



Hup Seng Industries Berhad

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Sustainability Report 2024



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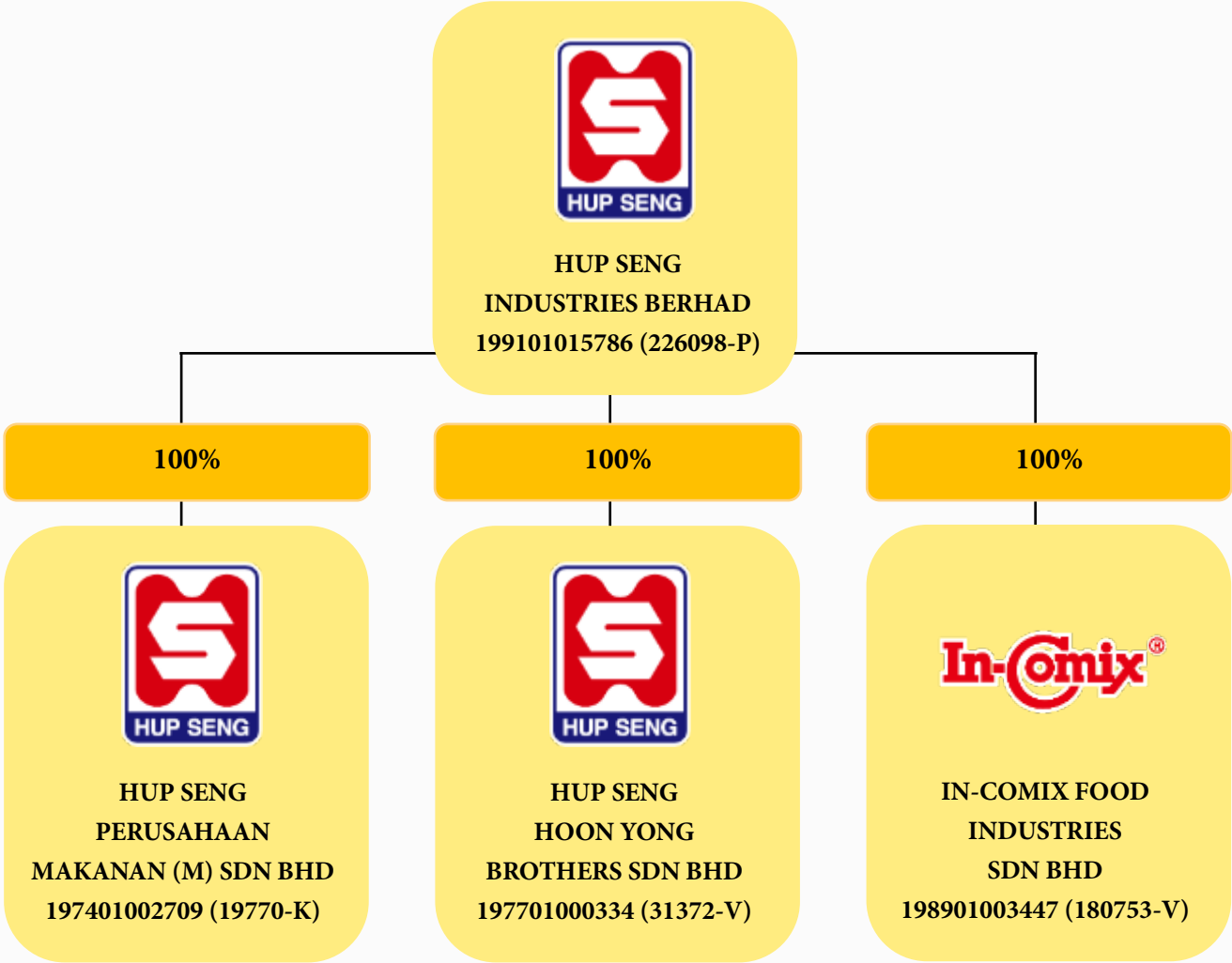
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About Us

Our Presence

Hup Seng Industries Berhad (“HSIB” or “the Group”) is one of the leading manufacturers of biscuits, crackers, and cookies in Malaysia, with over 60 years of history. The company boasts a portfolio of iconic and delicious brands, including Cap Ping Pong, Kerk, and Naturell.

The Group consists of four legal entities, with the holding company listed on Bursa Malaysia in the year 2000. Its principal place of business is in Johor. The Group's shareholding structure as of 31 December 2024 is as follows:



Our Operations

HSIB’s operations are divided into three segments: biscuit manufacturing, beverage manufacturing, and trading. The Group's product 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 provides instant coffee mixes, teas, cereals, and other foodstuffs.

The biscuit manufacturing segment is responsible for the production and distribution of biscuits at its factory in Batu Pahat, Johor. The beverage manufacturing segment handles the production and distribution of instant coffee mixes, teas, and cereals at its factory in Senai, Johor.

The trading segment focuses on the marketing and distribution of biscuits, beverages, and other food products. It is headquartered in Batu Pahat, Johor, and operates branches in Kuala Lumpur, Alor Setar, Butterworth, Ipoh, Kota Bharu, and Kuantan to serve the Peninsular Malaysia market.

MISSION	OBJECTIVE
To offer tasty and wholesome biscuits, cookies, snacks and beverages to consumers, safekeep the best interest of shareholders and reward employees fairly.	To become a leading multinational organisation in biscuits, cookies, snacks and beverage mixes.

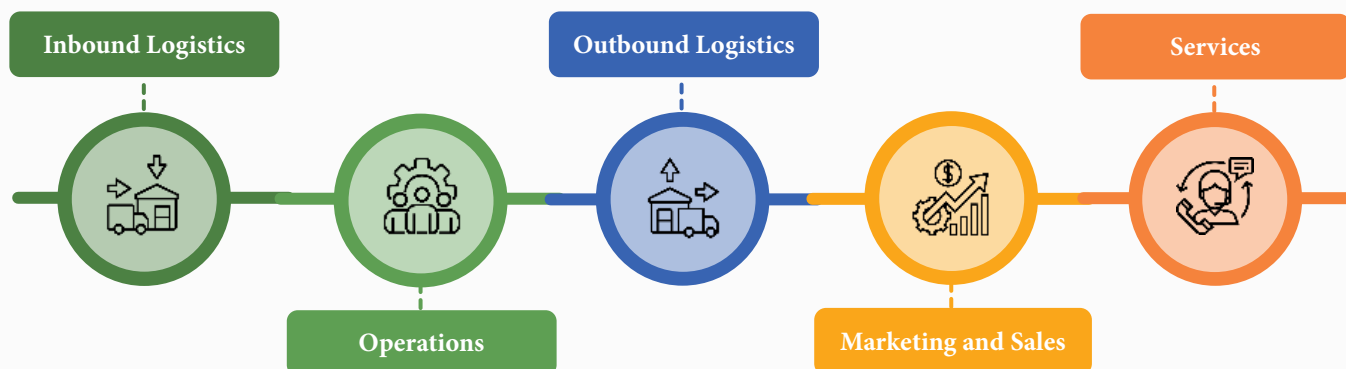
The Group's manufacturing processes are certified with several industry standards, including FSSC 22000, ISO 22000:2018, ISO 9001:2015, HACCP, GMP, and MeSTI certifications, ensuring high-quality and safe products. Additionally, the Group holds Halal certifications from JAKIM (Malaysia) and BPJPH (Indonesia), confirming compliance with Halal standards.

The Group's revenue is derived from 80% domestic sales and 20% export sales to about 40 countries. Biscuits account for 98.1% of total revenue. The Group's success is attributed to stringent quality control and rapid product innovation. In terms of financials, RM63 million was allocated for employee benefits, and RM16 million was paid in taxes.



Our Value Chain

The foundation of the Group's corporate strategy is built upon our core competencies. To gain a sustainable competitive advantage in the face of intense local and regional market competition, we adopt the following value chain analysis.



The value chain of HSIB 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.

Value Chain	Description
Inbound Logistics	We source essential materials like flour, corn starch, palm oil, sugar, and water through long-term relationships with suppliers, ensuring quality, sustainability, and traceability.
Operations	<p>Food processing / production stage</p> <p>Our products are manufactured at our Johor facilities, where we uphold high standards of quality, safety, and environmental and social responsibility.</p> <p>Food packaging and warehousing</p> <p>Packaging protects product quality and freshness while also conveying our values and product information to consumers. Materials used include rolls, paper cartons, and biscuit tins.</p>
Outbound Logistics	We distribute our products through a network of domestic and international distributors. Close collaboration with logistics partners ensures efficient transportation of finished products.
Marketing and Sales	We focus on understanding consumer preferences and educating suppliers to support our value chain, emphasizing effective communication and customer service skills.

<div>Services</div>	<div>Consumption</div> <p>Our products contribute to a healthy, balanced lifestyle, offering clear ingredient information and appropriate serving sizes for responsible consumption.</p> <div>End-of-life</div> <p>We provide guidance on proper disposal of packaging, ensuring it is recyclable, reusable, or compostable to minimize environmental impact.</p>
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With over 60 years of experience in the food processing industry, achieving manufacturing efficiency is essential for optimal asset utilization. On average, our production lines operate at a utilization rate of about 81%. During peak seasons, some production lines are fully utilized, reaching 100%.



The Group owns a strong corporate brand portfolio consisting of five trademarks, each strategically positioned with distinct marketing and sales approaches. Our brands are internationally recognized, with one of our products, “Hup Seng Cream Crackers”, being awarded the Gold Medal every year from 1994 to 2003, followed by the Grand Gold Award from 2004 to 2019, and the Gold Quality Award from 2020 to 2024. In 2018, it earned the '25 Years Trophy' and was honored with the 'International High Quality Trophy' in 2017, 2020, and 2023 by Monde Selection, Belgium. We continue to expand our product range under these five trademarks to meet the evolving needs of both new and existing consumer segments, always taking pride in the quality and health benefits our products offer.

About This Report

At HSIB, we are dedicated to our sustainability mission, aiming to meet the needs of our consumers and communities while prioritizing the environment and acting in the best interests of our stakeholders. We consistently monitor our sustainability efforts to ensure they align with our goals and industry best practices. This report outlines the actions we are taking to address sustainability challenges, including our performance, approach, progress, and future steps.

This report should be read alongside HSIB's Annual Report 2024.

This report is divided into four sections:

- An overview of the report and its scope
- Our governance framework for sustainability
- How we identify and prioritize material aspects
- Our management approach, current performance, and key performance indicators for the future

Reporting Scope

The purpose of this report is to outline the scope and boundaries of our sustainability disclosure, offering an overview of the management approach, the sustainability framework, and the initiatives we have undertaken.

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.

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

Reporting Period

The sustainability performance data presented in the report covers the period from 1 January to 31 December 2024, unless otherwise stated. Where available and relevant, historical data from previous years has been included for comparison purposes.

Reporting Framework

The disclosures are prepared in accordance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), guided by Bursa Malaysia's Enhanced Sustainability Reporting Framework, Sustainability Reporting Guide and Toolkits (3rd Edition), the United Nations Sustainable Development Goals ("UN SDGs"), as well as the Global Reporting Initiative ("GRI") Standards.

Assurance

Selected indicators contained within this report were validated by an independent third party and their assurance statement can be viewed at pages 51 to 53. Where applicable, the selected indicators validated are indicated across the sections in this report.

Disclaimer

HSIB acknowledges the challenges and limitations involved in compiling sustainability data on a group-wide basis. As a result, the accuracy and comparability of some data may vary on a case-by-case basis and are highlighted where relevant.

This report includes forward-looking statements related to our business, which may be identified by terms such as "should," "would," "target," and "will." These statements should not be interpreted as guarantees of future operations or initiatives, as actual results may differ significantly due to challenges in an ever-changing business and operating environment.

Future plans, targets, and other forward-looking statements are based on reasonable assumptions and current circumstances, which may change. Actual outcomes may differ depending on shifts in the operating environment. Readers are advised not to place undue reliance on these statements, as our business is subject to risks and uncertainties beyond HSIB's control.



Message From Our Managing Director



Dear Esteemed Shareholders,

With each passing year, our world continues to face increasing challenges related to climate change, economic issues, and social concerns that threaten our way of life and, more importantly, the well-being of future generations.

Despite these challenges, we have built a legacy over the past 60 years that has brought joy to many of our customers. We are determined to preserve this legacy and ensure that future generations can continue to experience the same delight.

In safeguarding our legacy, HSIB has taken decisive action to address the impact of climate change on our industry, as well as the broader economic, environmental, and social impacts. Understanding the responsibility entrusted to us by our customers, we have adopted sustainability considerations that benefit not only our shareholders but also our society and our planet, paving the way for a brighter and more sustainable future for all.



On behalf of the Board, I am pleased to present to you our HSIB Sustainability Report 2024 for the fiscal year covering the period from 1 January 2024 to 31 December 2024. This report provides a comprehensive overview of the Group's performance on the key sustainability topics we have identified.

RELOOKING AT OUR MATERIALITY EFFORTS

This year, we revisited our 2023 materiality matrix by engaging with a broader group of stakeholders as part of our ongoing efforts to reassess our top-priority materiality topics and address the evolving landscape of sustainability challenges and opportunities. The exercise was reviewed by the Sustainability Project Committee, reaffirming our materiality topic. Further details on this topic are provided in this report.

Beyond Short Term Profits

In 2024, Malaysia's economic growth was driven by stronger domestic demand and a further expansion in exports, supported by increased domestic spending, favourable labour market conditions, policy support, and a rise in investment activity.

These positive factors, aligned with the Group's strategic plans, were defined by our sustainability framework, which focuses on three key pillars: Beyond Short Term Profits, Our Planet and Environment, and Our Society's Future.

Food safety and quality remain non-negotiable priorities for us. By adhering to both local and international standards, we ensure the continuous growth of HSIB and maintain our customers' loyalty. Additionally, the Group's continued success is reflected in its consistent recognition, "Hup Seng Cream Crackers" has been consecutively awarded the Gold Medal for years 1994 to 2003, Grand Gold Award for years 2004 to 2019 and Gold Quality Award from 2020 to 2024.

These achievements are a result of the dedication, hard work, and passion of our team, who have ensured the gradual integration of our sustainability pillars into our operations.

Our Planet and Environment

As a food and beverage manufacturer, we operate two manufacturing facilities and warehousing centers, both of which consume significant amounts of energy and resources. As a responsible business, we are committed to optimizing our energy consumption, and this goal requires careful strategies and a well-defined implementation plan.

To reduce our energy consumption and carbon emissions, we have started by identifying the energy sources critical to our business. We replaced our last remaining diesel-powered brick baking line with a new European baking line powered by natural gas and installed a solar energy system at our biscuit manufacturing facility, marking our transition to renewable electricity across operations.

In terms of waste management, we have implemented a minimal-waste approach based on the hierarchy of prevention, reduction, reuse, and recycling. In FY2024, we recycled 807 tonnes of waste.

Regarding water conservation, we expanded our data perimeter to include water consumption at our workers' hostel, providing us with a more accurate base for setting future reduction targets.

Our Society's Future

HSIB recognizes that our employees are invaluable assets, and the Group's success is intrinsically linked to their dedication. To ensure the Group flourishes, we must understand and support their varying needs while maintaining a healthy and safe working environment.

In FY2024, we made significant investments in employee training and development, averaging 15.3 hours per employee — an increase of over 39.3% compared to 2023. In terms of occupational health and safety, we recorded four work-related accidents, and no work-related fatalities or non-compliance with safety regulations. A total of 865 employees underwent health and safety training, a 14.7% increase from 754 employees in 2023.

In FY2024, we allocated RM140,061 for community, benefiting 389 individuals in local communities through various relief programs and activities.

Commitment to Transparent Reporting

We are proud of our sustainability reporting progress, but we recognize that there is always room for improvement. We will continue to strengthen our sustainability frameworks and embed them into our operations, staying true to our purpose and the trust placed in us by Malaysians for the past 60 years.

As we move forward, we will strive to make further progress with our key initiatives and foster strategic partnerships to achieve our 2025 ambitions. We will continue to share our milestones as we work toward shaping a more sustainable HSIB.

In closing, I would like to express my gratitude to the Board for its role in shaping the Group's sustainability strategy. Their leadership in overseeing implementation and monitoring performance has been instrumental in our success. We look forward to advancing beyond our established sustainability framework, continuously improving sustainability practices, and enhancing lives across society to build a more sustainable future.

Sincerely,

Kerk Chiew Siong
Managing Director

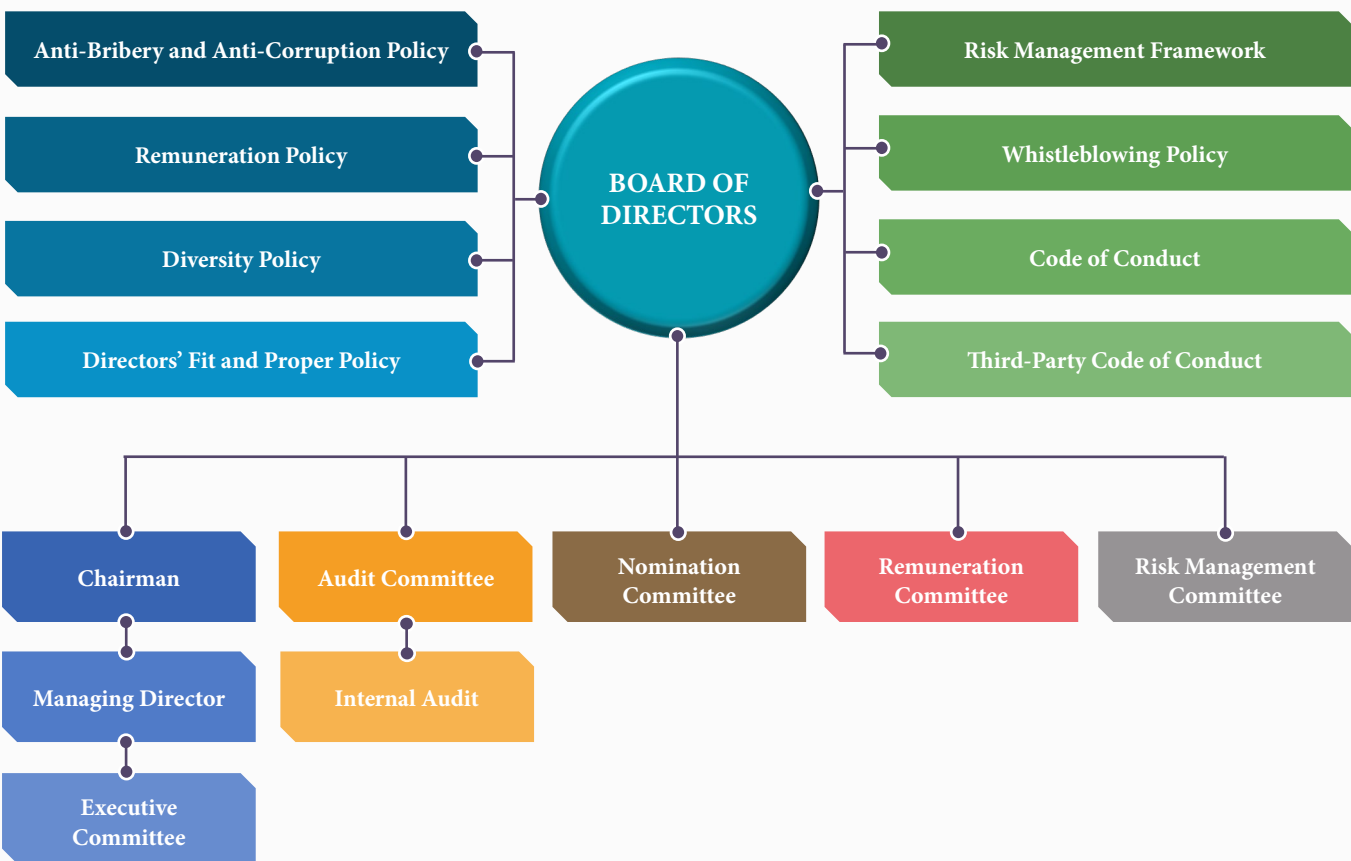
Our Governance Structure

Corporate governance refers to the system through which the Group is directed and controlled. The Board of Directors ("the Board") holds the responsibility for overseeing the Group's governance, while shareholders play a key role in appointing the directors and auditors to ensure the establishment of an effective governance structure.

The Board's duties include defining the Group's strategic objectives, providing leadership to achieve them, overseeing the business's management, and reporting to shareholders on its stewardship.

Corporate governance focuses on the actions and achievements of the Board, as well as the way it shapes the Group's values. It is distinct from the day-to-day operational management of the Group, which is handled by full-time executives.

The goal of corporate governance is to enable effective, entrepreneurial, and prudent management that drives the Group's long-term success. Our corporate governance structure is outlined as follows:



Sustainability Governance

A strong governance structure is essential to ensure that the Group fulfills its sustainability commitments. The Board takes the lead in integrating sustainability into the Group's strategy, while the Executive Committee is responsible for executing this strategy in alignment with the Group's sustainability framework.



Risk Management

Risk management is a fundamental component of effective corporate governance, and the Board recognizes the importance of establishing and maintaining a robust risk management and internal control system.

The Group has developed and implemented a comprehensive risk management framework that covers the identification, assessment, treatment, monitoring, and reporting of significant risks. The Board oversees the management's efforts in the creation, updating, and maintenance of an effective risk management framework. The Group's Enterprise Risk Management ("ERM") framework is based on the internationally recognized ISO 31000 standard.

The Group also maintains a risk register that identifies the key risks faced and the internal controls in place to manage and mitigate them. In assessing these risks, we have identified some that are directly linked to sustainability-related issues. Where applicable, these material risks are mapped to our overall risk profile, providing a meaningful correlation and a broader perspective on the Group's total risk exposure.

Our Sustainability Approach

Stakeholder Engagement

Strong relationships with our stakeholders are fundamental to our success. By listening to their feedback, we gain valuable insights that shape our business decisions. We engage stakeholders through tailored communication channels to gather feedback, identify gaps, and address concerns. Key stakeholders include those who impact or have a vested interest in our business success. Our engagement ranges from formal meetings to ongoing dialogues with suppliers, consumers, and external partners. This proactive approach helps us meet our environmental, social, and economic goals.

Regular engagement throughout the year allows us to strengthen relationships, better understand customer needs, and improve our processes and products. Below, we summarize our key stakeholders, engagement methods, and their impact:

Stakeholders	Impact And Significance	Frequency	Types of Engagement	Focus
Customers	A business thrives by continually providing value to its customers. Therefore, customer feedback and concerns are essential for staying relevant.	<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	A strong supplier base helps us build a sustainable supply chain that reduces costs, ensures access to quality materials, and promotes sustainable best practices in decision-making	<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	The sustainability of our business depends on the close collaboration between top management and all employees. Employee productivity is a key factor that directly impacts the Group's financial performance.	<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	As owners of the Group, shareholders' perspectives are vital to our strategy and future direction. We encourage shareholders to view their ownership as a long-term relationship, enabling management to focus on sustainable value creation.	<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
Regulators	Beyond meeting regulatory requirements, we aim to foster strong relationships with regulators, including government agencies, stock exchange authorities, and the Inland Revenue Board.	<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

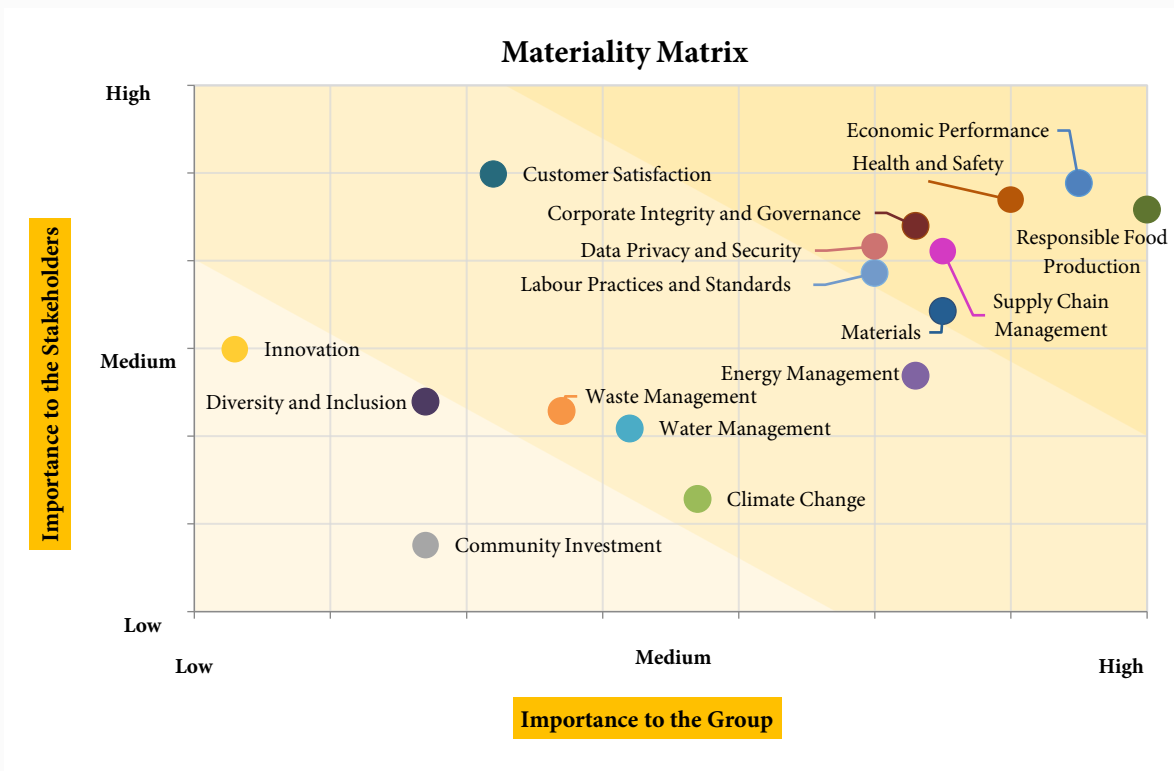
Stakeholders	Impact And Significance	Frequency	Types of Engagement	Focus
Media	We share essential information, including financial and marketing details, with stakeholders through traditional media and social networks.	<ul style="list-style-type: none"> • Throughout the year • As needed 	<ul style="list-style-type: 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 Organisations	We forge partnerships with NGOs to positively impact the local community by supporting and contributing to their initiatives.	<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	As a responsible corporate citizen, we aim to build an inclusive society where no one is left behind. To achieve this, we've organized initiatives like cash contributions and in-kind donations.	<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
Consumers	As global health awareness rises, consumers are becoming more health-conscious. In support of this trend, we aim to make healthy, nutritious food easily accessible. Accurate product labelling and strict quality control are essential to gaining consumer trust.	<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	We support the development of food-related laws, regulations, and national workforce policies.	<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	Academia is key to driving sustainability by generating knowledge, fostering innovation, and educating future leaders.	<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 Matters

Businesses use the concept of materiality to guide their strategic sustainability planning. A material sustainability issue is an economic, environmental, social, or governance concern that a business currently faces or may impact in the future. These issues are considered significant enough to potentially influence stakeholder decision-making. The goal of the assessment is to evaluate how these identified sustainability issues affect the company and their importance to the decisions and perspectives of our stakeholders.















In FY2024, we conducted an internal and external materiality survey as part of our ongoing efforts to reassess our top-priority materiality topics. This is crucial, as we believe that identifying the Group's sustainability material matters is key to formulating and implementing sustainable strategies. As a result, 16 material matters were identified with updated terms, covering the sustainability indicators required by Bursa Malaysia. This process has allowed us to reaffirm our current material topics and focus on reviewing our sustainability strategy to devise impact-based solutions for addressing our top-priority sustainability issues.



In order to ensure that our current material topics remain relevant to the changing operating environment, we will review our sustainability material matters annually. This allows us to reflect evolving issues and interests in the materiality matters while also reassessing our sustainability strategy to align with the dynamics of the company's business and the broader economy. We will conduct a full-scale materiality assessment at least once every three years.

Material Topics and Risk Assessment

The identified material matters were then evaluated in terms of their sustainability risks and opportunities.

Materiality Topic	Why Material to HSIB and Our Stakeholders	Potential Risk	Potential Opportunity	Corresponding UN SDG
Economic Performance	Consistent and strong economic growth creates long-term value that benefits both the company and stakeholders.	Economic stagnation or disruption may limit local development and increase unemployment.	Contributing to economic development and providing employment opportunities.	  
Responsible Food Production	Achieving sustainability requires organizations to be responsible in their production processes, especially in the food industry. Responsible food production enhances food safety, balances environmental impacts with social and economic benefits, and supports local communities by creating jobs and contributing to economic growth.	Unsustainable food production can affect food quality and safety, leading to inefficiency and higher costs.	Sustainable food practices help mitigate climate change, reduce production costs, and ensure the production of nutritious, quality products, ultimately enhancing the organization's reputation.	  
Customer Satisfaction	Satisfied customers are a key indicator of successful products and can lead to customer loyalty, positive recommendations, and long-term value.	Dissatisfied customers are less likely to repurchase or recommend products, directly impacting sales and revenue.	Loyal customers help identify strengths, weaknesses, opportunities, and threats, thus enhancing the organization's reputation and long-term value.	
Supply Chain Management	A reliable and consistent supply chain ensures seamless procurement of raw materials and product distribution.	Supply chain disruptions can increase production costs.	A well-managed supply chain promotes sustainable business growth.	
Innovation	Innovation drives value creation, leading to new products, growth, and higher profitability.	Investment in innovation may not always yield the desired results, impacting business objectives.	Innovation offers opportunities to expand market share, improve processes, reduce costs, and boost productivity.	
Energy Management	Efficient energy management allows businesses to operate at higher capacity while minimizing operational and environmental costs.	High investment in energy management may not yield immediate cost savings or reduce environmental impact.	Effective energy management can reduce operational costs and minimize environmental impact.	  
Climate Change	Supporting the global climate agenda through best practices and low-carbon operations enhances competitive edge, reduces operational costs, improves efficiency, and ensures product safety and quality, thus boosting brand reputation.	Delayed transition to low-carbon operations could result in missed opportunities in the low-carbon economy.	Contributing to the global climate agenda enhances competitive advantage and opens opportunities in the low-carbon economy.	 

Materiality Topic	Why Material to HSIB and Our Stakeholders	Potential Risk	Potential Opportunity	Corresponding UN SDG
Materials	The source of raw materials and ingredients affects product quality, production cost (transportation), carbon emissions, and economic benefits.	Supply disruptions, price volatility, and ethical issues can affect quality, cost, and sustainability.	Sustainable sourcing of raw materials ensures quality products, reduces transportation emissions, and boosts the local economy.	
Waste Management	Efficient waste management leads to long-term sustainable growth while maximizing resource use.	Irresponsible production may harm the environment and lead to legal non-compliance.	Minimizing environmental impact and reducing waste management costs.	
Water Management	Proper water management reduces operational costs and protects the environment.	Inefficient water management can lead to scarcity, higher costs, fines, and environmental damage.	Efficient water management reduces operating costs and promotes sustainability.	
Health and Safety	A healthy and safe work environment fosters an optimal and productive workforce.	Poor health and safety practices lead to operational inefficiencies, legal non-compliance, and poor employee retention, which damage the organization's brand.	A focus on health and safety improves the working environment, boosts productivity, and ensures regulatory compliance.	  
Labour Practices and Standards	Adhering to standard labour practices and regulatory requirements ensures a well-managed, effective workforce, enhancing the organization's reputation and business continuity.	Non-compliance and poor labour practices can result in fines, lawsuits, demotivated employees, and loss of investor confidence, which impacts growth.	A strong reputation as a good employer attracts top talent, ensuring an effective and skilled workforce that drives competitive advantage and innovation.	 
Diversity and Inclusion	Diversity brings together different backgrounds, experiences, and perspectives, fostering innovation, problem-solving, and a stronger company culture.	A lack of diversity can lead to reduced innovation, discrimination, and harm the company's reputation.	Fostering an inclusive culture boosts customer loyalty through a deeper understanding of diverse needs.	  
Community Investment	Creating value for local communities through educational and corporate social programs supports economic development.	Deprived communities may hinder overall economic progress.	Empowered communities drive socio-economic development and open new business opportunities.	
Corporate Integrity and Governance	Strong governance and business ethics build long-term value and strengthen the company's reputation.	Non-compliance with governance standards can result in financial losses, reputational damage, and increased regulatory scrutiny.	Transparent and accountable governance strengthens stakeholder confidence.	
Data Privacy and Security	Strong data protection practices build stakeholder confidence and prevent misuse.	Data breaches violate compliance and may cause reputational and financial harm.	Improved data security fosters stakeholder trust.	

Sustainability Framework

Our corporate strategy is based on the following sustainability framework:



Related Sustainable Development Goals:



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

PILLARS

Beyond Short Term Profits

Our Planet and Environment

Our Society's Future

Beyond Short Term Profits

At HSIB, we prioritize long-term perspectives in planning and executing our corporate strategy. Our financial goals are set based on sustainable performance metrics, such as Return on Equity and Free Cash Flow. The strong alignment between the management team and significant shareholders has led to the Group being recognized with the "Highest Compound Growth in Profit Before Tax Over Three Years" and "Highest Returns to Shareholders Over Three Years" in the Consumer Products Sector by *The Edge Malaysia*, a leading finance and investment weekly.

Our Planet and Environment

HSIB is committed to minimizing its ecological footprint and addressing the global issue of climate change. We not only comply with environmental regulations but also implement programs to reduce energy consumption, improve waste recycling, and enhance water conservation. Our sustainability commitments include improving resource efficiency, assessing the environmental performance of our products, adopting climate change initiatives, preserving natural capital, providing accurate environmental information, and addressing environmental challenges while continually enhancing our products and services.

Our Society's Future

Our people are at the heart of our business. We aim to enhance employee remuneration by improving job performance through structured training and development initiatives. To maintain a safe and healthy working environment, we enforce strict safety policies and conduct regular safety and skill training. We also prioritize equality and workforce diversity, reflecting Malaysia's multi-cultural society.

This framework guides our efforts in addressing high-priority material topics identified in our materiality assessment and shapes our long-term sustainability strategy. By adopting these practices, we enhance operational efficiency, uphold ethical standards, and safeguard long-term economic viability, thereby increasing our overall value.

Sustainability Performance At A Glance

Indicators	FY2024 Performance	FY2025 Target
Economic Performance	<ul style="list-style-type: none"> Revenue: RM395 million Operating Costs: RM322 million Taxes: RM16 million Net Profit: RM58 million Return on Equity: 35.2% Earnings Per Share: RM0.072 Net dividends per share: RM0.07 	<ul style="list-style-type: none"> Continue to drive long-term economic value creation for both internal and external stakeholders. Increase investment based on strategic business objectives. Enhance the Group's focus on sustainability. Adapt to market demands and consumer lifestyle changes through continuous innovation.
Responsible Food Production	<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. Monitor the use of only ingredients that are free of partially hydrogenated oils ("PHOs"), including new and alternative ingredients. Transparent nutrition information on all products. 	<ul style="list-style-type: none"> Maintain all certifications to ensure customer confidence and to meet export requirements. Continue to develop products containing healthy natural ingredients such as cereals, chia seeds, etc. Continuously adhere to food labelling requirements in Malaysia and other countries where our products are exported. Maintain transparent nutrition information and calorie intakes on all products. Maintain at least 80% customer satisfaction level.
Customer Satisfaction	<ul style="list-style-type: none"> Customer satisfaction score: 80.9% 	
Supply Chain Management	<ul style="list-style-type: none"> Proportion of spending on local suppliers: 97.6% 	<ul style="list-style-type: none"> Strengthen partnerships with local suppliers and seek out mutually beneficial opportunities.
Energy Management	<ul style="list-style-type: none"> Energy Consumption within the Group: 26 mil kWh Energy intensity: 674 kWh per tonne GHG Emissions <ul style="list-style-type: none"> Scope 1 emissions: 3,927 tonne CO₂e Scope 2 emissions: 5,736 tonne CO₂e Scope 3 emissions: 2,263 tonne CO₂e 	<ul style="list-style-type: none"> Improve the efficiency of electricity and energy consumption. Explore the use of renewable energy at production facilities. Continue to explore alternative ways to reduce our GHG emissions across our operations.
Climate Change		
Materials	<ul style="list-style-type: none"> Materials used by weight: 40 thousand tonnes 	<ul style="list-style-type: none"> Continue to track and monitor material usage as well as source for recyclable and sustainable raw materials and packaging materials. Increase the amount of scrap materials sent for recycling and promote recycling awareness amongst employees through training sessions. Improve efficiency in production processes and continue to find innovative ways to repurpose and recycle waste. Continue to track and monitor waste generation and disposal. Continue to improve our data analysis and tracking methods for better consistency and explore other initiatives to further reduce our waste generated.
Waste Management	<ul style="list-style-type: none"> Waste diverted from disposal (food): 223 tonnes Waste diverted from disposal (non-food): 584 tonnes Total waste diverted from disposal: 807 tonnes 	

Indicators	FY2024 Performance	FY2025 Target
Water Management	<ul style="list-style-type: none"> Water Consumption within the Group: 61,354 (m³) 	<ul style="list-style-type: none"> Continue to monitor water usage, prioritize water conservation efforts and seek further opportunities to enhance efficiency in water usage.
Health and Safety	<ul style="list-style-type: none"> Zero work-related fatalities 4 accidents cases Lost time injury frequency rate: 1.33 per millionth man hours Employees trained on health and safety standards: 67.0% 	<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 programmes to provide employees with skills and knowledge.
Labour Practices and Standards	<ul style="list-style-type: none"> Total hours of training: 19,739.0 hours Average hours of training per year per employee: 15.3 Total number of employee turnover by employee category: 205 	<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 Inclusion	<ul style="list-style-type: none"> Total number of employees: 1,291 <ul style="list-style-type: none"> Male: 62.67% Female: 37.33% Percentage of directors by gender <ul style="list-style-type: none"> Male: 75.00% Female: 25.00% Percentage of employees that are contractors or temporary employees: 18.98% Zero incidents of discrimination, harassment, human rights violations, forced labour or child labour 	<ul style="list-style-type: none"> Maintain current ratio and where meritable, prioritize increase on the percentage of women in the total workforce based on merit and skills. Maintain zero-incidence of discrimination, harassment, human rights violations, forced or child labour incidents. Maintain existing 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.
Community Investment	<ul style="list-style-type: none"> Amount invested in the communities: RM140,061 Number of beneficiaries: 389 Number of new local hires: 256 	<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.
Corporate Integrity and Governance	<div>Anti-Bribery and Anti-Corruption</div> <ul style="list-style-type: none"> Percentage of employees who have received ABAC training: 97.4% Percentage of operations assessed for corruption-related risks: 100% Zero incidents of bribery and corruption <div>Data Privacy and Security</div> <ul style="list-style-type: none"> Zero substantiated complaints concerning breaches of customer privacy and losses of customer data. 	<ul style="list-style-type: none"> Maintain zero incidents of bribery and corruption. Maintain zero-incidence of complaints concerning breaches of customer privacy and losses of customer data.

Our Priorities Pillar 1:

Beyond Short Term Profits

Economic Performance

Economic resilience is the foundation of a successful business. We are fully committed to this goal, as it allows us to create value and make a positive impact through dividend distributions, community service, and employment opportunities. HSIB's strategy focuses on building economic resilience through investments in sustainability. This includes initiatives such as reducing waste, water and electricity consumption, increasing the use of renewable energy, and implementing sustainable human capital development, all of which drive value creation and sustainable growth. Our strong economic performance over the years is proof of the success of these strategies.

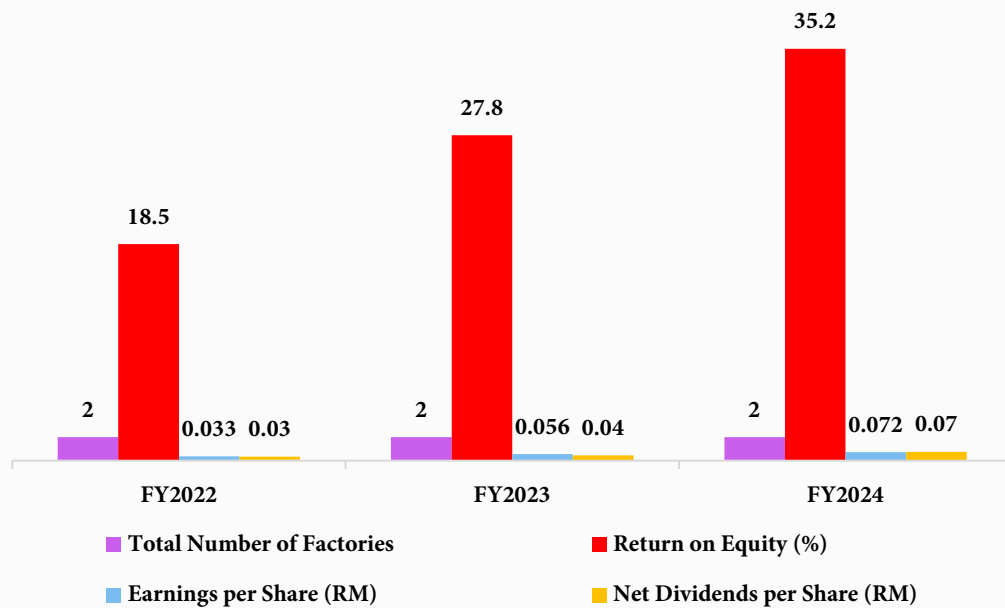
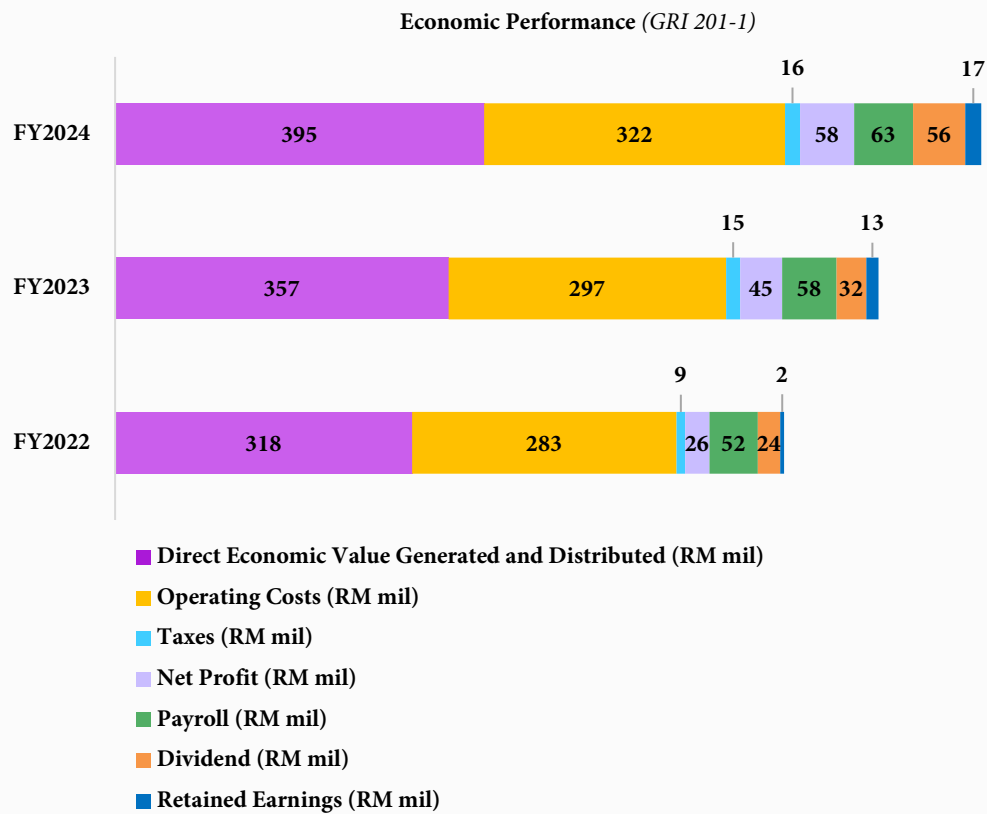
Our Approach

Our shareholders and banking partners provide the economic resources essential for our operations and growth. We are committed to meeting our financial obligations through strong governance and stewardship. Our dividend policy ensures at least 60% of annual profit after taxes is distributed to shareholders, which we believe will be well-received by investors.

We focus on creating long-term economic value for both internal and external stakeholders while minimizing negative environmental and societal impacts. To enhance strategic visibility and economic performance, we put effort in exploring options like dividend reinvestment schemes, share repurchase programs, and employee stock option plans. Additionally, we will continue to innovate to adapt to market demands and changing consumer lifestyles.

Our Performance

Over the past three financial years, our financial strategy has delivered above-average returns for shareholders. We aim to maintain this performance to meet the growing expectations of our shareholders. The following distribution chart shows that payments to our employees, shareholders, and tax authorities represent 30.1% of our total economic value.



A detailed description of our Group's financial performance is available in our Annual Report.

Our Approach

● Food Safety

We are committed to ensuring that our food products meet the highest standards from sourcing to production and delivery. Our rigorous processes and controls are designed to not only meet regulatory requirements but also exceed customer expectations and build trust. We believe everyone deserves access to safe, high-quality food, and we strive to fulfil this need for both local and international customers.

To maintain quality control and process effectiveness, we focus on:

1. Selecting safe, high-quality raw materials
2. Conducting regular audits and inspections
3. Utilizing local and international certifications to manage risks
4. Continuously reviewing and improving food safety systems and processes
5. Investing in new equipment and technologies when needed
6. Providing ongoing training in food quality and safety to employees

Our Progress

To ensure the highest quality products reach our customers, we follow a strict food safety policy throughout the entire product lifecycle – from ingredient procurement and research and development to manufacturing, packaging, storage, and delivery. A well-trained and experienced team oversees each stage. In addition to our rigorous quality control procedures, independent third-party auditors regularly inspect our processes.

We have received the following certifications, both locally and internationally:

1. FSSC 22000 (V6) Food Safety Management System Certification

2. ISO 22000:2018 Food Safety Management System Certification

3. ISO 9001:2015 Quality Management System Certification

4. HACCP (Hazard Analysis and Critical Control Point) Certification

5. GMP (Good Manufacturing Practice) Certification

6. MeSTI (Food Safety is the Responsibility of the Industry) Certification

To support both national and international Muslim communities in their religious practices, we ensure strict adherence to halal standards throughout our manufacturing processes. This commitment allows our Muslim consumers to enjoy our products with confidence, knowing their religious practices are respected. Our Halal certifications include:

Halal Certification from the Department of Islamic Development Malaysia (JAKIM)

Halal Certification from the Halal Product Assurance Organizing Agency of Indonesia (BPJPH)

We have a Group Purchasing Policy, overseen by department heads and managing directors, that sets criteria for selecting approved suppliers, including quality, reliability, and competitive pricing. Active suppliers are evaluated annually on their performance in areas like quality and customer service.

In FY2024, we conducted various food handling training programs for our employees, including:

Allergen Material Management & Handling Training & GMP Awareness Training

Food Handler Training & Halal Awareness

Food Import And Export Requirement Training And Hands-On

FSSC 22000 Version 6.0 Awareness Training

FSSC 22000 Internal Audit

Kursus Latihan Pengendalian Makanan

Pest Awareness Training

Kompetensi Kefahaman Pensijilan Halal Malaysia (SPHM) Bagi Komiti Halal

Seminar Pengurusan Audit Halal Dalam Negeri Johor Tahun 2024

And other food handling related-training

● Quality and Health Food

The Group prioritizes regulatory compliance across all operations, collaborating with local regulators in a transparent and responsible manner. HSIB maintains market competitiveness by consistently delivering high-quality products to both domestic and international customers. In response to growing health awareness, we are dedicated to providing a variety of healthy food options at affordable prices. Our goal is to continually improve the quality and nutritional value of our products while adhering to both local and international standards and regulations, ensuring we meet the evolving needs of our consumers and contribute to their well-being.

Our Progress and Achievements

Our commitment to producing exceptional crackers, biscuits, and cookies is reflected in our dedication to using only the finest, healthiest ingredients and employing high-quality production methods. We focus on maintaining the highest standards of excellence from ingredient selection to final packaging, ensuring our products exceed customer expectations. This commitment has earned us recognition and continues to secure the Gold Quality Award from Monde Selection, Belgium, for FY2024. Monde Selection, a prestigious global quality institute, evaluates products based on up to 25 parameters. In line with global health concerns, our R&D department ensures our products are free of partially hydrogenated oils (PHOs), using healthier alternatives.

● Product Labelling

For our business, the product label is the main way we communicate with consumers, providing essential information on quality, nutrition, and safety. It helps consumers make informed decisions and assures them that our products have undergone rigorous quality checks and meet safety standards. Therefore, it is crucial that our labels are clear, accurate, and easy to understand.

Our Progress

We have established a thorough process to ensure that our product labels comply with Malaysian food regulations. Our internal research and development team regularly reviews the information disclosed on labels. All products include details such as ingredients, recommended daily allowances, nutritional information, storage instructions, expiration dates, and nutritional advice in Malay, English, Chinese, French, and Arabic.

Additionally, the Halal logo is prominently displayed on all packaging to help Muslim consumers identify products that meet their religious requirements.

Customer Satisfaction

Our Approach

HSIB values effective communication with customers and has established a social media presence to enhance engagement and gather feedback. By using platforms like Facebook and Instagram, the company increases brand visibility and directly connects with customers to better understand their preferences and market trends. The sales and business development teams use customer input to shape strategies and improve customer service. This proactive approach helps HSIB build strong, trusting relationships by addressing customer needs and expectations regarding product quality, reliability, and overall performance.

Additionally, we also conducted a survey focusing on key areas of our quality and performance, including product quality performance, packaging performance, delivery performance and service performance.

Our Performance

Based on the result of customer satisfaction survey we received, in FY2024, the analysis showed that 80.9% of respondents are satisfied with our performance.

Supply Chain Management

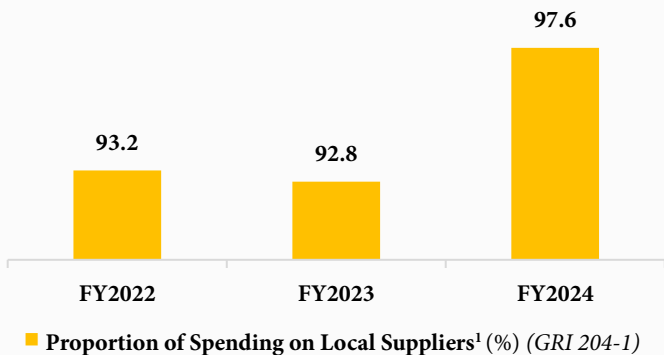
Our Approach

HSIB recognizes that we are just part of a food and beverage industry, and to achieve true sustainability, we must promote it across all levels of this chain. To start, we prioritize supporting local supplier before seeking international alternatives. As a result, we have built mutually beneficial, long-term relationships with various local suppliers.

Not only that, responsible sourcing practices are implemented across the Group. We actively monitor and evaluate our vendors and business partners through a vendor evaluation process. This helps us assess their performance and ensures we only engage with suppliers who consistently provide high-quality products and services. By regularly reviewing our suppliers, we make informed decisions that enhance the efficiency and reliability of our supply chain. This process also allows us to identify opportunities for improvement and collaborate with local vendors to drive positive change and innovation.

Our Performance

In FY2024, we are pleased to announce that 97.6% of our procurement are sourced from local suppliers.



Note: 1. Data for FY2024 has been validated by an independent third party.

Our Priorities Pillar 2:

Our Planet and Environment

As part of the food and beverage processing industry supply chain, HSIB Group recognizes the significant sustainability challenges the industry faces, notably the high costs associated with obtaining food certification standards (e.g., food safety, quality management), managing greenhouse gas emissions, water usage, waste generation, and sourcing safe and healthy materials. In this regard, HSIB acknowledges the environmental impact of our operations and is committed to supporting pollution prevention and environmental protection across all our business activities.

We are committed to complying with the standards and regulations set by the Department of Environment (DOE) Malaysia and minimizing carbon footprints across our value chain, including manufacturing, packaging, storage, logistics, and disposal. As part of our commitment to the environment, we adhere to a formal set of policies that guide environmental practices and ensure compliance with 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 are committed to maintaining a high level of transparency and cooperation with regulatory authorities. We are pleased to report that, over the past three financial years, there have been no incidents of non-compliance with environmental regulations.

Energy Management

Utilizing the most efficient mix of energy sources help reduce our operating costs, enhance energy efficiency, and contribute to mitigating global warming. Fostering a culture of conservation and sustainability, not only reduce our environmental impact but also improve operational efficiency.

Our Approach

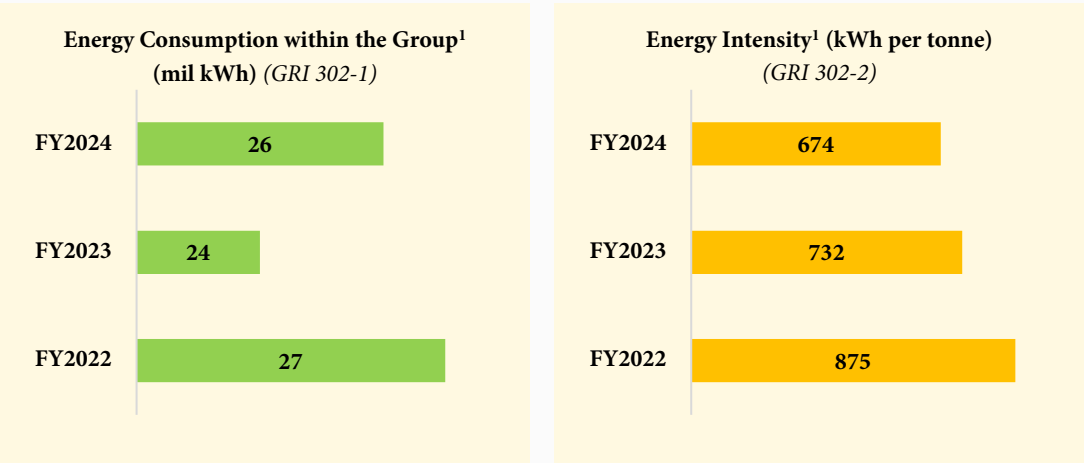
The Group continues to pursue the most efficient energy mix to lower operating costs, boost energy efficiency, and combat global warming. We are investing in energy-efficient technologies, increasing the local production of renewable energy, enhancing energy efficiency, and working towards the use of sustainable alternative fuels.

Our Electrical Energy Management (EEM) Committee is responsible for reviewing and recommending energy-saving initiatives. We acknowledge that excessive lighting usage has a negative impact on the environment. To address this, we make it a practice to turn off lights in our office buildings during lunch breaks and invest in eco-friendly, energy-efficient lamps and fixtures that help reduce heat generation and energy consumption. Additionally, we encourage employees to submit innovative ideas for energy conservation by rewarding their contributions.

In FY2024, we replaced the last diesel-powered brick baking line with a new European baking line that runs on natural gas. This new line, equipped with modern technology, is designed to reduce production costs—such as lowering fuel expenses—improve product quality and hygiene, minimize waste, and be more environmentally friendly.

Our Performance

Since FY2023, we started to change our conventional baking line to natural gas baking line. We observed a significant reduction of energy intensity in FY2023 and FY2024 compare to FY2022.



- Note:
- 1. Data for FY2024 has been validated by an independent third party.
 - 2. Our energy consumption is comprised of electricity, natural gas, liquefied petroleum gas (“LPG”), diesel and gasoline consumed by the Group and energy intensity are based on total production of biscuits and beverages.

In April 2024, as part of our efforts to reduce electricity costs, we embraced clean energy by installing a solar energy system at our biscuit manufacturing facility. A total of 2,105 solar panels were installed, with a total capacity of 1,210.375 kWp. Our annual electricity consumption is 7,732,630 kWh, of which 164,729 kWh is generated from solar energy.



• SOLAR PANELS INSTALLED ON ROOFTOP •

Climate Change

The urgency to address climate change has grown as its effects become more apparent, including extreme weather events, rising sea levels, and disruptions to supply chains. It is essential for businesses to promote sustainable practices that conserve resources for future generations.

Our Approach

We are committed to enhancing efficiency in our operations to ensure responsible energy consumption and sustainable production. We acknowledge the importance of environmental protection and recognizes the impact of climate change on our value chain. Our business depends on a wide range of raw materials and natural resources, including energy and water. Understanding the value of these natural resources is essential for our long-term sustainability and success. As part of our commitment to addressing climate change, we conducted an assessment of our GHG emissions inventory, identifying and analyzing key emissions from entities within our control across the Group.

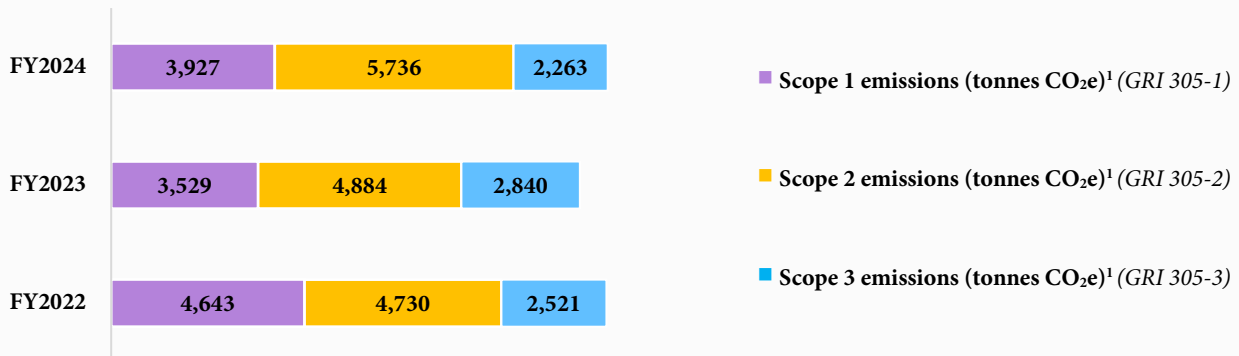
Our Performance

Scope 1 refers to direct GHG emissions from sources controlled or owned by HSIB, such as company vehicles, logistics fleets, and stationary combustion sources such as fuel used in production.

Scope 2 includes indirect emissions from purchased electricity.

Scope 3 covers emissions from operations or assets not owned or controlled by the Group but part of our value chain, including business travel and employee commuting.

With the increase of energy consumption due to higher production output, both Scope 1 and Scope 2 emissions of FY2024 are higher than that of FY2023. With the implementation of the solar energy system that began operating at the end of September, we were able to avoid 124,865 kg of CO₂e by utilizing 164,729 kWh of electricity generated by the solar system.



Note:

1. Data for FY2024 has been validated by an independent third party.
2. CO₂ Emission Factor for FY2024 Data:

Fuel type	Source of CO ₂ Emission Factor
Electricity	Grid emission factor 2021
Petrol	US EPA 2021AR5
Diesel	US EPA 2021AR5
LPG gas	US EPA 2021AR5
Natural gas	UK Government GHG Conversion factor 2023
Air Travel	Based on ICAO calculator

As a responsible food producer, we recognize that the raw materials, components, and packaging we use play a significant role in our operations. Therefore, we are committed to reducing the negative impacts of these elements in our value chain by improving the sourcing of raw materials and packaging materials.

Our Approach

We are dedicated to implementing sustainable practices that emphasize the conservation of natural resources and the protection of the environment. This includes focusing on reducing the use of materials that negatively impact the environment.

To manage material usage effectively, we focus on the following:

- Collaborating closely with our suppliers to ensure that our raw and packaging materials align with our purchasing policy and meet high-quality standards.
- Tracking, measuring and monitoring any losses that occur during the manufacturing process, while identifying key categories and waste streams.
- Reducing and recycling generated waste through proper planning and ongoing monitoring.

Our Performance

The total weight of materials used in FY2024 was 40 thousand tonnes, reflecting a 14.0% increase from the previous year. This increase is minimal compared to the growth in demand for our products during the same period. It highlights our efficiency in resource utilization, which aligns with sustainability practices embedded in our daily operations to minimize material usage. Additionally, we have developed applications that store and monitor data on a digital platform, eliminating the need for paper-based records and procedures.



Waste Management

Our Approach

Waste is a common challenge across the food and beverage production industry, with both local and cost-related impacts on the business. As a responsible company, we are committed to managing waste by adopting a minimal-waste approach, following the waste-management hierarchy of prevention, reduction, reuse, and recycling in our operations. We believe that effective waste management is crucial for developing sustainable, value-driven operations.

We continuously monitor our waste generation, seek innovative methods to repurpose waste materials and adopt sustainable solutions throughout our value chain.

Our Performance

Food Waste
Biscuit and Oil Scraps

- Repurposed as animal feed and biodiesel

Non-Food Waste
Metal and Plastic Scraps

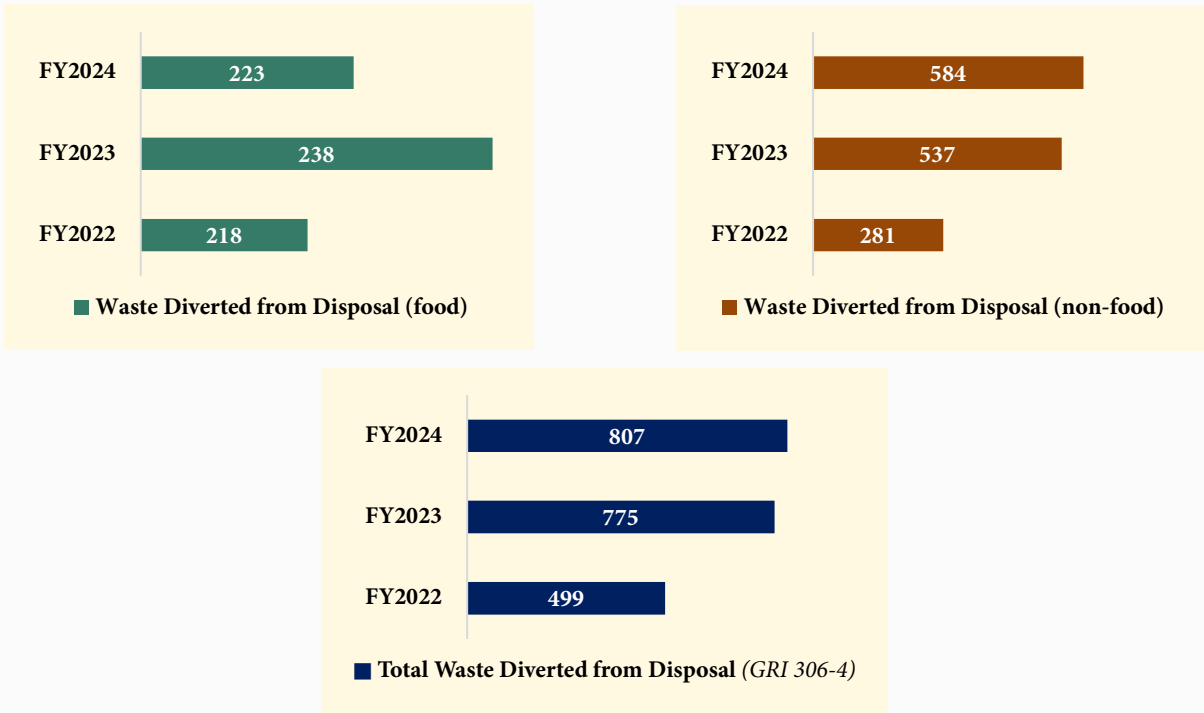
- Recycled by waste collectors

Replacing tin containers with paper cartons

- To reduce the logistical load

The food waste diverted from disposal includes biscuit and oil scraps, which are repurposed as animal feed and biodiesel. Non-food waste, such as metal and plastic scraps, is recycled by waste collectors. Additionally, we have begun replacing tin containers with paper cartons to reduce the logistical load.

Waste Management (tonnes)



Water Management

HSIB relies on water throughout our manufacturing facilities and supply chain for every product we produce. This highlights the importance of fully understanding and responsibly managing this critical resource. While water is renewable, its availability is limited during droughts and water cuts.

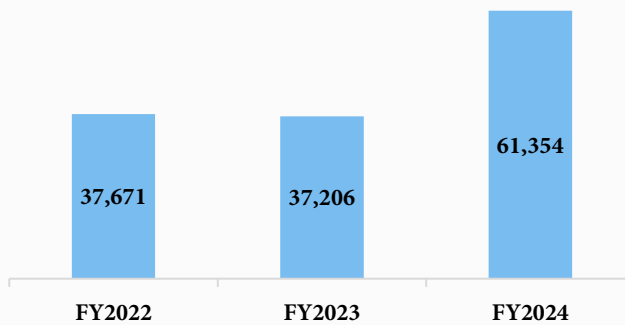
Our Approach

We regularly measure and monitor our water consumption and effluent discharge to track progress. We are committed to finding sustainable water management solutions and ensuring efficient water use in our operations.

Furthermore, we ensure that wastewater generated at our facilities is treated to meet all regulatory requirements before being discharged into the environment. Our wastewater treatment system effectively removes contaminants and converts it into effluent that can be safely returned to the water cycle. Additionally, we engage an independent testing laboratory, accredited by the Department of Standards Malaysia, to monitor our industrial effluent discharge monthly. Over the past three financial years, we have consistently met the acceptable discharge conditions set out in standard B.

Our Performance

In FY2024, there is a 64.9% increase in the water consumption as compared to 2023. The reason for the increase is mainly due to the expansion of our data perimeter to include water consumption data in our worker's hostel this year.



■ Water consumption within the Group¹ (m³) (GRI 303-5)

Note: 1. Data for FY2024 has been validated by an independent third party.

Our Priorities Pillar 3:

Our Society's Future

HSIB prioritizes a culture of trust, respect, and opportunity, recognizing that its success is driven by the dedication of its employees. The company focuses on employee performance, commitment, and loyalty to achieve business objectives and long-term sustainability. Sustainability programs at HSIB emphasize training, diversity, well-being, fair labour practices, safe working conditions, and fair compensation. Employees are regularly oriented to company culture and policies, with annual appraisals, while a collaborative environment encourages continuous growth and excellent customer results.

Health and Safety

We go beyond our commitment to keeping all our employees safe by creating and promoting conditions that aim to improve their long-term health and well-being. Given the importance of health and safety, HSIB adopts a zero-tolerance approach to occupational health and safety (“OHS”) violations, adhering to the Occupational Safety and Health (Amendment) Act 2022 and other applicable regulations.

Our Approach

Our OHS policy is regularly reviewed to ensure the health and safety of all employees, including full-time and part-time staff. This is achieved through daily workplace inspections, on-the-job training, safety awareness briefings, induction training for new employees, and specific skill training for machine and forklift operators. Quarterly committee meetings are held to address safety concerns due to the high labour intensity and complex machinery involved.

The establishment of an OHS committee enables employees to identify areas for improvement, provide feedback to management, and take responsibility for their own work environment. Additionally, mitigation measures such as periodic safety training, inspections, and incident monitoring are incorporated into our risk management system.

**To ensure safety personnel are equipped with the necessary knowledge and skills,
the following OHS training was provided in FY2024:**

CHRA: Interpretation
And Post Activities

Empowering
Ergonomics in The
Workplace

Fire Safety Training

First AID and CPR

Hazard Identification,
Risk Assessment and
Risk Control
(HIRARC)

Kursus Asas
Keselamatan
Kebakaran Organisasi
Keselamatan
Kebakaran (OKK)

Safety Awareness
Training & Hearing
Protection Training

And other health and
safety related-training

Our Performance

In FY2024, a total of 865 employees underwent health and safety training, a 14.7% increase from the 754 employees trained in 2023. Our goal of zero workplace fatalities has been a shared objective across all our business units. We are happy to announce that we successfully achieved this in FY2024, thanks to the health and safety practices carefully designed for our operations.

	FY2022	FY2023	FY2024
Number of work-related fatalities ¹ (GRI 403-9)	NIL	NIL	NIL
Number of accident cases ¹ (GRI 403-9)	1	4	4
Lost time incident rate ("LTIR") (Rate per millionth man hours) ¹ (GRI 403-9)	0.35	1.39	1.33
Number of employees trained on health and safety standards ¹	869	754	865
Employees trained on health and safety standards (%) ¹ (GRI 403-5)	74.5	60.8	67.0

Note: 1. Data for FY2024 has been validated by an independent third party.

Labour Practices and Standards

In line with our company values, HSIB is committed to ensuring compliance with labour standards while respecting and promoting the human rights of all employees, regardless of their nationality. All workers are treated with respect and are granted the same rights, privileges, and opportunities in accordance with local laws. This commitment is embedded within existing policies and procedures designed to uphold this objective in our operations. These policies include Code of Conduct, Diversity Policy and Remuneration Policy.

Effective training and development are key to business growth, helping keep the workforce skilled and aligned with industry trends. These opportunities foster professional growth, enhance employee skills, and enable adaptation to market changes.

Our Approach

A well-managed talent pool leads to increased productivity, better decision-making, and higher employee satisfaction. Investing in talent enhances the company's reputation, attracting top talent and boosting customer loyalty. To support employees' career growth and develop future leaders, we provide career development and professional training opportunities.

Training needs analysis is conducted yearly during performance appraisals to identify employees' goals and skill gaps. Employees' strengths and development areas are discussed, and training programs are tailored to help them achieve their goals. After training, their effectiveness is evaluated by both supervisors and the HR department.

Our Performance

We consider our people one of HSIB's greatest assets and remain committed to promoting a culture of learning and development. We are pleased to report there is an increase in total training hours compared to FY2023. Our employees completed a total of 19,739.0 training hours, reflecting a 39.3% rise from the previous financial year.

This equates to an average of 15.3 hours per employee. The growth in training hours is primarily due to the combined use of online learning tools and in-person training programs, along with a wider variety of training sessions offered across different departments.

	FY2022	FY2023	FY2024
Total hours of training by employee category¹			
Management	991.5	1,527.0	2,553.0
Executive	2,121.5	2,433.5	4,203.0
Non-executive / Technical staff	3,767.0	3,352.0	6,107.0
General workers	6,394.0	6,856.0	6,876.0
Total training hours	13,274.0	14,168.5	19,739.0

Note: 1. Data for FY2024 has been validated by an independent third party.



Here are some of the training programs conducted in FY2024:

Anti-Bribery and Corruption Management System Training (ABAC)

Data Privacy and Security - Compliance And Customer Trust

E-Invoicing Implementation and Workflow

Employment Law & Industrial Relations

Internal Audit Skills for Anti-Bribery Management System

Mastering Procurement Skills Training

Maximizing Efficiency and Savings: The Intersection Of E-Invoicing Tax Savings And Cash Flow Strategies

Seminar Kompetensi Eksekutif Halal & JKHD Sijil Pengesahan Halal Malaysia

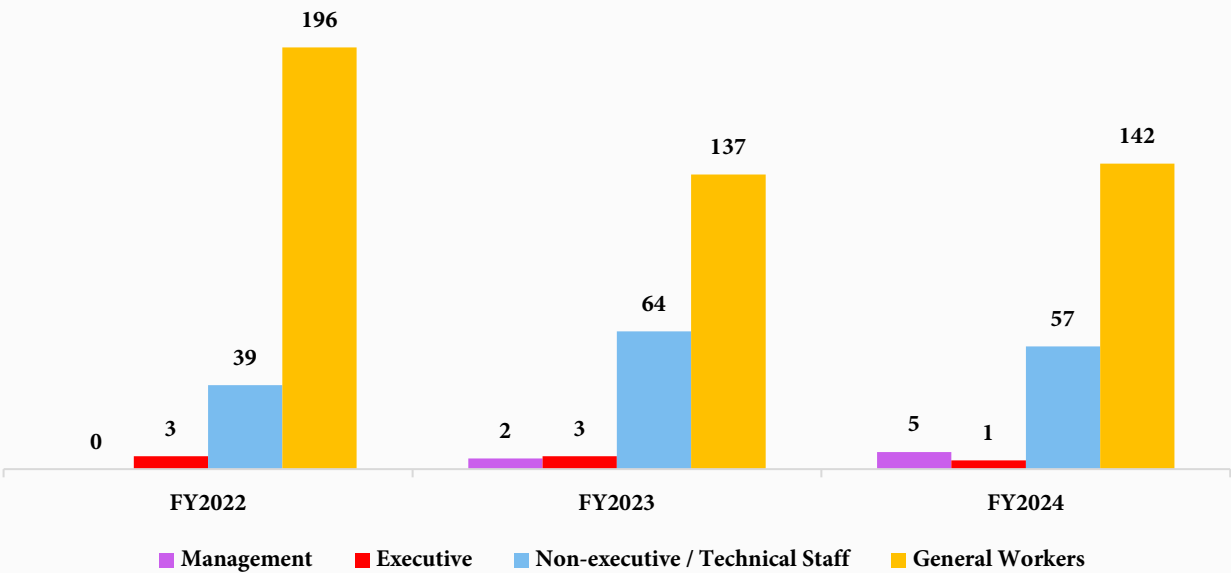
Sustainability Reporting Awareness - Reporting Framework and Data Collection Mechanism

And other training programs

To stay competitive with our peers and align with prevailing local market rates, we regularly review our compensation packages to ensure fair remuneration and working conditions for all employees. The benefits offered to all full-time employees include medical benefits, maternity leave, parental leave, long-service awards, and more.



Total Number of Employee Turnover by Employee Category¹ (GRI 401-1)



Note: 1. Data for FY2024 has been validated by an independent third party.

Diversity and Inclusion

Our Approach

HSIB naturally strive to build and nurture an inclusive culture that promotes and values diversity in our recruitment of workers. Our Diversity Policy recognizes that building a diverse and inclusive group of people is essential to the Group's success. We acknowledge the advantages of having a diversified management and will make use of differences in gender, age, ethnicity, disability, and social/cultural background, along with the character, experience, integrity, competence, and time commitment of the individual. This approach helps to attract, retain, and develop a diverse team of skilled individuals who are committed to the Group's objectives. The Diversity Policy can be found on the company website at www.hsib.com.my/corporate-governance.

The Group is also committed to maintaining a workplace free of harassment and discriminatory practices. We believe that by preventing discrimination, we can create a more inclusive and welcoming workplace culture and enhance the well-being of our employees.

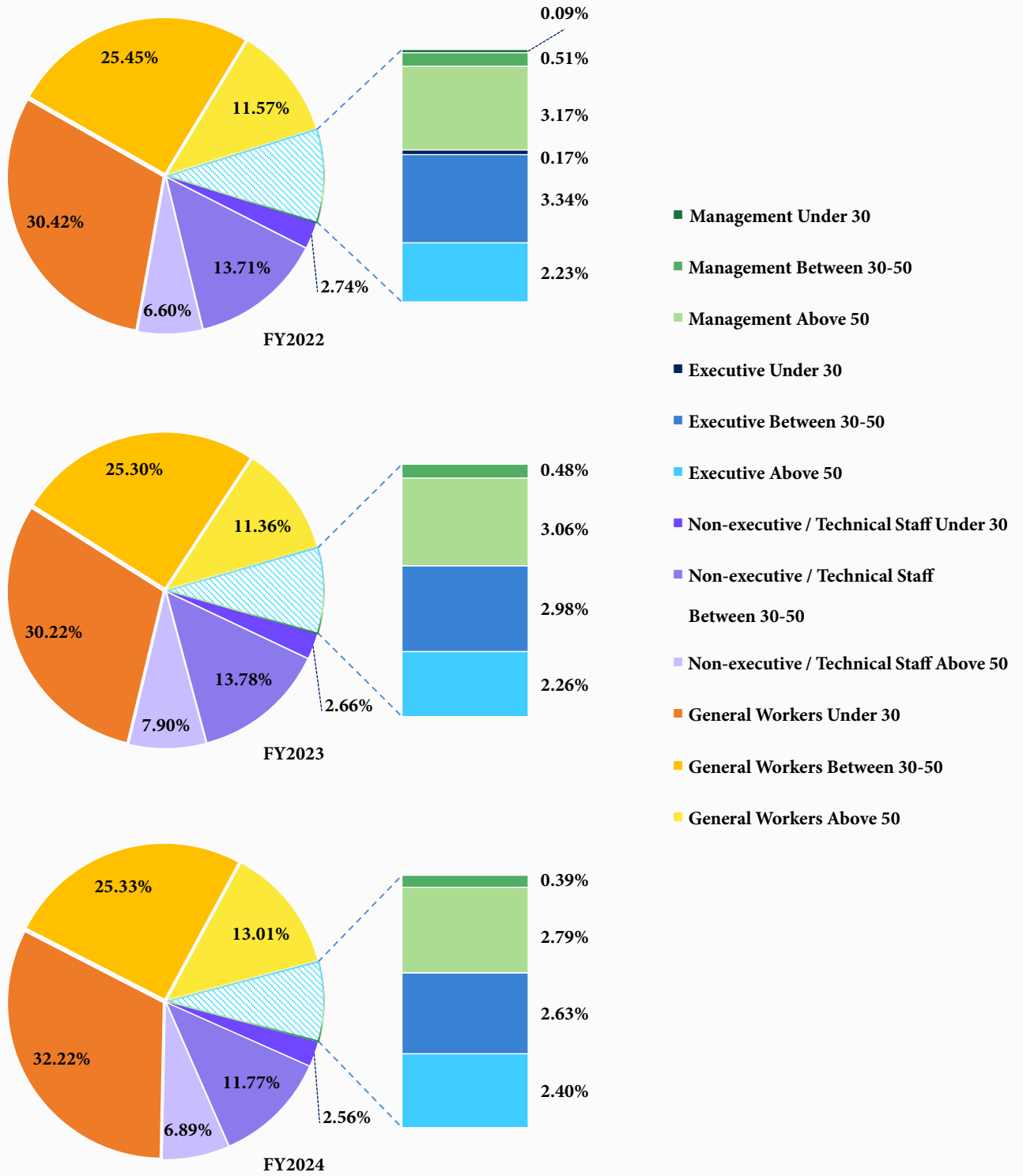
Our Performance

As of 31 December 2024, we employ 1,291 people, with 81.0% being permanent employees and the rest consisting of contractors or temporary staff. We have made steady progress in achieving gender equality, with women representing over 37.3% of our workforce. Our team includes 34.8% individuals under the age of 30, contributing fresh perspectives and ensuring a strong talent pipeline for future leadership roles. Additionally, 40.1% of our employees are between the ages of 30 and 50, providing valuable on-the-job training and mentorship to younger colleagues. The remaining 25.1% of our workforce are over 50 years old, contributing stability and a sense of direction to the Group.

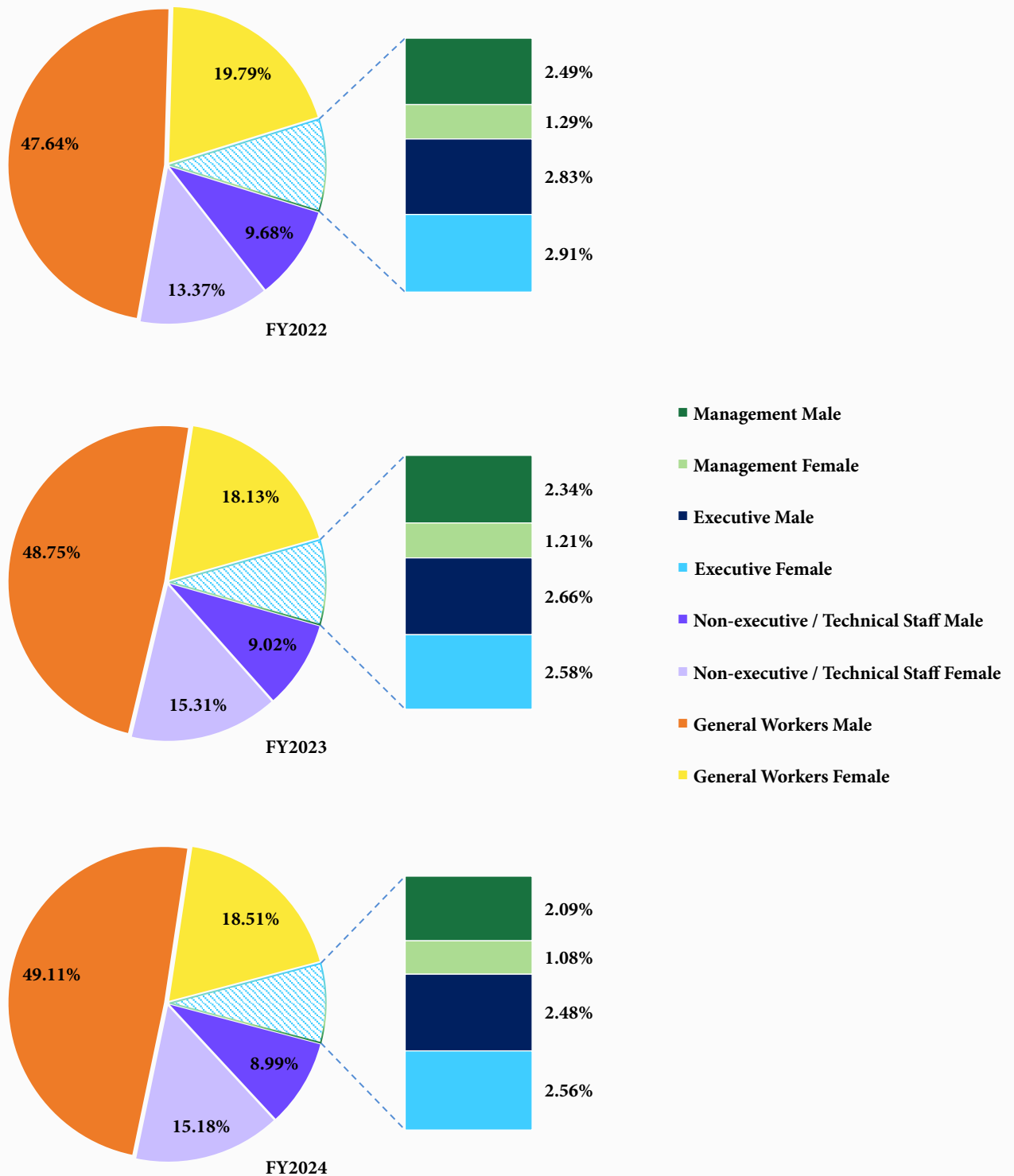


Percentage of employees by gender and age group, for each employee category¹ (GRI 405-1)

Age Group by Employee Category

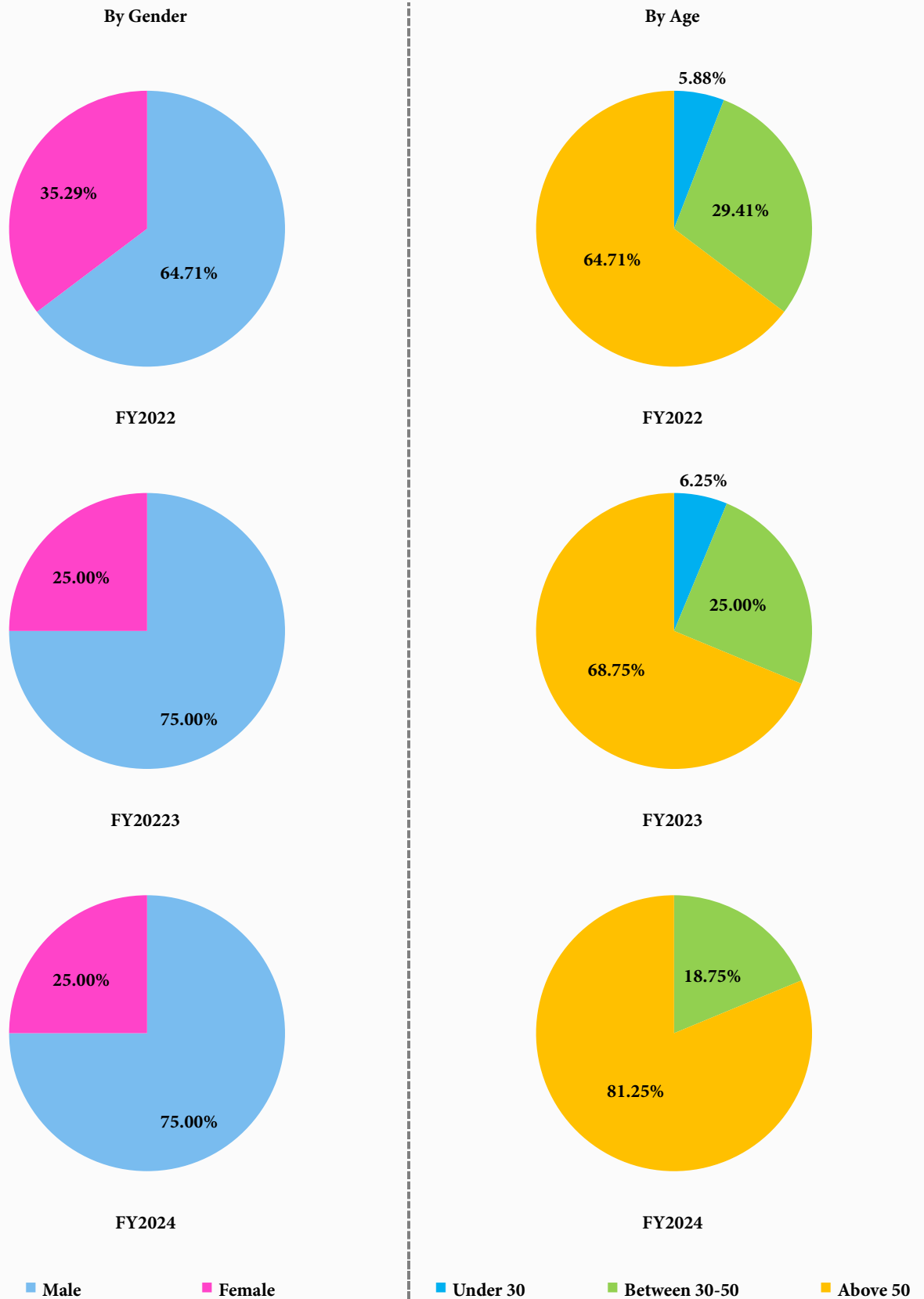


Gender Group by Employee Category

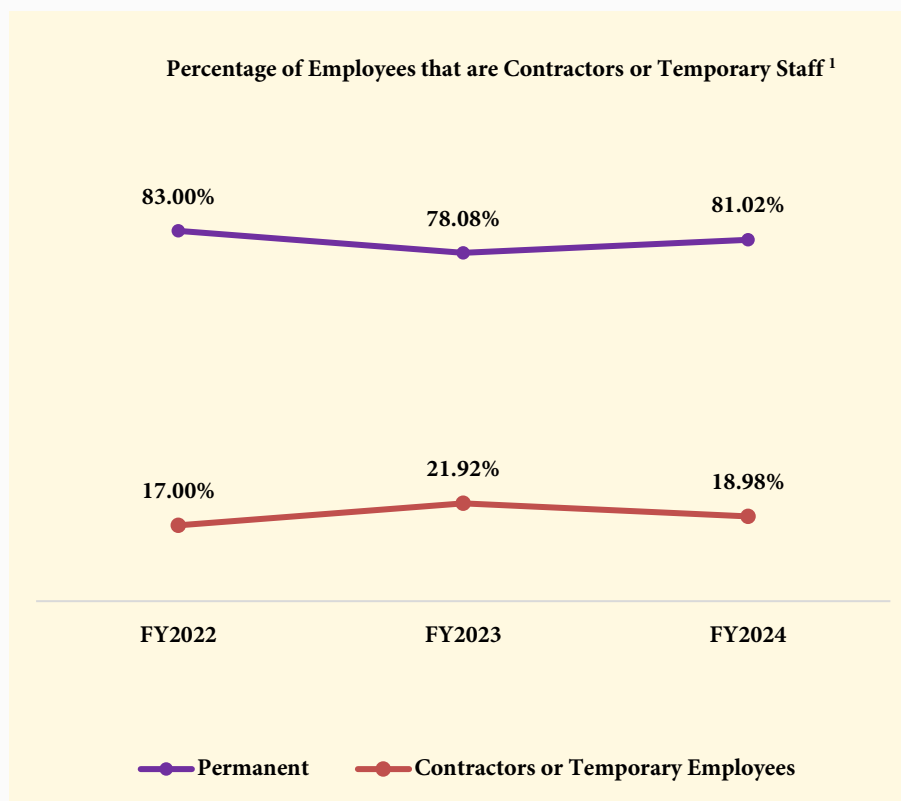


Note: 1. Data for FY2024 has been validated by an independent third party.

Percentage of directors by gender and age group¹ (GRI 405-1)



Note: 1. Data for FY2024 has been validated by an independent third party.



Note: 1. Data for FY2024 has been validated by an independent third party.

HSIB is committed to ensuring compliance with labour standards while respecting and promoting the human rights of all employees, regardless of their nationality. There have been no complaints or incidents of discrimination, human rights violations or labour law infringements in the past three financial years.

	FY2022	FY2023	FY2024
Incidents of discrimination and corrective actions taken (GRI 406-1)	NIL	NIL	NIL
Number of substantiated complaints concerning human rights violations	NIL	NIL	NIL

Community Investment

Our Approach

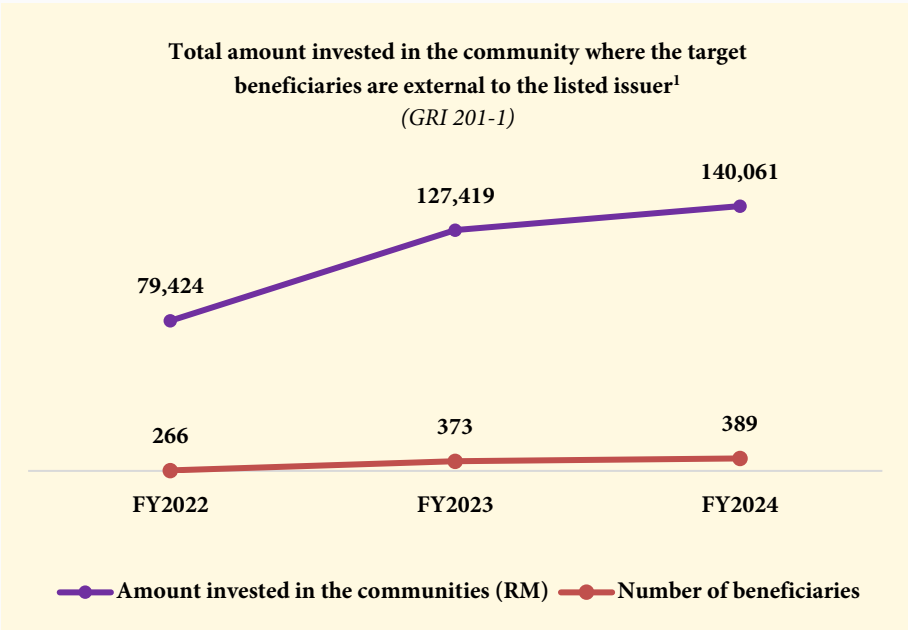
HSIB is deeply committed to corporate social responsibility (“CSR”) and creating long-term value in the communities where we operate. Our primary goal in community development is to empower and support underprivileged members of society by providing opportunities through educational programs, job training, and other forms of assistance.

We are also dedicated to environmental conservation and sustainability, actively seeking partnerships with like-minded organizations to achieve these goals. Over the years, HSIB has worked closely with non-governmental organizations, government agencies, and educational institutions to support community-based programs, including food donations and fundraising campaigns.

These initiatives are made possible through the dedication and generosity of our employees, who volunteer their time and resources to make a positive impact in the communities we serve.

Our Performance

In FY2024, our total community development expenditure was RM140,061 with 389 beneficiaries in the area of our operation.

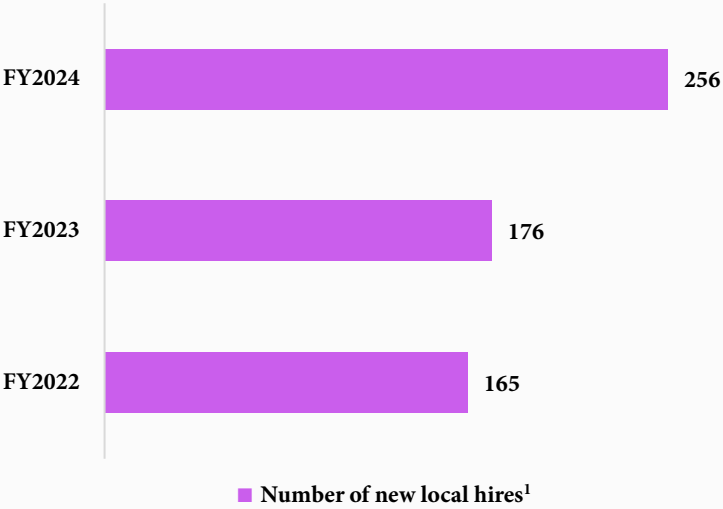


Note: 1. Data for FY2024 has been validated by an independent third party.

We have also included below a list of some of the beneficiaries of our CSR activities for FY2024:

Che Eng Khor Moral Uplifting Society, Batu Pahat
The Salvation Army
Penang Adventist Hospital
Persatuan Kebajikan Thirumular Malaysia
LLG Cultural Development Center Berhad
Yayasan Taiwan Buddhist Tzu-Chi Malaysia, Melaka

The Group acknowledges that cultivating collaborative relationships with our stakeholders is imperative for our sustained success and growth. The increase in the number of local hires in the past reflects our commitment to attracting diverse and qualified employees, while also providing support to our local community.



Note: 1. Data for FY2024 has been validated by an independent third party.

Corporate Integrity and Governance

HSIB is committed to strong corporate governance and adheres to the Malaysian Code on Corporate Governance (“MCCG”) issued by the Securities Commission Malaysia. The Board believes that good governance enhances accountability and creates long-term shareholder value. To support long-term sustainability, HSIB follows three key principles from the revised MCCG:

Principle A	Principle B	Principle C
Board Leadership and Effectiveness	Effective Audit and Risk Management; and	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

For more details on our corporate governance, please refer to HSIB’s website at www.hsib.com.my/corporate-governance.

Anti-Bribery and Anti-Corruption

Our Approach

HSIB are committed to integrity in business and compliance with the Malaysian Anti-Corruption Commission Act, avoiding bribery and corruption in daily operations. The Group adopts a zero-tolerance policy toward all forms of bribery and corruption. Employees who refuse to engage in bribery or corruption will not be penalized, even if it results in lost business or unmet targets. The Anti-Bribery and Anti-Corruption Policy aligns with the Group’s Code of Conduct and covers all bribery-related circumstances. Compliance with the policy is mandatory and is monitored.

Our Performance

In FY2024, there were no reported breaches, as HSIB maintains a zero-tolerance approach towards corruption, including bribery. We are fully committed to upholding the highest ethical standards in compliance with all relevant laws and regulations.

To reinforce our commitment, we provide training to our employees on ABAC policy. In FY2024, 97.4% of employees completed ABAC training, a slight increase from 96.4% in 2023.

	FY2022	FY2023	FY2024
Percentage of employees who have received training on anti-corruption by employee category ¹ (GRI 205-2)			
Management	0.60%	3.38%	3.18%
Executive	3.34%	5.08%	4.96%
Non-executive / Technical Staff	19.20%	23.93%	20.99%
General Workers	67.01%	63.98%	68.24%
Percentage of operations assessed for corruption-related risks (GRI 205-1)	NIL	NIL	100%
Confirmed incidents of corruption and action taken (GRI 205-3)	NIL	NIL	NIL

Note: 1. Data for FY2024 has been validated by an independent third party.

Data Privacy and Security

Our Approach

We strictly adhere to the Personal Data Protection Act (PDPA) 2010 in managing our system and data, supported by a clear policy on data collection, storage, and usage. Our mission is to ensure the uptime of information systems, data integrity, availability, and business continuity. The following internal controls and IT policies have been established to safeguard our systems and data.

Policy / Procedure	Purpose
System Requisition Policy	<ul style="list-style-type: none">To control and manage system user access rights, as well as the maintenance of application systems and reports.
Computer System Security Policy	<ul style="list-style-type: none">To strengthen password security and system data backup procedures.
Backup Data Encryption Policy	<ul style="list-style-type: none">To protect data like financial records.
IT Disaster Recovery Plan	<ul style="list-style-type: none">To ensure data integrity, system uptime, and business continuity in the event of an emergency.

We also provided Cybersecurity Awareness Training to all system and email users, focusing on key topics such as company policies, password management, safe internet practices, and the protection of sensitive data. The training also covers secure practices for data classification, processing, storage, and disposal. In FY2024, 191 participants successfully completed the training.

Our Performance

In view of our data protection practices, we have recorded zero report and complaint of data mismanagement during this reporting period.

	FY2022	FY2023	FY2024
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 418-1)	NIL	NIL	NIL

GRI Context Index

Statement of Use	Hup Seng Industries Berhad has reported the information cited in this GRI content index for the period from 1 January 2024 to 31 December 2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Page
GRI 2: General Disclosures 2021	2-1 Organizational details	2, 3
	2-2 Entities included in the organization's sustainability reporting	6
	2-3 Reporting period, frequency and contact point	6
	2-4 Restatements of information	-
	2-5 External assurance	51 - 53
	2-6 Activities, value chain and other business relationships	3 - 5
	2-7 Employees	39 - 43
	2-8 Workers who are not employees	43
	2-9 Governance structure and composition	11, 12
	2-10 Nomination and selection of the highest governance body	CG Overview Statement www.hsib.com.my/nomination-committee
	2-11 Chair of the highest governance body	11, 12
	2-12 Role of the highest governance body in overseeing the management of impacts	11, 12
	2-13 Delegation of responsibility for managing impacts	11, 12
	2-14 Role of the highest governance body in sustainability reporting	12
	2-15 Conflicts of interest	Anti-Bribery and Anti-Corruption: Code of Conduct www.hsib.com.my/corporate-governance
	2-16 Communication of critical concerns	Anti-Bribery and Anti-Corruption: Code of Conduct www.hsib.com.my/corporate-governance
	2-17 Collective knowledge of the highest governance body	11, 12
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report
	2-19 Remuneration policies	www.hsib.com.my/corporate-governance
	2-20 Process to determine remuneration	www.hsib.com.my/corporate-governance
	2-21 Annual total compensation ratio	Information on key management personnel compensation available in Annual Report
	2-22 Statement on sustainable development strategy	8 - 10
	2-23 Policy commitments	11, 12
	2-24 Embedding policy commitment	11, 12, 34, 35, 46, 47

GRI Standard	Disclosure		Page
	2-25	Processes to remediate negative impacts	Anti-Bribery and Anti-Corruption, Whistleblowing Policy www.hsib.com.my/corporate-governance
	2-26	Mechanisms for seeking advice and raising concerns	Anti-Bribery and Anti-Corruption www.hsib.com.my/corporate-governance
	2-27	Compliance with laws and regulations	24, 25, 28, 34, 35, 36, 43, 46, 47
	2-28	Membership associations	-
	2-29	Approach to stakeholder engagement	13, 14
	2-30	Collective bargaining agreements	-
GRI 3: Material Topics 2021	3-1	Process to determine material topics	15
	3-2	List of material topics	15, 16, 17
	3-3	Management of material topics	15, 16, 17
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	23
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local supplier	27
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	46
	205-2	Communication and training about anti-corruption policies and procedures	46
	205-3	Confirmed incidents of corruption and actions taken	46
GRI 301: Materials 2016	301-1	Materials used by weight or volume	31
GRI 302: Energy 2016	302-1	Energy consumption within the organization	29
	302-3	Energy intensity	29
GRI 303: Water and Effluents 2018	303-5	Water consumption	33
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	30
	305-2	Energy indirect (Scope 2) GHG emissions	30
	305-3	Other indirect (Scope 3) GHG emissions	30
GRI 306: Waste 2020	306-3	Waste generated	32
	306-4	Waste diverted from disposal	32
	306-5	Waste directed to disposal	-
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	38, 45
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	34, 35
	403-4	Worker participation, consultation, and communication on occupational health and safety	34, 35
	403-5	Worker training on occupational health and safety	35
	403-9	Work-related injuries	35

GRI Standard	Disclosure		Page
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	37
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	39 - 43
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	43
GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	26
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	47

Independent Limited Assurance Statement



Statement of Limited Assurance

Terms of Engagement

Rapid Genesis Sdn. Bhd. (RGSB) has been engaged by Hup Seng Industries Berhad ('HSIB') to provide independent limited assurance on *Hup Seng Industries Berhad ('HSIB') Sustainability Report 2024*, of which has been prepared based on HSIB's reporting criteria. The assurance statement is in accordance with the International Standard on Assurance Engagements ISAE 3000 (Assurance Engagements Other than Audits or Reviews of Historical Financial Information) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements). This statement addresses the performance indicators related to the Global Reporting Initiative (GRI) Standards, as outlined below that are material to HSIB's environmental, social, and governance (ESG) performance for the FY2024 reporting period.

Scope of Work

Our work was focused on evaluating the performance indicators in HSIB's Sustainability Report 2024 specified under the GRI standards for the reporting period, limited only to the performance indicators listed below:

- GRI 2-7 Employees
- GRI 204-1 Proportion of Spending on Local Suppliers
- GRI 302-1 Energy Consumption within the Organization
- GRI 302-3 Energy Intensity
- GRI 303-5 Water Consumption
- GRI 305-1 Energy Direct (Scope 1) GHG Emissions
- GRI 305-2 Energy Indirect (Scope 2) GHG Emissions
- GRI 305-3 Other Indirect (Scope 3) GHG Emissions (Business Travel & Employee Commuting Only)
- GRI 403-5 Worker Training on Occupational Health and Safety
- GRI 403-9 Work-related Injuries
- GRI 404-1 Average Hours of Training per Year per Employee
- GRI 405-1 Diversity of Governance Bodies and Employees
- GRI 205-2 Communication and Training about Anti-Corruption Policies and Procedures

Scope of Coverage

The assurance engagement was conducted on sustainability data collected from:

- Hup Seng Perusahaan Makanan (M) Sdn. Bhd.
- Hup Seng Hoon Yong Brothers Sdn. Bhd.
- In-Comix Food Industries Sdn. Bhd.
- Location: Johor, Malaysia
- Control approach: Operational Control

Timeframe

The assurance engagement covered the reporting period from 1 January to 31 December 2024.

Reporting Criteria

The Reporting Criteria used by HSIB include:

- The Global Reporting Initiative ("GRI") Standards 2021
- Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements
- Bursa Malaysia's Sustainability Reporting Guide and Toolkits (3rd Edition)

Assurance Activities Undertaken

Assurance activities that were carried out included but not limited to:

1. Document Review:

- RGSB reviewed HSIB's sustainability report, policies, and the relevant internal documentation to understand the context and methodology used for compiling the performance data.

2. Interviews and Discussions:

- RGSB conducted interviews with key personnel responsible for sustainability reporting and data collection.
- RGSB sought clarification on specific data collection methods and assumptions made during the reporting process.

3. Data Testing and Verification:

- RGSB conducted testing on a sample basis to verify the accuracy of the reported data. This included checking the underlying records, reports, and systems used to generate the reported figures.
- RGSB performed calculations to ensure that the reported energy consumption, GHG emissions, water usage, and other performance data are consistent with the reporting standards and methodologies specified in the GRI indicators.
- For indicators related to GHG emissions (Scope 1, Scope 2, and partial Scope 3), RGSB verified that emission factors and calculation methods were applied in accordance with recognised standards.

4. Review of Internal Controls:

- RGSB assessed the internal control systems in place to ensure that the data presented in the sustainability report is complete, accurate, and consistent.
- This included reviewing the processes used to track employee training hours, injuries, diversity metrics, anti-corruption training, and procurement spend on local suppliers.

5. Review of Policies and Procedures:

- RGSB reviewed HSIB's policies on ethics, anti-corruption, health and safety, and sustainability to assess how they are communicated to employees, suppliers, and other stakeholders.

HSIB's Responsibilities

HSIB is responsible for the preparation and presentation of the sustainability data, including the identification of the material performance indicators in accordance with the GRI Standards. This includes:

1. **Data Integrity:** HSIB is responsible for ensuring the accuracy, completeness, and consistency of the reported data, including the methodology used to calculate and report the performance indicators.
2. **Internal Controls:** HSIB is responsible for establishing and maintaining internal control systems that is relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error.
3. **Compliance with Reporting Criteria:** HSIB is responsible for ensuring that the sustainability report complies with the relevant reporting frameworks and applicable legal and regulatory requirements.
4. **Management Assertions:** HSIB is responsible for making appropriate management assertions about the validity, completeness, and transparency of the data provided for the assurance process.

Rapid Genesis's Responsibilities

Rapid Genesis' responsibility is to express a limited assurance conclusion for the specific performance indicators in HSIB's FY2024 Sustainability report based on the procedures we have performed and the evidence we have obtained. A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of HSIB's use of its reporting criteria as the basis of preparation for the selected performance indicators, assessing the risks of material misstatement of the selected performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected performance indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Our Independence and Quality Control

Rapid Genesis implements and maintains a robust quality management system that aligns with the requirements of ISO 9001:2015, fulfilling the standards of the International Standard on Quality Management 1. Furthermore, our practitioners adhere to the Professional Requirements that meets the demand of the Code of Ethics for Professional Accountants established by the International Ethics Standards Board for Accountants (IESBA). We at our level best comply with ethical requirements and plan and perform the verification to obtain a limited assurance conclusion based on the work undertaken and evidence provided.

Limitations of the Assurance Engagement

It is important to note the following limitations inherent to the scope and methodology of our engagement:

1. **Sampling Approach:** Our testing and verification procedures were performed on a sample basis. As such, the assurance findings are based on the sampled data and may not necessarily reflect the complete population of reported data.
2. **Scope of Reporting:** The assurance engagement was limited to the specific GRI performance indicators mentioned above and did not extend to other areas of the organisation's sustainability or corporate social responsibility strategy. Additionally, our review did not extend to external data sources or third-party reporting, unless otherwise specified.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the information of HSIB's FY2024 Sustainability Report are not prepared in all material respects in accordance with HSIB's Reporting Criteria.

Rapid Genesis Sdn Bhd



Tang Kok Mun
Lead Consultant
27 February 2025

