

# Sustainability Report 2021

Hup Seng  
Industries Berhad

199101015786 (226098-P)

## Table of Contents

Group Profile .....	3
Our Corporate Governance Structure .....	5
Our Value Chain .....	6
Our Sustainability Framework.....	7
Our Sustainability Governance Structure.....	9
Oversight and Structure.....	9
Risk Management and Sustainability .....	10
Fast Facts .....	11
About This Report .....	13
Scope and Report Boundary.....	14
Our Sustainability Performance.....	15
Message to Stakeholders .....	17
Our Management Approach .....	21
Stakeholder Engagement.....	22
Materiality Assessment .....	26
Material Topics and Risk Assessment .....	26
Our Priorities Pillar 1: Beyond Short Term Profits.....	30
Economic Performance .....	30
Our Priorities Pillar 2: Our Planet and Environment .....	33
Materials.....	33
Energy.....	35
Environmental Compliance .....	38
Our Priorities Pillar 3: Our Society's Future .....	40
Occupational Health and Safety .....	40
Training and Development .....	42
Diversity and Equal Opportunity .....	46
Supporting Our Community.....	49
Quality and Healthy Food .....	50
Nutrition Labelling .....	52
Food Safety.....	53
Achievement and Awards.....	55
Awards Received in FY2021 .....	55
Appendix 1: GRI Standard and Content Index.....	56

# Group Profile

Hup Seng Industries Bhd. (“HSIB”) being the holding company of the Group is one of the leading biscuits manufacturers in Malaysia.

The following is the shareholding structure of the Group as at 31 December 2021.



We are engaged in the manufacture and sale of biscuits and confectionery food items as well as beverages.

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



# Group Profile

## Vision

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

## Mission

To produce wholesome, quality, popular and preferred food products.

To maintain sustainable business management, possess loyal customers, and establish a reputable quality brand.

The Group's revenue for FY2021 was at RM296 million, a decrease of 9.6% from FY2020 of RM327 million. Market capitalisation stood at RM0.7 billion by the end of 2021. We provide employment for 1,232 people in Malaysia.

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 grouped 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.

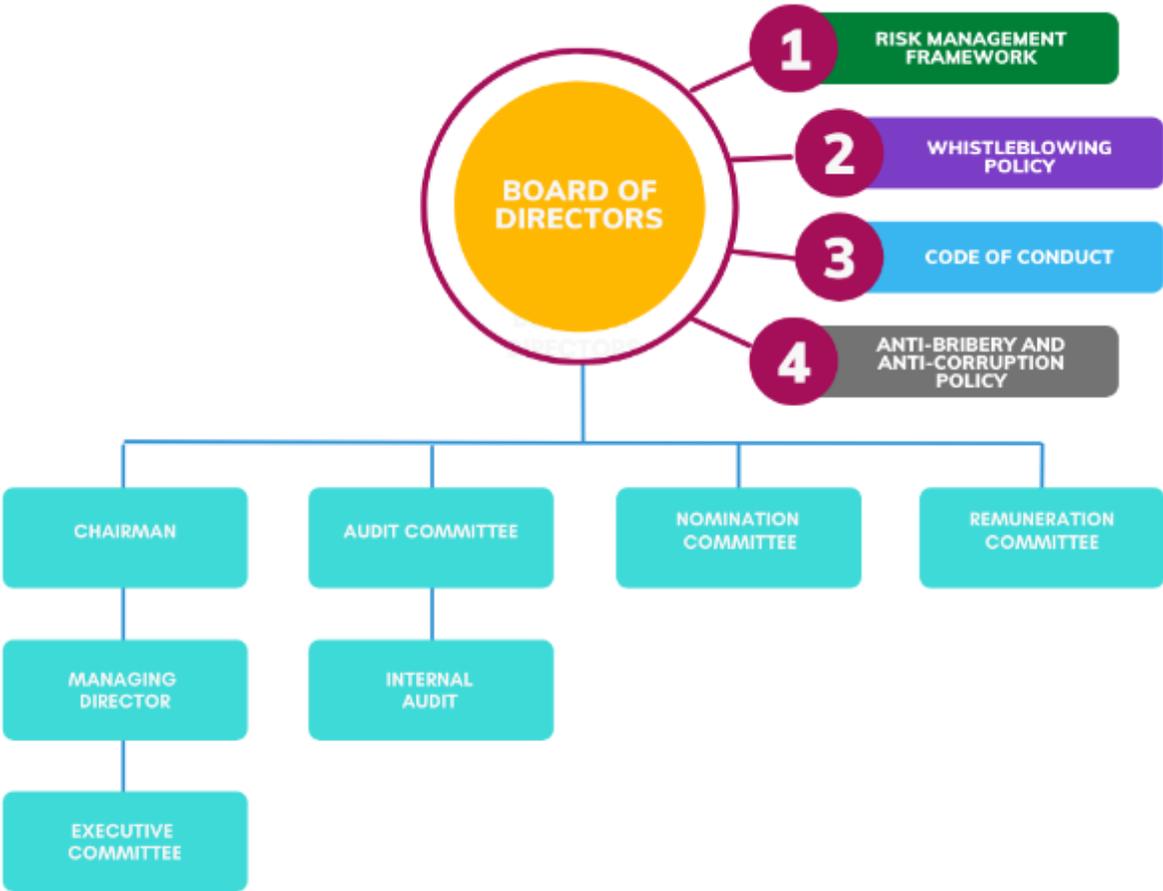
# Our Corporate Governance Structure

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 auditors to ensure that an appropriate governance structure is in place.

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

Corporate governance is about what the Board does, accomplishes and how it sets the Group's values. 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 for the Group. Our corporate governance structure is as follows:-



# Our Value Chain

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

## value chain:



## value creation through:



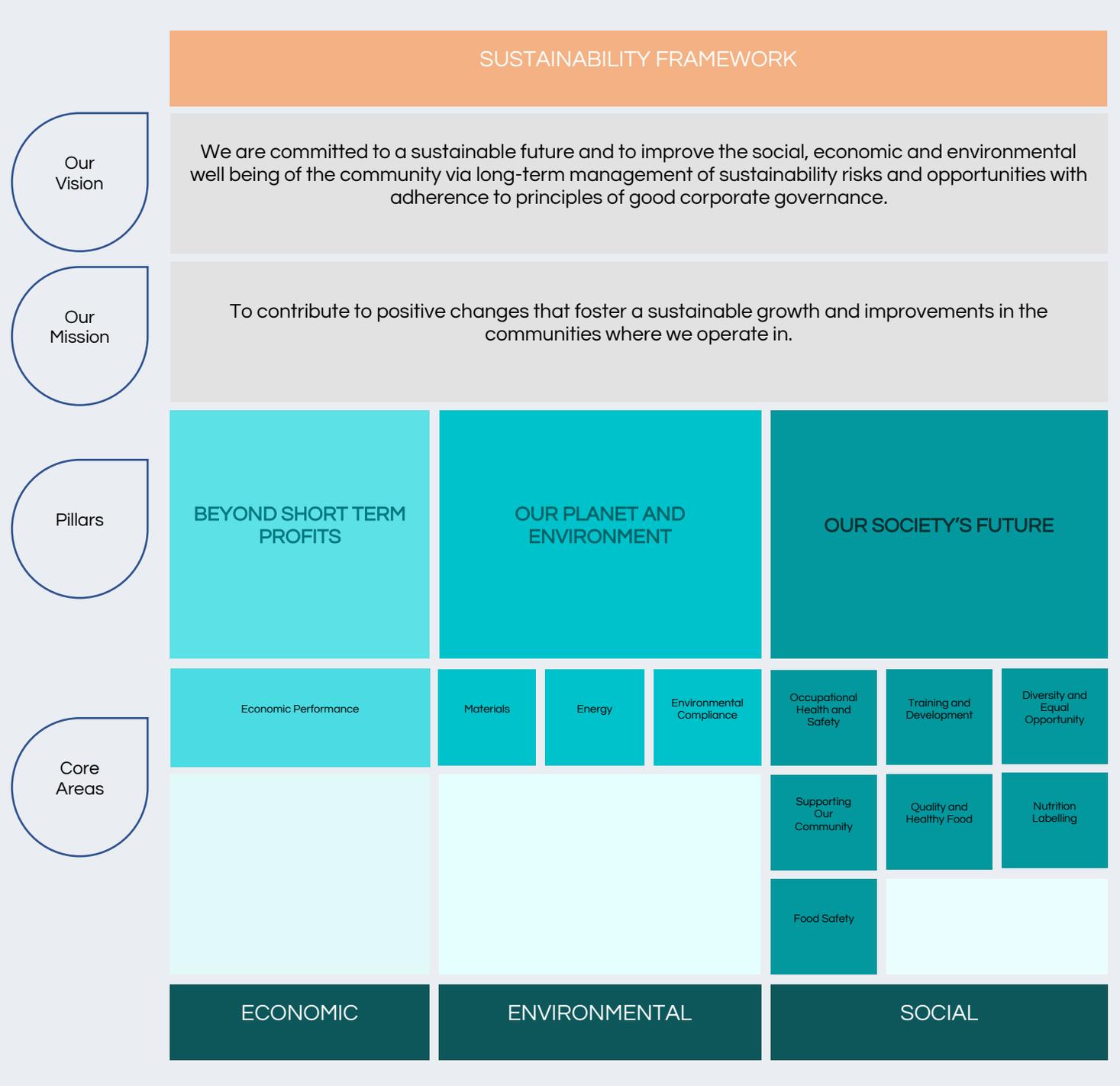
The value chain begins from purchasing of raw materials and ends with disposal of the product packaging by consumers right after consumption. The group’s competitive advantages lie in its operations, marketing and sales. For long-term value creation, we understand that establishing comparative advantages against the competitors is key.

With 63 years of experience in the food processing industry, undoubtedly achieving manufacturing efficiency is crucial in achieving full asset utilisation. Our production lines are running at a utilisation rate of about 68.9%. During peak seasons, some of our production lines are fully utilized to 100%.

The group owns a solid corporate brand portfolio that consists of 5 trademarks, positioned in marketing and sales. Our brands are recognised regionally and one of our products, Cream Crackers, has been awarded by Monde Selection, Belgium for a Gold Award from 1994 to 2003, 2020 and 2021, and a Grand Gold Award from 2004 to 2019. As an award-winning product, this product also received the “25 Years Trophy” in 2018 and garnered the “International High Quality Trophy” in 2017 and 2020. We constantly expand our product range under these 5 trademarks to meet the needs of new and existing consumer segments. We take pride in the quality of our product offerings and the benefits of healthy food for 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

The correlation between corporate sustainability initiatives and long-term value creation is clearer today than in the past. By embracing sustainability on the strategic and operational levels, companies can realise greater long-term business value.

At Hup Seng Industries Bhd, we place emphasis on long-term perspectives in executing our corporate strategy. Based on this perspective, we cascade down the financial goals into sustainable financial performance metrics, which are the return on equity and free cash flow. Due to close alignment between the management team and substantial shareholders, the Group has been 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 the past, a finance and investment weekly newspaper.

## ● Our Planet and Environment

Climate change is imminent. As part of our business processes, we constantly strive to minimise our ecological footprint. These include continuous programmes that can reduce our energy consumption, recycle waste product packaging, as well as water conservation. We are conscious and continuously strive to minimise environmental impact and achieve full compliance with environmental regulations.

Our environmental sustainability commitments include the following:

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

## ● Our Society's Future

People are the heart of our business. We strive to improve the remuneration of our employees by continuously improving their work productivity through structured training and development programme.

In order to ensure safe and healthy working environment for our employees, we implement stringent safety policies and conduct periodic safety refresher courses and skill training to enhance awareness.

The group emphasise on equality and put much pressure on workforce diversity that mirrors Malaysia's multi-cultural composition.

# Our Sustainability Governance Structure

## Oversight and Structure

A robust governance structure is crucial to ensure that the company achieve the sustainability commitments. The Board of Directors leads the initiative to embed material sustainability considerations into the Group's strategy, and the executive committee is responsible for implementing the strategy using the Group's sustainability framework.

The sustainability project committee integrates sustainability into the Group's business processes and prepares the Group's sustainability reporting. A sustainability coordinator works closely with representatives from various business functions to implement sustainability programmes and initiatives. There is a clear line of communication and reporting from the Sustainability Project Committee to the Executive Committee, finally to the Board of Director.

The Group's sustainability governance structure is outlined below:



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

1. Integrate sustainability into the Group's sustainability framework and value chain;
2. Conduct stakeholder engagement processes;
3. Perform materiality assessments;
4. Identify, prioritise and manage material sustainability matters;
5. Monitor the Group's sustainability performance for reporting purposes;
6. Ensure full understanding and buy-in by Executive Committee and Board of Directors and
7. Develop sustainability disclosure for reporting purposes.

# Risk Management and Sustainability

Risk management is a critical pillar of good corporate governance and the Board is aware of the importance of establishing and maintaining a sound system of risk management and internal control.

The Group has established and implemented a risk management framework for the identification, assessment, treatment, monitoring and reporting of significant risks. The Board oversees the Management in the formulation, update and maintenance of an adequate and effective risk management framework. The Enterprise Risk Management (“ERM”) framework of Hup Seng Group is based on an internationally recognised risk management framework (ISO 31000). The Group maintains a risk register which identifies the material risks faced by the Group and the internal controls in place to manage and mitigate those risks.

During the year, we have revisited our risk profile with reference to the most current global standards and best practices. The Group’s emerging and principal risks, together with its appetite with respect to each risk, were identified and agreed upon.

In addition, the Board increased its focus on environmental, social and governance (“ESG”) matters and looked at how they should be embedded in our decision-making processes. In this regard, we have taken initial steps by integrating some ESG aspects into our ERM framework. Sustainability-related risks along ESG dimensions are part of the overall risk universe covered in the risk management framework and processes.

# 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 the year 2000 and the principal place of business is in Johor.

The Group operates through three segments: biscuit manufacturing segment, beverage manufacturing segment and trading 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 and other assortment biscuits. In addition to biscuits, the Group also offers instant coffee mix, teas, cereals and other foodstuffs.

The biscuit manufacturing segment is engaged in the manufacture and distribution of biscuits at its factory located in Batu Pahat, Johor. The beverage manufacturing segment is engaged in the manufacture and distribution of instant coffee mix, teas and cereals at its factory located in Senai, Johor.

The trading segment is engaged in the marketing and distribution for biscuits, beverages and other foodstuffs. It is currently headquartered in Batu Pahat, Johor, and to cater to the market within Peninsular Malaysia, there are also branches located in Kuala Lumpur, Alor Setar, Butterworth, Ipoh, Kota Bahru and Kuantan.

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)
- FSSC 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) and MeSTI Certification by Ministry of Health, Malaysia
- Halal certificate awarded by the Halal Product Assurance Organizing Agency of Indonesia ("BPJPH") (applicable to products that are exported to Indonesia).

Since our products have been in compliance with the applicable consumer product safety regulations for decades, the management believes that this track record can be sustained by adhering to proper procedures and policies.

# Fast Facts

The Group’s revenue consists of 77% domestic sales and 23% export sales to over forty countries worldwide. In terms of product mix, biscuits being the dominant range represent about 96.2% of the total revenue. Stringent quality control and rapid product innovations have contributed to the Group’s success.

RM51 million was distributed for employee benefits expense and RM10 million was the amount taxed by the government.



The Group produced approximately 34 thousand metric tonnes of products.

The main raw materials used are flour, corn starch, palm oil, sugar and water. The packaging materials include packaging rolls, paper carton boxes and biscuit tins. During the year 2021, the Group sent approximately 550 tonnes of used packaging materials to licensed scrap collectors for re-cycling.

As a member of the Federation of Malaysian Manufacturers since 1989, the Group is actively involved in community activities within the vicinity of its plants as well as supporting the community in Malaysia.

# About This Report

We are pleased to present Hup Seng Industries Berhad ("HSIB") Sustainability Report for 2021. This is the Group's fifth (5th) annual sustainability report, which provides an overview of our approach, performance and achievements in order to create long-term economic, environmental and social ("EES") values for the Group's stakeholders.

This report should be read in conjunction with HSIB's Annual Report 2021.

The disclosures of this report draw upon guidance from the Sustainability Reporting Guide ("SRG") as well as toolkit issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and prepared in accordance with Global Reporting Initiative ("GRI") - Core Option.

This report is structured into four sections, which include:

- The first section provides an overview of the report and describe its scope;
- The second section describes how we govern according to our sustainability framework;
- The third section records how we identify and prioritise the material aspects; and
- The final section describes the management approach, current performance and forward looking key performance indicators to be achieved in the future.

Following the GRI guidelines, we address material issues or those that have significant EES impacts, and those that have substantive impacts on our stakeholders' assessments.

# Scope and Report Boundary

The purpose of this report is to define the scope and boundary of our sustainability disclosure by providing an overview of the management approach, details of the sustainability framework and details of the initiatives we have undertaken.

The environment, social and governance performances in the following pages cover data which have been compiled internally for the financial year ended 31 December 2021 and will be issued every financial year after 31 December. Where available and relevant, historical data from the preceding years has been included for comparison purposes.

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 environmental and social impacts of the Group.

If you have any questions pertaining to the Group's sustainability issues, please feel free to contact us at [shirleytio@hupseng.com](mailto:shirleytio@hupseng.com).

# Our Sustainability Performance

The table below summarises our sustainability performance on key indicators in FY2021 and the forward-looking targets for FY2022:

INDICATORS	FY2021 PERFORMANCE	FY2022 TARGETS
<b>Business Performance</b>	<ul style="list-style-type: none"> <li>• Revenue: RM296 million</li> <li>• Operating Cost: RM259 million</li> <li>• Taxes: RM10 million</li> <li>• Net Profit: RM27 million</li> <li>• Return on Equity: 19.6 (%)</li> <li>• Earnings per share: RM0.034</li> <li>• Net Dividend per share: RM0.025</li> </ul>	<ul style="list-style-type: none"> <li>• Improve on the FY2021 performance.</li> </ul>
<b>Ecological Footprint</b>	<ul style="list-style-type: none"> <li>• Materials used by weight (thousand tonnes): 34</li> <li>• Recycled Packaging Materials as Scrap Sales (tonnes): 550</li> </ul>	<ul style="list-style-type: none"> <li>• Increase scrap materials sent to scrap collectors;</li> </ul>
<b>Energy Consumed</b>	<ul style="list-style-type: none"> <li>• Electricity Consumption Within the Group: 6,959,491 kWh</li> <li>• Energy Consumption Within the Organisation (mil kWh): 27.25</li> <li>• Energy Consumption for Manufacturing Process: 20,225,898 kWh</li> <li>• Energy Intensity: 830.41 kWh per tonne</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease energy consumption for manufacturing lines and overall Group consumption</li> <li>• Improve on electricity consumption and energy intensity</li> </ul>
<b>Environmental Compliance</b>	<ul style="list-style-type: none"> <li>• Zero incidents of non-compliance with environmental regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain zero incidents of non-compliance with environmental regulations.</li> </ul>
<b>Occupational Health and Safety</b>	<ul style="list-style-type: none"> <li>• Zero on-site fatality</li> <li>• Accident Cases: 7</li> <li>• Lost Time Injury Rate: 2.46 million man-hours</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain zero on-site fatalities;</li> <li>• Decrease Lost Time Injury Rate;</li> <li>• Minimise accident cases</li> </ul>

# Our Sustainability Performance

INDICATORS	FY2021 PERFORMANCE	FY2022 TARGETS
<b>Training and Development</b>	<ul style="list-style-type: none"> <li>Total Training Hours: 6,077 hours</li> <li>Male Training Hours: 3,918.5 hours, Female Training Hours: 2,158.5</li> <li>Executive Training Hours: 3,892. Non-Executive Training Hours: 2,185</li> <li>Average training hours per employee: 4.93</li> </ul>	<ul style="list-style-type: none"> <li>Increase average and total training hours</li> </ul>
<b>Diversity and Equal Opportunity</b>	<ul style="list-style-type: none"> <li>Female Employees Workforce Composition: 37.5% of total workforce</li> <li>% Annual Employee Turnover: 1.5%</li> <li>% of Foreign Labour: 15.67%</li> <li>% of Employee By Gender: Male-62.5%, Female-37.5%</li> <li>Supporting Local Communities via contribution and fund raising campaigns such as Yayasan Sin Chew, The Salvation Army, Buddhist Tzu-Chi Merits Society Malaysia, Adventist Hospital (Patient Heart Fund), Hospital Kuala Lumpur (COVID-19 Centre), Kementerian Pendidikan Tinggi Malaysia, COVID-19 Food Aids and Initiatives</li> <li>Zero incidents of discrimination, forced or child labour</li> </ul>	<ul style="list-style-type: none"> <li>Increase female % of total workforce</li> <li>Maintain zero incidents of discrimination</li> <li>Continue to support local communities via contributions and fund-raising campaigns.</li> </ul>
<b>Quality and Healthy Food</b>	<ul style="list-style-type: none"> <li>Continuous R&amp;D to produce healthier products: Successfully transitioned to use of non-partially hydrogenated oils (which leads to healthier products)</li> </ul>	<ul style="list-style-type: none"> <li>To continue to introduce healthy products to meet demand of health-conscious customers</li> </ul>
<b>Nutrition Labelling</b>	<ul style="list-style-type: none"> <li>Transparent nutrition information and calorie intakes on all products</li> </ul>	<ul style="list-style-type: none"> <li>Maintain nutrition labelling to comply with the regulations of Malaysia and other countries where our products are exported</li> </ul>
<b>Food Safety</b>	<ul style="list-style-type: none"> <li>Producing safe and high-quality food</li> <li>Adhere to stringent product and ingredient standards designed to ensure safety and quality of products</li> </ul>	<ul style="list-style-type: none"> <li>Maintain all certifications to ensure customer confidence and meet export requirements for obtaining Health Certificate</li> </ul>

# Message to Stakeholders

Welcome to our 2021 Sustainability Report. This year we celebrate 63 years of making moments of greatness, the purpose that inspires the Group to continue to develop quality products that offer nutritious, wholesome and great taste that people love.

The persistence of COVID-19 in 2020/21 continued to disrupt the livelihoods of many people across the globe, with the world still grappling with surging infection rates, emergence of new variants such as Delta and Omicron, and its damaging impact on society and businesses. Environmental disasters such as floods, droughts mostly attributed to human activities and climate change have reminded us the fragility of some of our most basic human-made systems.

Despite these uncertain times, advancing sustainability and making positive impacts on the material EES topics remain a core focus for the Group. The Group's commitment to sustainability remains strong in conducting our businesses responsibly, taking measures to protect our employees, including our customers and stakeholders, and integrating sustainability into our operations.

The impacts of Covid-19 have provided the main headlines of the year, and they continue to be felt globally, including us. Movement restrictions, implemented initially to curb the virus spread, were gradually eased as soon as the infectivity rates dipped. However, this has caused the infection numbers to increase again, leading to a re-tightening of the restrictions. This transition between relaxed and curtailed movement has caused widespread disruptions to businesses and the overall path of the economic recovery. During the third quarter of the year, the Group experienced disruption in operations due to disinfection works and mandatory compliance of 60% workforce imposed by the government nationwide. Factory operations has since resumed and are allowed to operate at 100% capacity from 1 October 2021.

People are the Group's most valuable asset, which is crucial to its success and sustainability, particularly in terms of delivering customer satisfaction and adopting safe working practices. To date, more than 98% of our employees have been fully vaccinated, and among them, 90% have received booster shots. The COVID-19 Emergency Response Protocol Committee ("ERP"), established in FY2020 continued its efforts in addressing issues brought upon by the pandemic namely:

1. Mandating staff from our manufacturing division to undergo biweekly RTK Antigen tests approved by the MOH;
2. Developed COVID-19 Employee Handbook for safety awareness and prompt identification and isolation of potentially infectious employees;
3. Monitored all employees' MySejahtera profiles and health status on a daily basis;
4. Ensured that only vaccinated visitors are allowed to enter the workplaces;
5. Provided foreign workers with COVID-19 vaccinations;
6. Implemented face recognition attendance system (i.e. to prevent the spread of viruses through touch and record the body temperature of employees); and
7. Provided face masks to all employees and face shields to the relevant personnel.

# Message to Stakeholders

We expect the business environment to continue to face headwinds amid the weak global economic outlook and the evolving COVID-19 pandemic. Managing prices of material costs will be a priority for the Group over the longer term. Nevertheless, the Group remains optimistic about the prospects of the biscuits industry given the effort by the government on the progress of the COVID-19 National Immunisation Programme (“Immunisation Programme”), and the gradual recovery of global trade and economy as Malaysia transits towards an endemic phase, where restrictions are relaxed and most economic sectors has reopened. The Group will continue to explore new markets to broaden its revenue and enhance the competitiveness of the products.

This Sustainability Report is part of our commitment to communicate to our stakeholders about the actions we take and how we interact with society. The Group's sustainability framework consists of three broad pillars, namely:

## Beyond Short Term Profits

During the third quarter of the year, the Group experienced disruption in operations due to disinfection works and mandatory compliance of 60% workforce imposed by the government nationwide in May, resulting in some sales orders that were not able to be fulfilled by Hup Seng.

Despite the above, demand for Hup Seng’s product remains intact and we believe that the resulting effects from this disruption is temporary. The Group remains optimistic about the prospects of the biscuits industry given the effort by the government on the progress of the Immunisation Programme which has seen the fully vaccinated population rate exceeding 78%\* and the gradual recovery of global trade and economy as Malaysia transits towards an endemic phase.

With sizable national market share, the Group plays a crucial role in meeting the nutritional needs of our people. In order to meet market demands and reduce our ecological footprint, we continuously expand and modernise our production lines.

With the Group’s long-term orientation and strategic vision, we expect the performance of our share price and distributed dividend will gradually improve and return to normality in the longer term.

*\*Note: Figure refer to % of population with at least 2 doses of vaccine. Source: <https://covidnow.moh.gov.my/vaccinations>*

# Message to Stakeholders

## Our Planet and Environment

While the performance of the Group has been affected to a certain extent by the impact arising from the restrictions above, this has not dampened our efforts in reducing our ecological footprint.

Our energy intensity in our production continues to decrease over the past 5 years, reaping the benefits of energy management initiatives carried out at our plant in the past. We will continue to seek reduction in electricity consumption per production tonnage while maintaining strict compliance with the laws regulating the food processing industry.

We aim to collaborate with the recycling centres and to exercise strict control to recycle waste packaging materials during our production processes in the coming years.

## Our Society's Future

Our people is key to our success, hence their welfare of our people is a major priority. With continuous training and development, we aim to improve our employees' productivity. We also continuously ensure conducive workplace despite economic uncertainties caused by the COVID-19 pandemic. We remain to offer competitive salaries and benefits to attract new talents despite existing circumstances.

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

## The Way Forward

The Group believe that 2022 will continue to be a year full of challenges and uncertainties. Despite the above, the Group is cautiously optimistic that performance in 2022 will improve with the success of Immunisation Programme as well as the government's decision to allow the manufacturing sector to operate at 100% capacity, which has enabled us to increase production as well as improve production efficiencies and effectiveness.

Apart from the pandemic, other issues namely climate change, inequality and use of natural resources are equally important threats which need to be dealt with collectively. While climate change may not be felt in full force now, its impact cannot be taken lightly as we need to assess the risk, implement risk mitigation and prepare for any changes.

# Message to Stakeholders

The Group's report illustrates our commitment to communicate clearly with our stakeholders about the areas in which we impact society. We hope that you will find this report informative and useful in understanding how we operate and create long-term value. We believe that business growth and sustainability are mutually inclusive, which is why we have incorporated sustainability into our corporate strategy, value chain and sustainability framework.

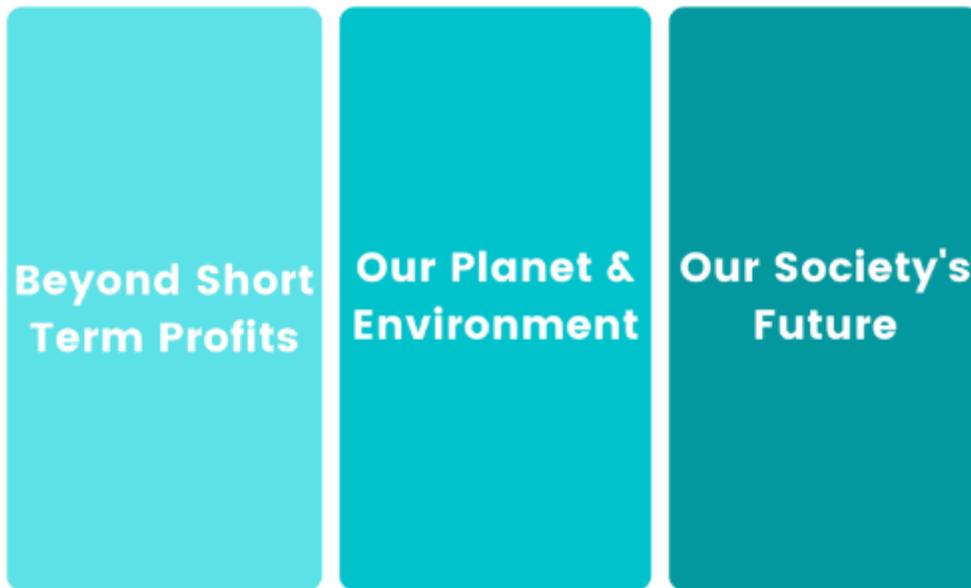
We would like to thank all our stakeholders for their support in achieving our current year sustainability performance and look forward to your continued support in the coming years.

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

Chairman

# Our Management Approach

As the Group operates under five major trademarks, it is essential for us to deploy three pillars of sustainability framework at all times to manufacture and distribute foods that are safe to be consumed. This sustainability approach is the way to meet the needs of our consumers. The three pillars are:



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 beverages everywhere within Malaysia and to various countries to which our products are exported.

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

Our in-house systematic performance appraisal system and training programmes is part of the Group's effort in nurturing future leaders. This has resulted in a robust pipeline of talent for succession planning promising sustainable future for the Group.

Moving forward, one of our key priorities is to set a medium-term target for enhancing sustainable operations with environmentally responsible processes. Much focus is placed on maintaining sustainability goals that are material, relevant and based on the priority needs of our stakeholders.

# Stakeholder Engagement

Stakeholder engagement is a mechanism through which the Group identifies potential sustainability challenges. Stakeholder groups were engaged through different communication channels fit for each group in order to obtain feedback, gauge the gap between actual and expected outcomes and address their concerns. The key stakeholders are those who have a significant impact on our business, as well as those with a vested interest in our business success.

We engage with our stakeholders in both formal and informal settings. Our engagements with our suppliers and consumers range from formal meetings to ongoing dialogues. Through our collaboration with external stakeholder partners, we are able to identify and address issues as soon as they arise. This approach helps us to achieve a 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.

# Stakeholder Engagement

Since each stakeholder impacts and influences the Group's business differently, various platforms are used to engage with our stakeholders to understand their interests and concerns. This helps improve the Group's business decision-making and informs the Group of stakeholders' expectations. The following table provides a comprehensive list of our stakeholders and engagement platforms.

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

# Stakeholder Engagement

During the year, we have continued to uphold our unwavering commitment to engage actively with our stakeholders and deliver service excellence at all times. Since the onset of the pandemic, we have:

1. Actively participated in the webinars conducted by MOH to keep abreast with the latest regulations and preventive measures;
2. Encouraged employees to hold virtual meetings rather than in-person meetings with colleagues and customers.

The Group will continue to engage our stakeholders, evolve our sustainability reporting and action plans to create sustainable value for people, the planet and the future viability of our businesses.

## Consumer

We place consumers at the heart of our business.

## Suppliers

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

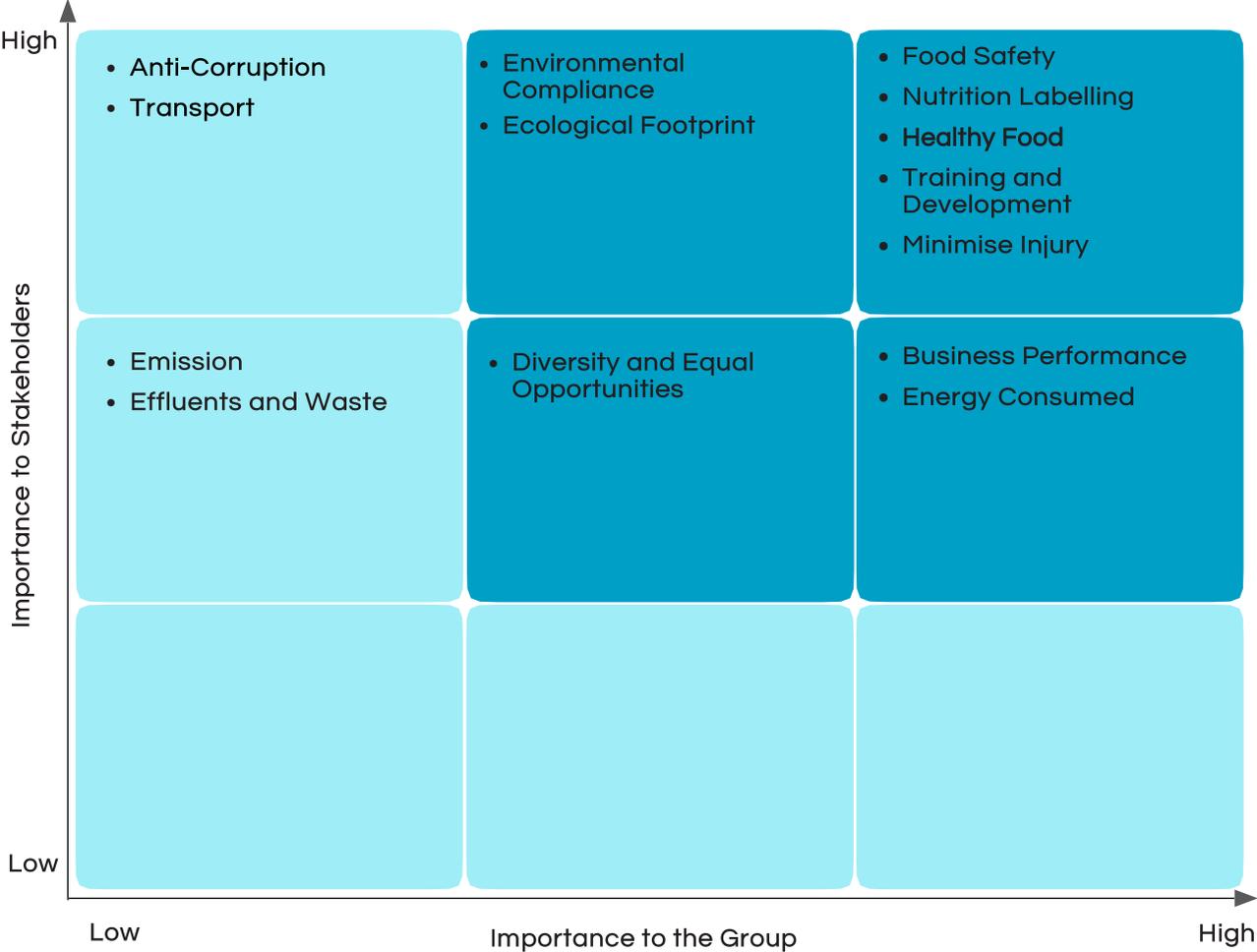
## Employees

We develop our employees with intensive training and development.

In FY2021, the Group has placed its emphasis on managing and motivating our staff so as to have smooth and effective operations throughout the organisation. We recognise the contributions of all staff and the strategic importance of a committed and competent workforce towards sustained corporate performance.

# Materiality Assessment

Identifying the Group's EES matters that have a material impact is key to formulating and implementing sustainable strategies. The materiality matrix was developed based on the importance of material sustainability issues to key stakeholders and to the business operations. The matrix is as follows:



## Material Topics and Risk Assessment

During the year, the Group has begun to integrate material sustainability topics into the overall Enterprise Risk Management (ERM) framework by identifying specific risks, opportunities, and key priorities to drive its strategic decisions. Upon obtaining stakeholders concerns on material issues, sustainability risks and opportunities are then considered for these material issues.

# Materiality Assessment

Potential sustainability risks are also derived from various perspectives including:

- Revisit of existing and review of new and emerging risks from external sources as well as within the organisation;
- Review of potential impact Hup Seng Industries Bhd's operations and products have on the environment; and
- Review of risks from other sources (but not limited to) such as environmental trends and regulatory requirements

We have revisited and expanded our risk profile which considers potential sustainability risk(s) to each material issue identified by our stakeholders. Where applicable, these material issues are mapped to our risk profile to provide a meaningful correlation and broader view on the Group's overall risks that they are facing.

# Materiality Assessment

We have reviewed and retained all 46 material sustainability matters that were identified in the previous year as these matters continue to be relevant to our stakeholders and have a significant impact to our Group's business operations. Having assessed each of the assessment of the 46 material matters, we have identified the following 10 matters as material and significant to our Group's business operations. These material matters are then evaluated for the potential sustainability risks and opportunities and correlatively mapped to our Group's risk profile:

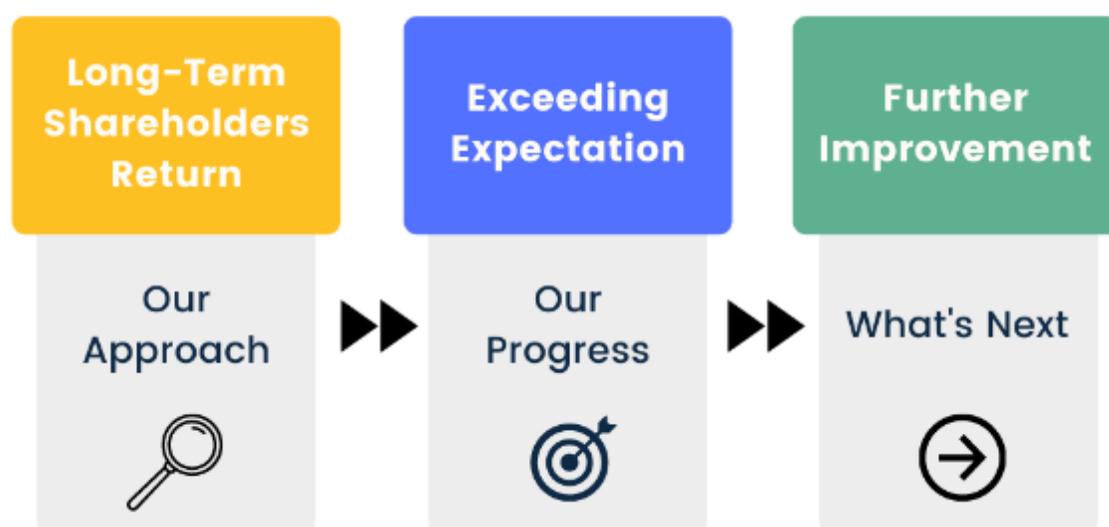
Material Issues	Description	Opportunities For HSIB if Issue is Addressed	Potential Risks for HSIB	Link to Our Corporate Risks
 Business Performance	Return on equity and earnings per share	Sustainable financial performance creates long-term value for all stakeholders	Hinder business continuity	<u>Strategic:</u> Long Term Viability and Growth Rate Risk Continuity Risk <u>Financial:</u> Financial Performance Risk
 Ecological Footprint	The impact on environment caused by our business operations	Reducing wastage at source supports operational efficiency, which is cost saving. Recycling also conserves diminishing natural resources	Environmental and reputational risk from the failure to meet stakeholders' expectations in managing our waste and production efficiency	<u>Operation:</u> Production Cost Overrun Risk
 Energy Consumed	Countering climate change has become a business priority and no longer an option	Reduce energy usage and emissions which saves costs	Waste of resources and affects production processes	<u>Operation:</u> Machinery Breakdown Risk
 Environmental Compliance	As a leader in food processing, environmental regulation compliance is vital to the community around our plants	Engaging with regulators allows HSIB to prepare for emerging legislation and ensure compliance	Reputational risk and unable to obtain certification or license renewal from regulatory bodies	<u>Compliance:</u> Non-Compliance With Regulatory Authority Requirements Risk
 Minimise Injury	Minimise injury is our goal in workplace safety	Increased productivity and efficiency in HSIB operations	Injuries, occupational hazards, lost days and fatalities will result in productivity loss and reputational risk	<u>Operation:</u> Health and Safety Hazard Risk
 Training and Development	Develop future leaders through training programme	Remain competitive with skilled and diverse employees Cultivate high-performance culture through effective training and upskilling programmes	Loss of competent and experienced employees Financial implications when HSIB workforce is not developed to meet the evolving market demands	<u>Operation:</u> Knowledge/Competency Risk

# Materiality Assessment

Material Issues	Description	Opportunities For HSIB if Issue is Addressed	Potential Risks for HSIB	Link to Our Corporate Risks
 <b>Diversity and Equal Opportunities</b>	We are an equal opportunity employer who believes diverse background can contribute to making better decisions	Remain competitive with skilled and diverse employees	Challenge to attract and retain talent	<u>Operation:</u> Knowledge/Competency Risk Dependence on Foreign Labor Risk
 <b>Quality and Healthy Food</b>	We strive to continuously develop new products with healthier ingredients	Deliver HSIB's brand promise to consumers through product excellence Offer healthier options that contribute to consumers' well-being	Unable to meet consumers demand and compete in existing and new markets	<u>Strategic:</u> Innovation/ R&D Risk
 <b>Nutrition Labelling</b>	Correct labelling to be printed on packaging and is in compliance with respective countries' regulations	Meeting consumer demands for nutritional information which enable them to make informed decision on choice of products	Regulatory risks	<u>Compliance:</u> Non-compliance to Regulatory Standards Risk
 <b>Food Safety</b>	Our products have passed the various certification processes to ensure safety compliance	Deliver HSIB's brand promise to consumers through product quality and increase in customers' confidence	Reputational risk and branding damage	<u>Compliance:</u> Non-compliance to Regulatory Standards Risk  <u>Operation:</u> Product Quality Risk

# Our Priorities Pillar 1: Beyond Short Term Profits

## Economic Performance



## Key Performance Data

HSIB's business is based upon long-term value creation for our stakeholders. This is achieved by maintaining leadership in our markets, engaging our employees' expertise to meet consumers' evolving demands, and leveraging on innovative capabilities in our production process. Our economic performance provides us with a firm foundation to continue delivering the products our customers love.

Aspect	GRI Standards	Details	2017	2018	2019	2020	2021
Performance (RM mil)	201-1	Direct economic value generated and distributed	300	307	310	327	296
Performance	201-1	Total number of factories	2	2	2	2	2
Performance (RM mil)	201-1	Operating costs	240	251*	256*	272	259
Performance (RM mil)	201-1	Taxes	15	15	15	15	10
Performance (RM mil)	201-1	Net Profit	44	41*	39*	40	27
Performance (%)	201-1	Return on Equity	27.2	26.3*	26.4*	28.9	19.6
Performance (RM)	201-1	Earnings per share	0.056	0.051*	0.049*	0.050	0.034
Performance (RM)	201-1	Net Dividends per share	0.060	0.060	0.060	0.060	0.025

The detailed performance of our Group can be further referred to in our Annual Report.

# Our Priorities 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 meeting our 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 32.

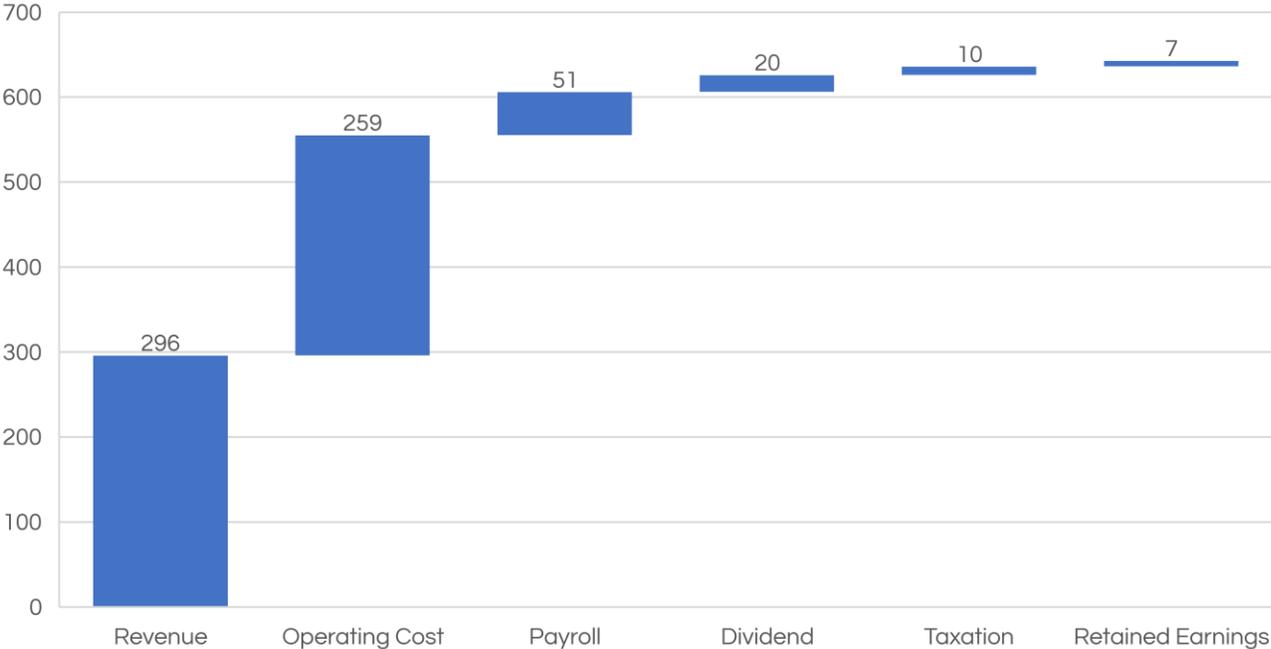
### What's Next

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

# Our Priorities Pillar 1: Beyond Short Term Profits

## Economic Performance

### Economic Value Distribution (RM mil)



According to the above economic value distribution chart, payments made to our employees, shareholders and tax authority are significant and comprises of 27.4% of our total economic value. Hence, maintaining competitiveness and remaining relevant in the marketplace is vital to our community.

# Our Priorities Pillar 2: Our Planet and Environment

## Materials



## Key Performance Data

We continue to proactively innovate and seek sustainable solutions on materials that can be easily recycled and reused. Our key performance data are described as below:

Aspect	GRI Standards	Details	2017	2018	2019	2020	2021
Material (thousand tonnes)	301-1	Materials used by weight	32	34	36	39	34
Material (tonnes)	301-3	Recycled packaging material as scrap sales	671	714	680	662	550

# Our Priorities Pillar 2: Our Planet and Environment

## Materials

### Our Approach

We are committed to consuming raw materials prudently in order to avoid wastage, reduce the risk of material obsolescence and achieve cost efficiency. We work with our partners and production personnel to recover and recycle the waste materials and packaging materials in our manufacturing processes. The Group is proactively developing management approaches to address the waste generated in our business operations. The following are our efforts to reduce our material consumption and hence the waste production:

1. Reduce packaging wastages at the source; and
2. Recover waste materials and sell them to licensed scrap collectors for re-cycling.

### Our Progress

The total amount of wastages generated is segregated according to type of materials and is collected by various licensed collectors for disposal and recycling. A total of 550 tonnes was recycled through scrap collectors. The amount of recycled scrap sent to scrap collectors has decreased significantly due to restrictions placed by the mandatory compliance of 60% workforce imposed by the government nationwide, coupled with enhanced lockdown measures that were announced across Malaysia, thereby restricting access of scrap facilities and scrap collectors to us.

### What's Next

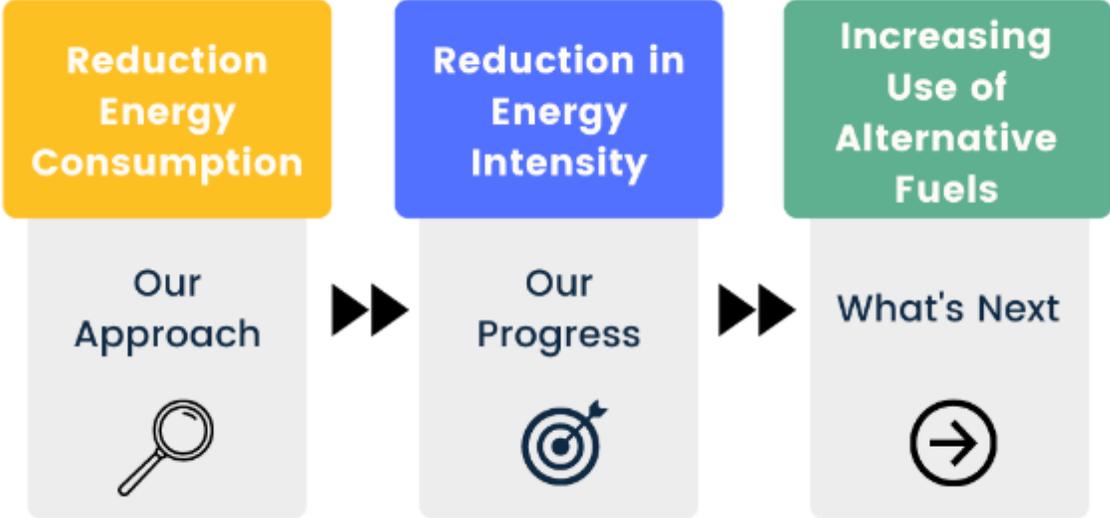
Having implemented the COVID-19 National Immunisation Programme in full force, we anticipate that the amount of recycled scrap sent to scrap collectors will increase in 2022, as Malaysia transitions towards an endemic phase, where restrictions are relaxed and most economic sectors have reopened.

We are actively sourcing certified, recycled and sustainable raw materials and packaging materials from accredited and ethical suppliers.

Apart from the above, we are working closely to improve our current waste management initiatives and will strive to incorporate recycled packaging materials into our manufacturing processes.

# Our Priorities Pillar 2: Our Planet and Environment

## Energy



## Key Performance Data

The Group recognises that our business creates environmental impacts through energy and resource consumption. Promoting environmental efficiency in our operations continues to be our key topic among our sustainability goals. Our key performance data are described as below:

Aspect	GRI Standards	Details	2017	2018	2019	2020	2021
Energy (mil kWh)	302-1	Energy consumption within the organisation	40	39	37	31	27
Energy (kWh per tonne)	302-3	Energy intensity	1200	1140	1078	844	830

## Our Approach

Climate change is an issue that we should not neglect as it is relevant to our business and supply chain. We believe in continuous improvement and are committed to constantly addressing the risks of climate change. We aim to contribute to climate change control via using the most efficient mix of energy sources that enhances our manufacturing processes while improving the energy intensity. To reduce our energy consumption, we are constantly raising awareness among factory employees about strengthening standard routines and installing energy efficient equipment.

# Our Priorities Pillar 2: Our Planet and Environment

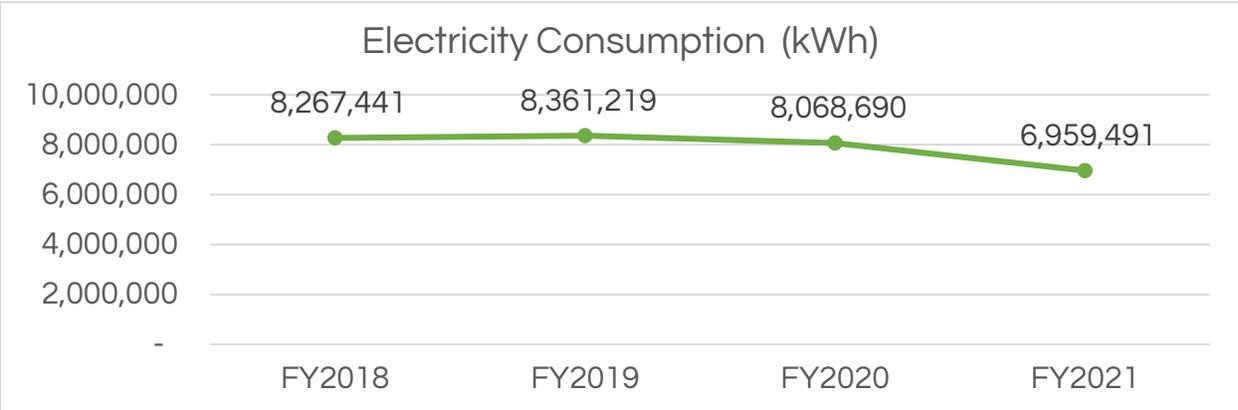
## Energy

### Our Progress

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

For the period under review, three (3) of the Group's baking lines are now fired by natural gas, which emits less carbon dioxide ("CO2") per Kilowatt Hour ("kWh") and has significantly reduced the carbon footprint of our operations.

Resulting from the energy management initiatives undertaken above, our overall energy consumption for the Group has been gradually decreasing since FY2017. In FY2021, the Group's total energy consumption amounted to 27.25 million kWh, a reduction of approximately 12.1% as compared to FY2020 of 31 million kWh.



Meanwhile, our Group's total electricity consumption for FY2021 stands at 6,959,491 kWh. This represents a decrease of 13.7% from FY2020's amount of 8,068,690 kWh.

The energy intensity of our production has reduced to 830.41kWh per tonne in FY2021, a reduction of 1.6% as compared to FY2020 of 844 kWh per tonne. We expect to maintain this trend in the medium term.

# Our Priorities Pillar 2: Our Planet and Environment

## Energy

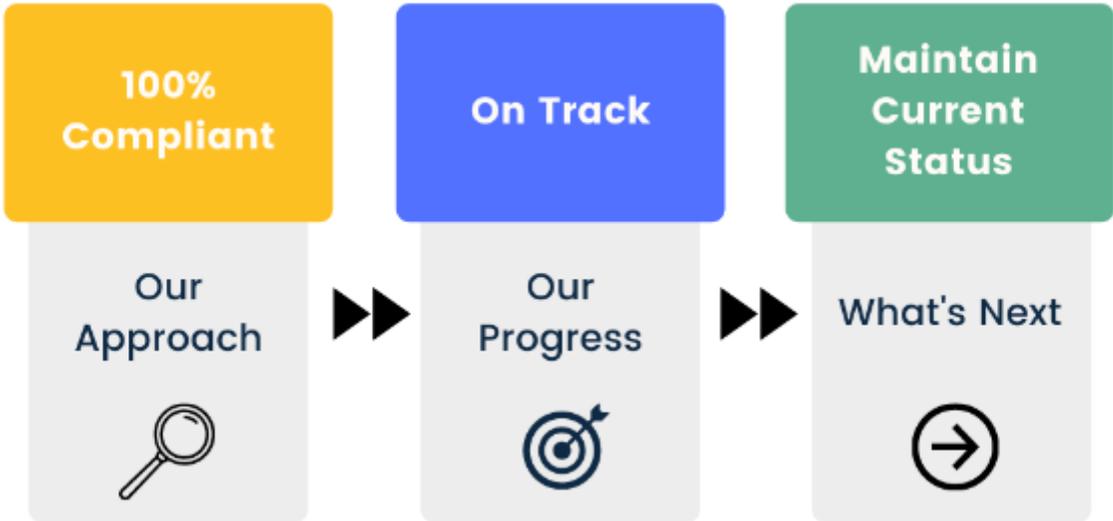
### What's Next

The Group acknowledges that as a biscuit manufacturer there will be considerable carbon emissions from the processing of our raw materials. Moving forward, we will begin to explore and consider to report on life cycle carbon emissions such as Scope 1 and 2 of greenhouse gases (GHGs) protocol and our performance in managing these emissions in alignment with Task Force on Climate related Disclosure (TCFD) on reporting in reference to Science based Targets (SBTi), in addition to the existing energy consumption measurement above.

As for other areas where it is economically feasible, we will increase our use of alternative energy sources to reduce the emission of greenhouse gases.

# Our Priorities Pillar 2: Our Planet and Environment

## Environmental Compliance



### Our Approach

The Group complies with all relevant environmental regulations to maintain its license to operate. Our formalised principles and policies provide a clear guidance on environmental issues and ensure they are adhered to throughout the Group. We strive to maintain total transparency with regulators. The proper disposal of production waste is essential to regulate the environmental impact of the Group's operation.

### Our Progress

Waste water and air emissions quality monitoring were conducted and the Group recorded zero incidents of non-compliance with environment regulations in FY2021.

# Our Priorities Pillar 2: Our Planet and Environment

## Environmental Compliance

Personnel involved in monitoring the environment have attended the following training courses in FY2021:

- 1. Webinar Cabaran Dalam Melaksanakan Peraturan-Peraturan Kualiti Alam Sekeliling (Udara Bersih) 2014 (held on 6 August 2021);
- 2. Webinar Benefit of Removing Oil from Waste Water & The Compliance of Environmental Quality Industrial Effluent Regulations 2009 by Mr. Jim Petrucci & Mr. Mark Spino, Oil Skimmers Inc. USA (held on 6 October 2021);
- 3. Seminar Kawalan Pencemaran Udara (held on 6 December 2021);
- 4. Environmental Management System (EMS) Context of the Organization & Associated Risks & Opportunities (held on 15 and 16 December 2021)

ENVIRONMENT REGULATION	
Environment Quality (Scheduled Waste) Regulations 2005	Waste Water Treatment
Environment Quality (Clean Air) Regulations 2014	Chimney Air Emission for fume hood; Generators Air Emission monitoring
Environment Quality (Industrial Waste Water) Regulations 2009	Waste Water Discharge Report

### What's Next

We aim to maintain the total compliance culture in the coming years. The production and consumption of food consume a significant portion of the world's resources. Being a responsible food and beverage manufacturer, we are constantly striving to make the Group's products not only tastier and healthier, but also more environmentally friendly.

# Our Priorities Pillar 3: Our Society's Future

## Occupational Health and Safety



### Key Performance Data

Actively ensuring appropriate safety measures in place remains one of our key topics in our sustainability agenda. The Group aims to adapt its business through ensuring the safety of employees, suppliers, and the communities it operates in. Our key performance data are described as below:

Aspect	GRI Standards	Details	2017	2018	2019	2020	2021
Occupational health and Safety	403-2	Lost time injury frequency rate	2.8	1.7	1.4	1.6	2.5

### Our Approach

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

# Our Priorities Pillar 3: Our Society's Future

## Occupational Health and Safety

### Our Progress

In FY2021, OHS personnel attended training on the following topics:

1. Hearing Protection Training;
2. Fire Facility Training; and
3. Safety Awareness Training.

In the year 2021, no on-site fatalities were reported and our accident cases increased to 7 cases (2020: 5 cases). Moreover, our lost-time injury ("LTI") rate increased to 2.46 million man-hours (2020: 1.58 million man-hours).

#### **COVID-19 Response**

In March 2020, the Group established the COVID-19 Emergency Response Protocol Committee ("ERP"), composed of the subsidiaries' Chairman, Managing Director and relevant Department Heads, to address any critical issues caused by the pandemic.

The previously drawn up Standard Operating Procedures are continuously being updated to ensure relevancy as well as compliance with the directives of the Ministry of Health. Employees have been provided with updated guidelines regarding how they should act in the new normal.

We expect that the training frequency with regard to OHS to be increased in 2022.

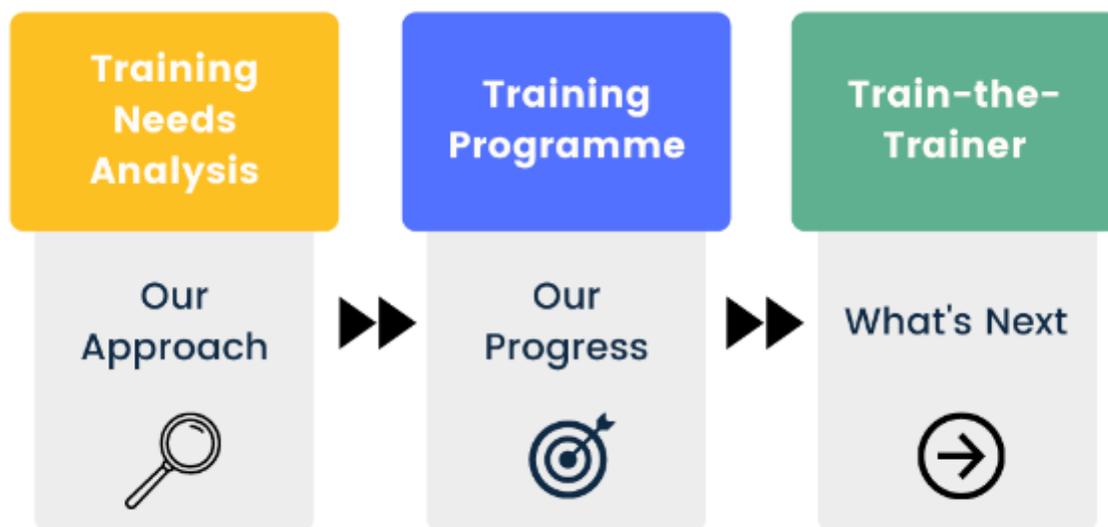
### What's Next

We aim to maintain a zero on-site fatalities at all times. We will continue to conduct our safety workshops on a periodic basis to ensure that all new employees have a clear understanding of our health and safety policies. To increase employee safety awareness, we intend to conduct a plant tour and audit.

Despite the increase in LTI, we aim to reduce such cases in the medium term.

# Our Priorities Pillar 3: Our Society's Future

## Training and Development



## Key Performance Data

We are committed to supporting our employees throughout their learning journey. Employees are encouraged to reskill and upskill with training and development courses to enhance their remote working capabilities. Our key performance data are described as below:

Aspect	GRI Standards	Details	2017	2018	2019	2020	2021
Training and development	404-2	Average hours of training per year per employee	10.1	7.8	11.4	7.8	4.9

## Our Approach

Our employees are the Group's greatest asset. We provide them with career development opportunities and groom them through various programmes in order to support our employees in building a fulfilling career with the Group. We conduct an annual training needs analysis to identify skill deficiencies among our employees. Thereafter, we aim to close the gap through training, whose effectiveness will be assessed via both pre and post-training. We also conduct annual performance appraisals for all employees in FY2021.

# Our Priorities Pillar 3: Our Society's Future

## Training and Development

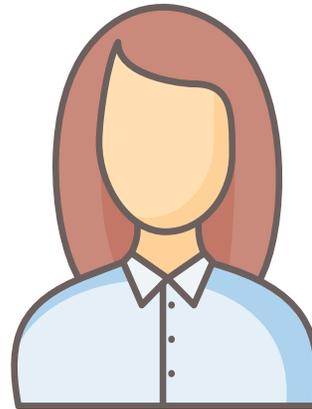
### Our Progress

During this reporting period, the total number of training hours for all employees was 6,077, with an average of approximately 4.93 hours per employee. Lower average training hours were recorded in FY2021 due to cancellation of public events during the MCOs as well as social distance practices.

#### Training Hours by Gender:



3,918.5 Hours



2,158.5 Hours

# Our Priorities Pillar 3: Our Society's Future

## Training and Development

Training Hours by Employment Category:



3,892 Hours



2,185 Hours

Types of Training in FY2021

1. Anti-Bribery and Corruption Management System
2. MSS Web-Based NEW Function - Customer Receipt Training
3. EY Malaysia Budget 2022 Webinar
4. Company Quality Policy & Departmental Objective Training
5. Malaysia Tax Budget Conference 2022 : A Road Map For Recovery (Online)
6. National Tax Conference 2021 (Online)
7. The Sustainability Accelerator - Group 13 Workshop A, B, C & D (Online)
8. Train The Trainer (Online)
9. Webinar Exemption & Facilitation Sales Tax 2021 (Online)
10. Windows Server 2019 Administration (Online)
11. Collection Hand Over & Return System Training
12. Merchandiser My Merch App Training
13. MSS System Upgrading & Sales Worksheet Training
14. MSS Web-Based New Function -Staff(Covid-19) Vaccine Record Training
15. Online Sale (Shopee, Lazada, Pg Mall) Operation Function & Setting
16. Online Sales Work Flow Training
17. Sales Supervisory On The Job Training
18. Sales Team General System Training
19. Sales Team Work Programme Training

# Our Priorities Pillar 3: Our Society's Future

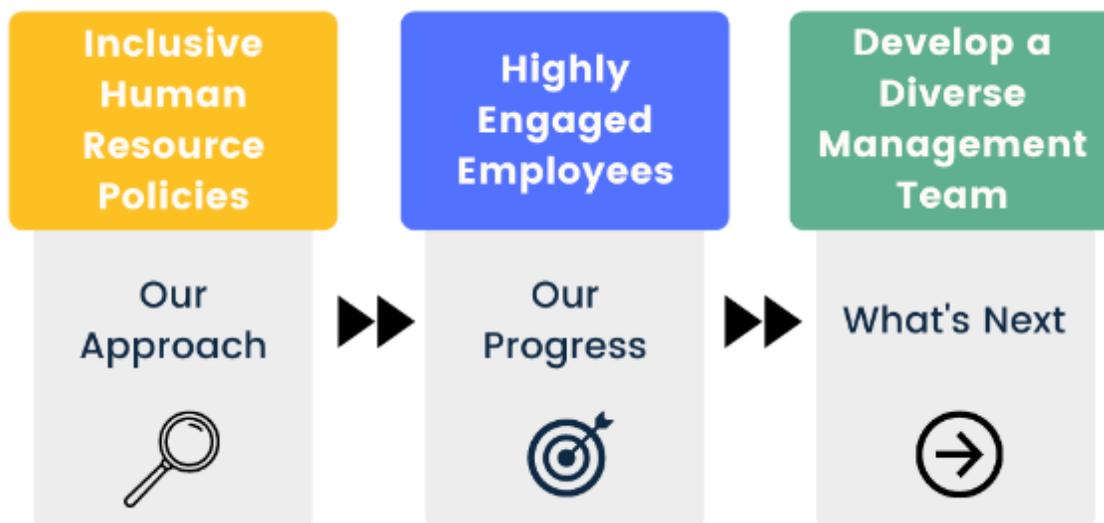
Training and Development

## What's Next

We aim to increase the average number of training hours per employee in FY2022.

# Our Priorities Pillar 3: Our Society's Future

## Diversity and Equal Opportunity



### Our Approach

Our goal is to embrace diversity and inclusion throughout our workplace and provide equal opportunities for advancement. We focus on unleashing the potential of each of our employees, regardless of gender, age or background. This is one of the most important contributions that the Group makes to the community and also helps to make our Group more sustainable by building a robust pipeline of future business leaders.

We do not tolerate any form of child labour under any circumstances. We do not prohibit any of our employees from being associated with any external bodies/entities, provided that it does not jeopardise the Group's reputation, create a conflict of interest and/or hinder their performance at work.

### Our Progress

Previously, the Group established and implemented the Anti-Bribery and Anti-Corruption Policy, Internal and External Code of Conduct, which outlines acceptable practices and ethics that guide our employees to understand their responsibilities in all business dealings. Both are made available and easily accessible on our corporate website.

During the reporting period, female employees of the Group accounted for 37.5% of the total workforce, an increase of 2.5% compared to FY2020. This was due to the decrease in the number of male employees. The decrease was attributable to foreign workers whose contracts with us had expired or who had returned to their home countries.

Our annual employee turnover rate has declined to 1.5% (2020: 2.2%).

# Our Priorities Pillar 3: Our Society's Future

## Diversity and Equal Opportunity

Apart from this, we are pleased to report that we have had no incidents in relation to corruption, discrimination, forced labour or child labour.

### What's Next

We will conduct an employees' engagement survey in the medium term to understand what are the employees' aspirations and how to engage them to create a happier environment.

# Our Priorities Pillar 3: Our Society's Future

## Diversity and Equal Opportunity

### Employee By Nationalities

Approximately 15.67% of our workforce are foreign labour and their composition has changed over the years depending on government's regulations. As an equal opportunity employer, we do not segregate our employees into different culture group; but rather group them as Malaysian to reflect our progressive labour practises.

### Employee By Gender

Our workforce comprises 62.5% male and 37.5% female employees. We strive to provide a competitive remuneration package to all our male and female employees.

By Gender	FY2018	FY2019	FY2020	FY2021
Male	58%	57%	65%	62.5%
Female	42%	43%	35%	37.5%

### Employee By Category

The majority of our local employees are permanent employees, while a significant portion of our foreign labour, work on a temporary or contract basis. This is due to the government's regulations and the industry labour requirements.

# Our Priorities Pillar 3: Our Society's Future

## Supporting Our Community

Over the years, we have strived to make positive contributions to the communities we serve by supporting fund raising campaigns and giving back to local communities, life associations, schools and other charitable organizations. In FY2021, we continued our efforts in supporting the following communities and charities:

1. Yayasan Sin Chew
2. The Salvation Army
3. Buddhist Tzu-Chi Merits Society Malaysia
4. Adventist Hospital (Patient Heart Fund)
5. Hospital Kuala Lumpur (COVID-19 Centre)
6. Kementerian Pendidikan Tinggi Malaysia
7. COVID-19 Food Aids and Initiatives

# Our Priorities 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, wholemeal, fruits and nuts.

## Our Progress

With a focus on healthy ingredients and high-quality production process, we develop and produce crackers, biscuits and cookies.

As an official recognition of some of our quality products, we have been awarded the International High Quality Award by Monde Selection Belgium since FY1996 until FY2021 and the Gold Medal Award since FY1994. This is one of the most prestigious awards for product quality in the world.

Monde Selection distinguishes itself by being one of the only Quality Institute in the World to offer a global quality evaluation of Food products. A panel of independent experts take the time to analyse each product individually on a set of up to 25 parameters that cover sensory, scientific and legal aspects of importance to consumers.

The Group has always kept abreast with worldwide health concerns. One of the topics that has been on our agenda is partially hydrogenated oils ("PHOs"). This year we have achieved another milestone by successfully transitioning to the use of non-partially hydrogenated oils ("PHOs") (where PHOs are the primary dietary source of trans-fat) as part of our continuous effort in producing healthier products.

# Our Priorities Pillar 3: Our Society's Future

## Quality and Healthy Food

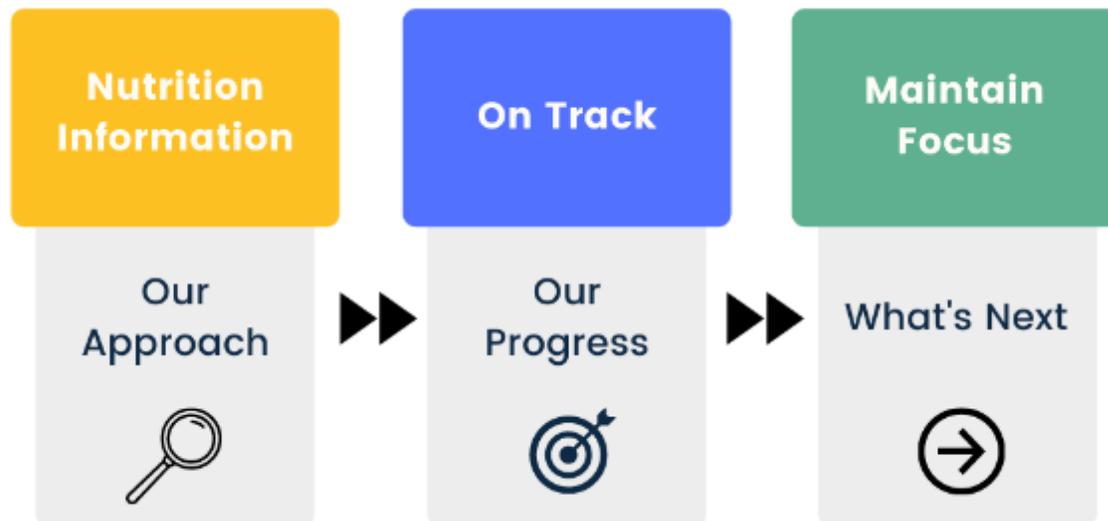
### What's Next

Our efforts to market healthier and gourmet products have been greatly impacted by the global pandemic and rising costs of raw materials.

In the light of the current trend and demand for healthier foods remain high, we will continue to develop products containing healthy natural ingredients such as oats, wholemeal, grains, etc.

# Our Priorities Pillar 3: Our Society's Future

## Nutrition Labelling



### Our Approach

We provide transparent nutritional information on all of our product packaging. We believe that by providing consumers with factual, meaningful and understandable information as a reference, they will be able to choose the level of consumption that suits their specific requirements.

### Our Progress

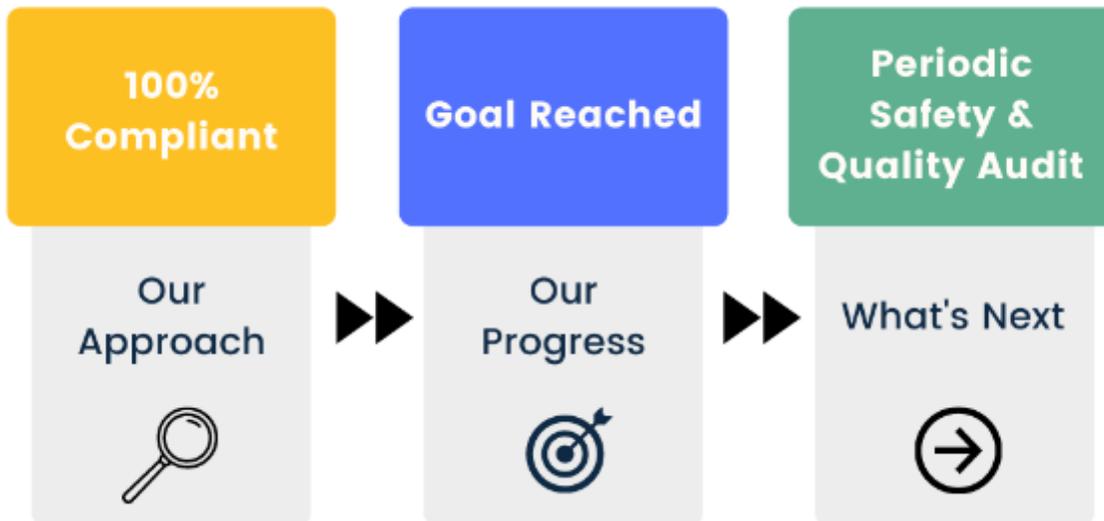
Currently, we provide the nutritional information and calorie intakes on all of our products to enable consumers to make informed decisions about what products will best suit their lifestyles.

### What's Next

We will maintain our nutrition labelling in accordance with the regulations of Malaysia and the various countries to which our products are exported.

# Our Priorities Pillar 3: Our Society's Future

## Food Safety



## Our Approach

As a responsible food producer, it is imperative for us to ensure the safety and quality of our food production. We are committed to producing safe and high-quality food, while following stringent standards designed to ensure the safety and quality of all our products. All relevant employees had attended training on food handling standards in accordance with the HACCP (Hazard Analysis and Critical Control Point) standard and Allergen Management training.

Our quality management programmes help us to identify and mitigate potential risks and drive continuous improvements. The Group's centralised procurement unit ensures high standards of quality and safety in raw materials by adhering to our procurement policies. The centralised procurement unit also ensures compliance with other regulatory requirements. The following training were provided during FY2021:

1. Food Handler Training & Halal Awareness (Online);
2. FSSC 22000 Version 5.1 Awareness Training;
3. Halal Assurance System;
4. Halal Assurance System (Has) Implementation & Halal Supervisor (Online);
5. Halal Awareness & Halal IQA Training;
6. Pest Awareness Training;
7. Seminar Profesionalisme Eksekutif Halal Dalam Pensijilan Halal Malaysia (Online)

# Our Priorities Pillar 3: Our Society's Future

## Food Safety

### Our Progress

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

### What's Next

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

# Achievement and Awards

## Awards Received in FY2021

Gold Award from Monde Selection International Quality Institute for Cream Crackers.



# Appendix 1: GRI Standard and Content Index

GRI Standard	Disclosure	Report Section	Page
<b>STRATEGY &amp; ANALYSIS</b>			
Disclosure 102-1	Name of the organization	Group Profile	3
Disclosure 102-2	Activities, brands, products, and services	Fast Facts	11-12
Disclosure 102-3	Location of headquarters	Fast Facts	11
Disclosure 102-4	Location of operations	Fast Facts	11
Disclosure 102-5	Ownership and legal form	Group Profile Our Corporate Governance Structure	3 5
Disclosure 102-6	Markets served	Fast Facts	12
Disclosure 102-7	Scale of the organization	Fast Facts	11-12
Disclosure 102-8	Information on employees and other workers	Diversity and Equal Opportunity	46-48
Disclosure 102-9	Supply chain	Our Value Chain	6
Disclosure 102-10	Significant changes to the organization and its supply chain	None	-
Disclosure 102-11	Precautionary Principle or approach	HSIB supports the intent of this principle, but has not expressed a specific commitment	-
Disclosure 102-12	External initiatives	None	-
Disclosure 102-13	Membership of associations	Fast Facts	12
Disclosure 102-14	Statement from senior decision-maker	Message to Stakeholders	17-20
Disclosure 102-15	Key impacts, risks, and opportunities	Our Value Chain Our Sustainability Performance	6 15-16
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
Disclosure 102-45	Entities included in the consolidated financial statements	Group Profile	3
Disclosure 102-46	Defining report content and topic Boundaries	Scope and Report Boundary	14
Disclosure 102-47	List of material topics	Materiality Assessment	26-29
Disclosure 103-1	Explanation of the material topic and its Boundary	Materiality Assessment	26-29
<b>STAKEHOLDER ENGAGEMENT</b>			
Disclosure 102-40	List of stakeholder groups	Stakeholder Engagement	22-25
Disclosure 102-41	Collective bargaining agreements	None	-
Disclosure 102-42	Identifying and selecting stakeholders	Stakeholder Engagement	22-25
Disclosure 102-43	Approach to stakeholder engagement	Stakeholder Engagement	22-25
Disclosure 102-44	Key topics and concerns raised	Materiality Assessment	26-29

# Appendix 1: GRI Standard and Content Index

GRI Standard	Disclosure	Report Section	Page
<b>REPORT PROFILE</b>			
Disclosure 102-48	Restatements of information	Not applicable	-
Disclosure 102-49	Changes in reporting	Not applicable	-
Disclosure 102-50	Reporting period	Scope and Report Boundary	14
Disclosure 102-51	Date of most recent report	Scope and Report Boundary	14
Disclosure 102-52	Reporting cycle	Scope and Report Boundary	14
Disclosure 102-53	Contact point for questions regarding the report	Scope and Report Boundary	14
Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	About This Report	13
Disclosure 102-55	GRI content index	GRI Standard and Content Index	56-58
Disclosure 102-56	External assurance	HSIB has not sought for external assurance. We may consider to seek external assurance in the future	-
<b>GOVERNANCE</b>			
Disclosure 102-16	Values, principles, standards, and norms of behavior	Our Sustainability Framework Vision Mission	7-8 4 4
Disclosure 102-18	Governance structure	Our Sustainability Governance Structure	9
Disclosure 103-2	The management approach and its components	Our Management Approach	21
<b>ECONOMIC</b>			
Disclosure 201-1	Direct economic value generated and distributed	Key Performance Data	30

# Appendix 1: GRI Standard and Content Index

GRI Standard	Disclosure	Report Section	Page
<b>ENVIRONMENT</b>			
Disclosure 301-1	Materials used by weight or volume	Key Performance Data	33
Disclosure 301-3	Reclaimed products and their packaging materials	Key Performance Data	33
Disclosure 302-1	Energy consumption within the organization	Key Performance Data	35
Disclosure 302-3	Energy intensity	Key Performance Data	35
Disclosure 307-1	Non-compliance with environmental laws and regulations	Environmental Compliance	38-39
<b>SOCIAL (LABOUR PRACTICES AND DECENT WORK)</b>			
Disclosure 205-3	Confirmed incidents of corruption and actions taken	Diversity and Equal Opportunity	47
Disclosure 403-9 (Supersedes Standard 403-2)	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities/ (Work-related injuries)	Key Performance Data	40
Disclosure 404-1	Average hours of training per year per employee	Key Performance Data	42
Disclosure 405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity	46-48
Disclosure 406-1	Incidents of discrimination and corrective actions taken	Diversity and Equal Opportunity	47
<b>PRODUCT RESPONSIBILITY</b>			
Disclosure 417-1	Requirements for product and service information and labeling	Nutrition Labelling	52