming. We hope to realise this objective next year by better consolidation of our inventories to be transported and reduce the use of air freight since air freight generally emits more CO^2 per-kilometre than sea freight.

Our Energy Consumption and Emission Performance for FY2019





FY2019 vs FY2018 - Carbon Dioxide Emissions Intensity

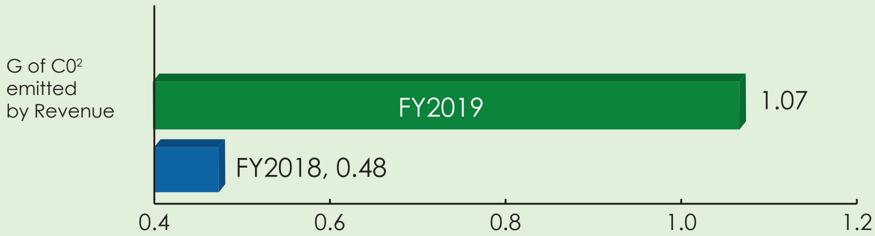


Our target is to maintain/reduce our CO^2 Intensity at/below

49.3 Kg per m²

in FY2020

FY2019 vs FY2018 - Emissions Intensity by Revenue

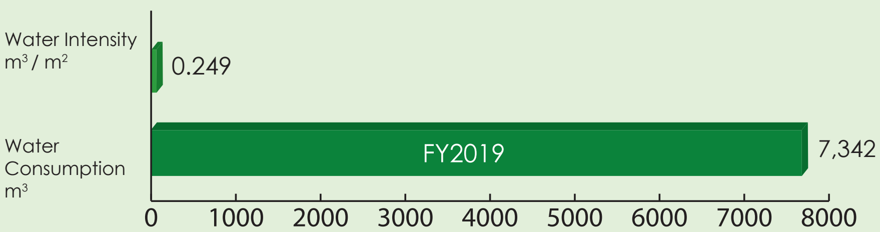


Water Conservation

Our water use is limited to employee consumption and facility maintenance. While it isn't a material issue for us, however, we strived to reduce water consumption and prevent water pollution as our operations could still be impacted in areas where the availability of clean water is lacking and sanitation are of concern. We increase awareness of our employees by displaying signs in designated areas to serve as a friendly reminder to water users.

In prior years, water conservation was not reported as it isn't a material issue for us. From FY2019 onwards, we will start to track and subsequently report our annual water consumption levels and targets. In FY 2019, we consumed 7,342 m^3 of water and our water consumption intensity is 0.249 m^3/m^2. We commit to maintain or reduce our water consumption intensity in FY2020.

FY2019 - Water Consumption Performance



Our target is to maintain/reduce our Water Intensity at/below

0.249 m^3/m^2

in FY2020

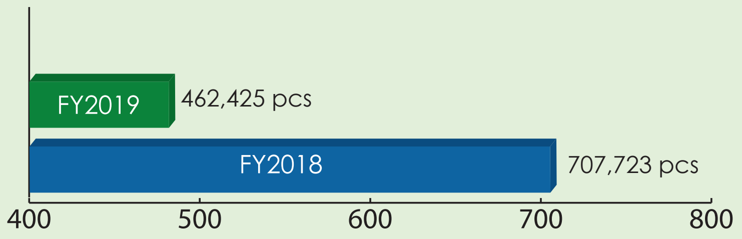
Materials and Waste

Paper is the main sources of waste generated across our Group's operations. We focus on reducing and recycling our own waste to minimise our environmental impact in this area. We continued to lower our environmental footprint by reducing paper costs from printing and copying in our Singapore Head Office. Our Singapore Head Office paper consumption level was reduced in FY2019 (462,425 pcs) from FY2018 level (707,723 pcs).

As part of our Group's initiatives to go digital, we have moved towards digital transactions to reduce paper usage and to boost productivity. In FY2019, we implemented two systems which digitized the submission of claims and archival of finance related documents. In quest of further productivity gains, we have started to look into robotic process automation ("**RPA**"). Our Singapore office is currently using RPA to semi-automate the extraction of portable document formatted sales orders into data uploadable to our financial system which eliminated manual effort in recording.

On top of that, we encouraged our employees to use shared data folders when accessing information to reduce the need for printing. We also adopted the conventional method of reusing one-sided used papers that are without any company and private confidential information. These paperless and paper reduction initiatives have helped our Singapore Head Office to reduce the total printing costs by about 34% from FY2018. We aim to record, monitor and reduce our paper consumption level for the entire Group's operations by next year.

FY2019 vs FY2018 - Paper Consumption Performance



Our target is to maintain/ reduce our Paper Consumption Performance at

462,425 pcs

in FY2020

OUR SOCIAL

Profile of Our Workforce

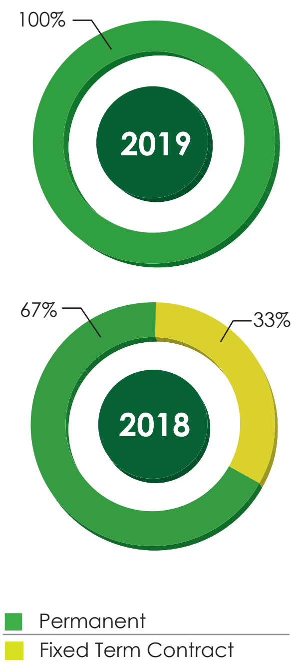
Our people, our greatest asset, are key to the Group's long term growth and success. We have a diverse workforce comprising of employees across various regions. During FY2019, our total headcount reduced by 24% to 728 compared to 964 in FY2018 due to the restructuring following the termination agreement with one of the Group's single largest suppliers in late 2018 and adverse market conditions. We also welcomed 93 new employees to our Group in FY2019.

All our employees work full-time on a permanent contract. We have employees located in the South Asia and in countries such as China, Taiwan, Hong Kong and South Korea. 78% of employees are based in China and South Asia where the majority of our business in electronic components and consumer products distributions is based. 94.4% of our department heads, in Singapore Head Office, are Singaporeans or Permanent Residents hired from our local community.

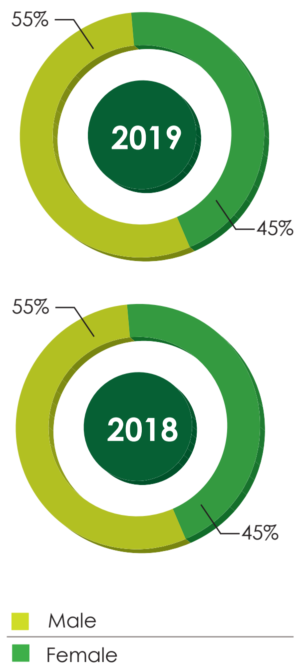
Our global turnover rate increased slightly in 2019 (48%) from 2018 (42%). The higher turnover rate was mainly arising from lower management staff. Turnover rate in China was significantly higher than South Asia as well as other countries. Other than that, the turnover figures were resulted from multiple variables, including operational decisions, market conditions, generation trends and cultural tendencies.

FY 2019 vs FY 2018 - Our Workforce Profile

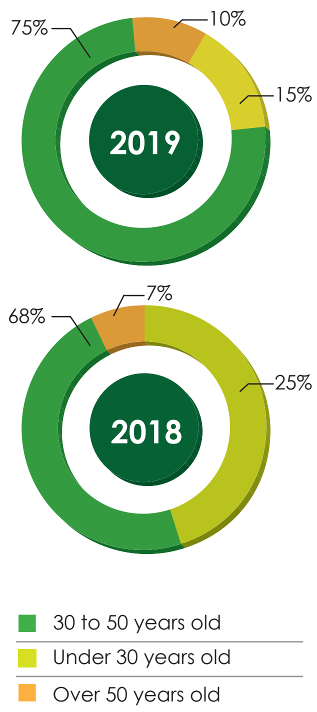
% Workforce by Employment Type



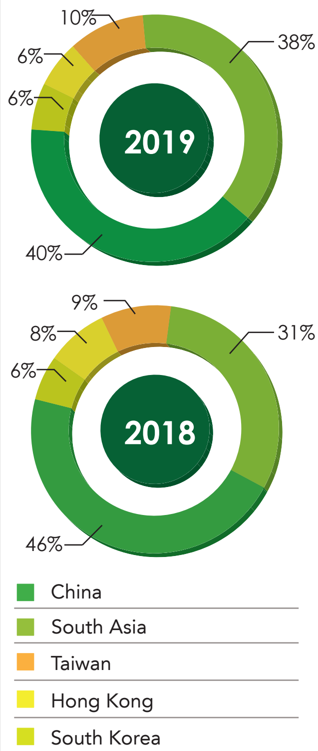
% Gender Diversity



% Age Diversity

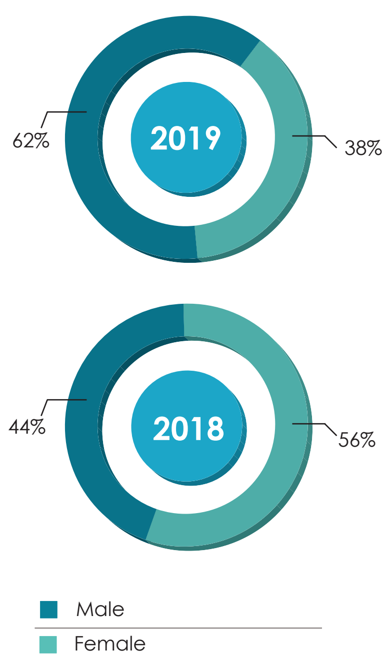


% Employees by Region

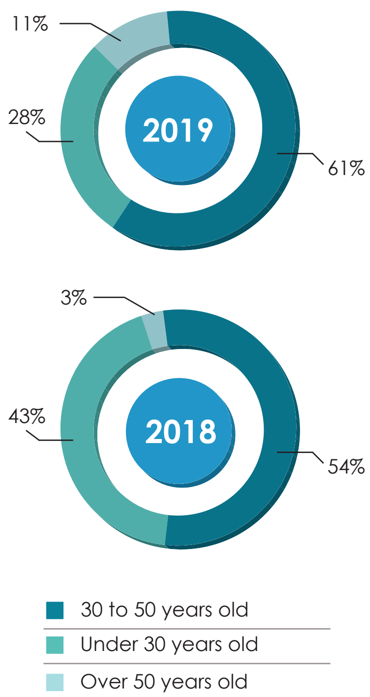


FY 2019 vs FY 2018 - New Hire

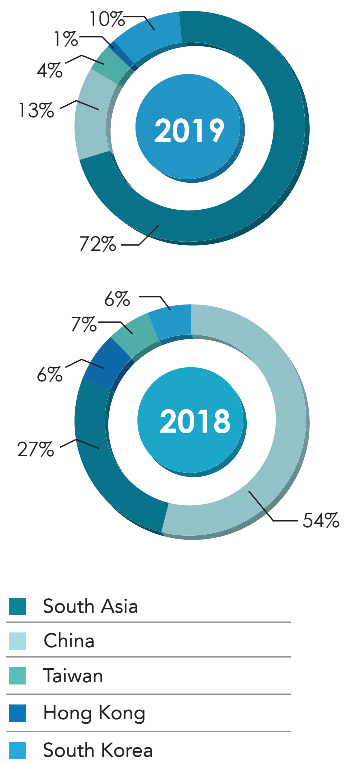
% New Hire by Gender



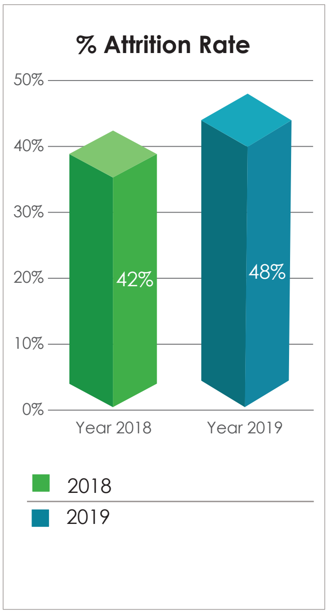
% New Hire by Age Group

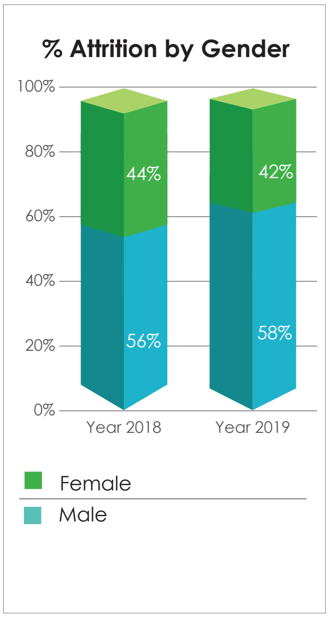


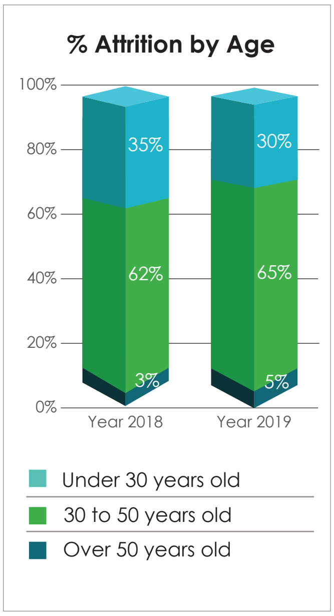
% New Hire by Region

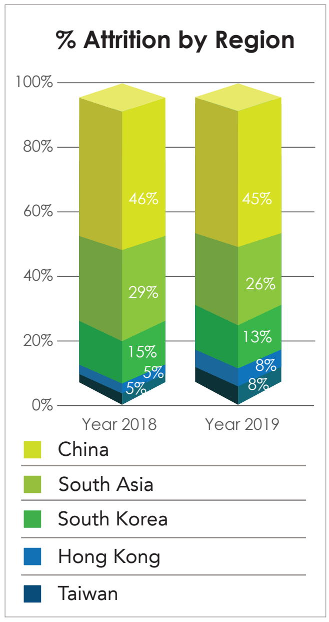


FY2019 vs FY2018 - Turnover Rates









Diversity and Inclusive

We are committed to providing an inclusive workplace with equal opportunities throughout employment, including the remuneration, training and promotion of staff regardless of gender, race, nationality and family status. Our Group has a diversified workforce across all age groups. In FY2019, about 50% of our workforce consists of millennials who have helped to infuse new perspectives, passion and efficiency.

We maintained a balanced female-male ratio (45% female and 55% male) in our workforce across all regions. In FY2019, we increased the new hire rate of male employees in our Group by 18% over FY2018 as well as hiring more employees in the 30-50 and over 50 age categories.

We respect and support the international principles of human rights. Our HR policies ban child labour, forced or compulsory labour, as well as discrimination. There was no reported incident of child labour, forced or compulsory labour and discrimination in FY2019.

Clear guidelines on workplace abuse, harassment and disciplinary matters are established and communicated to all employees. Employees are also encouraged to report any grievance through their immediate supervisor. Should any further assistance or investigation required, cases will be directed to the human resources department. No grievances were recorded in FY2019.

Training and Development

Learning and development within our Group is a decentralized function as each country adopts its own approach based on employees' needs and resources. We actively encourage our employees to enhance and continuously develop their skills and knowledge, and also provide sponsorship for them should they express a desire to attend external courses or seminars. By empowering our staff with equitable access to the right resources and looking after their well-being, we help them to be their best at work, grooming them to be our leaders of tomorrow.

In 2019, our employees had benefitted from a total of 528 hours of formal training. Apart from these formal training programmes or seminars, our employees also receive in-house and on the job training to develop their technical knowledge and relevant skillsets. We will continue to explore means to enhance our employees' knowledge and skills for building a resilient workforce.

Apart from investing in employee's development, we strived to ensure that our employees are provided with the right platform to progress their careers. The HR department monitors and tracks employees' years of services and their career progression. We also believes in linking rewards to performance and has established the Long Service Award to recognise employees' commitment to us.

We carried out our annual performance appraisal reviews, which provide employees with constructive feedback based on their performance, goals they set at the beginning of the year and a set of shared leadership competencies.

Occupational Health and Safety
Occupational health and safety ("**OHS**") of our people is of utmost importance to us. Effective OHS management is part of risk management and expected to enhance business efficiency and staff morale. Across our Group, we adopted and complied with the ISO45001:2018 standards that also sets out our OHS Policy which is put in place to guide implementation of initiatives that promote OHS. As we are certified ISO 22301 (Business Continuity Management System), it is required that we measure, monitor, evaluate and analyse our OHS. Through proactively tracking and taking accountability of reportable and reported incidents, it helps to create awareness on the importance of a safe and healthy workplace. The importance of complying with all relevant laws and legislations in countries where we operate is communicated repeatedly to our business divisions. Any case of non-compliance will have to be directly reported to our human resources department and management for prompt follow-up actions to be taken. Our Business Continuity Management System has been externally audited by a third-party accredited certification body to ISO 22301, a recognized international standard for Business Continuity Management ("**BCM**").

In FY2019, we recorded zero fatalities, severe injuries and occupational diseases involving our employees across the Group. Our safety statistics for 2019 remain below the industry average of wholesale and retail trade activities reported by the Ministry of Manpower in 2019 Workplace Safety and Health Report and we strive to achieve the same record in FY2020.

Local Community Involvement
As a responsible corporate citizen, we share in the concerns of our community and take on the responsibility for its improvement by actively giving back to our local community to enrich people's lives. This is done through our various Corporate Social Responsibility ("**CSR**") initiatives and efforts. Over the years, we had supported several activities for the elderly, the poor and needy, as well as areas like healthcare, education, youth development, arts, culture and heritage.

In FY2019, we donated a total of S$481,000 (approximately S$373,000) to various causes and organisations in Singapore. For more details on the Company's CSR efforts, please refer to page 17 to 18 of our Annual Report 2019.

OUR GOVERNANCE

We are committed to build ethical and transparent business through a framework of sound corporate governance principles, practices and processes, to protect and enhance our shareholder value.

Corporate Governance
We believe that good corporate governance nurtures sound business decisions and organizational performance result in strengthened resilience and competitive advantage. The Group remains focused on complying with the principles of the Code of Corporate Governance 2018 while achieving operational excellence and delivering long-term strategic objectives. The Board of Directors is responsible for the Company's corporate governance standards and policies, emphasizing their importance to the Group.

Our Board has considered the benefits of diversity of Board Members' skills, experience and background, maintains the view that the current Board size and structure is adequate for the existing business operations of the Group. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring valuable range of experience and expertise to contribute to the development of the Group's long-term strategy and business performance.

For detailed disclosure on the application of our corporate governance practices with reference to the Code, please refer to the Corporate Governance Report on page 26 to 50 in the Annual Report 2019. Where there are deviations from any of the principles of the Code, an explanation has been provided within the Annual Report.

Business Code of Ethics
Our business principles and practices regarding subjects that may face ethical implications are outlined in an internal code of business and ethical conduct. The Code of Conduct provides clear guidance for employees to observe our principles such as integrity, honesty, responsibility and accountability across all levels of our organization in the course of carrying out their duties. It is published on our corporate website and easily accessible by all employees and stakeholders.

The code provides guidance on matters such as:
- Conflict of interest and their appropriate disclosures
- Maintaining fair dealing in the conduct of our business and in our relationship with our customers, suppliers and employees
- Our stance against bribery and corruption
- Safeguard personal data and proper handling of confidential information
- Compliance with applicable laws and regulations including those relating to insider trading and personal data protection

New hires, as part of their induction programme, are introduced with information about our Code of Conduct as well as other related corporate policies, including anti-bribery and corruption, whistle-blowing and business continuity.

Anti-bribery and Corruption

Corruption can result in significant damage to the organization, such as loss of financial and social capital. We adopt a zero-tolerance approach towards corruption.

At Serial System Ltd, we prohibit corruption in any form, including but not limiting to extortion and bribery. We require all employees, officers and directors to conduct business worldwide with integrity, transparency, and in compliance with applicable legal requirements relating to bribery, corruption, anti-money laundering and terrorism financing. This has been made clear to all employees, customers, suppliers and business partners.

The Company has in place a whistle-blowing policy which enables an employee to report or raise concerns over any "wrongdoings" across the Group in relation to unlawful conduct, financial malpractice or dangers to the public or environment directly to the chairman of the Audit Committee, with the "whistle-blower" who has acted in good faith, being provided confidentially, victimisation and harassment protection. The whistle-blowing channels (either via postal address, telephone, mobile or email address) that are accessible via our corporate website: www.serialsystem.com by all stakeholders provide them with secure platforms to raise their concerns. "Wrongdoings" can include fraud, corruption, theft, abuse of authority, breach of regulations or non-compliance with the Group's internal controls and procedures.

On an ongoing basis, the whistle-blowing policy is covered during employee training and periodic communication including e-mail sent quarterly to all employees as part of the Group's efforts to promote awareness of anti-corruption and fraud prevention. We will regularly review our policies on anti-bribery corruption and whistle-blowing to ensure that they are updated taking into account any related changes in legal and regulatory requirements. Internal audits are conducted to ensure the efficiency and effectiveness of our internal controls, risk management and governance processes.

There were zero confirmed incidents of corruption in FY2018 and FY2019 and we aim to maintain this track record in the subsequent reporting periods.

Regulatory Compliance

The Group has not been subject to any fines or sanctions for contravention of any laws or regulations globally, including those relating to infringements of environment, health and safety, anti-money laundering, terrorism financing and international trade compliance. We strive to maintain this track record and ensure all queries/allegations received are promptly investigated and addressed, failing which may result in either public allegations of non-compliance or significant fines being levied on the Group.

Through our materiality assessment, we recognise that our core business faces increased risks regarding export control laws, anti-bribery and corruption and data governance due to the nature of our business and workforce presence across various countries and regions. We are committed to complying with laws and regulations wherever the Group operates in. Regular training and communication is provided to employees to keep them updated on the compliance issues that affect their functions as we strive to maintain compliance with existing policies and procedures at all times.

The Group has introduced various policies to guide its business conduct, including Export Control Compliance Policy ("**ECCP**"), Anti-bribery and Corruption Policy ("**ABC Policy**") and Personal Data Protection Policy ("**PDP Policy**")

Export Control Laws

We do our part in maintaining international peace and security by having in place country-specific ECCP which sets the framework of operational controls and protocols for the respective business division's transactions, to be conducted in compliance with applicable export control laws and regulations. In order to facilitate our screening reviews, we engaged the system and service of an ISO-certified third-party outsourced vendor. Likewise, any updates to existing laws and regulations are programmed accordingly by them. Our International Trade Compliance ("**ITC**") team also periodically reviews and communicates major/urgent updates to key personnel or regional ITC gatekeepers and management on a need to know basis.

To further strengthen our commitments and minimise the risk of non-compliance, the Group requires all new employees to undergo an export control awareness training. Additionally, all existing employees are required to attend a refresher training every 18 months to keep them up-to-date on the compliance issues that may affect their functions.

In FY2019, similar to FY2018, we have complied with all relevant export control laws and work with suppliers to minimize disruption to our Group's business operations. We endeavour to maintain our compliance status moving forward.

Cybersecurity and Data Privacy
The pace of digitalization has far exceeded regulation to control and manage data privacy and protection, resulting in data breaches that can cost millions, and compromise data. We continue to invest in cybersecurity infrastructure and systems to enhance our defence against cyber threats and attacks. Our appointed datacentre provider constantly monitors our system to enable early detection of any unauthorized access or abnormal network activities to access our network, programmes and data. On top of that, we also have in place appropriate measures to ensure the confidentiality, integrity and availability of our Group's IT assets. This includes establishing Group-wide IT policies and procedures and implementing access controls, strengthening data security, raising employee's IT security awareness by emailing notices or articles covering the latest cyber threats and their prevention measures, phishing alerts and cyberattacks, and conducting an annual IT disaster recovery exercise to ensure business recovery objectives are met.

Safeguarding the personal data of our customers, suppliers and all other stakeholders is also of utmost importance to us. We conduct our business in compliance with the Personal Data Protection Act ("**PDPA**") in Singapore. Accordingly we had put in place a Personal Data Protection Policy which governs the collection, use, disclosure and care of personal data. This policy is made available to the public on our corporate website.

Every year, all new employers must go through our Personal Data Protection Policy and acknowledge their understanding over the prevailing risks, handling and protection of sensitive corporate data. We continue to educate our employees by conducting training programs when there are any changes in the legislation. On top of that, we aim to complete the development of our online refresher training course for PDPA by end of this year.

In FY2019, apart from no major cybersecurity incident that has occurred, there was no substantiated complaint from outside parties and from the Personal Data Protection Commission ("**PDPC**"). We will continue to improve our existing processes to safeguard confidential information through periodic review of our Personal Data Protection Policy and seeking ways to improve staff training opportunities.

International Trade Compliance
The nature and scope of the Group's distribution business also make us highly susceptible to being victims of international fraud and unlawful activities, especially where trade compliance is concerned. For this reason, the Group engages an ITC officer to ensure the Group complies with international trade laws and regulation and regularly update the management and key personnel on developments in international and local trade regulations.

The ITC officer also leads the Group on all ISO Quality Accreditations initiatives. In FY2018 and FY2019, the Group's various entities obtained the following Trade & ISO Certifications:-

- Serial Microelectronics Pte Ltd – SG Customs TradeFIRST Premium Band dated 16 March 2018
- Serial Microelectronics Pte Ltd – SG Customs Secure Trade Partnership (STP) dated 16 March 2018
- Serial Microelectronics Korea Limited – South Korea Ministry of Trade, Industry & Energy (MOTIE) Internal Compliance Program (ICP) Accreditation dated 19 March 2018
- Serial Microelectronics Inc. – Taiwan Bureau Foreign Trade (BOFT) Internal Compliance Program (ICP) Re-Certification dated 31 March 2019
- Serial Microelectronics (HK) Limited - ISO9001:2015 QMS dated 7 August 2018 and Re-Certification on 31 May 2019
- Serial Microelectronics Pte Ltd – ISO9001:2015 QMS dated 7 February 2019
- Serial Microelectronics Pte Ltd - ISO22301:2012 Business Continuity Management System (BCMS) dated 31 October 2018 and Re-Certification on 7 October 2019

Owing to Serial Microelectronics Inc.'s strong commitment in trade compliance for strategic high-tech commodities, since 6 December 2016 (and re-certification on 31 March 2018), we had been accredited with Taiwan Bureau of Foreign Trade (BOFT) Certificate No. 1052850475 as the 53rd organization in the entire Taiwan and awarded the prestigious membership into BOFT's quarterly roundtable meetings organized by the Ministry of Economic Affairs, Taiwan.

Similarly, Serial Microelectronics Pte Ltd on 16 March 2018 was awarded with the Best-In-Class TradeFIRST Accreditation which is valid for 3 years and is recognized as a "Secure Trade Partner" with Singapore Customs under the Secure Trade Partnership (STP) Program and granted a STP Certification Membership No. AEOSG12022018001T which is mutually recognized by the World Customs Organization (WCO) matching the standards of Authorized Economic Operator (AEO) and U.S. CBP Customs-Trade Partnership Against Terrorism (C-TPAT).

In FY2018 and FY2019, Serial Microelectronics Pte Ltd had been listed in the Singapore Customs Website "Hall of Fame" together with 105 companies in Singapore as Secure Trade Partnership (STP) Companies. The STP is a voluntary certification programme consistent with the World Customs Organisation (WCO) SAFE Framework of Standards to secure and facilitate global trade. The programme encourages companies to adopt robust security measures using a risk-based approach in their trading operations to improve global supply chain security. By participating in the programme, a company demonstrates commitment and willingness in keeping the supply chain secure.

GRI CONTENT INDEX

GRI Standard	Section	Index	Page number(s) and/or URL(s)
GRI 101: Foundation 2016			
General Standard Disclosures			
GRI 102: General Disclosures 2016			
Organizational Profile	102-1	Name of the organization	Serial System Ltd
	102-2	Activities, brands, products, and services	AR, page 11 – 16
	102-3	Location of headquarters	Singapore
	102-4	Location of operations	AR, page 10
	102-5	Ownership and legal form	Pubic Listed Company (Limited by Share Capital)
	102-6	Markets served	AR, page 10
	102-7	Scale of the organization	SR, page 8 - 10 AR, page 3 - 5
	102-8	Information on employees and other workers	SR, page 8 - 10
	102-9	Supply chain	SR, page 5 AR, page 10 - 16
	102-10	Significant changes to the organization and its supply chain	There are no significant changes to the organization and its supply chain
	102-11	Precautionary principle or approach	The Company does not specifically address the principles of the Precautionary approach
	102-12	External initiatives	SR, page 12-13
	102-13	Membership of associations	SR, page 13 Singapore National Employers Federation Singapore Business Federation
Strategy	102-14	Statement from senior decision-maker	SR, page 2
	102-15	Key impacts, risks, and opportunities	SR, page 3 - 5
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	AR, contents page
Governance	102-18	Governance structure	SR, page 3 AR, page 26 - 50
Stakeholder Engagement	102-40	List of stakeholder groups	SR, page 3 - 4
	102-41	Collective bargaining agreements	Not applicable.
	102-42	Identifying and selecting stakeholders	SR, page 3 - 4
	102-43	Approach to stakeholder engagement	SR, page 3 - 4
	102-44	Key topics and concerns raised	SR, page 3 - 4

Reporting Practice	102-45	Entities included in the consolidated financial statements	AR, page 3, 103, 105, 110 -114
	102-46	Defining report content and topic Boundaries	SR, page 2, 5
	102-47	List of material topics	SR, page 5
	102-48	Restatements of information	Not applicable. This is the third year of reporting and there were no restatements
	102-49	Changes in reporting	SR, page 2
	102-50	Reporting period	SR, page 2
	102-51	Date of most recent report	31 May 2019
	102-52	Reporting cycle	SR, page 2
	102-53	Contact point for questions regarding the report	ecomm@serialsystem.com
	102-54	Claims of reporting in accordance with the GRI Standards	SR, page 3
	102-55	GRI content index	SR, page 14 – 16
	102-56	External assurance	The Company did not seek external assurance on this report but may do so in the future
GRI 103: Management Approach 2016			
	103-1	Explanation of the material topic and its Boundary	SR, page 2 – 13
	103-2	The management approach and its components	SR, page 2 – 13
	103-3	Evaluation of the management approach	SR, page 2 – 13
Material Topics			
GRI 201: Economic Performance 2016			
Economic	201-1	Direct economic value generated and distributed	SR, page 5 AR, page 62-165
GRI 203: Indirect Economic Impacts 2016			
Economic	203-2	Significant indirect economic impacts	SR, page 5
GRI 205: Anti-corruption 2016			
Economic	205-2	Communication and training about anti-corruption policies and procedures	SR, page 12
GRI 301: Materials 2016			
Environmental	301-1	Materials used by weight or volume	SR, page 8
GRI 302: Energy 2016			
Environmental	302-1	Energy consumption within the organization	SR, page 6 - 7
	302-2	Energy consumption outside of the organization	SR, page 6 - 7
	302-3	Energy intensity	SR, page 6 - 7
	302-4	Reduction of energy consumption	SR, page 6 - 7

GRI 303: Water and Effluents 2018			
Environmental	303-1	Interactions with as a shared resource	SR, page 7
	303-5	Water consumption	SR, page 7
GRI 305: Emissions 2016			
Environmental	305-4	GHG emissions intensity	SR, page 6 – 7
	305-5	Reduction of GHG emissions	SR, page 6 – 7
GRI 307: Environmental Compliance 2016			
Environmental	307-1	Non-compliance with environmental laws and regulations	SR, page 12
GRI 401: Employment 2016			
Social	401-1	New employee hires and employee turnover	SR, page 8 – 10
GRI 403: Occupational Health and Safety 2018			
Social	403-1	Occupational health and safety management system	SR, page 11
	403-2	Hazard identification, risk assessment, and incident	SR, page 11
	403-4	Worker participation, consultation, and communication on occupational health and safety	SR, page 11
	403-9	Work-related injuries	SR, page 11
	403-10	Work-related ill health	SR, page 11
GRI 404: Training and Education 2016			
Social	404-1	Average hours of training per year per employee	SR, page 10
	404-3	Percentage of employees receiving regular performance and career development reviews	SR, page 10
GRI 405: Diversity and Equal Opportunity 2016			
Social	405-1	Diversity of governance bodies and employees	SR, page 10
GRI 413: Local Communities 2016			
Social	413-1	Operations with local community engagement, impact assessments, and development programs	SR, page 11
GRI 418: Customer Privacy 2016			
Governance	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SR, page 13
GRI 419: Socioeconomic Compliance 2016			
Governance	419-1	Non-compliance with laws and regulations in the social and economic area	SR, page 11 -13

AR – Annual Report 2019
SR – Sustainability Report 2019

SINGAPORE
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