



MEMTECH INTERNATIONAL LTD



POISED FOR GROWTH

SUSTAINABILITY REPORT 2017





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Key Highlights in FY2017

2017 Highlights

Total revenue of
USD\$170 million



23

Research projects



94%

Recovery of non-hazardous waste
31% Increase from 2016



22

Patents filed, including 10
invention patents

Average of

62

training hours per employee



Total employee volunteer hours

2,550

US \$31,462



donated towards welfare fund for financially-challenged employees



1. About the Report

Memtech International Ltd (“Memtech”) is pleased to present our inaugural sustainability report. This report has been prepared in accordance to the Singapore Exchange Securities Trading Limited (“SGX-ST”) Mainboard Listing Rule 711(B) and universally recognised reporting framework, Global Reporting Initiatives (“GRI”) Standards – ‘Core’ option. Our company aligns with SGX’s objectives, adopting a phased approach towards sustainability.

Reporting Scope

This report presents Memtech’s non-financial performance and initiatives of our three manufacturing operations in the People’s Republic of China (“PRC”), specifically Dongguan, Kunshan and Nantong. The reporting period covers 1 January 2017 to 31 December 2017 (“FY2017”) with the relevant prior year data for comparison where applicable.

As this is our inaugural report, Memtech has not sought external assurance. However, we will consider doing so as our reporting matures over time.

Contact Us

As we progress on our sustainability journey, we look forward to your continuing support and welcome any queries, suggestions or feedback relating to this report. Please address them to our Financial Officer, Mr Zhang Liuqing at ir@memtechchina.com.



2. Board Statement

Memtech is dedicated to creating sustainable value for all our stakeholders. Our Group is mindful of the growing emphasis on sustainable business operations which paves the way for future developments in our organisation. Together with the Board, our management has identified Economic, Environmental, Social and Governance (“EESG”) matters that are relevant and material to our operations. We strive to align our company’s policies and practices with the industry’s best practices to manage the EESG matters identified, which include Innovation and Research and Development (“R&D”), Effluents and Waste Management, Occupational Health and Safety, and the Training and Advancement of our Employees.

Moving forward, we hope to encourage all our stakeholders to join us in our commitment towards sustainable development as we make a conscious effort to conduct our business operations responsibly and improve the environment we operate in.



3. Corporate Profile

a. Overview of Memtech





Memtech is a global component solution provider with business partners in the Automotive Components, Industrial & Medical, Mobile Communications, and Consumer Digital Devices industries.

Headquartered in Singapore since 2000, we have three manufacturing sites in China – Dongguan, Kunshan and Nantong. Besides our sales and engineering offices in China, we have offices in Germany, Japan, United States of America and Taiwan to support the global reach of our products and services.

Our customers include major automotive suppliers such as Hella, Magna International, Lear Corporation and Denso Corporation. We also provide solutions to major car manufacturers including Ford, Nissan, Volkswagen Group, General Motors and most recently Tesla, Inc. Furthermore, we have a longstanding relationship with customers such as like LG, Huawei, Polycom, KOSTAL Group, Flex, Lenovo, Samsung Group and Netgear Inc.

We have four main business segments - automotive, industrial & medical, mobile communications and consumer digital. A brief description of each segment and the various products we produce are showcased in Figure 1.

Figure 1: Memtech’s Business Segments

Automotive	Industrial & Medical	Mobile Communications	Consumer Digital
 <p>Comprises various plastic and rubber automotive components such as:</p> <ul style="list-style-type: none"> Decorative plastic (Car key fobs, infotainment and temperature control panels) Functional Plastics (door, seating, various car control and steering buttons) Rubber Parts 	 <p>Comprises various industrial and medical products including:</p> <ul style="list-style-type: none"> Blood glucose meters, barcode scanners, Personal Digital Assistant (PDA) 	 <p>Comprises telecommunication components including:</p> <ul style="list-style-type: none"> Plastic mobile housing Mobile and remote control keypads, Mobile antennas Window lens products 	 <p>Comprises consumer digital products, both the engineering and decorative parts. Products include:</p> <ul style="list-style-type: none"> Router shells Gaming and TV remote controllers Keypads Light guide panels



b. Vision, Mission and Values

Since our incorporation in 2000, Memtech has been guided by our four core values as shown in Figure 2. Under the strategic formulation of our Chairman and CEO, these core values were established and have guided us in conducting our business responsibly. We conduct a yearly refresher sessions with our Board, employees and business partners on these values, which they will acknowledge and affirm their commitment to uphold after each training.

Vision

To pioneer continuous development through our business operations and improve the world for the better.

Mission

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.

Figure 2: Memtech's Values

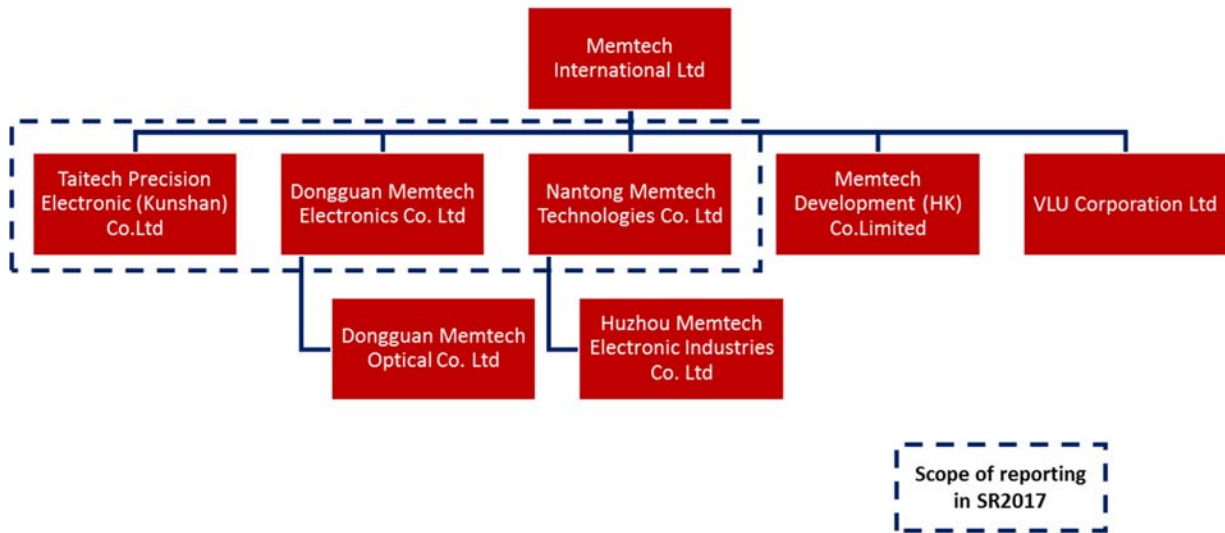




c. Organisation Structure

Memtech wholly owns four entities in our organisation structure, of which three are under the scope of reporting for our inaugural report.

Figure 3: Memtech's Organisation Structure



In September 2017, a new manufacturing facility specialising in automotive parts was built in Dongguan and formally put into production. Additionally, a new logistics warehouse constructed in Nantong begun operations in July 2018. Aside to the reporting scope, Huzhou Memtech Electronic Industries Co., Ltd and VLU Corporation Ltd have been dissolved in May 2018.



d. Staff Demographics

As of 31 December 2017, our workforce stood at 5,301 employees across our three manufacturing sites. All of our operations are performed by full-time employees on permanent or temporary contract. In February 2017, there was a 4.5% increase in our headcount due to higher volume of orders received. More details on the profile of our workforce are shown in Figures 4, 5 and 6.

Figure 4: FY2016 and FY2017 staff breakdown by gender

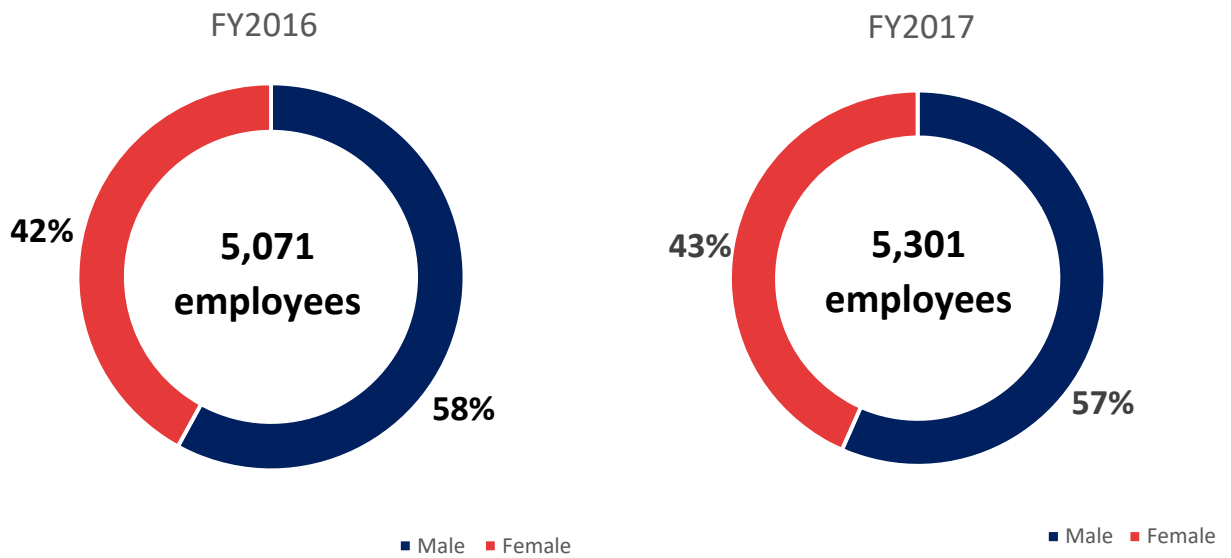


Figure 5: FY2016 and FY2017 staff breakdown by employment category

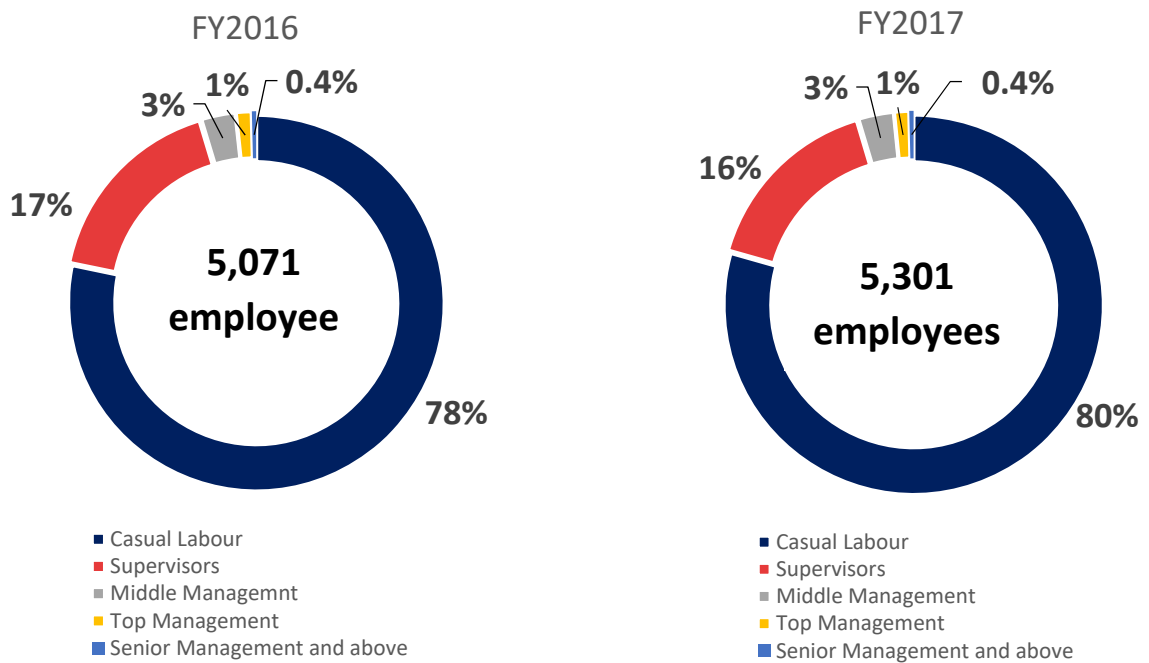




Figure 6: FY2016 and FY2017 breakdown by nationality and employment contract

Nationality	FY2016		FY2017	
	Permanent	Temporary	Permanent	Temporary
Mainland, China	4,250	793	4,274	998
Taiwan	9	-	10	-
Singapore	9	-	9	-
Malaysia	8	-	8	-
Korea	1		1	
USA	0	1	0	1

e. Supply Chain

Our raw materials such as plastic, silica gel, electroplated components are procured only from qualified suppliers with a proven track record. Our suppliers are classified based on a set of internal criteria that include the quality of products supplied, ability to fulfill contract terms and financial health of the company. The suppliers are then placed into three different ranks: “Rank A” being excellent and “Rank C” being average. Suppliers ranked “D” are not considered.

Through this ranking, it allows us to differentiate our suppliers based on the Company’s current needs and expectations. Not only does this mitigate any potential financial and supplier risks, it also allows us to explore and possibly move towards building stable and long-term relationships with our suppliers. We believe that active engagement is essential to establishing strong partnerships with our key suppliers. Meetings and discussions are facilitated to improve communication between both parties.

Close to 97% of our suppliers are based in China. 80% of our top 10 suppliers are manufacturers who supply raw materials such as silica gel, chemicals, electroplating equipment, injection molds, plastic particles, cardboard packaging and printing ink to Memtech. In addition, we also outsource certain stages of our manufacturing process to local sub-contractors.

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

Location of Suppliers	Number of Suppliers Engaged in Memtech	Estimated monetary value of payments made to Top 10 suppliers
China	1072	Approximately \$21.1 million



4. Approach to Sustainability

a. Sustainability Governance Structure

Our Sustainability Management Committee comprises our Chief Executive Officer (“CEO”), our Deputy General Manager, and our Head of Human Resources. The Sustainability Management Committee is responsible for setting the sustainability strategy which guides the formulation of policies and practices at Memtech. Supported by the Sustainability Working Committee, they ensure and monitor sustainability performance across the various divisions listed in Figure 8.

Under each division, the Head of department works closely with leaders from supporting divisions to ensure implementation of practices and initiatives in day-to-day operations. Sustainability performance is then communicated to the Board twice a year.

Figure 8: Memtech Sustainability Committee





c. Stakeholder Engagement

At Memtech, we recognise the importance of fostering strong and lasting ties with all stakeholders. Active engagement with our stakeholders allow us to keep track of their areas of concern, which provide Memtech with an indication about how resources should be allocated.. Our approach towards stakeholder engagement and how we address their concerns and interests are showcased in Table 1 below.

Table 1: Stakeholder Engagement Table

Stakeholder Groups	Key concerns/ interests raised by Stakeholder Groups	Memtech's Response	Modes of Engagement	Frequency of Engagement
Customers	<ul style="list-style-type: none"> Provision of consistent and high quality products Customer satisfaction 	<ul style="list-style-type: none"> Active customer engagement to better understand their needs and expectations 	<ul style="list-style-type: none"> Meetings and discussions with customers 	<ul style="list-style-type: none"> As appropriate
Employees	<ul style="list-style-type: none"> Freedom of association and protection under collective bargaining agreements Safe and healthy working environment 	<ul style="list-style-type: none"> Active employment engagement Organise activities based on feedback collected 	<ul style="list-style-type: none"> Work Satisfaction Survey 	<ul style="list-style-type: none"> Yearly
			<ul style="list-style-type: none"> Employee feedback through feedback boxes 	<ul style="list-style-type: none"> Monthly
			<ul style="list-style-type: none"> Management walkabout 	<ul style="list-style-type: none"> Monthly
			<ul style="list-style-type: none"> Events and activities organised 	<ul style="list-style-type: none"> As appropriate
Government Bodies and Auditors (Customer and Third-Party)	<ul style="list-style-type: none"> Memtech's social responsibility towards employees, environment and the community 	<ul style="list-style-type: none"> Provision of a safe and healthy living and working environment for employees Adequate training and career advancement opportunities for employees 	<ul style="list-style-type: none"> Audits from customers and/or trusted third-party auditors engaged by customers 	<ul style="list-style-type: none"> Yearly
Suppliers	<ul style="list-style-type: none"> Continued use of services, opportunities for more business and cooperation Timely delivery and payment from Memtech 	<ul style="list-style-type: none"> Communication on Memtech's expectations of service quality and timeliness of deliveries Ensure compliance by suppliers 	<ul style="list-style-type: none"> Meetings with suppliers 	<ul style="list-style-type: none"> As appropriate



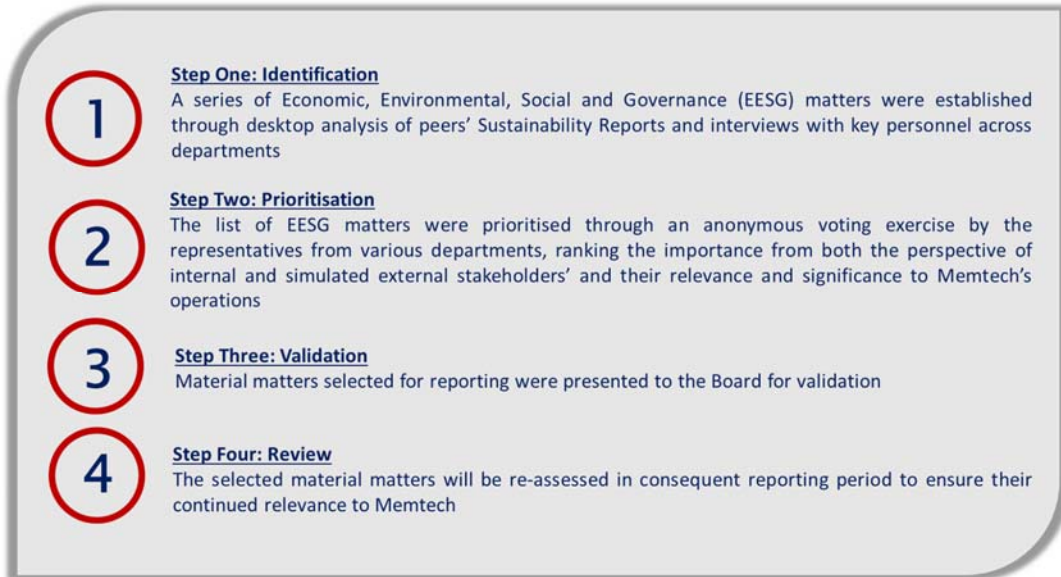
Stakeholder Groups	Key concerns/ interests raised by Stakeholder Groups	Memtech's Response	Modes of Engagement	Frequency of Engagement
Shareholders and Investors	<ul style="list-style-type: none"> Economic performance Growth strategy and market outlook 	<ul style="list-style-type: none"> Dedicated Investor Relations (IR) website for all financial news Transparent and timely disclosure of financial information and corporate news through company website 	<ul style="list-style-type: none"> Annual General Meeting (AGM) 	<ul style="list-style-type: none"> Yearly
			<ul style="list-style-type: none"> Annual Report 	<ul style="list-style-type: none"> Yearly
			<ul style="list-style-type: none"> Financial updates 	<ul style="list-style-type: none"> Quarterly
			<ul style="list-style-type: none"> Other financial news and announcement 	<ul style="list-style-type: none"> As appropriate
Local Communities	<ul style="list-style-type: none"> Responsible and sustainable use of resources Proper management of Memtech's impact to community 	<ul style="list-style-type: none"> Monetary, in-kind sponsorships to various organisations Support initiatives that focus on corporate giving and employee volunteerism 	<ul style="list-style-type: none"> Outreach programmes 	<ul style="list-style-type: none"> As appropriate
			<ul style="list-style-type: none"> Sponsorships 	



d. Materiality Assessment

To determine the priorities of the various stakeholders, a formal materiality assessment was conducted. Facilitated by independent sustainability consultants, Memtech underwent a four-step materiality assessment process which is summarised in Figure 9 below.

Figure 9: Four-step Materiality Assessment Process



Through the materiality assessment, three material matters have been prioritised and one additional matter selected for reporting. They have been plotted onto a matrix in Figure 10 and mapped to the relevant GRI Topics in Figure 11.

Figure 10: Memtech's Materiality Matrix

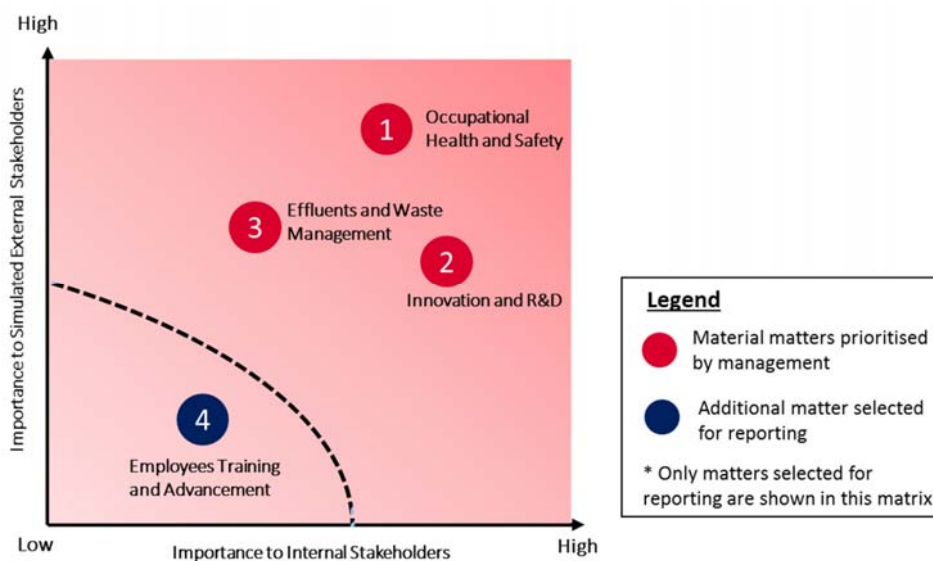




Figure 11: Mapping of Memtech’s Material and Additional Matter for Reporting to GRI Topics

3 Material Matters Prioritised for Reporting				
	Material Matter	Category	GRI Topics	Page Reference
1	Occupational Health and Safety	Social	GRI 403 Occupational Health and Safety [403-2]	27
2	Innovation and R&D	Economic	No relevant GRI topic-specific standard for this matter	14
3	Effluents and Waste Management	Environment	GRI 306 Effluents and Waste [306-1, 306-2]	20
Additional Matter Selected for Reporting				
4	Employees Training and Advancement	Social	GRI 404: Training and Education [404-1, 404-3]	31

5. Economic

Innovation and R&D

Focus area	Perpetual target	Current year performance	Future plan
Innovation and R&D	File more than 15 patents annually, including at least 5 invention patents. (In Memtech all patents are developed in-house).	22 patents (including 10 invention patents) filed during the year.	Continuous innovation to build up Memtech’s own intellectual property for mastering the core and key technologies.

Policies and Practices

In today’s fast-paced and ever changing world, there is a need to invest in R&D while working towards delivering quality products to customers. The integration of R&D across our business and operations further helps to strengthen our capabilities. Aligning with the Company’s value of harmonious innovation, we regularly appraise our R&D employees to ensure that they undergo trainings so that they are equipped with the necessary skillsets. Having a pool of high-calibre talent is imperative for the success of our R&D practices. With advanced technological capabilities along with a talented workforce, continuous and sustainable growth can be achieved in the long run.



Figure 12: Policies on Innovation and R&D

Dongguan	
Measures for the Administration of the Certification of High-tech Enterprises (2016)	A national policy issued by Ministry of Science & Technology in China aims to strengthen support for scientific and technological enterprises (especially small and medium enterprises), promoting business start-ups, cultivating a culture of innovation and facilitating the upgrade and development of the economy. Memtech takes reference from this national policy and promotes R&D activities internally.
Kunshan	
Scientific Research Project Management Policy	The objective of this policy is to enhance the quality of the technological innovation through improving management framework on scientific research projects. This leads to better management of technology at Taitech Precision Electronic (Kunshan) Corporation Limited.
Nantong	
Tapping on Existing Pool of Talents to Increase Benefit of R&D	With the talent incentive policy, Nantong Memtech Technology Co. Ltd makes full use of the talent resources to accelerate industrial upgrading and improve profitability. Many innovative products, such as keypads with high current conductive pills and silicone rubber-engineering plastics-stainless steel composite product, have been developed and sold to internationally renowned companies.

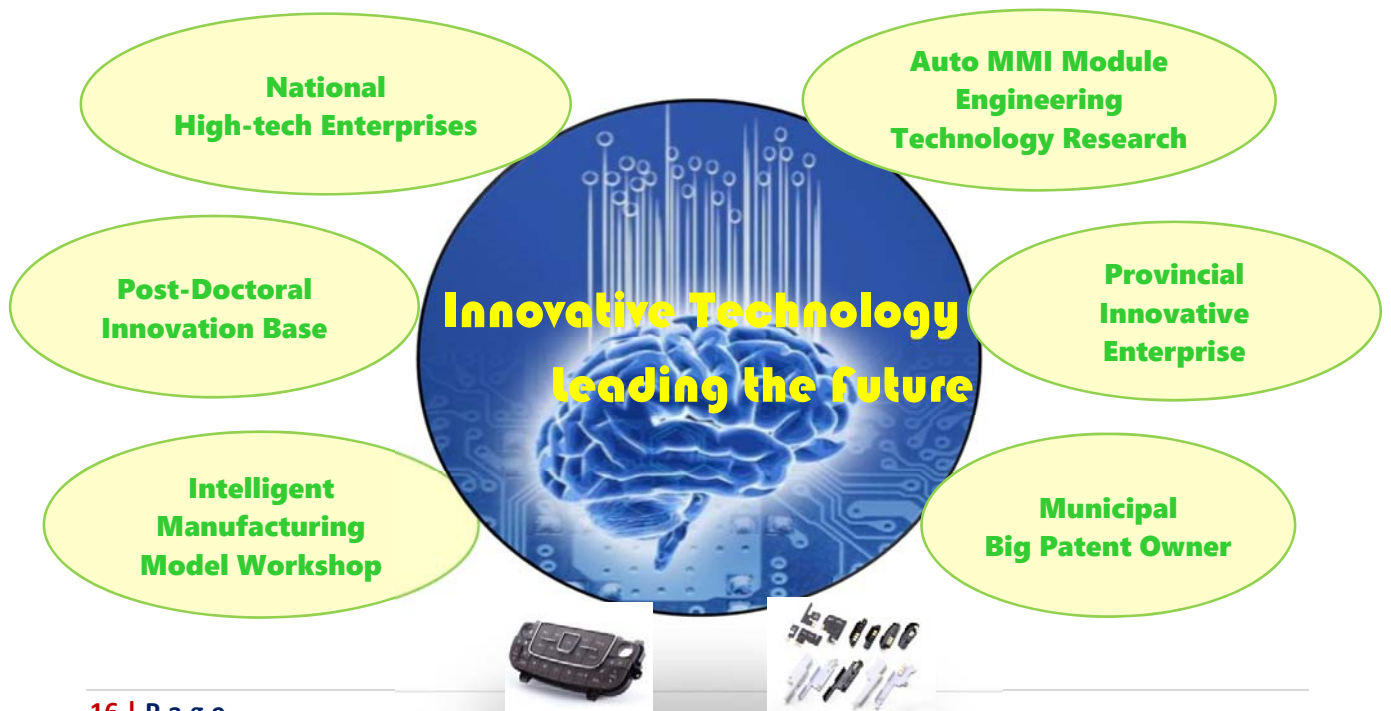
Figure 13: Practices on Innovation and R&D

Memtech	
Respect for Talents, Knowledge and Innovation	Human resource is one of Memtech’s most important assets. We value our talents, knowledge and innovation which builds the foundation of the Company. The Company welcomes and offers competitive salary packages to attract trained professionals and individuals of high-calibre to join us. Additionally, cash prizes and other incentives are offered to inventors to boost its R&D capabilities.
Constitution of an Innovative Talent Team	In October 2006, Memtech set up an R&D Institute based in Nantong to attract high-performing talents led by qualified professionals with PhDs. This move was to ensure that the company is kept at the forefront of technology in the plastics and rubber processing and assembling industry. This effort has paid off as the Institute contributes the highest number of patents to Memtech, greatly improving the Company’s growth and profitability.
Dongguan	
Intellectual Property Management	As one of the earliest intellectual property agencies established in China, Memtech advocates the best practices of Intellectual Property (“IP”) Management and works closely with regulators such as State intellectual Property Office and Trademark office of the State Administration for Industry & Commerce to promote IP protection and patent filing.



Kunshan	
R&D Staff Performance Evaluation	Through ad-hoc review of our employees, the performance evaluation aims to provide an accurate and objective review of our employees' work performance and ability. The results gathered serves as a guide to develop our training plans in terms of training to be conducted, possible job transfers, promotion, reward and commendation, etc.
Nantong	
Receiving Government Support	With the ongoing effort of the Company's talent and management teams, the Company has received financial incentives granted by the authorities of Jiangsu Province, Nantong City and Ganzha District in recent years. The Company received grants amounting to RMB10 million from the Science and Technology Department of Jiangsu Province to promote the Company's intelligent manufacturing. The Company has also been approved and aided financially by government authorities to set up Auto MMI Module Engineering Technology Research Center, Post-Doctoral Innovation Base, which would further enhance our capabilities.

In FY2017, the business landscape has become increasingly competitive. Faced with rising labour costs and pricing pressure from our customers, we have shifted our focus to boosting productivity through automation and improving our operational efficiency. This year, we continue our efforts to overcome these challenges by implementing further automation of our processes in 2018. We have also developed unique growth strategies across all four business segments as we seek to enhance long-term value for our shareholders. Moving into 2018, we continue to leverage on our unique capabilities to win new projects and value-add to our customers through complex engineering design and material science capabilities as we innovate.





Key R&D Achievements

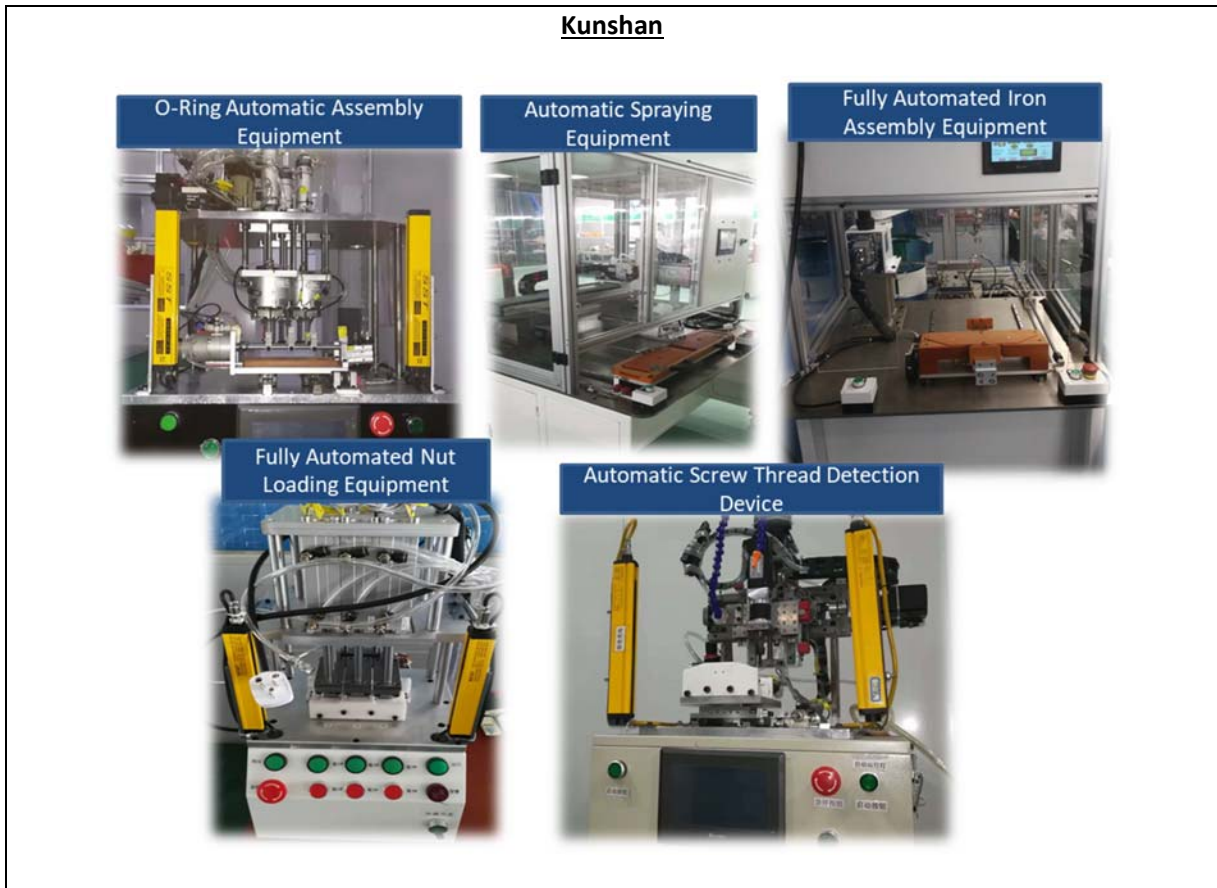
Key R&D Achievements		
FY2016	FY2017	Future Actions
<ul style="list-style-type: none"> • Co-moulding of Liquid Silicone Rubber (“LSR”) with engineering plastic parts was used to produce plastic-rubber composite parts and rubber-covered plastic parts, which have been supplied to our key customers. Technical knowledge including integration of silicone rubber and nylon or polycarbonate was developed and employed in-house. • Automatic insertion moulding with two common injection machines was realized by the use of a FANUC six-axis industrial robot. Furthermore, fully automatic robot operation of in-mould pin insertion injection moulding was developed. • Reverse engineering of product design can be established with the use of 3D mould scanning and gauging technology. • A series of figured gold-plated conductive pills, which have excellent electrically conductivity, good resistance to contact vibration, dust and dirt were developed 	<ul style="list-style-type: none"> • Series of automotive components moulds and lens with high photometric requirements were developed. • Progress made in modification of engineering plastics, including toughening, filling and anti-floating fibre. Some modified materials have successfully been used in the production lines for the property improvement of engineering plastics, defective plastic parts and the reuse of plastics • Reduction in air leakage between metal pins and plastic in an insertion moulded part. • A series of separation agents, such as silicone rubber-stainless steel separation agent, PC-PBT¹ alloy-nut separation agent and electroplating-ink separation agent, were developed for the purpose of material recycling. • Efficient and low-cost LSR and plastics screw cleaning agents were developed. 	<ul style="list-style-type: none"> • 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.

¹ PC-PBT is a polycarbonate (“PC”) and poly (butylene terephthalate) (“PBT”) blend which is extensively used for moulded automobile parts.



Figure 14: R&D Capabilities at Memtech





Performance

Figure 15: FY2016 and FY2017 Key Statistics on Innovation and R&D

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

In FY2017, a total of RMB 20.2 million was invested in 23 research projects resulting in 22 patents being filed. This was a drop from the 42 patents filed in FY2016 and it can largely be attributed to the decrease in quantity of utility model patent applications. Utility model patents have low legal power, and therefore are becoming less important to enterprises, which is the reason for the drop in patents filed despite an increase in R&D investments.



6. Environment

Effluents and Waste Management

Focus area	Perpetual target	Current year performance	Future plan
Effluents and Waste Management	Proper treatment and disposal of waste and discharge of effluents in accordance to all applicable standards, laws and regulations	On-track	Strengthen technology of production processes through gradual replacement of old equipment with advanced components

Policies

At Memtech, we believe that managing the impacts of our business operations on the environment is not limited to merely complying with laws and regulations. Steps can also be taken to inculcate environmental awareness amongst its employees. Trainings have been organised for our employees to improve their knowledge on the various treatment methods and systems in place on wastewater and waste management.

Across our three manufacturing facilities, we have implemented a set of waste management systems to ensure proper waste disposal to safeguard the health of the communities and environment. Operating in a resource-intensive industry, it is pertinent for us to not only manage disposal methods but also to ensure that they do not compromise the health and safety of the community at large. To uphold our commitment towards environmental protection, we have drawn up comprehensive policies across our facilities summarised in the table below.

Figure 16: Policies on Effluents and Waste Management

Dongguan	
Management Procedure of Hazardous Waste	Based on the Management of Hazardous Waste Guidebook, it documents proper handling and management of hazardous waste at our Dongguan facility which reinforces our compliance to the requirements of all relevant laws, regulations and standards.
Wastewater Management Procedures and Emergency Plan for Waste Disposal	This management framework ensures the effective control of generation and discharge of wastewater from our Dongguan facility, preventing pollution of our water sources from sewage discharge.
Kunshan	
Measures for Hazardous Waste	Waste disposal is governed by external regulations which has been drawn up in accordance to the “Law of People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”. This law standardises the

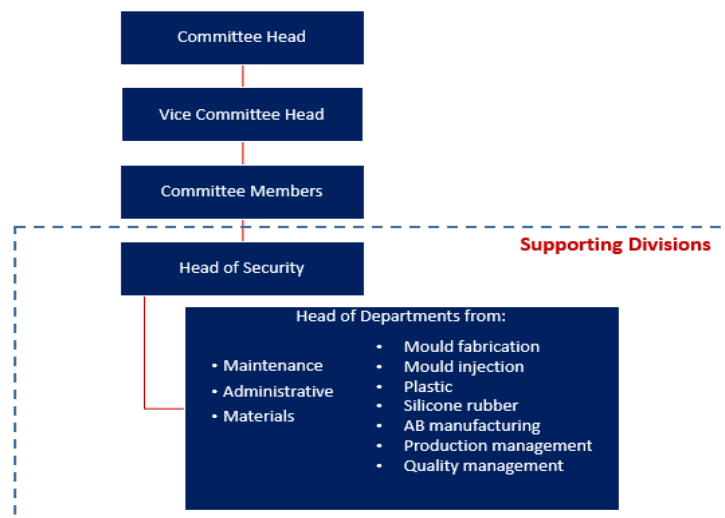


Management of Kunshan City	production, collection, transportation, storage and utilisation of hazardous waste to prevent and control pollution by solid waste.
Pollutant Discharge Standards for Urban Sewage Treatment Plant	As per this national standard, all wastewater effluents from our manufacturing facilities will have to meet the comprehensive requirements as stated in the Integrated Wastewater Discharge Standard (GB 8978-2002) before discharging into urban sewage treatment plants for further treatment.
Nantong	
Compliance with All Environmental Protection Regulations	Led by the Vice General Manager, the Administration Department of Nantong Memtech Technology Co. Ltd oversees all EHS (Environment, Health and Safety) issues. This includes the construction or reconstruction of any building, the purchase and installation of any equipment, the purchase of chemicals and the treatment of effluents wastes. The Administration Department has the right to halt any operation that is deemed to be inconsistent with environmental protection regulations.
Development and use of environment-friendly materials and technologies	The Company supports the development of eco-friendly materials and technologies. A preliminary study regarding the utilization and enhancement of bio-based and biodegradable plastics has been conducted. Water borne paint removers, primers and paints are also being developed, in a bid to minimize the emission of organic solvents and to ensure a healthier work environment.

Responsibility

We have a dedicated Environment and Safety Production Committee which oversees the reporting channel where stakeholders can file complaints or raise feedback on our waste management systems or procedures. Feedback and reports can be raised through mail, email or calling through our Company hotline. These cases will then be escalated to the Head of this committee for further actions to be taken. In the reporting year, no report had been through this channel.

Figure 17: Environment and Safety Production Committee





Practices

Memtech has also adopted some specific effluents and waste management initiatives which are documented in the figure below.

Figure 18: Effluents and Waste Management initiatives implemented by Memtech

Dongguan	
Effluents Management	<ol style="list-style-type: none"> 1. Identify and classify workshop processes generating sewage at production site. 2. List the wastewater generated from each process and categorise wastewater into sporadic wastewater and industrial sewage for different disposal methods. 3. Personnel designated by the wastewater generation department will collect the sporadic waste water and store them in the company's sporadic wastewater collection tanks. 4. Set up Environmental Management Committee, and formulate hazardous waste and wastewater management procedures. 5. Formulate contingency plans for wastewater and hazardous waste accidents and organise regular drills to increase preparedness.
Waste Management	<ol style="list-style-type: none"> 1. Identify all waste in the company and prepare a list for waste management. 2. Formulate waste management plan and report to the local environmental protection department regularly. 3. Liaise with qualified processors and dispose of the company's solid waste periodically; 4. Develop training materials on the topic of solid waste and provide regular training for relevant collection or operational personnel; 5. Formulate and manage environmental safety target indicators and control plan.

To ensure the effectiveness of our management systems, Memtech conducts periodic reviews on environmental safety hazards and the results are reported to management in a timely manner. Our manufacturing facilities also undergo annual audits from government environmental agencies, customers or their appointed third-party auditors on our waste management systems. We are proud to disclose that all our operations are in compliance to all applicable standards, laws and regulations and we will strive to maintain this track record.



Case Study: Minimising impact on the environment (Kunshan)

Waste Disposal Facility for Printing Waste

Ink contains many harmful chemicals such as isophorone, cyclohexanone and hydrocarbons. The printing process produces large amounts of waste emissions. Prior to October 2018, these emissions were not treated before release into the atmosphere, resulting in air pollution. To prevent further environmental degradation, the Company has invested RMB 200,000 to set up an absorption device which collects and treats waste gases. The collection efficiency and treatment rates are estimated to reach 90%, helping the Company reduce its carbon footprint. Moving forward, the Company will monitor the effectiveness of the absorption system.



Upgrading of Drencher System

In the past, the drencher system in our Kunshan factory was not sealed, resulting in emission of odours and waste gases. Approximately RMB 45,000 was invested in 2017 to seal the drencher system and to conduct other upgrading works. This resulted in significant reductions in waste emissions and avoided possible production irregularities.

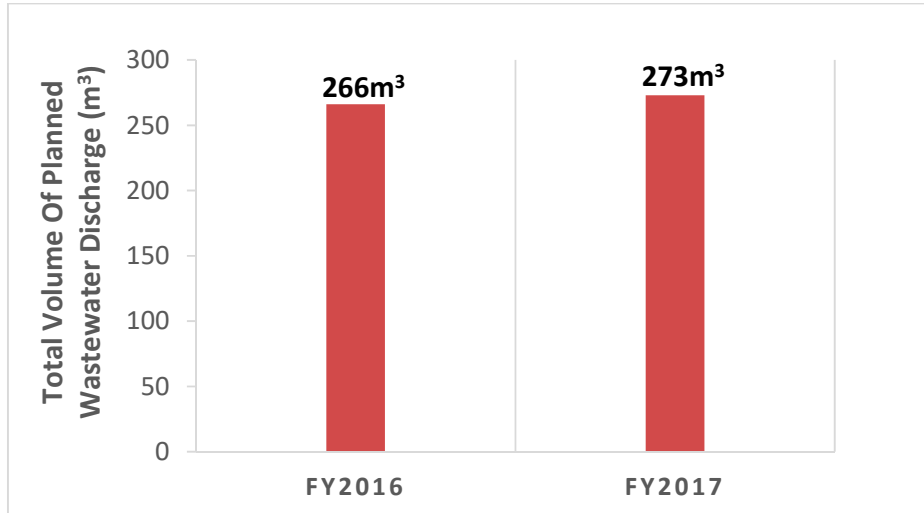
Performance

Wastewater is mainly generated from our production processes such as washing of filters, scrubbers, rinsing of final products and from the use of air compressors. Where ever possible, water in backwashing of filters will be recirculated until it is deemed to be unusable. After which, all wastewater will be gathered in effluent collection tanks for pre-treatment to ensure that the total suspended solids ² (TSS) concentration of the wastewater does not exceed 4.0 mg/L before being transported by third-party contractors to treatment facilities. In FY2017, the estimated volume of water discharged increased to 266 m³ from 273 m³. Moving forward, the facilities will look into accounting for changes in water discharge.

² Total Suspended Solids (TSS) is an indicator for the turbidity of the effluent. A low TSS indicates that the water has been sufficiently treated to remove potential pollutants before it is sent to the treatment facilities

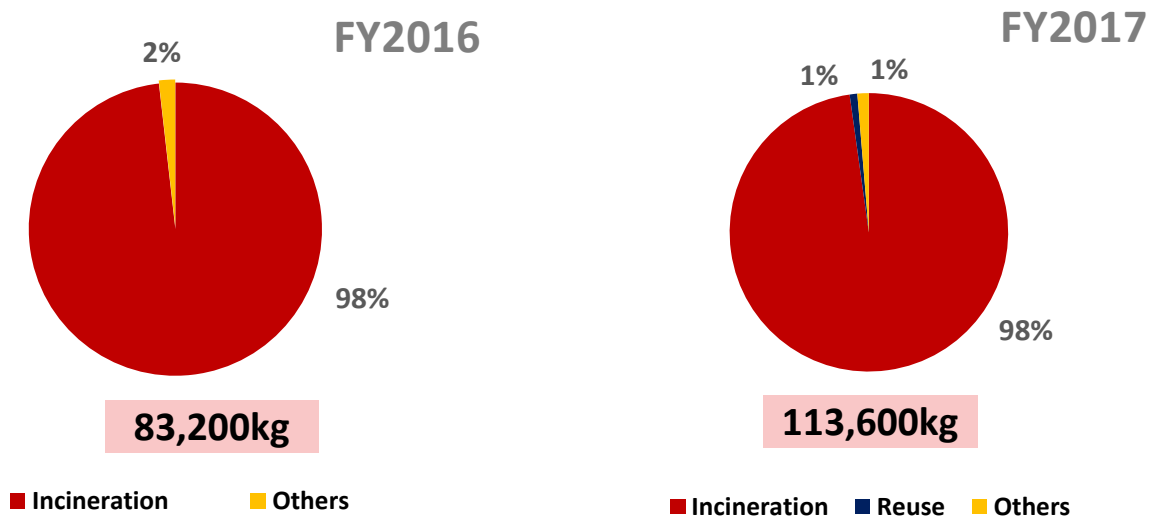


Figure 19: FY2016 and FY2017 Total Volume of Planned Wastewater Discharge (m³) by Destination



Incineration via third-party contractors is the main disposal method for hazardous waste in FY2016 and FY2017. We record a 36% increase in total hazardous waste generated from FY2016 contributed by the larger volume of waste oil residue and waste activated carbon. A list of the types of hazardous waste disposed and their disposal methods are shown below.

Figure 20: FY2016 and FY2017 Breakdown of Disposal of Hazardous Waste (kg)

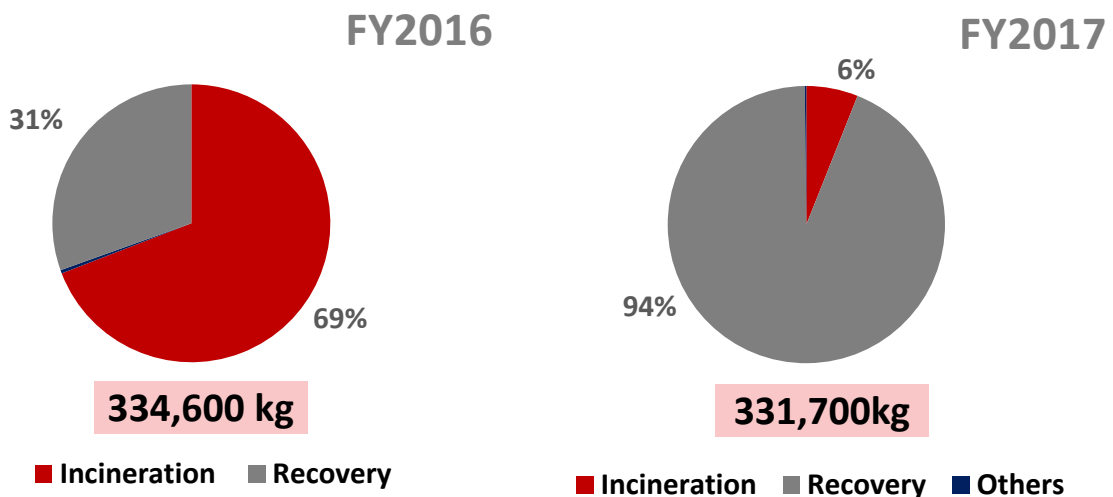




Disposal method and types of hazardous waste disposed
Incineration
Paints and solvents: <ul style="list-style-type: none"> • Waste paint slag • Waste ink • Resin • Oil/water emulsion
Equipment used in handling paints and solvents: <ul style="list-style-type: none"> • Paint buckets • Filter nets • Used cloth, rags and gloves
Reuse
Ink storage tanks
Other disposal methods
General treatment and disposal for batteries
Collection of activated carbon by recycling company
General treatment and disposal for fluorescent tubes



In FY2017, we saw a decrease in the total weight of non-hazardous waste disposed of, from 334,600kg to 331,700kg. This was attributed to the decrease in waste metal, cardboard and wood used in the year. As we move towards more environmentally friendly disposal methods, 94% of the non-hazardous waste generated was recovered via third-party contractors, an increase from 31% in FY2016.

Figure 21: FY2016 and FY2017 Breakdown of Disposal of Non-hazardous Waste (kg)





Disposal method and types of non-hazardous waste disposed
Recovery
Scrap packaging material <ul style="list-style-type: none"> • Cardboard and cartons • Metal • Wood • Rubber
Waste engine oil
Incineration
Domestic waste
Other disposal methods
Office stationery and supplies

Case Study: Energy-saving Initiatives (Nantong)
<p>Nantong’s operations have adopted 2 eco-friendly initiatives, showcasing the Company’s commitment to protect the environment</p>
<p><u>Use of energy-saving street lamps</u></p> <p>We recently replaced all our high-pressure sodium lamps with LED lights, which have better efficiency and better safety performance. Furthermore, the LED lights give off less heat and has a lower environmental impact. This has resulted in significant reduction to electricity consumption, reducing costs and greenhouse gas (GHG) emissions in Nantong’s operations.</p>

<p> <u>Use of motion-sensor lights</u></p> <p>In May 2017, we replaced all conventional 80W day lights with 20W LED lights installed with infrared motion sensors. Lights are switched on when activity is detected and automatically switches off after five minutes of inactivity. This results in significant reductions to electricity consumption.</p>



7. Social

a. Occupational Health and Safety (OHS)

Target

Focus area	Perpetual Targets	Current year performance	Future plan
Occupational Health and Safety	Zero cases of fatalities	Achieved	Continue to inculcate safety awareness through training and education
	Zero cases of major injuries ³	Please see Figure 25 for details	
	Zero occupational disease rate	Achieved	
	Zero major safety incidents ⁴	Achieved	<ul style="list-style-type: none"> • Update emergency response plan to ensure continued relevance to operations • Ensure strict enforcement and instil responsibility in all

Policy

We recognise human capital as our most valuable asset. Being in the manufacturing industry, it is our responsibility to provide a safe, secure and healthy working environment for our employees. Aside from ensuring compliance with all applicable regulations, laws and standards, we take a concerted effort to raise safety awareness amongst our stakeholders. Aligning to the notion of “Safety First”, we have established a strong foundation in occupational health and safety through the various policies and practices put in place across all three manufacturing facilities. More information can be found in Figure 22 and 23.

Figure 22: Memtech's Policy on Occupational Health and Safety

Personal Protective Equipment (“PPE”) Management Policy	Formulated in accordance with the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, this management policy focuses on the prevention, control, and elimination of occupational diseases at Memtech. It also aims to safeguard the health and safety of employees through improvement of the work environment and provision of welfare benefits.
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³ 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

⁴ Major safety incidents are defined as explosions or chemical spills and leaks



Workplace Injury Management Policy	Under this management system, Memtech establishes standards on the identification and timely reporting of all related workplace injuries so as to protect the physical and mental health of employees. Subsequent follow up actions will be taken to prevent reoccurrence of these incidents.
Fire Safety Management Policy	The management system aims to strengthen fire safety management through elimination of fire hazards, timely identification and prevention of fire incidents.

Responsibility

A performance-linked reward system has been implemented group wide to encourage departments to adopt safe production practices. At each of our manufacturing facilities, the Environment and Safety Production Committee (Refer to Figure 15 for Committee structure) also maintains oversight over the implementation of safe production practices and their communication to the supporting divisions. Depending on the hazard and risk assessments conducted, specific safety performance indicators are drawn up for the different scope of work performed in the production lines.

Practices

Memtech has adopted several safety initiatives documented in Figure 23 below.

Figure 23: Safety practices implemented by Memtech

Identifying and managing risks	<ul style="list-style-type: none"> • Conduct risks and hazards assessments on use of equipment and materials to improve production processes • Mitigation actions taken includes <ul style="list-style-type: none"> ○ Replacement of old and used equipment with newer, low risk equipment ○ Installation of safety protection devices
Training and education	<ul style="list-style-type: none"> • Annual education and training plan <ul style="list-style-type: none"> ○ Mandatory induction training covering occupational health and safety, fire safety, use of personal protective equipment (PPE) ○ Ad-hoc training based on specific skillset required • Annual safety performance appraisal • Bi-weekly safety meetings to employees
Ensuring effectiveness of management systems	<ul style="list-style-type: none"> • Regular checks and maintenance based on safety operation guidelines and checklists to ensure compliance with all applicable laws and regulations • Periodic evaluation of occurrence of occupational disease • Annual internal and external audits conducted by government, regulatory bodies, customers and third-party auditors
Obtaining of certificates	<ul style="list-style-type: none"> • Achieved Safety Standardisation in Guangdong Province – Level 2 certification • Obtain OHSAS18001:2007 certification



Through regular audits conducted internally and externally by our customers, third-party auditors and government agencies, we have received a good rating for FY2017. As there have been minor areas where the Company has fallen short of the management’s expectations, specific actions have been taken to ensure an improvement in our performance in the coming years. For example, employees identified to be at risk of occupational diseases will be provided with medical check-ups. We strive to continue raising awareness amongst our employees through trainings as well as enhancing our inspections and corrective actions.

We have a dedicated feedback reporting system which allows employees to raise feedback or concerns relating to occupational health and safety. The process is documented in the table below.

Figure 24: Memtech’s Grievance Reporting Mechanism for Occupational Health and Safety

Stakeholder	Reporting Channel	Person in charge	Process to address and resolve
Employees	Phone calls, email and hotline	Head of Safety Production Committee	<ul style="list-style-type: none"> Employees’ opinion and feedback will be taken into consideration Verify feedback received and conduct necessary investigations Report outcome to management and stakeholders involved
	Safety Suggestion Box		
	Feedback during safety meetings		

Performance

Figure 25: FY2016 and FY2017 Safety Performance⁵ for Memtech

	FY2016			FY2017		
	Male	Female	Total	Male	Female	Total
Number of Injuries⁶	12	1	13	5	1	6
Injury Rate⁷ (Per 1,000,000 employees)	0.76	0.1	0.49	0.32	0.09	0.22
Lost Day Rate⁸ (Per 1,000,000 employees)*	9	15	11	16	6	12
Absentee Rate	1.58%	1.56%	1.57%	0.51%	0.47%	0.49%

⁵ Safety statistics have been calculated in accordance to International Labour Organisation standards

⁶ Injuries exclude first-aid injuries.

⁷ Injury rate is calculated as the number of injuries over total employees per 1 million employees

⁸ Lost day rate is calculated as total number of lost days from injuries over total man hours worked per 1 million employees. Statistics presented here are only from Nantong’s site as information is unavailable from Dongguan and Kunshan. Moving forward, Memtech will take actions to record lost day rate from the three sites.



In FY2017, there were zero incidents of fatalities and occupational diseases. However, 6 injuries were reported. Details of the injuries and corrective actions are presented in Figure 26. Our efforts in promoting a safe culture within Memtech have achieved results. We have decreased the number of injuries by more than half from FY2016.

The Injury Rate (“IR”) for FY2017 was 0.22, a decrease from 0.49 in FY2016. However, we recorded an increase in Lost Day Rate (“LDR”) from 11 to 12 due to a higher number of lost days recorded. We analyse each incident to identify its root cause and ensure corrective actions are implemented to prevent any reoccurrence. As we improve on frequency of safety training to employees, we hope to maintain the decreasing trend of reported injuries, eventually working towards the “zero” targets set.

Figure 26: FY2016 and FY2017 Number and Breakdown of Injuries

Total injury cases in FY2016	Causes / Reasons for injury	Description of injury cases	Measures taken
13	<ul style="list-style-type: none"> Slip and trips 	<ul style="list-style-type: none"> Fall and suffered a fracture of the right knee Fall due to slippery floor 	<ul style="list-style-type: none"> Stricter supervision and inspection of workplace hazards Enforce use of PPE and maintenance of equipment Implement strict regulations on operation procedures
	<ul style="list-style-type: none"> Human negligence / one-off accidents 	<ul style="list-style-type: none"> Injuries sustained from falls due to human negligence Injuries due to road accident occurring on the way to work 	
	<ul style="list-style-type: none"> Injury from operation of equipment 	<ul style="list-style-type: none"> Injury to hands Burns resulting from operation of equipment 	

Total injury cases in FY2017	Reasons for injury	Description of injury cases	Measures taken
6	<ul style="list-style-type: none"> Human negligence / one-off accidents 	<ul style="list-style-type: none"> Employees sustained various injuries to their right palm, face, left ankle, lacerations due to accidents 	<ul style="list-style-type: none"> Stricter supervision and inspection of workplace hazards Enforce use of PPE and maintenance of equipment Implement strict regulations on operation procedures
	<ul style="list-style-type: none"> Injury from operation of equipment 	<ul style="list-style-type: none"> Injury to left index finger 	



Case Study: Regular health screenings at Memtech

To safeguard the health and safety of our people, all new employees have to undergo mandatory physical medical examinations to identify any pre-existing medical conditions. This is to ensure that their supervisors are aware of the current medical conditions of their employees. Subsequently, all employees are encouraged to undergo yearly health screenings. For employees performing high risk activities in their work, they will be assessed regularly for occupational diseases. Even after they are re-assigned to a job out of the high risk activities, a follow up health screening will also be conducted to ensure maintenance of their health.

b. Employees Training and Advancement

Focus area	Targets	Current year performance	Future plan
Occupational Health and Safety	16 hours of training per employee	Achieved	<ul style="list-style-type: none"> 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 trainings
	Refine training and advancement opportunities for employees across every employment category	On-track	
	Improve incentive system to encourage employees to take on opportunities for personal growth and development	On-track	

Policies

In line with our efforts to stay competitive and relevant in the manufacturing industry, investing in our people is necessary to build a strong and talented workforce. Under the oversight of Sustainability Management Committee, training policies and frameworks have been developed to provide learning opportunities for all employees. Through on the job training and skill upgrading, not only do we increase productivity of our workforce, we are also creating more opportunities for employees to advance their careers at Memtech.



Figure 27: Memtech's Framework on Training and Advancement

Staff Training Regulation	This regulation aims to standardise training for employees, emphasising on the need for self-development resulting in a talented and all-rounded workforce
Employee Training Assessment	This framework aims to assess our employees upon completion of the training program through a written and on-the-job assessment. Employees will be required to achieve above 60 marks to pass. Unqualified employees may be given an opportunity to undergo reassessment

Practices

We actively encourage employees to provide feedback and voice their opinions on the training and advancement opportunities at Memtech. Through various reporting channels, we take into consideration their training needs and ensure adequate follow up actions are put in place. In FY2017, we have received a total of nine feedback cases through this channel. The cases raised were generally minor (i.e. lack of variety of food in canteens/ checking out of hostels taking a long time). However, these feedback were taken seriously and changes were made to ensure satisfaction of employees attending future training workshops.

Figure 28: Feedback channel on Employee Training and Advancements

Stakeholder	Reporting Channel	Person in charge	Process to address and resolve
Employees	Suggestion box	Chief Executive Officer (CEO)	<ul style="list-style-type: none"> Employees' opinions and feedbacks will be taken into consideration Verify and understand root cause Escalate to supervisors if necessary Communicate outcome to employees and relevant stakeholders
	Feedback during meetings		
	Feedback from workshops		

Case Study: Training initiatives for our employees

At Memtech, we seek to provide the best for our employees and cultivate a talented workforce. Under our training management framework, adequate training opportunities as well as assessment opportunities are specifically drawn up for new and existing employees

New Employees	Existing Employees
Mandatory induction training such as safety training upon commencement	Based on the training plan drawn up for the year, training will be provided to all department staff on a monthly basis

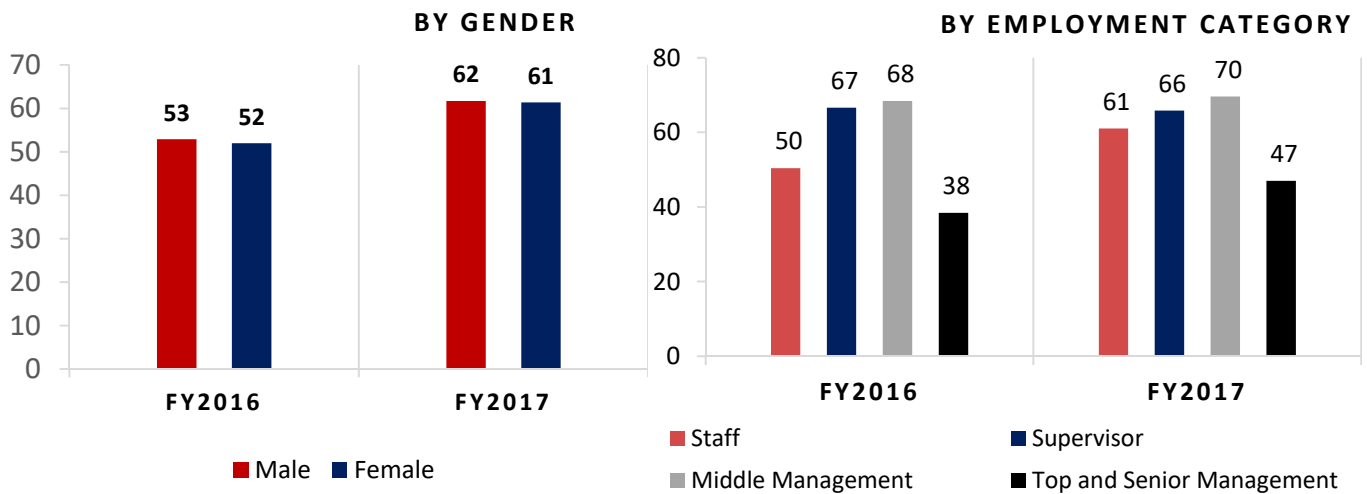


On-the-job assessment may take place to assess employees on their technical skillsets and expertise	Training will be arranged based on the required skillsets for the scope of work performed, ensuring employees are well equipped
After the probation period, an evaluation will be conducted within the first month of completion and undergo subsequent review after six months	Each department will undergo half-yearly evaluations to ensure effectiveness of trainings provided.

Internal and external audits are conducted on a regular basis. In the reporting year, Memtech has achieved a satisfactory result for audits conducted. As we continue to actively engage with our employees and taking into consideration their feedback, we continuously strive to increase both theoretical and operational trainings to enhance the skills and capability of our workforce.

Performance

Figure 29: FY2016 and FY2017 Average Training Hours per Employee by Gender and Employment Category



In FY2017, we have achieved an average of 62 training hours per male employee and 61 training hours per female employee, surpassing our target of 16 training hours per employee. The training hours are spread rather evenly across the four main staff categories. Across employment category, there is a higher average training hours for Staff, Supervisor and Middle management. For these employees, there is a higher frequency of training conducted such as those aiming to prepare them for further promotion as well as a monthly fixed training. Whereas for top and senior management, they mostly undergo external trainings and ad-hoc trainings.



GRI Content Index

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Occupational Health and Safety (OHS)				
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