南方包装集团有限公司

Southern Packaging Group Limited

Sustainability Report 2020

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ABOUT THIS REPORT

Southern Packaging Group Limited (the “Company” or “Southern Packaging”, together with its subsidiaries, the “Group”) has been releasing annual sustainability reports since the financial year 2017. In this forth edition, we continue to present our sustainability efforts on the economic, environmental and social impact as well as governance of the Group’s flexible and rigid packaging products manufacturing business in the People’s Republic of China (“China”) throughout the financial year (“FY”) from 1 January 2020 to 31 December 2020. To reflect our commitment to transparency and accountability, we have prepared this report with reference to Global Reporting Initiative (“GRI”) Standards – Core Option and in accordance with Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules 711A and 711B – Sustainability Reporting Guide and the relevant SGX Practice Notes. The GRI Standards was chosen as it is an internationally recognised reporting framework that provides robust guidance suited for our businesses.

CONTACT POINT AND FEEDBACK

Your feedback is most welcome to help to shape our sustainability policies, practices and initiatives. We invite you to read this report and email us your insight at public@southern-package.com.

BOARD STATEMENT

The Board of Directors (the “Board”) views sustainability as part of the key components in formulating the Group’s long-term business strategies. Our corporate sustainability approach involves formulating a sustainable business model by considering environment, social and governance aspects to achieve long term success of the Group.

This year, the COVID-19 pandemic has presented much uncertainties and challenges. More importantly, it also highlighted the critical role in which innovation keeps the world and economy going. We have a professional colour management and research & development team that focus in material performance analysis, products development and constantly pursue new production process and product innovation to keep up with the current market. In view of the many challenges, we continue to stay committed to our core competencies and business strategy to achieve our long-term goals of sustainable development for the Group.

During the lockdown period due to COVID-19, the Group’s manufacturing facilities in Foshan and Changzhou were included in the list of “National Key Epidemic Prevention Enterprises” due to our association and close collaboration with the pharmaceutical industry. Our factories in Hainan, Gaoming and Jiangsu have resumed operation on 2 February 2020, 5 February 2020 and 10 February 2020 respectively. During this critical period, precautional health and hygiene measures have been implemented across our corporate office and factories to protect our employees, products as well as key stakeholders throughout the supply chain.

As we further our commitment to improve and report on our sustainability practices, we would like to thank our valued stakeholders for contributing their insight and efforts in shaping the Group’s sustainability journey.

CORPORATE PROFILE

Southern Packaging is a producer of flexible and rigid packaging products used in the food, medical, personal grooming and household industries. Our customer groups are mainly manufacturers of Multi-National Companies (“MNC”) or subsidiary enterprises of MNCs; Hong Kong-based, or Hong Kong listed companies and China companies.

We are listed in the Singapore Stock Exchange (SGX) Mainboard on 12 November 2004, a public company limited by shares, incorporated and domiciled in Singapore with registered office at 80 Robinson Road, #02-00, Singapore 068898. Our production facilities are strategically located in the most economically vibrant regions in China, Foshan Nanhai, Foshan Gaoming and Jiangsu Changzhou.

The Group focuses on developing its business in the Chinese market to meet the needs of the fast-moving consumer goods packaging market. The Group endeavors to continuously pursue new production process and product innovation to provide pollution prevention, light proof and high sealing protection with exquisite technology and on our product to customer. Sustainable development is one of the long-term development strategies of the Group. The Group continues to pursue its strategy of automation and product innovation, optimize production efficiency as well as working with customers to develop new products using recycled and biodegradable materials which will be the future trend of the packaging industries. In 2019, the Group has introduced automatic detection system, assembly system, laser code printing system, and warehouse logistic robot to improve the production efficiency and reduce cost of manufacturing process. The use of automated production and information technology has become an important way for the Group to optimise internal cost control, and ultimately provide us with an advantage to win market share.

With our years of research and development experience, advance technology and equipment, large scale production capacity and ISO standards in place to ensure quality of our product, Southern Packaging has become one of the benchmarks of China’s plastic packaging industry.

CORPORATE PROFILE (CONT'D)

We leverage on our established and resourceful research and development platform to provide complete packaging solutions for our client.

1981
Southern Packaging was founded in 1981

1990
Become an integrated manufacturer of rigid and flexible plastic packaging products

2004
Listed in the Singapore Stock Exchange Main Board on 12 November 2004

2014
New factories of Southern Packaging Gaoming and Jiangsu were formally put into production in January 2014

2017
Introducing China's first newly automatic high-speed Wheel Blowing production line

2020
Southern Packaging has focused on plastic packaging solutions over 25 years


Foshan Nanhai Base


Foshan Gaoming Base


Jiangsu Changzhou Base

CORPORATE PROFILE (CONT'D)

Vision

- Decorate the world and strive for perfection

Mission

- To continuously invest in technology in order to meet the emerging of the market;
- To strengthen our quality capability to satisfy different customer needs;
- To produce safe and environment friendly products that would benefit the society;
- To ensure long term value for our investors; and
- To create a platform for all employees to do their best and ensure constant development.

Core Values

- Quality and Safety First, Technology Innovation, Substainbility

Core Values

Quality and Service First

- We conduct all round quality management, including quality system maintenance, process quality control, project quality management and test centre. It guarantees the quality and safety of the whole supply chain from upstream suppliers, manufacturing to end customer.

Technology Innovation, Sustainability

- The key to breakthrough development of an enterprise is the endlessly innovation. The company insists on improving its competitiveness with technological innovation. We are committed to promote the environmental protection development of the global plastic packaging industry, to achieve sustainability and creating a better life.

SUPPLY CHAIN MANAGEMENT

Our core business is the manufacturing and sale of rigid and flexible packaging products. We have exported products over 30 countries around the world. We deal directly with the manufacturers of consumer products and our customers are mainly manufacturers of Multi-National Companies (“MNC”).

Our raw materials used for the production of rigid and flexible packaging products include plastic film, resins, adhesive and printing ink. It is our Group’s policy to maintain at least two to three suppliers for each of our raw materials with the allocation of order quantity depending on various factors such as pricing and quality. We maintain a set of purchasing procedures for our raw materials, which is compliant with ISO 9001:2000 quality management standard. In FY2020, the total value of our trade purchases from suppliers were approximately RMB 475 million, a decrease of 16% from FY2019 due to lower revenue generated.

Maintaining high quality standards in all our products is critical for us to mitigate the risk of wastage, rejected products and associated costs for our production, environment and people. Our quality management system is equipped with high-end and advanced testing equipment and quality-focused professional team to ensure that our products continue to meet the increasingly strict requirements of laws and regulations, and improve our customer satisfaction. One of the examples of our commitment to service and quality is the fact that our quality management system ISO 9001, ISO 22000/ FSSC 22000 has been certified by Lloyd’s Register of Quality Assurance.

Apart from our robust internal Quality Management System, we ensure that our suppliers also hold up high quality standards. Supplier evaluation and assessment were conducted periodically, based on factors such as environmental impact, price competitiveness, delivery time, products quality and after-sale services.

GOVERNANCE

The Board of Southern Packaging is committed to setting and maintaining high standards of corporate governance practices. The Board places importance on its corporate governance processes and systems, which is in line with Singapore Code of Corporate Governance 2018 (the "Code"). The Board will also ensure that there is compliance with other relevant regulations, notices, and guidelines that may be issued by the SGX-ST.

The Board is responsible to establish the corporate and sustainability strategies for the Company. The Board meets regularly and is provided with timely updates and information. All Directors are expected to act in good faith and to act in the interest of Southern Packaging. The Board is supported by the Audit Committee, Nominating Committee and Remuneration Committee. These Committees provide guidance and regularly review matters within their purview.

We deem corporate governance as essential for the success of the Group and to be in the best interest of our shareholders and other stakeholders. The Company has established policies and procedures on Conflict of Interest, Whistleblowing and Code of Business Conduct as the backbone of good corporate governance. In addition, the Group has in place internal controls system that address financial, operational, compliance and information technology risks, and risk management systems to safeguard shareholders' investment and to protect the Group's assets.

Full report on our corporate governance practices in compliance with the Code can be found under our Corporate Governance Report in our Annual Report 2020.

STAKEHOLDER ENGAGEMENT

We continuously benchmark our governance approach against the latest in industry best practices and take proactive measures to enhance the way we engage stakeholders. We promote strategic and future-oriented on how the Company draws on its capitals to create long-term value for our stakeholders. We engage our stakeholders to understand their concerns and emerging priorities. Through the close working relationship we have established with them, we are able to better identify and address issues.

Our Key Stakeholders	How We Engage Our Key Stakeholders	Key Interests of Our Key Stakeholders
Customers	• Regular interactions • Enquiry and feedback channels • Customer survey	• Top notch customer service • Timely delivery • After-sales services
Employees	• Annual employee performance appraisal • Regular team meeting • Employee training	• Staff right and welfare • Safe working environment • Opportunities for personal and career development
Investors	• Regular investor meetings • Annual and interim reports • Circulars to shareholders	• Revenue growth and profitability • Sustainable shareholder returns • Responsible allocation of capitals to ensure sustainable growth
Suppliers	• Products presentations • Quote and contract discussions • Delivery updates	• Timely payments and fair terms • High integrity and ethical standards
Government and Regulations	• Participation in industry meetings with regulators • Regular reports • Participation in discussions	• Compliance with regulations • Timely reporting and resolution of issues

MATERIALITY ASSESSMENT

Constant interaction with our stakeholders forms a key understanding in evaluating and shaping our materiality assessment approach. Based on feedback gathered from our internal and external stakeholders during the reporting period, we have reviewed the relevance and importance of existing key sustainability topics. We are of the view that the existing five material sustainability topics are of relevance to our business and are the utmost important to the stakeholders and the Group.

1. TRAINING AND EDUCATION

Our people are our most valuable asset. We believe in having a conducive workplace that promotes inclusivity and collaboration where our employees are inspired to develop their competencies and skills. Training and education opportunities were provided for our employees through internal courses and on-the-job training. With more skilled employees the Group believes it will enhance the Group's human capital and contribute to employees' satisfaction.

In FY2020, we have sent our employees for trainings which are in line with employee's core competencies and job scope. The Group has conducted approximately 7,900 training hours for all employees located at the Eastern China and Southern China which is 4% increase as compared to FY2019. The average training hours per employee were 6.4 hour and 7 hours in FY2019 and FY2020 respectively.

Going forward, the Group shall continue to provide training and education opportunities for all employees and to maintain the average training hours per employee. Besides, to better prepare our employees for changing environment, upskill and reskill of our workforce are inevitable so that they can remain relevant in the industry.

Period	Number of Trainings	Number of Attendees	Actual Training Hours
2019			
Male	101-200	1,801-2,600	4,301-5,400
Female	101-200	1,001-1,300	2,501-3,100
2020			
Male	101-200	1,801-2,600	4,301-5,400
Female	101-200	1,001-1,300	2,501-3,100

Period	Employee Category	Actual Training Hours
2019	Production	4,001- 4,500
	Research & Development	600-700
	Other	2,500-3,000
2020	Production	4,001- 4,500
	Research & Development	600-700
	Other	2,500-3,000

2. EMPLOYMENT

Being in the manufacturing industry that is labour intensive, our business has contributed directly to the economic development in terms of employment of the country which our business operates. In order to continue to attract and retain talents, we adopt a holistic approach in our hiring policy and extend equal opportunities to our employees. We always acquire, develop and retain the best talents for the Group's future development. We offer competitive remuneration package to our employees by matching with the industry average or above the average in the country that we operate in. Our employment strategy and practices aim to better match skills to job roles, improve retention of talents, and achieve higher productivity resulting from production automation initiatives, business's growth strategy and performance.

The Group continues to hire a diversity of employees across all our various departments bringing diverse experience and background to the Group. In FY2020, we have a total of 469 of employees, comprises of 45% of males and 55% of females. We believe that diversity in both gender and age are key to sustaining our dynamic workforce. Providing equal employment opportunities for these groups are part of our employment policies.

On top of the basic safe working environment, the Group provides full time employees benefits such as social and health insurance, health care, parental leave and annual leave. During the reporting period, performance appraisal was conducted for all employees by their superior, all employees are assessed and remunerated fairly based on their performance, potential and qualifications. Going forward, we hope to continue to align our employment strategy and effort to our business performance and targets. We have disclosed certain employment related information below.

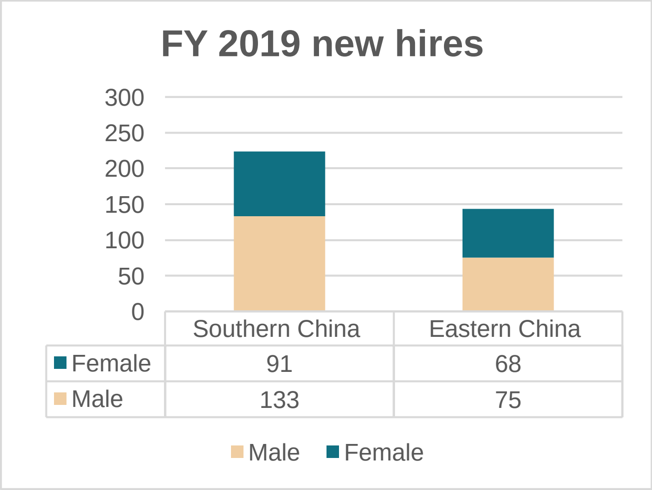
Function	FY2019 Number of Employee	FY2020 Number of Employee
Management and Supervisory	300-400	200-300
Research and Development	30-40	20-30
General Worker	601-700	700-800

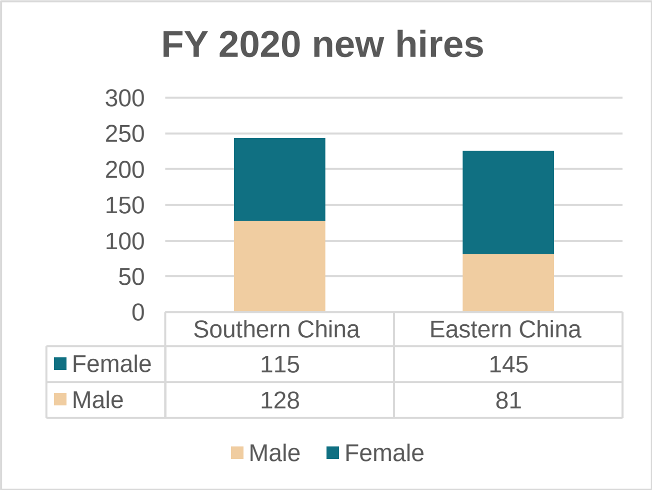
Gender	FY2019 Number of Employee	FY2020 Number of Employee
Male	500-600	500-600
Female	400-500	400-500

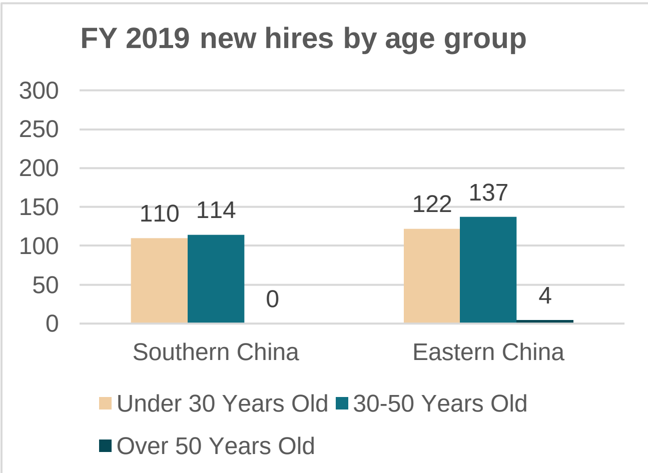
Total number of employees entitled to parental leave by gender	FY2019 Number of Employee	FY2020 Number of Employee
Male	211	162
Female	122	105

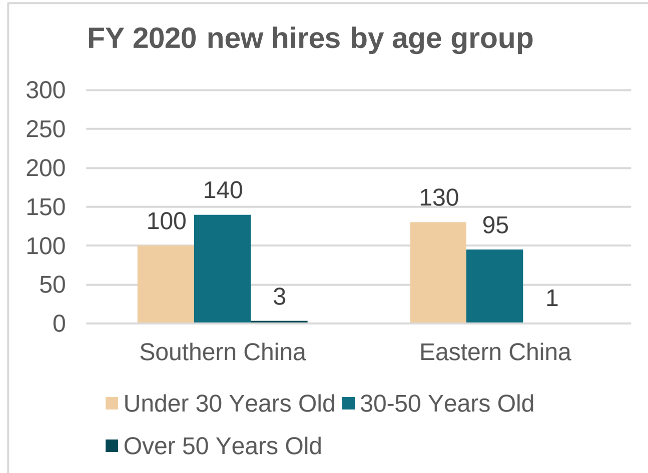
Employee turnover rate by gender	FY2019(%)	FY2020(%)
Male	17.07%	13.73%
Female	9.87%	9.15%

Region	FY2019 Number of Employee	FY2020 Number of Employee
Singapore	1-10	1-10
Southern China	600-700	700-800
Eastern China	201-300	201-300

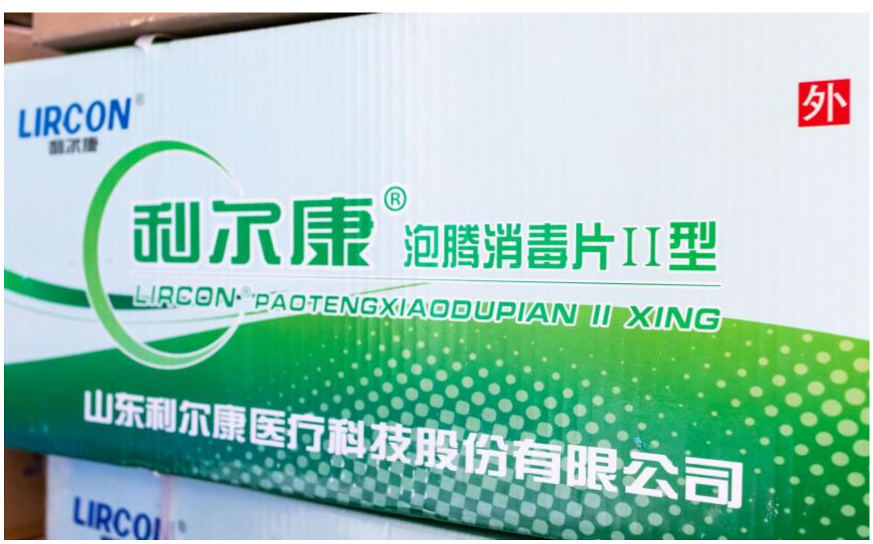





FY 2019 new hires by age group
300
250
200
150
100
50
0
110
114
0
122
137
4
Southern China
Eastern China
Under 30 Years Old
30-50 Years Old
Over 50 Years Old


FY 2020 new hires by age group
300
250
200
150
100
50
0
100
140
3
130
95
1
Southern China
Eastern China
Under 30 Years Old
30-50 Years Old
Over 50 Years Old


保为康
POWECOM


LIRCON
外
利尔康® 泡腾消毒片II型
LIRCON PAOTENGXIAODUPIAN II XING
山东利尔康医疗科技股份有限公司

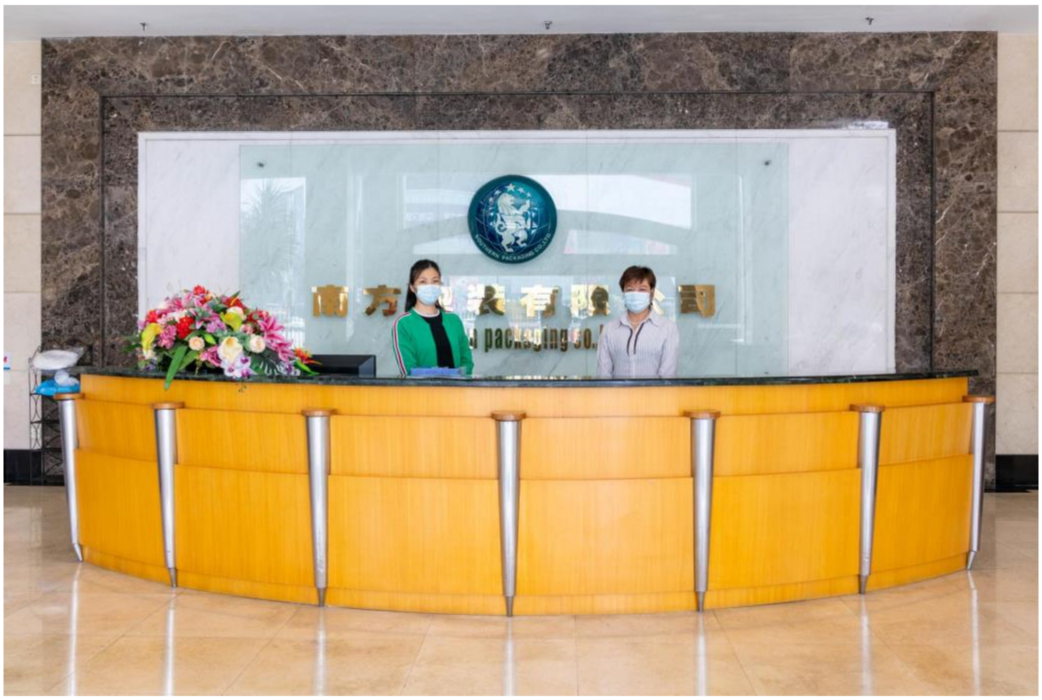
In view of the pandemic, we have implemented four key measures in all of our factories in compliance with local government rules and regulations.

1. Prevention and control response plan
    - The Group has come out with preventive and control response plan by including publicity material on bulletin boards and around the factories to raise employee's awareness on prevention measures.

2. Employee screening
    - The Group closely monitors employee's past travel history. Quarantine rooms are established within the factory premises, employee with cold and fever and other symptoms would be required to be quarantined for safety purpose. In addition, records of temperature screening are captured and maintained before entering the factory.

3. Adequate personal protective equipment

4. Internal control
    - According to the preventive and control response plan, the Company has implemented various protective measures such as temperature screening, site ventilation, personnel disinfection and site disinfection, and trainings to all employees on epidemic prevention knowledge, personal protective equipment wearing requirements and safety production knowledge.



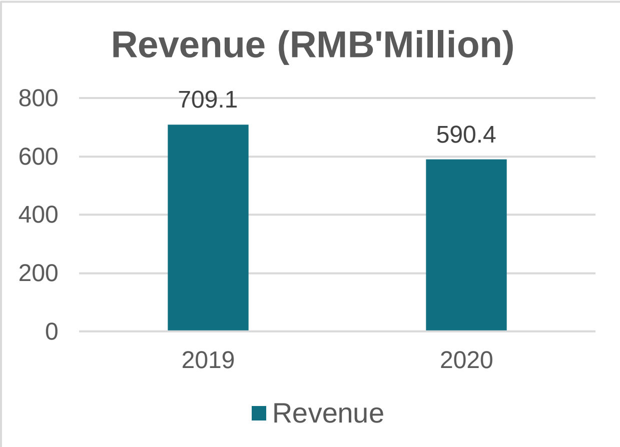
3. ECONOMIC PERFORMANCE

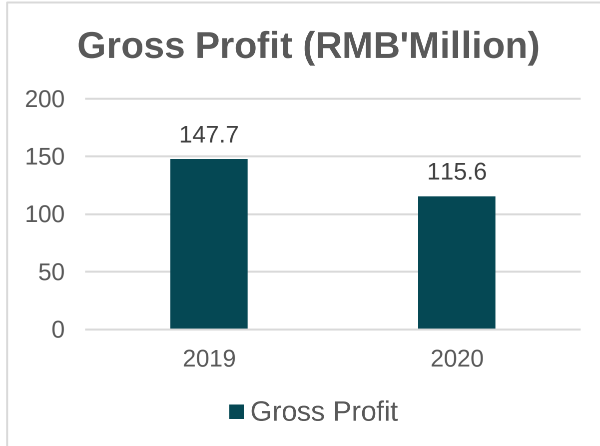
The global pandemic has brought a huge uncertainty to the global and China's economic condition. The Group's economic performance in FY2020 had been inevitably weakened along with most of the other companies.

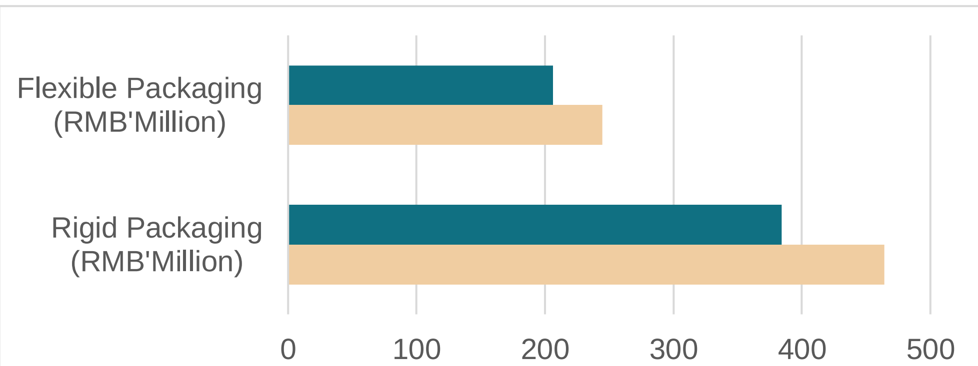
The Group's revenue decreased by RMB118.7 million (16.7%) from RMB709.1 million in FY2019 to RMB590.4 million in FY2020. The sales revenue of rigid packaging decreased by RMB80 million (17.2%) from RMB464.4 million in FY2019 to RMB384.3 million in FY2020 and the sales revenue of flexible packaging decreased by RMB38.7 million (15.8%) from RMB244.7 million in FY2019 to RMB206 million in FY2020. This was because of lockdown in many parts of China in the first half of FY2020 and as a result, the Group's revenue declined significantly due to lower market demand. The Group managed to see some improvement of sales towards the fourth quarter of FY2020 as the pandemic is gradually under control in China during the second half of FY2020. The Group's gross profit decreased by RMB32.1 million (21.7%) to RMB115.6 million in FY2020 as compared to RMB147.7 million in FY2019.The gross profit margin decreased to 19.6% in FY2020 compared to 20.8% in FY2019. The gross profit margin decreased due to the increase in fixed factory overhead unit costs as a result of the decrease in sales orders.

The Group are committed to creating sustainable value for our shareholders and stakeholders by adopting responsible business practices and growing our business in a sustainable manner. In respond to the macroeconomic and social challenges, we maintain our focus and momentum in pursuing our strategy of automation and product innovation, optimising product efficiency as well as working with customers to develop new products using recycled and biodegradable materials which will be the future trend of the packaging industries.

Going forward, we target to generate positive financial performance from our sales revenue and better implementing cost control measures in achieving positive financial returns.







	Rigid Packaging (RMB'Million)	Flexible Packaging (RMB'Million)
2020	384.3	206.0
2019	464.4	244.7

4. ENVIRONMENTAL PROTECTION

We see ourselves as one of the key enablers towards building a decarbonised world by improving our internal processes amid the global challenge of climate change. We align ourselves to the government's ambition for a low carbon economy by undertaking initiatives to make our entire operations more efficient to reduce carbon footprint.

Energy Conservation

We recognise that our electricity consumption can be a significant contributor to the impact on the environment. As such, the Group has implemented energy conservation measures in our offices and production facilities which include using energy-efficient equipment and devices and advanced volatile organic compounds treatment machine to reduce harmful emission during our production cycle. Energy saving tips can be found around our factories to constantly remind our employees.

Water Management

The production cycle consumes a considerable amount of water. The Group constantly undertakes improvement measures to reduce pollution of water during production and puts in effort in sourcing for alternative water supplies while maintaining the water quality and ensuring that it is of suitable quality for the purpose of the production.

The table below illustrates the total electricity, water and natural gas consumed by our Group in FY2019 and FY2020. In FY2020, the Group's consumption on electricity, water and natural gas has been decreased, which is in line with the general drop of level of operations and revenue generated in 2020.

Resources	FY2019	FY2020
Consumption of electricity (KWh)	74,378,406	67,415,840
Consumption of water from public water utilities (ton)	273,997	269,598
Consumption of natural gas (m^3)	1,449,800	1,179,800
Revenue generated (RMB ’million)	709.1	590.4

5. ENVIRONMENTAL COMPLIANCE

We take proactive action to minimise our carbon footprint and promote sustainability between green production and the environment. The Group actively responds to the requirements of environmental compliance, pays attention to the comprehensive control of volatile organic compound (VOC) discharge and implements relevant work from three aspects of source control, production process management and discharge governance.

Over the years, the Group has imported advanced VOC treatment machine from Europe in order to control our VOCs discharge caused by the production of flexible packaging. This machine is the world's most advanced flexible packaging VOC treatment system which greatly enhances the treatment process. With the installation VOC treatment machine, the VOC purification process has achieved 95% efficiency and the targeted total VOC emission was 50 mg/m^3, which is in compliance with the requirement of Guangdong Provincial Standard (DB844-815-2010) at 120 mg/m^3.

We monitor closely on the relevant rules and regulations that our business operates in. In FY2020, there were no major incidences involving significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations. Going forward, we aim to maintain this zero incident record through continued adherence to the industry regulations.

GRI CONTEXT INDEX

GRI Standard and Disclosure	Page Reference and Reasons for Omission, if applicable
102-1 Name of the organisation	3
102-2 Activities, brands, products, and services	5
102-3 Location of headquarters	5
102-4 Location of operations	5
102-5 Ownership and legal form	5
102-6 Markets served	5
102-7 Scale of the organisation	13-19
102-8 Information on employees and other workers	13-17
102-9 Supply chain	8
102-10 Significant changes to the organisation and its supply chain	Nil
102-11 Precautionary principle or approach	5
102-12 External initiatives	Not applicable
102-13 Membership of associations	Not applicable
102-14 Statement from senior decision maker	4
102-16 Values, principles, standards, and norms of behaviour	7
102-18 Governance structure	9
102-40 List of stakeholder groups	10
102-41 Collective bargaining agreements	Not applicable
102-42 Identifying and selecting stakeholders	10
102-43 Approach to stakeholder engagement	10
102-44 Key topics and concerns raised	11

GRI CONTEXT INDEX (CONT'D)

GRI Standard and Disclosure (Cont'd)	Page Reference and Reasons for Omission, if applicable (Cont'd)
102-45 Entities included in the consolidated financial statements	Annual Report 2020 – Investments in Subsidiaries
102-46 Defining report content and topic boundaries	3
102-47 List of material topics	11
102-48 Restatements of information	Nil
102-49 Changes in reporting	Nil
102-50 Reporting period	3
102-51 Date of most recent report	29 May 2020
102-52 Reporting cycle	3
102-53 Contact point for questions regarding the report	3
102-54 Claims of reporting in accordance with the GRI Standards	3
102-55 GRI content index	24-26
102-56 External assurance	The Company has not sought for external assurance for this report and may consider doing so in future reports.
103-1 Explanation of the material topic and its boundaries	11-23
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307-1 Non-compliance with environmental laws and regulations	23
401-1 New employee hires and employee turnover	14
401-2 Benefits provided to full-time employee that are not provided to temporary or part-time employees	13
404-1 Average hours of training per year per employee	12
404-2 Percentage of employees receiving regular performance and career development reviews	13