



Hi-P International Limited
赫比国际有限公司



HI-P INTERNATIONAL LIMITED

SUSTAINABILITY REPORT 2018

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INTRODUCTION

ABOUT THIS REPORT

Hi-P International Limited (“Hi-P”) is pleased to present our second sustainability report for the financial year 2018 (“FY 2018”) from 1 January 2018 to 31 December 2018, with data from the previous year for comparison purposes.

This report has been prepared in compliance with the Singapore Exchange Securities Trading Limited (“SGX-ST”) Mainboard Listing Rule 71(B) and in accordance with the Global Reporting Initiative (“GRI”) Standards – ‘Core’ reporting requirements. Hi-P has not sought external assurance for this report but may consider doing so as our reporting matures.

The scope of this report covers Hi-P International’s operations in Singapore, China, Thailand and Poland. From 2018, the factory in Tianjin, China, is no longer part of our reporting scope as Hi-P has ceased its operations. For more information on the subsidiaries of Hi-P, please refer to Hi-P’s Annual Report 2018.

This report details our policies, practices and performance with respect to Environmental, Social and Governance (“ESG”) topics which are most material to our business and stakeholders.



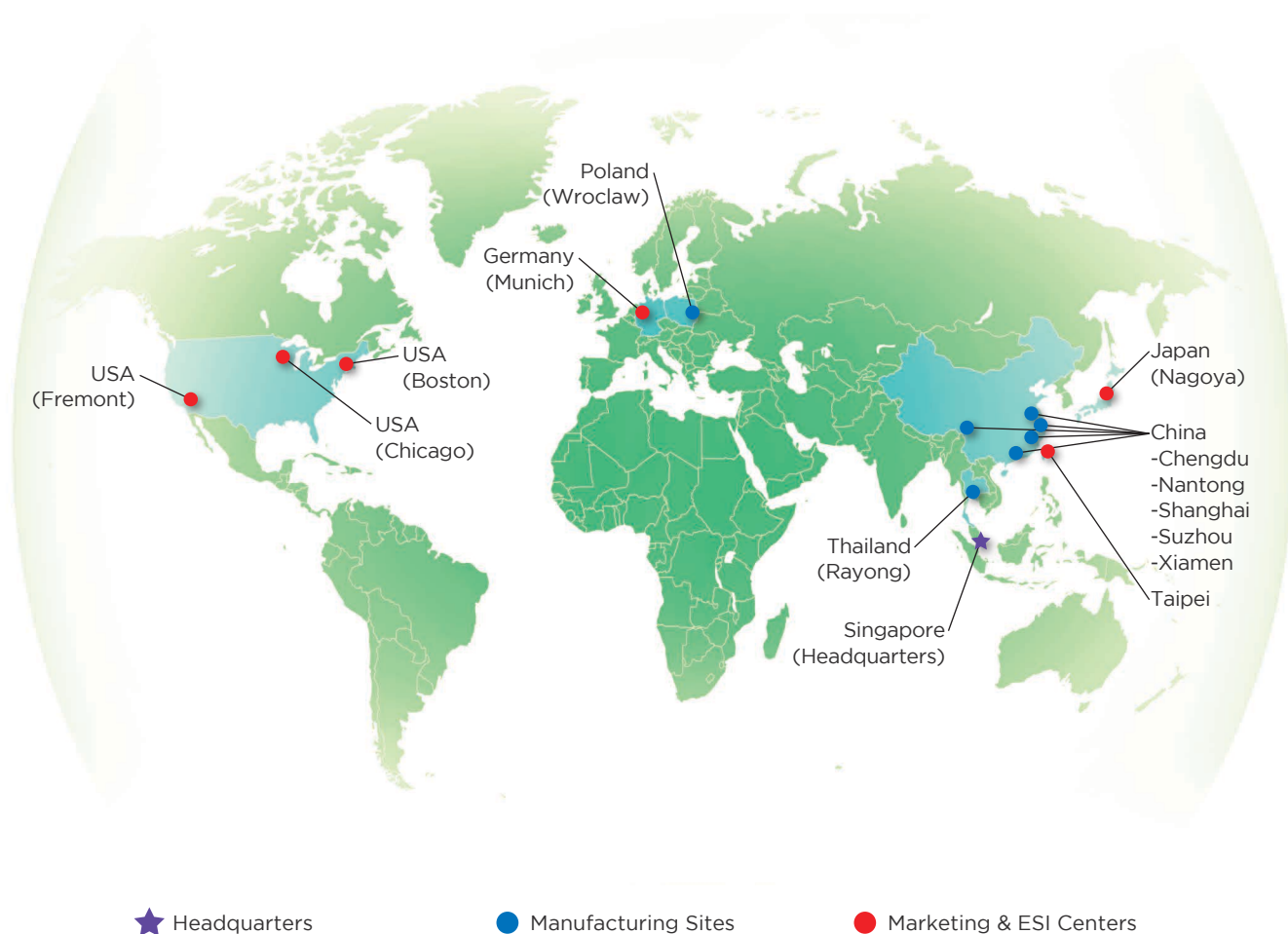
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INTRODUCTION

ABOUT HI-P INTERNATIONAL LIMITED

Founded in 1980 in Singapore, Hi-P International Limited (“Hi-P”) started out as a mould maker. Over the years, Hi-P’s success flourished and robust growth was witnessed with the expansion of overseas manufacturing facilities, including the People’s Republic of China (Shanghai, Chengdu, Xiamen, Suzhou and Nantong), Poland and Thailand. In total, we have 12 manufacturing plants located across these countries, including Singapore.

We also have marketing and engineering support centres in China, Singapore, Taiwan, Germany and the United States of America, as shown in the map below.



Today, Hi-P is a leading integrated contract manufacturer that develops and provides one-stop solutions to customers in a variety of industries.

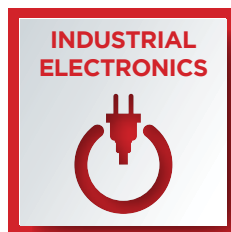
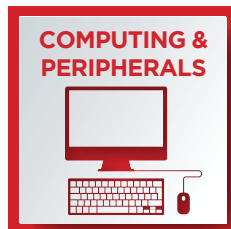
Hi-P’s customers have expanded to include many of the world’s biggest names in mobile phones, tablets, household and personal care appliances, computing and peripherals, lifestyle, medical devices and industrial electronic devices.

INTRODUCTION

OUR BUSINESS SEGMENTS

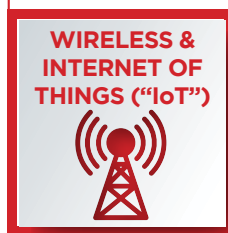
Hi-P strives to maintain its competitive advantage by developing and providing manufacturing solutions of exceptional value and continually pursuing new business segments. Our direction of expansion is aligned with our entrepreneurial spirit of expanding towards higher levels of technology, which includes the Internet of Things ("IoT") as well as accessories.

The rapid development and advancements in the field of electronics technology have created a demand for more powerful and efficient product applications. Hi-P understands this demand and has high precision and automated manufacturing lines that deliver products of the highest quality at the most cost-effective price.



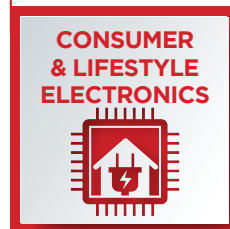
As original equipment manufacturers constantly face unique challenges due to the complexity of their electrical and mechanical assemblies, our dedicated teams for equipment, appliance and lifestyle products help develop solutions that meet the unique and specific requirements of our industrial customers. Our ability to vertically integrate all of our capabilities enables our customers to lower production cost and accelerate their new product release.

At Hi-P, we understand that speed and flexibility are the keys to success in the ever-changing wireless technology industry. To deliver quality solutions, we leverage upon our innovative manufacturing techniques to meet our customers' needs and specifications. As current forecast from the International Data Corporation ("IDC") highlights that worldwide spending on the Internet of Things will increase by a substantial amount, Hi-P has seen this as an opportunity to develop IoT manufacturing capabilities to cater for market demand.



Despite stringent regulatory requirements and design complexity in manufacturing medical and industrial equipment, our expert team is highly dedicated to the delivery and manufacturing of equipment that can be tailored specifically to the requirement of our clients.

With consumer demand constantly changing and evolving, we work in collaboration with our clients to develop and address specific consumer needs based on the current market trends with our highly specialised skills and manufacturing capabilities.


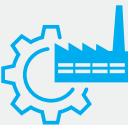




As the automotive industry continues to flourish, the demand for automotive parts and accessories increases. By utilising our core competencies in product design, we aim to re-invest our profits and expand our technical capabilities in the automotive sector.


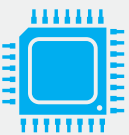
- Current Business Segments
- Expansion into New Business Segments

INTRODUCTION

OUR CORE SERVICES

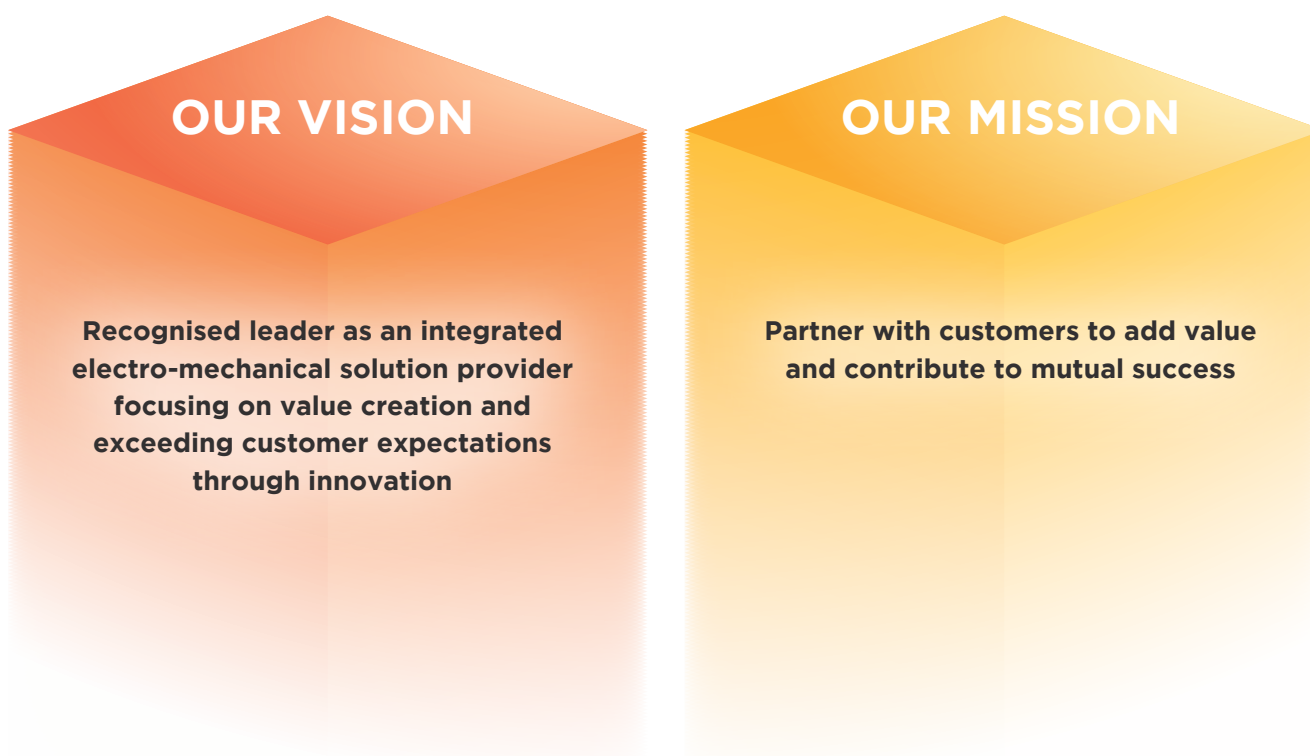
Our Core Services	Description	Product Scope
Tooling 	<p>Hi-P first started out as a tooling specialist and this area of expertise has continued to this day. Tooling is one of our core competencies where we take pride in providing services that are reliable and of exceptional quality.</p>	
Moulding 	<p>From double & triple shot plastic injection to metal and glass insert moulding, Hi-P has constantly met and exceeded clients' expectations. The unique value proposition Hi-P offers is its exceptionally precise mould designs that are made with best-practice manufacturing techniques.</p>	<ul style="list-style-type: none"> • High Precision and Cavitation Moulding • Double and Triple Shot Moulding Insert • Insert Moulding • Glass Insert Moulding • Thin Wall High Speed Moulding • In Mould Decorative Moulding • In Mould Labelling Moulding
Stamping 	<p>Hi-P is able to deliver customised cosmetic and precision stamping components for a wide variety of products and industries. Combining our in-depth expertise in both areas of metal shaping and plastic moulding, Hi-P's value proposition is amongst the best in the industry.</p>	<ul style="list-style-type: none"> • Progressive Tool Making • Various Components • Thin Wall • Precision Forming • Deep Draw • Spot and Laser Welding • Chemical Etching • Anodising
Metal CNC 	<p>Hi-P has been constantly investing in the latest CNC equipment over the years and it will continue its investment so as to increase efficiencies, meet short lead-time and improve our clients' bottom line.</p> <p>Hi-P's 3-4 axis CNC equipment is also able to provide customised form drills, taps, and reamers to our clients' specifications and deliver service of value.</p>	<ul style="list-style-type: none"> • Aluminium • Stainless Steel • Copper • Special Metal

INTRODUCTION

Our Core Services	Description	Product Scope
Surface Decoration 	<p>Hi-P is able to separate itself from other contract manufacturers in the industry with its extraordinary pallet of decorating options and leading edge design techniques that clients can incorporate into their final design.</p>	<div> Plastic Decoration <ul style="list-style-type: none"> • Spray Painting • Pad Painting • Heat Transfer • Laser Etching • Electro Plating • In mould Decoration • In mould Labelling • NCVM • CNC </div> <div> Metal Decoration <ul style="list-style-type: none"> • Complex 3D Deep Draw Cosmetic Metal Stamping • Cutting Edge Single and Multi-Colour Anodising • State-of-the-Art Surface Finishing with the Latest Materials • Physical Vapour Deposition (PVD) • Electrolytic Deposition (ED) • Chemical Etching • Digital Printing Over Complex Geometrics and Multiple Materials • NCVM/TNCVM • Diamond Cutting • Hairline Finishing • Anodising </div>
Electronic Manufacturing Services (EMS) 	<p>Hi-P's EMS site is located in Suzhou and is certified for ISO 9001:2008 and ISO 13485. For EMS solutions, Hi-P offers end-to-end production capabilities which include board level assemblies, modules assemblies and final product assemblies with test capabilities. The quality of final products is assured by a pre-delivery reliability test, customised to simulate actual use by customers. Monitoring systems are installed on the assembly lines so as to allow for traceability and quality control.</p>	<ul style="list-style-type: none"> • Experienced and strong Supply Chain Management team to support turnkey solutions for industrial and consumer products • Capability in Product Validation • Capability in testing solution development • Expanding into global direct deliveries and order fulfilment

INTRODUCTION

OUR CORE VALUES



Hi-P has been founded with the core values and philosophy of our Executive Chairman, Mr. Yao Hsiao Tung. These are encapsulated in a book titled “Aspirations”, which serves to motivate all employees to act and follow according to values such as self-motivation, self-expectation, and what one can do to help add value to the organisation. The book encourages all employees to aspire to the best they can be.

OUR CULTURE AND SPIRIT

At Hi-P, we strive to cultivate a culture centred on 2 pillars – results oriented and people oriented. We believe that being results oriented will motivate our human capital to constantly seek better ways of performing tasks and add value to our business. At the same time, being people-oriented creates a Hi-P spirit where our employees are helpful and considerate towards one another, and are able to build one another up.

Our core behavioural principles are communicated clearly to employees to encourage all Hi-P employees to have – good manners, positive spirit, integrity, discipline, humility and maturity. Our execution discipline is also communicated to all employees to establish a minimum expectation for – punctuality, commitment fulfillment, focus and strict compliance, and thorough follow-up action.

INTRODUCTION

MEMBERSHIP OF ASSOCIATIONS

Hi-P's memberships of associations are illustrated as follows.



CERTIFICATION AND RECOGNITION

IECQ QC 08000	2012 Hazardous Substance Management Requirements
IATF 16949	2009 Quality Management System in Automotive Industry
ISO 9001	2008 Quality Management System
OHSAS 18001	2007 Occupational Health and Safety Management System Requirement
ISO 14001	2004 Environmental Management System Requirement
ISO 13485	2003 Manufacture in Medical Device Requirement

2018

AWARDS

Awarded Sustainability Award from KEURIG
Received the highest audit score and met the Responsible Business Alliance's (RBA) "Silver level" criteria of Top 100 Suppliers

MESSAGE FROM THE BOARD

BOARD STATEMENT

It is our pleasure to present Hi-P International Limited's second sustainability report. At Hi-P, both our Board and Management are committed to ensuring long term value creation for Hi-P's stakeholders through integrating sustainable practices into our daily operations. As Hi-P continues to work towards our vision of becoming a recognised leader as an integrated electro-mechanical solution provider, we are committed to do so in a responsible and sustainable manner. With the increasing scrutiny on business practices worldwide, it is important that Hi-P discloses relevant information to increase our business transparency.

As we continue our journey on sustainability reporting, we have decided to include a new material matter this year – anti-corruption. We recognise that anti-corruption is a material factor in our business due to our multinational operations, and it is one of the factors of ESG – governance. Including this as a material matter for reporting also provides a better balance of our sustainability performance to our stakeholders. In future reporting, we hope to progressively establish more metrics and quantitative targets to measure our sustainability performance.

Hi-P's philosophies remains the cornerstone of our foundation – Hi-P's Culture, Should-be Concept, Execution Foundation, Purpose-Oriented Approach, Matrix Approach, Self-Aspiration etc. It is crucial that the leaders of Hi-P exemplify these philosophies in setting a good example for the rest of the employees. To build a stronger foundation in Hi-P, it is equally important that our employees adopt these philosophies to have a common goal and sense of belonging in the company. These philosophies will continue to guide our work to ensure Hi-P's success.



As the sustainability of our operations lie in the hands of all our stakeholders, we would like to take this opportunity to thank all our stakeholders and seek their continual support in Hi-P's sustainability journey.

YAO HSIAO TUNG

Executive Chairman and Chief Executive Officer

HIGHLIGHTS OF ACHIEVEMENTS



100%

communication of anti-corruption policies to employees and suppliers



zero

governmental fines



39% increase in

average employee training hours



zero

fire accident



8.5% reduction in

electricity consumption



zero cases of
occupational disease



Achieve lost day rate of

0.06 and below

per 200,000 man hours worked



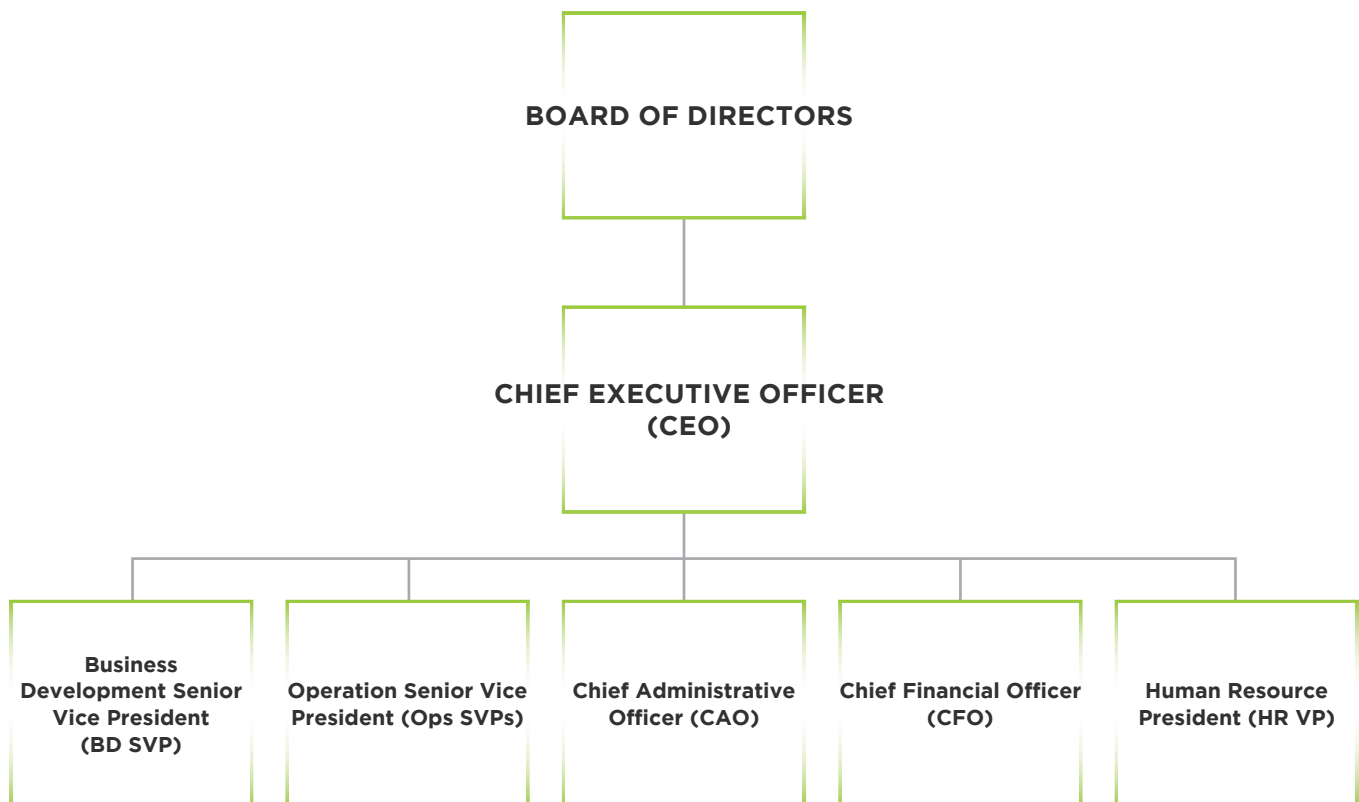
11.8% reduction in
in greenhouse gas emissions

OUR SUSTAINABILITY APPROACH

SUSTAINABILITY AT HI-P

Hi-P seeks to manage our sustainability approach in an organised and systematic manner. In FY 2017, Hi-P established a sustainability management team under the direct supervision of the Board. The team, consisting of senior management, coordinates sustainability initiatives across business functions and sees to their implementation organisation-wide. Refer to Figure 1 below for our sustainability team.

Figure 1: Hi-P's sustainability team



In managing our sustainability performance, we have in place the relevant policies, practices and performance monitoring systems. Our corporate policies are communicated to all employees during the corporate induction training, a mandatory procedure that is emphasised as it is the crux of Hi-P's business and culture.

OUR SUSTAINABILITY APPROACH

STAKEHOLDER ENGAGEMENT

At Hi-P, we are committed to understanding and meeting the needs of our stakeholders as we believe they play a strategic role in our long-term success as an organisation. We have identified the following stakeholders who have large impact on Hi-P's business and the ability to influence our sustainability performance. Our approach towards stakeholder engagement and how we respond to their needs are summarised in the table below.

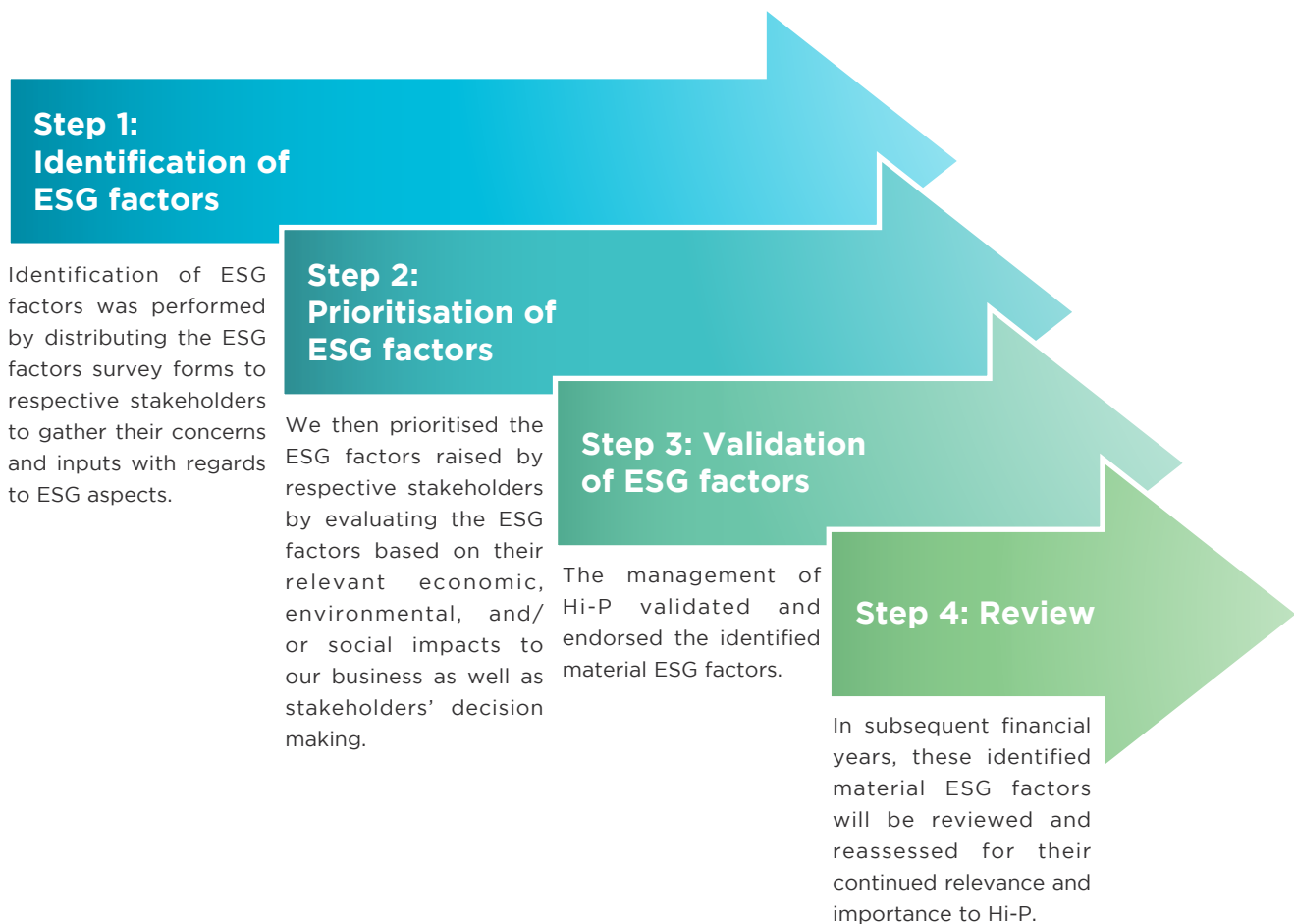
Stakeholders	Key concerns/issues	Our responses	Mode of engagement	Frequency of engagement
Customers	<ul style="list-style-type: none"> Compliance with environmental laws and regulations High quality products 	<ul style="list-style-type: none"> Fully comply with all laws and regulations Committed to providing the best quality in the timeliest manner 	<ul style="list-style-type: none"> Customer Review Meetings Customer feedback surveys Friendly visits to customers by senior management 	<ul style="list-style-type: none"> Quarterly or more frequently depending on customer's requirements Frequently
Employees	<ul style="list-style-type: none"> Career development Safe and conducive working environment 	<ul style="list-style-type: none"> Concerns will be discussed by the management site by site and improvement plans will be implemented 	<ul style="list-style-type: none"> Engagement Survey Newsletter Visits by senior and middle management to facilities to observe work environment 	<ul style="list-style-type: none"> Annually Quarterly Monthly
Trade Unions	<ul style="list-style-type: none"> Fair and progressive employment practices Well-being of members 	<ul style="list-style-type: none"> Provide fair remunerations and career development for employees Conduct employee activities that promote health and safety 	<ul style="list-style-type: none"> Hi-P-Union engagement sessions when necessary 	<ul style="list-style-type: none"> As and when necessary
Regulators	<ul style="list-style-type: none"> Compliance with all laws and regulations 	<ul style="list-style-type: none"> Internal compliance Full regulatory compliance 	<ul style="list-style-type: none"> Electronic communication Meetings 	<ul style="list-style-type: none"> Depends on market situation
Shareholders	<ul style="list-style-type: none"> Received sustainable returns from their investment Transparent and timely updates 	<ul style="list-style-type: none"> Maintain sustained growth with increased sales and cost-effective processes Periodic and transparent communication of financial and non-financial information 	<ul style="list-style-type: none"> Annual General Meeting (AGM) Analyst Meetings Meetings with institutional investors 	<ul style="list-style-type: none"> Annually Quarterly As and when requested
Suppliers	<ul style="list-style-type: none"> Timely payments Good working relationship 	<ul style="list-style-type: none"> Receipt of prompt payments for goods and services rendered To request orders in accordance with end customer's demand 	<ul style="list-style-type: none"> Supplier performance feedback 	<ul style="list-style-type: none"> Quarterly or half yearly depending on business needs
Local Communities	<ul style="list-style-type: none"> Engagement with local people in the area 	<ul style="list-style-type: none"> Outreach community activities are conducted to serve the local community's needs 	<ul style="list-style-type: none"> Charity work to homes 	<ul style="list-style-type: none"> Sites are encouraged to conduct such activities at least once a year

OUR SUSTAINABILITY APPROACH

MATERIALITY REVIEW

In October 2017, Hi-P conducted its first formal materiality assessment under the guidance of an independent sustainability consultant, according to steps one to three below. In 2018, we reviewed our existing material ESG factors considering their relevance to our business today. The four-step materiality assessment approach is presented in Figure 2 below.

Figure 2: Materiality assessment approach



OUR SUSTAINABILITY APPROACH

In our review of material ESG factors, we conducted an analysis of our material ESG factors against peers of the same industry. From the peer analysis, we concluded that our material ESG factors remains relevant to our business today, and have included 'Anti-corruption' as our new material matter. In addition, we have also concluded that 'Local Communities' is relevant to our business; hence it will be reported as an additional matter in this report.

Category	ESG factor	GRI disclosure
Material ESG Factor		
Governance	Anti-corruption	GRI 205-2: Communication and training about anti-corruption policies and procedures
Economic	Economic Performance	GRI 201-1: Direct economic value generated and distributed
Social	Training and Education	GRI 404-1: Average hours of training per year per employee
	Occupational Health and Safety	GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
Environment	Energy Consumption	GRI 302-3: Energy intensity
	Greenhouse Gas Emissions	GRI 305-1: Direct (Scope 1) GHG emissions GRI 305-2: Energy indirect (Scope 2) GHG emissions
Additional ESG Factor		
Social	Contribution to Local Community	GRI 413-1: Operations with local community engagement, impact assessments, and development programmes

GOVERNANCE

ANTI-CORRUPTION

Our Approach

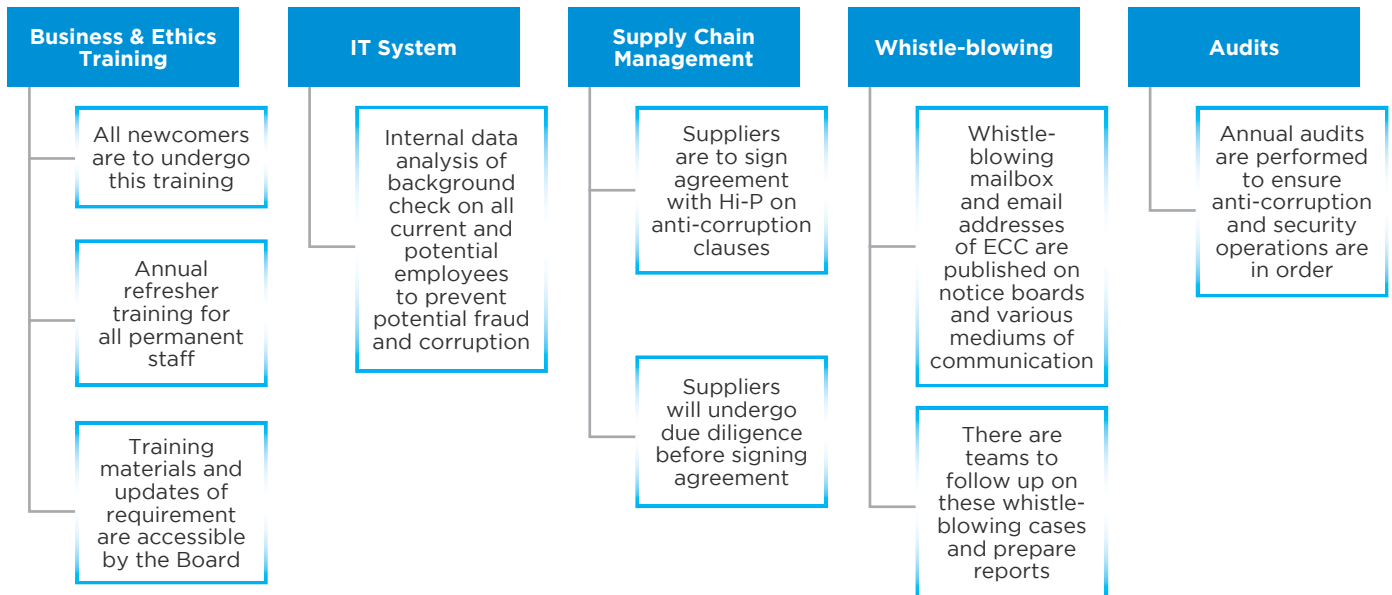
Hi-P does not permit unlawful conduct, financial malpractice, impropriety, statutory non-compliance or wrongdoing by employees in the course of work. As one of Hi-P's Core Behavioural Principles, integrity is one of the core foundations that has enabled the success of our organisation today. We highly regard our stakeholders' trust in our organisation and are committed to upholding high standards of corporate governance. In addition to complying with SGX and Singapore's Prevention of Corruption Act (PCA), we also seek to comply with all anti-corruption laws and regulations in our countries of operations. As our customer base are largely American and European, a strong culture of anti-corruption in Hi-P demonstrates that we are aligned to the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.

Anti-corruption in Hi-P involves PDD – Prevention through education awareness, Detection through transactions monitoring, whistle-blowing etc., and Deterrence through internal publication of serious cases investigated and handed over to the authorities. In order to safeguard Hi-P from the risk of corruption, we have the following internal policies in place which apply to the Group's operations:

Policies relating to anti-corruption	
Business Ethics Policy	<p>Hi-P is committed to Ethical Business Conduct in achieving a high standard of Corporate Governance and zero tolerance towards corruption. As a company, we strive to:</p> <ul style="list-style-type: none">• Be a responsible corporate citizen by complying with applicable laws, regulations and business ethics practices.• Establish sound relationships with stakeholders to provide safe, quality products and adhere to proper Business Ethics conduct. <p>Hi-P shall abide by honesty and integrity when conducting business with customers and suppliers, doing it in a trustworthy manner and abide by legal and other requirements. This procedure should be communicated to new and existing employees once a year. Hi-P and its subsidiary companies will oppose corruption and bribery, and strictly avert this kind of behaviour from occurring within the organisation and its subsidiaries within the scope of business activities.</p>
Hi-P Whistle-blowing Policy	<p>The Policy is designed to encourage employees of Hi-P and external parties to raise concerns or disclose information which they reasonably believe relate to acts of improprieties by an employee of Hi-P, including accounting impropriety, violation of law, breaches of Code of Ethics/Good Conduct, abuse of offices, retaliatory acts against whistle-blowers and attempts to conceal any of the above.</p> <p>The Ethics and Compliance Committee is responsible for overseeing the investigation of whistle-blowing cases. All concerns and irregularities raised will be treated with confidence and confidentiality which will be maintained throughout the process. All allegations of improprieties will be investigated and reported to the Ethics and Compliance Committee for review on a quarterly or sooner basis, as the circumstances may require. Remedial and corrective actions to be taken include disciplinary actions in accordance with the Group's Human Resource Policy such as dismissal or reporting of the case to the legal authorities.</p>

GOVERNANCE

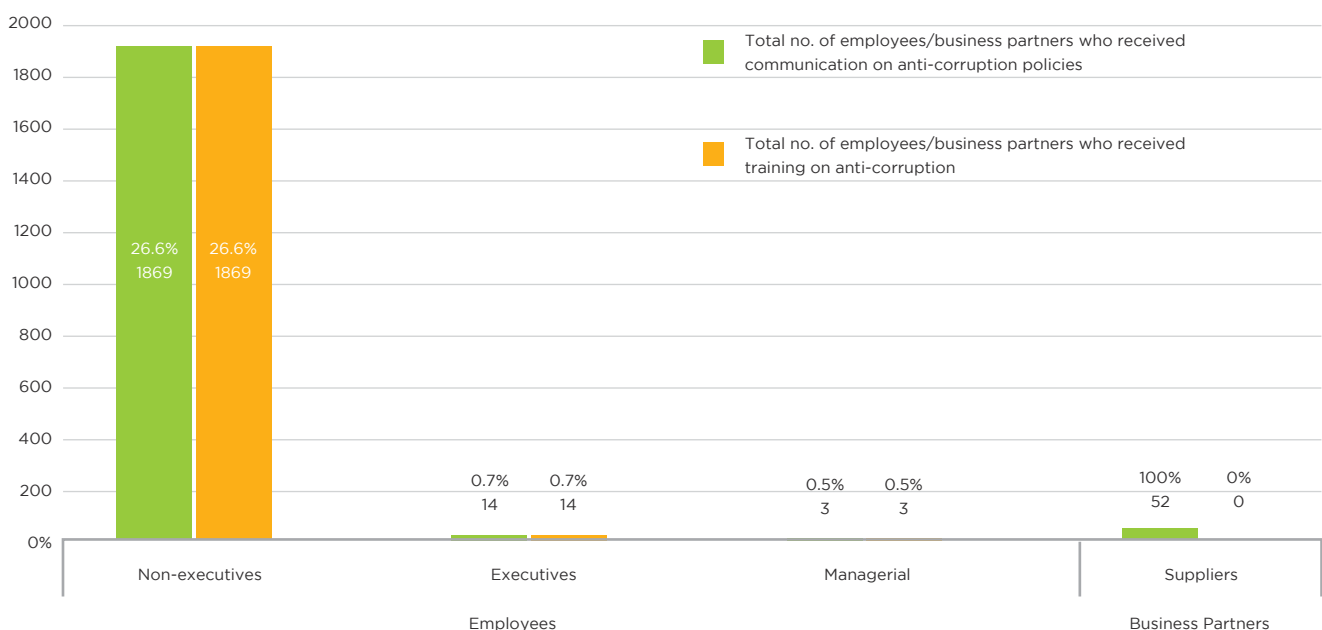
Our anti-corruption matters are encompassed in the following procedures below.



We advocate for and train all staff on Ethical Business Conduct, sending a strong message on Hi-P's zero tolerance approach to corruption. This is validated and reviewed annually to ensure Hi-P stays relevant on corruption matters that might be applicable to us, and improve our process on preventing corruption.

Anti-corruption policies and procedures have been communicated to our employees and business partners, with the numbers and percentage in FY 2018 shown in Figure 3 below.

Figure 3: Number and percentage of employees and business partners* that Hi-P's anti-corruption policies and procedures have been communicated to in FY 2018



* Business partners refer to the new suppliers engaged by Hi-P in FY 2018.

GOVERNANCE

In addition, we intend to implement the ISO 37001 Anti-bribery Management System to improve Hi-P's anti-corruption prevention process and gain more recognition from potential business partners worldwide. We strive to obtain this certification in the near future.

Our Organic Management System (OMS) is set to record non-compliance incidents, including every employee's code of conduct, corruption, business and ethics, and other behaviours.

Perpetual Target	Performance for FY 2018
Zero substantiated cases of corruption	1 case of corruption, substantiated and closed



ECONOMIC PERFORMANCE

Our Approach

As a contract manufacturer, our economic performance is driven by the demand of our customers. It is crucial for us to remain adaptable to the ever-changing business environment as well as constantly seek technological enhancement to prosper in this business.

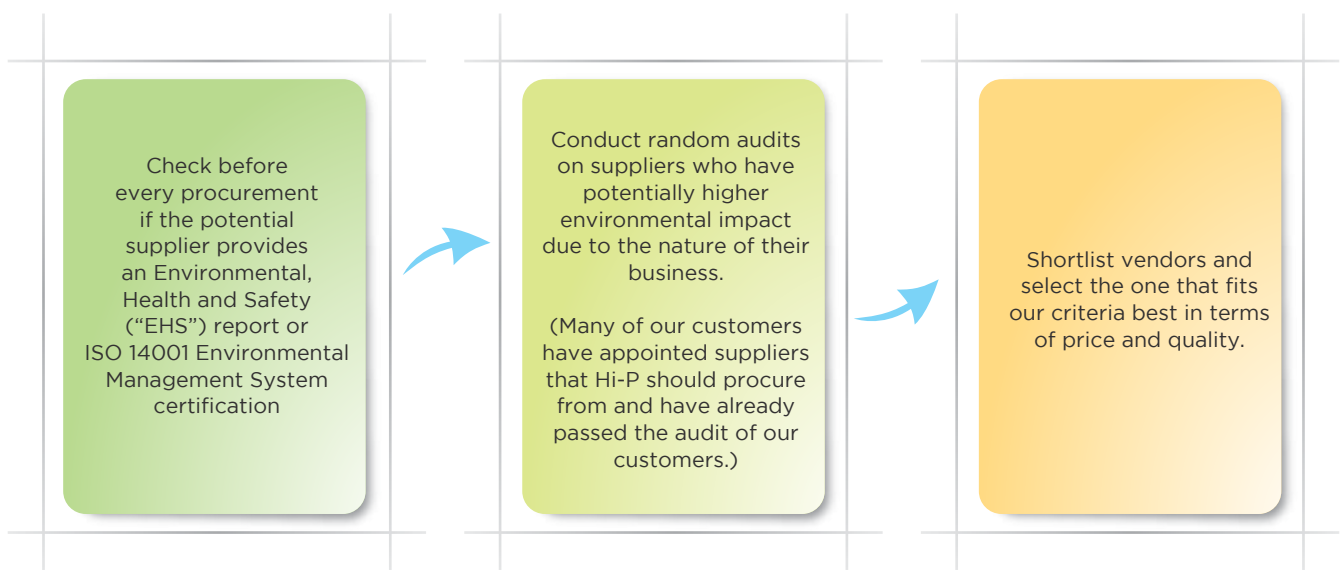
Hi-P also stimulates foreign direct investment by investing in our foreign subsidiaries and associates. Through these investments, Hi-P hopes to stimulate businesses in our overseas subsidiaries and associates in their manufacturing activities, technical development services and Research and Development ("R&D").

A key business strategy for Hi-P is the expansion into new markets. This broadens our production base, which reduces concentration risks as well as increases revenue. Moreover, the experiences gained from penetrating a new market or manufacturing a new product will aid us in forming new business relationships with similar customers.

Perpetual Target	Performance for FY 2018
To increase economic value generated	 Ongoing

Supply Chain Management

In maintaining our economic agility, our supply chain management remains integral to our business as the price and quality of our products directly influence our revenue as well as our continued partnership with our customers.



ECONOMIC

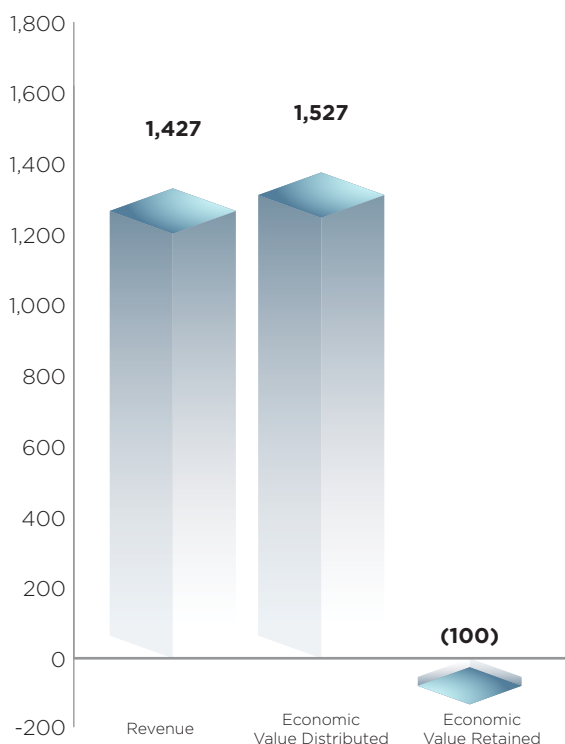
Performance

In FY 2018, Hi-P attained S\$1.40 billion in terms of total revenue, and profit after tax of S\$100.9 million. Notwithstanding the challenging market conditions and economic uncertainty in FY 2018, we managed to maintain our revenue over the previous year. Profit declined mainly due to price competition, rising labour costs and lower manufacturing yields for certain new products in the initial ramp-up phase.

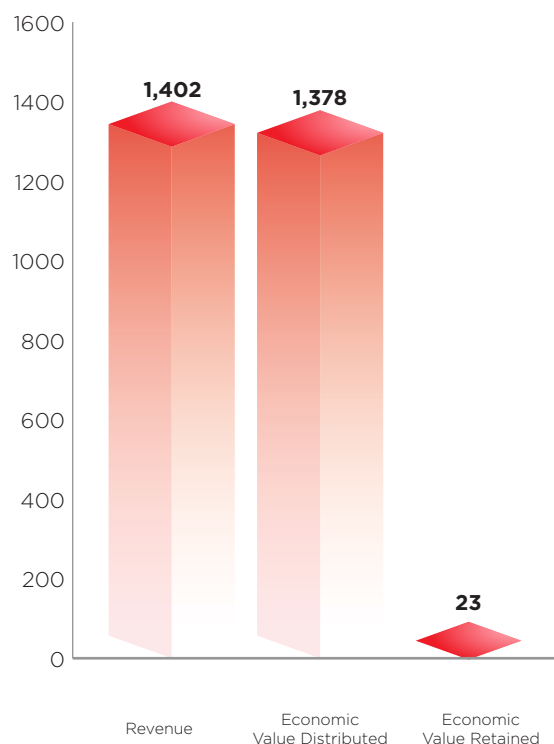
In FY 2018, Hi-P invested S\$13.6 million in our overseas subsidiaries, as well as S\$0.8 million in our overseas associates and made an investment in an overseas company for S\$5.2 million. We have also invested S\$71.9 million in capital expenditure, of which S\$70 million were for our overseas subsidiaries. This led to S\$23 million of economic value retained in FY 2018 as compared to a negative value in FY 2017 due to a dividend of S\$172.7 million.

Figure 4: Economic value generated and distributed in FY 2017 and FY 2018

FY 2017 Economic Value Generated and Distributed



FY 2018 Economic Value Generated and Distributed



At Hi-P, we recognise that human capital is our greatest asset. As such, we are committed to building a resilient workforce that embodies Hi-P's culture and values. To fulfil this, Hi-P ensures that our employees are treated fairly, with dignity and respect. Our labour policy, as outlined below, sets the ground rules for Hi-P's relations with its employees and subcontract labour.

Hi-P's Labour Policy

1. VOLUNTARY EMPLOYMENT

Forced, bonded, or involuntary prison labours are not allowed. All work will be performed on a voluntary basis and workers should be free to resign upon giving reasonable prior notice.

2. PROHIBITION OF CHILD LABOUR

Child labour is forbidden to be employed at any stage of production or manufacturing. Please refer to our corporate website for more information.

3. WORKING HOURS

Company will define the style of working hours for employees as per government regulations. The types of holidays and leaves will be determined based on the guideline in the country of employment.

4. WAGES AND BENEFITS

Compensation paid to workers shall comply with all applicable wage laws in the country of employment, including those relating to minimum wages, overtime hours and legally mandated benefits. Workers shall be compensated for overtime work at pay rates greater than regular hourly rates, in compliance with local laws and regulations.

5. HUMANE TREATMENT

There is to be no harsh or inhumane treatment of workers, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse of workers, nor is there to be any threat of the use of any such treatment.

6. NON-DISCRIMINATION

There must be no discrimination based on race, colour, age, gender, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status etc. in hiring and employment practices (such as promotions, rewards, and access to training etc.).

7. FREEDOM OF SPEECH

Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation conflicts. Workers must be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment.

HI-P'S WORKFORCE PROFILE

As at 31st December 2018, Hi-P's workforce consists of 9148 employees, where all employees at Hi-P are permanent and full-time workers, a decrease from 11025 employees as at 31st December 2017. There are no temporary, fixed-term or part-time employees. In addition, there are 411 subcontract workers¹, a decrease from 1844 subcontract workers in FY 2017². The decrease in total number of workers (i.e employees, sub-contract workers) was due to increased automation & computerisation and consolidation of our operations. As our operations are labour intensive at different periods of time, we outsource subcontract workers from external agencies. Hence, approximately 4.3% of our workers are subcontract workers in FY 2018, a dip from 14.3% in FY 2017. At Hi-P, we treat all employees fairly and with respect regardless of their gender, race or religion. As such, we seek to continue maintaining our gender ratios with no favouritism over any gender.

Figure 5: Total number of workers by gender in FY 2017³ and FY 2018

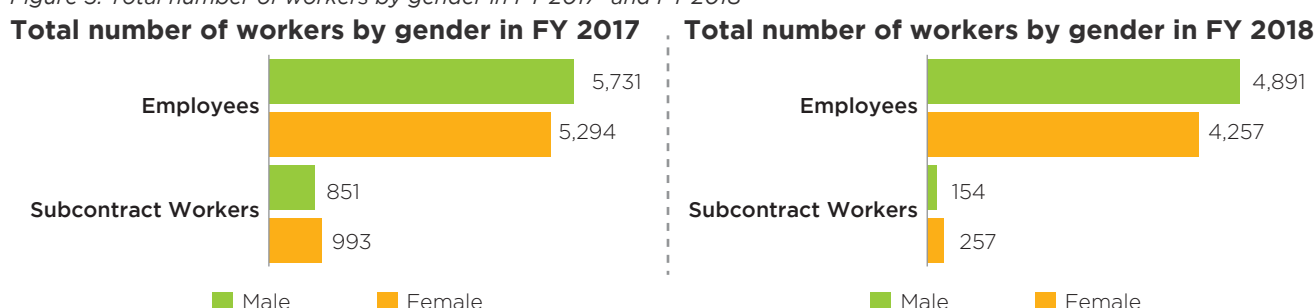


Figure 6: Total number of permanent employees by region and gender in FY 2017 and FY 2018

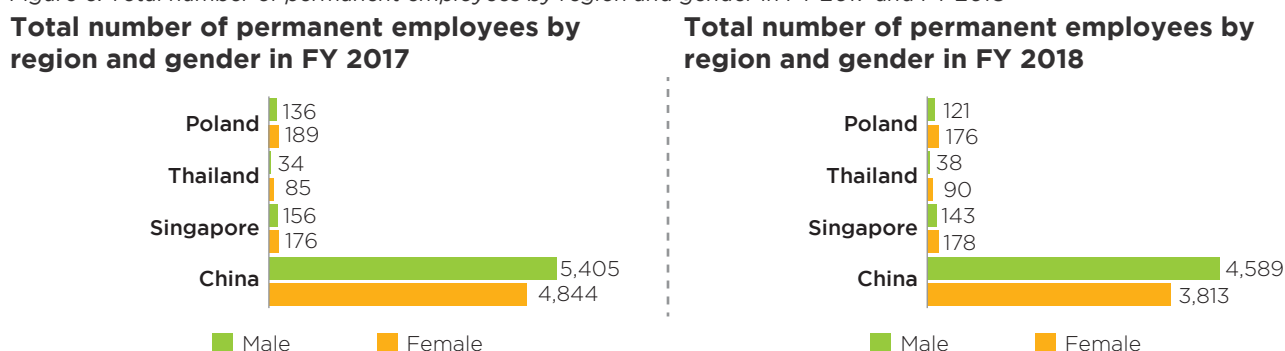
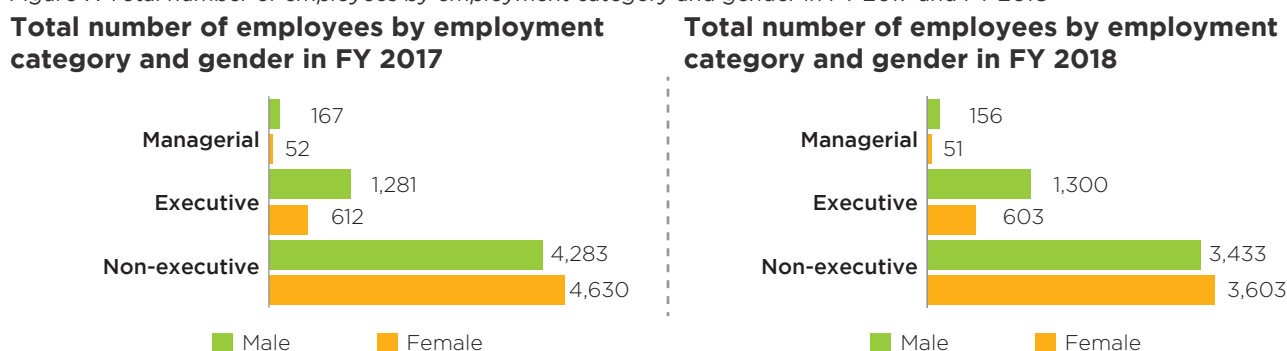


Figure 7: Total number of employees by employment category and gender in FY 2017 and FY 2018



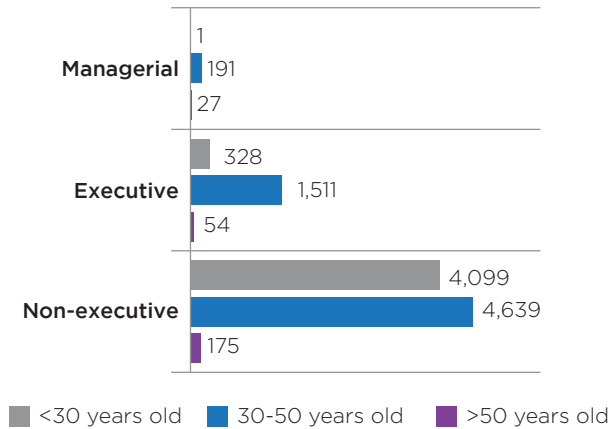
¹ Subcontract workers in Hi-P are regarded as non-employees engaged from employment agencies to perform line operator duties. Non-employees refer to individuals who do not have employment relationship with the organisation, according to national law or its application, but whose work and/or workplace is controlled by the organisation.

² Restatement of number of employees in FY 2017 as subcontract workers who are previously regarded as fixed-term employees are now regarded as non-employees.

³ Restatement of number of employees in FY 2017 as subcontract workers that are previously regarded as fixed-term employees are now regarded as non-employees. All subcontract workers are outsourced from external agencies and hence regarded as non-employees.

Figure 8: Total number of employees by employment category and age group in FY 2017 and FY 2018

Total number of employees by employment category and age group in FY 2017



Total number of employees by employment category and age group in FY 2018

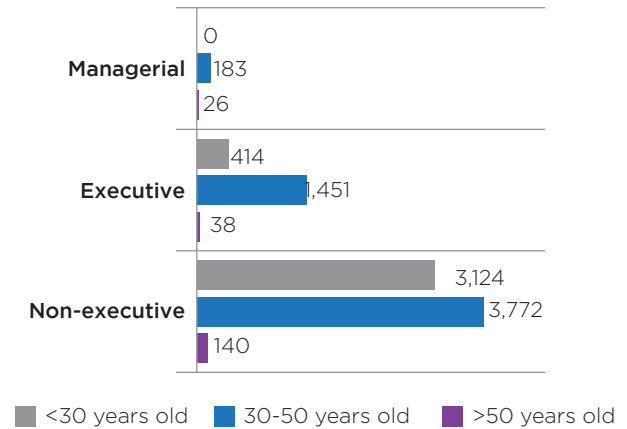
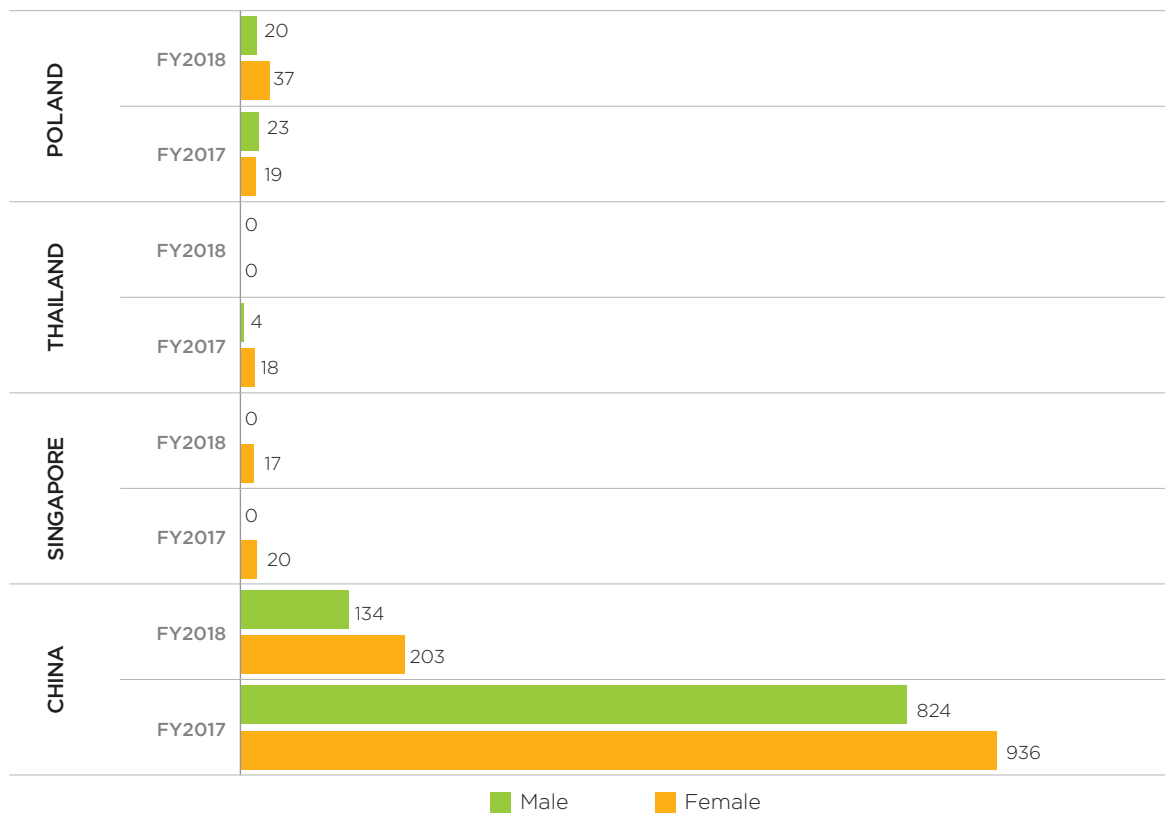


Figure 9: Total number of subcontract workers⁴ by gender and region in FY 2017 and FY 2018

Total number of non-employees by gender and region



⁴ Subcontract workers in Hi-P are regarded as non-employees engaged from employment agencies to perform line operator duties.

TRAINING AND EDUCATION

Our Approach

Hi-P believes that the investment of human capital is integral to the capability of our workforce and eventually the long-term success of our business. We ensure that our employees undergo proper training to be equipped with the necessary skills for their job function. To inculcate Hi-P's core values and a unique corporate culture, Hi-P has in place the Compulsory Courses Implementation Policy and Fresh Graduates Management Policy. The Training and Development (T&D) team as well as the Human Resource Vice President work with the site General Managers (GMs) and site T&D teams to enhance and roll-out the policies. In addition, we have allocated 0.5% of our total basic salary to train all factory workers, and increased the number of dedicated staff in the Corporate T&D Team from two to four.

Our training procedures are listed in the table below.

Training Procedures

- Training and Development Procedure
- New Employee Orientation Procedure
- Operator Certification Procedure
- Technical Training and Development Procedure
- External Training Management Procedure
- Internal Trainer Selection and Management Procedure
- Compulsory Courses Implementation Procedure
- Fresh Graduates (FG) Management Procedure
- Training Budget Management Procedure

To align with our Training Needs Analysis (TNA) across our roles and functions within Hi-P, the Training Matrix initiative was developed to cater training programmes for individual positions to allow employees to fit into their roles more effectively. The "Hi-Potential" talent programme was also developed to develop the fullness of their potential. For our fresh graduates, Hi-P has customised training programmes to help them better integrate into Hi-P's working culture. Last but not the least, our Line-Leader certification programme aims to help potential leaders of Hi-P to become frontline leaders after undergoing rigorous theoretical and practical trainings.

To ensure that we are close to the ground with our employees, Hi-P has established platforms for employees to submit their feedback on the training. Our training courses feedback table allows employees to provide feedback on the trainer at the end of the training programme. Hi-P's management personnel also attends training programmes to observe and provide feedback on improvement areas.

Perpetual Target	Performance for FY 2018
All staff to undergo mandatory training of at least 3 hr/year, focusing on EHS, security and culture	Achieved
Managerial level and above to undergo Hi-P Management Tools and Philosophy training annually	Achieved
Technician to undergo a dedicated three months technical training once on-board Hi-P	Achieved
Operator to undergo Operator Certification Programme (OCP) (theoretical and practical training) within 1 month after on-boarding Hi-P, and to be retrained every year	Achieved

Together with our site and corporate HR training teams, our customers evaluate our approach to training and education. This helps ensure that our trainings always remain relevant and useful to develop our human capital to the fullest.

Case Study 1: Hi-P Management Training

As we take pride in our core values and culture, our annual training programme “Hi-P Management” aligns our management tools training with our culture and philosophy. The objective of this training is to equip our employees of managerial level and above with the skills required for enhancing work productivity and effectiveness. Some of these management tools include – Operations Management Information System (OMIS), Quantified Scale of Economies Management (QSEM), Combined Roll Out Yield (CROY), Loading x Utilisation x Productivity (LUP), Organic Management System (OMS) and Salary Management System (SMS). These tools are aligned with Hi-P Culture, Purpose Oriented, Matrix Approaches, Should be Concept, Hi-P Discipline and Rewards to Contribution philosophies respectively.

Case Study 2: Corporate Induction Programme and Refresher Training

For employees below managerial level, we have trainings such as the corporate induction programme and refresher training where Hi-P’s values and culture are communicated clearly to employees. Our corporate induction programme focuses on internal team building to inculcate the team spirit culture of Hi-P, as shown below.

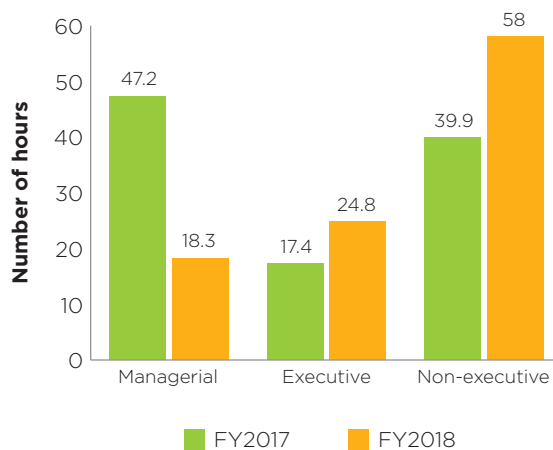


Performance

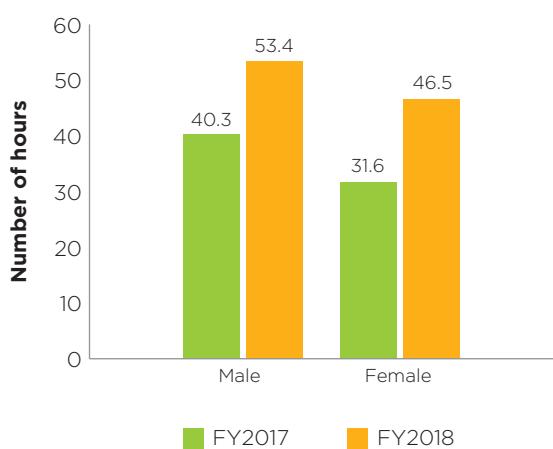
In FY 2018, our average training hours per employee is 50.2 hours, an increase from 36.1 hours per employee in FY 2017⁵.

Figure 10: Average hours of training by employee category and gender in FY 2017⁶ and FY 2018.

Average Hours of Training by Employee Category



Average Hours of Training by Gender



⁵ Restatement of FY 2017 training hours due to a restatement in number of employees in FY 2017.

⁶ Restatement of FY 2017 training hours due to a restatement in number of employees in FY 2017.

OCCUPATIONAL HEALTH AND SAFETY

Our Approach

In aligning with our culture of being people-oriented, Hi-P strives to safeguard the interests of our employees and workers by providing them with a safe and secure working environment. We are committed to be compliant with the relevant laws and regulations applicable to Hi-P and the continual improvement of our safety system. This is guided by Hi-P's Environment, Health, Safety (EHS) Policy.

1. Compliance with applicable laws and regulations
<ul style="list-style-type: none"> Implementing systems, programmes and measures to ensure compliance with all applicable laws and regulations.
2. Minimise risks to the environment
<ul style="list-style-type: none"> Control emissions and minimise waste arising from its operations; design, operate and maintain facilities to this end.
3. Emphasis on preventive measures
<ul style="list-style-type: none"> We firmly believe that all industrial accidents and occupational diseases are preventable. We will strive continuously to improve via identifying and managing safety and health risks associated with its activities.
4. Continuous improvement
<ul style="list-style-type: none"> Undertaking appropriate reviews and evaluation of its performance in the areas of EHS to identify opportunities for continuous improvement.
5. Staff awareness
<ul style="list-style-type: none"> Improve EHS awareness of company personnel and others involved in its operations through regular communication and training.

Hi-P has been certified OHSAS 18001:2007 Occupational Health and Safety for all factories under Hi-P's control. Our standard operating procedures under this management system includes working-at-height, confined space and hot work etc., which are communicated to all relevant employees of Hi-P during the annual safety management training which focuses on safety awareness as well as emergency reporting process. Daily toolbox meetings are also held to communicate safety rules to employees and workers daily to ensure employees are reminded of the safety procedures required of them. Hi-P also provides female employees with free medical health examination once every two years, and free health screening on an ad-hoc basis for employees who wish to have their health checked. In addition, we hold yearly occupational health examinations, and based on the safety hazard analysis, employees who are deemed to have high risk of occupational diseases are provided annual check-ups at the hospital.

In our collation of incident reporting, every factory under Hi-P's control is to submit their monthly incident report to headquarters, which includes employee improvement suggestions from the frontline and our long-term suppliers' feedback.

PEOPLE

Target for FY 2018	Performance for FY 2018	Target for FY 2019
To achieve lost day rate of 0.06 and below per 200,000 manhours worked	Achieved	To achieve lost day rate of 0.05 and below per 200,000 manhours worked
Zero fire accident	Achieved	Zero fire accident
Zero cases of occupational disease	Achieved	Zero cases of occupational disease

In evaluating our EHS performance, Hi-P carries out internal audits as well as external audits twice a year on all our factories on our OHSAS 18001:2007 Occupational Health and Safety Management System. Most of our non-conformities have been corrected and resolved while the remaining are still undergoing corrective actions.

Case Study 1: Safety Production Month

Our safety promotion activities during the safety production month involves the signature commitment activity, where employees can voluntarily sign on the safety banner to indicate their support on safety awareness. The problem identification games also allow employees to practice making the right judgement during emergencies. Moreover, traffic safety demonstrations are also held to increase safety awareness on traffic rules among our employees. To remind workers on these safety issues, our safety promotional video is broadcasted in the cafeteria and workshop televisions.



Case Study 2: Vehicle Helmet Safety Supervision

In China, road safety is a major concern. Hence, we organised a vehicle helmet safety supervision during the entire month of March 2018 to provide safety reminders of riding motorcycles safely and to use safety helmets. The event is held at our carpark, where approximately 50 employees from different departments (i.e. safety supervisors, security guards, and human resource employees etc.) took turns to conduct the supervision. Safety videos are also broadcasted on our televisions around the factories to remind our employees on the use of safety helmets.



Case Study 3: Fire Safety Month



- 1) In the month of creating awareness for fire safety, we hold fire drills and during the course of the drill, we place an on-site banner to warn people from obstructing the emergency exit to ensure a smooth evacuation passage.



- 2) In addition, we organise game stations for employees relating to firefighting. The first station consists of a picture game where employees have to identify the names of the firefighting equipment.



- 3) The second station requires employees to identify the hidden dangers of fire safety in the pictures shown to them.



- 4) The last station requires employees to act out the firefighting scenario with the equipment and materials they need to put out the 'fire'. Videos of firefighting and emergency guidelines are continuously broadcasted on the televisions present in the canteen.

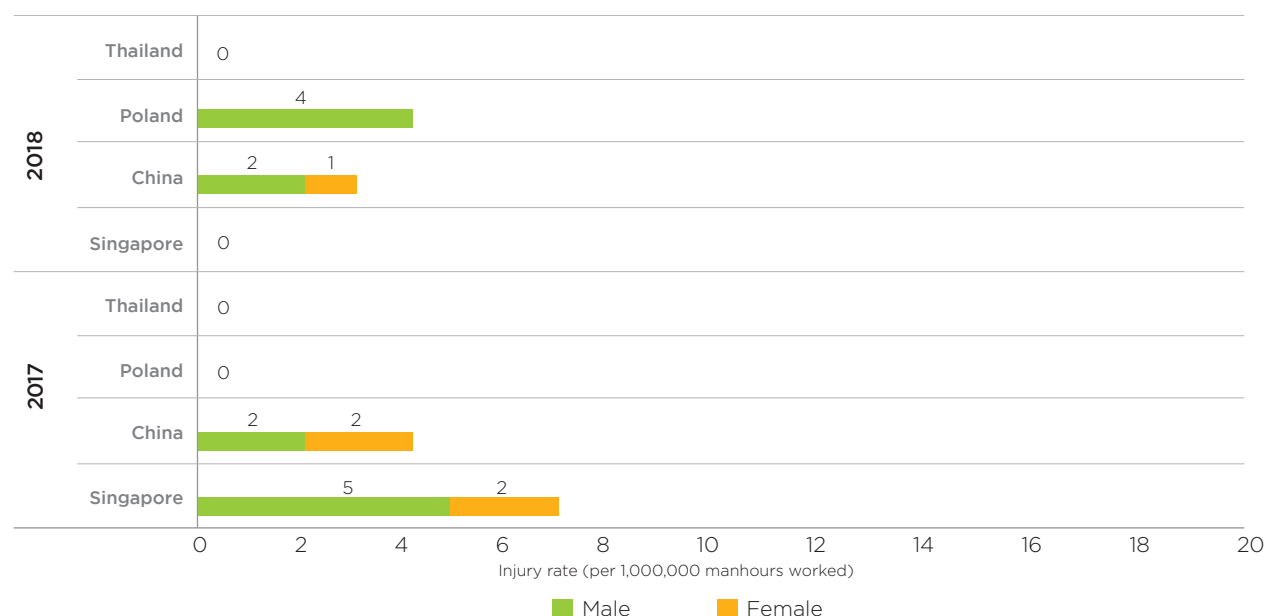
Performance

In FY 2018, we have achieved a lower injury rate for our employees from 1.91⁷ in FY 2017 to 1.42 in FY 2018. Despite our best efforts, we sustained 3 injury cases (2 male, 1 female) among our subcontract workers⁸ in China, up from 1 case the year before. This gives rise to an injury rate of 8 for male subcontract workers and 2 for female subcontract workers in FY 2018.

These injuries include factory work-related accidents or injuries due to traffic accidents. Hi-P takes a serious view of all injuries, putting in place proper corrective actions. We also constantly remind our employees on traffic safety by conducting safety awareness on traffic rules.

Figure 11: Employee injury rate by gender and region⁹

Employee injury rate by gender and region



⁷ Total injury rate for FY 2017 has been restated as subcontract workers are now considered as non-employees in this report, and basis for calculation of injury rate is per 1,000,000 manhours worked instead of per 100,000 employed persons, in accordance with the International Labour Organisation's standards.

⁸ Subcontract workers in Hi-P are regarded as non-employees engaged from employment agencies to perform line operator duties.

⁹ Injury rate for FY 2017 has been restated as subcontract workers are regarded as non-employees in this report, and basis for calculation of injury rate has been revised to per 1,000,000 manhours worked instead of per 100,000 employed persons.

Figure 12: Employee lost day rate by gender and region¹⁰

Employee lost day rate by gender and region

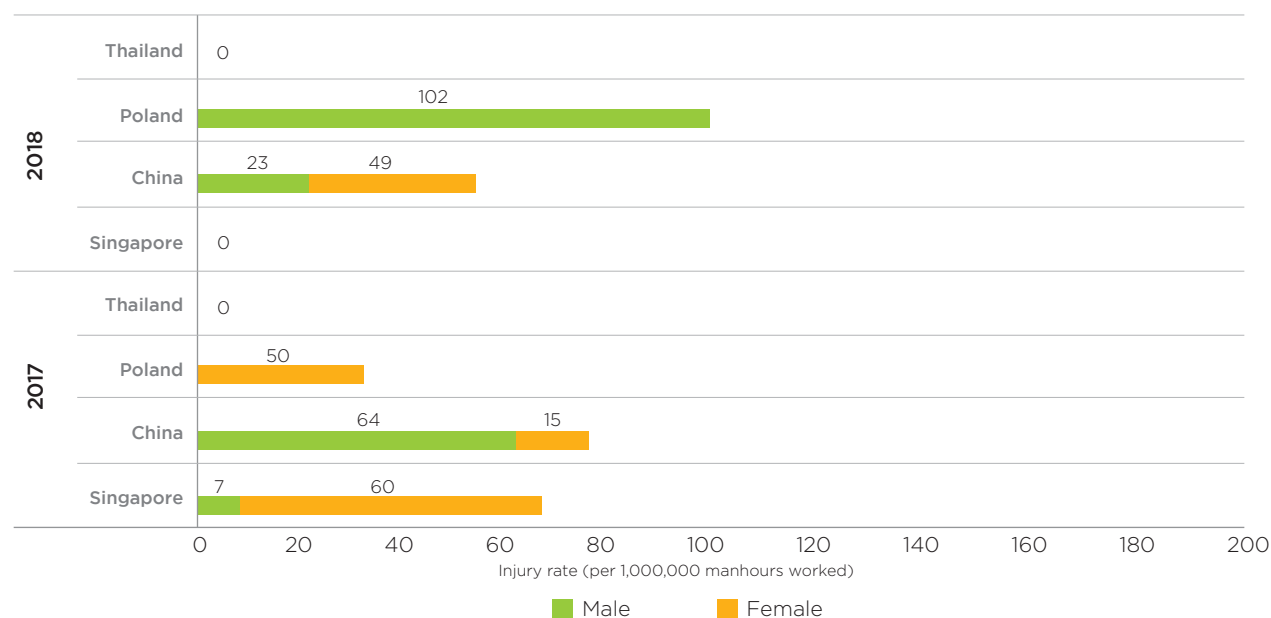
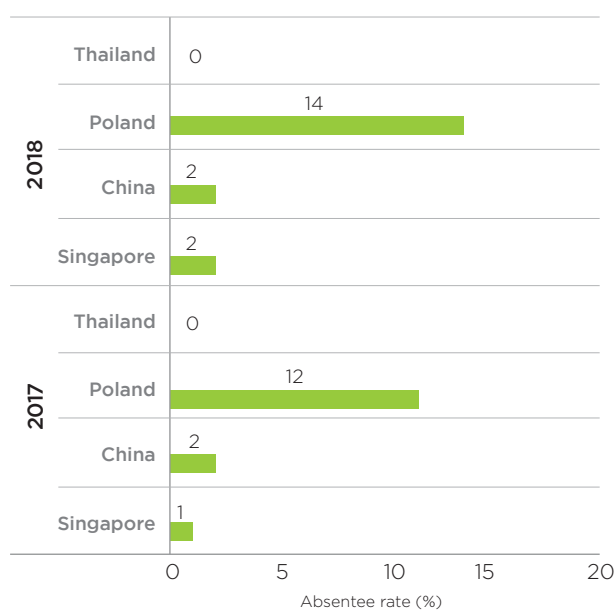
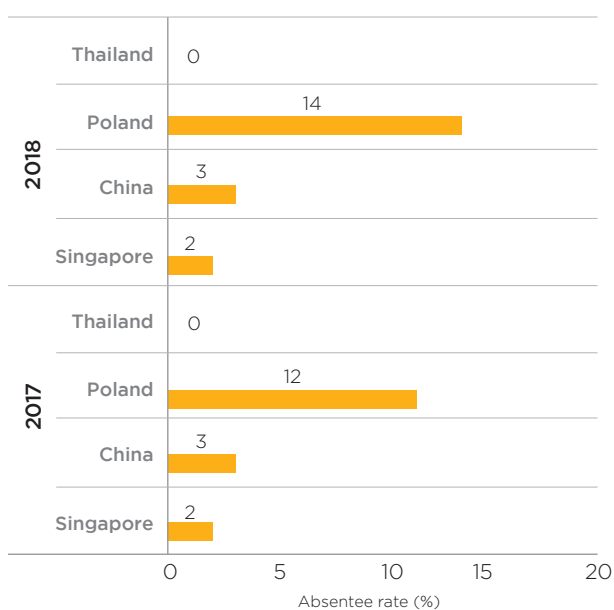


Figure 13: Employee absentee rate by gender and region¹¹

Male employee absentee rate by region



Female employee absentee rate by region



¹⁰ Lost day rate for FY 2017 has been restated as subcontract workers are regarded as non-employees in this report, and basis for calculation of lost day rate has been revised to per 1,000,000 manhours worked instead of per 200,000 working hours.

¹¹ Absentee rate for FY 2017 has been restated as subcontract workers are regarded as non-employees in this report, and calculation of absentee rate is the measure of actual absentee days lost, expressed as a percentage of total days scheduled to be worked by workers for the same period, as defined by GRI Standards.

ENERGY CONSUMPTION

Our Approach

We are conscious that the nature of our manufacturing operations consumes a large amount of energy. Hence at Hi-P, we strive to be a responsible corporate that improves our manufacturing capabilities continuously to increase our energy efficiency and lower our energy consumption.

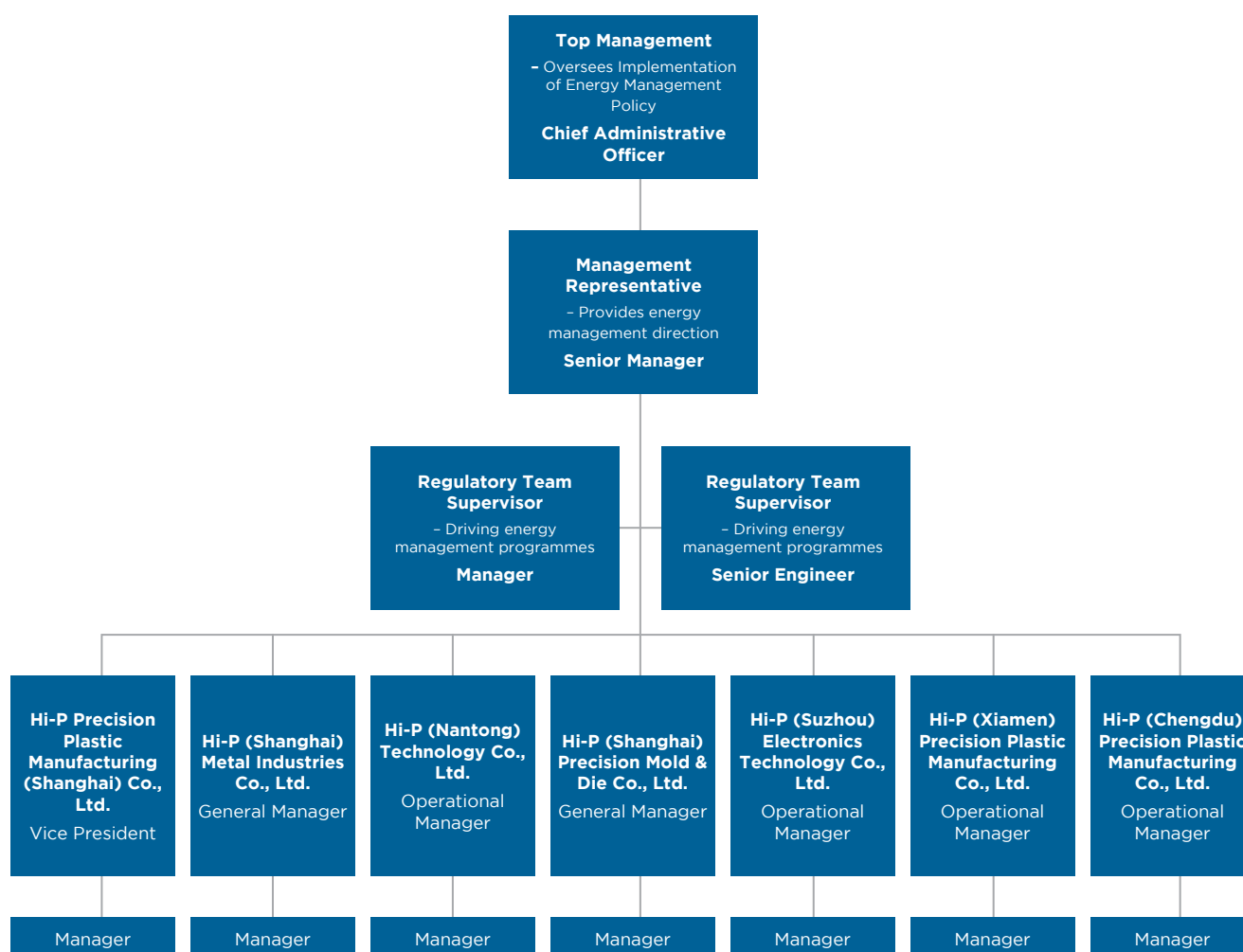
Our energy management policy sets out the guidelines for the handling of energy usage at Hi-P, as shown below.

At Hi-P, we are committed to:

- 1) Implement effective energy management systems, develop, and periodically review the energy target indicators, as well as continually improve the system.
- 2) Comply with local energy laws and regulations, as well as other requirements.
- 3) Ensure energy management systems are established, implemented, maintained and continuously improved in accordance with the requirements of this standard, and that energy-efficient materials, facilities, installations and process technologies are gradually adopted.
- 4) Ensure effective energy management activities are planned.
- 5) To carry out energy conservation and consumption reduction awareness events for all employees on waste recycling and striving to minimise resource consumption.
- 6) This policy is communicated to all employees and raises awareness of energy conservation among all employees through education and training.

ENVIRONMENT

Figure 14: Hi-P's Energy Management Team



In July 2018, Hi-P officially started the preliminary construction of our ISO 50001 Energy Management System (“EMS”), an international framework that establishes the structure in implementing technical and management strategies which helps organisations to cut energy costs and consequently reduce greenhouse gas emissions.

Hi-P is committed to reducing our electricity consumption through the implementation of our energy management system as well as energy management initiatives and programmes in reducing our overall energy consumption. As a responsible corporate, we also work towards reducing fuel consumption by implementing more fuel reduction initiatives in the years to come.

Target for FY 2019

To reduce total energy consumption intensity to 0.57 TJ/\$million and below, with FY 2018 as baseline

As Hi-P is still in the process of implementing the ISO 50001, our internal audit system is still in the process of development. However, we will be looking at obtaining external audit in future.

Figure 15: Procedure of Hi-P's Energy Management System



In 2018, all Hi-P's factories have converted their lightings to LED to reduce energy consumption and improve energy efficiency.

The energy savings shown below is estimated by a sample area with 664 LED lights.

Electricity bill saved per year	Service life	Electricity bill saved in total	Expenses	Net Savings
50,133 RMB	5 Years	250,663 RMB	40,379 RMB	210,284 RMB

Our factory in Shanghai has also phased out the electric generators, and have replaced them with more energy efficient ones. Moreover, our factory in Nantong has inbuilt additional capabilities in our chillers to improve their energy efficiency.

Case Study: Retrofitting of chillers

Why is it important?

Problems with the old chiller:

- The water chilling system is exposed to air, which accumulates a lot of germs and mineral deposition, thus reduces the energy efficiency of the chiller.
- The system requires regular maintenance. As part of the maintenance process, we will be dismantling parts of the chiller and this will shorten the chiller's service life.

What we have done?

Installation of Automatic Cleaning System

Results

- The energy efficiency of the chiller is improved by 5.2%-6.8%.
- The chiller maintains working at the status of its highest efficiency.
- Cleaning process does not interrupt the chiller's operation and cleaning frequency can be adjusted according to the quality of water.

Figure 16: Chiller with Automatic Cleaning System installed



Estimated energy conserved for 18 chillers

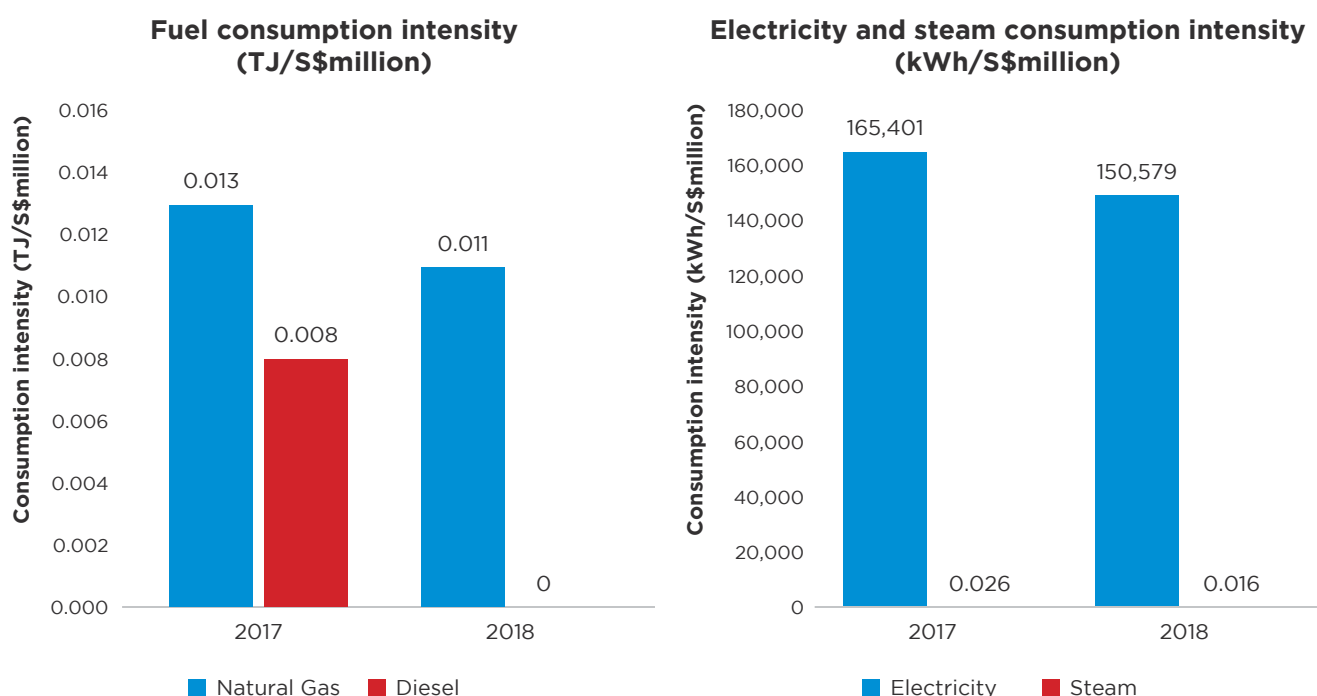
= 7,567kW x 5% x 24hrs x 200days

= 1,816 MWh

Performance

The total energy intensity within Hi-P, which consists of fuel, electricity and steam consumption, has decreased from 0.71 TJ/S\$million in FY 2017¹² to 0.60 TJ/S\$million in FY 2018. The difference in fuel consumption intensity in FY 2018 was due to the absence of power generator usage, while the decrease in electrical consumption intensity in FY 2018 was mainly due to the restructuring of our factories in Suzhou, China, where one of our factories has been divested.

Figure 17: Energy intensity for fuel, electricity and steam consumption



¹² Restatement of energy intensity due to a change in denominator from Group's revenue in RMB to SGD.

ENVIRONMENT

GREENHOUSE GAS EMISSIONS

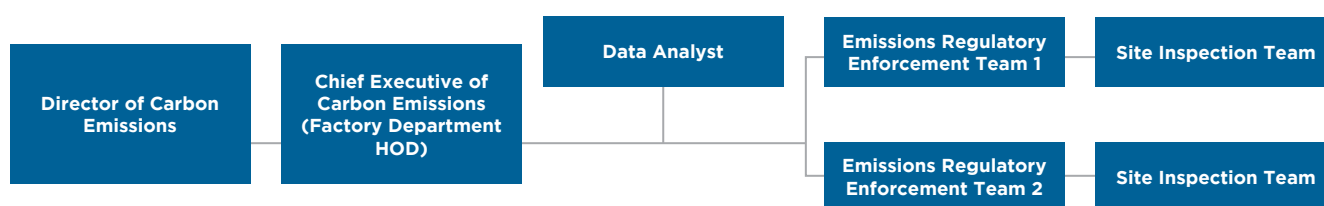
Our Approach

Hi-P recognises that our energy intensive manufacturing activities correlates with the greenhouse gas (“GHG”) released into the environment. In order to protect our environment and maintain our reputation as a responsible organisation, we are committed to reduce our greenhouse gas emissions through emissions reduction mechanisms and comply with the laws and regulations applicable to Hi-P.

As most of Hi-P’s operations are in China, our emissions are heavily regulated by the authorities, where the Emissions Trading System (“ETS”) is adopted.

To manage our control of emissions, Hi-P has a designated emissions management team that manages emissions at our significant operations, in compliance with local laws, as shown in Figure 18 below.

Figure 18: Emissions Management Team



Target for FY 2018	Performance for FY 2018	Target for FY 2019
To reduce total emissions by 5% (approximately 9600 tonnes CO ₂), using FY 2017 as baseline	Achieved	To reduce total emissions by 5% (approximately 8500 tonnes CO ₂), using FY 2018 as baseline

Some of our emissions reduction initiatives include converting our company transport buses from normal diesel buses to electric buses which has a greener footprint.

As our operations are governed under the Shanghai ETS, our emissions are audited internally and externally annually, through the MRV system – Monitoring, Reporting and Verification.

Performance

In FY 2018, our scope 1 emissions decreased significantly by 57% due to the absence of diesel oil usage, as shown in Figure 19. In addition, there was a 11% reduction of scope 2 emissions due to a significant reduction of electricity consumption in China. Overall, our total GHG emissions decreased by 22,858 tonnes CO₂, or 11.8% from FY 2017.

Figure 19: Total greenhouse gas emissions (Scope 1)¹³

Total Greenhouse Gas Emissions (Scope 1)

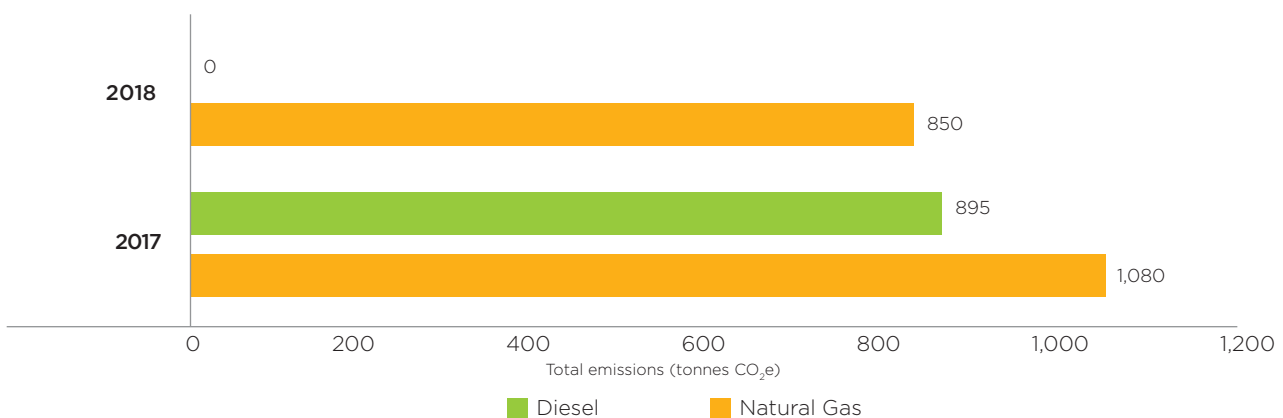
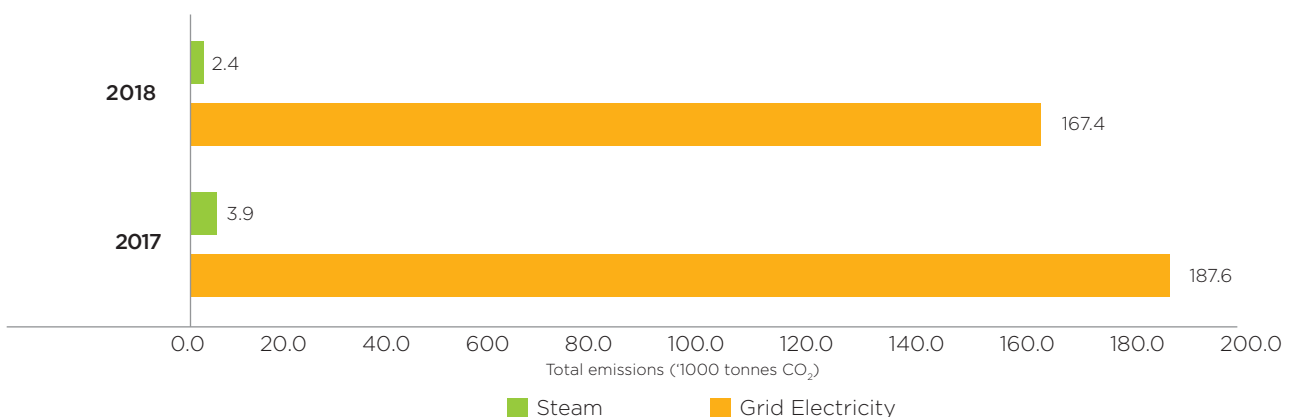


Figure 20: Total greenhouse gas emissions (Scope 2)¹⁴

Total Greenhouse Gas Emissions (Scope 2)



¹³ GHG emissions are calculated following the requirements and principles of ISO 14064-1 and Greenhouse Gas Protocol. GHG included in SR 2017's calculation is CO₂ only. Scope 1 emission factors are sourced from 2006 IPCC Guidelines for National Greenhouse Gas Inventories. Restatement of Scope 1 emissions in SR 2018 due to higher accuracy in calculation, where the total GHG emissions used is CO₂ equivalent, which includes CH₄ and N₂O, in addition to CO₂.

¹⁴ Scope 2 grid electricity emission factors are sourced from Singapore Energy Market Authority 11 July 2018, 2017 Baseline Emission Factors for Regional Power Grids in China (Ministry of Ecology and Environment of the People's Republic of China), and Covenant of Mayors (CoM) Default Emission Factors for the Member States of the European Union (Dataset Version 2017). Scope 2 steam energy emission factor is obtained from 2006 IPCC Guidelines for National Greenhouse Gas Inventories for coal emission factor, with the assumption of 90% thermal efficiency for steam generation according to the steam energy supplier.

CONTRIBUTION TO LOCAL COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY

Our Approach

As a corporation that works towards building a sustainable business, Hi-P is grateful for all the support received from stakeholders and strives to give back to society through engaging in activities that benefits local communities.

The Group has in total donated S\$466,000 in cash to local communities in FY 2018. As a result of our community activities, many locals have benefitted through our programmes, as presented in our case studies below.

Case Study 1: Love our communities, promote our traditional values

In November 2018, our employees from Hi-P (Shanghai) Housing Appliance Co. Ltd. visited the elderly in nursing homes during traditional festivals. Our Human Resource Managers and the union presidents lead employees and their families in the participation of these activities, which is an annual affair. Our activities include communicating with the elderly, performing interactive programmes, celebrating birthdays and presenting gifts for the elderly.

In line with Hi-P's spirit of "One for all, all for one.", our active participation in community activities is one of our key corporate social responsibilities. We are committed to establishing a good corporate image, as well as using our positive energy to influence others and promote our traditional virtue culture.



CONTRIBUTION TO LOCAL COMMUNITY

Case Study 2: A visit to Guangci Welfare House

On 1 July 2018, our employees brought groceries for the handicapped children at Guangci Welfare House, in Fengxian district, Shanghai. We invited them to bake biscuits together and interacted with them to get to know them better. It is through visits like these that we are able to contribute to the society, and to foster a spirit of respecting the old and loving the young among our employees.



Case Study 3: Children's day in orphanage

To encourage our employees in caring for the underprivileged, Hi-P organised volunteering activities in Xuanqiao town orphanage on Children's Day, 1 June 2018. The volunteers brought toys, snacks and stationery for the children and spent precious time with them playing games and reading. Through the event, we have created a fun-filled and meaningful event for the children at the orphanage.



CONTRIBUTION TO LOCAL COMMUNITY

Case study 4: Reconstruction of Bao Rong temple

For several months during autumn in 2018, our employees volunteered to help Bao Rong Temple with its reconstruction work. We believe that happiness lies in rendering help to others. As such, Hi-P wishes to promote this positive spirit among employees so that they will take their own initiative in helping others.



Case study 5: Thank you, firefighters!

During the hot summer in Shanghai, it is the peak season where fires occur, requiring firefighters to sacrifice their own safety in order to protect civilians. To express our appreciation, Hi-P organised a visit to Zhuqiao Fire Station to present them summer welfare packs. At the fire station, our employees learned about the firefighters' daily lives, from the basic knowledge of a fire truck to first aid and emergency response. It is through this experience that our employees learn more about firefighting as well as appreciate the hard work of firefighters.



GRI

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102-3	Location of headquarters	Introduction: About Hi-P International Limited	4
102-4	Location of operations	Introduction: About Hi-P International Limited	4
102-5	Ownership and legal form	Introduction: About Hi-P International Limited	4
102-6	Markets served	Introduction: About Hi-P International Limited	4
102-7	Scale of the organisation	Introduction: About Hi-P International Limited	4
102-8	Information on employees and other workers	People: Hi-P's Workforce Profile	22-23
102-9	Supply chain	Economic: Economic Performance	19
102-10	Significant changes to the organisation and its supply chain	About This Report	3
102-11	Precautionary Principle or approach	Refer to Corporate Governance Section in Annual Report 2018	8-28
102-12	External initiatives	Hi-P does not subscribe to any external initiatives	
102-13	Membership of associations	Introduction: Membership of Associations	9
Strategy			
102-14	Statement from senior decision-maker	Board Statement	10
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	Governance: Anti-Corruption	16-18
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102-18	Governance structure	Our Sustainability Approach: Sustainability at Hi-P	12
Stakeholder engagement			
102-40	List of stakeholder groups	Our Sustainability Approach: Stakeholder Engagement	13
102-41	Collective bargaining agreements	More than 90% of our employees are union members which could cover negotiations with management	

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102-46	Defining report content and topic Boundaries	Introduction: About This Report	3
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102-48	Restatements of information	People: <ul style="list-style-type: none"> • Hi-P's Workforce Profile • Training and Education • Occupational Health and Safety Environment: <ul style="list-style-type: none"> • Energy Consumption • Greenhouse Gas Emission 	22-39
102-49	Changes in reporting	Introduction: About This Report	3
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102-52	Reporting cycle	Introduction: About This Report	3
102-53	Contact point for questions regarding the report	Introduction: About This Report	3
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103-3	Evaluation of the management approach	Governance: Anti-Corruption	16-18
205-2	Communication and training about anti-corruption policies and procedures	Governance: Anti-Corruption	16-18
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GRI 302: Energy			
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103-3	Evaluation of the management approach	Environment: Energy Consumption	33-37
302-3	Energy intensity	Environment: Energy Consumption	33-37
GRI 305: Emissions			
103-1	Explanation of the material topic and its Boundary	Our Sustainability Approach: Materiality Review	14-15
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403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	People: Occupational Health & Safety	27-32
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