



HUP SENG INDUSTRIES BERHAD

(Company No: 199101015786(226098-P))



SUSTAINABILITY REPORT 2019

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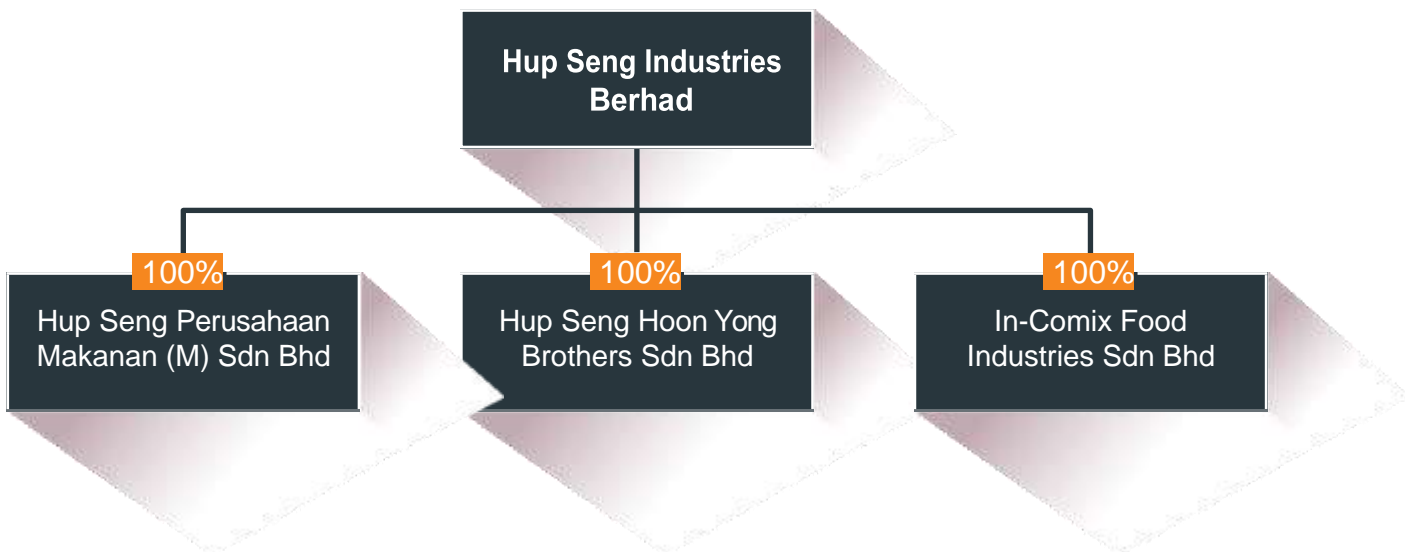
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GROUP PROFILE

61 YEARS (1958-2019)

Celebrating 61 years of growth & beyond

Hup Seng Industries Bhd. ("HSIB") and its subsidiaries ("the Group") are one of the leading biscuits manufacturers in Malaysia. The Group's reporting scope are as follows:



We are engaged in the manufacture and sale of biscuits and confectionery food items as well as beverages. The manufacturing facilities are located in Batu Pahat and Senai in Johor.

The products produced and distributed by the Group can be summarised into the following product ranges:



Biscuits:
crackers, cream sandwich biscuits, assorted biscuits, cookies and other series.



Beverages:
instant beverages mix



Other agents' products:
rice crackers and others.

The Group's revenue for 2019 was at RM310 million while market capitalisation stood at RM0.8 billion by the end of 2019. We provide employment for 1,447 people in Malaysia.

The Group's Vision and Mission is defined as follows:

VISION

- ◆ **To become a well-known, reliable and excellent food corporation.**

MISSION

- ◆ **To produce wholesome, quality, popular and preferred food products.**
- ◆ **Sustainable business management, possess loyal customers, establish a reputable quality brand.**

The Group recognises the need and responsibility to care for the community and strives to balance its social responsibility to the society with its business objectives and shareholders' expectations.

In this report, we explain our approach towards sustainability issues, which are group into three categories, they are beyond short-term profits, our planet and environment and our society's future. These issues are based on our communication with both our internal and external stakeholders, including shareholders, employees, communities, vendors, regulators and customers.

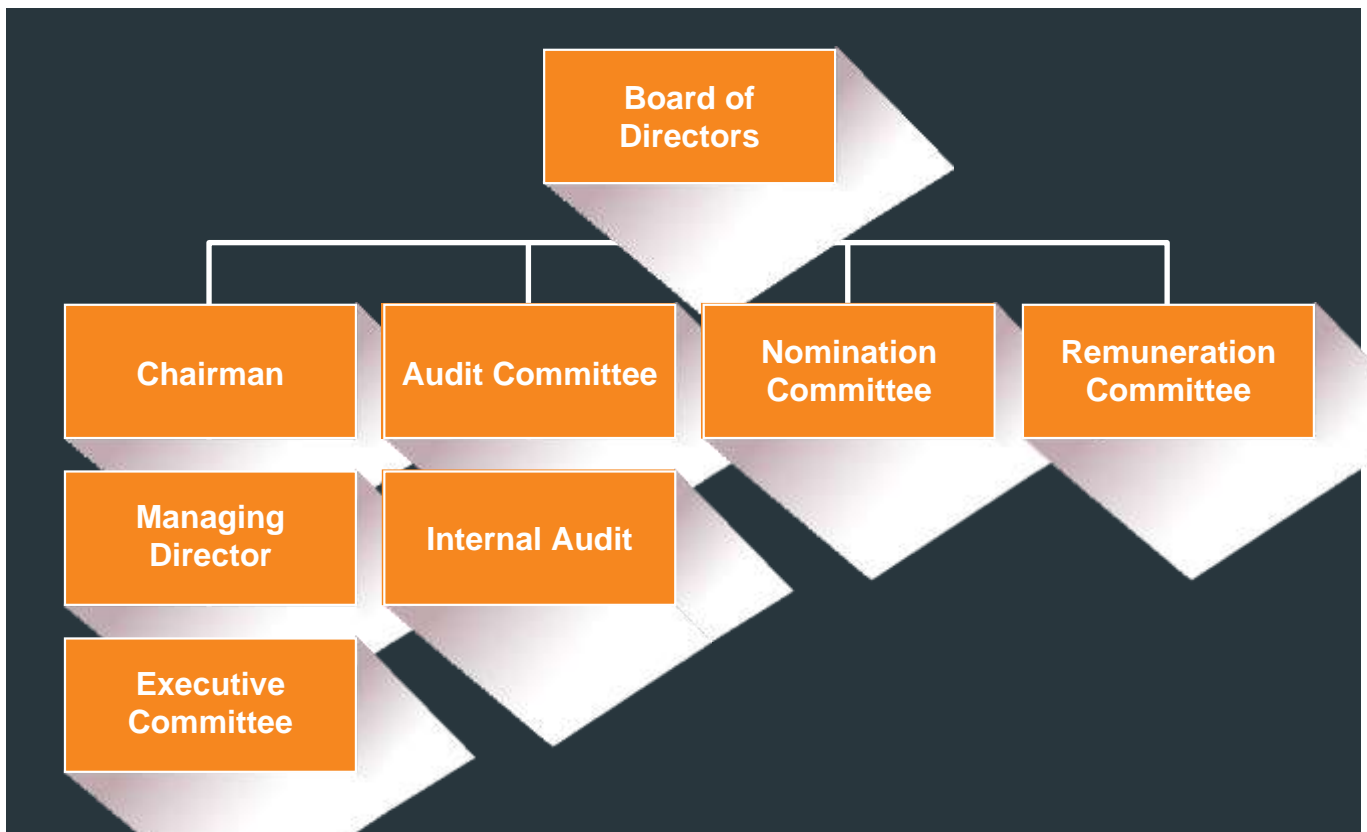
OUR CORPORATE GOVERNANCE STRUCTURE

Corporate governance is the system by which the Group is directed and controlled. Board of Directors are responsible for the governance of the Group. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.

The responsibilities of the Board include setting the Group's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.

Corporate governance is therefore about what the Board of the Group does and how it sets the values of the Group, and it is to be distinguished from the day-to-day operational management of the Group by full-time executives.

The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Group. Our corporate governance structure is as follows:



OUR VALUE CHAIN

The foundation of our strategy is based on our core competencies. We adopt the following value chain analysis to develop a sustainable competitive advantage against intense market competition.



Value creation through:



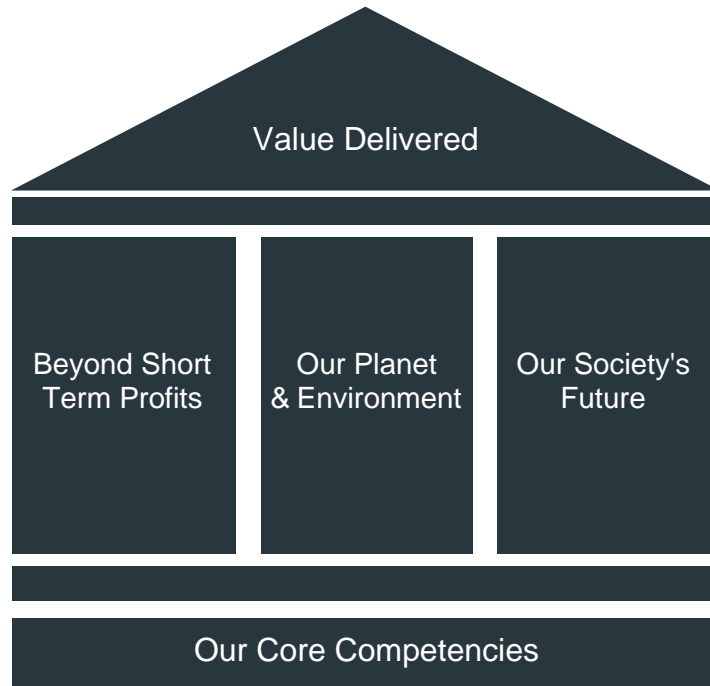
The value chain starts from the purchasing raw materials and ends with the consumers' disposal of the product packaging after consumption. We believe our competitive advantages are the operations, marketing and sales. We understand that to enable long-term value creation, we need to establish comparative advantages against the competition.

With 61 years of history in food processing industry, we are keenly aware that manufacturing efficiency are vital to achieve full asset utilisation. Our production lines are running with the utilisation rate above 70%. With seasonal peak, some of our production lines' utilisation rate can reach up to 100%.

In marketing and sales, we have developed our corporate brand portfolio which includes 5 trademarks. Our brands are recognised regionally and our products have been awarded by Monde Selection, Belgium for Gold Award since 1994 and Grand Gold Award for "Special Cream Crackers" from 2002 onwards. In 2018, this product had been awarded with the "25 Years Trophy". We constantly extend our product range under the 5 trademarks to meet the needs of new and existing consumers and take pride in our product offerings and the benefits of healthy food to our consumers.

OUR SUSTAINABILITY FRAMEWORK

Our corporate strategy is based on the following sustainability framework:



To deliver value via our core competencies, we build upon the following three pillars, which are:

Beyond short-term profits

We emphasise on long-term perspective in executing our corporate strategy. From this perspective, we cascade down the financial goals into sustainable financial performance metrics, which are the return on equity and free cash flow. This is evident as the Group was being awarded the “Highest Compound Growth in Profit Before Tax Over Three Years” and “Highest Returns To Shareholders Over Three Years” in the Consumer Products Sector from The Edge Malaysia in 2016, a finance and investment weekly newspaper as a result of close alignment between the management team and substantial shareholders.



OUR SUSTAINABILITY FRAMEWORK

Our planet and environment

We constantly strive to minimise our ecological footprint in our business processes. These include programmes that can reduce our energy consumption, recycle of waste materials and product packaging, as well as water conservation. We are striving to minimise the environmental impact and achieve full compliance with environmental regulations.



Our commitments in environmental sustainability are to:

- i. Improve resource efficiency;
- ii. Assess the environmental performance of our products;
- iii. Adopt climate change initiatives;
- iv. Preserve natural capital;
- v. Provide meaningful and accurate environmental information; and
- vi. To address the environmental issues faced (i.e. protect natural resources) while improving products and services.

Our society's future

We strive to improve the remuneration of our employees by continuously improve work productivity through structured training and development programme. We will strive to provide a safe and healthy working environment for our employees to minimise injury in our operation, we implement safety policies strictly and enhance awareness with periodic safety refresher courses and skills training. We are an equal opportunity employer with a workforce diversity that mirrors Malaysia's multi-culture composition.

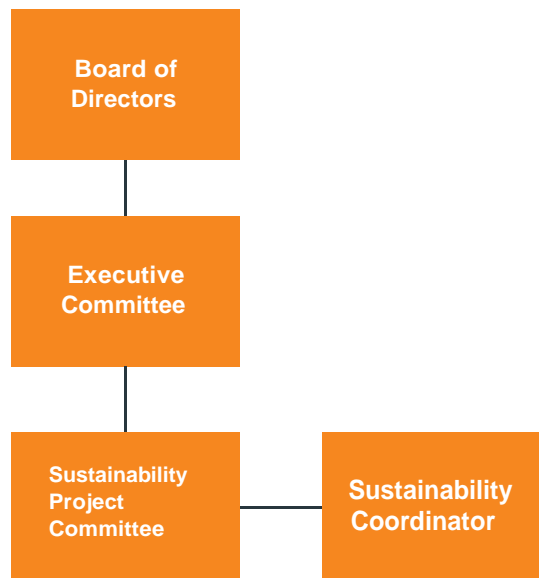


OUR SUSTAINABILITY GOVERNANCE STRUCTURE

A robust governance structure is crucial to ensure we achieve our sustainability commitments. The Board of Directors leads the initiative to embed material sustainability considerations into the Group's strategy and tasked the executive committee to implement the strategy using the Group's sustainability framework.

The sustainability project committee incorporate sustainability into the Group's business processes and prepare the Group's sustainability reporting. A sustainability coordinator works closely with representatives across various business functions to implement sustainability programmes and initiatives.

The Group's sustainability governance structure is as follows:



The followings are the core responsibilities of the sustainability project committee:

1. Incorporate sustainability into the Group's sustainability framework and value chain;
2. Conduct stakeholder engagement processes;
3. Perform materiality assessments;
4. Management of material sustainability matters identified;
5. Monitor the Group's sustainability performance for reporting; and
6. Develop sustainability disclosure for reporting purpose.

FAST FACTS

The Group is made up of four legal entities with the holding company maintaining a listing on Bursa Malaysia. The Group was listed in year 2000. The principal place of business is in Johor with two manufacturing plants located in Batu Pahat and Senai respectively.

The Group operates through three segments: biscuit manufacturing segment, beverage manufacturing segment and trading division segment.

The Group offers Special Cream Crackers, Marie Biscuits, Sugar Crackers, Chippy Chip Cookies, Oat Cookies, Deluxe Crackers, Chocolate Teddy Biscuits, Flying Fish Biscuits, Pineapple Jam Cookies, Corneo Crackers, etc and other Assortment biscuits. Apart from biscuits, the Group offers instant coffee mix, teas, cereals and other foodstuff.



FAST FACTS



The biscuit manufacturing segment is engaged in the business of manufacture and sales of biscuits.



The beverage manufacturing segment is engaged in the business of manufacture and sales of instant coffee mix, teas and cereals.



The trading division segment is engaged in the business of sales and distribution of biscuits, beverages and other foodstuff.

The Group's manufacturing processes are certified by:

- ISO 9001 Quality Management System (under certification schemes of KIWA, Italy)
- ISO 22000 Food Safety Management System (under certification schemes of TQCSI, Australia)
- Halal Certification (Malaysian Halal Standard)
- HACCP (Hazard Analysis and Critical Control Points) Management System (under certification schemes of TQCSI, Australia)
- HACCP certificate by Ministry of Health, Malaysia
- GMP Certificate (Good Manufacturing Practice) by Ministry of Health, Malaysia

Our products are in compliance with the applicable consumer product safety over the decades and the management believed this track record can be sustained by having proper procedures and policies.

FAST FACTS

The revenue consists of 72% local sales and 28% export sales to over forty countries worldwide. The Group's achievement is the result of stringent quality control and rapid product innovations.



The Group produced approximately 36 thousand metric tonnes of products.

The main raw materials include flour, corn starch, palm oil, sugar and water, and packaging materials include packaging rolls, biscuit tins and paper carton boxes. A number of waste materials recycled and sold as scrap reached 680 tonnes for the year of 2019.

The Group is a member of Federation of Malaysian Manufacturers since 1989 and is actively involved in community work within the vicinity of the plant operation and has also supported the community in Malaysia.

ABOUT THIS REPORT

This Sustainability Report highlights Hup Seng Industries Berhad ("HSIB" or "the Group")'s commitment to undertake business in a responsible and sustainable manner. The information focuses primarily on the operations and management of Economic, Environment and Social ("EES") issues for the financial year ended 31st December 2019.

This report is prepared in accordance with Global Reporting Initiative ("GRI") G4 - Core Option Guidelines and is structured into four sections, which covers:

First section provides an overview and highlight the scope of this report;

Second section describe how we govern with our sustainability framework;

Third section records how we identify and prioritise the material aspects; and

Final section reports on the management approach, current performance and forward looking key performance indicators to be achieved.

Following the GRI guidelines, we address material issues or those that reflect significant economic, environmental and social impacts, and those issues that substantively influence the assessments of our stakeholders. This report made reference to the Sustainability Reporting Guide ("SRG") as well as toolkit issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").



Healthy Lifestyle Begins With Healthy Living

SCOPE AND REPORT BOUNDARY

This report describes the scope and boundary of our sustainability disclosure, providing an overview of the management approach, details of the sustainability framework and the initiatives undertaken.

The report covers financial year 2019 and will be issued every financial year after 31st December.

The scope disclosed in this Sustainability Report covers four key companies, namely HSIB, Hup Seng Perusahaan Makanan (M) Sdn. Bhd., Hup Seng Hoon Yong Brothers Sdn. Bhd. and In-Comix Food Industries Sdn. Bhd. These companies contribute the entire part of the Group's environmental and social impact.

If you have any enquiries related to the Group's sustainability issues, please contact us at ctkerk@hsib.com.my +603-2300 2090 or shirleytio@hupseng.com +607-415 1211.



MESSAGE TO STAKEHOLDERS



MESSAGE TO STAKEHOLDERS

To Our Valued Stakeholders,

This Sustainability Report are part of our commitment to communicate to our stakeholders about our actions and how we engage society.

The Group's sustainability framework consists of three broad pillars, namely:

Beyond short-term profits

With sizable national market share, the Group plays a crucial role in meeting the needs of our people's nutritional requirement. We continuously expand our production lines to meet increasing market demand while reducing our ecological footprint.

The Group is pleased to inform that because of management's long-term orientation, we have consistently increased our total returns to shareholders, comprising share price appreciation and distributed dividend. Our free cash flows and return on equity have exceeded the industry's benchmark and served as support to our firm's enterprise value.



Our planet and environment

While our revenue and production increased substantially over the past five years, we have decreased our ecological footprint. Our increased production has been achieved with significant reduction in electricity consumption per production tonnage while maintaining strict compliance with laws regulating the food processing industry. We aim to collaborate with the recycling centres and to exercise strict control to recycle waste materials during our production processes in the coming years.

Our society's future

Our people are the most important resource. With continuous training and development, we aim to improve our employees' productivity and provide competitive benefits and salary to attract new talents.



We also put a great care in the area of product responsibility by complying with various international certifications and government regulations on food safety.

MESSAGE TO STAKEHOLDERS

The Way Forward

The Group's mission is to produce wholesome, quality, popular and preferred food products as expressed to our shareholders, customers and all other stakeholders with our slogan "Quality is Our Promise". We will continue to fulfill our mission and create sustainable corporate value.

We sincerely hope that our stakeholders will continue to extend their support to us for many years to come.

Y.Bhg. Dato' Keh (Kerk) Chu Koh
Chairman



OUR MANAGEMENT APPROACH

BEYOND SHORT-TERM PROFITS	OUR PLANET AND ENVIRONMENT	OUR SOCIETY'S FUTURE
<ul style="list-style-type: none"> • Long-term investment • Premium products 	<ul style="list-style-type: none"> • Sustainable operations • Reduce ecological footprint 	<ul style="list-style-type: none"> • Training & development • Workforce diversity • Food Safety • Healthy food

As the Group operates under five major trademarks, it is very important for us to deploy three pillars sustainability framework all the time to manufacture foods that are safe to be consumed. This is the way to meet the needs of our consumers. Our core competencies in food processing have enabled us to become the leading food manufacturer in Malaysia with a strong export orientation. With our extensive distribution network, we successfully maintained an uncompromised fulfilment process that aims to deliver the freshest biscuits and beverage everywhere within Malaysia.

Our perseverance in reducing the ecological footprint has minimised the energy consumption per metric tonne of products significantly. A relentless focus on the sustainability framework within the three pillars can ensure our operation meet the highest standards in production processes and technology.

We develop our employees with intensive training and development, resulting in the lowest staff turnover in the industry and high employees' engagement with the Group. Through a systematic performance appraisal system, we nurture the Group's future leadership to ensure a robust pipeline of talent for succession planning.

Moving forward, one of our key priorities is to set a medium-term target in enhancing sustainable operations with environmentally responsible processes. Our management approach is to focus on maintaining sustainability goals that are relevant and based on stakeholders' focus.



STAKEHOLDER ENGAGEMENT

The Group regularly engages a wide spectrum of our stakeholders to record their feedback, gauge the gap between actual and expectation and address their concern. Our key stakeholders are those who can significantly impact our business and including those who have a vested interest in our business success.

We engage with our stakeholders in a variety of formal and informal settings. Our engagements range from formal meetings to ongoing dialogues with our suppliers and consumers. By proactively working together with external stakeholder partners, we are able to identify and address issues immediately. This approach helps us achieve greater positive impact on environmental, social and economic issues.

Below are the impact and significance of our key stakeholders:

Key Stakeholders	Impact and Significance
Shareholders	As owners of the Group, shareholders' views are important in the Group's strategy and future directions. We encourage our shareholders to view their ownership as long-term relationship and this will allow the management to focus on long-term value creation.
Employees	The sustainability of our business is reliant upon the close working relationship between top management and all employees. Employee productivity is the most important lever that ultimately affects the financial performance of our Group.
Regulators	Other than meeting regulatory requirements, we strive to build a good working relationship with the regulators, which includes the government agencies, stock exchange regulator and Inland Revenue Board.
Suppliers	A good suppliers base will enable us to create a sustainable supply chain that not only minimise the cost structure, provide quality materials and adopt sustainable best practices in their decision-making process.

STAKEHOLDER ENGAGEMENT

Key Stakeholders	Impact and Significance
Customers	A business has the reason to exist only if it provides value to their customers. Hence, customers’ feedback and concern are of vital importance for our business to stay relevant and justify the economic profit we can make.
Media	We disseminate information, including marketing and branding to stakeholders via traditional media channel and the new social network marketing.
Non-Governmental Organisations	Form partnerships to create community impact by supporting non-governmental organisations’ activities and contribution.
Community	As a responsible corporate citizen, we strive to build an inclusive society by helping to improve the well-being of the community. To achieve this, we organised and implemented various initiatives such as cash contribution and in-kind donation.
Consumers	Consumers are getting increasingly health conscious, and to support this trend, we strive to achieve healthy and safe food with correct product labelling and quality control.
Trade Association	We support the development of food-related laws and regulations as well as national manpower policies.



Consumers

We place consumers at the heart of our business.

STAKEHOLDER ENGAGEMENT

As each of the stakeholder impact and influence the Group's business differently, the engagement activities are on an on-going basis, depending on the purpose and needs. The Group's key stakeholders and engagement platforms are as listed below:-

Stakeholders	Frequency	Types of Engagement	Focus
Customers	Ongoing	Survey form	Customer's satisfaction
Suppliers	Ongoing	Survey form Tele-conversation	Vendor performance feedback
Employees	Annually	Performance review Employees events	Professional development & appraisal
Shareholders	Quarterly Annual	Quarterly announcement Annual General Meeting	Quarterly performance Annual performance
Regulators	Ongoing	Compliance with Food Regulations 1985	Corporate governance
Media	Ad-hoc	Corporate and brand events	Brand awareness
Non-Governmental Organisations	Ad-hoc	Round table discussion	Corporate governance
Community	Ongoing	Corporate social responsibility programme	Corporate governance
Consumers	Ongoing	Product campaigns Social media	Brand awareness
Industry and trade Associations	Annual	Member participation in key associations	Key inputs to trade-related regulations
Government	Annual	Regulatory filings	Statutory compliance
Academia	Ad-hoc	Research survey	Academic research



Suppliers

We conduct yearly performance feedback on our supply chain which assess and monitor suppliers' performance in meeting industry-wide standards.



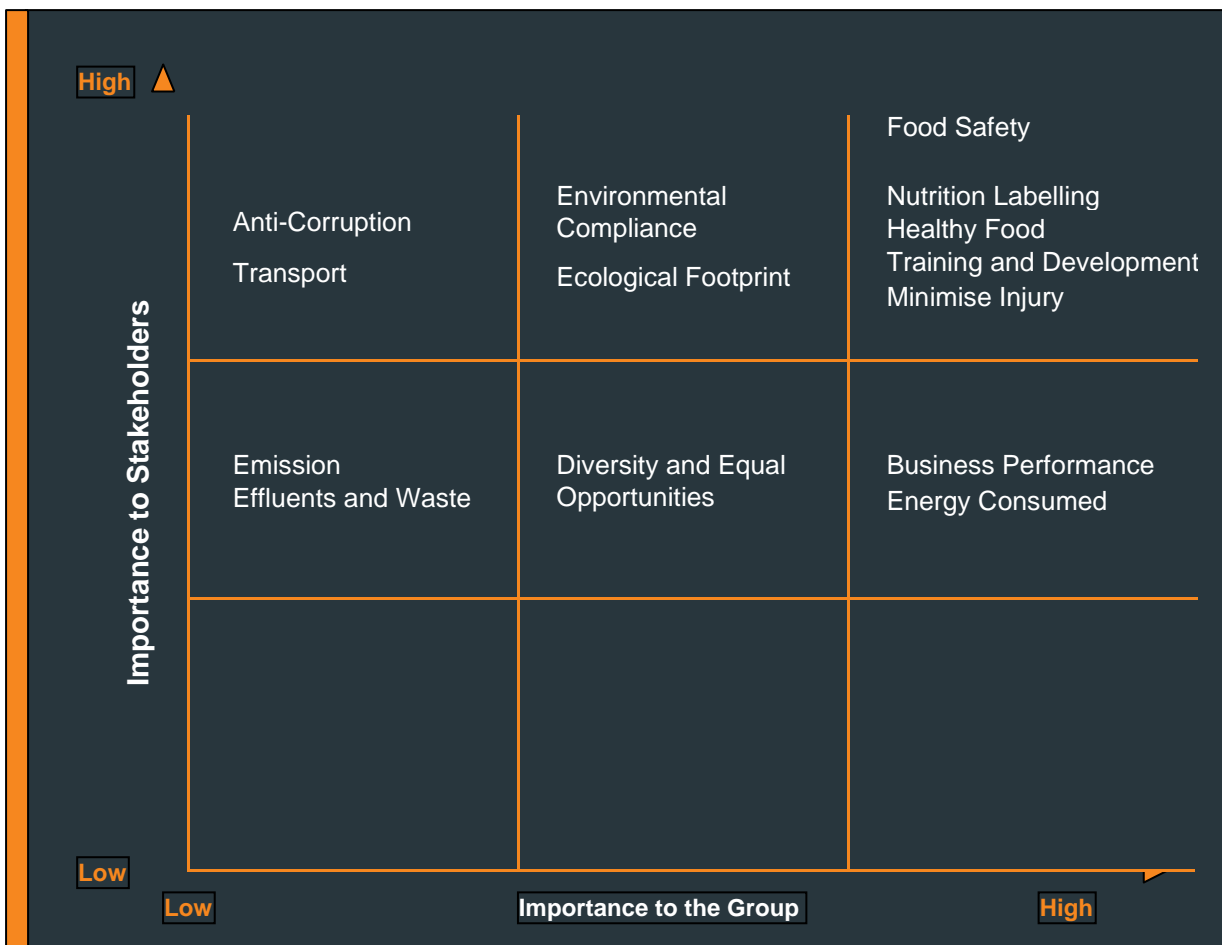
Employees

We develop our employees with intensive training and development, resulting in the lowest staff turnover in this industry.

MATERIALITY ASSESSMENT



In line with Bursa Malaysia’s SRG, we conducted a materiality assessment through data analysis and stakeholder engagement to gather insights on material related to EES issues. The materiality matrix was generated based on the importance of material sustainability issues to stakeholders and to the business operation and are mapped out below:-



Cultural Diversities - Nationalities



Malaysia



Indonesia



Bangladesh



Nepal

MATERIALITY ASSESSMENT

The 10 sustainability issues identified as material and significant to our Group's business operations are :

Material Issues	Description
Business Performance	Return on equity and earnings per share
Ecological Footprint	The impact on environment caused by our business operations
Energy Consumed	Countering climate change has become a business priority and no longer an option
Environmental Compliance	As a leader in food processing, environmental regulation compliance is vital to the community around our plants
Minimise Injury	Minimise injury is our goal in workplace safety
Training and Development	Develop future leaders through training programme
Diversity and Equal Opportunities	We are an equal opportunity employer who believes diverse background can contribute to making better decisions
Healthy Food	We strive to continuously develop new products with healthier ingredients
Nutrition Labelling	Correct labelling to be printed on packaging and is in compliance with respective countries' regulations
Food Safety	Our products have passed the various certification processes to ensure safety compliance

KEY PERFORMANCE DATA

Our sustainability framework is aligned with value chain and is customised towards the needs of our market. We aim to report our sustainability performance annually to communicate and be accountable to our valued stakeholders. We plan to improve our sustainability milestones by constantly seeking feedback from our stakeholders, refining our business processes and extracting meaningful and high-quality data from our systems for this sustainability reporting.

Below is our key performance data:

Aspect	GRI Standards	Details	2017	2018	2019
Economic					
Performance	201-1	Direct economic value generated and distributed	RM 300 mil	RM 307 mil	RM 310 mil
Performance	201-1	Total number of factories	2	2	2
Performance	201-1	Operating costs	RM 240 mil	RM 249 mil	RM 253 mil
Performance	201-1	Taxes	RM 15 mil	RM 15 mil	RM 15 mil
Performance	201-1	Net Profit	RM 44 mil	RM 43 mil	RM 42 mil
Performance	201-1	Return on Equity	27.2%	27.1%	27.4%
Performance	201-1	Earnings per share	RM 0.056	RM 0.054	RM 0.052
Performance	201-1	Net dividends per share	RM 0.060	RM 0.060	RM 0.060

KEY PERFORMANCE DATA

Aspect	GRI Standards	Details	2017	2018	2019
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Environment

Materials	301-1	Materials used by weight	32 thousand tonnes	34 thousand tonnes	36 thousand tonnes
Materials	301-3	Reclaimed products and their packaging materials	671 tonnes	714 tonnes	680 tonnes
Energy	302-1	Energy consumption within the organisation	40 mil kwh	39 mil kwh	37 mil kwh
Energy	302-3	Energy intensity	1,200 kwh per tonnes	1,140 kwh per tonnes	1,078 kwh per tonnes

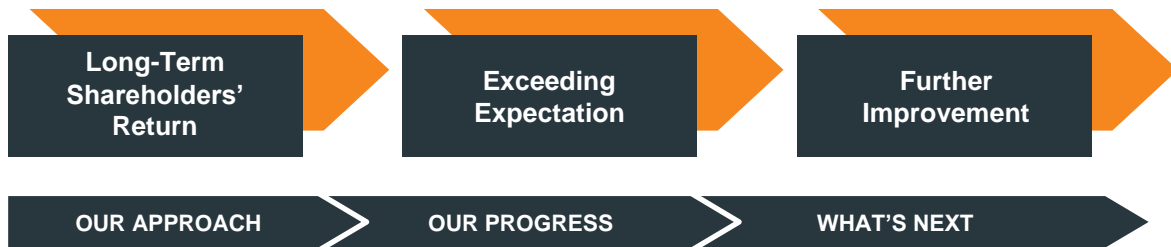
Aspect	GRI Standards	Details	2017	2018	2019
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Social

Occupational health and safety	403-2	Lost time injury frequency rate	2.8	1.7	1.4
Training and development	404-2	Average hours of training per year per employee	10.1 hours	7.8 hours	11.4 hours

PILLAR 1: BEYOND SHORT-TERM PROFITS

ECONOMIC PERFORMANCE



OUR APPROACH

Our shareholders and banking partners provide us with economic resources to operate and expand in our market place. We are committed to meet the financial commitment towards them through good governance and stewardship of the Group's financial affairs.

We have adopted a dividend policy that will distribute an annual dividend pay-out of at least 60% of the annual profit after tax to the shareholders. We believe that such pay-out rate will better reward the shareholders and be positively received by the investors.

OUR PROGRESS

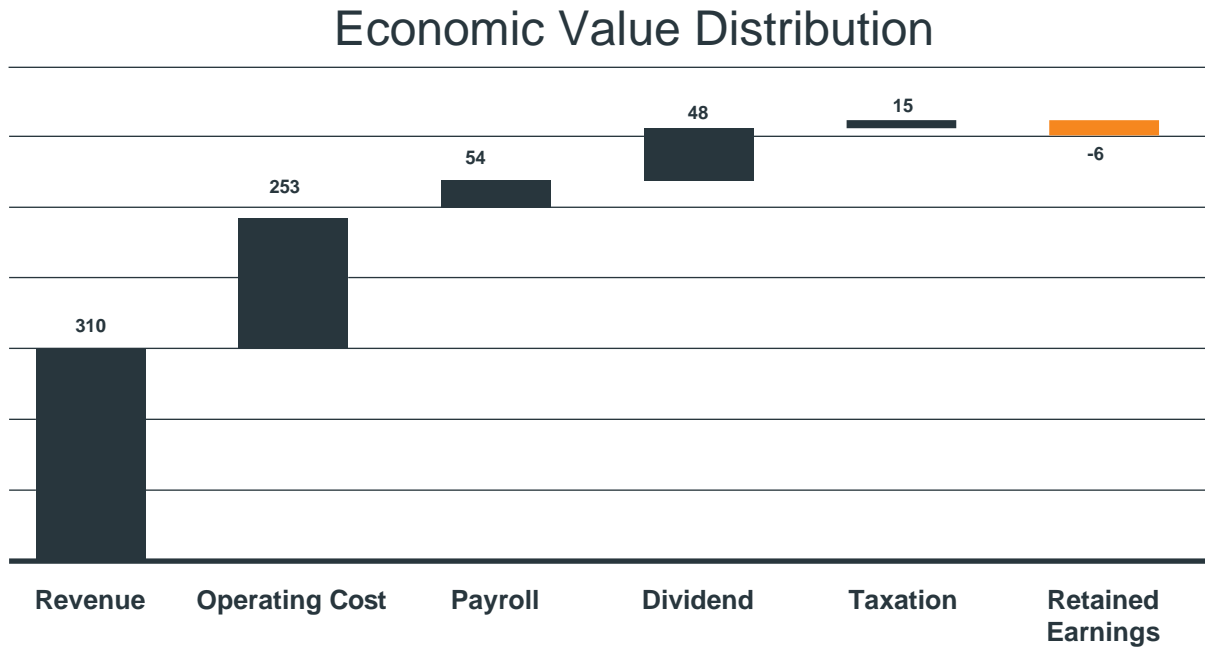
Our financial strategy has generated above average total shareholders' return for the past three years and we strive to maintain this level of performance to meet the increasing shareholders' expectation. The economic value distribution chart is shown on page 28.

WHAT'S NEXT

We will explore other options such as dividend reinvestment scheme, share repurchase, employee share option scheme and three-year financial plan to increase our strategic visibility and further improve economic performance.

PILLAR 1: BEYOND SHORT-TERM PROFITS

ECONOMIC PERFORMANCE



From the above economic value distribution chart, payments made to our employees, shareholders and tax authority are significant and comprise of 38% of our total economic value. Hence, maintaining our competitiveness and remain relevant in the marketplace is of vital importance to our community.

PILLAR 2: OUR PLANET AND ENVIRONMENT

MATERIALS



OUR APPROACH

We work with our partner and production personnel to recover and recycle the waste materials and packaging in our manufacturing processes. The Group is proactively developing management approaches to address the waste generated in our business operations. The followings are four ways we aim to reduce our material usage and hence the waste production:

1. Reduce packaging at the source;
2. Turn waste into a resource;
3. Use packaging materials made from sustainable resources; and
4. Engage consumers.

OUR PROGRESS

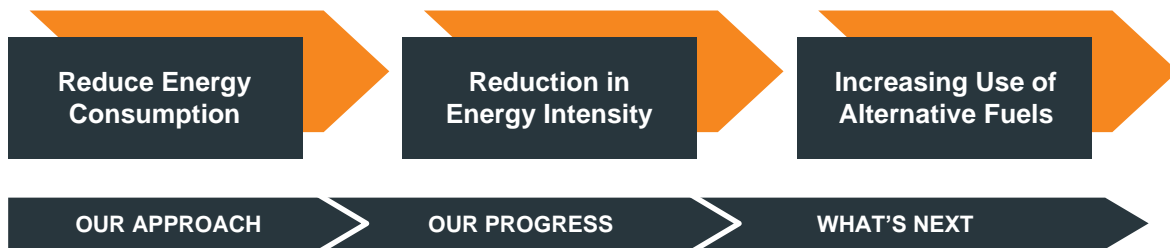
Scrap items are segregated and sorted according to their type such as scrap biscuits, scrap metal, plastic scrap, carton box, etc. These scrap items are then collected by various scrap vendors for recycling or reuse. In 2019, a total net weight of 680 tonnes of production waste was sold as scrap to these vendors.

WHAT'S NEXT

We will strive to improve our current waste management initiatives by practices segregation of materials in its disposal.

PILLAR 2: OUR PLANET AND ENVIRONMENT

ENERGY



OUR APPROACH

Climate change is an issue that we cannot neglect as it is relevant to our business and supply chain. We aim to contribute to climate change control via using the best mix of energy sources while improving the energy intensity of our manufacturing processes. To reduce our energy consumption, we are constantly raising awareness among factory employees on strengthening standard routines and installing energy efficient equipment.

We had installed a new baking line fired by natural gas in 2019 and expected to be fully operational effective 2020. This new line which has a lower emission of carbon dioxide ("CO₂") per Kilowatt Hour ("KWH") will greatly reduce the carbon footprint of our operations.

WHAT'S NEXT

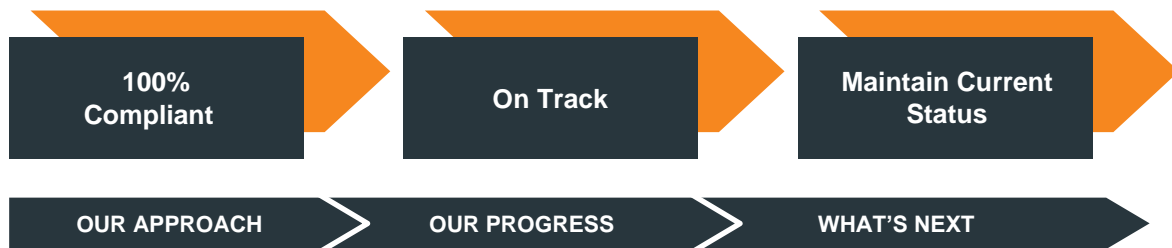
We will increase our use of alternative energy sources to control the emission of greenhouse gases where it is economically feasible.

OUR PROGRESS

We have implemented electrical energy management initiative to reduce the electricity consumption of our plant and the energy intensity of our products. There has been a reduction in electricity consumption in our manufacturing process.

PILLAR 2: OUR PLANET AND ENVIRONMENT

ENVIRONMENTAL COMPLIANCE



OUR APPROACH

We commit to comply with all applicable environmental regulations. Our formalised principles and policies provide a clear guidance on environmental issues and ensuring they are upheld throughout the Group. Total transparency with regulators is what we strive for. This also includes efforts to reduce our environmental impact, for example the handling of packaging material.

OUR PROGRESS

Our plant achieves full compliance annually and has no fine or penalty imposed by regulators. The Group adopts a pro-active approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development of food technologies with better environmental performance.

WHAT'S NEXT

We aim to maintain the total compliance culture in the coming years. Food production and consumption use a significant share of the world's resources. As a responsible food and beverage manufacturer, we are constantly striving to make the Group's product not only tastier and healthier but also better for the environment.

PILLAR 3: OUR SOCIETY'S FUTURE

OCCUPATIONAL HEALTH AND SAFETY



OUR APPROACH

Our occupational health and safety system includes all our employees, both full-time and part-time. Our industry is highly labour intensive and involves working with complex machineries. Hence, our occupational health and safety has been given the top priority and management attention. Our goal is to reach alignment on a common safety practice and continuously improve safety performance throughout the system.

Following steady and significant improvements in our safety performance during the year, our on-site lost-time injury was maintained as 5 cases (2018: 5 cases).

In 2019, no on-site fatalities were reported and our lost time injury frequency rate (number of injuries per million working hours) is at 1.4 (2018: 1.7).

OUR PROGRESS

In 2019, our employees attended a total of 699 hours of safety training, 54 employees participated in at least one safety training activities, the topics included were:

- First Aid & Cardiopulmonary Resuscitation at Workplace
- Fire Prevention and Safety at Workplace
- SOCSO health screening program (HSP) & Advocacy program

WHAT'S NEXT

We will continue to conduct our safety workshops on a periodic basis to ensure all new employees understand our health and safety policy. We plan to conduct plant tour and audit to increase the safety awareness among our employees. We will strive to half the frequency rate in the medium term.

PILLAR 3: OUR SOCIETY'S FUTURE

TRAINING AND DEVELOPMENT



OUR APPROACH

We continue to groom our team and promising talents through various programmes to help our people build a fulfilling career with the Group. We conduct annual training needs analysis to identify the gap in our employees' competencies. Thereafter, we aim to close the gap through training with effectiveness measured pre and post-training. We contributed 1% of our payroll to Human Resources Development Fund to enhance the productivity of our employees.

OUR PROGRESS

In 2019, a total of 16,509 hours (2018: 11,356 hours) was spent on training. Some of the training programmes held in 2019 included:

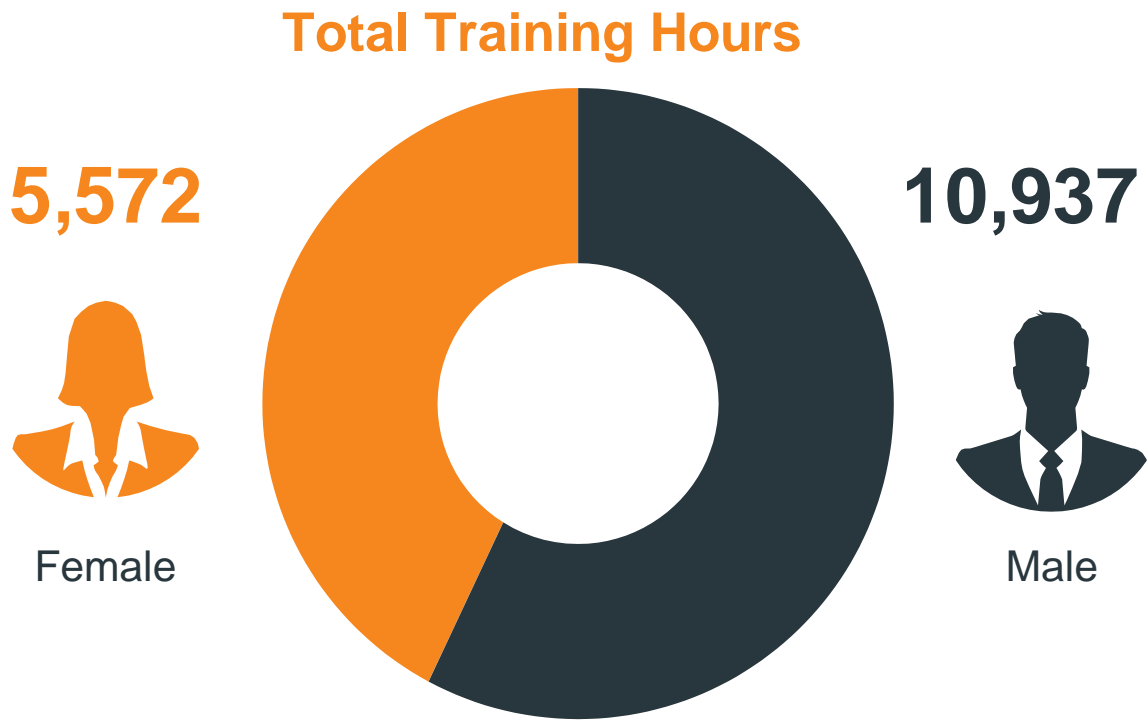
- Food Handler Training and Halal Awareness;
- Concepts of food safety and hygiene and halal certificate compliance;
- ISO 22000:2018 Training;
- Pest Awareness Training;
- Fire and safety prevention in the company and others

WHAT'S NEXT

We aim to increase the average employees' training hours.

PILLAR 3: OUR SOCIETY'S FUTURE

TRAINING AND DEVELOPMENT

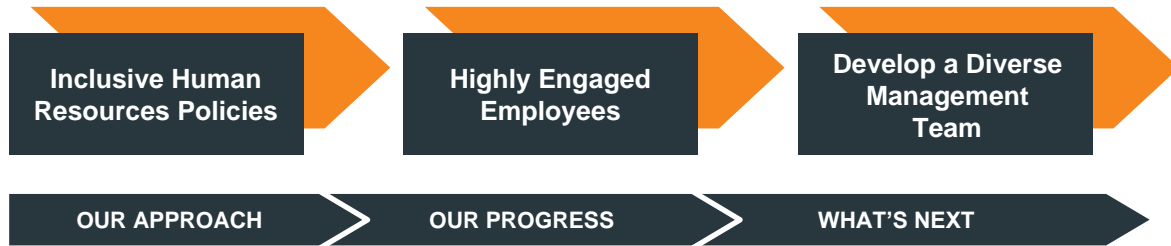


We invested substantially during the year under review on various training and development programmes for employees across the Group, where over 16,509 hours were routed into training.



PILLAR 3: OUR SOCIETY'S FUTURE

DIVERSITY AND EQUAL OPPORTUNITY



OUR APPROACH

We are an equal opportunity employer. We focus in unleashing the potential of all our employees, regardless of gender, age and background. This is one of the most important contributions that the Group brings to the community. This also helps to make our business more sustainable by building a robust pipeline of future business leaders. This is evident in our low annual employee turnover rate of approximately 1.6% (2018: 2.3%).

WHAT'S NEXT

We will conduct employees' engagement survey in the medium term to understand what are the aspiration of our employees and how to engage them to create a happier workplace.

OUR PROGRESS

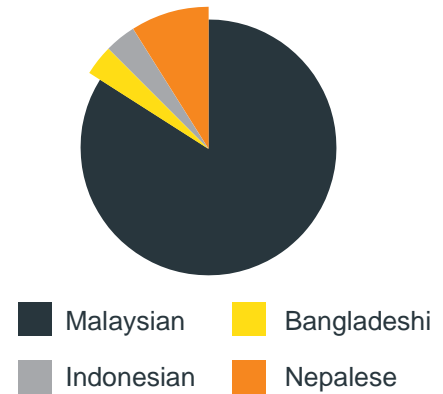
As a caring employer, we strive to create a conducive working environment for all our employees. Annual sports activities are organised to promote a healthy lifestyle. Annual dinner event is organised to foster close relationship amongst employees.

PILLAR 3: OUR SOCIETY'S FUTURE

DIVERSITY AND EQUAL OPPORTUNITY

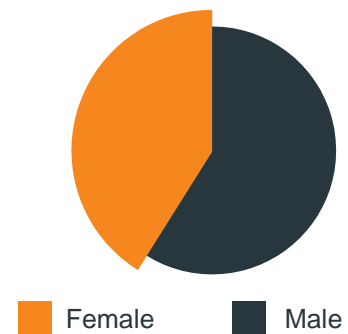
Employee by Nationalities

About 17.6% of our work force are foreign labour and their composition has changed over the years depending on government’s regulation. As an equal opportunity employer, we do not segregate our employees into different culture group; instead we group all of them as Malaysian to reflect our progressive labour practise.



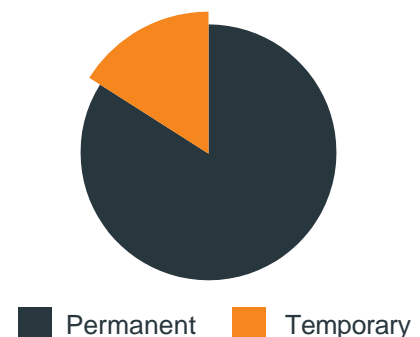
Employee by Gender

Our work force comprises 57% male and 43% female employees. We strive to provide competitive remuneration package to all male and female employees.



Employment Category

Most of our local employees are permanent employees and significant portion of our foreign labour are on temporary or contract basis. This is due to the government’s regulation and our industry labour needs.



PILLAR 3: OUR SOCIETY'S FUTURE

QUALITY AND HEALTHY FOOD



OUR APPROACH

Subject to market acceptance, we strive to develop products using healthier ingredients such as oats, whole meal, fruits and nuts.

OUR PROGRESS

We continuously develop and produce crackers, biscuits and cookies using healthy ingredients and adopting high quality production process. As an official recognition of some of our quality products, we have been granted the International Quality Award by Monde Selection, Belgium. This is one of the most prestigious awards on product quality in the world and we have been receiving it since 1994 for our products.

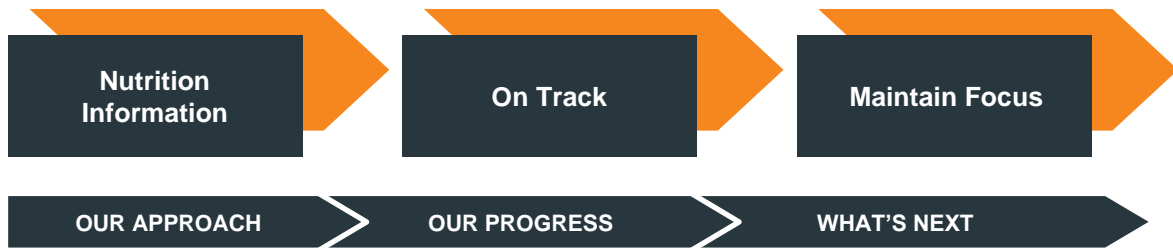
WHAT'S NEXT

We aim to introduce healthier and gourmet products to meet the increasing trend and demand by health-conscious consumers.



PILLAR 3: OUR SOCIETY'S FUTURE

NUTRITION LABELLING



OUR APPROACH

We provide transparent nutrition information on all our products packaging. We believe by providing factual, meaningful and understandable information as a reference, the consumers can choose the consumption level to meet their specific requirements.

WHAT'S NEXT

We will maintain our nutrition labelling as to comply with the regulations of Malaysia and various countries where our products are exported.

OUR PROGRESS

Currently, all our products provide the nutrition information and calorie intakes so that consumers can make choices that fit their lifestyles.

PILLAR 3: OUR SOCIETY'S FUTURE

FOOD SAFETY



OUR APPROACH

As a food producer, safety and quality of our production is imperative. We are committed to produce safe and high-quality food, follow stringent product and ingredient standards designed to ensure the safety and quality of all our products. Our quality management programmes help us to identify and mitigate potential risks and drive improvement. The Group's centralised procurement unit ensures high quality and safety in raw materials by adhering to the procurement policies. The centralised procurement unit also makes sure the Group complies with other regulatory requirements.

OUR PROGRESS

We are certified under the certification schemes of TQCSI, Australia on the ISO 22000:2018 Food Safety management system as well as HACCP management system. ISO 9001:2015 Quality management system which is certified under certification schemes of KIWA, Italy. In addition, we have obtained HACCP and GMP certification through Malaysia's Ministry of Health to demonstrate our commitment towards food safety and quality to ensure consumer confidence and meet the export requirement for obtaining Health Certificate.

PILLAR 3: OUR SOCIETY'S FUTURE

FOOD SAFETY

WHAT'S NEXT

We aim to maintain all of the following certifications listed below in moving forward to ensure the safety and quality of our products. The Group has instituted a business continuity management plan to safeguard personnel welfare, organisational assets and business reputation in the event of a crisis or disaster.



ACHIEVEMENT AND AWARDS

The power of our brands combined with innovation, creativity and empowerment, places consumers in the centre to enjoy great, safe and healthy food. As testament to the Group's commitment, the Group was awarded a number of awards during the financial year under review.

- 2019 – 2002 Monde Selection, Belgium
 - Grand Gold Medal – Special Cream Crackers
- 2019 – 2016 Monde Selection, Belgium
 - Gold Award – Oat Cookies (Original), Oat Cookies (Chocolate) and Oat Cookies (Chocolate Chips & Hazelnut)
- 2018 - Monde Selection, Belgium
 - 25 Years Trophy – Special Cream Crackers
 - Gold Award and International High Quality Trophy – Oat Cookies (Original), (Chocolate) and (Chocolate Chips & Hazelnut)
- 2017 - Monde Selection, Belgium
 - Grand Gold Medal and International High Quality Trophy – Special Cream Crackers
- 2016 – The Edge : Billion Ringgit Club & Corporate Award (Consumer Products Sector)
 - Highest Compound Growth in Profit Before Tax Over Three Years
 - Highest Returns to Shareholders Over Three Years
- 2015 – SME, Malaysia
 - SME Achievers Award
- 2015 – Asia Pacific Brands Foundation, The BrandLaureate Special Edition World Award
 - Brand Excellence in Food & Beverage Biscuits & Confectionery
- 2005 – Ministry of International Trade and Industry Malaysia
 - Industry Excellence Award 2004 – Product Excellence Award (Category 4)

ACHIEVEMENT AND AWARDS



**1994 – 2019
GOLD MEDAL AWARD
MONDE SELECTION**
世界精製食品評審會金牌獎
SPECIAL CREAM CRACKERS



**2016 - 2019
GOLD AWARD**
OAT COOKIES (ORIGINAL)
OAT COOKIES (CHOCOLATE)
OAT COOKIES (CHOCOLATE
CHIPS & HAZELNUT)



**25 Years Trophy (awarded
in 2018)**



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