

SUSTAINABILITY REPORT 2022



**HUP SENG
INDUSTRIES BERHAD**
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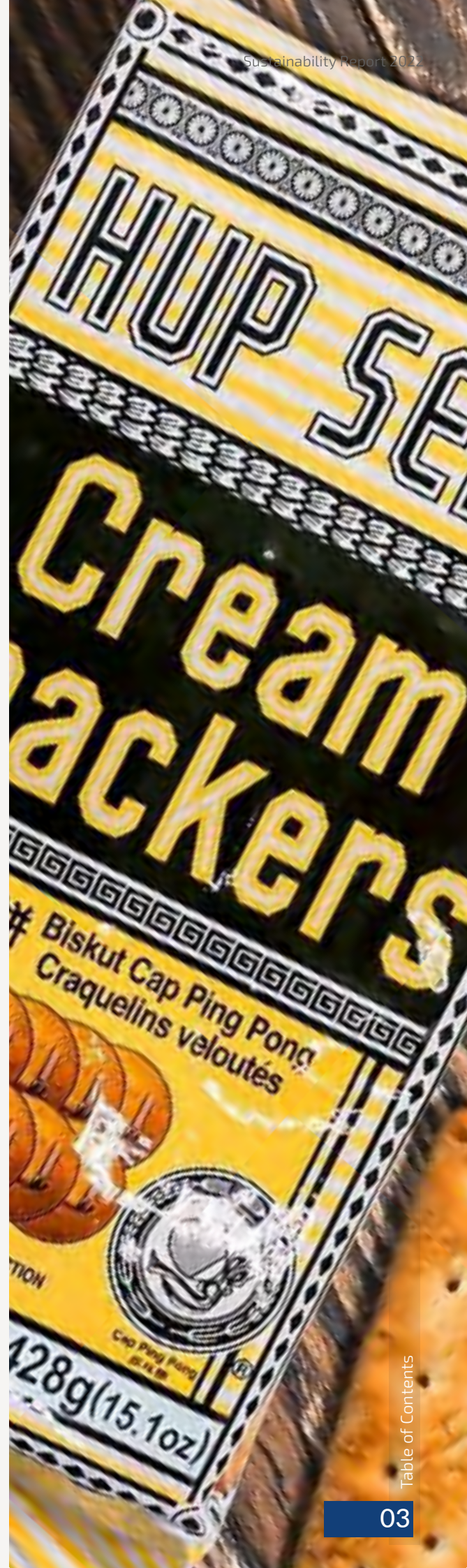


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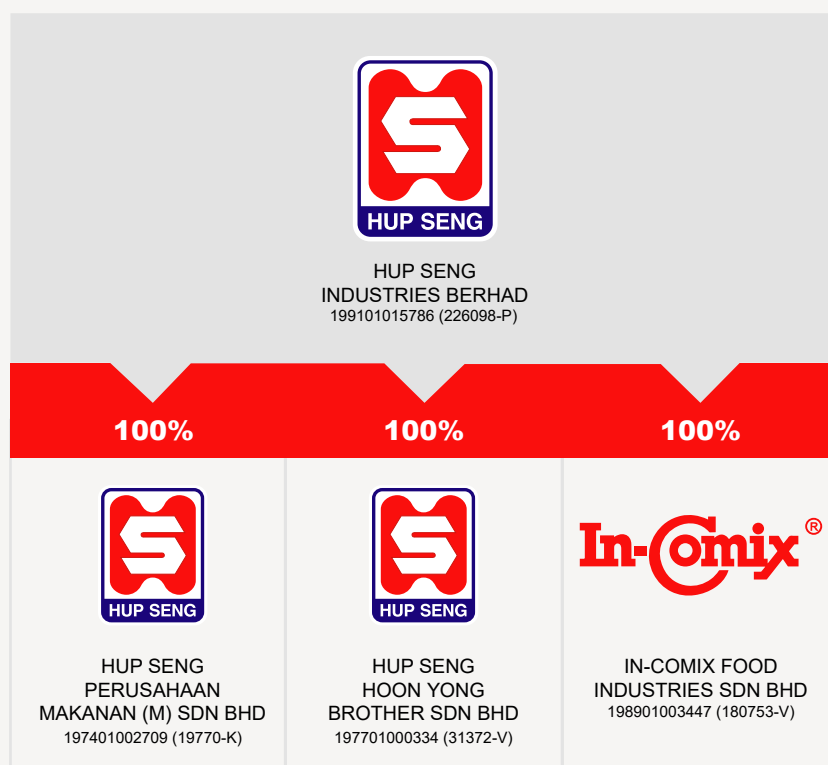
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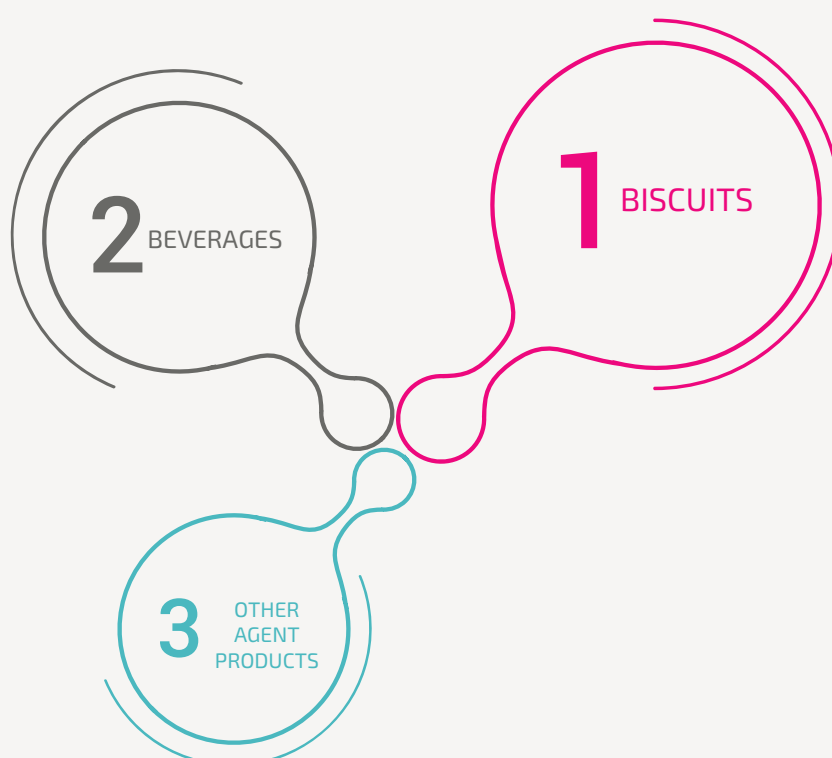
Group Profile

Hup Seng Industries Berhad (“HSIB”) is one of the leading manufacturers of biscuits, crackers and cookies in Malaysia, with more than 60 years of history and a portfolio of iconic and mouthwatering brands including Cap Ping Pong, Kerk and Naturell.

At present, HSIB owns three wholly owned subsidiaries and the shareholding structure of the Group as at 31 December 2022 is as follows:



The products manufactured and distributed by the Group can be grouped into the following product categories:



Objective

To become a
**leading
 multinational
 organization**

in biscuits, cookies, snacks and
 beverage mixes.

Mission

To offer tasty and wholesome
 biscuits, cookies, snacks and
 beverages to consumers,
 safekeep the best interest
 of shareholders and reward
 employees fairly.

The Group's revenue for FY2022 was at RM318.2 million, an increase of 7.6% from FY2021 of RM295.8 million. Market capitalization stood at RM572 million by the end of 2022. We provide employment for 1,167 people in Malaysia.

The Group recognizes the need and responsibility to care for the community and strives to balance its social responsibility to the society by incorporating their interests within 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 & environment and our society's future*. These issues are based on our communications 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. The Board of Directors ("the Board") is responsible for the governance of the Group while the shareholders' role 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 establishes the Group's values. It is to be distinguished from the day-to-day operational management of the Group by full-time executives.

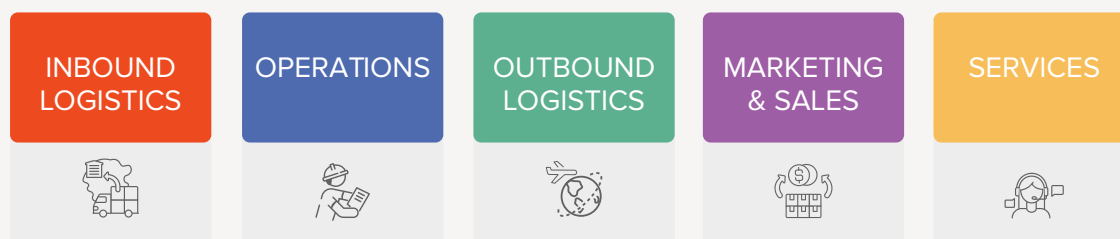
The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success for the Group. Our corporate governance structure is as follows:



Our Value Chain

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

With 64 years of experience in the food processing industry, achieving manufacturing efficiency is undoubtedly crucial in attaining optimal asset utilization. On average, our production lines are running at a utilization rate of about 63.3%. 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, each positioned distinctively by their marketing and sales strategies. Our brands are recognized internationally and one of our products, Cream Crackers, has been awarded the Monde Selection, Belgium's Gold Quality Awards from 1994 to 2003, 2020 to 2022, and Grand Gold Quality Awards from 2004 to 2019. As an award-winning product, it has also received the "25 Years Trophy" in 2018 and garnered the "International High Quality Trophy" in 2017 and 2020. We are constantly expanding our product range under these 5 trademarks to meet the ever-evolving needs of new and existing consumer segments. We take pride in the quality of our products and the health benefits they offer to our consumers.

Our Sustainability Framework

Our corporate strategy is based on the following sustainability framework:

SUSTAINABILITY FRAMEWORK

Our Vision

We are committed to ensuring a sustainable future and improving the social, economic and environmental well-being of the community via long-term management of sustainability risks and opportunities with adherence to good corporate governance principles.

Our Mission

We strive to contribute to positive changes that foster sustainable growth and improvement in the communities where we operate.

Pillars

BEYOND SHORT
TERM PROFITS

OUR PLANET AND
ENVIRONMENT

OUR SOCIETY'S
FUTURE

Core Areas

- Economic Performance

- Materials
- Energy
- Water Management
- Environmental Compliance

- Occupational Health and Safety
- Training and Development
- Diversity and Equal Opportunity
- Anti-Bribery and Anti-Corruption
- Supporting Our Community
- Quality and Healthy Food
- Nutrition Labelling
- Food Safety

ECONOMIC

ENVIRONMENTAL

SOCIAL

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 at strategic and operational levels, companies can realize greater long-term business value.

At HSIB, we place emphasis on long-term perspectives when planning and executing our corporate strategy. Our financial goals are set based on sustainable financial performance metrics, namely Return on Equity and Free Cash Flow. Successes arising due to the close alignment between the management team and substantial shareholders has resulted in the Group 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, a finance and investment weekly newspaper.

Our Planet and Environment

Climate change is imminent. As part of our business processes, being environmentally conscious while constantly striving to minimize our ecological footprint allows us to also be in full compliance with environmental regulations. Our efforts include continuous programs that aims to lower our energy consumption, improve waste product package recycling, as well as improve water conservation.

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 consistently 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 via structured training and development programs.

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

Emphasis is also placed on equality and workforce diversity to reflect Malaysia's multi-cultural composition.



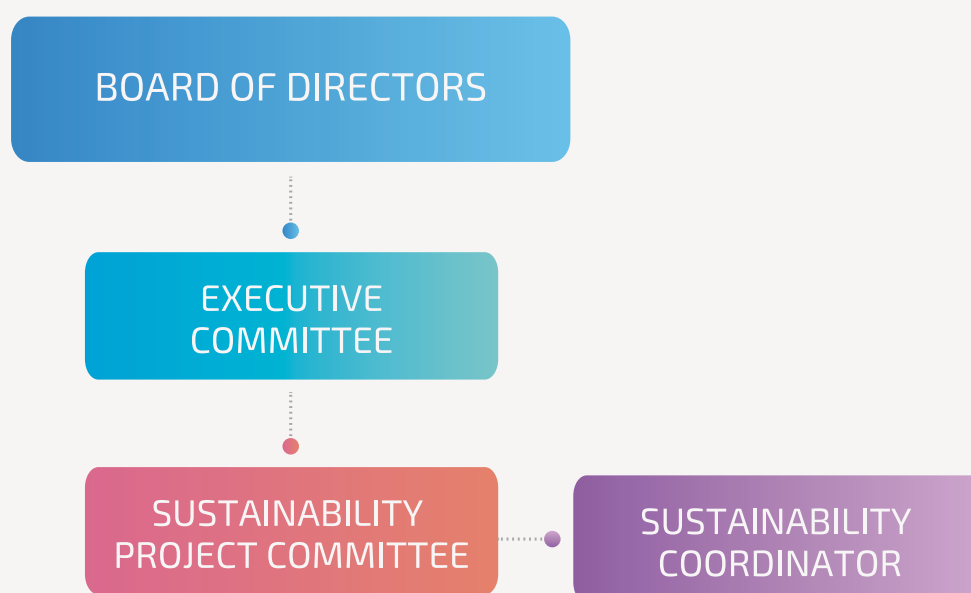
Our Sustainability Governance Structure

Oversight and Structure

A robust governance structure is crucial to ensure that the Group achieves its sustainability commitments. The Board leads the initiative to incorporate sustainability considerations into the Group's strategy, and the Executive Committee is responsible for implementing the strategy based on 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 programs and initiatives. There is a clear line of communication; with the Sustainability Project Committee reporting to the Executive Committee which ultimately reports to the Board.

The Group's sustainability governance structure is outlined below:



The following are the core responsibilities of the Sustainability Project Committee:

1. Conducts materiality assessments.
2. Identifies material sustainability issues and ensures effective stakeholder engagement.
3. Provides recommendations to the Executive Committee regarding the development and execution of strategies for material sustainability matters.
4. Establishes targets and performance indicators for approval by the Executive Committee and the Board.
5. Ensures smooth implementation of strategies formulated into the Group's business processes.
6. Monitors sustainability performance and maintains proper records to facilitate regular reviews.
7. Leads the preparation of sustainability statement and report, ensuring that applicable reporting requirements are met.



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 risk management and internal control system.

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 Group's Enterprise Risk Management ("ERM") framework is based on an internationally recognized risk management framework (i.e., 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.

Throughout the year, we have reviewed and reevaluated our risk profile with reference to the 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 has increased its focus on environmental, social and governance ("ESG") matters and looked at how they can 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's operation is spilt into three segments: biscuit manufacturing segment, beverage manufacturing segment and trading segment.

The Group offerings include 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 assorted biscuits. In addition to biscuits, the Group also offers instant coffee mixes, 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 mixes, 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:

- FSSC 22000 Food Safety System Certification
- ISO 22000:2018 Food Safety Management System Certification
- ISO 9001:2015 Quality Management System Certification
- Hazard Analysis Critical Control Point ("HACCP") Certification
- Good Manufacturing Practices ("GMP") Certification
- Safe Food Industry Responsibility ("MeSTI") Certification
- Halal Certification from the Department of Islamic Development Malaysia ("JAKIM")
- Halal Certification from the Halal Product Assurance Organizing Agency of Indonesia ("BPJPH")

As 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 continuing to adhere 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 96.5% of the total revenue. Stringent quality control and rapid product innovations have contributed to the Group's success.

RM52 million was distributed for employee benefits expense and RM9 million was the amount taxed by the government.

Presence in over 40 countries worldwide

77%
Domestic Sales

23%
Export Sales



In 2022, the Group produced approximately 31 thousand metric tons of products.

The main raw materials used are flour, corn starch, palm oil, sugar and water. The materials used for packaging include packaging rolls, paper carton boxes and biscuit tins. During 2022, the Group sent approximately 472 tons 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 supporting the communities in Malaysia by organizing community activities around the vicinity of its plants nationwide.

About This Report

We are pleased to present HSIB's Sustainability Report for 2022. This is the Group's sixth (6th) 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.

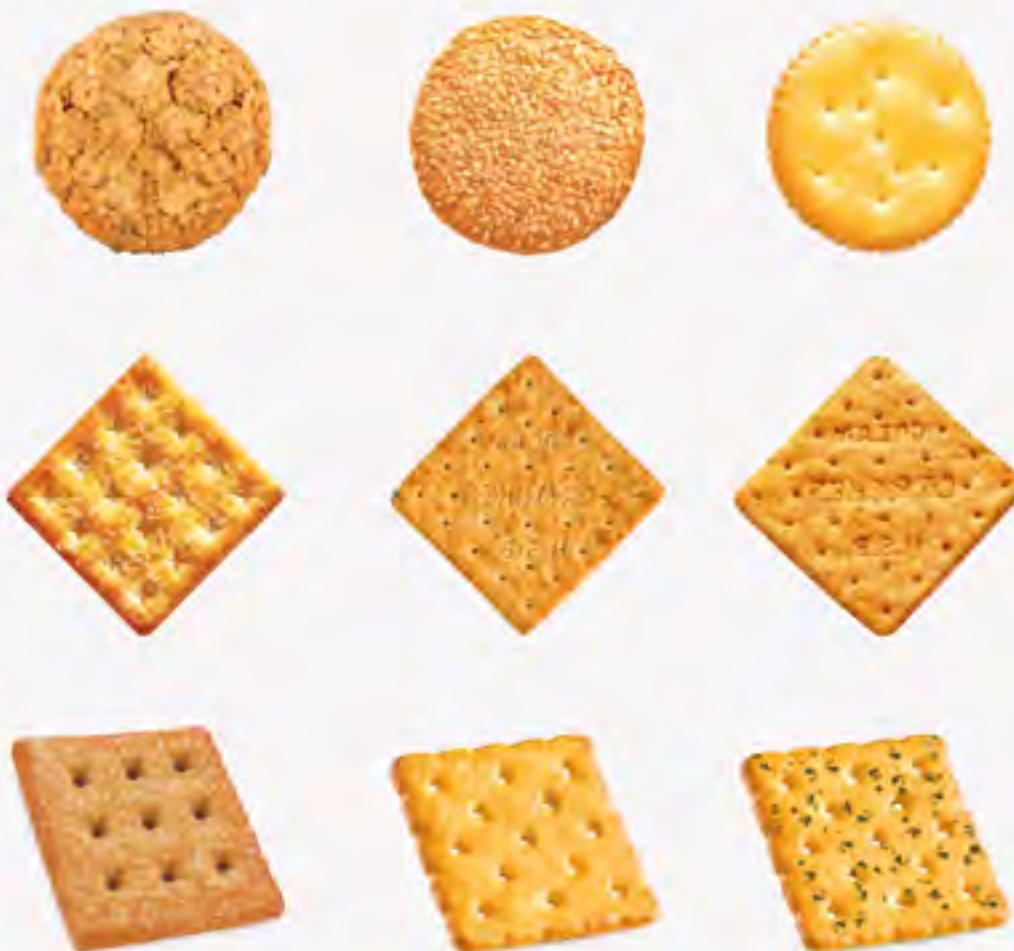
This report should be read in conjunction with HSIB's Annual Report 2022.

The disclosures within this report draw upon guidance from the Sustainability Reporting Guide ("SRG") as well as the toolkit issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and are 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 describes its scope;
- The second section describes how we govern according to our sustainability framework;
- The third section records how we identify and prioritize 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 and issues that may have significant impacts on EES and 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's 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 2022 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 collectively contribute to the Group's environmental and social impacts entirely.

If you have any questions pertaining to the Group's sustainability issues, please feel free to contact us at kuoly@hupseng.com.

Our Sustainability Performance

The table below summarizes our sustainability performance on key indicators in FY2022 and the forward-looking targets for FY2023:

INDICATORS	FY2022 PERFORMANCE	FY2023 TARGETS
Business Performance	<ul style="list-style-type: none"> Revenue: RM318 million Operating costs: RM283 million Taxes: RM9 million Net profit: RM26 million Return on equity: 18.5 (%) Earnings per share: RM0.033 Net dividends per share: RM0.030 	<ul style="list-style-type: none"> Increase investment based on strategic business objectives. Enhance the Group's focus on ESG. Adapt to market demands and consumer lifestyle changes through continuous innovation.
Ecological Footprint	<ul style="list-style-type: none"> Materials used by weight (thousand tons): 32 Recycled packaging materials as scrap sales (tons): 472 	<ul style="list-style-type: none"> Increase the amount of scrap materials sent for recycling. Track and monitor waste generation and disposal. Promote recycling awareness among employees through training.
Energy Consumption	<ul style="list-style-type: none"> Electricity consumption within the Group (mil kWh): 7.3 Energy consumption within the Group (mil kWh): 26.5 Energy consumption for manufacturing process (mil kWh): 19.6 Energy intensity: 874.68 kWh per ton Water consumption within the Group (m³): 37,671 	<ul style="list-style-type: none"> Improve the efficiency of electricity and energy consumption. Increase the use of renewable energy at production facilities.
Environmental Compliance	<ul style="list-style-type: none"> Zero incidents of non-compliance with environmental regulations. 	<ul style="list-style-type: none"> Maintain a zero-incidence rate of non-compliance with environmental regulations.

Our Sustainability Performance

INDICATORS	FY2022 PERFORMANCE	FY2023 TARGETS
Occupational Health and Safety	<ul style="list-style-type: none"> • Zero work-related fatalities • One accident case • Lost time injury frequency rate: 0.36 million man-hours • Percentage of employees trained on safety and health standards: 74.5% 	<ul style="list-style-type: none"> • Maintain a zero on-site fatality rate. • Reduce lost time injury frequency rate and accident cases. • Enhance awareness and training programs to provide employees with skills and knowledge.
Training and Development	<ul style="list-style-type: none"> • Total hours of training: 13,274 hours • By gender Male: 8,759 hours Female: 4,515 hours • By job level Management: 7,238 hours Non-Management: 6,036 hours • Average number of training hours per employee: 11.4 	<ul style="list-style-type: none"> • Increase the number of training hours for employees at all levels. • Integrate sustainability-related training programs into the competency development plans of employees.
Diversity and Equal Opportunity	<ul style="list-style-type: none"> • Total number of employees: 1,167 Male: 62.81% Female: 37.19% • Percentage of directors by gender Male: 64.71% Female: 35.29% • Percentage of employees that are contractors or temporary employees: 17.0% • Percentage of employee turnover: 1.8% • Percentage of employees who have received ABAC training: 90.15% • Zero incidents of corruption, discrimination, harassment, human rights violations, forced labor or child labor. 	<ul style="list-style-type: none"> • Increase the percentage of women in the total workforce. • Maintain zero corruption, discrimination, harassment, human rights violations, forced or child labor incidents. • Develop a diversity policy that ensures that all individuals, regardless of gender, age, ethnicity, disability or cultural background will be considered equally for recruitment and career advancement.

Our Sustainability Performance

INDICATORS	FY2022 PERFORMANCE	FY2023 TARGETS
Supporting Our Community	<ul style="list-style-type: none"> • Amount invested in the CSR activities: RM79,423.52 • Number of beneficiaries from the CSR activities: 266 • Number of new local hires: 165 • Spending on local suppliers: 77.61% 	<ul style="list-style-type: none"> • Continue to support a wide range of community-based programs and initiatives, including job creation, support for local businesses, food donations and fundraising campaigns.
Quality and Healthy Food	<ul style="list-style-type: none"> • Monitor the use of only ingredients that are free of partially hydrogenated oils ("PHOs"), including new and alternative ingredients. 	<ul style="list-style-type: none"> • Continue to develop products containing healthy natural ingredients such as cereals, chia seeds, etc.
Nutrition Labelling	<ul style="list-style-type: none"> • Transparent nutrition information and calorie intakes on all products. 	<ul style="list-style-type: none"> • Continuously adhere to food labeling requirements in Malaysia and other countries where our products are exported.
Food Safety	<ul style="list-style-type: none"> • Producing safe and high-quality food. • Adhering to stringent product and ingredient standards designed to ensure the safety and quality of products. 	<ul style="list-style-type: none"> • Maintaining all certifications to ensure customer confidence and to meet export requirements.

Message from Our Managing Director



Dear esteemed shareholders,

On behalf of the Board of Directors of HSIB, I am pleased to present to you the sustainability report of HSIB for the financial year ended 31 December 2022.

In this report, we provide an overview of our environmental, social, and governance (“ESG”) initiatives, which are tailored to address sustainability in the achievement of our business objectives.

The three broad pillars that make up our sustainability framework are:

Beyond Short Term Profits

FY2022 was one of the most challenging periods in the history of our company. Our operating costs were significantly impacted by the increase in commodity and food prices, global supply chain disruptions as well as the new Malaysian minimum wage, which came into effect in May 2022. In addition, consumers were faced with rising costs of living and are therefore more cautious with their purchases. Nevertheless, due to the gradual improvement in endemicity across the globe, recent growth in demand for our products and stabilization of commodity prices, we are optimistic that we will be able to achieve a more positive financial performance in the coming years.

As we strive to continue growing our business, it is also important that we do so in a manner that benefits both people and the environment. We are committed to creating long-term economic value for our stakeholders while considering the impact of our actions on the environment

and communities where we operate. To meet this commitment, we have integrated sustainability practices into our business processes and worked closely with our stakeholders to develop environmentally responsible solutions that are in line with the evolving sustainability agendas of our consumers.

We will continue to improve the performance of our share price and distribute dividends in accordance with our dividend policy in view of the shareholders who have placed their trust in us.

Our Planet and Environment

In recent years, climate change has evolved from a pressing concern to an urgent global imperative, and it is our obligation to pioneer transformative solutions for a better tomorrow. Despite the challenging times, we remain committed to placing a high priority on sustainability within our corporate agenda and day-to-day operations.

In order to demonstrate our strong commitment, we make efforts to reduce our energy consumption and carbon emissions throughout our operations by adopting energy-saving technologies, upgrading manufacturing machineries and utilizing low-energy lighting. In FY2022, we have achieved a significant reduction of 2.75% in our group's total energy consumption. Furthermore, most of our trucks are equipped with environmentally friendly Euro 2 and 3 engines that run on Euro 5 diesel fuel, in an effort to minimize fuel consumption and

carbon emissions.

Going forward, we will continue to explore innovative approaches to reducing GHG emissions and creating value for the environment, as well as continuously monitoring our compliance with applicable environmental laws, such as the Environmental Quality (Scheduled Waste) Regulations 2005, Environmental Quality (Clean Air) Regulations 2014 and Environmental Quality (Industrial Effluent) Regulations 2009.

Our Society's Future

We are committed to safeguarding the health and safety of our employees while investing in their career advancement as this will in turn stimulate the local economy; by allowing local businesses to grow due to the increased purchasing power and job opportunities provided.

Through our comprehensive OSH policy, we have taken proactive measures to ensure that our workplaces maintain high standards of safety and health practices. We are pleased to report that there were no on-site fatalities at our workplaces during FY2022. In addition, we maintain a pleasant and supportive workplace in which employees are provided with fair and meaningful opportunities for learning and development. Compared to FY2021, we recorded an increase of 118% in the number of training hours in FY2022. As we strive to make a positive and sustainable impact on our local communities, we also align our business strategies with key societal needs, such as

creating jobs, supporting local businesses, and participating in fundraising activities.

Providing quality, safe and nutritious products that meet both local and international standards and certifications is one of our primary objectives. The standards, processes, and controls that assure the quality and safety of our products are continuously monitored and enhanced. Moreover, as part of our commitment to providing consumers with meaningful information regarding our products, we periodically review the information disclosed on our labels to ensure compliance with the food labeling requirements in Malaysia and other countries where our products are exported.

We will continue to make efforts to communicate effectively with stakeholders as well as take actions where we can to contribute in a positive way.

Our Prospects

Food is a fundamental need, and we exist due to this reason. We anticipate that our performance in FY2023 to be affected by a number of domestic factors, including inflationary pressures, increase in electricity tariffs, and increase in operating costs associated with the amendments to the Employment Act. Despite these challenges, we remain optimistic and committed to providing affordable and high-quality products to Malaysian consumers.

We will ensure that we remain competitive in the market by closely monitoring the movement of commodity prices, reviewing the pricing strategies, and resizing major products as necessary. Moreover, we will improve our financial performance by leveraging on operational efficiency and cost-saving measures while maintaining a prudent expenditure policy. Our outlook remains positive as the world transitions into

the endemic phase of COVID-19 and borders begin to open in other regions. Due to this, we will focus both on strengthening the domestic and international markets and on ensuring a steady supply of our products to satisfy the needs of our consumers.

Closing Remarks

On behalf of the Board of Directors, I would like to express my gratitude to all of our stakeholders, including our customers, business partners, suppliers, regulatory bodies and shareholders, for embodying and enabling our resilience. We sincerely appreciate the support we have received during these challenging times.

I would also like to extend my sincerest appreciation to my fellow Board members, management, and employees for your continued dedication and faithfulness. In FY2022, we welcomed Mr. Kuo Liong Yok as a Non-Independent Non-Executive Director as well as Dr. Voon Yuen Hoong and Ms. Ho Wei Lih as Independent Non-Executive Directors. The appointment of new directors has further contributed to the diversity of our Board, enabling us to make better business decisions due to their extensive experience and expertise.

Lastly, we acknowledge that sustainability

is a continuous commitment and that the operating environment will continue to evolve under the current global economic trends and market sentiments. However, we remain confident that we will be able to achieve our goals in a sustainable manner and look forward to collaborating with our stakeholders to continue creating value and positive contributions to our business, society, and environment.

Sincerely,

Kerk Chiew Siong
Managing Director



Message from Our Managing Director

Our Management Approach

As the Group operates under five major trademarks, it is essential for us to manufacture and distribute food products that are safe to be consumed. As such, we have developed and deployed three pillars of sustainability framework. This is how we 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 have successfully maintained an uncompromised fulfilment process that aims to deliver the freshest biscuits and beverages everywhere within Malaysia and to the various countries which our products are exported to.

Our commitment to reducing our ecological footprint has resulted in a significant reduction of energy consumption per metric ton of products. A relentless focus on the sustainability framework within the three pillars ensures that our production processes and technologies meet the highest standards.

As part of our Group's effort in nurturing future leaders, our systematic in-house performance appraisal system and training programs has resulted in the creation of a robust pipeline of talent for succession planning, promising a 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. More 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 method through which the Group identifies potential sustainability challenges. Stakeholder groups were engaged via different communication channels tailored for each group in order to obtain crucial feedback that allows us to gauge the gap between actual and expected outcomes while addressing their concerns. The key stakeholders are those who have a significant impact on our business, as well as those with a vested interest in the success of the business.

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 collaborations with external stakeholder partners, we were able to identify and address issues as soon as they arise. This approach allows us to better achieve our environmental, social and economic goals.

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 a long-term relationship as 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. Employees' productivity is the key factor that ultimately affects the financial performance of our Group.
Regulators	Other than just meeting regulatory requirements, we strive to build a good working relationship with the regulators, which includes the government agencies, stock exchange regulators and the Inland Revenue Board.
Suppliers	A good supplier base will enable us to create a sustainable supply chain that not only minimizes overall cost, but also provides access to quality materials and sustainable best practices within their decision-making process.

Stakeholder Engagement

Key Stakeholders	Impact and Significance
Customers	A business can exist only if it continues to provide value to their customers. Hence, customers' feedback and concern are vital for our business to remain relevant.
Media	We disseminate vital information, including financial and marketing details to stakeholders via conventional media channels and social networks.
Non-Governmental Organizations ("NGOs")	Forge partnerships with NGOs to have positive impacts on the local community by actively contributing to and supporting their initiatives.
Community	As a responsible corporate citizen, we strive to build an inclusive society where nobody gets left behind. To achieve this, we have organized and implemented various initiatives such as cash contribution and in-kind donations.
Consumers	As health awareness increases worldwide, consumers are getting increasingly health conscious. In full support of this trend, we strive to make healthy and nutritious food readily available. Accurate and concise product labelling with stringent quality control is key to gaining consumers' confidence.
Trade Association	We support the development of food-related laws and regulations as well as national manpower policies.

Stakeholder Engagement

As part of our continuous improvement efforts, we engage with our stakeholders on a regular basis throughout the year in order to strengthen our connections, gain a deeper understanding of our customer needs, and generate valuable insights that enable us to enhance our processes and products.

In FY2022, despite numerous COVID-19-related repercussions, we remained proactive in engaging various stakeholders through a variety of channels. We have summarized our key stakeholders and methods of engagement in the following table:

Stakeholders	Frequency	Types of Engagement	Focus
Customers	<ul style="list-style-type: none"> • Throughout the year • As needed 	<ul style="list-style-type: none"> • Feedback surveys • Social media channels (e.g. Facebook and Instagram) • Corporate website 	<ul style="list-style-type: none"> • Safe, nutritious and quality products • Regulatory compliance • Third party food certification • Customer satisfaction
Suppliers	<ul style="list-style-type: none"> • Annually • As needed 	<ul style="list-style-type: none"> • Interviews • Face-to-face interactions • Supplier performance evaluation 	<ul style="list-style-type: none"> • Regulatory compliance • Business continuity • Fair pricing • Responsive and timely communication
Employees	<ul style="list-style-type: none"> • Annually • As needed 	<ul style="list-style-type: none"> • Learning and development programs • Employee performance appraisal • Team building activities • Sports and social events 	<ul style="list-style-type: none"> • Respect for human rights • Safe and healthy workplace • Job security and supportive welfare • Equal opportunity and career development
Shareholders	<ul style="list-style-type: none"> • Quarterly • Annually • As needed 	<ul style="list-style-type: none"> • Financial results • Press releases • Corporate website • Annual General Meeting 	<ul style="list-style-type: none"> • Financial performance • Good corporate governance

Stakeholder Engagement

Stakeholders	Frequency	Types of Engagement	Focus
Regulators	<ul style="list-style-type: none"> • Throughout the year • As needed 	<ul style="list-style-type: none"> • Statutory submissions • Site visits and conferences • Audits and assessments 	<ul style="list-style-type: none"> • Ethical business practices • Product quality and safety • Halal certification • Occupational health and safety • GHG and other emissions • Effluent and waste
Media	<ul style="list-style-type: none"> • Throughout the year • As needed 	<ul style="list-style-type: none"> • Media interviews • Press releases • Advertisements 	<ul style="list-style-type: none"> • Business strategy and business growth • New product launches • Product quality and safety • Regulatory compliance
Non-Governmental Organizations	<ul style="list-style-type: none"> • As needed 	<ul style="list-style-type: none"> • Corporate social responsibility activities 	<ul style="list-style-type: none"> • Ethical business practices • Good corporate governance
Community	<ul style="list-style-type: none"> • Throughout the year 	<ul style="list-style-type: none"> • Social media channels (e.g. Facebook and Instagram) • Corporate website • Community events 	<ul style="list-style-type: none"> • Direct and indirect economic contribution • Responsible environmental management and contribution to society

Stakeholder Engagement

Stakeholders	Frequency	Types of Engagement	Focus
Consumers	<ul style="list-style-type: none"> • Throughout the year 	<ul style="list-style-type: none"> • Social media channels (e.g. Facebook and Instagram) • Corporate website • Product campaigns 	<ul style="list-style-type: none"> • Brand awareness • Consumers preferences and market trends
Industry and Trade Associations	<ul style="list-style-type: none"> • As needed 	<ul style="list-style-type: none"> • Association meetings • Trainings • Exhibitions 	<ul style="list-style-type: none"> • Industry trends and standards • Knowledge and information sharing
Academia	<ul style="list-style-type: none"> • As needed 	<ul style="list-style-type: none"> • Corporate website 	<ul style="list-style-type: none"> • Knowledge and information sharing

Materiality Assessment

Identifying the Group's EES matters that have 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

Our materiality assessment was conducted under the guidance of our risk management framework, and Bursa Malaysia's Sustainability Reporting Guide (3rd Edition) and Bursa Malaysia's Toolkit, in order to ensure that our economic, environmental, social and governance risk profile remains relevant.

In FY2022, we revisited our risk profile and integrated material sustainability matters into our Enterprise Risk Management ("ERM") framework in order to identify, shortlist, prioritize specific risks and opportunities. In addition, we took into consideration the views of internal stakeholders and our business environment and weighted them against our strategic priorities.

Sustainability risks can be identified and derived from a variety of perspectives, including:

- Conducting regular risk assessments and identifying new risks, both internally and externally;
- Evaluating the possible impacts of our operations and products on society and the environment; and
- Assessing the potential risks associated with other factors, such as environmental trends and regulatory requirements.






Materiality Assessment

In FY2022, we reviewed and retained all 46 material sustainability matters that were identified in the previous financial year since these matters continue to be relevant to our stakeholders and have a significant impact on our Group's business operations.

Having analyzed each of the assessment of the 46 material matters, we identified the following 10 matters as being material and significant to our Group's business operations. These material matters were then evaluated in terms of their sustainability risks and opportunities, and correlated with our Group's risk profile.








Materiality Assessment

Material Issues	Description	Potential Opportunities for HSIB If issue is addressed	Potential Risks for HSIB if issue is not addressed	Link to Our Corporate Risks	Corresponding United Nations Sustainable Development Goals ("UN SDGs")
Business Performance	<ul style="list-style-type: none"> Return on equity and earnings per share. 	<ul style="list-style-type: none"> Sustainable financial performance creates long-term value for all stakeholders. 	<ul style="list-style-type: none"> Hinder business continuity. 	<p>Strategic:</p> <ul style="list-style-type: none"> Long Term Viability and Growth Rate Risk Continuity Risk <p>Financial:</p> <ul style="list-style-type: none"> Financial Performance Risk 	
Ecological Footprint	<ul style="list-style-type: none"> The impact on environment caused by our business operations. 	<ul style="list-style-type: none"> Reducing wastage at source supports operational efficiency, which is cost saving. Recycling also conserves diminishing natural resources. 	<ul style="list-style-type: none"> Environmental and reputational risk from the failure to meet stakeholders' expectations in managing our waste and production efficiency. 	<p>Operation:</p> <ul style="list-style-type: none"> Production Cost Overrun Risk 	
Energy Consumption	<ul style="list-style-type: none"> Countering climate change has become a business priority and no longer an option. 	<ul style="list-style-type: none"> Reduce energy usage and emissions which saves costs. 	<ul style="list-style-type: none"> Waste of resources and affects production processes. 	<p>Operation:</p> <ul style="list-style-type: none"> Machinery Breakdown Risk 	  

Materiality Assessment

Material Issues	Description	Potential Opportunities for HSIB If issue is addressed	Potential Risks for HSIB if issue is not addressed	Link to Our Corporate Risks	Corresponding United Nations Sustainable Development Goals ("UN SDGs")
Environmental Compliance	<ul style="list-style-type: none"> As a leader in food processing, environmental regulation compliance is vital to the community around our plants. 	<ul style="list-style-type: none"> Engaging with regulators allows HSIB to prepare for emerging legislation and ensure compliance. 	<ul style="list-style-type: none"> Reputational risk and unable to obtain certification or license renewal from regulatory bodies. 	<p>Compliance:</p> <ul style="list-style-type: none"> Non-Compliance with Regulatory Authority Requirements Risk 	
Injury Minimization	<ul style="list-style-type: none"> Minimize injury is our goal in workplace safety 	<ul style="list-style-type: none"> Increased productivity and efficiency in HSIB operations. 	<ul style="list-style-type: none"> Injuries, occupational hazards, lost days and fatalities will result in productivity loss and reputational risk. 	<p>Operation:</p> <ul style="list-style-type: none"> Health and Safety Hazard Risk 	 
Training and Development	<ul style="list-style-type: none"> Develop future leaders through training programs. 	<ul style="list-style-type: none"> Remain competitive with skilled and diverse employees. Cultivate high-performance culture through effective training and upskilling programs. 	<ul style="list-style-type: none"> Loss of competent and experienced employees. Financial implications when HSIB workforce is not developed to meet the evolving market demands. 	<p>Operation:</p> <ul style="list-style-type: none"> Knowledge/Competency Risk 	 
Diversity and Equal Opportunities	<ul style="list-style-type: none"> We are an equal opportunity employer who believes diverse background can contribute to making better decisions. 	<ul style="list-style-type: none"> Remain competitive with skilled and diverse employees. 	<ul style="list-style-type: none"> Challenge to attract and retain talent. 	<p>Operation:</p> <ul style="list-style-type: none"> Knowledge/Competency Risk Dependence on Foreign Labor Risk 	  

Materiality Assessment

Material Issues	Description	Potential Opportunities for HSIB If issue is addressed	Potential Risks for HSIB if issue is not addressed	Link to Our Corporate Risks	Corresponding United Nations Sustainable Development Goals ("UN SDGs")
Quality and Healthy Food	<ul style="list-style-type: none"> We strive to continuously develop new products with healthier ingredients. 	<ul style="list-style-type: none"> Deliver HSIB's brand promise to consumers through product excellence. Offer healthier options that contribute to consumers' well-being. 	<ul style="list-style-type: none"> Unable to meet consumers demand and compete in existing and new markets. 	<p>Strategic:</p> <ul style="list-style-type: none"> Innovation/ R&D Risk 	 
Nutrition Labelling	<ul style="list-style-type: none"> Correct labelling to be printed on packaging and is in compliance with respective countries' regulations. 	<ul style="list-style-type: none"> Meeting consumer demands for nutritional information which enable them to make informed decision on choice of products. 	<ul style="list-style-type: none"> Regulatory risks. 	<p>Compliance:</p> <ul style="list-style-type: none"> Non-compliance to Regulatory Standards Risk 	 
Food Safety	<ul style="list-style-type: none"> Our products have passed the various certification processes to ensure safety compliance. 	<ul style="list-style-type: none"> Deliver HSIB's brand promise to consumers through product quality and increase in customers' confidence. 	<ul style="list-style-type: none"> Reputational risk and branding damage. 	<p>Compliance:</p> <ul style="list-style-type: none"> Non-compliance to Regulatory Standards Risk <p>Operation:</p> <ul style="list-style-type: none"> Product Quality Risk 	

We will continue to monitor sustainability trends and to review our material issues on an annual basis.

Our Priorities Pillar 1: Beyond Short Term Profits

Economic Performance

Key Performance Data

A key aspect of our business success is the creation of long-term value for our stakeholders. Toward this goal, we maintain leadership in our core markets and leverage innovative technologies and our employees' expertise to meet consumers' evolving needs. Furthermore, our solid economic performance has enabled us to continue to provide our customers and consumers with the products they enjoy.

Aspect	GRI Standards	Details	2020	2021	2022
Performance	201-1	Direct economic value generated and distributed (RM mil)	327	296	318
		Total number of factories	2	2	2
		Operating costs (RM mil)	272	259	283
		Taxes (RM mil)	15	10	9
		Net profit (RM mil)	40	27	26
		Return on equity (%)	28.9	19.6	18.5
		Earnings per share (RM)	0.050	0.034	0.033
		Net dividends per share (RM)	0.060	0.025	0.030

We provide a detailed description of our Group's performance in our Annual Report.

Our Approach

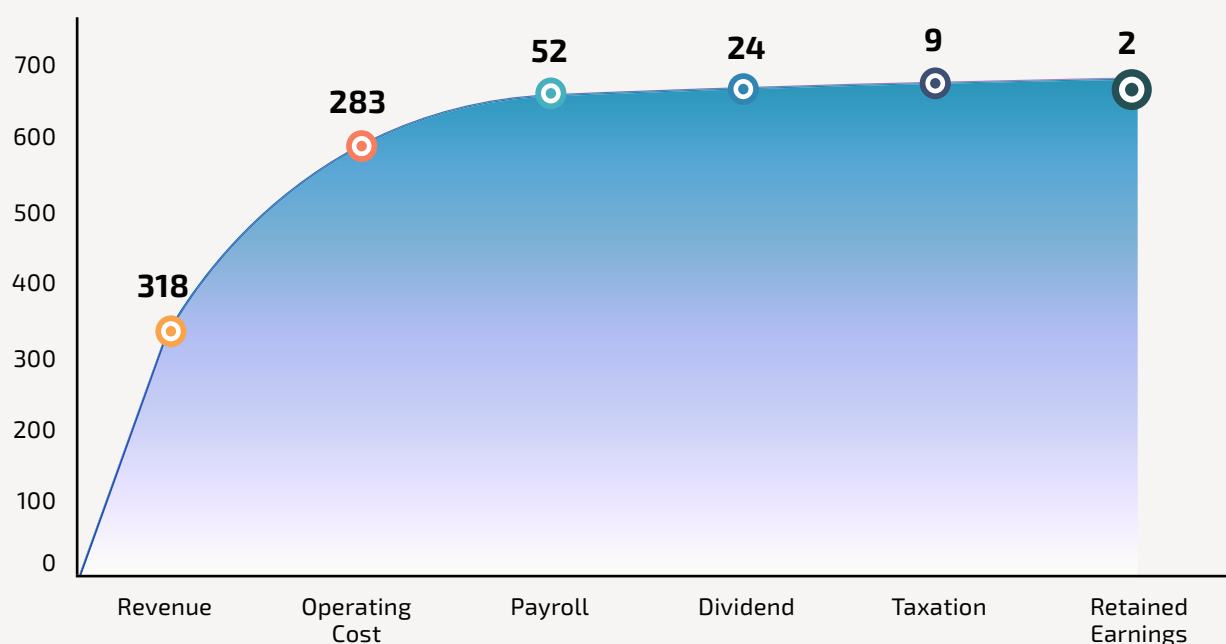
Our shareholders and banking partners provide us with economic resources to operate and expand in our marketplace. We are committed to meeting our financial obligations towards them through good financial governance and stewardship within the Group's financial affairs.

We have adopted a dividend policy that entails paying out at least 60% of the annual profit after taxes as dividends to shareholders. We believe that such a pay-out rate will be beneficial and well-received by the shareholders and investors.

Our Progress

In the last three financial years, our financial strategy has generated an above average return for shareholders. We intend to maintain this level of performance in order to meet the increasing expectations of our shareholders. The following distribution chart illustrates that payments made to our employees, shareholders, and tax authorities account for 26.7% of our total economic value.

Economic Value Distribution (RM mil)



What's Next

We strive to drive long-term economic value creation for both internal and external stakeholders as well as to minimize adverse effects on the environment and society.

To increase our strategic visibility and further improve economic performance, we will also explore other appropriate options, such as dividend reinvestment schemes, share repurchase programs, employee stock option schemes, etc.

Our Priorities Pillar 2: Our Planet and Environment

Materials

Key Performance Data

As a responsible food manufacturer, we recognize that the raw materials and ingredients we source, along with the packaging we use, have a direct impact on our business. Thus, we strive to alleviate the negative impacts of these value chain elements by improving the sourcing of raw materials and packaging materials. Our key performance indicators for the past three financial years are listed below:-

Aspect	GRI Standards	Details	2020	2021	2022
Materials	301-1	Materials used by weight (thousand tons)	39	34	32
	301-3	Recycled packaging materials as scrap sales (tons)	662	550	472

Our Approach

We are committed to minimizing the use of materials that are detrimental to the environment by reducing and recycling the waste generated throughout our value chain. It is inevitable that waste will be generated at every stage of the production process along the supply chain and through indirect operations. In order to manage waste effectively in Hup Seng, we focus on the following:

- Working closely with our suppliers to ensure that our raw materials and packaging materials conform to our purchasing policy and are of high quality.
- Track, measure and monitor any losses that occur during the manufacturing processes and identify key categories and waste streams.
- Reduce and recycle the generated waste by proper planning and monitoring.

Our Progress

In FY2022, approximately 472 tons of waste were disposed of by licensed waste contractors in accordance with local regulations and some of these wastes were repurposed and used as animal feeds.

Besides the above, Hup Seng has developed applications that enable storage and monitoring of data on a digital platform, thereby eliminating the need for paper-based records and procedures.

What's Next

As part of our ongoing efforts to improve our waste management and recycling practices, we will continue to track, monitor and manage waste generation and disposal as well as source for recyclable and sustainable raw materials and packaging materials.

Furthermore, we will strive to promote recycling awareness amongst our employees through training sessions and team building activities.

Our Priorities Pillar 2: Our Planet and Environment

Energy

Key Performance Data

We are aware that our business activities may have a negative effect on the environment due to the consumption of energy, water and resources. Through our business operations, greenhouse gas ("GHG") emissions may be generated, which can contribute to climate change and pose climate-related risks. These risks include natural disasters, raw material shortages, fluctuations in raw material prices and water availability, which may in turn severely disrupt our business operations and supply chains.

The following are our key performance indicators for energy consumption, water consumption and energy intensity for the past three financial years:

Aspect	GRI Standards	Details	2020	2021	2022
Energy	302-1	Energy consumption within the Group (mil kWh)	31	27	27
Energy	302-3	Energy intensity (kWh per ton)	844	830	875
Water	303-5	Water consumption within the Group (m ³)	42,059	34,884	37,671

Our Approach

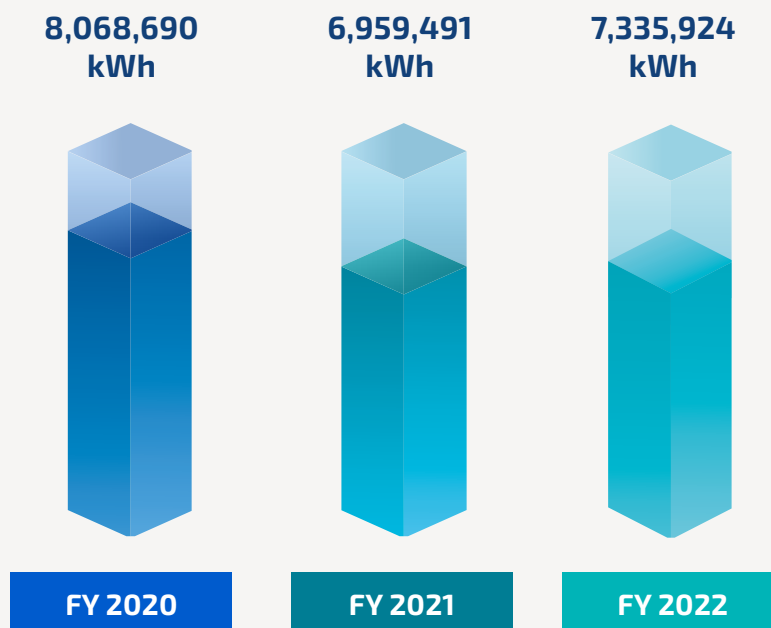
We are committed to reducing our energy consumption and GHG emissions, as well as addressing the potential risks associated with climate change. In addition, Malaysia is expected to introduce a carbon tax soon and an increase in electricity tariffs in January 2023 to stay in line with the global movements on ESG issues. As such, we strive to use the most efficient mix of energy sources in order to reduce our operating costs, thereby improving our energy efficiency and contributing to the reduction of global warming. Moreover, in an effort to reduce our energy consumption, we have established an electrical energy management ("EEM") committee, which is responsible for reviewing and recommending energy-saving measures.

Our Progress

The use of natural gas on three (3) of our baking lines has enabled us to reduce our carbon dioxide ("CO₂") emissions per kilowatt hour ("kWh"). Since FY2017, Hup Seng has been steadily reducing its overall energy consumption through energy efficiency initiatives. In FY2022, we are pleased to report that the energy consumption of Hup Seng was 26.5 million kWh, a decrease of approximately 2.75% over FY2021's 27.25 million kWh.

Among the energy consumed in FY2022, 7.34 million kWh were consumed for electricity, representing an increase of 5.46% over FY2021's 6.96 million kWh.

Electricity consumption within the Group



Regarding the energy intensity of our production, it has increased to 874.68 kWh per ton in FY2022, an increase of 5.33% over FY2021's 830.41 kWh per ton.

In addition, we are aware that excessive use of lighting has a negative impact on the environment. Hence, we practice turning off the lights of our office buildings during lunch breaks as well as investing in eco-friendly and energy-saving lamps and light fixtures to reduce heat generation and energy consumption. We also reward employees for their innovative ideas regarding energy conservation.

Water Management

Water is without a doubt essential for human survival and when there is a shortage, it may adversely affect many communities around the world. It is our commitment to protect water resources in the communities where we operate as well as to minimize the use of water in our production facilities.

We ensure that wastewater generated from our facilities are treated and meets all regulatory requirements prior to its discharge into the environment. Our wastewater treatment system removes contaminants from wastewater and converts it into an effluent that can be returned to the water cycle. Furthermore, we have engaged an independent testing laboratory, accredited by the Department of Standards Malaysia, to monitor our industrial effluent discharge on a monthly basis.

For the past three financial years, we have not exceeded the acceptable conditions for discharge of industrial effluent set out in standard B.

	FY 2020	FY 2021	FY 2022
Water consumption within the Group	42,059 m ³	34,884 m ³	37,671 m ³

What's Next

Our short to medium-term goal is to incorporate full TCFD-aligned disclosures and performance measurement of emissions management (i.e., Scope 1 and Scope 2) into our sustainability statement and report.

We will also conduct a feasibility study examining the possibility of conserving the environment by shifting towards utilizing renewable energy and optimizing water usage by collecting rainwater.

Our Priorities Pillar 2: Our Planet and Environment

Environmental Compliance

Our Approach

We are committed to complying with the standards and regulations of the Department of Environment (“DOE”) Malaysia and minimizing carbon footprints across our value chain, including manufacturing, packaging, storage and logistics, all the way to end users and disposal.

As part of our commitment to the environment, we adhere to a formalized set of policies that provide guidance on environmental issues as well as all applicable regulations, including:

1. Environmental Quality (Scheduled Waste) Regulations 2005
2. Environmental Quality (Clean Air) Regulations 2014
3. Environmental Quality (Industrial Effluent) Regulations 2009
4. Other relevant local government regulations

We continue to maintain a high level of transparency and cooperation with regulatory authorities.

Our Progress

Due to our periodic quality assessments of wastewater and air emissions, we have recorded zero incidents of non-compliance with environmental regulations for the last three financial years.

The following training courses were attended by personnel involved in environmental monitoring in FY2022:

1. FMM Industrial Waste Management Webinar 2022 – Industrial Effluent Treatment Updates And Solutions
2. Developing Malaysia's Roadmap To Net Zero
3. Maklumat Pembangunan Mampan: Pematuhan Akta Kualiti Alam Sekeliling 1974 Ke Arah Pembudayaan Gaya Hidup Lestari

Further, we ensure that our transportation team operates in a manner that minimizes the impact on the environment, particularly in terms of fuel consumption and carbon emissions. Presently, most of our trucks are equipped with environmentally friendly Euro 2 and 3 engines and are powered by Euro 5 diesel fuel. Also, to ensure the safety and roadworthiness of our trucks are in compliance with the Government's safety and emission regulations, we perform regular maintenance and service on our trucks in addition to sending them for periodic inspections by the Pusat Pemeriksaan Kenderaan Berkomputer (“Puspakom”).

What's Next

It is our aim to maintain a zero-incidence rate of non-compliance with environmental regulations as well as to optimize our manufacturing and logistics processes to limit our impacts on the environment in the medium to long term.

Our Priorities Pillar 3

Our Society's Future

Occupational Health and Safety

Key Performance Data

Hup Seng is committed to continuously improving its occupational health and safety ("OHS") management system and practices to ensure the safety and health of its employees, contractors, suppliers, and the communities where we operate. Our key performance indicators for the past three financial years are as follows:

Aspect	GRI Standards	Details	2020	2021	2022
Occupational health and safety	403-9	Number of work-related fatalities	0	0	0
		Number of accident cases	5	7	1
		Lost time injury frequency rate (in million man hours)	1.6	2.5	0.4

Our Approach

In view of the significance of OHS, Hup Seng adopts a zero-tolerance approach regarding OHS violations and adheres to the Occupational Safety and Health (Amendment) Act 2022 and other applicable regulations. Our OHS policy is continuously reviewed and strengthened in order to safeguard the health and safety of all employees, including full-time and part-time, through daily workplace inspections and walkabouts, regular on-the-job training, safety awareness briefings, induction training for new employees, specific skill training for machine and forklift operators, as well as quarterly committee meetings due to the high level of labor intensity and complexity of machinery involved in our industry.

The establishment of an OHS committee provides employees with a platform for identifying potential areas for improvement, providing feedback to the management and motivating employees to take responsibility of their own work environment. In addition, we have incorporated several mitigation measures into our group risk management system, including periodic safety training and inspections, monitoring and reporting of safety incidents, etc.

Our Priorities Pillar 3

Our Society's Future

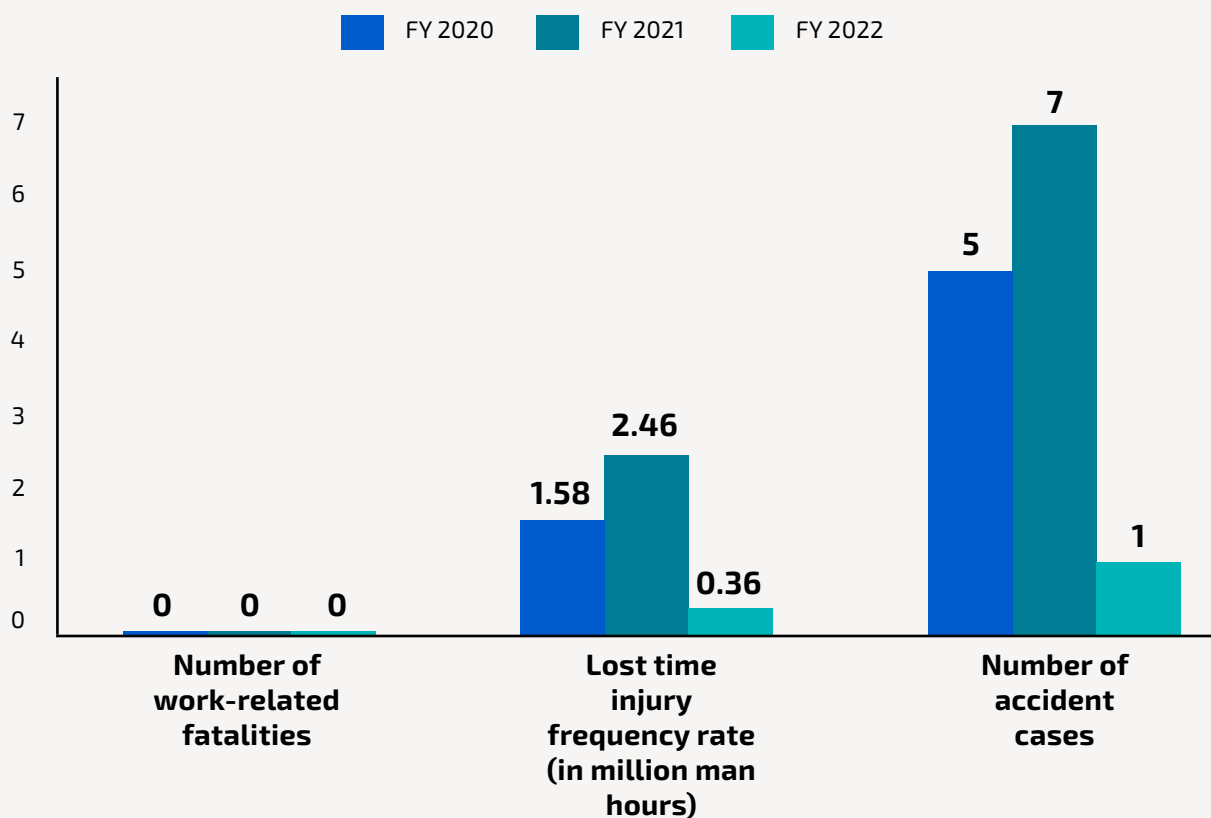
Our Progress

It is Hup Seng's objective to have all employees attend health and safety training and approximately 74.5% of its employees have completed the aforesaid training in FY2022.

As part of an effort to ensure that safety personnel are equipped with the necessary knowledge and skills, the following OHS training was provided in FY2022:

1. Safety Awareness Training
2. Effective Safety and Health Committee
3. Program Advokasi Dan Keselamatan Jalan Raya
4. First Aid And CPR
5. Safety And Health Officer
6. Kursus Asas Organisasi Keselamatan Kebakaran
7. Battery Care And Maintenance Training

Through continuous monitoring and supervision of our safety practices, we are pleased to report that we have made significant progress in our OHS performance for FY2022:



COVID-19 Health and Safety

The Group's COVID-19 Emergency Response Protocol ("ERP") Committee is responsible for ensuring compliance with the COVID-19 regulations introduced by the Government and the ERP COVID-19 employee handbook from time to time. The ERP Committee also addresses critical issues relating to COVID-19 in a timely manner in order to protect our workforce to the greatest extent possible.

Preventive measures for COVID-19 have continued to be implemented, including daily monitoring of health status, wearing of a face mask, social distancing, self-isolation for those infected, etc. Additionally, the ERP Committee requires that foreign employees' accommodations be sanitized twice a week and the checklists and sanitization records must be properly maintained. Regular inspections of hostels are also conducted by the human resource department in an effort to reduce the risk of transmission of COVID-19.

What's Next

We aim to maintain a zero on-site fatality rate at all times as well as to continue to minimize the lost-time injury frequency rate and accident cases in the medium term. We also continue to conduct awareness and training programs in order to equip our employees with the necessary skills and knowledge to ensure strict compliance with safety and health regulations.

Our Priorities Pillar 3

Our Society's Future

Training and Development

At Hup Seng, we are committed to investing in the professional growth of our employees and enhancing the collective knowledge of our workforce. Our training programs are designed and structured according to the job levels and technical requirements of our employees. The following table summarizes the average number of hours each employee has received over the last three financial years:

Aspect	GRI Standards	Details	2020	2021	2022
Training and development	404-1	Average number of hours each employee spent in training each year	7.8	4.9	11.4

Our Approach

In order to support our employees in building a fulfilling career and becoming future leaders at Hup Seng, we provide them with career development opportunities and upskill them through professional training programs.

Moreover, we conduct a training needs analysis every year through our year-end performance appraisals to identify the short and long-term career goals and skill deficiencies of our employees. Following that, we discuss their strengths, areas for development, and assist them in achieving their goals through training programs and guidance from their superiors. Upon completion of the training programs, their superiors and the human resource department will evaluate the effectiveness of the training programs.

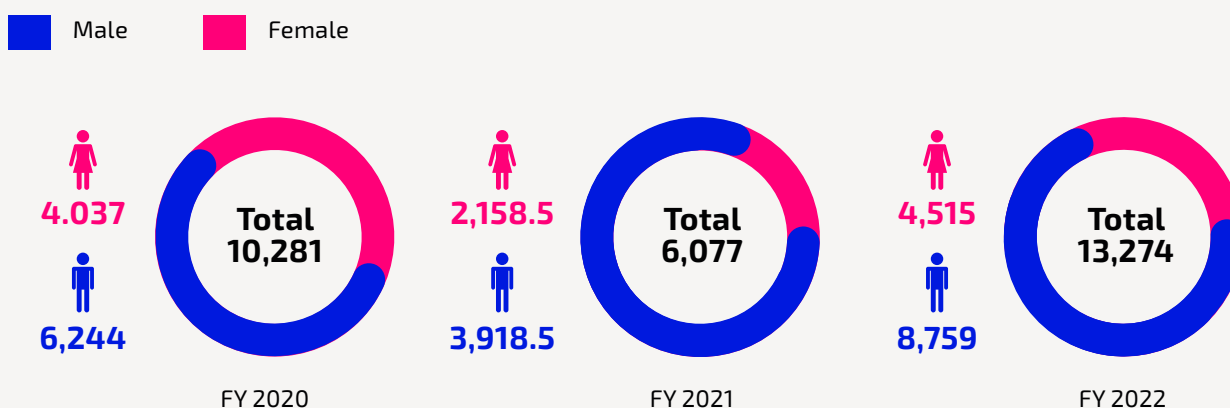
Our Progress

Despite the challenges posed by the pandemic during the reporting period, Hup Seng has maintained its unwavering commitment to developing the skills and capabilities of its employees.

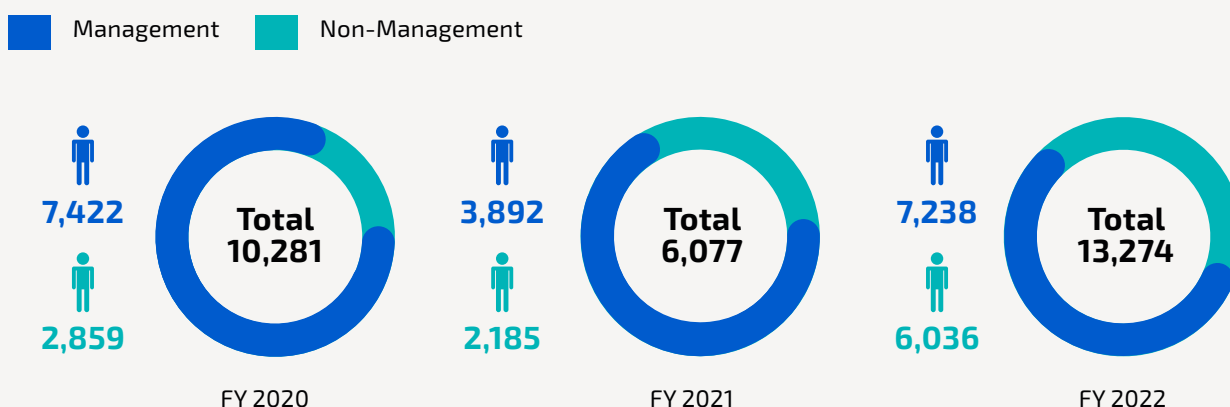
We are pleased to note that Hup Seng has recorded a significant increase in total training hours in comparison with FY2021. There was a total of 13,274 training hours completed by our employees, representing a 118% increase from the previous financial year. This averaged out to 11.4 hours per employee higher than FY2021's 4.9 hours per employee.

The increase in training hours was attributed to the use of both online learning tools and face-to-face training programs, particularly following the relaxation of COVID-19 requirements, which enabled a broader range of training programs to be organized across various departments.

Total Training Hours by Gender:



Total Training Hours by Job Level:



The following are some of the training programs that have been conducted in FY2022:

1. Anti-Bribery And Anti-Corruption Management System Training
2. Understanding Our Unconscious Biases – And What We Can Do Next
3. Environmental, Social And Governance
4. Everything Investor Relations Managers Need To Know About ESG Reporting
5. Transitioning Into Employment Act Amendments 2021
6. Webinar On Companies Act 2016
7. Webinar On Corporate Governance Guide 4th Edition: Rise Together
8. Latest Update: Transfer Pricing – What's New In 2022
9. FMM Webinar On Sugar Tax: Expansion Of Excise Duty On Premixed Beverages
10. Introduction To Paperless Operations

What's Next

Our goal in FY2023 is to increase the number of training hours for all of our employees as well as to integrate sustainability-related training into their competency development plans.

Our Priorities Pillar 3

Our Society's Future

Diversity and Equal Opportunity

Our Approach

We are committed to creating a work environment that values equality, openness and freedom from bias and discrimination. Additionally, to enrich the organization, we strive to attract and retain a diverse group of talent, regardless of their gender, age, ethnicity, disabilities, skills, experience, and cultural background.

In order to maintain a high level of respect for the rights of our employees, we do not prohibit our employees from participating in external organizations or associations, provided it does not adversely affect our reputation, create a conflict of interest or impair their ability to perform their duties.

We do not tolerate any form of corruption, discrimination, harassment, human rights violations, forced labor or child labor.

Our Progress

We promote diversity and inclusion through adherence to relevant employment laws and active recruitment of individuals with diverse backgrounds and expertise.

As of 31 December 2022, Hup Seng employs 1,167 people, of whom 83% are permanent employees and the remainder being contractors or temporary employees. We have also made significant progress in achieving gender equality in our workforce, with 37% of all Hup Seng employees being female. Our current workforce is primarily comprised of 51.4% of individuals under the age of 39, who bring fresh ideas to the organization and provide a healthy pipeline of talent that may be nurtured into leadership positions in the future. 33.1% of our workforce are between the ages of 40 and 55, whom assist in providing on-the-job training and mentoring to our young talents. As for the remaining 15.5%, they are over the age of 55.

Percentage of employees by gender and age group for each employee category

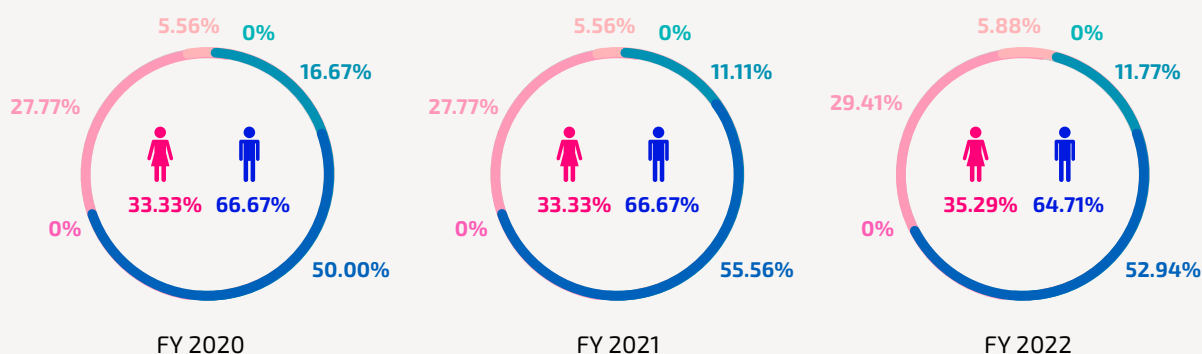
FY2020	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.00%	0.45%	37.91%	0.08%	0.68%	13.04%
40 to 55 years old	0.76%	1.52%	15.92%	0.23%	1.36%	11.68%
Over 55 years old	1.44%	0.68%	6.14%	0.83%	0.76%	6.52%
TOTAL	2.20%	2.65%	59.97%	1.14%	2.80%	31.24%

FY2021	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.08%	0.49%	35.47%	0.08%	0.73%	14.85%
40 to 55 years old	0.81%	1.62%	16.40%	0.25%	1.38%	12.18%
Over 55 years old	1.46%	0.57%	5.68%	0.89%	0.81%	6.25%
TOTAL	2.35%	2.68%	57.55%	1.22%	2.92%	33.28%

FY2022	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.08%	0.43%	35.13%	0.08%	0.68%	15.43%
40 to 55 years old	0.86%	1.80%	16.88%	0.26%	1.46%	11.65%
Over 55 years old	1.54%	0.60%	5.49%	0.95%	0.77%	5.91%
TOTAL	2.48%	2.83%	57.50%	1.29%	2.91%	32.99%

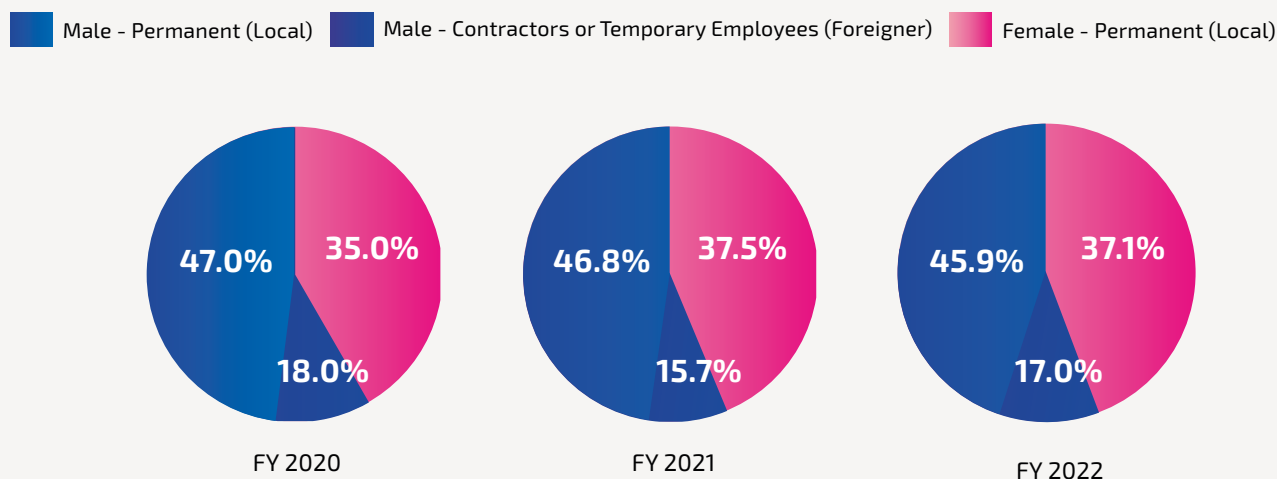
Percentage of directors by gender and age group

- Male/Under 39 years old
- Male/40 to 55 years old
- Male/Over 55 years old
- Female/Under 39 years old
- Female/40 to 55 years old
- Female/Over 55 years old



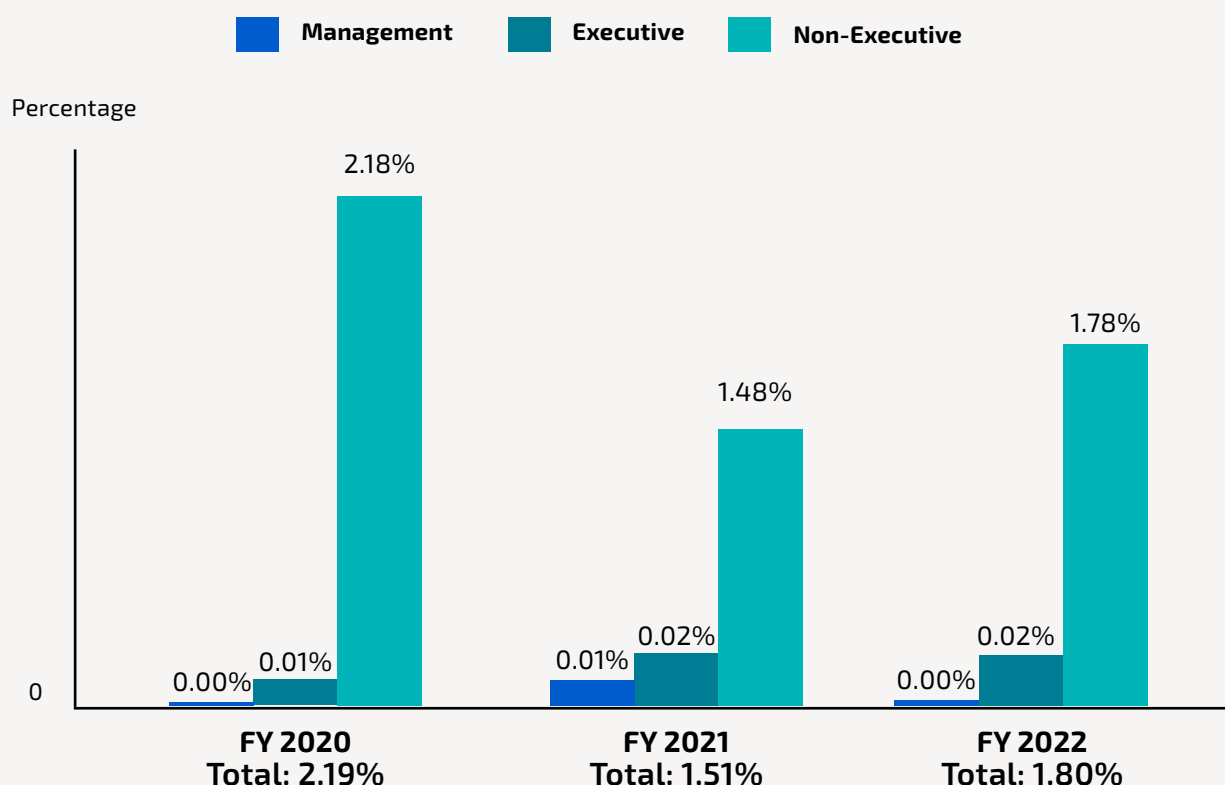
Percentage of employees that are contractors or temporary employees by gender and nationality

Due to our commitment to equal opportunity, we do not discriminate against employees based on their nationality or cultural background, and we are committed to complying with all key human rights and fair labor practices.



Percentage of employee turnover by employee category

In order to remain competitive with our peers and be in line with the prevailing local market rates, we review our compensation packages on a regular basis and provide fair remuneration and working conditions to all employees. The benefits we provide for all full-time employees include medical benefits, maternity leave, parental leave, long-service awards, etc.

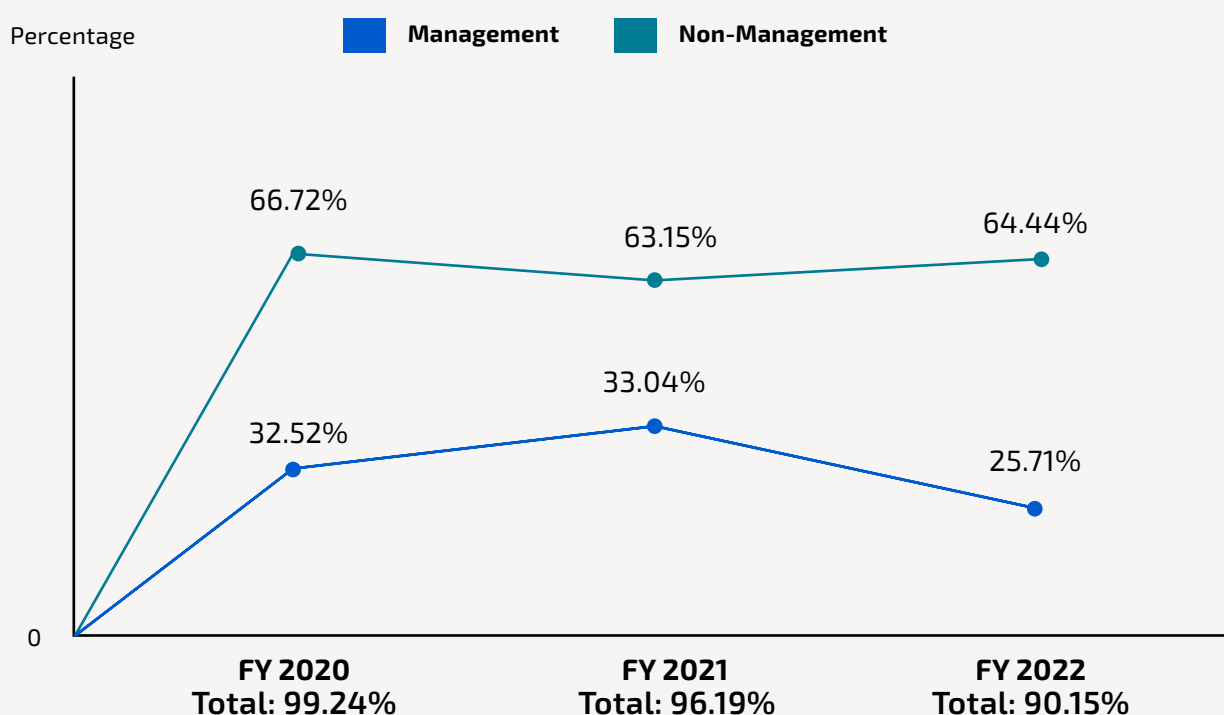


Anti-Bribery and Anti-Corruption

In order to avoid bribery and corruption in our daily operations, we are committed to conducting business with integrity and complying with the Anti-Corruption Commission Act of Malaysia. We have also developed an anti-bribery and anti-corruption ("ABAC") committee and policy, as well as code of conduct and whistleblowing policy to assist our employees in understanding their roles and responsibilities.

Every quarter, all employees are required to submit a declaration form to the ABAC committee in response to gifts, entertainment, and corporate hospitality received. Any physical gifts received should be deposited with the General Affairs department within three (3) working days.

As of 31 December 2022, all our directors and employees had read, acknowledged and agreed to comply with our ABAC policy. The following is the breakdown of the percentage of employees who have received ABAC training within each employee category over the past three financial years:



We are pleased to report that there have been no incidents of corruption, discrimination, harassment, human rights violations, forced labor or child labor for the past three financial years.

What's Next

We will develop a diversity policy to ensure that all individuals, regardless of gender, age, ethnicity, disability, or cultural background, will be considered equally for recruitment and career advancement, as well as maintaining zero cases of corruption, discrimination, harassment, human rights violations, forced labor, and child labor.

Furthermore, we will continue to monitor and review compliance levels regarding wages, work hours, overtime, and benefits in order to ensure that basic human rights requirements are met, and to the extent possible, exceeded.

Our Priorities Pillar 3

Our Society's Future

Supporting Our Community

Hup Seng is committed to maintaining a strong commitment to corporate social responsibility ("CSR") in addition to creating long-term value in the communities in which it operates. Over the years, Hup Seng has collaborated with non-governmental organizations, government agencies, and educational institutions to support community-based programs and initiatives, including food donations and fundraising campaigns.

In FY2022, we have invested RM79,423.52 in CSR activities across 266 organizations, an increase of 147% compared to FY2021. The following are the amounts invested in the communities and the number of beneficiaries for the past three financial years:

	FY 2020	FY 2021	FY 2022
Amount invested in the communities (RM)	43,303.92	32,120.64	79,423.52
Number of beneficiaries	181	99	266

We have also included below a list of some of the beneficiaries of our CSR activities for FY2022:

1. The Salvation Army
2. Pejabat Pendidikan Daerah Batu Pahat
3. Pejabat Kadi Daerah Batu Pahat
4. Pertubuhan Perkhidmatan Intervensi Awal
5. Persatuan Penganut Agama Buddha Fo Guang Johor
6. Persatuan Kebajikan Thirumular Malaysia
7. Penang Adventist Hospital

Furthermore, we have contributed to local economic growth by creating employment opportunities and supporting local businesses that meet our standard requirements in the communities where we operate.

	FY 2020	FY 2021	FY 2022
Number of new local hires	229	129	165
Spending on local suppliers (%)	75.09	78.27	77.61

Our Priorities Pillar 3

Our Society's Future

Quality and Healthy Food

Our Approach

Due to consumers' awareness on health and their demand for healthy food choices, we are committed to providing consumers with high quality, healthy and nutritional products at affordable prices.

Our goal is to continuously improve the quality of food and the nutritional content of products, in compliance with domestic and international standards, guidelines, and regulatory requirements.

Our Progress

Our crackers, biscuits and cookies are developed and manufactured only with healthy ingredients and high-quality production processes as our primary focus is on providing products that are unrivaled in terms of quality.

As an official recognition of our products' quality excellence, we have received the International High Quality Award by Monde Selection, Belgium from FY1996 to FY2022 and the Gold Quality Award since FY1994. It is one of the world's most prestigious awards with regards to product quality.

Monde Selection distinguishes itself as the only quality institute in the world to offer a global quality evaluation of food products. A panel of independent experts examines each product individually based on a set of up to 25 parameters that address sensory, scientific, and legal aspects relevant to consumers.

The Group has always kept abreast with worldwide health concerns. As part of our continuous effort in producing healthier products, our research and development department is currently monitoring the use of only ingredients that are free of partially hydrogenated oils ("PHOs"), including new and alternative ingredients.

Presence in Social Media

To provide positive customer experiences, we believe that listening to customers' feedback and acting on them is critical. The use of digital and social media platforms, such as Facebook and Instagram, allows us to increase our brands' visibility as well as actively engage with customers and stakeholders for feedback on our products. This also allows us to gain a deeper understanding of customers' preferences and market trends.

For the past three financial years, we have not received any substantiated complaints concerning breaches of customer privacy or losses of customer data. We do not disclose or use personal customer information for any purposes other than those agreed upon.

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 light of the current trends and high demand for healthier foods, we will continue to develop products containing healthy natural ingredients such as cereals, chia seeds, etc.

Achievements and Awards

In FY2022, we were awarded a **Gold Quality Award** by Monde Selection, Belgium for our Cream Crackers.



Our Priorities Pillar 3

Our Society's Future

Nutrition Labelling

Our Approach

A label is the primary means through which we communicate with our consumers regarding quality, nutritional content, safety, and disposal of our products. In order for our consumers to make informed purchasing decisions, we must ensure that the product labeling is comprehensive, accurate, and easily understood.

Our Progress

We have developed a comprehensive process and control system in order to ensure that the labels on our products comply with Malaysian food regulations. All information disclosed on our labels is reviewed regularly by a team of internal experts from our research and development department.

Essentially, all of our products contain information concerning the ingredients, recommended daily allowances, nutritional information per serving, storage instructions, expiration date and nutritional advice in five different languages: Malay, English, Chinese, French and Arabic.

The Halal logo is also displayed clearly on all of our products' packaging, making it easier for Muslim consumers to determine which products best meet their requirements.

What's Next

We aim to continuously improve the labeling of our products in order to provide consumers with more meaningful nutritional guidance and information as well as to consistently adhere to food labeling requirements in Malaysia and other countries where our products are exported.

Our Priorities Pillar 3

Our Society's Future

Food Safety

Our Approach

We are committed to maintaining high quality standards, processes, and controls for all of our food products in order to ensure a reliable supply of food to both our local and international consumers.

As part of our efforts to maintain quality control and process effectiveness, we focus on the following areas:

1. Selection of safe and high-quality raw materials
2. Conducting regular audits and inspections
3. Making use of local and international certifications to manage potential risks
4. Continuous review and improvement of food safety systems and processes
5. Investing in new equipment and technologies to ensure high level of food safety and quality, when necessary
6. Providing ongoing training in food quality and safety to employees

Our Progress

To ensure that only the highest quality products are delivered to our customers, we adhere to a rigorous food safety policy. From the procurement of ingredients to the research and development process prior to the manufacturing and packaging process, and finally to the storage and delivery of the products, a well-trained and experienced team is responsible for overseeing all aspects of the product's life cycle. In addition to rigorous quality control procedures, our processes are regularly inspected by independent third-party auditors. Among the certifications that we have received, both locally and internationally, are:

1. FSSC 22000 Food Safety System Certification
2. ISO 22000:2018 Food Safety Management System Certification
3. ISO 9001:2015 Quality Management System Certification
4. Hazard Analysis Critical Control Point ("HACCP") Certification
5. Good Manufacturing Practices ("GMP") Certification
6. Safe Food Industry Responsibility ("MeSTI") Certification
7. Halal Certification from the Department of Islamic Development Malaysia ("JAKIM")
8. Halal Certification from the Halal Product Assurance Organizing Agency of Indonesia ("BPJPH")

As part of our commitment to quality and product safety, we have established a group purchasing policy that is monitored and overseen by our department heads and managing directors. The policy describes a set of criteria used to select new suppliers for inclusion on an approved supplier list, including quality requirements, reliable supply and delivery, competitive pricing, etc.

In addition, our suppliers are evaluated on an annual basis based on their performance in terms of quality, delivery, and customer service. Over the past three financial years, all active suppliers have participated in the performance evaluation process and received an overall satisfaction rating of over 90%.

In FY2022, the following food safety training programs were provided:

1. ISO 9001, HACCP, ISO 22000 and FSSC 22000 Awareness Training
2. FSSC 22000 V5.1 Food Safety Management System Requirements
3. FSSC 22000 V5.1 Food Safety Management System Internal Auditor Program
4. Food Handler and Halal Awareness Training
5. Understanding Malaysian Food Act and Food Regulations
6. Kursus Profesional Eksekutif Halal
7. Halal Intensif Course: Prosedur Pensijilan Halal Malaysia Negeri Johor 2022
8. Seminar Johor Professional Halal Executive Competency 2022

What's Next

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

Appendix 1: GRI Standard and Content Index

GRI Standard	Disclosure	Report Section	Page
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Disclosure 102-5	Ownership and legal form	Group Profile Our Corporate Governance Structure	4 6
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Disclosure 102-8	Information on employees and other workers	Diversity and Equal Opportunity	47-49
Disclosure 102-9	Supply chain	Our Value Chain	7
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 to it.	-
Disclosure 102-12	External initiatives	None	-
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Appendix 1: GRI Standard and Content Index

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Disclosure 102-46	Defining report content and topic boundaries	Scope and Report Boundary	15
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Disclosure 102-49	Changes in reporting	Not applicable	-
Disclosure 102-50	Reporting period	Scope and Report Boundary	15
Disclosure 102-51	Date of most recent report	Scope and Report Boundary	15
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Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	About This Report	14
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Disclosure 102-56	External assurance	HSIB has not sought external assurance on the data presented in this report. HSIB intends to seek external assurance in FY2023.	-
OUR MANAGEMENT APPROACH			
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