



SERIAL
新曄集團

SUSTAINABILITY REPORT 2022

SERIAL SYSTEM LTD
serialsystem.com



CONTENTS

SUSTAINABILITY STRATEGY

02	About This Report
02	Message from the Board
03	About the Group
04	Our Sustainability Approach
04	Sustainability Framework
05	Governance Structure
06-07	Stakeholder Engagement
08-09	Material Aspects Assessment
09	Our Covid-19 Response

ECONOMIC

10	Sustainable Supply Chain Management
----	-------------------------------------

ENVIRONMENTAL

11	Environment Protection
11-12	Energy Efficiency
13	Water Conservation
13-14	Materials and Waste

SOCIAL

15-18	Profile of Our Workforce
19	Non-discrimination and Equal Opportunity
19	Training and Development
19-20	Occupational Health and Safety
20	Local Community Involvement

GOVERNANCE

21	Corporate Governance
21	Business Code of Ethics
21-22	Anti-bribery and Anti-corruption
22	Regulatory Compliance
22	Export Control Laws
23	Cybersecurity and Data Privacy
23-24	International Trade Compliance

GRI CONTENT INDEX

25-27	GRI Content Index
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SUSTAINABILITY STRATEGY

About This Report

This is the sixth Group Sustainability Report by Serial System Ltd. It covers the sustainability performance of all subsidiaries for which Serial System Ltd ("Serial System" or together with its subsidiaries, the "Group") has management control, unless otherwise stated.

The Sustainability Report ("SR2022") covers the Group's sustainability strategies, initiatives and performance in relation to Environmental, Social and Governance ("ESG") issues for the financial year ended 31 December 2022 ("FY2022"). No restatements were made from the previous report and there were no significant changes to the organisation and our supply chain during the reporting cycle.

Through this report, we hope to share our sustainability commitments with our various stakeholders, including shareholders, business partners, customers, suppliers, staff, the community, government and regulators.

GRI

This Report has been prepared in accordance with the sustainability reporting regulatory requirements set out in the Singapore Exchange Securities Trading Limited's Listing Manual ("SGX-ST Listing Manual"): Listing Rules 711A and 711B, and the Global Reporting Initiative ("GRI") Universal Standards 2021 that contains the key materiality topics identified through materiality assessment and will be produced annually. The GRI standards is the most widely used and internationally recognised accepted sustainability reporting framework.

Climate-related Disclosures

All Directors have attended the updated sustainability training in accordance with Singapore Exchange's enhanced requirements on sustainability reporting and TCFD (Taskforce on Climate-related Financial Disclosures). As the Group is primarily involved in trading and distribution business rather than manufacturing, the Company considers its climate-related disclosures to be immaterial. Moving forward, we will continue to evaluate climate-related risks and opportunities and comply with Singapore Exchange's guidelines by making appropriate disclosures.

Independent Assurance

The ESG performance data presented in this report have mainly been extracted from internal information systems and original records to ensure accuracy. The Group has not sought external assurance for this sustainability report but have relied on internal review of the sustainability processes.

Feedback

We are fully committed to listening to our stakeholders and we welcome feedback on this report and any aspect of our sustainability policies, processes and performance. Please address all feedback to ecomm@serialsystem.com. Your feedback will be valuable to us in achieving our goals to build a sustainable and thriving business.

Message From The Board

The importance of ESG issues has been further elevated post-pandemic, and sustainability is an increasingly important pillar of Serial System's business plans. As the Group continues to grow and expand, we remain steadfast in building a sustainable business that gives back to society and the environment.

Serial System will continue to relentlessly review and refine our ESG practices, while integrating sustainability into the Group's day-to-day operations through our Sustainability Framework.

The Board extends our appreciation to the management team who have worked tirelessly to implement sustainability practices despite the challenges of the pandemic. We would also like to thank our shareholders, business partners, customers, suppliers and staff for their support throughout our sustainability journey. We look forward to your continued partnership and support.

SUSTAINABILITY STRATEGY

About The Group

Corporate Profile

Established in 1988, listed since April 1997 and currently traded on the Mainboard of the Singapore Exchange, Serial System owns and operates a synergistic global distribution network built on strong partnerships with suppliers and customers.

Serial System has a customer base of more than 5,000, mostly across Asia, spanning a diverse range of industries such as consumer electronics, telecommunications, household appliances, industrial, electronics manufacturing services, security and surveillance, automotive and medical.

With 21 offices and 13 warehousing facilities in key Asian markets – Singapore, China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, South Korea, Taiwan, Thailand and Vietnam – Serial System has one of the largest and most extensive distribution networks in the region.

Serial System also enhances demand for its suppliers' components and contributes to its customers' product development by adding value to their products through design and other initiatives.

Serial System's consumer products distribution business, which started in 2014, has since grown its product portfolio to offer computers and computer peripherals, and printer accessories, including computer accessories, notebooks, processors, motherboards, SSD, Dram, VGA and graphic cards, and printer ink and toner cartridges.

Serial System expanded its reach in 2017 with a new managed print service offering, with distribution networks in Singapore, Indonesia and Thailand. It began its first foray into 3D printing in 2020 through an Asia Pacific distributorship partnership with Netherlands-based Ultimaker.

Serial System will continue to help its partners to be more competitive in the marketplace, today and in the future.

Our Mission

To provide a wealth of growth opportunities for our stakeholders.

Towards our partners

We provide market insights to our business partners to enable faster time-to-market. To our suppliers, we help expand their market reach. To our customers, we provide innovative and competitive solutions.

Towards our staff

By empowering our staff with 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.

Towards our shareholders

We strive to make steady progress in every aspect of our business, providing our shareholders with consistent and favourable dividend yields.

Towards our community

By staying in touch with the community, we are able to contribute in ways that are close to their needs.

Our Values

Progressiveness

Derived from the drive to achieve our targets and the courage to change for the better.

Empowerment

Encouraged by giving our staff the power to make decisions.

Efficiency

Arose from working smart, doing our work well, and using our resources effectively to serve our customers and suppliers well.

Teamwork

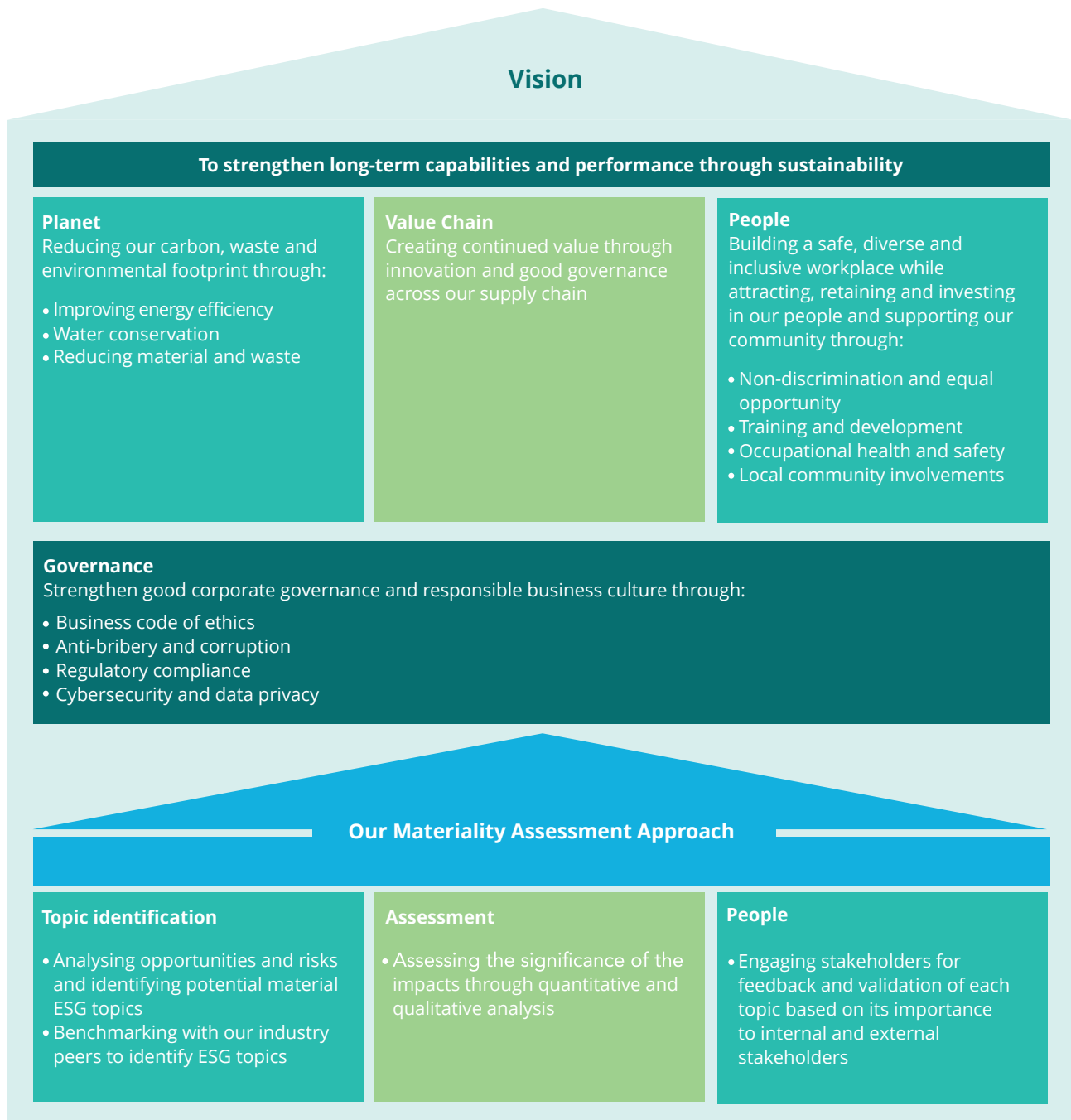
Striving towards a common goal in one spirit – despite our cultural or individual differences.

SUSTAINABILITY STRATEGY

Our Sustainability Approach

Sustainability Framework

As one of the leading distributors of semiconductor and electronic components and consumer products in the Asia Pacific region, the Group strives 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 refreshed our sustainability framework during the year to better articulate how we embed sustainability into our business strategies and reflect our latest stakeholder engagement and materiality assessment. This framework comprises four mutually reinforcing pillars which underpin our vision for sustainability. Besides serving as the compass to direct our actions, the framework seeks to demonstrate how our strategy, governance, programmes and performance lead to long-term business growth and value creation for stakeholders while protecting our environment.



SUSTAINABILITY STRATEGY

Governance Structure

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 oversees and monitors the management of Serial System's material ESG factors for the implementation of sustainability strategies, policies, key performance indicators, targets and initiatives.

The Board has established a Sustainability Steering Committee ("SSC") comprising management of the Group in FY2022. The SSC shall support the Board to provide oversight on Serial System's overall sustainability performance and drive Serial System's sustainability programmes across the organization.



SUSTAINABILITY STRATEGY

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 and reasonable payment terms • On-time delivery • Quality control in place • Streamlining of business operations in distributing products to the customers	• Regular meeting sessions and client management • Regular communications via phone, email, website and/or circular • Contracts and agreements • Business reviews with customers	• Manage key accounts • Build and maintain a good relationship with customers • Expand product lines • Review regularly to fulfil customer's needs • Seek and provide timely feedback
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 	• Giving back and serving 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 • Governments and regulators website	• Timely announcements of material information through SGXNet • Ensure compliance with prevailing laws and regulations • Annual report or 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

SUSTAINABILITY STRATEGY

Stakeholders	Stakeholders' Key Concerns and Expectations	Engagement and Communication Channels	Our Response
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's 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 • Corporate governance and sustainability reports	• 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 • Manage risks and take advantage of opportunities to further business operations

SUSTAINABILITY STRATEGY

Material Aspects Assessment

Our materiality assessment involves analysing inherent opportunities and risks, determining and prioritising ESG factors that are material and remain highly relevant to the Group's operations and concerns of our stakeholders. We have identified, assessed and prioritised the following material factors and targets based on GRI Standards' materiality principle for defining report content:

Material Topic		2025 Targets	FY2022 Progress
Economic 	Sustainable supply chain management	Expand the scope of verification for better transparency of the value and supply chain	Disclosure of environmental standard information regarding distributed product (REACH/ROHS) to our customers
	Energy efficiency	- Reduce carbon dioxide emissions intensity of our office by 20% by 2025 using 2019 (49.3 kg CO₂e/m²) as a baseline - Reduce 20% by 2025 on our carbon dioxide emissions intensity by revenue using 2019 (1.07 g CO₂e) as a baseline	65.4 kg CO₂e/m² emissions intensity of our office 3.62 g CO₂e of emissions intensity by revenue in FY2022
Environmental 	Water conservation	Reduce water consumption of our offices by 20% by 2025 using 2019 (7,342 m³) as a baseline	- Total water consumption: 6,888 m³ - Water intensity: 0.357 m³/m²
	Material and waste	- Achieve 100% compliance with National Environment Agency (NEA) mandatory packaging reporting framework - Reduce paper consumption by 30% by 2025 using 2019 (462,425 pieces) as a baseline	- Completed the submission of our packaging data and 3R plans to NEA via NEA's Waste and Resource Management System portal 275,175 pieces of papers consumed
	Non-discrimination and equal opportunity	Maintain zero incidents of harassment or unlawful discrimination against employees.	Maintain zero incidents of harassment or unlawful discrimination against employees
Social 	Training and development	Increase total training hours to employees by 30% by 2025 using 2021 (6,686 hours) as a baseline	5,135 hours of formal training were provided to employees
	Occupational health and safety	- Maintain a workplace injury rate below the national all-time industry average - Zero fatality	- Our safety statistics remained below industry average of wholesale and retail trade activities - Zero fatality
	Local community involvement	- Donation of S\$1 million from 2021 to 2025 - Support and organise more than 3 charity programs from 2021 to 2025	- Total donations of S\$173,000 - No charity programs organised due to COVID-19 pandemic restrictions

SUSTAINABILITY STRATEGY

Material Topic		2025 Targets	FY2022 Progress
Governance 	Business code of ethics	Uphold high standards of responsible business practices with no major disputes that result in regulatory fines and/or sanctions	We are committed to uphold high standards of responsible business practices and had no major disputes
	Anti-bribery and corruption	Zero confirmed incident	No confirmed incidents of corruption
	Regulatory compliance	Prevent any non-compliance of laws and regulations, including Export Control Laws and International Trade Compliance	- Zero incident of non-compliance with relevant Export Control Laws - Zero incident of non-compliance with International Trade Laws and Regulations
	Cybersecurity and data privacy	Uphold high standards of data privacy protection and cybersecurity measures in adherence to Personal Data Protection Act in Singapore with zero major incident	We conduct our business in adherence to data protection laws in Singapore and had zero major cybersecurity and personal data breach incident

The existing materiality factors were reviewed by the Board for their continued relevance. No new material factors was added to the list this year. Moving forward, to identify any major shift in priorities and emerging areas of concern, the SSC will review annually Serial System's material ESG topics to reflect the ever-changing landscape and evolving interests and needs of our stakeholders.

Our COVID-19 Response

During the pandemic, we remained committed to our sustainability program and had proactively executed safe management and distancing measures to support our employees in 12 countries. We continue to adhere with the regulations set by the local governments in all regions where we operate to keep our team safe and help prevent the spread of disease.

Employee Health, Safety and Well-being

As part of our business continuity plan, we formed a management-led pandemic advisory committee and vigilantly communicated the pandemic-related advisory notices from the Ministries of Health to all our employees. To ensure our employee's safety and well-being, we adhered strictly to government safe management measures and protocols to reduce the risk of exposure. This included remote work and separate teams to minimise the number of employees working on-site, stepped up cleaning of office areas and implemented social distancing measures in office. We also communicated regularly with our employees on work arrangement plans and standard operating procedures which were drawn up in response to Covid-19.

Ensure Resilience of Business

As much as possible, we maintained the business-as-usual scenario in our operations and remained as an essential service during the Covid-19 pandemic. Amid the pandemic, we have achieved a re-accreditation of ISO22301:2019 Business Continuity Management System (BCMS) for our Business Continuity System, a global acknowledgement of our ability to sustain critical business functionality during any disaster or pandemic. We have zero instances of non-compliance with the Covid-19 laws and regulations.

OUR ECONOMIC

Sustainable Supply Chain Management

We are committed to embrace responsible business practices across our operations and supply chain by 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 are required to undergo restricted party screening through our automated denied party screening software which comprises 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 government customs requirements. In FY2021, we were successfully re-certified by SG Customs after Trade Facilitation & Integrated Risk-based System (TradeFIRST) assessment and was certified Secure Trade Partnership (STP) and will undergo re-certification in the fourth quarter of 2023.

As a distributor in the electronic component and consumer products supply chain, we are not involved in the manufacturing processes of products we supply to our customers. We are therefore not privy or has reasonable control over the specific substances contained or used in the products. However, we constantly keep track and verify whether the products we distribute meet environmental and social requirements. Through information disclosure from the Company's website concerning REACH and ROHS compliance of a product or product manufacturer, we aim to establish information transparency and customers' awareness along the value chain, and jointly build a sustainable global electronic supply chain. We aim to progressively strengthen our supply chain processes in FY2023.

OUR ENVIRONMENT

Environmental Protection

The Group continued to be committed to minimise our environmental impact and utilize 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 reduced 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. We are committed to conform to all local environmental laws and regulations everywhere we operate. During FY2022, there were no confirmed incidents of non-compliance and penalties pertaining to environmental issues.

Energy Efficiency

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 75% 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.

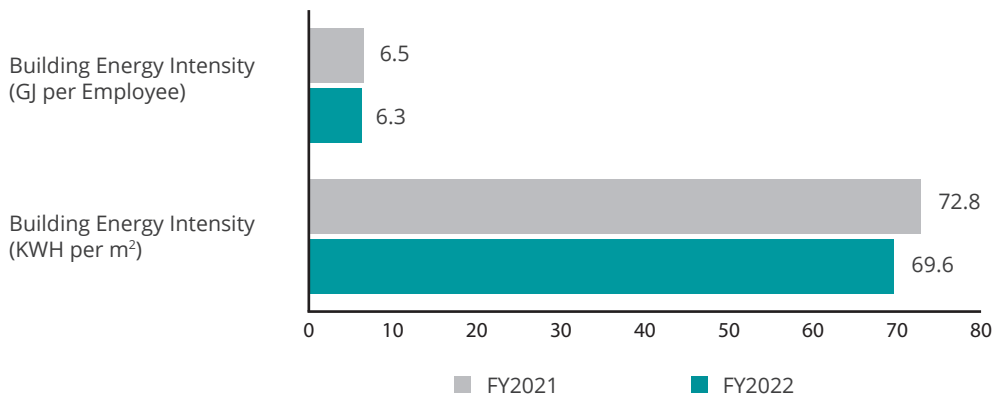
Based on available data through statements from utility providers in the territories that the Group operates in, the Group managed to achieve a slight reduction in electricity consumption from 1,352,099 kWh in FY2021 to 1,342,293 kWh in FY2022. The Group's energy intensity per employee decreased from 6.5 GJ in FY2021 to 6.3 GJ in FY2022. We have streamlined and delayed many functions, thereby reducing our overall cost structure and energy utilisation. The Group's building energy intensity decreased from 72.8 kWh/m² in FY2021 to 69.6 kWh/m² in FY2022. In line with our building energy intensity, the Carbon Dioxide ("CO₂") emissions intensity for our offices decreased in FY2022 (65.4 kg CO₂e/m²) from FY2021 (68.4 kg CO₂e/m²). We will strive to maintain or reduce the building energy and CO₂ emissions intensity in FY2023.

For our operations, there was also a substantial increase in emissions intensity by revenue in FY2022 (3.62 g CO₂e) from FY2021 (2.95 g CO₂e). During FY2022, the use of air freight shipment mode, which is the highest CO₂ emission transportation mode, has increased as there was increase in overall market demand amid more urgent shipments to customers during the recovery phase of the pandemic outbreak. Air freight 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 CO₂ and play our part to alleviate the impact of global warming. We hope to realise this objective in coming years by better consolidation of our inventories to be transported and reduce the use of air freight since air freight generally emits more CO₂ per kilometre than sea freight.

OUR ENVIRONMENT

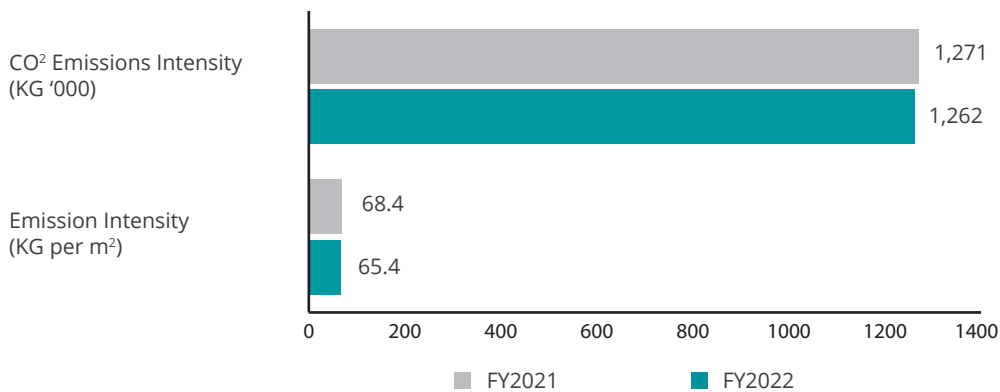
Our Energy Consumption and Emission Performance

Building Energy Intensity



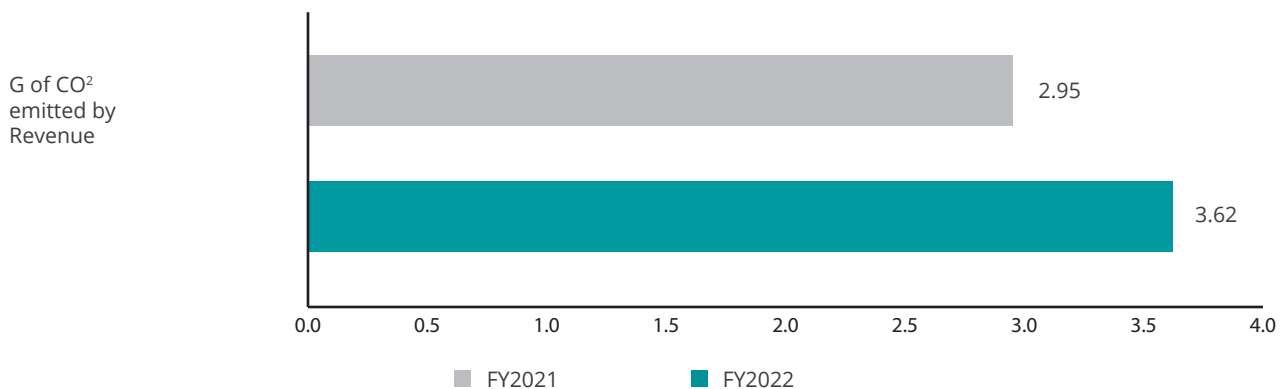
Our target is to maintain/ reduce our Building Energy Intensity at/ below 69.6 KWH per m² in FY2023

Building Carbon Dioxide Emissions Intensity



Our target is to maintain/reduce our CO² Emissions Intensity at/below 65.4 Kg per m² in FY2023

Carbon Dioxide Emissions Intensity by Revenue

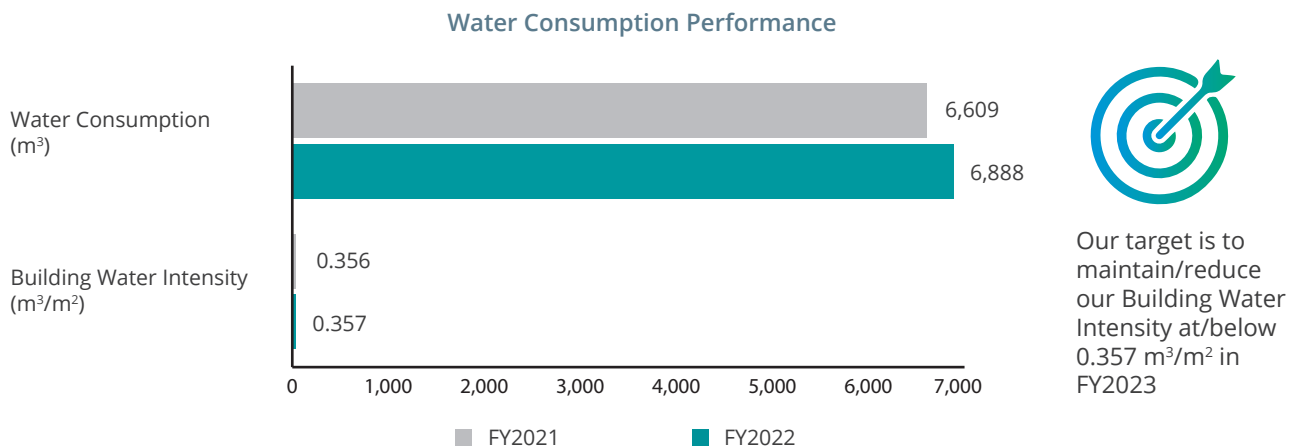


OUR ENVIRONMENT

Water Conservation

Our water use is limited to employee consumption and facility maintenance. While it isn't a material issue for us, 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 is of concern. We increase awareness of our employees by displaying signs in designated areas to serve as a friendly reminder to water users.

Our water consumption and its intensity increased to 6,888 m³ and 0.357 m³/m² in FY2022 from 6,609 m³ and 0.356 m³/m² respectively in FY2021. We will strive to maintain or reduce our water consumption intensity in FY2023.



Materials and Waste

Packaging and corporate wastes such as paper and wood are key sources of waste generated across our Group's operations and value chain. We are committed to reducing, reusing, and recycling wherever possible and fully support the National Environment Agency (NEA) Packaging Partnership Program. Sustainable packaging directly and indirectly contributes to our carbon footprint across our value chain, from resource utilisation to product packaging and management of their waste streams. We have complied with NEA's Mandatory Packaging Reporting (MPR) framework and completed the submission of our packaging data and 3R plans to NEA via NEA's Waste and Resource Management System portal. In FY2022, the Group had used 9,600 kg of packaging material consisting paper and wood.

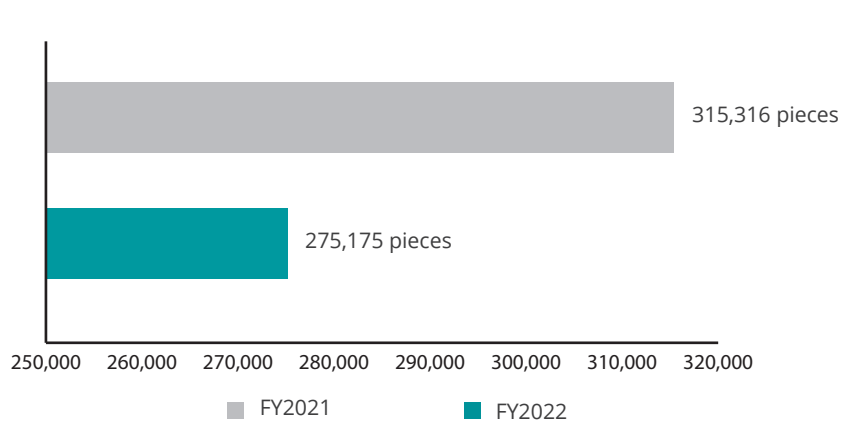
We focus on reducing and recycling our own waste to minimise our environmental impact in the value chain. We continued to lower our environmental footprint by reducing paper costs from printing and copying in our Singapore Head Office. Our Singapore Head Office's paper consumption level was reduced in FY2022 (275,175 pieces) from FY2021 level (315,316 pieces).

As part of our ongoing Group's initiatives to go digital, we are moving towards digital transactions to reduce paper usage and to boost productivity. For FY2022, we managed to reduce paper usage by 61% when compared to FY2018. In FY2021, we had successfully streamlined current business processes through digitisation of employees' claims submission and archival of finance and human resources related documents, to further reduce paper usage. In quest of further productivity gains, we are constantly looking for means to improve the robotic process automation ("RPA") to our offices in Singapore, South Korea and Philippines. These offices are currently using RPA to semi-automate the extraction of portable document formatted sales orders into data up-loadable to our financial system which reduces the need for manual tracking.

In addition, 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 13% from FY2021. We aim to progressively record, monitor and reduce our paper consumption level for the entire Group's operations in the following years.

OUR ENVIRONMENT

Paper Consumption Performance



Our target is to maintain/reduce our Paper Consumption Performance at 275,175 pieces in FY2023

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 employees across various regions. During FY2022, our total headcount increased by 19% to 763 compared to 749 in FY2021 as more employees were hired to cater for operational needs when the market and economy started to gradually recover. We also welcomed 194 new employees to our Group in FY2022.

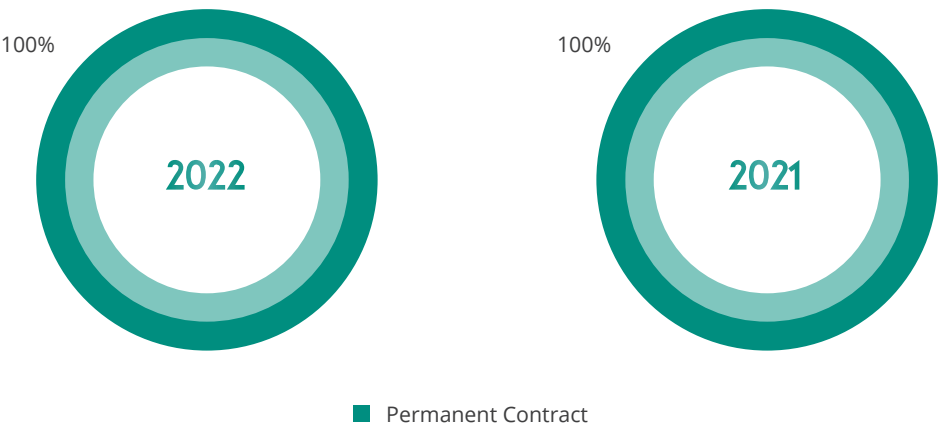
All our employees work full-time on a permanent contract. We have employees located in the Southeast Asia and India, China, Taiwan, Hong Kong, South Korea and Japan. 80% of employees are based in China and Southeast Asia and India where the majority of our business in electronic components and consumer products distribution is based. Most of our department heads, in Singapore Head Office, are Singaporeans or Permanent Residents hired from our local community.

Our global turnover rate increased in 2022 (29%) from 2021 (26%). The slightly higher turnover rate was mainly due to the fact that the employment market was recovering from the pandemic state. The overall turnover figures were due to multiple variables, including operational decisions, market conditions, generation trends and cultural tendencies.

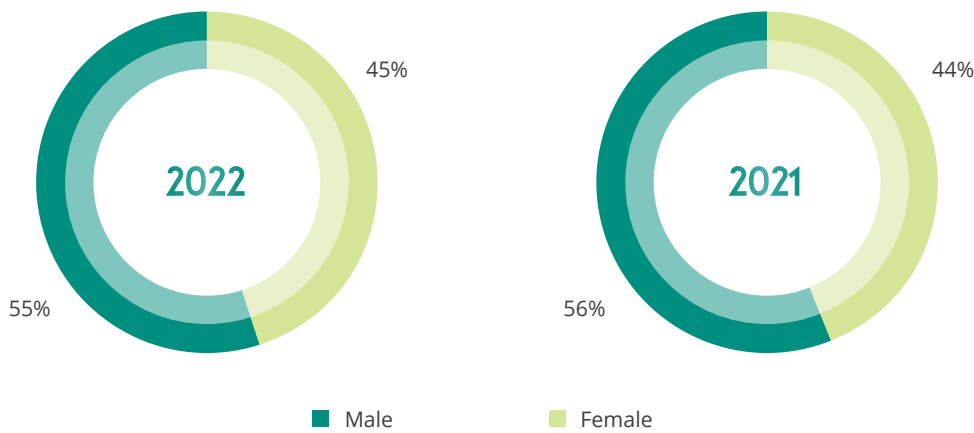
OUR SOCIAL

Our Workforce Profile

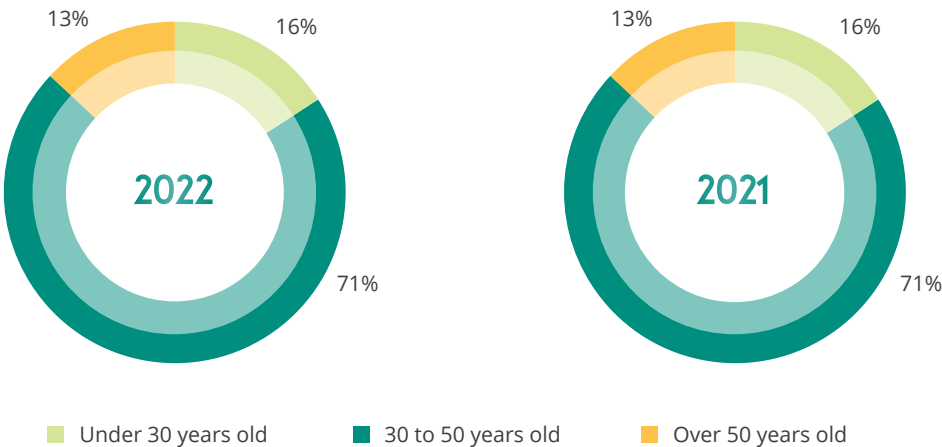
% Workforce by Employment Type



% Gender Diversity

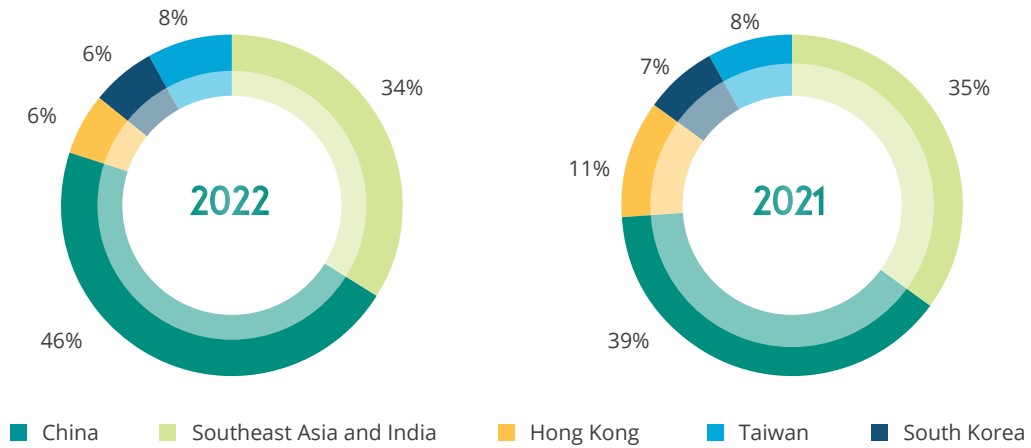


% Age Diversity



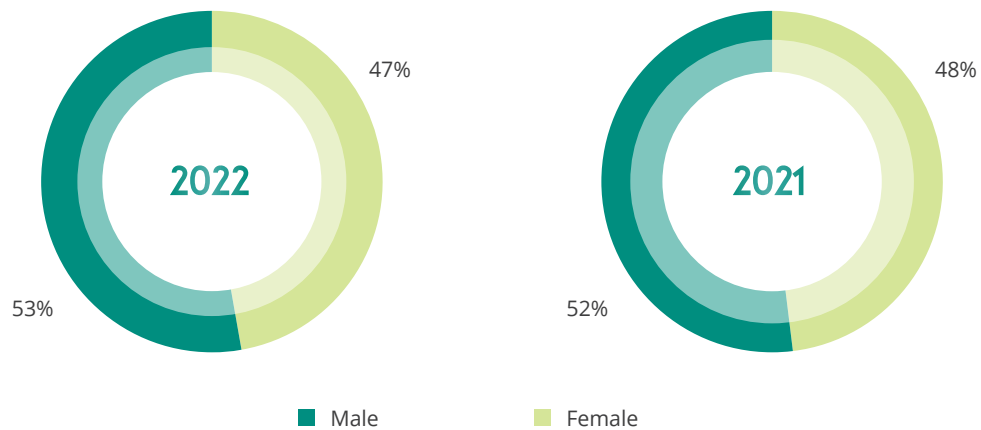
OUR SOCIAL

% Employees by Region

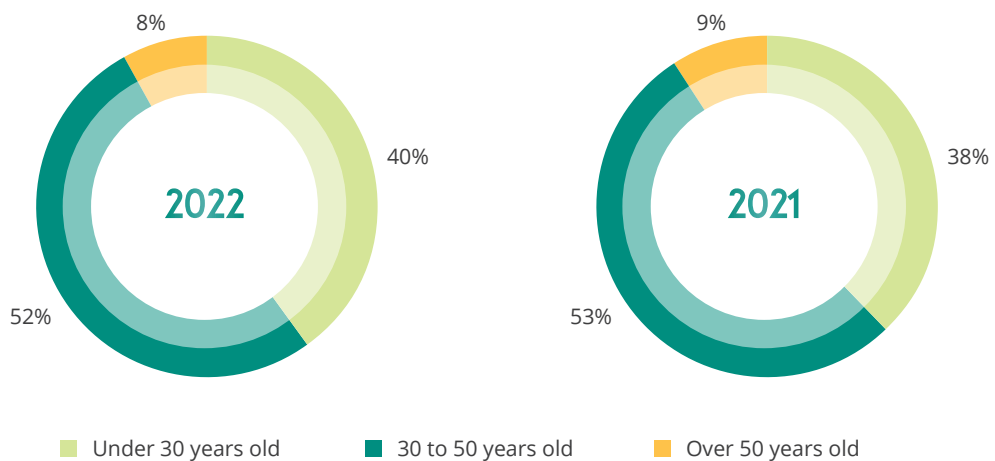


Our New Hire

% New Hire by Gender

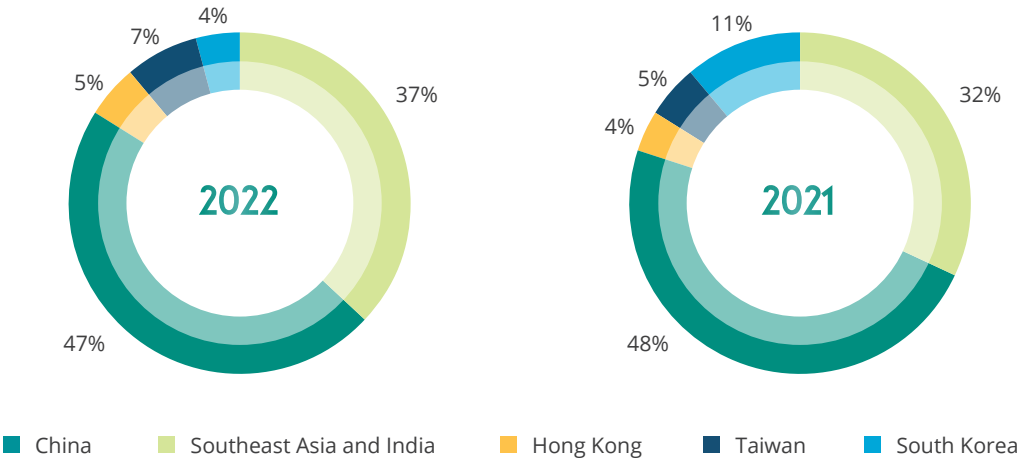


% New Hire by Age Group

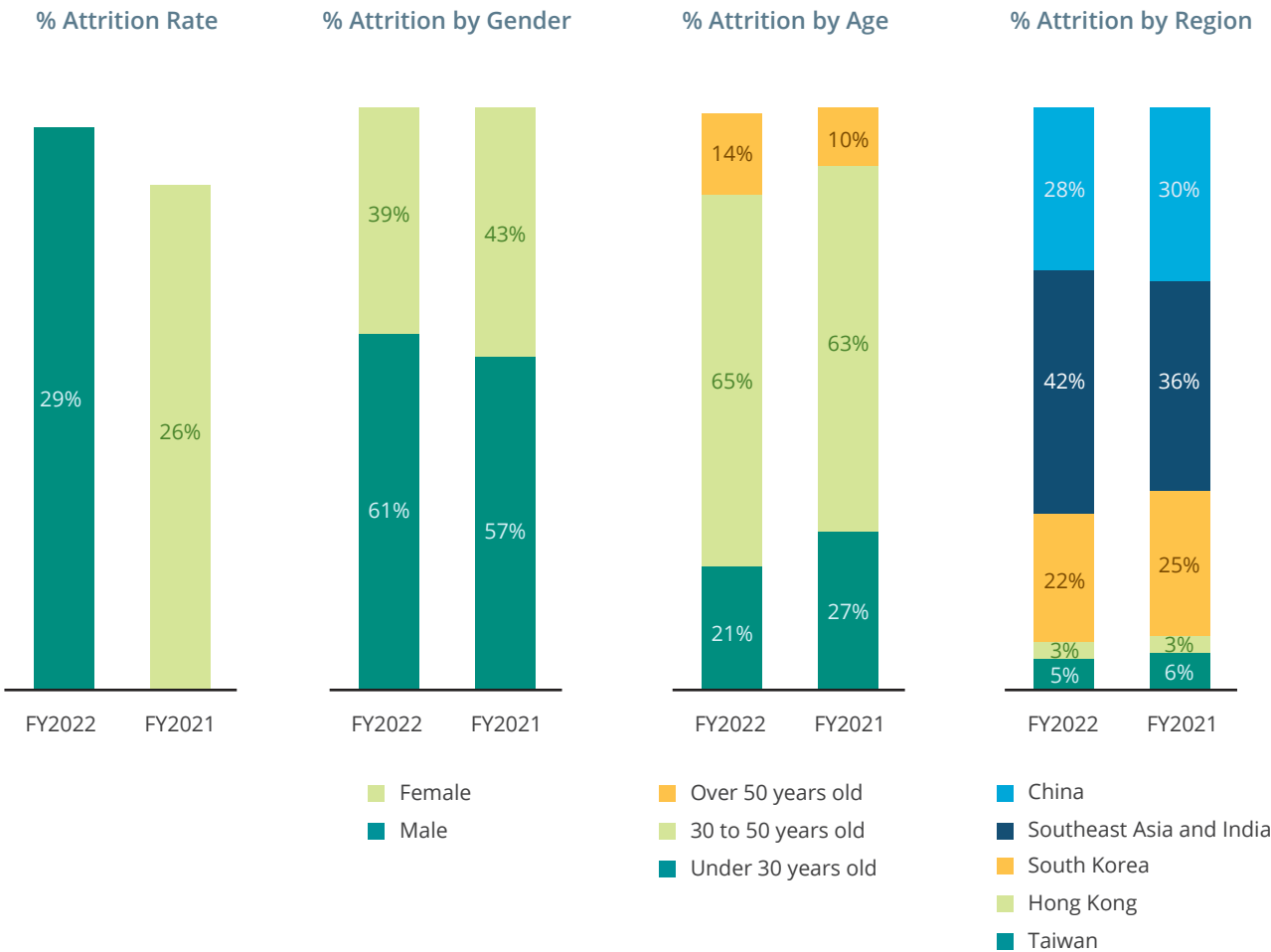


OUR SOCIAL

% New Hire by Region



Turnover Rates



OUR SOCIAL

Non-Discrimination and Equal Opportunity

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 FY2022, about 65% 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 FY2022, there was a slight decrease in the new hire rate of female employees in our Group by 1% over FY2021 but there was an increase of 2% in hiring more employees in the under 30 age category.

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 FY2022.

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 HR department. No grievances were recorded in FY2022.

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. 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.

In FY2022, our employees had benefited from a total of 5,135 hours of formal training. With the onset of Covid-19 pandemic, the formal training hours were not reduced as we have embarked on online training programs for employees. The reduced training hours in FY2022 versus FY2021 were mainly from China where the product ranges did not change much from FY2021 with the employees previously trained on the same products. Besides investing in employee 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' year 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 and hard work.

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 ("OH&S") of our people is of utmost importance to us. In light of the Covid-19 pandemic, additional precautionary measures have also been put in place to ensure the safety of our staff.

Effective OH&S 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 Occupational Health & Safety (OH&S) standards that also sets out our OH&S Policy which is put in place to guide implementation of initiatives that promote OH&S. As we are certified ISO 22301:2019 (Business Continuity Management System), it is required that we measure, monitor, evaluate and analyse our OH&S.

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 HR 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 System ("BCMS").

OUR SOCIAL

In FY2022, we recorded zero fatalities, severe injuries and occupational diseases involving our employees across the Group. Our safety statistics for FY2022 remain below the industry average of wholesale and retail trade activities reported by the Ministry of Manpower in 2022 Workplace Safety and Health Report and we strive to achieve the same record in FY2023.

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. While our annual Lunar New Year celebration visit to Tai Pei Old Folks Home has been put on hold in view of the health guidelines issued by the Singapore government to curb the spread of COVID-19, we continue to donate to various charitable foundations and programmes in FY2022.

In FY2022, we donated a total of S\$173,000 to various causes and organisations in Singapore. The Group has also pledged to donate S\$100,000 annually to Sian Chay Medical Institution since 2017, for a total period of 10 years, which amounts to S\$1 million to provide medical services to low income families of all races and religion. For more details on the Company's CSR efforts, please refer to the "Corporate Social Responsibility" on page 19 in the Annual Report 2022.

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 resulting in strengthened resilience and competitive advantage. The Group remains focused on complying with the principles of the Code of Corporate Governance 2018 ("Code") 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.

The Board has considered the benefits of diversity of Board Members' skills, experience and background, maintains the view that the current Board's size and structure are 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.

We scored 83 points and ranked 87 in 2022 from the list of about 489 listed companies in the Singapore Governance and Transparency Index 2022 by CPA Australia, NUS Centre for Governance and Sustainability and Singapore Institute of Directors.

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 27 to 48 in the Annual Report 2022. Where there are deviations from any of the principles of the Code, an explanation has been provided within the "Corporate Governance Report" in the Annual Report 2022.

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 of Conduct 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 Anti-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 and continue to manage the exposure to corruption risks by applying and emphasising good corporate governance, business ethics and transparency while applying robust internal controls.

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.

OUR GOVERNANCE

We have 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 confidentiality, victimisation and harassment protection. The whistle-blowing channels (either via postal address, telephone, mobile or email address) that are accessible via our corporate website: <https://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 and anti-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 FY2021 and FY2022 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 anti-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 are 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 Anti-corruption Policy (“ABC Policy”) and Personal Data Protection Policy (“PDP Policy”). We have also ensured our compliance with the government advisories on Covid-19 restrictions such as social distancing and temporary measures. Altogether, these measures have been embedded into our daily operations to ensure business continuity in the changing operational landscape. As at the publication of this report, we have no instance of non-compliance with the Covid-19 laws and regulations.

Export Control Laws

We do our part in maintaining international peace and security by having in place country-specific Internal Compliance Program (“ICP”) which sets the framework of operational controls and protocols for the respective business division 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 FY2022, similar to FY2021, we have complied with all relevant export control laws and worked with suppliers, customers, 3PLs, local and international authorities to minimize disruption to our Group’s business operations. We endeavour to maintain our compliance status moving forward.

OUR GOVERNANCE

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. On top of that, we have in place appropriate measures to handle data confidentiality and integrity.

Besides establishing Group-wide IT policies and procedures, our Group IT has:

- Implemented access controls and data security
- Raised employee's IT security awareness by emailing notices or articles covering the latest cyber threats and their prevention measures, phishing alerts and cyberattacks, and
- Conducted an annual IT disaster recovery exercise to ensure business recovery objectives are met.

We continue to rigorously enforce our Group-wide IT policies and procedures on cybersecurity and meet the ISO 22301 (Business Continuity Management System) requirements. In FY2022, we engaged external cybersecurity experts to carry out the Vulnerable Assessment and Penetration Test across the Group's core IT systems in order to reinforce the current security measures that are already in place. Additionally, the Group's IT support team will be undergoing formal cybersecurity training from external trainers.

Safeguarding the personal data of our customers, suppliers and all other stakeholders is of utmost importance to us. We conduct our business in compliance with the Personal Data Protection Act ("PDPA") in Singapore. Accordingly, we have put in place a PDP Policy which governs the collection, use, disclosure and care of personal data. This policy is made available to the public on our corporate website. In accordance with the PDPA, we have designated Data Protection Officers who have undergone proper training conducted by a qualified compliance solution provider.

All new employees are required to go through our PDP 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 programmes 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 personal data protection by end of FY2023.

In FY2022, apart from no major cybersecurity incident that has occurred, there was no substantiated complaint from outside parties and from the Personal Data Protection Commission. We will continue to improve our existing processes to safeguard personal data and confidential information through periodic review of our PDP Policy.

International Trade Compliance

Compliance with trade compliance laws and regulations is vital to protect the safety and security of countries where we operate and to ensuring that our products do not fall into the hands of entities and persons that seek to do harm. The nature and scope of the Group's distribution business also make us highly susceptible to being victims of international fraud and unlawful activities. For this reason, the Group engages an ITC Officer to ensure the Group complies with international trade laws and regulations, and regularly updates 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 FY2022, the Group's various entities obtained the following Trade & ISO Certifications: -

- Serial Microelectronics Pte Ltd – ISO9001:2015 Quality Management System (QMS) re-certification on 7 February 2022
- Serial Microelectronics Inc. – Taiwan Bureau Foreign Trade (BOFT) Internal Compliance Program (ICP) re-certification on 31 March 2022
- Serial Microelectronics (HK) Limited - ISO9001:2015 Quality Management System (QMS) re-certification on 25 May 2022.
- Serial Microelectronics Pte Ltd - ISO22301:2019 Business Continuity Management System (BCMS) re-certification on 16 August 2022
- Serial Microelectronics Korea Limited – ISO45001:2018 Occupational Health & Safety Management System (OH&S) re-certification on 20 November 2022
- Serial Microelectronics Korea Limited – ISO14001:2015 Environmental Management System (EMS) re-certification on 20 November 2022

OUR GOVERNANCE

The following Trade & ISO Certifications are planned for undergoing re-certification and surveillance audit in FY2023 and FY2024:

- Serial Microelectronics Pte Ltd – ISO9001:2015 Quality Management System (QMS) surveillance audit by 7 January 2023
- Serial Microelectronics Inc. – Taiwan Bureau Foreign Trade (BOFT) Internal Compliance Program (ICP) re-certification on 31 March 2023
- Serial Microelectronics (HK) Limited - ISO9001:2015 Quality Management System (QMS) surveillance audit by 31 April 2023
- Serial Microelectronics Pte Ltd - ISO22301:2019 Business Continuity Management System (BCMS) surveillance audit by 30 July 2023
- Serial Microelectronics Pte Ltd – SG Customs TradeFIRST re-certification before 31 December 2023
- Serial Microelectronics Pte Ltd – SG Customs Secure Trade Partnership (STP) re-certification before 31 December 2023
- Serial Microelectronics Korea Limited – South Korea Ministry of Trade, Industry & Energy (MOTIE) Internal Compliance Program (ICP) Accreditation re-certification before 19 March 2024

Owing to Serial Microelectronics Inc.'s strong commitment in trade compliance for strategic high-tech commodities, since 6 December 2016 (and re-certified on 31 March 2021), we had been accredited with Taiwan Bureau Foreign Trade (BOFT) Certificate No. 1052850475 as the 50th 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 STP Accreditation and re-certified on 21 September 2021 with validity 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).

From FY2018 to FY2022, Serial Microelectronics Pte Ltd had been listed in the Singapore Customs Website "Hall of Fame" together with 137 companies in Singapore as STP Companies. The STP is a voluntary certification programme consistent with the 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, an organisation demonstrates commitment and willingness in keeping the supply chain secure.

GRI

CONTENT INDEX

Statement of use			
Serial System Ltd has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards.			
GRI 1: Foundation 2021			
GRI Standard Disclosures			
GRI 2: General Disclosures			
	Section	Index	Page number(s) and/or URL(s)
The Organisation and its Reporting Practices	2-1	Organisational details	SR, page 2 – 3 AR, page 3 - 18
	2-2	Entities included in the organisation's sustainability reporting	AR, page 3, 99 – 100, 106 – 110
	2-3	Reporting period, frequency and contact point	SR, page 2
	2-4	Restatements of information	Not applicable. This is the sixth year of reporting and there were no restatements
	2-5	External assurance	The Company did not seek external assurance on this report but may do so in the future
Activities and Workers	2-6	Activities, value chain and other business relationships	SR, page 3 AR, page 3 – 18
	2-7	Employees	SR, page 15 – 19
	2-8	Workers who are not employees	There are no workers who are not employees.
Governance	2-9	Governance structure and composition	SR, page 21 – 24 AR, page 27 - 48
	2-10	Nomination and selection of the highest governance body	SR, page 21 AR, page 33 – 35
	2-11	Chair of the highest governance body	SR, page 2 AR, Page 32
	2-12	Role of the highest governance body in overseeing the management of impacts	SR, page 2, 5 AR, page 27
	2-13	Delegation of responsibility for managing impacts	SR, page 5 AR, page 27
	2-14	Role of the highest governance body in sustainability reporting	SR, page 5, 8 – 9 AR, page 27
	2-15	Conflicts of interest	AR, page 28, 168 - 174
	2-16	Communication of critical concerns	AR, page 30, 33, 43
	2-17	Collective knowledge of the highest governance body	AR, page 21 - 23
	2-18	Evaluation of the performance of the highest governance body	AR, page 35 - 36
	2-19	Remuneration policies	AR, page 36 - 37
	2-20	Process to determine remuneration	AR, page 37 - 38

GRI

CONTENT INDEX

	Section	Index	Page number(s) and/or URL(s)
	2-21	Annual total compensation ratio	Unable to disclose due to confidentiality reasons. However, the Company has disclosed the remunerations of Directors and Group CEO, and the remuneration band of the top five key management personnel (excluding the Directors or the Group CEO) in page 39 of the Annual Report 2022.
Strategy, Policies and Practices	2-22	Statement on sustainable development strategy	SR, page 2, 4
	2-23	Policy commitments	SR, page 4
	2-24	Embedding policy commitments	SR, page 4
	2-25	Processes to remediate negative impacts	SR, page 4
	2-26	Mechanisms for seeking advice and raising concerns	SR, page 4
	2-27	Compliance with laws and regulations	SR, page 22- 23
	2-28	Membership associations	SR, page 23 - 24
Stakeholder Engagement	2-29	Approach to stakeholder engagement	SR, page 6 - 7
	2-30	Collective bargaining agreements	There are no collective bargaining agreements in place
GRI 3: Material Topics 2021			
	3-1	Process to determine material topics	SR, page 2, 8 - 9
	3-2	List of material topics	SR, page 8 - 9
	3-3	Management of material topics	SR, page 8 - 9
GRI 201: Economic Performance 2016			
Economic	201-1	Direct economic value generated and distributed	SR, page 10 AR, page 58 - 157
	201-2	Financial implications and other risks and opportunities due to climate change	The Company considers these to be immaterial, but will continue to evaluate the impact
GRI 203: Indirect Economic Impacts 2016			
Economic	203-2	Significant indirect economic impacts	SR, page 10
GRI 205: Anti-corruption 2016			
Economic	205-2	Communication and training about anti-corruption policies and procedures	SR, page 21
GRI 301: Materials 2016			
Environmental	301-1	Materials used by weight or volume	SR, page 13 - 14
GRI 302: Energy 2016			
Environmental	302-1	Energy consumption within the organization	SR, page 11 - 12
	302-2	Energy consumption outside of the organization	SR, page 11 - 12
	302-3	Energy intensity	SR, page 11 - 12
	302-4	Reduction of energy consumption	SR, page 11 - 12

GRI

CONTENT INDEX

GRI 303: Water and Effluents 2018			
	Section	Index	Page number(s) and/or URL(s)
Environmental	303-1	Interactions with as a shared resource	SR, page 13
	303-5	Water consumption	SR, page 13
GRI 305: Emissions 2016			
Environmental	305-4	GHG emissions intensity	SR, page 11 – 12
	305-5	Reduction of GHG emissions	SR, page 11 – 12
GRI 307: Environmental Compliance 2016			
Environmental	307-1	Non-compliance with environmental laws and regulations	SR, page 22
GRI 401: Employment 2016			
Social	401-1	New employee hires and employee turnover	SR, page 17 – 18
GRI 403: Occupational Health and Safety 2018			
Social	403-1	Occupational health and safety management system	SR, page 19 – 20
	403-2	Hazard identification, risk assessment, and incident	SR, page 19 – 20
	403-4	Worker participation, consultation, and communication on occupational health and safety	SR, page 19 – 20
	403-9	Work-related injuries	SR, page 19 – 20
	403-10	Work-related ill health	SR, page 19 – 20
GRI 404: Training and Education 2016			
Social	404-1	Average hours of training per year per employee	SR, page 19
	404-3	Percentage of employees receiving regular performance and career development reviews	SR, page 19
GRI 405: Diversity and Equal Opportunity 2016			
Social	405-1	Diversity of governance bodies and employees	SR, page 16
GRI 413: Local Communities 2016			
Social	413-1	Operations with local community engagement, impact assessments, and development programs	SR, page 20
GRI 418: Customer Privacy 2016			
Governance	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SR, page 22 – 23
GRI 419: Socioeconomic Compliance 2016			
Governance	419-1	Non-compliance with laws and regulations in the social and economic area	SR, page 22 – 23

AR – Annual Report 2022

SR – Sustainability Report 2022