

CREATIVE®

CREATIVE TECHNOLOGY LTD

SUSTAINABILITY REPORT 2021



CREATIVE®



SXFI CARRIER

THE NEW SOUNDBAR DIMENSION

CREATIVE SXFI CARRIER heralds a new dimension in Dolby Atmos® soundbar technology with built-in Super X-Fi® Headphone Holography to create a new multi-speaker cinema experience on headphones. The SXFI CARRIER carries on the engineering marvel of the award-winning Sonic Carrier which has been dubbed by industry experts as the “soundbar of the gods”.

Jointly developed by Creative and Dolby Laboratories, SXFI CARRIER has the same sound signature as the 15.2 Sonic Carrier at less than half the size and at a fraction of the price. Even with a scaled down size, SXFI CARRIER can transform your living room to provide a full-fledged cinema experience.

When there's a need to enjoy your movies privately at night without disturbing your family or neighbors, put on SXFI THEATER headphones (optional) to enjoy the same cinematic experience as you would on the soundbar.



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SUSTAINABILITY REPORT

For the financial year ended 30 June 2021

Creative Technology Ltd and its subsidiaries (“Creative” or “Group”) recognize the importance of delivering long term value and sustainable returns to all our stakeholders. Sustainability has always been integral to Creative’s operations. Creative works to keep its environmental, social and governance performance positive by being a responsible, diverse and equal opportunities employer, a global leader for product innovation in the audio and personal digital entertainment segments, and maintaining high standards in corporate governance.

ABOUT CREATIVE

Creative Technology Ltd is the holding company of the Group. It is listed on the Mainboard of the Singapore Stock Exchange Limited (“SGX”) since June 1994. Creative’s worldwide corporate headquarter is based in Singapore, with regional business units in United States of America (Milpitas, California), Europe (Dublin, Ireland) and Asia (Singapore). Creative headquarter charts the directions for product innovations, research and development, mechanical and industrial design, production planning, sales and marketing, distribution and logistics and technical support services.

Creative is the worldwide leader in digital entertainment products. Famous for its Sound Blaster sound cards, Creative is now driving digital entertainment with cutting-edge audio solutions, premium wireless speakers, high performance earphone products and portable media devices. Creative offers consumers high quality products and experience through Creative’s hardware, software applications and services. These products and solutions are marketed to consumers and system integrators through a worldwide distribution network that includes traditional sales channels, original equipment manufacturers and the online sales channel.

ABOUT THIS REPORT

This sustainability report covers our performance and practices for the financial year ended 30 June 2021 (FY2021). The scope of this report includes the Group’s subsidiaries and corporate office in Singapore, unless otherwise stated. The report has been prepared based on the Global Reporting Initiatives (GRI) Standards: ‘Core’ option, and SGX Sustainability Reporting Guide. The GRI Standards was chosen because it is an internationally recognized reporting framework that provides robust guidance suited for Creative’s business model and operations.

We welcome feedback or suggestions from all our stakeholders on our sustainability efforts to help us continuously improve. Please send your feedback by email provided in the Company website at <https://creative.com>.

BOARD STATEMENT

The Board continues to embark on our sustainability journey amidst the challenges faced in the current global economy. Our efforts to integrate the material environmental, social and governance factors into our business strategy demonstrates our commitment to drive sustainability in the long term. The Board is responsible for the long-term strategic direction of the Company, with the goal to create sustainable value to all stakeholders. The Board continues to provide oversight on the reporting and management of sustainability matters at various levels in Creative. The material economic, environmental and social issues relevant to the Group are strategically reviewed and approved by the Board.

STAKEHOLDER ENGAGEMENT

We understand the importance of stakeholder engagement. Regular engagement with our stakeholders provides input for determining our focus areas, to identify and assess our sustainability issues. This process enables the Company to prioritise strategic decisions and shape the direction of the business. It also helps us build and maintain good relationship with the stakeholders.

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Stakeholder Group	Interests and Concerns	Engagement Channels
Shareholders	<ul style="list-style-type: none"> • Growth prospect of the business • Risk management • Corporate governance • Sustainable shareholder value • Navigating the COVID-19 crisis 	<ul style="list-style-type: none"> • Timely and accurate information to shareholders through announcement on SGXNET and our website (https://creative.com). This includes half yearly financial results, major events and new product launches. • Annual reports. • Annual general meetings.
Regulatory authorities	<ul style="list-style-type: none"> • Compliance with laws and regulations • Labour practices • Environment and waste management 	<ul style="list-style-type: none"> • Compliance with regulatory requirements • Dialogue, feedback sessions and meetings.
Customers	<ul style="list-style-type: none"> • Product design and features • Product performance • Pricing and quality 	<ul style="list-style-type: none"> • Engagement with customers is facilitated by our Customer Care team, social media channels, website and online community. • Information on products are also communicated via press releases, blogs, media events, trade shows and exhibitions. • Feedback is also received through our network of business partners, including retailers and distributors.
Business partners	<ul style="list-style-type: none"> • Pricing and payment schedules • Compliance with agreed terms 	<ul style="list-style-type: none"> • Engagement with our supply chain business partners includes regular meetings, factory visits and audits, during which our requirements are communicated, and good working relationships are established. • Our sales team works closely with the distributors, retailers and other business partners to understand customer needs and product performance.
Employees	<ul style="list-style-type: none"> • Corporate direction and growth plan • Job security • Career development and training opportunities • Work-life balance 	<ul style="list-style-type: none"> • We endorse an open-door environment, and employees feel they can interact at every level, to provide ideas and feedbacks. • Town hall meetings are held regularly, where employees are updated on company development and its business goals. Employees also participate actively during such meetings.

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MATERIALITY ASSESSMENT

Following regular internal and external engagement with our stakeholders, Creative continues to assess and review the material environmental, social and governance (ESG) factors. The material ESG factors were reviewed for relevance and for any changes to the priorities that will impact the business and operations of the Group and the stakeholders.

To identify and prioritise material ESG factors that are important to our business and stakeholders, we have implemented a three-step materiality assessment process.

1. IDENTIFY
Identify a list of potential material ESG factors considering key sustainability issues and trends.
2. PRIORITISE
Prioritise material ESG factors based on management’s evaluation.
3. VALIDATE
Validate material ESG factors by the Board.

By applying the above methodology, Creative focused on the following material topics.

Economic	<ul style="list-style-type: none"> • Economic performance • Procurement practices
Environment	<ul style="list-style-type: none"> • Product development and design • Energy use
Social	<ul style="list-style-type: none"> • Employment practices • Marketing and labelling
Governance	<ul style="list-style-type: none"> • Corporate Governance • Compliance • Ethical business practices

ECONOMIC

The overall economic performance of the Group is important to our stakeholders. Economic performance is closely monitored, reviewed and analysed by management and the Board.

The following table provide an overview of the economic performance of the Group in this financial year:

	FY2021 (US\$'000)
Revenue	84,467
Employee wages and benefits	28,249
Other operating costs	66,798
Government grant	2,172

For more details on the economic performance of the Group, please refer to Creative’s Annual Report 2021.

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Management of procurement practices is vital for our business. As a finished goods manufacturer, we recognize the complexity of our supply chain and have set expectations for our suppliers to operate in a socially and environmentally responsible manner by maintaining management systems that integrate environmental, health and safety, labour and ethics standards into their business processes. We expect suppliers to conduct their worldwide operations in a responsible manner that does not result in human rights violations.

ENVIRONMENT

Our vision is to reduce and minimize adverse impact on the environment through a commitment for continuous improvement. We conduct our business operations responsibly and efficiently, constantly seek to minimize our environmental footprint and make efficient use of limited resources.

As a global leader for product innovation in audio and personal digital entertainment segments, Creative offers consumers a complete, high quality digital entertainment experience through Creative's hardware, software applications and services. Finding a perfect balance between form and function, Creative strives to create value to our customers for every product purchased.

Excellence in design and engineering is at the heart of what we do. Our goal is to bring products which consumers love, using groundbreaking technology and leading-edge designs for not just the technically-savvy consumers, but for everyone who enjoys entertainment. With strong focus on user-friendly interface, multiple features and cool industrial designs, the Creative brand is synonymous with lifestyle personal digital entertainment.

To achieve this, we believe in investment in research and development, spending \$14.5 million in FY2021 on research and development on product development, industrial design and innovation in technology, with emphasis on developing responsible products.

Improving the energy efficiency of our products is a driving factor in our product development. This allows us to reduce the carbon footprint of our products. We have put in great effort to improve battery life and product energy efficiency during our product innovation process. This is done without sacrificing product performance or consumer experience. Our products consume less than 0.5 watts of power in standby or off mode and less than 2 watts in networked standby, in compliance with EU energy efficiency requirements. All our products operating on rechargeable batteries also meet the U.S. Department of Energy requirement in terms of Unit Energy Consumption. All our products with power adaptors comply with the Europe Energy-Related Products (ERP) Directive and the U.S. Department of Energy Level VI energy efficiency requirements, which requires power adaptors to have more than 88% average efficiency, and the adaptors draw less than 0.1 watts of power for products with output power less than 49 watts, and draw less than 0.21 watts of power for products with output power more than 49 watts, when the product is turned off or unconnected.

Packaging is an important aspect of our product design. It helps to deliver products to market safely, provides information to consumer, and is also a branding and marketing tool. We continue to work on improving our packaging to be more environmentally friendly, taking into consideration the amount and type of packaging materials used in our products, like using less plastic and more paper for our packaging materials.

Our use of hazardous substances is limited to those substances which are necessary due to unavailable substitutes that is scientifically or technically practicable. Our products do not contain restricted substances exceeding the allowable threshold limits. Restricted substances are hazardous to the environment and pollute landfills, and are dangerous in terms of occupational exposure during manufacturing and recycling. We are compliant with Restriction of Hazardous Substance (RoHS) Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

Our products are not only designed to be energy efficient and with limited use of restricted substances. They are also designed to have less impact on the environment at the end of their life cycle. We are registered with various compliance schemes in Europe for collection and recycling of WEEE (Waste Electrical and Electronic Equipment), batteries and packaging. The Company pays for the future recycling when putting products in circulation.

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ENVIRONMENT (cont'd)

The Company ensures raw materials and packaging materials used are sourced from responsible and reliable suppliers. Our suppliers are mostly certified to ISO14001 – Environmental Management System. They have also given commitment on their social and environmental responsibility, with compliance to the RBA (Responsible Business Alliance) Code of Conduct which establishes standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

In our assessment, product distribution and logistics is another important environmental factor. We are working to optimize our approach to product distribution and logistics, focusing on logistical efficiency and reliability, cost efficiency, environmental footprint. With proper planning and scheduling, where possible, our products were transported to the market by sea freight, and cargoes are consolidated in the most efficient manner. Use of regional hubs has also helped in reducing the carbon footprint.

Creative strives to avoid unnecessary impact on the environment and to reduce environmental impact. We practice green initiatives in the workplace by reducing energy consumption, implementing energy-efficient measures and increasing paper recycling to reduce resource depletion.

One of the measures adopted is to reduce paper usage. Electronic documents are used whenever possible, without having to print hard copy. Invoices and statements of accounts to customers are sent through emails. Electronic approvals were implemented where possible, for various systems, like human resource systems and purchase requisition systems.

In our commitment to improve environmental footprint, we believe working towards energy efficiency will provide a positive influence on our environment and also help to reduce our energy costs in the long term. We tracked our electricity consumption at our Corporate Headquarter in Singapore, as Singapore Corporate Headquarter is where all major activities take place with majority of the Group's headcounts and floor spaces are located. All electricity in Singapore is purchased from the national grid and is produced almost entirely by the combustion of natural gas. A total of 358,131 kWh of electricity was consumed in FY2021. Energy intensity per gross floor area in FY2021 was 61 kWh per square metre.

Creative continues to review and implement energy conservation and efficiency initiatives, and target to reduce electricity consumption. We will explore and consider various initiatives such as efficient use of spaces, use of energy efficient appliances, motion sensors for lights.

There is no incident of non-compliance with environmental laws and regulations in the reporting year.

The Group also encourages employees to reduce business travel. Creative has offices in Asia, Europe and America. Interoffice communications are made through conference calls or electronic mails whenever possible. A fully integrated, seamless ERP system also helps in sharing of data for operations.

SOCIAL

Creative is operating in a highly competitive industry, we believe our people are the building block of the Company, where the ability to attract, develop and retain the right and best people, is paramount to the success of the Company.

We encourage a work environment that embraces inclusiveness, diversity and teamwork, with employees from various countries, ethnicities and age groups. We value diversity of our people which in turn helps foster innovation and enable us to better understand our customers.

Creative is an equal opportunity employer. Prospective employees are evaluated based on their qualifications, capabilities and experience, regardless of gender, age or ethnicity. Employee evaluations are conducted through a transparent appraisal process. Creative offers employees competitive remuneration packages commensurate with their experience, performance and job responsibilities.

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To compete in an ever-changing industry, we believe in investing in employee training and development. Creative provides the necessary resources and support for employees who are keen to learn and develop their functional, technical, and professional skills. This will broaden and deepen employees' professional knowledge and skills, and also help employees to reach their fullest potential.

At Creative, we place emphasis within our organization to promote workplace safety and healthy work environment for our staff and visitors. A safe and healthy work environment enhances employee retention and morale.

As at 30 June 2021, Creative has a total staff strength of 415 from Asia, Europe and United States of America. Of this total staff strength, 85% are from Singapore, all of which are permanent staff and 60% are male and 40% female.

On the product front, Creative always invests its resources on our product labels. From design to production, it went through numerous levels of reviews to ensure the right messages are conveyed to the consumers. From encouraging potential customers to purchase our products to communicating how to use, recycle or disposal of the package or product.

Labelling is not just a key marketing tools, it is also an effective means of information transmission. Being an innovator, manufacturer and distributor of consumer electronic products, Creative recognizes product information and labelling can have great environmental and social impacts to our customers and end users.

Through clear labelling on our products, consumers are aware of how to recycle or dispose of our products. Marking of the mandatory environmental logos such as the WEEE marking and the China RoHS marking, are placed on our product packaging. We also provide unique QR codes which consumers can have access on the product's safety and regulatory information online.

With a dedicated team in the Corporate Headquarter, Creative has established internal procedures to ensure compliance with regulations on environmental laws and directives of every country it supplies to. The team monitors these regulations and introduces new measures to respond proactively to evolving environmental laws and directives.

The Company has not identified any incidents of non-compliance with regulations concerning product information and labelling and marketing communications.

GOVERNANCE

Creative strongly believes that good corporate governance processes are essential for corporate sustainability. We are committed to adhere to a high standard of corporate governance, accountability and transparency to safeguard the interests of all stakeholders.

The Board and Management are committed in conducting business with integrity, consistent with the high standards of business ethics, and in compliance with all applicable laws and regulatory requirements.

The Board monitors the effectiveness of management and reviews the Group's corporate governance practices. The Board adheres to the principles and provisions of the Singapore's Code of Corporate Governance 2018. We have also adopted a Code of Business Conduct and Ethics which sets out the principles and policies upon which our businesses are to be conducted, and implemented a Whistle Blowing Policy which provides a mechanism for employees to raise concerns about possible improprieties in financial reporting or other improper business conduct, whilst protecting the whistleblowers from reprisal within the limits of the law.

For detailed discussion on the Group's corporate governance practices, please refer to the "Corporate Governance" section of the Annual Report.

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GRI CONTENT INDEX

GRI Standards	Disclosure	Section of Report	Page Reference and Remarks
	Organisational Profile		
102-1	Name of the organisation	About Creative	Page 2
102-2	Activities, brands and services	About Creative	Page 2
102-3	Location of headquarters	About Creative	Page 2
102-4	Location of operations	About Creative	Page 2
102-5	Ownership and legal form	About Creative	Page 2
102-6	Markets served	About Creative	Page 2
102-7	Scale of the organization	About Creative	Page 2
102-8	Information on employees and other workers	Social	Page 7
102-9	Supply chain	Economic Environment	Page 5 Page 6
102-10	Significant changes to the organization and its supply chain	Not applicable	No significant changes to the organization's supply chain
102-11	Precautionary principle and approach	Governance	Page 7
102-12	External initiatives		Under review
102-13	Membership of associations		Singapore Business Federation
	Strategy		
102-14	Statement from senior decision maker	Board Statement	Page 2
	Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	Governance	Page 7
	Governance		
102-18	Governance structure	Board Statement	Page 2
	Stakeholder engagement		
102-40	List of stakeholder groups	Stakeholder Engagement	Page 3
102-41	Collective bargaining agreements		Nil
102-42	Identify and selecting stakeholders	Stakeholder Engagement	Page 3
102-43	Approach to stakeholder engagement	Stakeholder Engagement	Page 3
102-44	Key topics and concerns raised	Stakeholder Engagement	Page 3

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GRI Standards	Disclosure	Section of Report	Page Reference and Remarks
	Reporting Practice		
102-45	Entities included in the consolidated financial statements		Refer to Creative Annual Report 2021
102-46	Defining report content and topic boundaries	About this report	Page 2
102-47	List of material topics	Materiality Assessment	Page 4
102-48	Restatements of information		No restatement of information
102-49	Changes in reporting		No changes in reporting
102-50	Reporting period	About this report	Page 2
102-51	Date of most recent report		16 September 2021
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report	About this report	Page 2
102-54	Claims of reporting in accordance with the GRI Standards	About this report	Page 2
102-55	GRI content index		
102-56	External assurance		Future reports
	Material Topics		
	GRI 201: Economic Performance 2016		
103	Management approach	Economic	Page 4
201-1	Direct economic value generated and distributed	Economic	Page 4
201-2	Financial implications and other risks and opportunities due to climate change		Not applicable – did not assess the financial implications
201-3	Defined benefit plan obligations and other retirement plans		Refer to Annual Report and information in CPF website
201-4	Financial assistance received from government	Economic	Page 4

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GRI CONTENT INDEX (cont'd)

GRI Standards	Disclosure	Section of Report	Page Reference and Remarks
	GRI 302: Energy		
103	Management approach	Environment	Page 6
302-1	Energy consumption within the organization	Environment	Page 6
302-2	Energy consumption outside of the organisation		Not applicable
302-3	Energy intensity	Environment	Page 6
302-4	Reduction of energy consumption		First year of reporting this standard
302-5	Reductions in energy requirement of products and services	Environment	Page 5
	GRI 307: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Environment	Page 6
	GRI 417: Marketing and Labeling		
103	Management approach	Social	Page 6
417-1	Requirements for product and service information and labeling	Social	Page 7
417-2	Incidents of non-compliance concerning product and service	Social	Page 7
417-3	Incidents of non-compliance concerning marketing communications	Social	Page 7

WORK, LEARN & PLAY

WITH GREAT AUDIO

As working from home becomes a new norm for many, Creative has introduced a wide range of portable, innovative, lightweight, and fuss-free audio products that will help boost productivity and make working, learning, and playing from home feel like a breeze.





...as good as the real thing!