

CREATE SUSTAINABLE VALUE

Sustainability Statement

This is the fourth consecutive year that the Group is reporting on sustainability performance. We believe that to grow our businesses in a sustainable manner, the commitment and involvement by our shareholders, directors, management, staff, customers, suppliers and communities are very important.

Therefore, we continue to work together with each of our stakeholders to achieve company business goals and contribute positively to the environment, economy and social system we live in.

REPORTING PERIOD

This statement covers the period for financial year from 1 July 2020 to 30 June 2021 (FY21).

ORGANISATIONAL BOUNDARY

This statement covers the following businesses in its scope:

Name of business	Location of operations	Referred to as in this statement
Carsem (M) Sdn Bhd	Ipoh, Malaysia	Carsem M
Carsem Semiconductor (Suzhou) Co., Ltd	Suzhou, China	Carsem SZ
Dynacraft Industries Sdn Bhd	Penang, Malaysia	DCI

FRAMEWORK AND STANDARDS

The preparation of this statement has been guided by the GRI sustainability reporting guidelines, and has incorporated elements of the Responsible Business Alliance (“RBA”) and the relevant & applicable ESG criteria of FTSE4Good Bursa Malaysia Index.



CONTRIBUTION TO THE UN SDGs

The United Nations (“UN”) Sustainable Development Goals (“SDGs”) are a set of 17 goals focusing on achieving the 2030 Agenda for Sustainable Development. In line with our vision & mission, as a globally recognized leading organization, MPI is well positioned to contribute to and support the UN Sustainability Development Goals.

MPI ensures a safe, healthy and non-discriminatory workplace environment that provides a strong sense of belonging and being valued & respect to everyone - our employees, our customers, business partners and suppliers. We offer equal employment opportunities to everyone, irrespective of factors such as gender, ethnicity, nationality, etc. in line with global standards. We embrace innovation and technology development that continues to drive our businesses forward in our ongoing Industry 4.0 journey. In doing so, we take necessary steps in our businesses as well as across our value chain, to manage our environmental and social impacts in a progressive manner.

SUSTAINABILITY STATEMENT

(cont'd.)

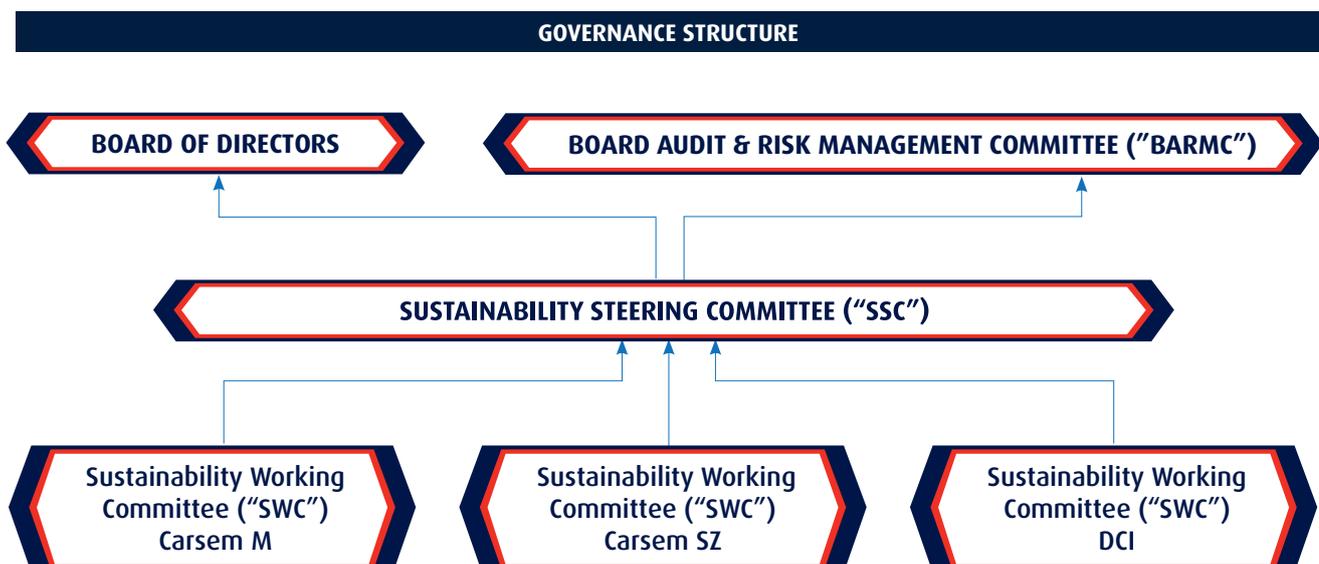
SUSTAINABILITY APPROACH

Sustainability Governance Structure

Our commitment to sustainability comes from the very top of our organization. Accountability for best practices of sustainability is in the hands of our Board of Directors which provides guidance on key business, social and environmental issues.

Our sustainability governance structure comprises the Board of Directors as the highest governing body and they play a critical role in approving sustainability and risk management framework and in deliberating on reports from the Board Audit and Risk Management Committee ("BARMC") on sustainability and risk governance issues. Led by the Group Managing Director ("GMD"), the Sustainability Steering Committee ("SSC"), acts as a bridge between the Board of Directors, BARMC, and the operating companies ("OC") which are supported by their respective Sustainability Working Committees ("SWC").

Three groups of working committees from each OC are organised according to the identified sustainability themes, and the aspects of SR based on the Global Reporting Initiative ("GRI") G4 sustainability standards. This structure enables us to continue to add value to our stakeholders in all aspects of our businesses. The teams integrate sustainability into the business strategy on a daily basis and also facilitate the Group's sustainability-related work with government and non-governmental organizations ("NGOs"), universities, technology and industry leaders. These collaborations enable us to implement sustainability best practices in areas such as product innovation, employee engagement, operations, supply chain and advocacy. MPI is committed to maintaining sound corporate governance, continuously practicing good ethics in all areas of our businesses, and complying with all laws and applicable regulations where we operate.



SUSTAINABILITY STATEMENT (cont'd.)

STAKEHOLDER ENGAGEMENT

Engaging with businesses, organizations, and people that have a stake in our business, and share our vision & commitment to sustainable future is critical to our success. Holistic and consistent stakeholder engagement strengthens our relationships and enables better decision making and delivery on our commitments.

We consider what is meaningful and valuable for our stakeholders when developing strategies, introducing new products or technologies, and setting goals to manage the social and environmental impacts of our operations. This requires a deep understanding of the needs and expectations of our stakeholders.

In order to maximize the impact of our employee/ community programs, we strive for long-term partnerships with government authorities, non-governmental organizations, customers, suppliers and other stakeholders. For instance, in the current context, we collaborated closely with the relevant government authorities as well as other parties to implement COVID-19 vaccination programs for our employees at Carsem SZ and Carsem M.

We have setup a methodical approach to assess, prioritise, and engage with our stakeholders to ensure that we have identified & considered all the relevant stakeholders to further our sustainability approach, our business strategy, thereby, realizing our Vision and Mission.

Prioritization

Our stakeholders are identified, assessed and prioritized by gauging their dynamics with our businesses and/or operations on two dimensions:

- dependence of stakeholder on the business or operations; and
- influence of stakeholder on the business or operations.

This process involves key personnel from the business and operations who frequently engage with our stakeholders. Typically, we review stakeholder prioritization on an annual basis. In FY21, no material changes were observed in our main stakeholder groups. We leverage multiple ways of engaging with our stakeholders that differ in the extent of engagement, depending on the specific areas being covered & addressed.

Wherever possible, we take necessary steps to ensure an open, accommodating and encouraging environment for all our stakeholders to share with us their focus areas of interest, and concerns. Our stakeholders can utilize many engagement channels to share their feedback, comments, concerns and views. These include Whistleblowing channel to submit grievances, confidentially & anonymously, or "e-feedback intranet portal" / "open door policy" for employees.

SUSTAINABILITY STATEMENT

(cont'd.)

Below table spells out our key stakeholder groups, relevant engagement channels, and their concerns and interests.

	AREAS OF INTEREST/ CONCERN	ENGAGEMENT CHANNELS
 <p>Employees</p>	<ul style="list-style-type: none"> • Safeguarding of human rights, health & safety, and a humane & respectful workplace environment • 'Caring & empathetic' culture, especially during this difficult pandemic • Fair remuneration practices, with competitive compensation & benefits • Opportunities for healthy career growth, upskilling, and learning & development • Appropriate management and disposal of hazardous waste 	<ul style="list-style-type: none"> • Employee engagement survey • Communication sessions, including on financial & operational updates • Recreational events • Training • Annual performance evaluation sessions • Reward & recognition program • Scholarship/ academic excellence award • Employee union representative • 'Open door' feedback
 <p>Shareholders/ investors</p>	<ul style="list-style-type: none"> • Healthy & consistent business growth, including business expansion 	<ul style="list-style-type: none"> • Annual General Meeting • Corporate affair correspondence • Investor briefing • Ad-hoc meetings • Quarterly announcements/ meetings
 <p>Suppliers/ business partners</p>	<ul style="list-style-type: none"> • Competitive prices • Fair contract practices • Continuity of business • Quality of parts/ services/ materials • Labor practices – freely chosen labor, fair wages, non-discrimination, etc. • Responsible mineral initiative 	<ul style="list-style-type: none"> • Audits & survey • Vendor registration • Technical roadshow • Supplier's rating • Ad-hoc meetings, briefings (mostly online in FY21)
 <p>Customers</p>	<ul style="list-style-type: none"> • Quality & reliable products & services with assurances • Competitive prices • On-time reliable delivery • RBA compliant operations • Uphold labor rights & standards, health & safety, respect for human rights • Compliance with local and international regulations – e.g. RoHS • New product & technology development & collaborations 	<ul style="list-style-type: none"> • Audit & survey • Ad-hoc meetings (mostly online in FY21) • Trade roadshows convention • Technical seminar (mostly online in FY21)
 <p>Regulators</p>	<ul style="list-style-type: none"> • Adherence to relevant laws & regulations • Corporate governance and compliances 	<ul style="list-style-type: none"> • On-site inspection • Correspondence on regulations • Dialogue

SUSTAINABILITY STATEMENT

(cont'd.)

Below table spells out our key stakeholder groups, relevant engagement channels, and their concerns and interests. (continued)

	AREAS OF INTEREST/ CONCERN	ENGAGEMENT CHANNELS
 <p>Local community</p>	<ul style="list-style-type: none"> • Donations • Health, safety and environmental initiatives • Volunteering projects 	<ul style="list-style-type: none"> • Site visit • Corporate Social Responsibility event • Volunteering programs
 <p>In-house unions</p>	<ul style="list-style-type: none"> • Employee's rights • Employee welfare provided by MPI • Maintaining harmonious relationship between management and employee • Ensuring discipline, and top levels of productivity & efficiency • Proper resolution of grievances & misunderstandings 	<ul style="list-style-type: none"> • Formal union meetings • Ad-hoc meetings
 <p>Analysts/ rating agencies</p>	<ul style="list-style-type: none"> • Fair financial reporting • Transparency • Business continuity 	<ul style="list-style-type: none"> • Quarterly analyst briefings and reports
 <p>Ministry/ local authorities</p>	<ul style="list-style-type: none"> • Local community aid via contributions on community matters • Foreign workers' management 	<ul style="list-style-type: none"> • Meetings

SUSTAINABILITY STATEMENT (cont'd.)

OUR OPERATING CONTEXT

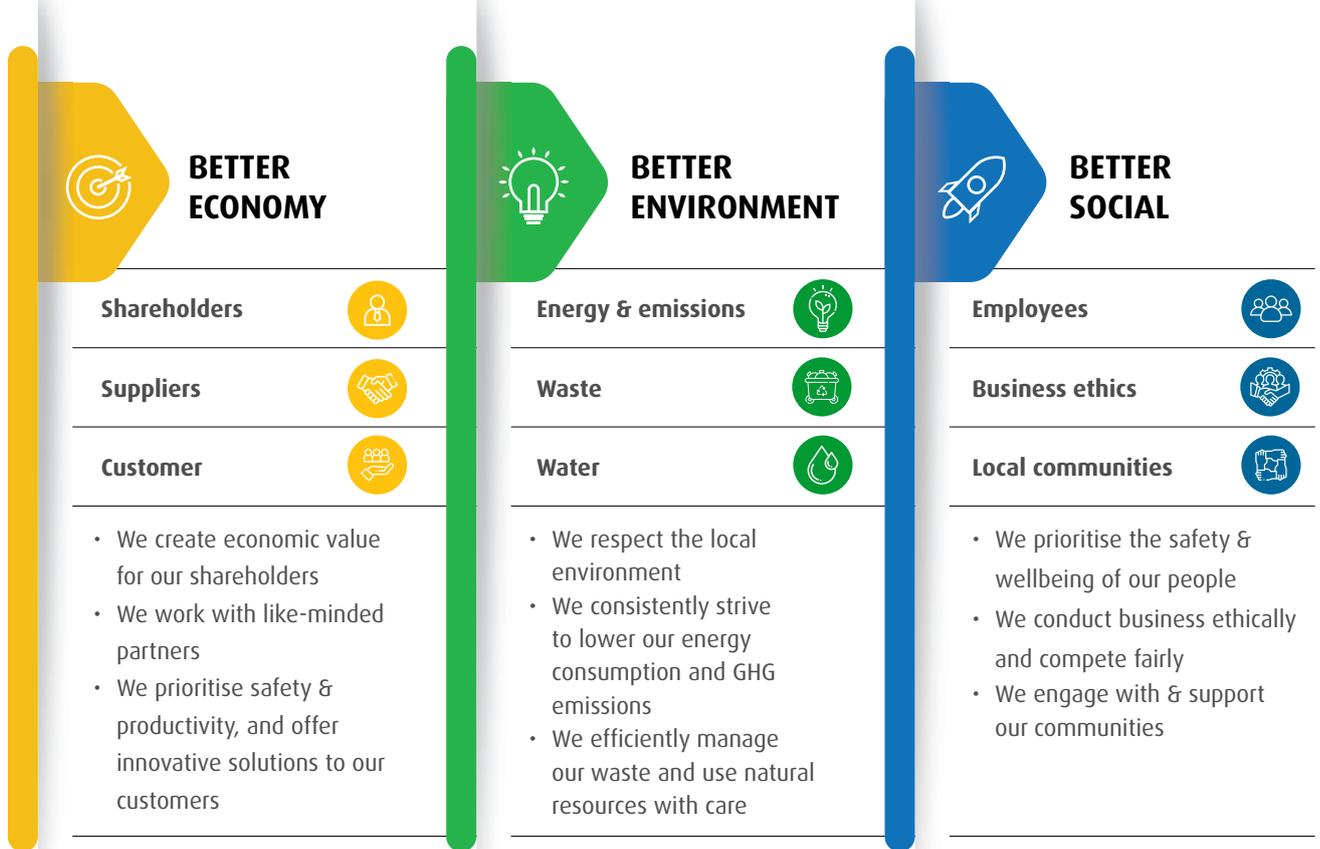


SUSTAINABILITY STATEMENT

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SUSTAINABILITY THEMES AT MPI

We are committed to doing business in an ethical manner that leads to long-term, sustainable benefits for MPI and all of our stakeholders. Our sustainability management can be segmented into 3 clear themes, striving to be responsible and responsive in approach & purpose.



Each of these themes comprise of the relevant sustainability aspects, including the material aspects that may influence or be influenced by our business' value creation process, as well as the internal & external business environment. The process of identification & assessment of these sustainability aspects, and our approach towards managing these aspects and their performance is discussed in detail subsequently.

MATERIALITY ASSESSMENT

We assess our material issues annually to enhance & continually increase the maturity of our approach in managing the sustainability risks and opportunities posed to our business. This helps us in ensuring that we prioritise the issues that have the greatest impact on the economy, the society and the environment. To support our annual materiality assessment, we conduct an ongoing dialogue with our stakeholders, and also, monitor the external trends, other industries and peer company's materiality analysis and how these affect our ability to grow our business sustainably over time.

SUSTAINABILITY STATEMENT

(cont'd.)

Our systematic materiality assessment process was guided principally by the Global Reporting Initiative Standards (GRI), RBA, the ESG indicators of FTSE4Good Bursa Malaysia Index, and Bursa Malaysia Sustainability Reporting Guide and the toolkits therein.

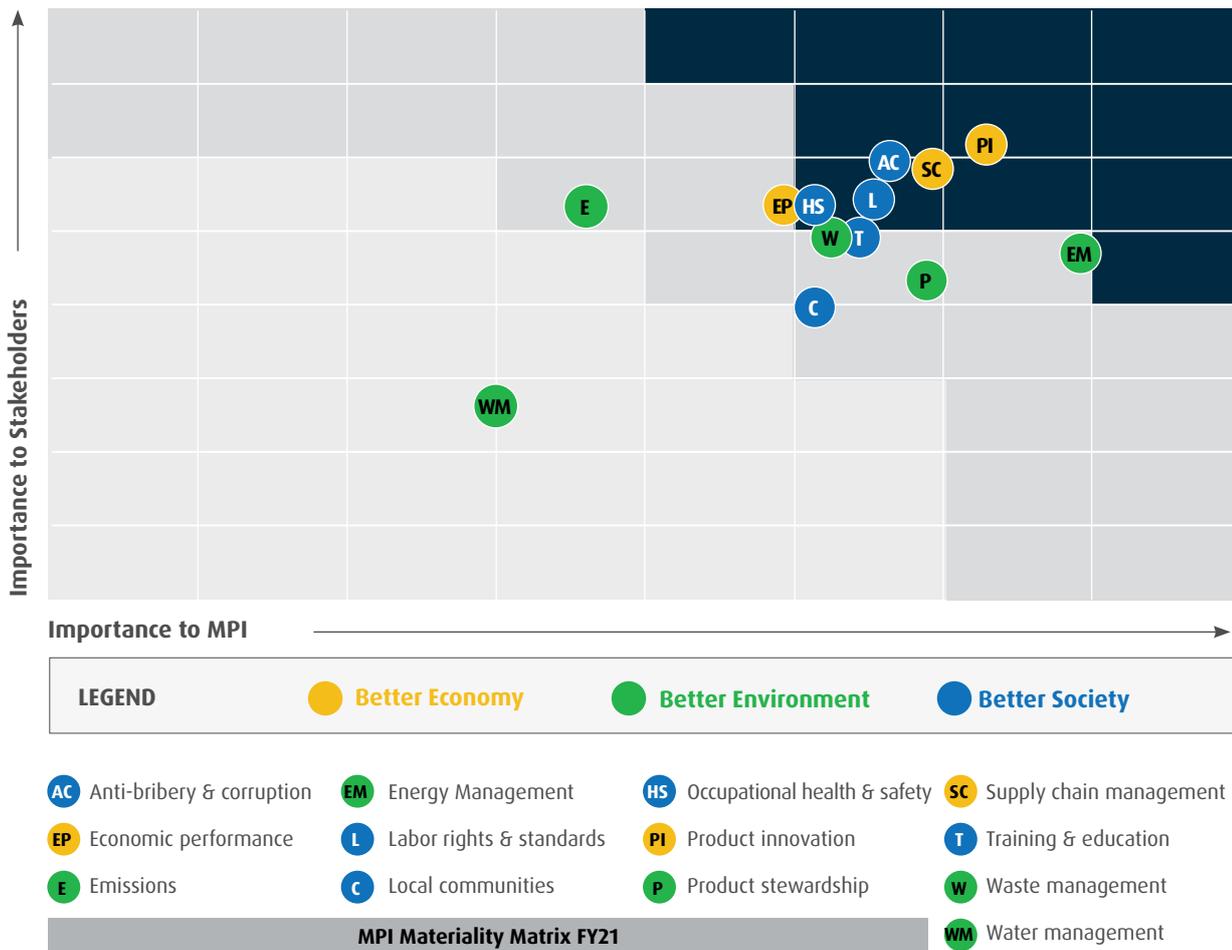
To identify all relevant sustainability aspects for our business, in conjunction with our operating context that was discussed earlier, we considered:

- The issues that matter to MPI’s business performance;
- The issues that matter to MPI’s stakeholders;
- The issues on which MPI currently has, or could have, an impact

This initial analysis was then refined to identify ‘material’ sustainability aspects, based on the

- significance of their economic, environmental, and social impact; or
- extent of their influence on the assessments and decisions of our stakeholders

Our enhanced and updated materiality matrix for FY21 is shown below.



SUSTAINABILITY STATEMENT

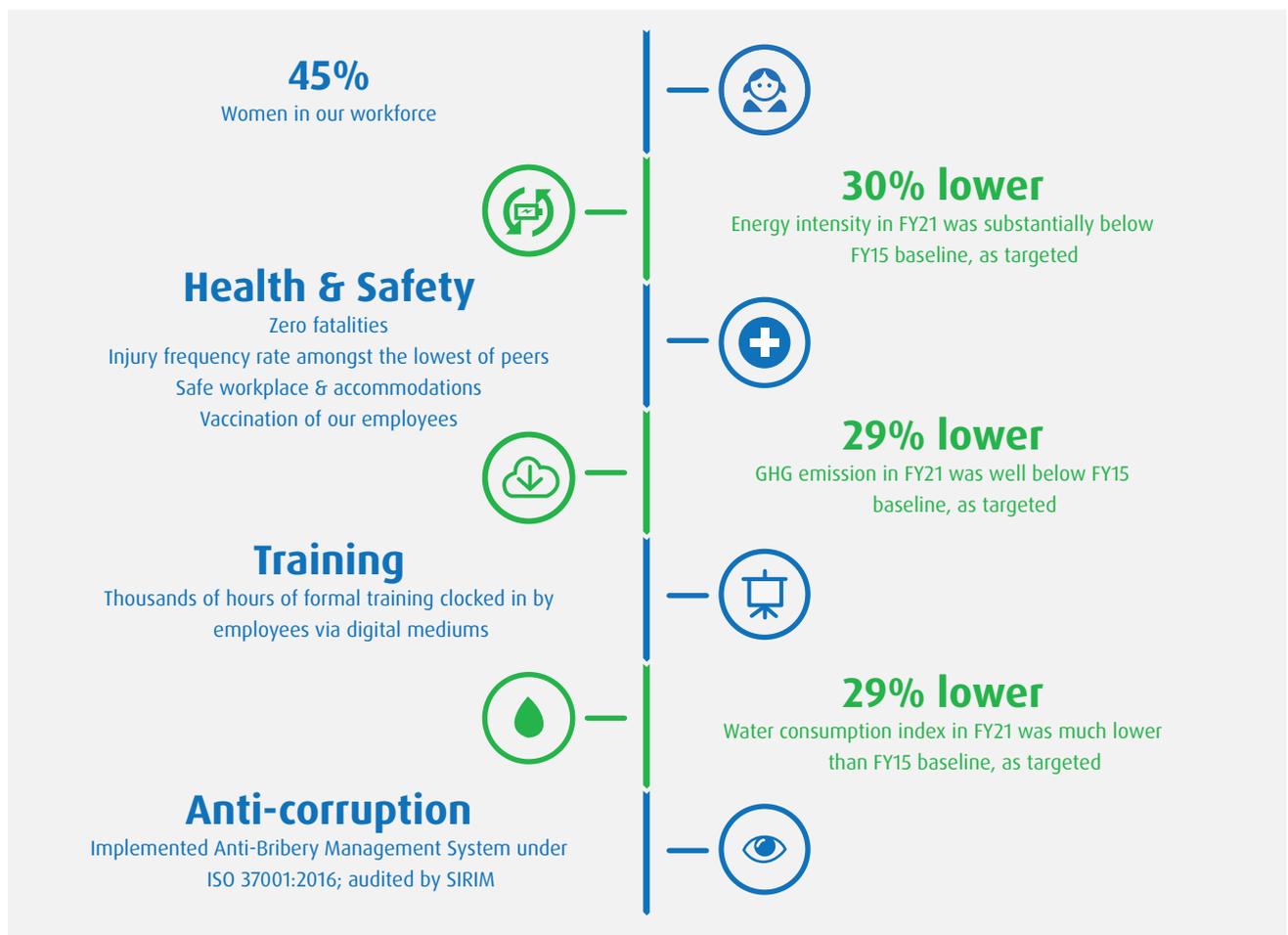
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Outlined below are the material sustainability aspects identified for our business, mapped with our 3 sustainability themes, and the relevant capitals in the value creation process.

Sustainability themes	Material sustainability aspects	Relevant capitals
 Better Economy	Economic performance	Financial
	Product innovation	Infrastructure and facilities, Intellectual
	Supply chain management	Relationship
 Better Environment	Energy management	Natural resources
	Waste management	Natural resources
 Better Society	Labor rights & standards	People
	Anti-bribery & corruption	Relationship
	Occupational health & safety	People
	Training & education	People

Note: Above material sustainability aspects have been mapped with the capital(s) with highest relevance, even though they may be relevant to capitals other than those mentioned here.

PERFORMANCE SNAPSHOT



SUSTAINABILITY STATEMENT

(cont'd.)

BETTER ECONOMY

MPI has defined a drawn out objective to develop & grow the business in the prevalent dynamic industry & macroeconomic environment, in collaboration with our key partners.

In a highly competitive environment, we constantly pursue excellence in innovation, operations, and supply chain development to create & deliver economic performance and value for all our stakeholders. This further enables us to advance our strategy & expand our business in a sustainable way. Strict compliance with the applicable laws & regulations (including environmental and social) is ensured in all our business & operational activities.

ECONOMIC PERFORMANCE



The global semiconductor industry is witnessing significant tailwinds due to the surging semiconductor demand, driven by the long term technology trends, especially around 5G communications (RF), big data processing, IOT, automotive (electrification, sensors, safety) across Asia, US and EU. In addition to this, MPI continues to benefit from

- Strong sales pipeline
- Localization driven demand trends in China
- Positioning of reliable supply centre for US & EU, based out of Malaysia
- Strong cash position – allows to aggressively pursue technology/company acquisitions that will propel Carsem even further into the advanced packaging space
- Continuous productivity & quality improvements via automation

All these favourable factors augur well for sustained economic value generation by MPI. This in turn enables a healthy creation & distribution of wealth among our stakeholders. The relevant details on our financial performance, business strategies, and wealth distribution among stakeholders (corporate tax paid, dividends paid, R&D expenditure, retained earnings) are available in the **Audited Financial Statements** and in the **Supply Chain Management** (local procurement) sections of this integrated report.

PRODUCT INNOVATION



Rapid technological advancements are translating into increasingly demanding requirements for integrated circuits, such as faster design, significantly higher performance with miniaturization, etc. This requires ever increasing focus on cutting edge research & technology development in order to gain or ensure sustained competitive advantage, and to enable our customers in their pursuit of transformational technologies.

Despite the challenging year where the COVID-19 pandemic has resulted in various safety measures on social distancing that has affected people from working together in groups especially in research work and troubleshooting, we have forged on research and development activities in meeting the technical and manufacturing demands of the following 4 key focus market segments namely Radio Frequency (RF), Power Management, Micro Electro Mechanical System (MEMS) /Sensor and Automotive.

We are venturing into SiC devices, to adapt to current market trend which is growing year to year. Silicon-Carbide (SiC) devices with superior performance over traditional silicon power devices have become the prime candidates for future high-performance power electronics energy conversion.

SUSTAINABILITY STATEMENT (cont'd.)

The main advantages of SiC devices over traditional Si devices are:

- high thermal conductivity
- low thermal expansion and excellent thermal shock resistance
- low power and switching losses
- high energy efficiency
- high operating frequency and temperature (operating up to 200°C junction)
- small die size (with the same breakdown voltage)
- intrinsic body diode (MOSFET device)
- excellent thermal management which reduces cooling requirements
- long lifetime

Traditional device packaging becomes a limiting factor in fully realizing the benefits offered by SiC power devices, and thus, improved & advanced packaging structures are required to bridge the gap between SiC devices and their applications.

Some of the technology breakthrough in the packaging solutions include:

- Higher wafer dicing cost due to slower dicing speed
- Pb free solution for high thermal conductivity with similar reliability performance compare to current PbSn solder alloy
- Higher current interconnect
- Higher voltage (prevent arching between electrodes), higher operating temperature low cost mold compound

New advanced materials and processes development to support customers for next generation of products include:

Materials

1. Sinter cooper paste for more cost effective and reliable joint lead-free solution to meet ROHS requirement
2. Molding compound with low Dk/ Df properties for 5G application

Process

1. Taiko Wafer Ring Removal Capability
2. 100x300mm lead frame strip size for Copper Clip packages
3. Traceability from singulated unit up to die level (without the need to have embedded die identification)
4. 50um thin die sawing and die attach capability
5. Step cut side wall plating
6. Heavy Al wire bonding to cater for future high current portfolio packages with SiC technology (in development)

THE PROCESSES

TAIKO Process

Conventional Process

Wafer thickness

Grinded to

Conventional TAIKO

Introduction: The TAIKO process is a wafer back grinding method by leaving a ring (approximately 3 mm) on the wafer outer edge and thin grinds only the inner area of the backside wafer. This is to reduce the risks of wafer breakage or edge chipping for thin wafers.

SUSTAINABILITY STATEMENT

(cont'd.)

We are actively participating in customer roadshows, international seminars and conferences such as the International Electronics Manufacturing Technology and SEMICON Southeast Asia. This year, CTC was invited to present a paper on the Role of Semiconductor Packaging in today's Automotive Industries in the International Conference on Computer-Aided Design in Nanjing.

We continue to grow our Intellectual Properties which reflects the innovation and advancement of a company. This year, the Group has been working on revamping and tightening the selection criteria to ensure that our intellectual properties bring in more value for the Group. For any new invention; design/process for patent application, we have the stringent involvement from many different level of assessment and validation to ensure the quality and cutting edge of each development of new IP. We will continue to maintain our intellectual portfolios that are still relevant in some countries where the packages and services are active.

To emphasise, we have 75 active patents worldwide, including in USA, China, & Malaysia.

The traditional manufacturing industry is progressing towards an industry transformation that is accelerated by exponentially growing technologies like intelligent robots, sensors and big data. Companies and their individual processes are adapting to this rapid change in order to enhance business performance and structurally innovate to scale the level of automation.



Over the last 4 years, the MEMS & Sensor Business Unit (MSU) has progressed on its journey towards adopting Industry 4.0 with the goal of enhancing the efficiency of its manufacturing lines using predictive Artificial Intelligence (AI).

MSU supports an environment where automation through AGVs and robots have reduced human dependency in the operations from Die Attach (DA) to 3rd Optical Inspection. This has not only helped MSU to get one step closer towards the primary goal of achieving Zero Defect quality but also to remain at the forefront of Industry 4.0 progression in the MEMS Sensors' design, research, packaging and manufacturing domain.

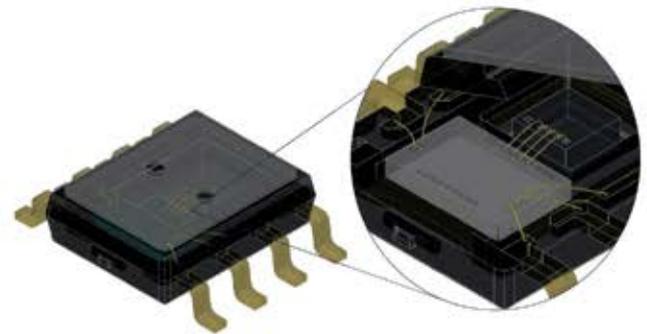
CUSTOMIZED MODULE PACKAGE	AUTOMOTIVE APPLICATIONS
	<ul style="list-style-type: none"> Restraint systems Vehicle dynamics systems Active suspension systems Vehicle comfort systems Engine management systems Transmission control systems

In order to ensure MSU continues its fast-paced growth in the coming years, it has grown and diversified its portfolio in many technology segments. In the automotive segment, MSU is close to launching the "system in package (SiP) & modules" for pressure sensing applications in multiple domains including automotive safety segment which remains to be the key focus of the industry.

SUSTAINABILITY STATEMENT (cont'd.)

SAFETY RELEVANT PRESSURE SENSOR

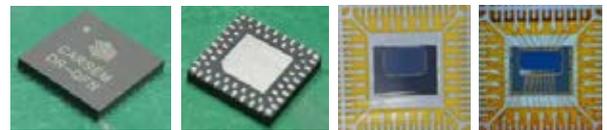
With the advent of electrical cars (EVs), MSU has focused development in optical sensors & LIDAR / RADAR as the next steps. MSU has continued to ramp its consumer portfolio with motion sensors for smartphones & human machine interface (HMI) applications. MSU was successful in ramping packages catering to the indoor air quality sensing applications in the industrial segment. There are also advanced stage developments in the hermetical & non hermetical ceramic packages, which will propel future growth. We have an array of standard and customised packages in the MEMS portfolio in the automotive, consumer and industrial sensor domains that cover a wide spectrum of applications.



Applications		
<p>AUTOMOTIVE</p> <ul style="list-style-type: none"> • Gyroscopes • Airflow Control • Air Bag Deployment • Combustion Sensing • Tire Pressure Sensing • Anti-Lock Braking System • Fuel rail Pressure Sensing • Fuel Injection and Fuel Pump Sensing • Differential Pressure Sensing for Turbochargers 	<p>CONSUMER</p> <ul style="list-style-type: none"> • Accelerometers • Pressure Sensing • Positional Sensing • Inertial Measurement Units (IMUs) 	<p>INDUSTRIAL</p> <ul style="list-style-type: none"> • RF-MEMs • Flow Control • Current Sensing • Magnetic Sensing • Indoor Air Quality Sensing • Pressure Monitoring & Control • Inertial Measurement Units (IMUs) • Tunnel Magnetoresistance (TMR) Sensing

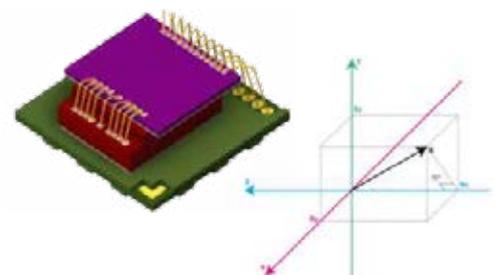
Dual Row (DR) QFN Process Development

The implementation of DR QFN is important in increasing the number of I/O while maintaining the small package footprint. DR QFN enables a high-pin count in the same package. This technology helps improve the thermal and electrical performance as well as better power dissipation.



6-Axis MEMS/IMU

The 6-axis MEMS/IMU is a specific type of motion sensor that composed of a 3-axis accelerometer and 3-axis gyroscope. This single chip solution is designed for smart use of power that can be used for smartphones, tablets, wearable, AR/VR devices, drones, robots, smart home and internet of things (IoT). Carsem is striving to meet the demanding requirements of the consumer electronics market and provide the best-in-class sensing solution.



SUSTAINABILITY STATEMENT (cont'd.)

Quality System Certification

The Group has been maintaining the prestigious IATF 16949 and ISO 9001 Quality Management System Certification. This certification endorsed our commitment towards providing world class quality products and services in fulfilling stringent automotive as well as commercial products requirement.

This achievement is enabled by visionary leadership that consistently emphasizes and promotes the preventative solution culture in each of the manufacturing processes as early as the stage of the new product introduction till the shipment of the product to customers.

IATF 1649 Automotive Quality Management System

ISO 9001 – Quality Management System



SUSTAINABILITY STATEMENT

(cont'd.)

SUPPLY CHAIN MANAGEMENT



Governing the integrity of Supply Chain

Our suppliers are critical partners in our success, and disruptions to our supply chain are a key risk for our business. Thus, managing a sustainable and responsible supply chain with robust practices to secure stable sourcing of raw materials and services, cost competitiveness, and delivery of quality products and services is a strategic priority and critical to business continuity. Our experience during COVID-19 has underscored the value of having strong business continuity plans, including measures to ensure continuity of supply of our key inputs.

All our key direct materials suppliers, indirect material suppliers, and contractors had agreed to adhere to our Code of Conduct & Ethics by signing the letter of conformance.

The supply chain is a critical extension of MPI's value chain. We are actively involved in the sustainable development of our tier 1 suppliers and contractors to provide high quality products and services in a sustainable, ethical and responsible fashion.

The Group supply chain management procedures are guided by the industry standards per RBA code of conduct, maintaining the standard practices covering the matters of labour, health and safety, ethics, environmental and social responsibility. These practices are formalized into our CSR policy and Code of Conduct & Ethics.

As stipulated in CSR policy, we engage with suppliers and service providers whose CSR policies are aligned with the Group CSR policy through a Letter of Conformance committing compliance to the Group Code of Conduct & Ethics, upholding standards including, but not limited to,

- (a) compliance with applicable laws and regulations
- (b) maintaining business integrity, including anti-bribery and anti-corruption practices
- (c) labour and human rights (prohibition of child labour and forced labour, ensuring a workplace free of harassment and discrimination,
- (d) ensuring safety and health at workplace
- (e) supporting the right to freedom of association and collective bargaining
- (f) compliance with environmental laws and regulations
- (g) supporting the rights to minimum wage
- (h) elimination of excessive working hours
- (i) fair competition conduct
- (j) privacy and disclosure of information

The suppliers and contractors are required to adhere to MPI's Supplier Code of Conduct and Ethics sent to them. In order to ensure effective communication of MPI's core value and business ethics across our supply chain, the relevant codes and policies are made available in the language of communication used, i.e., English, and can be easily accessed through MPI website.

SUSTAINABILITY STATEMENT

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Ongoing Engagement in the Supply Chain

We engage our suppliers to manage and minimize any actual or potential risks of non-compliance, environmental, or social issues, such as:

- labour rights and standards, including non-discrimination, safety and health standards, working hours, and freedom of association
- environmental management issues, including climate change and emissions, energy use, water use, biodiversity impacts, pollution management, waste management and reduction, resource use and integrated supply chain management
- business ethics and integrity matters, such as anti-corruption and anti-bribery

Supplier Assessment and Audit

Assessment of conformance against the RBA standards and ISO 14001 certified Environmental Management system are among the more significant supplier assessment programs. Both new suppliers and existing suppliers shall be assessed based on RBA standards and Environmental system.

Focus	Key Items	Performance Indicators	Results
RBA Standards	<ul style="list-style-type: none"> • Human rights • Labour standards • Working hours • Safety and Health standards • Freedom of association • Minimum wages 	<ul style="list-style-type: none"> • Policies • Working environment • Industry accident 	<ul style="list-style-type: none"> • Carsem SZ - 5/14 suppliers audited • Carsem M - 5/8 supplier audited • DCI - 9/9 suppliers audited
Environmental Management System	<ul style="list-style-type: none"> • Water use • Energy use • Pollution • Climate change • Waste reduction • Resource use • Biodiversity impact 	<ul style="list-style-type: none"> • Monitoring system • Improvement initiatives 	<ul style="list-style-type: none"> • Carsem SZ - 5/14 suppliers audited • Carsem M - 5/8 supplier audited • DCI - 9/9 suppliers audited
Ethics	<ul style="list-style-type: none"> • Anti-Bribery and corruption management system • Whistle blowing 	<ul style="list-style-type: none"> • Policies • Report mechanism 	<ul style="list-style-type: none"> • Carsem SZ - 5/14 suppliers audited • Carsem M - 5/8 supplier audited • DCI - 9/9 suppliers audited
Conflict Mineral Management	<ul style="list-style-type: none"> • Conflict minerals management approach 	<ul style="list-style-type: none"> • RBA Conflict minerals compliance 	<ul style="list-style-type: none"> • Full compliance from 10 suppliers

We are continually enhancing our audit process to sharpen our implementation of supply chain sustainability practices and thus, manage the social & environmental supply chain impacts more effectively.

SUSTAINABILITY STATEMENT

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One of the crucial supplier assessment programs in our Group is the assessment of conformance against the RBA standards that is conducted through SAQ and VAP as follows.

SAQ	VAP
<ul style="list-style-type: none"> • due diligence for key direct material suppliers • conducted on key direct material suppliers • target to assess & identify high-risk areas, and define potential gaps vis a vis RBA Code of Conduct • self-assessment 	<ul style="list-style-type: none"> • audit based on RBA VAP Operations Manual 6.0 • conducted on key direct material suppliers • audit focus and frequency depend on conformance level in past audits, and overall performance against RBA standards and Group policies and standards

We have a group of 34 shared key direct material suppliers, with whom our direct material spending comprises 87% of the Group's total direct material procurement. As per our plan to audit our key direct material suppliers, we strive to cover 80% of the 34 suppliers every 2-3 years.

Below summarizes our FY21 auditing plan and performance.

Year	Target	Performance
FY19	Perform audit on 15 key direct material suppliers	Completed 100% audit
FY20	Perform audit on 18 Key Direct Material suppliers	Completed 75% audit*
FY21	Perform audit on 22 Key Direct Material suppliers	Completed 100%

Note: During FY20 and FY21, audit process was significantly impacted by the COVID-19 pandemic and movement control measures imposed by the Malaysian government. In FY21, at Carsem M, audits were conducted 'virtually' rather than 'on-site', and at Carsem SZ, we conducted on-site audits.

*During FY20, due to COVID-19 related restrictions, 75% of the total planned audits were completed.

Based on the findings from audits conducted, the suppliers were provided with the Corrective Action and Preventive Action ("CAPA") process template for completion and indication of their responses to our audit findings within 7 working days. The agreed-upon corrective actions implemented in response to our audit findings were verified by the auditors for closure. A summary of critical corrective actions arising from the audit is as below.

RBA category	Summary of corrective actions
Labour	<ul style="list-style-type: none"> • Set up monitoring system of excessive working hours per week • To conduct periodic inspection on hostel conditions • Set-up monitoring of gender ratio to ensure adherence to the requirements
Ethics	<ul style="list-style-type: none"> • Establish policy on anti-bribery & anti-corruption, and Whistleblowing • Establish policy on gift and entertainme
Environmental	<ul style="list-style-type: none"> • Define and label all scheduled waste containers
Occupational Safety and Health	<ul style="list-style-type: none"> • To display accident incidence to employees • To conduct periodic work inspection on emergency exits and evacuation pla

SUSTAINABILITY STATEMENT

(cont'd.)

Conflict Minerals Compliance

The Group continues close monitoring to prohibit our suppliers from sourcing conflict minerals and works with our suppliers to ensure that the metals are sourced from conflict free minerals in the supply chain. These metals are tin and gold. Total of 10 Direct Material suppliers are involved in supplying lead frame, gold wire and tin bar.

We obtain supplier's Smelters or Refiners (SoRs) source information certified by RMAP Conformant Smelter List. The Group conducts yearly validation that the conflict minerals in our products are from responsibly sourced conflict-free minerals. We provide updated revision to our customer via latest Conflict Mineral Reporting Template (CMRT).

Conflict Minerals – Number of Suppliers/Smelters - Carsem M

	2019	2020	2021
Number of material suppliers involved in the RBA Due Diligence Survey	12	10	10
% of involved 3TG that have completed RBA Due Diligence survey	100%	100%	100%
Number of smelters identified in Carsem's raw material supply chain	15	11	11

Conflict Minerals – Number of Suppliers/Smelters - Carsem SZ

	2019	2020	2021
Number of material suppliers involved in the RBA Due Diligence Survey	17	19	23
% of involved 3TG that have completed RBA Due Diligence survey	100%	100%	100%
Number of smelters identified in Carsem's raw material supply chain	12	12	12

Conflict Minerals Inquiry Results - Carsem M

	GOLD	TIN
Number of smelters	4	6
Number of smelters which are CSF validated	100%	100%

Conflict Minerals Inquiry Results - Carsem SZ

	GOLD	TIN
Number of smelters	8	4
Number of smelters which are CSF validated	100%	100%

Conflict Minerals Management Approach

Conflict Mineral Management Requirement	We seek our suppliers to be diligent in assessment and validation of their supply chains and encourage them to only source for conflict-free smelters
Reasonable Country of Origin Inquiry (RCOI)	We identify suppliers who contains 3TG * metals in our supply chain through CMRT
Independent Private-Sector Audit (IPSA)	We undertake an Independent Private Sector Audit (IPSA) of our Conflict Minerals Report in compliance with the requirements in the SEC Conflict Minerals Final Rule and subsequent SEC Guidance

SUSTAINABILITY STATEMENT

(cont'd.)

Supply Chain Overview

The Group believes in promoting and contributing to local economy through procurement activities. Our supply chain is divided into following categories according to procurement type: raw materials, equipment, facility/engineering contractors and service-oriented outsourcers. Among these, the raw material suppliers have more significant impact on our daily operations and manufacturing.

In FY21, there were a total of 1,212 suppliers supplying materials, equipment and services to the Group. Direct materials accounted for 82% of the total spend on purchasing.

Direct material spending on local suppliers (excluding CAPEX), FY21				
	Carsem M	Carsem SZ	DCI	Overall MPI
Local Procurement	79%	58%	18%	65%

Note: local – refers to Malaysia for Carsem M and DCI, and China for Carsem SZ

New Supplier Screening

As part of quality system management and our Business Continuity Plan (“BCP”), all new suppliers are to undergo a stringent due diligence process conducted by the Quality Assurance and/ or Procurement Department.

New direct material suppliers of the Group are required to be assessed via the SAQ while cross-functional team members from the Quality Assurance, Procurement, Engineering and Technology departments conduct on-site audits on these new suppliers based on VAP.

Supplier Quarterly Rating

To safeguard the integrity of our supply chain, regular assessments are performed on our suppliers, considering amongst others, pricing, quality, delivery, services and continuous improvement initiative. Total of 32 suppliers in 1HF and increased to 36 suppliers in 2HF from Direct and Packing material categories were rated. The purchase values of these suppliers are above 80% of total annual purchase of the specific category. The goal is to maintain all suppliers rated grade B and above.

Below is the Quarterly Rating Performance for FY20 and FY21.

Scoring Matrix

Q1 (July – Sep'19)	Q2 (Oct – Dec'19)	Q3 (Jan – Mar'20)	Q4 (Apr – June'20)	GRADE	POINTS	RATING
Grade A – 2 suppliers B – 24 suppliers C – 1 supplier	Grade A – 1 supplier B – 27 suppliers C – 0 supplier	Grade A – 4 suppliers B – 27 suppliers C – 1 supplier	Grade A – 19 suppliers B – 11 suppliers C – 2 suppliers	A	>85%	Excellent
Q1 (July – Sep'20)	Q2 (Oct – Dec'20)	Q3 (Jan – Mar'21)	Q4 (Apr – June'21)	B	65%-84%	Good
Grade A – 22 suppliers B – 9 suppliers C – 1 supplier	Grade A – 18 supplier B – 12 suppliers C – 2 supplier	Grade A – 26 suppliers B – 9 suppliers C – 1 supplier	Grade A – 28 suppliers B – 10 suppliers C – 0 suppliers	C	55% - 64%	Average
				D	<55%	Poor

Fair Procurement Practices

The Group Procurement Policy and tender procedures guide the business conduct of our employees to ensure all suppliers are treated fairly and are in the best interests of the Group, prohibiting price fixing and void of collusion. Our policy seeks to maintain confidentiality and prevent conflicts of interest in transaction with our suppliers.

SUSTAINABILITY STATEMENT

(cont'd.)

BETTER ENVIRONMENT

MPI is principally an investment holding company, whilst the principal activities in which its subsidiaries engage are those of manufacturing, assembling, testing and selling of integrated circuits, semiconductor components and lead frame to customers world-wide. MPI stewards recognize the need to firmly establish its business activities in maintaining a safe and healthy environment in the pursuance of sustainable economic growth.

The MPI Group fully embraces an Environmental Sustainability Strategy involving mitigation of climate change related risks, management of scarce resources responsibly through reduction recycling/reuse programs, and engagement of our supply chain in green initiatives. We are fully aware that as part of global family, climate changes and natural resources impact everyone.

Governance

Our commitment for mitigating climate change risks remains steadfast. Our approach towards management of climate change risk is driven by a clear governance structure. Each MPI factory has a Safety, Health and Environmental Committee led by Factory General Manager with members comprising ESH (Environmental, Safety and Health), Department Management Representative and Employee Representatives. The committee meets regularly to review wide range of topics relating to safety, environmental indices, and audits. The committee also endorses energy conservation plans, and monitors execution and implementation indices. The plans and indices are then reviewed in Senior Leadership Team Meetings chaired by the Group Managing Director.

Environmental Management System

Our environmental management systems are aligned with ISO14001 and the RBA Code of Conduct. All our operating sites are fully certified with ISO 14001:2015 and are regularly assessed by independently appointed audit bodies. Our annual Environmental Management System (EMS) review with the Senior Leadership Team covers a range of topics, as outlined below.

- Context of Organization
 - EMS risk category & criteria (actual and potential risks)
 - Internal & external issues
 - Needs & expectations of relevant stakeholders
- Environmental policy and Environment aspect (assessment of risk and opportunity using EASI List)
- Environmental objectives & planning
- Compliance obligation & evaluation of compliance, based on local legal requirements. Currently, our operating sites at Malaysia and China adhere to below outlined environmental laws & regulations.

SUSTAINABILITY STATEMENT

(cont'd.)

Malaysia (applicable to Carsem M and DCI)	China (applicable to Carsem SZ)
EQA (Clean Air) Regulation 2014	Environmental Protection Law of the People's Republic of China
EQA (Industrial Effluent) Regulation 2009	Water Pollution Prevention and Control Law of the People's Republic of China
EQA (Scheduled Waste) Regulation 2005	Atmospheric Pollution Prevention and Control Law of the People's Republic of China
EQA (Sewage) Regulation 2009	Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise
EQA (Halon Management) Regulation 1999	Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes
EQA (Control Emission – Diesel Engines) Regulation 1996	Soil Pollution Prevention and Control Law of the People's Republic of China
	Cleaner Production Promotion Law of the People's Republic of China
	Energy Conservation Law of the People's Republic of China

- Competency Registration with Legal Authorities
- Emergency preparedness & response
- Internal Audit
 - Monitoring & measurement: Air monitoring, water monitoring, boundary noise monitoring
- Continual improvement

To address & adapt to climate change, MPI continues to undertake innovation strategies focusing on process improvements. MPI's key focus remains on below areas

- **Energy management, and GHG emissions (carbon footprint) reduction:**
Power plants transform coal, gas or other renewable energy into electricity. Electricity is zero emission at point of use. 98% of MPI's source of emissions¹ are from Scope 2 (usage of electricity and steam). Therefore, we are exploring specific programs to achieve energy efficiency in equipment selection, and embark on IT driven smart analytics for more efficient electricity usage. These programs focus on energy efficient equipment usage and long-term plan for usage of renewable energy (SOLAR or other initiatives). 2% of MPI's Green House Gas (GHG) emissions are from Scope 1 activities. These include, for instance, emissions from diesel usage by delivery tankers & boilers, and from industrial gases and refrigerants. To minimize the overall emissions from our operations and move towards zero emissions, we will continue to plan programs to manage the impact from these Scope 1 emissions.
- **Water management:**
The main source of water used in our industrial facilities for sawing & plating processes is the piped water supply from local authorities. We have defined specific programs to drive efficient use of water resources through recycling and reuse.
- **Waste management:**
Our priority is to recycle and reuse in order to reduce the need for treatment or disposal of wastes. All waste is disposed responsibly in compliance with the relevant laws & regulations at our operating sites.
- **Supply chain environmental sustainability:**
We continue to work with our suppliers, and encourage & emphasize to them to adopt green practices in their operations, so as to improve & manage the climate change impact across the supply chain.

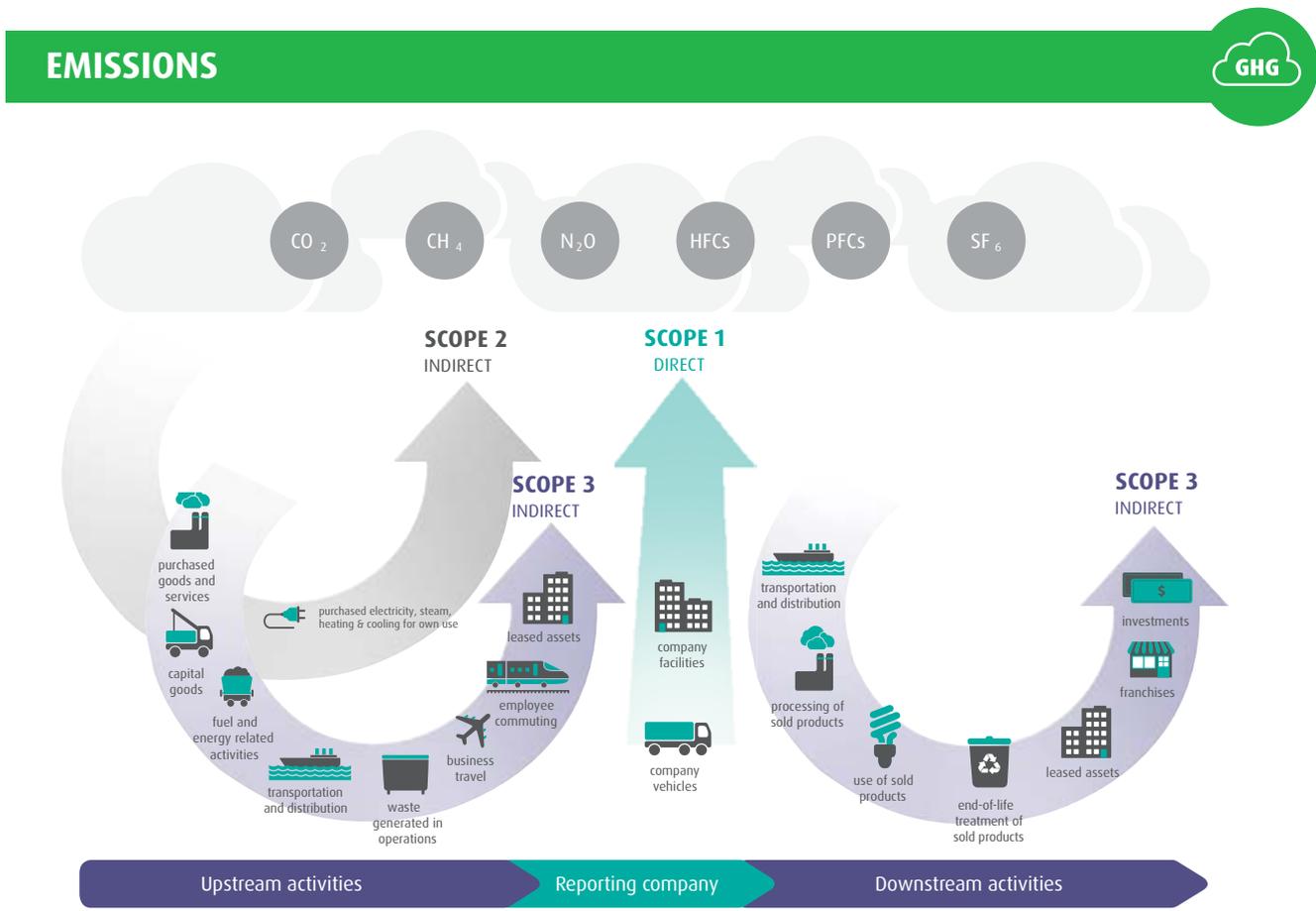
¹ MPI currently tracks GHG emissions associated with Scope 1 and 2.

SUSTAINABILITY STATEMENT

(cont'd.)

We constantly engage with our key stakeholders (such as customers, employees, suppliers, government authorities, etc.) to manage our environmental sustainability journey. We ensure that all communications and commitments are actively channelled across all relevant stakeholders to develop strategies and manage implementation with the purpose of mitigating and reducing risks to the environment, and to use natural resources responsibly.

All stakeholders (including, and not limited to employees, customers, contractors/ suppliers) are to comply with the Group Code of Conduct and Ethics that emphasises on compliance with applicable laws and regulations. Any violations or breaches to the Group’s environmental standards can be reported via the Group’s Whistle Blowing Hotline or email to barmchair@mpind.my.



Source: <https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance>

Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. Scope 3 emissions include all sources not within an organization’s scope 1 and 2 boundary. The scope 3 emissions for one organization are the scope 1 and 2 emissions of another organization.

SUSTAINABILITY STATEMENT

(cont'd.)

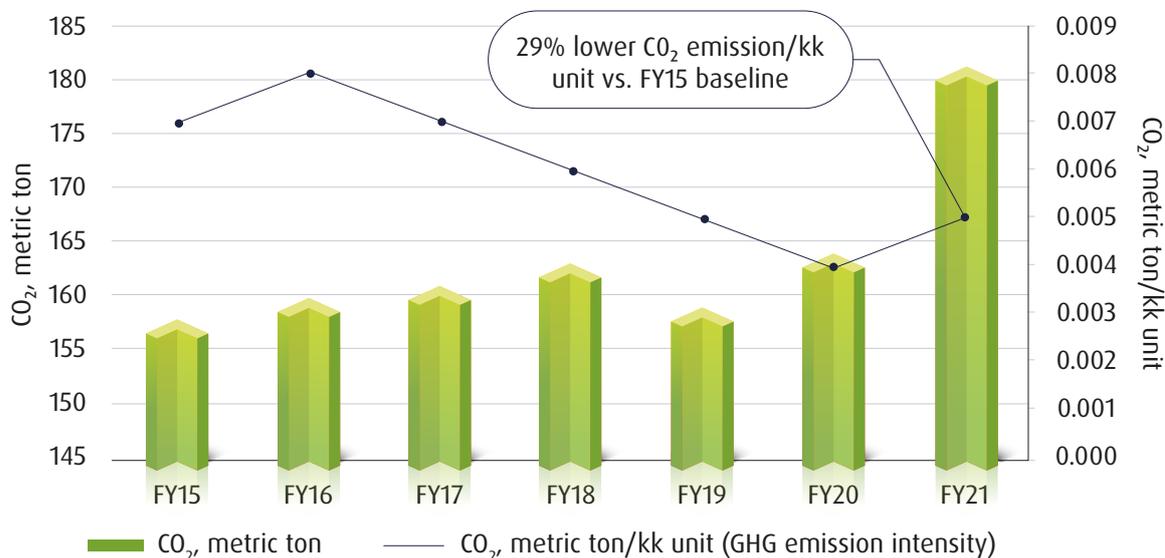
GHG emissions reduction

More than 98% of total GHG emissions² from all of MPI's operations are attributable to Scope 2 (indirect GHG emissions associated with the purchase of electricity, steam).

	FY15	FY16	FY17	FY18	FY19	FY20	FY21
CO ₂ , metric ton	158	160	161	163	159	164	181
CO ₂ , metric ton/ kk unit (GHG emission intensity)	0.007	0.008	0.007	0.006	0.005	0.004	0.005
KPI Target	To achieve 15% reduction in GHG emission intensity (CO ₂ e/ kk unit) with FY15 as baseline						
% reduction/ increase with respect to baseline	Baseline	14%	0%	-14%	-29%	-43%	-29%

Note:

- All kWh consumption figures are captured from local electricity utility company billing. CO₂ emission is computed based on EPA Greenhouse Gases Equivalent Calculator.
- Above reflects emissions associated with our electricity usage, which is the dominant majority (97%) in our Scope 2 emissions. Remaining is attributable to our steam usage. This reflects a consolidated picture of the emissions from all our sites.

GHG emissions basis CO₂ metric ton, MPI

We measure our emission management performance by monitoring our GHG emission intensity, using FY15 as the baseline for target setting. Our target is to achieve 15% reduction in GHG emission intensity in order to improve the operational efficiency in terms of GHG produced for each unit produced. We track GHG emission intensity on an annual basis. In FY21, a continued surge in semiconductor industry demand led to expansion & further increase in capacity utilization across all our operational facilities. This translated into an increase in energy consumption resulting in higher net CO₂ emissions. Despite this, as a result of continued actions aimed at improving energy efficiency, we still outperformed in our achievement of GHG emission intensity goal. With reference to FY15 baseline, MPI achieved a reduction of 29% in FY21.

Having met the CO₂ index goal consistently over past few years, as part of our continuous improvement plans, we aim to revise the KPI goal, going forward, to reflect our ongoing commitment for climate change management

² MPI currently tracks GHG emissions associated with Scope 1 and 2.

SUSTAINABILITY STATEMENT (cont'd.)

ENERGY MANAGEMENT

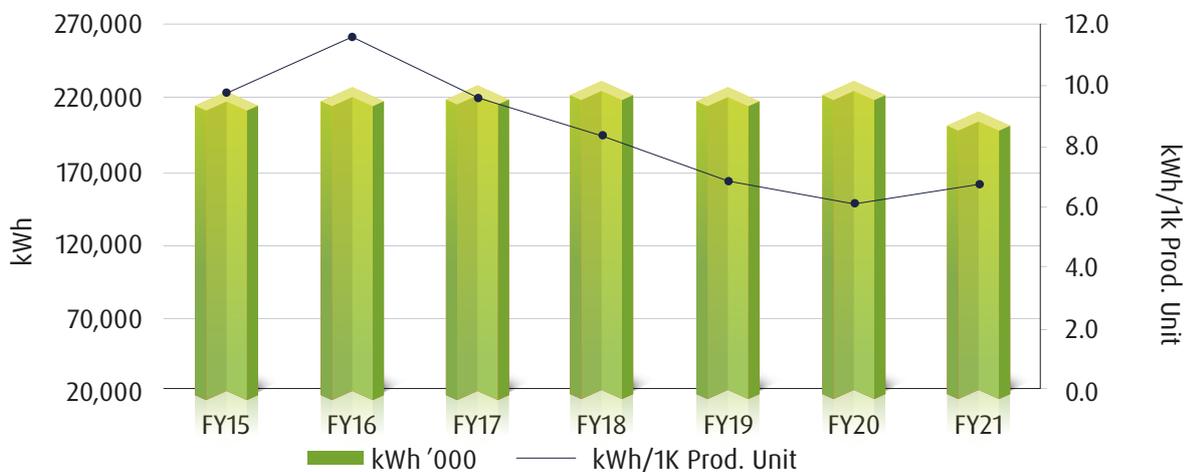


MPI's sole energy source is electricity purchased from the local power provider. The combined energy consumption in all MPI factories is in the range of 220,000 MWh per year. Each year, all our facilities define & implement specific programs to improve our overall energy efficiency. We have set multilayer goals focused on improving our operational efficiency. We have set a goal of reducing our annual energy consumption per K units produced (kWh/k units) index by 10%.

Our targeted energy efficiency programs have proven to be very effective. We've succeeded in achieving continuous reduction of kWh/k units index for four consecutive years now (from FY17 till FY20) with an annual reduction of 10-15%. We continue to strategize & implement new programs aimed at further improvements.

In FY21, the Covid-19 pandemic had impacted the operational efficiency of our factories due to manpower restrictions. It has caused an upward trend of kWh/k units. Although this increase in index was inevitable, our energy efficiency programs helped in minimizing the impact of the increase to less than 12%.

Energy Consumption, MPI



	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Energy Index kWh/k unit	9.7	11.5	9.6	8.3	6.8	6.1	6.7
Reduction/increase with respect to baseline	Baseline	1.9	-0.1	-1.4	-2.9	-3.6	-2.9
% reduction/increase with respect to baseline	Baseline	20%	-1%	-14%	-30%	-37%	-30%

Note:

- In Malaysia, the energy index is verified by REEM (Registered Energy Manager) and submitted to local Energy Body (Suruhanjaya Tenaga Malaysia)
- In China, the energy index is verified by Certified Energy Management Engineer and submitted to local energy officer (SIP Economic Development Board)

SUSTAINABILITY STATEMENT (cont'd.)

Energy and GHG emissions related initiatives

We are taking consistent steps to improve our energy efficiency by replacing old machinery with more energy efficient equipment and infrastructure. Here are some of the highlights from our noteworthy programs that are deployed & planned:



Energy efficient compressors at Carsem (M) factory site in Ipoh



a. Energy efficient compressors with VSD

We continue to invest in energy efficient compressors with VSD at all our facilities. We completed a successful program at Carsem M. With a new ZR250 VSD air compressor, combined heat recovery is installed while replacing one 300kw Centrifugal Type Air Compressors and one 49kw heater. This projected started in FY20 and was completed in FY21. Further, replacement of 1-unit energy efficient chillers for air conditioning is in progress and is expected to be completed in FY22.

At Carsem SZ, we installed 2 sets of 600RT VSD chillers, and 2 sets of 400KW VSD air compressors in FY21 to improve the energy efficiency.

b. Nitrogen plant setup (for diesel usage reduction)

MPI factories use Nitrogen Gas in their operational process. Nitrogen is delivered in liquid nitrogen form using tankers that use diesel. On an average, there are 40-60 tanker delivery trips to our facilities per month. In FY21, Carsem M (S-site factory) completed a partnership with Nitrogen Gas supplier to set up a Nitrogen generation plant at its site. This reduced the requirement for delivery trips by tankers, thereby, reducing the usage of diesel. For commissioning in FY22, the construction of a third Nitrogen plant is in progress to increase the nitrogen capacity to 1,850m³/hour.



Nitrogen generation plant at Carsem (M) factory site



Boiler replacement with heat pump at DCI factory in Penang

Moreover, we have another program planned for FY22, at the DCI factory in Penang to replace boiler with heat pump. This will eliminate the use of diesel and replace it with zero emission electricity.

SUSTAINABILITY STATEMENT (cont'd.)

WATER MANAGEMENT

Although none of our factories are located at water stressed sites, conservation of water and reduction in usage of natural resources remains a key priority.

Our strategy on efficient use of water resources revolves around recycle and reuse programs. We continue to prioritize the investments to enable these programs to reduce usage of natural resources (mainly water).

In line with our strategy, we continue to define & implement water conservation projects across all of our operational facilities. We improve the execution & outcome by adopting best practices through shared learning and benchmarking across sites. See some key highlights of these projects below.

a. Reclaim Reverse Osmosis Reject Water (this is a by-product of water purification)

We completed it in FY19 at Carsem M factory (M-site), and extended it further by implementing it at another Carsem M factory (S-site) in FY21.

Reverse osmosis (RO) system is used to treat incoming piped city water before supplying to the next process of ion exchange to produce final deionized (DI) water. About 74% of municipal supplied piped water passes through RO system as good permeate water, while remaining 26% is rejected & discharged as waste water. There is opportunity to reclaim the 26% RO or 70 GPM reject water.



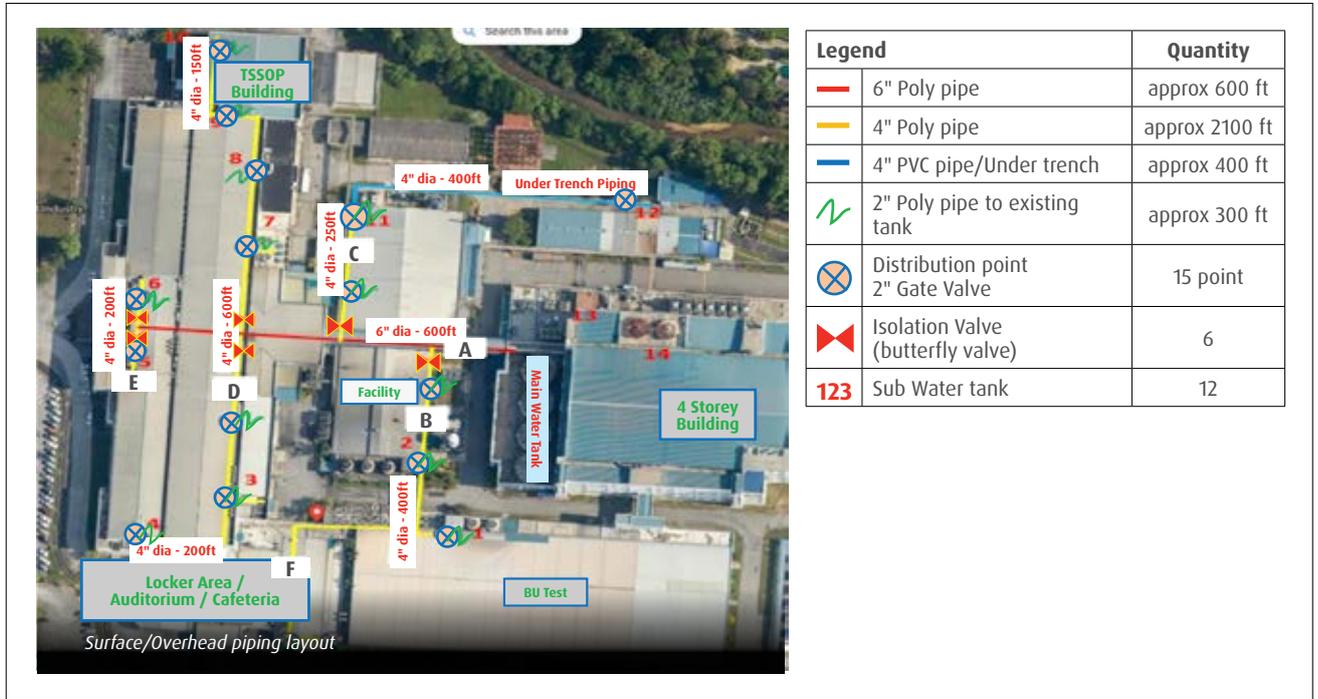
b. Recycling Sawing Process Water (this is by-product of sawing process)

We completed it at Carsem M factory (M-site) in FY19, and extended it to Carsem SZ facility in FY21. We have further planned to implement it at Carsem M factory (S-site) in FY22.

Wafer sawing process used about 80GPM of DI water and is discharged after use. This high purity DI water can be treated and reused for another process that required lower purity DI water. The resulted savings is 80GPM water.

SUSTAINABILITY STATEMENT

(cont'd.)



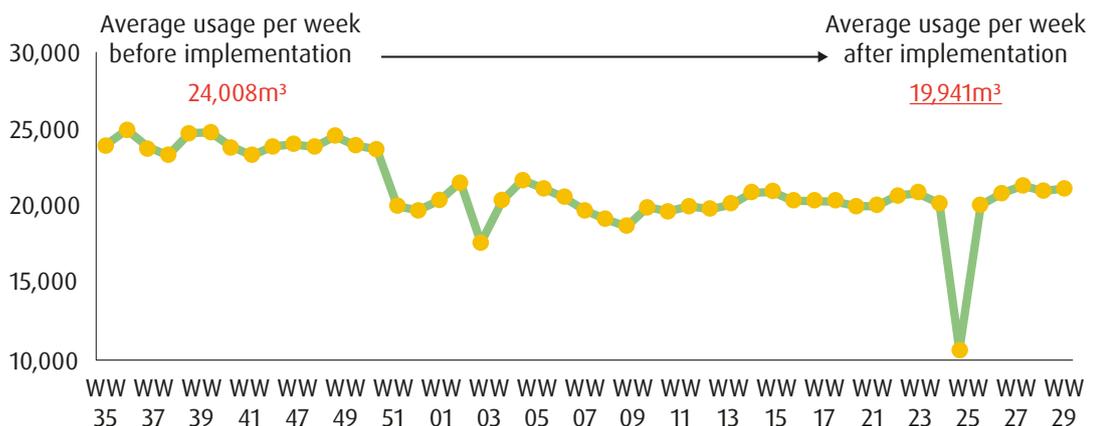
c. Conservation of water by replacing aging underground piping to surface piping at Carsem M (S-site)

Our objective was to prevent water wastage due to aging underground piping. This project entailed laying of new surface/overhead water piping infrastructure to enable easy identification & rectification of any potential leakage. We achieved a significant reduction in water usage – by an average of 4,000m³ per week or 48,000m³ per year.

Also, Carsem SZ completed the recycling of sawing process water system in FY21. With the system installed, there is 600T water savings per day.

Main water source for all our facilities is piped water supplied by local water authorities. The water is further treated to produce the high purity deionized (DI) water required for our manufacturing process. FY21 saw increased capacity & utilization across all MPI facilities that required additional water usage. Despite this, our water conservation programs helped in reducing water usage in FY21 as compared to that in FY20. Our water usage dropped by another 2% in FY21. This was a remarkable achievement, especially considering that Covid-19 pandemic had induced manpower restrictions and negatively impacted our operational efficiency.

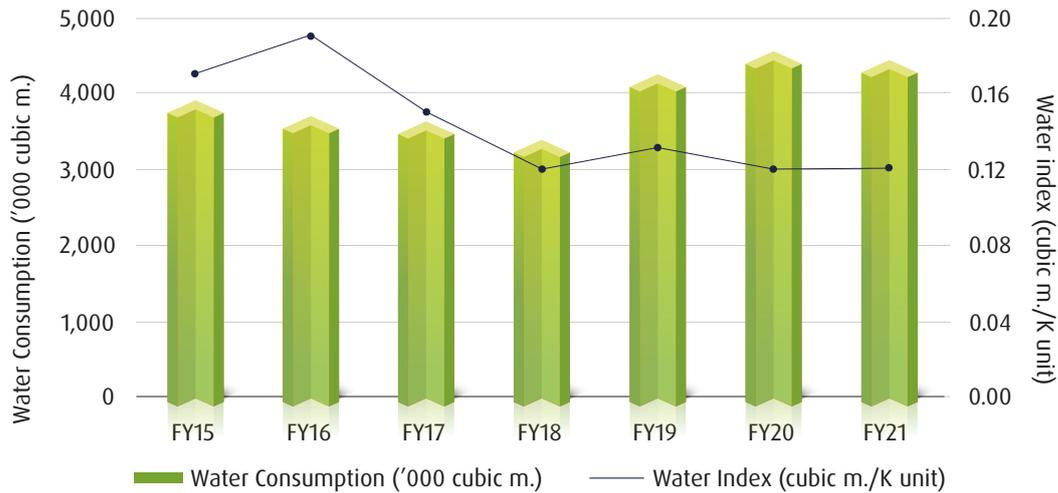
Weekly main water usage (m³)



SUSTAINABILITY STATEMENT

(cont'd.)

Water Consumption, MPI



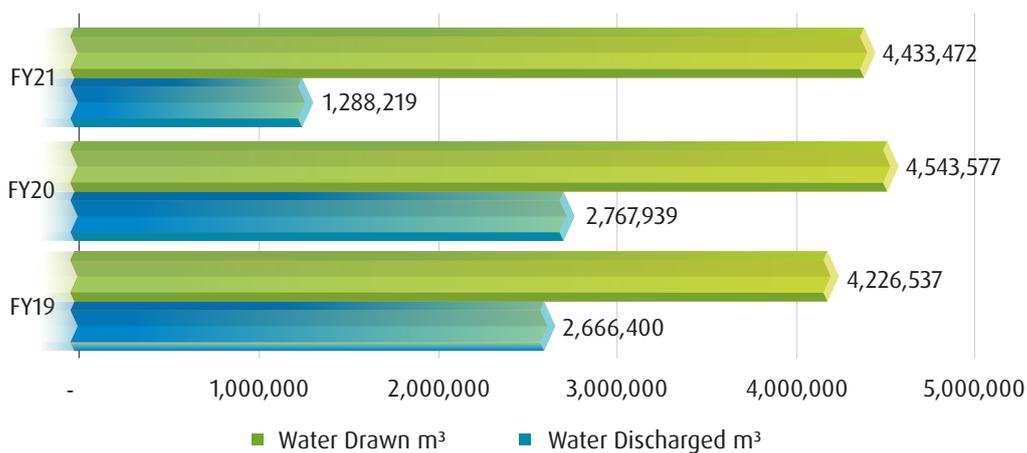
	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Water Consumption (meter ³)	3,896,475	3,693,437	3,601,768	3,366,020	4,226,537	4,543,577	4,433,472
Water Index (m ³ /K unit)	0.17	0.19	0.15	0.12	0.13	0.12	0.12
Water Index reduction/increase with respect to baseline (m ³ /K unit)	Baseline	0.02	-0.02	-0.05	-0.04	-0.05	-0.05
% reduction/increase with respect to baseline	Baseline	12%	-12%	-29%	-24%	-29%	-29%

A comparison of water consumption and water discharged for past 3 years indicates the success & effectiveness of our water recycling programs. Our water drawn (usage) reduced in FY21 despite higher production demand. Water discharged also reduced significantly in FY21. These are contributed by the water recycling and reuse activities implemented at MPI facility.

Note that

- Municipal water is the source of water drawn at all our operating facilities
- Final water discharge from all our operating facilities is to municipal drainage system

Water Conservation, MPI



Note: Water drawn (usage) data is as per local water authority billing. Water discharged comprises of treated water, tracked using water discharge meters.

SUSTAINABILITY STATEMENT (cont'd.)

WASTE MANAGEMENT

Being a semiconductor manufacturing company, our facilities generate wastes & effluents from our processes that are treated in compliance with regulatory requirements prior to discharge. These are typically comprised of effluents, hazardous and non-hazardous wastes.

Effluents management

For Carsem SZ and Carsem Ipoh, effluents typically comprise of the water used for cleaning, cooling, and for other purposes in the operational processes such as sawing, cutting, plating. For DCI, effluents refer to the water used in etch process, plating process, facility and also wastewater treatment plant.

Our operations lead to generation of wastewater that can be harmful to the environment, and water bodies, if it is discharged without treatment. This is because the wastewater generated may comprise of metals, toxic chemicals, organic and inorganic compounds.

All of our operating sites strictly comply with the locally applicable laws and regulations related to effluents and wastewater discharge. These are

- EQA (Industrial Effluent) Regulation 2009 in Malaysia
- Water Pollution Prevention and Control Law of the People's Republic of China, Integrated Wastewater Discharge Standard (GB8978-1996) of China

Note that the discharged water at all our facilities is inclusive of treated water. The information on water drawn, water discharged, and water consumption is disclosed in the "Water Management" section.



Recently upgraded waste treatment plant at the DCI factory in Penang

All our factories are installed with real time water quantity discharge monitoring. Pursuant to local legal requirements, Carsem SZ factory installed the real time monitoring and measurement system, which has been connected to Suzhou environmental monitoring centre to monitor the waste water discharge volume and pollutants concentration. The waste water and air emissions treatment facility are allocated operating budget above RM4 million annually. Refurbishment and upgrade of waste treatment effluent plants are also carried out regularly to ensure that they are always operating efficiently. In FY21, DCI factory upgraded its waste treatment plant at a cost of above RM3 million. This is a confirmation of MPI's commitment for responsible waste management.

Fishes were reared in the final discharge at our effluent waste treatment plant at Carsem M facility in Ipoh (Perak, Malaysia), affirming good waste management (see image below)



Effluent waste treatment plant at our Carsem (M) factory in Ipoh, Perak, Malaysia

All MPI factories are ISO14001:2015 certified and MPI management is committed to go beyond compliance of the Environmental Quality Act (EQA).

SUSTAINABILITY STATEMENT (cont'd.)



Hazardous and non-hazardous waste

Owing to its negative implications for the environment, and health & safety of our employees and the wider community, appropriate hazardous waste management is a key priority for us. Hazardous wastes are either treated at in-house waste treatment plant to comply with EQA or disposed as scheduled waste that must be handled, treated and disposed of properly, according to the Scheduled Waste Regulations. All our operating facilities are fully aligned with the strict local laws & regulations pertaining to the hazardous waste management. We have deployed necessary steps to setup stringent procedures and policies, in compliance with locally applicable laws & regulations, for safe storage & handling, management, and disposal of hazardous waste including e-waste, in collaboration with carefully assessed & selected licensed waste contractors.

Regular audits by regulatory bodies are conducted at all our operating sites to ensure appropriate local regulatory compliance of waste management measures. Similarly, we conduct regular audits on our waste contractors to ensure their local regulatory compliance (environment, health & safety).



Waste Recycling

A big part of waste management is to recycle the waste generated. Waste is segregated by types - hydroxide sludge, copper or metal waste and e-Waste. The various types of wastes are diverted to government authorized recycling companies to be recycled for other use. All the hazardous wastes that are not treated by the in-house waste treatment facility, and not recycled are disposed through a waste disposal company registered with local authority. Quantity of wastes are tracked and reported to legal authority as required.

The definitions & classifications of hazardous and non-hazardous waste differ based on the nature of business as well as country-specific laws & regulations. Accordingly, our facilities under Carsem SZ, Carsem M, and DCI strictly adhere to the applicable definitions and regulations to their operations. They also collect the correspondingly relevant data, and analyse it to define & implement the waste management practices and initiatives aimed at specifically managing or reducing waste generated at their sites.

Thus, the waste management in this statement has been covered for each of our businesses separately.

Summary of waste generated for each of our businesses is outlined below separately in comprehensive detail with clear segmentation.

Carsem M

- **Hazardous waste:** mainly electrical and electronic waste (e-waste), spent solvents, spent cleaning solutions, sludge from wastewater treatment plant, and spent cyanide solutions
- **Non-hazardous waste:** mainly domestic trash, such as paper, cardboard, plastic, etc.
- **E-waste:** Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, nickel, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl. This constitutes a substantial portion of our waste.

SUSTAINABILITY STATEMENT

(cont'd.)

These definitions are as per Malaysia Environmental Quality Act 1974, and are aligned with the guidelines of Department of Environment (Malaysia).



WASTE RECYCLING & RECOVERY

Carsem M

HAZARDOUS WASTE RECYCLING

recycling rate of total hazardous waste generated*



100%

hazardous waste
recycled in FY21

E-WASTE RECOVERY

% of e-waste recovered

100%

FY21

100%

FY20

100%

FY19

Note: *waste reused is also considered as recycled

Waste generated (MT)					Waste directed to disposal	Waste diverted from disposal
1MT = 1,000 kg						
		FY19	FY20	FY21	FY21	FY21
Hazardous waste	e-waste	171	138	176	0	176
	Other hazardous waste	221	164	243	0	243
	Total	393	302	419	0	419
Non-hazardous waste	Total	437	446	448	341	107
Grand total		830	748	866	341	525

SUSTAINABILITY STATEMENT

(cont'd.)

FY21	Directed to disposal (MT)**		Diverted from disposal (MT)*	
Hazardous waste	Incineration	0	Preparation for reuse	199
	Landfilling	0	Recycling	220
	Other disposal operations (physical/chemical treatment)	0	Other recovery options	0
	Total	0	Total	419
Non-hazardous waste	Incineration	0	Preparation for reuse	0
	Landfilling	341	Recycling	107
	Other disposal operations	0	Other recovery options	0
	Total	341	Total	107
Grand Total	341		525	

Note:

1. All figures are rounded
2. * All waste diverted from disposal are handled and managed by vendors offsite
3. ** All waste is disposed by vendors offsite

Carsem SZ

- **Hazardous waste:** refers to the solid waste (including effluents) with hazardous characteristics that is included in the National Hazardous Waste inventory or identified in accordance with the hazardous waste identification standards and identification methods prescribed by the state
- **Non-hazardous waste:** in general, there is no formal definition, and all waste other than hazardous waste is considered to be non-hazardous
- **E-waste:** refers to the waste from electrical and electronic products, electrical and electronic equipment & their parts, components and articles, and substances managed as e-waste, as required by environmental and relevant departments, including scrap equipment, products, semi-finished products and offcut during industrial production. e-waste with hazardous characteristics is identified as per the National Hazardous Waste inventory or identified in accordance with the hazardous waste identification standards, and identification methods prescribed by the state. These include products or equipment containing lead-acid accumulator, cadmium-nickel accumulator, mercury switches, cathode ray tubes, PCB capacitors, etc.

These definitions are as per the

- Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes (2020 Revision) - issuing authority is the Standing Committee of the National People's Congress
- National hazardous waste inventory (2021 version) - issuing authority is the state council Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste - issuing authority is the State Administration of Environmental Protection

SUSTAINABILITY STATEMENT

(cont'd.)

Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste - issuing authority is the State Administration of Environmental Protection



WASTE RECYCLING & RECOVERY

Carsem SZ

HAZARDOUS WASTE RECYCLING

recycling rate of total hazardous waste generated*



5%

hazardous waste
recycled in FY21

Note: *waste reused is also considered as recycled

Waste generated (MT)				Waste directed to disposal	Waste diverted from disposal
1MT = 1,000 kg					
		FY19	FY20	FY21	FY21
Hazardous waste	e-waste	0.2	0.2	0.3	0
	Other hazardous waste	438	372	566	27
	Total	438	373	566	27
Non-hazardous waste	e-waste	18	25	36	36
	Other non-hazardous waste	181	179	262	163
	Total	198	204	298	199
Grand total		636	577	864	226

SUSTAINABILITY STATEMENT

(cont'd.)

FY21	Directed to disposal (MT)**		Diverted from disposal (MT)*	
Hazardous waste	Incineration	10	Preparation for reuse	0
	Landfilling	0	Recycling	11
	Other disposal operations (physical/chemical treatment)	529	Other recovery options	16
	Total	539	Total	27
Non-hazardous waste	Incineration	99	Preparation for reuse	0
	Landfilling	0	Recycling	199
	Other disposal operations	0	Other recovery options	0
	Total	99	Total	199
Grand Total	638		226	

Note:

1. All figures are rounded
2. * All waste diverted from disposal are handled and managed by vendors offsite
3. ** All waste is disposed by vendors offsite

DCI

- **Hazardous waste:** mainly comprises of cupric chloride from etching machines, silver from plating machines, chemical waste from mold-prep machine, metal hydroxide from wastewater treatment plant
- **Non-hazardous waste:** mainly domestic trash, such as paper, cardboard, plastic, copper waste from etching process in operation, etc.
- There is no e-waste generated at DCI

These definitions are as per Malaysia Environmental Quality Act 1974, and are aligned with the guidelines of Department of Environment (Malaysia).



WASTE RECYCLING & RECOVERY

DCI

HAZARDOUS WASTE RECYCLING

recycling rate of total hazardous waste generated*



48%

hazardous waste
recycled in FY21

Note: *waste reused is also considered as recycled

SUSTAINABILITY STATEMENT

(cont'd.)

Waste generated (MT) 1MT = 1,000 kg	Waste generated (MT)			Waste directed to disposal	Waste diverted from disposal
	FY19	FY20	FY21	FY21	FY21
Hazardous waste	3,146	2,553	2,998	1,556	1,442
Non-hazardous waste	245	272	256	126	130
Grand total	3,391	2,825	3,253	1,682	1,572

FY21	Directed to disposal (MT)**		Diverted from disposal (MT)*	
Hazardous waste	Incineration	0	Preparation for reuse	0
	Landfilling	0	Recycling	0
	Other disposal operations (physical/chemical treatment)	1,556	Other recovery options	1,442
	Total	1,556	Total	1,442
Non-hazardous waste	Incineration	0	Preparation for reuse	1
	Landfilling	0	Recycling	0
	Other disposal operations	126	Other recovery options	129
	Total	126	Total	130
Grand Total	1,682		1,572	

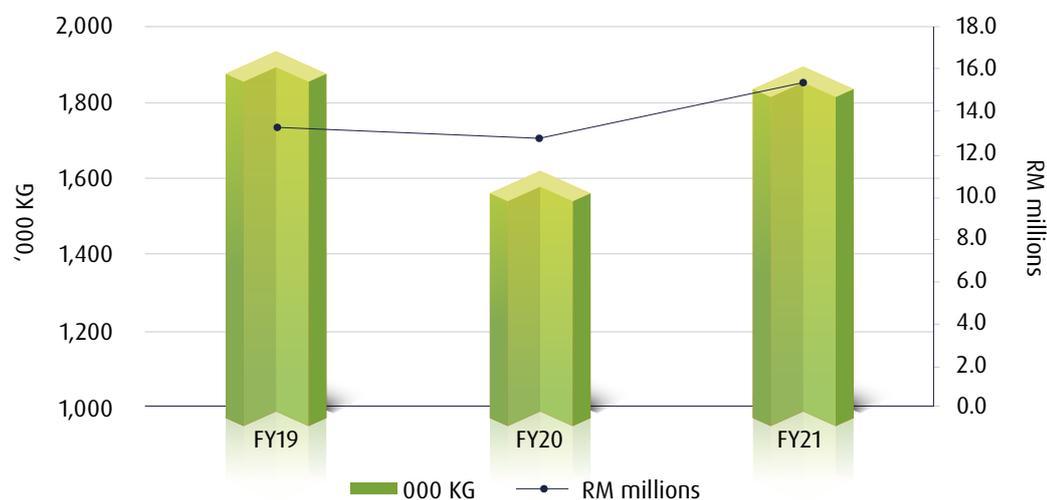
Note:

1. All figures are rounded
2. * All waste diverted from disposal are handled and managed by vendors offsite
3. ** All waste is disposed by vendors offsite

Aligned with the **UN SDG12, Responsible Consumption and Production**, we take the necessary steps for e-waste recovery, wherever applicable, that comprises of valuable materials such as gold, aluminium, silver, and copper. This enables us to not only contribute to the broader objectives of ethical & sustainable disposal, but also to better manage market supply.

The recycling of wastes not only reduces disposal to landfills, but also translates into monetary benefits. Below is the summary of scrap sales for MPI group for past 3 years.

Recycled Waste (from scrap), MPI



SUSTAINABILITY STATEMENT

(cont'd.)

Waste Reduction and Management Initiatives

At all our sites, we continue to develop programs to reduce, reuse and/or recycle our resources and materials.

At Carsem SZ, we continue to develop programs to reduce, reuse and/or recycle our resources and materials. Together with our suppliers we work to reuse clip, carrier, rock reel, carton box that has resulted in reducing approximately 10 tons of waste per year. Similarly, partnering with our customers to reuse trays has helped cut plastic consumption by about 10 tons per year.

At DCI, we initiated & implemented a range of programs towards proper waste reduction & management, as outlined below

- Our design team enhanced the lead frame design by maximizing copper width, thereby minimizing copper wastage
- We converted the high running stocks from narrow to wider copper width to increase productivity & reduce copper wastage
- In plating, we control the thickness to minimize precious metal (gold & silver) wastage. This is supported by our internal system to re-claim precious metal from drag-out rinse bath
- In etching, we reduce copper scrap & increase productivity by combining all samples with similar thickness and running them together
- As part of our recycling programs, we've been using aluminium and plastic spool to roll up copper instead of paper spool
- We encourage use of recycled paper for copying/ printing activities, and have reduced multiple invoicing on the same lot in our back-end operations
- We ship out our finished goods using recycle plastic casing & vacuum foam tray for our local customers
- We regularly monitor our equipment air consumption, and have shut down one-unit compressor as part of our electricity consumption reduction program
- We upgraded our semi auto filter press and IETS system to generate more metal hydroxide to ensure that the water discharged from our facility complies with the local government rules & regulations

Over & above, improvements in waste management can be achieved by creating awareness & empowering people so they act responsibly in our daily workplace activities and interactions. This entails promotion of 'paperless' activities, proper use of recycle bins, and avoidance of excessive or preventable trash.

PRODUCT STEWARDSHIP



We understand our responsibility in delivering products & services to our stakeholders, especially our direct customers, through safe, quality, qualified and ethical manufacturing methods & processes. Wherever practicable, we deploy a 'lifecycle thinking' in our product & technology development to meet the evolving & demanding needs of our customers, while duly assessing the related safety & ethical considerations. In doing so, we refer to the consideration in RBA Code of conduct as well as to the Restriction of Hazardous Substances (RoHS) directive on the hazardous substances listed therein.

Pertaining to our products & services, we ensure strict compliance with all the laws & regulations, and specific customer requirements at all our operating facilities. For instance, our Carsem SZ facility utilizes plating process, and is located in Taihu Lake basin. This makes it essential for us to comply with Regulations of Jiangsu province on Water Pollution Prevention and Control in Taihu Lake (2018), which pertains to plating related discharge and emission standards.

SUSTAINABILITY STATEMENT

(cont'd.)

Outlining below the key regulations, and specific customer requirements, along with our activities & practices on the same:

- **Compliance with ISO 14001 and ISO 45001**

All our operating sites strictly comply with ISO 14001 and ISO 45001, along with the adoption of all related standards.

- **Compliance with European Union Restriction of Hazardous Substances (“RoHS”) Directive, which sets limitations on the use of ten substances, including lead, mercury, Cadmium, Chromium VI, PBB, PBDE, DEHP, BBP, DBP, DIBP**

- Through analysis report conducted on a yearly basis, the compliance to RoHS is measured. Compliance to RoHS is determined based on an annual assessment, including verification of documents such as declaration letter, Certificate of Compliance (“CoC”) and Safety Data Sheet (“SDS”)
- We obtain undertakings from our suppliers that they will comply with RoHS by communicating with them and facilitating their own compliance. Our suppliers are required to perform self-assessment using our assessment checklist, on a yearly basis
- For all the supplied products, test reports and certificates of conformance are also obtained from suppliers

- **Regulations of Jiangsu Province on Water Pollution Prevention and Control in Taihu Lake (2018)**

Through zero-discharge wastewater treatment facilities, Carsem SZ is equipped to fulfil the specific requirement on wastewater free of Nitrogen “N”, and Phosphorus “P”.

- **Emission standard of pollutants for electroplating GB21900-2008**

At Carsem SZ, we continue to ensure proper treatment of wastewater and air emissions from plating process by developing wastewater treatment and exhaust gas treatment facilities. Third parties monitor these facilities, and measure the wastewater discharge and air emissions from plating process, on a half-yearly basis.

- **EQA (Clean Air) Regulation 2014, EQA (Industrial Effluent) Regulation 2009**

At Carsem M and DCI, accredited third party monitoring of water discharge and exhaust discharge from scrubbers is conducted and submitted to local authorities. The Malaysian Department of Environment (DOE) also conducts regular checks to ensure compliance.

- **Restriction on the use of hazardous substances, including lead and lead compound**

Carsem M has achieved third party certification on the Sony Green Partner.

- **ISO/TS16949**

All of our operating sites practice continuous improvement and perform periodic internal audits of all manufacturing related functions.

- **ISO 9001**

All of our operating sites demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

SUSTAINABILITY STATEMENT (cont'd.)

BETTER SOCIETY

At MPI, we view all development to be dependent on the exhibition of human capital. Therefore, the employees are our top priority. We also strongly believe that by contributing to society, we will be able to accomplish multitude of objectives. With the effective execution of the underneath key aspects, we expect that our business will keep prospering in a responsible & sustainable manner.

TRAINING & EDUCATION



EMBRACING A 'LEARNER' MINDSET

Education is an important part of our employee engagement strategy. Our employees often need to learn skills through the training programs. We're continuously looking for ways to identify and support the growth of employees who are seeking to learn new skills.



OUR TRAINING

TRAINING HOURS

formal training hours for employees

80,372	68,356
2020	2021 Jan-Jun

TRAINING HOURS PER EMPLOYEE

average formal training hours per employee

10.4	8.0
2020	2021 Jan-Jun

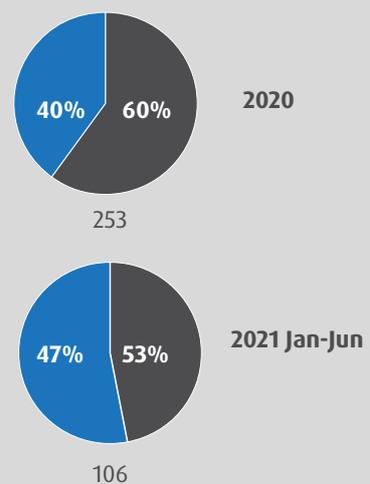
NUMBERS OF CERTIFICATION

formal technical* certifications for employees

151,264	76,097
2020	2021 Jan-Jun

TRAINING TYPES CONDUCTED

numbers of trainings by types



- **Non-technical**
Finance, HR, Managerial, Personal development, Leadership, Supply chain
- ***Technical**
Machine/Process/Equipment training, IT/programming/multimedia/software, Quality & productivity, ESH, Technical engineering, Quality reliability assurance, Statistical process control

SUSTAINABILITY STATEMENT

(cont'd.)



MPI employees connected virtually as COVID-19 restrictions made it difficult to run trainings in-person.

Refreshing our approach & preparing for new normal

In 2020, Covid-19 restrictions made it difficult to run in-person trainings. Consequently, we accelerated our drive towards new ways of working with our internal & external training partners to deliver e-training by leveraging platforms such as MS Teams, Zoom and internal training systems. While initially it entailed numerous challenges, with these multimedia resources, hard work from trainers and healthy support from participants, we successfully conducted a number of virtual training sessions.

As a result, despite the Covid-19 induced constraints, we are clocking more training hours. The success of this realignment is reflected in the high number of total and average training hours/ employee in the first half of 2021 compared to those in 2020, when the pandemic began.

During Covid-19, we were able to conduct soft skill training as well as technical training. We worked with training providers to conduct many webinars focusing on learning around the pillars of personal growth, productivity & well-being - self-improvement, computer lessons, health talk, and so on. We continued our focus on HRDF training for employees at all levels. Encouraging a 'learner' mindset, it was emphasized that learning is no longer restricted to the classroom or face-to-face training.

To encourage and cultivate lifelong learning, all employees are enabled to register themselves for free courses via the e-learning hub: HRDF e-Latih webinar link that is launched by HRDF (Human Resource Development Fund). This has been very well received with healthy participation. Typically, we adopt a 70-20-10 approach, where employees learn 70% of their knowledge from on-the-job training & assignments, 20% from coaching & mentoring, and the remaining 10% from structured training, such as digital and classroom learning. Most of the training time uses practical & hands-on methods to equip our employees with adequate job knowledge and improve their competency. We continued our efforts to ensure that our employees are equipped with the latest knowledge and skills by enrolling them for relevant training. Consequently, we focused more on technical training & certification by using internal training system. Employees can access the certifications at anytime and anywhere. Over the years, we have consistently increased the number of technical programs and certifications on offer.

SUSTAINABILITY STATEMENT

(cont'd.)

LEARNING AND DEVELOPMENT (L&D) PROGRAM

Graduate Development Program (GDP) – Youth Development

Enabling the future generation to prosper & meet their needs in a key tenet of sustainability. As part of our learning & development, and community focused initiatives, this entails offering learning opportunities to youth to hone their skills & equip them with relevant industry experience. Our Graduate Development Program (GDP) is committed to the development of various talent training projects, comprehensive training and guidance, so that outstanding graduates can quickly grow into the backbone of the company and become the reserve candidates for middle-level leaders. For the company to attract highquality talents, ensure the smooth introduction of new engineering research and development projects, to achieve the company's sustainable development and rapid growth of profitability, lay a solid foundation.



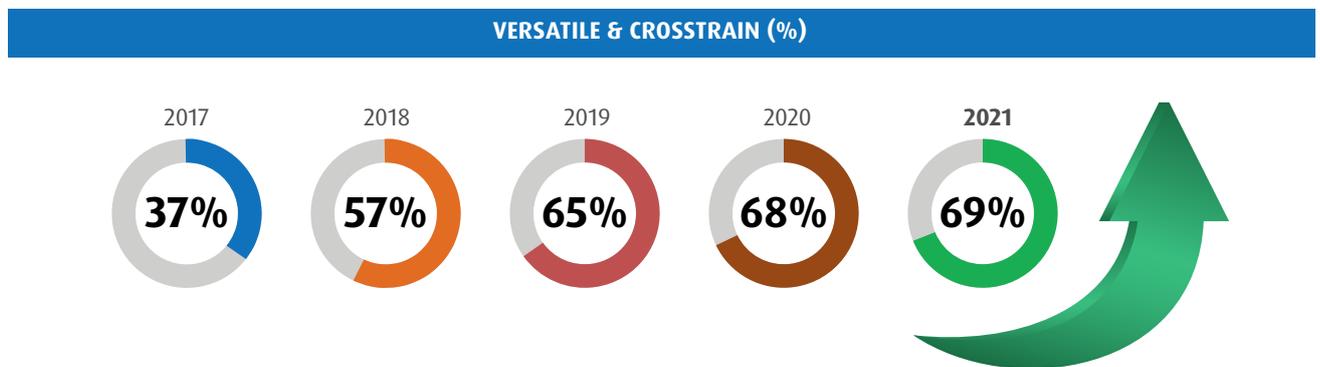
As the cradle of talent management and reserve, it plays an important role, which fully demonstrates the concept of MPI focusing on talent training. Despite the impact of pandemic to the industry, MPI has never stop nurturing and developing our fresh graduates. Development program has always been the top priority to them as they are the future pipeline to the industry. As pandemic strikes, some of our training especially soft skills related has to go on virtually instead of face to face however for technical/ machine related, the training resume in our production line.

Embark on Versatile and Cross-Training Workforce

The Group sets out on the versatile and cross-trained workforce with the plan to have an adaptable multi-talented workforce. The employee can fill in for the absent co-workers and can quickly increase the labour capacity and productivity in any operation. The cross training embarked based on process similarity or bottleneck process. Employees are continually learning new skills that help them to adjust to changes in the production, boost up their morale and encourage employee retention. Throughout the years, the percentage of achievement for versatile and multi-skilled shopfloor workers has been increased from 37% to 69% from FY17 to FY21.

SUSTAINABILITY STATEMENT

(cont'd.)



Talent Management - Succession Planning

MPI continuously develops talent and promotes internal leaders who are able to lead the group to the next phase.

Our succession planning focuses on the senior management position as well as the critical technical positions. Critical position is defined as a position that would have a significant impact on the organization. Hence, critical position is a position that cannot be left vacant for long.

The 9 Box Talent Assessment Grid is used to identify where existing employees currently are and identify the strategies to develop their capabilities. It is very helpful in identifying high performers, key players and succession candidates.

We are also monitoring the continuous succession plan for critical position in DCI. Critical position is referring to position which is required to comply with government rules and regulations.

We will send the related competent person to attend the training to ensure they are continuous certified and continue improve their skill related to their area. The category of critical position in DCI referring:

1. Certificate Environmental Professional in Industrial Effluent Treatment System Operation (CePIETSO)	5. Radiation Protection Officer (RPO)
2. Certificate Environmental Professional in Scrubber Operation (CePSO)	6. Chargemen BO
3. Certificate Environmental Professional in Schedule Waste Management (CePSWaM)	7. Competent for Confine Space
4. Safety and Health Officer (SHO)	8. Boiler Man

SUSTAINABILITY STATEMENT (cont'd.)



SKILLS DEVELOPMENT

Sistem Latihan Dual National (SLDN) Program

To support the government initiatives on Technical & Vocational Education and Training (TVET), Carsem Malaysia has collaborated with Malaysian Investment Development Authority (MIDA) and Advanced Technology Training Center (ADTEC) Taiping to train up 20 apprentices by year 2025.

The apprentices will undergo 4 months theory training at ADTEC; and 8 months practical training at Carsem M. Apprentices who successfully complete the SLDN program, will be awarded with Malaysia Skills Certificate Level 3 (SKM 3) by Malaysia Department of Skills Development.

Recognition of Prior Experiential Learning (RPEL) Program

Recognition of Prior Experiential Learning (RPEL) Program enables workers to get recognition on their skills, knowledge and experience gained through working and learning according to the level determined by the Department of Skills Development (DSD).

Carsem has successfully registered 17 pax for Microelectronics under RPEL program, and they have completed and passed their final assessment in April 2021. Due to very good response received, another batch with 50 pax are in queue and will complete in 2021 as well. It is also one of the re-skilling and up-skilling program for our employees.

Training Award

Carsem SZ won the "2020 Advanced Group for Safety Training" of Suzhou Industrial Park in 2021-Jan. Carsem SZ implements and maintains an effective occupational health and safety training system to prevent potential safety hazards.

In FY21, Carsem SZ organized 32 batches of safety training and epidemic prevention training (including work resumption training, first aids training, firefighting training, supervisor & line leader safety training, Industrial injury prevention training, chemical control & waste management training etc.), with more than 2,200 employees involved.

In addition, Carsem SZ Training Center has also been awarded the title of "Employee Training Base" demonstration site in Suzhou Industrial Park in 2020. The selection of the demonstration sites was initiated by the Suzhou Industrial Park Government and SIP Unions, and selected ten enterprises once a year.

After obtaining this demonstration site, Carsem SZ can take priority to participate in various government-organized training, subsidy applications and competitions, including government-subsidized education promotion program, school-enterprise cooperation, enterprise vocational skill level certification, high-skilled training subsidy applications, etc.

At present, Carsem SZ have 7 employees participated in the education promotion program, by applying for universities and majors designated by the government, employees can receive 20%-50% tuition subsidies after graduation.

SUSTAINABILITY STATEMENT (cont'd.)

LABOR RIGHTS & STANDARDS



Respecting human rights while advancing workforce diversity, engagement and inclusion

Our approach is guided by the **UN Guiding Principles on Business and Human Rights**, **GRI standards**, and **Responsible Business Alliance (RBA) Code of Conduct**. We are committed to respecting human rights as set out in the UN Universal Declaration of Human Rights and the **International Labour Organization Declaration on Fundamental Principles and Rights at Work**. Our commitment to human rights is embedded into our existing frameworks and processes, applicable to all employees, suppliers and third parties, such as HLMG (Hong Leong Manufacturing Group) Code of Conduct and Ethics. The Supplier Code of Conduct and Ethics includes specific labour and human rights expectations for suppliers and third parties. The responsibility for human rights issues lies with the CSR/RBA Management System Organisation, which is led by our Group Managing Director, Manuel Zarauza. Respecting and safeguarding human rights is among MPI's top priorities.

All our employees receive relevant training on human rights issues, which typically includes information on respecting & compliance to human rights in the course of our business operations as stipulated within the Code of Ethics.

In particular, the managers responsible for the security units are sensitized with the compliance processes in the respect. Security personnel are also informed about our requirements and instructions for respecting human rights in line with our wide procurement guidelines.

Employees and external informers can use various channels, such as e-Feedback intranet portal, feedback box or the whistle-blower system, and the Skip Level platform to report suspected human rights violations and obtain "access to remedy" as defined by the third pillar of the UN Guiding Principles on Business and Human Rights.



No human rights violations were reported during FY21 at any of our operations. In fact, Carsem SZ was awarded "The Most Socially Responsible Enterprise in Suzhou Industrial Park in 2020" by the Suzhou Industrial Park Management Committee. It reflects the continued emphasis we put on actively fulfilling our social responsibilities, and our commitment to operating with integrity, caring for our employees, innovating for quality, protecting the environment, and on public welfare.

SUSTAINABILITY STATEMENT

(cont'd.)



LABOR RIGHTS

Free chosen employment

We strictly prohibit any use of forced, bonded or indentured labor, involuntary prison labor, slavery or trafficking of persons at all times. There is no unreasonable restriction of employees' freedom of movement. We don't withhold employees' original government-issued identification, passports, work permits, travel documents, or education certificates. All workers are given employment agreement that clearly conveys the conditions of employment in a language they understand.

Freedom of association

We respect the rights of employees to associate freely, to decide whether they wish to join labor unions or not, and to seek representation in accordance with relevant laws and regulations in the regions we operate. Unions are accessible to workers at all of our operating sites.

Child labor

We take an active stand and unconditionally prohibit child labor. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest.

Wages & benefits

Compensation paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. These should be paid in timely manner.

Humane treatment

We practice absolute zero tolerance towards any kind of harsh and inhumane treatment or threat of any such treatment. These include any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers. The relevant disciplinary policies and procedures in support of these are clearly defined and communicated to workers.

Non-discrimination/Non-harassment

We take the necessary steps to ensure a workplace that is free of harassment and unlawful discrimination. We assign central importance to fair working conditions and employee rights, and reject all form of discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training.

Working hours

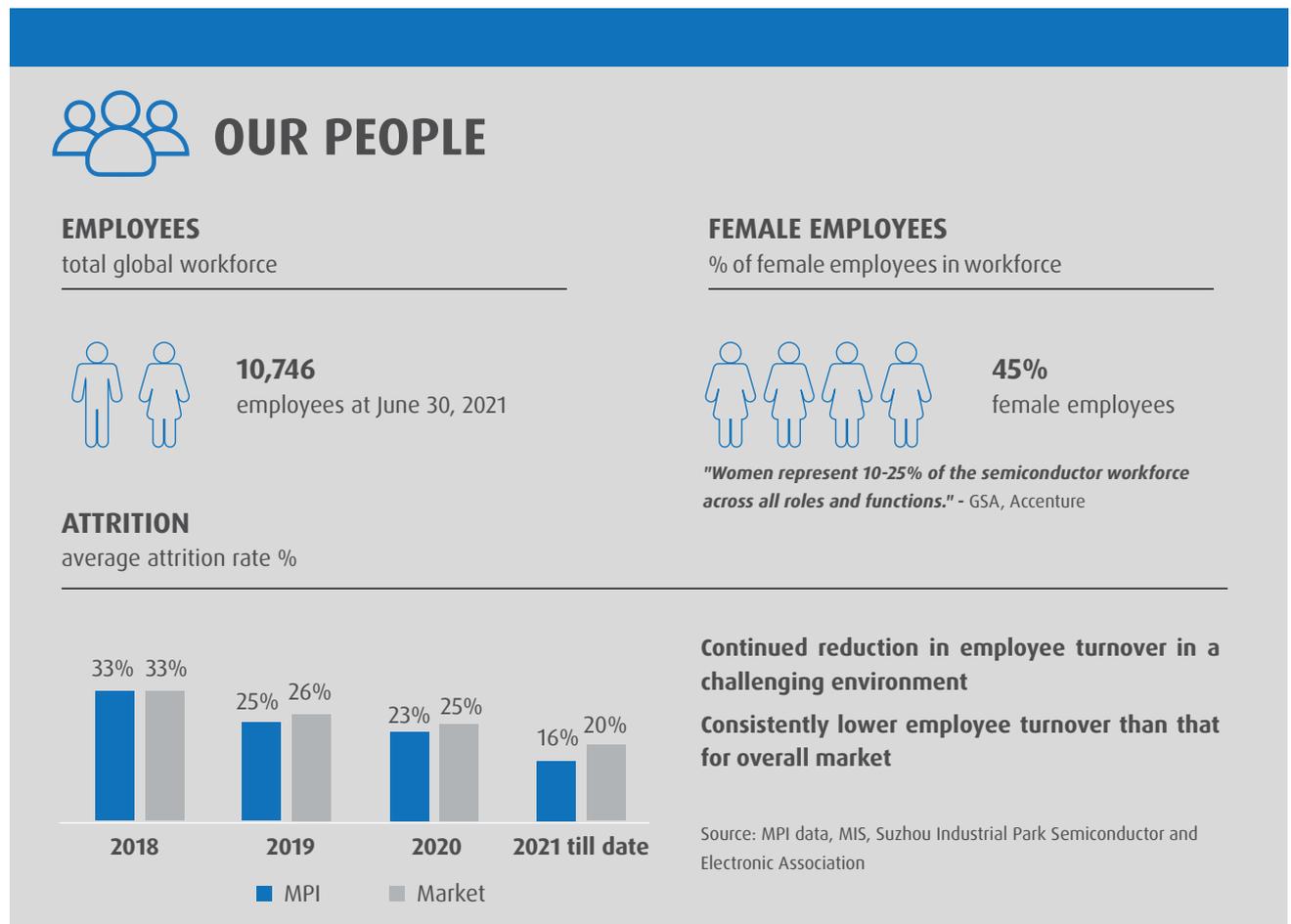
Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury & illness. We take steps to ensure that our employees do not perform work exceeding the maximum hours allowed by the local law. Moreover, we take actions to reduce excessive working hours, and support exceeding minimum wage by allowing our employees to perform overtime. In doing so, we comply with the respective local laws across all our facilities.

SUSTAINABILITY STATEMENT

(cont'd.)

Our People

For the successful execution of our strategy and for sustaining our long-term business performance, our people are vital.



We provide consistent opportunities to accelerate the development of our employees, grow & strengthen our leadership capabilities, improve diversity, and enhance employee engagement. All this contributes to high motivation & performance levels of our employees.

Similar to FY20, in FY21, we continued to work hard to assist in the battle against Covid-19, and support our people in various ways. Our aim remains to continue to become a more competitive & streamlined organization that is agile and better able to respond to customers.

In FY21, we continued to ensure that all our employees are trained to improve their knowledge and awareness around labor practices through specific programs & seminars. These are organized in-house and/or in collaboration with relevant authorities (e.g., JTK, labor office, etc.). We ensure communication of our commitments and provisions of the RBA Code of Conduct through several channels to all our employees globally. All the training & communication material, is translated & made available in relevant languages – English, Bahasa, and Chinese.

SUSTAINABILITY STATEMENT (cont'd.)



Moreover, we have put in place several mechanisms that allow our employees to engage with management, raise concerns and report instances of potential non-compliance. These include Whistleblowing, manual and e-feedback form, employee survey, daily briefing sessions, open-door policy, and many more. Our managers undergo appropriate training to handle any reports or instances of non-compliance with our values, including bullying or harassment. Our controls encourage two-way communication, and allow employees to share their thoughts anytime without any restrictions. Our Mentor-Mentee program allows our employees to share & escalate any wrongful acts to their respective mentors, and further to the relevant parties.

Workforce Diversity

Our approach is to focus on hiring, development and retention of top talent. We firmly believe that embedding the elements of diversity & inclusion in our manner of doing business provides us a deep understanding of the needs of our people, suppliers, customers and other partners. A diverse workforce, enabled by an inclusive & caring environment that nurtures and respects diverse people, is a manner to enhance our business performance. We continue to attract, develop and promote more women in our workforce by creating a culture of respect and inclusion, with a healthy proportion of women in leadership positions. In fact, the proportion of female employees in our workforce is significantly higher than the semiconductor industry average.

We are an employer of choice, evident from the significantly low attrition rate vs. the market on a consistent basis. We seek to eliminate exclusion of disabled people and ensure disability inclusiveness remains a priority for global business leaders. Moreover, from time to time, we also engage contractors or temporary staff in specific projects based on requirements. Contractors or temporary staff constituted 13% of our workforce in 2020, and accounted for 11% in 2021 till date. Further, we provide equal opportunity to local population from various ethnicities, and expatriates to join our organization at different positions. While growing our business, we are mindful of taking the community forward with us. We do this by consistently engaging & enabling the local communities in various ways, including economically.

SUSTAINABILITY STATEMENT (cont'd.)

Employee Engagement

MPI has been able to leverage the power of technology and connectivity in order to continue to organize activities and fulfill the duty to strengthen the bonding & unity among the employees at various levels.



In conjunction with National day, Carsem organized a Photography contest for employees to display their creativity, talent, and teamwork.



A virtual session was organized via Microsoft Teams to commemorate Women’s Day to appreciate all diligent women employees for their achievement and great support. An inspiring and encouraging speech was given by Head of HR followed by General Managers.



Carsem awarded 41 students with the Academic Excellence award. Due to new norms and to abide SOPs set by MOH, our top management presented only to their respective proud parents.



Senior government officials from the Malaysian Embassy in China and the Consulate General of Shanghai visited Carsem SZ operations, taking note of our product applications, technology innovations and R&D planning, continuous improvement culture based on quality zero defects, strategic development, and investment planning over the next five years.

SUSTAINABILITY STATEMENT

(cont'd.)



The Group continued to motivate employees by organizing various activities to bring joy and encouragement for the employees during the week of festive seasons and also in conjunction with Valentines' day.



Distributions of gift bags, red packets, flowers, giving out sweets and lucky draws on festival seasons for our multi-racial employees in respect of their culture and nationalities.



DCI has organised donation events during festive season to Gan EnZhi Home and Autism day school, Pusat Harian Harapan Bakti.

SUSTAINABILITY STATEMENT (cont'd.)



Carsem SZ Business Continuity Plan (“BCP”) & actions were well implemented and helped prevent & control the impact of COVID-19.

As a motivation for the employees for their support and achievement, the company had organized some team building activities such as 10km cross running events and various outings.



Apart from outdoor activities, Carsem SZ has organized some in-house competitions such as core strengthening plank exercise competition and karaoke competitions to enhance employees’ satisfaction to show their talents and skills.



Carsem SZ Union and HR Dept. visited the public rental housing of the employees during the Spring festival to distribute holiday gifts and sent holiday greetings.



In January 2021, Carsem SZ has organised the Customer Appreciation Dinner 2020 to express the gratitude and appreciation to the customers that have been supporting our business throughout 2020. The dinner was also held to enhance the understanding and relationship between the company and its customers.

SUSTAINABILITY STATEMENT

(cont'd.)

The Group is working to do its part to provide technology and resources to the employees to stay connected via social media, a gateway to communication.

Considering that communication reach is crucial in the prevailing circumstances, we stretched our communication channels through several initiatives such as using digital platforms like Telegram.

Through this, every employee could obtain instant updates that are helpful for the superiors, supervisors as well the Company to implement, to brief or notify any relevant matters effectively.

We ensure communication is shared via Carsem HR Info specifically on COVID-19 related matters, including to those without email access.

A direct link and the QR code for Telegram group whereby the employees could access upon installing Telegram app into their respective mobiles.

As large number of our employees began working from home, a dedicated and supportive IT team worked around the clock to keep our system running and made improvements to help everyone to continue to work efficiently and stay connected.



Carsem SZ has created a WeChat group which has been well received by HL IGP president, GMD, CFO, customers and all employees. It is an interactive communication platform to share the company's culture, its leadership, generates a positive mind and team spirit. Many articles have been shared and it has attracted more than 3,000 followers. Articles and positive messages from employees are being shared. They have adopted brand new changes to promote company culture and foster team spirit via Carsem News.

SUSTAINABILITY STATEMENT (cont'd.)

OCCUPATIONAL HEALTH & SAFETY

SAFEGUARDING EMPLOYEE WELLBEING

Our CSR policy and Occupational Health and Safety Policy clearly outline the standards we strictly adhere to for ensuring a safe & healthy workplace environment for our employees.

Award-winning health & safety

In recognition of the hard work & diligence to ensure a safe & secure workplace environment for all our employees, we received outstanding recognitions, in FY21. Employee welfare is our utmost priority in normal times, and has assumed even more significance in these turbulent times.



(Carsem M) received 2021 Silver Stevie® award for the "Most Exemplary Employer for COVID-19 Response", and 2021 Silver award for "Best Crisis Management and Leadership" by "Human Resources Online".

(Carsem SZ) Excellent Enterprise award, by Suzhou Industrial Park.

(Carsem SZ) Excellent enterprise - Safety training, by SIP Jinjihu Lake Administration committee Safety Bureau.

Governance

We have setup dedicated health & safety working committees at each of our operating sites. Each health & safety committee comprises of management and worker representatives, with a dedicated health & safety manager. The responsibilities and authorities for relevant roles of OH&S management are assigned and communicated at all levels. Worker representatives consult and participate in OH&S affairs through specific forums held on a periodic basis, and contribute with their efforts. These health & safety working committees take responsibility of overseeing & daily monitoring of the health & safety management at each of the operating sites, including risk assessment, risk management, compliance, audits and investigations, complaint resolution, grievance addressal, as well as the deployment of specific initiatives. At each of our operating sites, the health & safety standards are adopted in compliance with accredited international standards. The occupational safety and health management systems at our operating sites are exhibited below:

Our businesses	Locations	Occupational Health and Safety Management Systems
Carsem SZ	Suzhou, China	ISO 45001:2018
Carsem M	Ipoh, Malaysia	ISO 45001:2018
DCI	Penang, Malaysia	ISO 45001:2018

Risk management

Our approach towards managing occupational health & safety risk is driven by the Hazard Identification, Risk Assessment and Risk Control ("HIRARC") review that is done at least once in a year and as & when required. This is led by the respective health & safety working committees at each operating site along with management and worker representatives. This proactive approach helps in identification of hazards and operational risks. The issues identified from HIRARC review are reported & assessed to define actions aimed at elimination of hazards and reduction of OH&S risks. All such actions are duly documented, executed and reviewed by the health & safety working committees in the periodic meetings.

SUSTAINABILITY STATEMENT

(cont'd.)

Training & awareness

Our approach to promoting health & safety awareness at all of our workplaces is driven by ongoing training programs. These comprise of

- General training: aimed at creating awareness and educating employees about health & safety issues – occupational and non-occupational. These include preventive measures for COVID-19
- Customized training: aimed at specific work activities, related health & safety risks, and towards various employee groups

At each site, the training program & plan is reviewed periodically to ensure that it incorporates the changes in operational, regulatory & industry aspects, as well as our health & safety performance.

In FY21, we conducted trainings across below areas:

- Hazards identification, risk assessment, risk control
- Safety data sheet
- Chemical handling & spillage
- First aid and CPR
- Precursor chemical management
- On the Job Training for New Hires
- X-ray handling
- Emergency response team
- Hearing loss
- Contractors safety
- Fire risk
- Forklift driving
- Hearing conservation program

In FY21, amidst the ongoing pandemic situation, online & virtual training sessions became the order of the day at our operating sites. These included employees' recertification, competency training, new equipment training by technical specialist, etc. This enabled us to minimize and prevent interruption to employees' training, certification and awareness programs. We conducted several virtual sessions with the relevant authorities and specialists to ensure high awareness of COVID-19 matters, among our employees. In specific cases where the trainer was required to be on-site to provide technical support & guidance, all necessary preventive & control measures with respect to COVID-19 were strictly complied with, by all involved parties.

Employee accommodation

Holistic employee well-being is strongly related with their working as well as living conditions. So, in addition to the steps we take for workplace health & safety, we take necessary actions to provide hygienic, safe & healthy accommodations for our employees. These are in strict compliance with The Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Act 446).



Our employee accommodations are duly audited and certified by the Labour department under the Ministry of Human Resources.

SUSTAINABILITY STATEMENT (cont'd.)

Health and safety performance

The Management and Safety Committee at all our operating sites continues to emphasise safety awareness via safety training, briefings and placing safety warning signs/labels. Other initiatives conducted to strengthen our safety environment include on-site chemical and personal protective equipment management and storage, workplace inspection, management walkabout/visits machinery and work instruction and inspection, radiation monitoring and spot audits.

We are pleased to share that there were no reported incidents of occupational illness and fatality at any of our operations, during FY21.

Our health & safety performance monitoring also entails tracking of injury frequency rate data, to guide our approach & define timely actions.

Injury frequency rate for industrial accidents, MPI		
FY19	FY20	FY21
1.00	0.97	1.03

All our operating sites are actively involved in internal & external OH&S campaigns to meet our objective of reducing workplace accidents. Each year, Carsem M joins the Workplace Accident-Free Week (WAFEW). In fact, in FY21, Carsem M stood at third place out of a total of 81 participating companies in the WAFEW Workplace Innovation Competition. At all our operating sites, continued HIRARC assessments in line with ISO 45001:2018 help us identify further risks and opportunities in the existing practices. Every incident is investigated by the respective site's committee and corrective actions are taken. As far as practicable, engineering control solutions are implemented to prevent recurrence. Audits are done to ensure compliance to safety procedures. This has led to consistent improvements in health & safety, and made our processes & machineries safer. Moreover, active involvement by entire operations in the 5S Kaizen program has further contributed to prevention of accidents.



The COVID-19 pandemic has been relentlessly affecting the health and economy of the world. The safety of our people is our number one priority at MPI. We recognize the human rights responsibilities of business in navigating the COVID-19 crisis, and so, we have taken every measure to keep workers safe, meeting or exceeding the recommendations of the government authorities and local requirements. The best practice measures taken at our facility in Suzhou, China, at the beginning of the pandemic, have been shared across all our other operating facilities in Malaysia. As a result, MPI has been able to maintain the demands of increased production and distribution in the current COVID-19 environment as well as safeguard the rights and safety of workers in our facilities. As this report was being compiled in mid-2021, many parts of the world were still facing continued or resurgent infections and cases continued to soar. Since early 2020, MPI has rolled out measures across our organization to ensure the safety of our employees, business partners and customers, as well as support affected communities while striving to maintain quality products & services, with minimal disruptions. These efforts are summarized below.

SUSTAINABILITY STATEMENT (cont'd.)

PROTECTING OUR WORKFORCE



In FY21, we further stepped up our efforts as our health & safety teams equipped staff and businesses with guidance to remain operational in a responsible way. We updated our guidance materials throughout the year and shared information continuously with all relevant stakeholders. To mitigate risks and flatten the COVID-19 infection curve, our actions have been guided by four key principles:

- 1 Monitoring high standards of hygiene and safe practices in the workplace, and at worker accommodations
- 2 Reduction, if not elimination of transmission among employees
- 3 A work-from-home wherever possible mentality
- 4 Ensuring preservation of life and safety of employees, their families, our business partners, our customers and communities, as well as continuity of our operation.

Some of the key prevention & precaution measures taken include:

- Implementation of strict Standard Operating Procedures including physical distancing, usage of personal protection equipment, health monitoring, travel declarations and deferment of all events requiring physical attendance
- A travel policy either restricting or banning employees from business or leisure travel
- Activation of split operations teams between offices, alternate sites and work from home
- Accelerated implementation of flexible work policies and practices that enable mobile working, and rollout of necessary technology infrastructure
- Reconfigured operations with reduced hours and workforce strength while ensuring processes & protocols are intact
- Established 24/7 Emergency Support team and issued regular advisories via emails and other digital mediums as telegram
- Constant virtual learning and employee engagement initiatives to promote mental, physical, emotional and performance fitness. Counsellors were also made available to staff for emotional support



Throughout the COVID-19 crisis, our teams have worked together, and put forward a huge number of bottom-up suggestions for how to manage safety.

MPI continues to maintain enhanced protocols at our facilities - temperature check, distribution of face masks, hand sanitizer, disinfecting every surface (common areas, production areas, hostel rooms, buses) where any risk may exist, social distancing, multiple mobile clinics in the factory.

SUSTAINABILITY STATEMENT (cont'd.)

- Vaccination
 - o We are actively supporting the efforts of the government to vaccinate majority of the population. At Carsem SZ, by end of July 2021, nearly 86% of our employees had been vaccinated in our ongoing vaccination program
 - o During July-August 2021, continuing with our employee vaccination program, after Suzhou, we initiated it for our Carsem M employees. This vaccination program was a part of the Program Imunisasi Industri COVID-19 kerjasama Awam-Swasta (PIKAS), assisting the Malaysian government's efforts to accelerate vaccination across the country. We were the first company in Perak state to be on such a vaccination drive for its employees. Through this focused 6-day vaccination program, we successfully vaccinated over 5,000 of our employees with both the doses.



Covid-19 Vaccination for our Carsem SZ & Carsem M employees.

In addition to maintaining a healthy & safe workplace, we strengthened our focus further on ensuring safe living environment (hostel accommodations) for the overall wellbeing of our employees.

In combating with Covid-19 pandemic, we continuously engaged with relevant local authorities. In Malaysia, for instance, these include MOH/KKM, police, fire department, DOSH, JTK and MITI. The main objective is to ensure complete alignment & compliance to the government (MKN) SOPs for the safety of all stakeholders.

SUSTAINABILITY STATEMENT

(cont'd.)



Employee dormitory audit by Labor office.

Satisfactory outcome of MITI's periodic enforcement check.

Health and safety monitoring & support

We offer healthcare benefits and access to quality healthcare services to our employees to support them in managing occupational and non-occupational health & safety. These include access to medical treatment from panel clinics, frequent health screenings, and regular health & safety talks.

Recently, we expanded our medical facilities by engaging HLA and MiCare as Third Party Administrator (TPA). This increases the number of panel clinics to an even higher number, and enables Carsem M employees to nationwide access any clinic, which is registered under MiCare. An in-house clinic at Carsem M is staffed with seasoned medical personnel to provide medical consultation and treatment to our employees.

Incident response and reporting

OH&S Policies and Management system have been setup to guide employees on the steps to take in the event of incidents, including accidents, and to provide a structured & accessible platform for reporting of potentially or actually unsafe acts or workplace conditions, including conditions arising from unsafe or unhealthy work conditions and processes. In the event of incidents, employees are required to prioritise their own safety, removing themselves from situations where they believe could cause injury or ill health, followed by that of others. Subsequently, they are required to immediately report to their designated Safety & Health department (ESH) or persons-in-charge for further emergency responses to be undertaken. First Responder (ERT) is established and trained to handle incidences within their skills and experience. Contact to 3rd party assistance such as nearby hospitals, fire service department, etc. shall be established, using the contact details that are readily accessible at the security emergency command centre (security front office). Periodic emergency testing is conducted and audited by relevant parties, including the internal and external auditors, customers and authorities.

All incidents shall be properly reported and documented, followed by investigations and determination of action plans. The implementation of action plans will be monitored and shall be updated to the Health & Safety Working Committee and the site HSC chairman (the General Manager) before the case can be closed. Necessary changes shall be made to the HIRARC assessment and internal SOP to include improvement actions, after the incidents.

According to the established policies and procedures, and governed by the principles of the Whistleblowing Policy, the Group does not retaliate against genuine responses and reporting of incidents, including the employee's removal of himself/ herself from work position to protect his/ her own safety or health. Serious violations or breaches of the Company's health & safety policies and procedures can also be reported, confidentially and anonymously, via the Group's Whistleblowing Policy.

SUSTAINABILITY STATEMENT

(cont'd.)

LOCAL COMMUNITIES



We realize that our activities and initiatives can impact the communities in which we operate. We engage with and support the communities through tangible and relevant initiatives. We review our community & social contribution initiatives on an annual basis to ensure proper alignment between the evolving requirements of the community & our supporting contributions. This entails identification of key community investment areas that we can influence effectively, and are in line with our strategic priorities such as talent identification & development, education, local employment creation, supporting the underprivileged, and programs that promote health, safety, security, civic activities, and sports & recreation. In doing so, we take note of results of our engagements with government, municipal bodies and local communities. We encourage active volunteering by our employees in initiatives that lead to better bonding with the wider community & overall welfare. Though in FY21, with the prevalent COVID-19 situation, our volunteering initiatives were constrained in order to protect the safety & health of our employees as well as the community.

Local employment

Enabling development of the local community & economy by hiring locally is a key focus area in our overall 'community engagement' approach. We view it as a win-win solution for our business as well as for the local community.

% of local hires amongst employees		
Our businesses	Senior management	Non-senior management
Carsem M	78%	80%
Carsem SZ	86%	78%
DCI	88%	100%

Note: local - refers to Perak State for Carsem M, Penang state for DCI, and Jiangsu province for Carsem SZ.

Empowering the underprivileged

We understand that empowering & supporting the underprivileged or less privileged members of our community is in the interests of our business. With this mindset, we encourage recruitment of people from various backgrounds such as single mothers, school dropouts, or from rural areas. We offer specific certificate programs to school dropouts, that allow selected individuals to work & study short courses. We continue to look for ways to improve the effectiveness of such initiatives.

Children's education

The UN Convention on the Rights of the Child affirms that every child has a right to education. MPI and the wider Hong Leong Group are in total alignment with the children's right to quality education. MPI has played an active part in the Hong Leong Group's initiatives such as Group Scholarship Award, Academic Excellence Awards, etc., that are aimed at supporting children's education.

Under Group Scholarship Award, children of our employees who have shown remarkable achievements in their public examinations & higher studies are offered scholarships for pursuing further studies. Similarly, the Academic Excellence Award is directed towards our employees' children who have performed well in their UPSR/ PT3/ SPM and STPM public examinations. They're rewarded monetarily as well as with a certificate of excellence. Our intention is to provide motivation to deserving children and ease the financial burden of their parents to some extent.

Community welfare, and security

In FY21, we took proactive measures to support the community we live in. Our team at Carsem SZ, actively participates in several activities organized by Suzhou Industrial Park Semiconductor and Electronics Association. In FY21, our employees donated unused clothes to the needy people as part of a drive to ease the ongoing difficulties for the underprivileged section of the society.



Further, Carsem Ipoh, Malaysia donated computers to PDRM (Ipoh District Police) with an objective of enabling better infrastructure for frontline security personnel.

SUSTAINABILITY STATEMENT (cont'd.)

ANTI-BRIBERY & CORRUPTION

Leading ethically & transparently

MPI has implemented Anti-Bribery Management System under ISO 37001:2016. Carsem has gone through the required audit conducted by the Standard and Industrial Research Institute of Malaysia (SIRIM) QAS International and completed Stage 1 and Stage 2.

Audit Stage	Description	Results
1	The objective is to determine the adequacy of the client’s management system documentation and readiness to proceed to the Stage 2 Audit	
2	The objective is to evaluate the management system implementation and its effectiveness across the business	



Upon completion of Stage 2 Audit, SIRIM QAS International has certified that Malaysian Pacific Industries Berhad (including Carsem M) has implemented Anti-Bribery Management Systems and complied with ISO 37001: 2016.

The scope of the certification is Anti-Bribery Management Systems for design, assembly and testing of semiconductor devices and corporate support services.



SUSTAINABILITY STATEMENT (cont'd.)

Code of Conduct and Ethics

The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("HLMG Code").

The HLMG Code serves as guiding principles in the day-to-day activities of the Group and reminds employees to maintain at all times the highest standards of conduct and to always demonstrate professional and personal integrity in the conduct of business activities and in dealings with stakeholders, customers, colleagues and regulators.

The HLMG Code is applicable to:

- All employees who work in the Group across the jurisdictions in which the Group operates – including but not limited to permanent, part-time and temporary employees; and
- Any other persons permitted to perform duties or functions within the Group – including but not limited to contract and agency staff.

As the HLMG Code forms part of the terms and conditions of employment, employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business and professional activities.

The HLMG Code is available on the corporate website at www.mpind.my.

Risk Assessment and Management

The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets.

The Board exercises its oversight of risk management and internal control through the Board Audit & Risk Management Committee ("BARMC") which meets on a quarterly basis and supported by an adequately resourced Group Internal Audit ("IA") Department ("GIAD").

Management is accountable to the Board for the risk management and internal control system and for the implementation of processes to identify, evaluate, monitor and report risks and controls.

The Group's system of risk management and internal control is designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group's business and corporate objectives within the risk appetite established by the Board and management.

In addition, for bribery and corruption risks, the Group adopts MS ISO 37001:2016 (Anti-Bribery Management System) and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 to prevent, detect and respond to bribery and corruption risks. These systems can therefore provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

On an on-going basis, each operating company's chief executive and authorised risk owners have clear accountabilities to monitor its existing risks, identify emerging risks and update the enterprise-wide risk registers, maintain the adequacy, effectiveness and relevance of action plans and control systems to manage risks, and prepare risk management report on a quarterly basis for reporting to the BARMC.

Key business risks and risks exceeding tolerance levels would be escalated to the BARMC and if necessary, to the Board for deliberation. The Board, through the BARMC, is of the view that the Group's risk management framework and system of internal controls are adequate and effective in safeguarding the shareholders' investments and the Group's assets.

SUSTAINABILITY STATEMENT

(cont'd.)

Anti-Bribery and Corruption Policy

With the adoption of MS ISO 37001:2016 as the Group's Anti-Bribery and Corruption Management System, the Board has approved an Anti-Bribery and Corruption Policy ("ABC Policy") which is part of the Group's commitment to conducting business ethically in compliance with the Malaysian Anti-Corruption Commission Act 2009 and all applicable anti-bribery and corruption laws of every country in which the Group operates. All employees, directors (executive and non-executive) and any person who performs services for and on behalf of the Group, which includes contractors, subcontractors, consultants, suppliers, agents, intermediaries and representatives of the Group are required to adhere to the ABC Policy.

ABC policy provides a strong framework to prevent its employees, directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities.

The ABC Policy is publicly available on the corporate website and it outlines the Group is committed to conduct business dealings with highest level of integrity and ethics and to comply fully with applicable laws and regulation requirements on anti-bribery and corruption.

Report of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

Awareness and Training

The Group has conducted awareness and training including e-learning programme for all the employees of the Group on anti-bribery and anti-corruption.

The awareness and training are in the following form:

- Yearly e-Learning and e-Test;
- Yearly training package via 1Point Lesson and e-Training Slide;
- Quarterly briefing through Department Briefing Session; and
- Quarterly email circular and TV display on ABC important highlights



Virtual training sessions were conducted at MPI on anti-bribery and anti-corruption

Pursuant to the Hong Leong Manufacturing Group Self-Declaration Policy, all employees are required to submit an annual declaration on their compliance with the HLMG Code and the ABC Policy. New employees are required to make the self declaration upon joining.

Whistleblowing

The group has put in place a Whistleblowing Policy and it applies to all employees of the Group as part of the Group's commitment to promote and maintain high standards of transparency, accountability and ethics in the conduct of its business and operations. It provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. There is an established process for reporting to provide a confidential and safe avenue to disclose any suspected, attempted or actual acts of bribery and corruption within the Group. The Whistleblowing Policy is published on the corporate website.

The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

SUSTAINABILITY STATEMENT (cont'd.)

AWARDS

Several Best Supplier Awards for its excellent & dedicated assembly business support.



BEST SUPPLIER AWARDS

Carsem SZ was honoured to be awarded and gained recognition by the SIP government for:

- The Best Social Responsibility Enterprises
- Best Innovation Employer
- Outstanding Economic Contribution Award
- Pioneer Employer for fighting with Covid-19
- Popular Employer for College student



Carsem M has won the 'Best Supplier Award' from ADI for its excellent and dedicated assembly business support.



2020 Outstanding Economic Contribution Award from SIP.



Best employer selection by SIP Government and coordinated by SIP HR.



Carsem SZ won both "Y2020 Pioneer employer for fighting Covid-19 pandemic" and "Y2020 the most popular employer for College Students" from SIP Government.