



SUSTAINABILITY REPORT

2023

HUP SENG
INDUSTRIES BERHAD
199101015786 (226098-P)



HUP SENG

Cream
Crackers

乒乓較較餅 Biskut Cap Ping Pong



1994 - 2019
WORLD BRICKS AWARDS WINNER SELECTION
世界磚獎最佳餅家全球獎
Cap Ping Pong
2019-2020
NET WEIGHT (EACH PACK) : 165g (5.8oz)
NET WEIGHT (POUR NET) : 165g (5.8oz)

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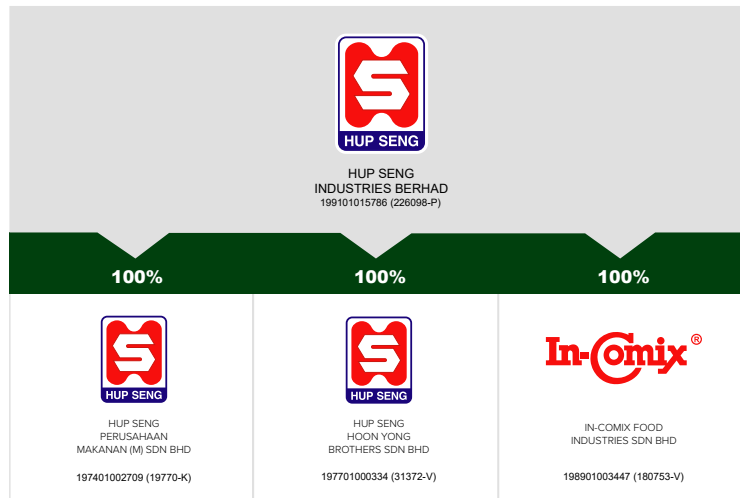
ABOUT US

Group Profile



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

At present, HSIB owns three wholly owned subsidiaries and the shareholding structure of the Group as at 31 December 2023 is as follows:



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

BISCUITS

BEVERAGES

**OTHER AGENT
PRODUCTS**

MISSION AND OBJECTIVE



Mission

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



Objective

To become a leading multinational organisation in biscuits, cookies, snacks and beverage mixes.

The Group is made up of four legal entities, with the holding company maintaining a listing on Bursa Malaysia. The Group was listed in the year 2000 and the principal place of business is in Johor.

The Group's operation is split into three segments: biscuit manufacturing segment, beverage manufacturing segment and trading segment.

The Group offerings include Special Cream Crackers, Marie Biscuits, Sugar Crackers, Chippy Chip Cookies, Oat Cookies, Deluxe Crackers, Chocolate Teddy Biscuits, Flying Fish Biscuits, Pineapple Jam Cookies, Corneo Crackers and other assorted biscuits. In addition to biscuits, the Group also offers instant coffee mixes, teas, cereals and other foodstuffs.

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

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

The Group's manufacturing processes are certified by:

1. FSSC 22000 (V5.1) 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 Responsibility of the Industry) Certification

We have also obtained Halal certifications, an accreditation certifying that our products are prepared in accordance with Halal methods:

1. Halal Certification from the Department of Islamic Development Malaysia ("JAKIM")
2. Halal Certification from the Halal Product Assurance Organizing Agency of Indonesia ("BPJPH")

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

The Group's revenue consists of 80% domestic sales and 20% export sales to over forty countries worldwide. In terms of product mix, biscuits being the dominant range represent about 97.1% of the total revenue. Stringent quality control and rapid product innovations have contributed to the Group's success.

RM58 million was distributed for employee benefits expense and RM15 million was the amount taxed by the government.



In FY2023, the Group produced approximately 32 thousand tonnes of products.

The main raw materials used are flour, corn starch, palm oil, sugar and water. The materials used for packaging include packaging rolls, paper carton boxes and biscuit tins.

As a member of the Federation of Malaysian Manufacturers since 1989, the Group is actively involved in supporting the communities in Malaysia by organizing community activities around the vicinity of its plants nationwide.

ABOUT THIS REPORT

At Hup Seng, we are committed to our sustainability mission as we seek to embrace the needs of our consumers, and our communities, whilst caring for the environment and acting in the best of our stakeholders' interests. We continuously monitor our sustainability progress and actions to make sure they meet our ambitions and are in line with best practices. Each section in this report describes the work we are doing to address sustainability challenges, including our performance, approach, progress and next steps.

This report should be read in conjunction with HSIB's Annual Report 2023.

The disclosures within this report draw upon guidance from the Sustainability Reporting Guide ("SRG") as well as the toolkit issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") and are prepared in accordance with Global Reporting Initiative ("GRI") Universal Standards 2021.

This report is structured into four sections, which include:

- An overview of the report and its scope
- How we govern according to our sustainability framework;
- How we identify and prioritize the material aspects; and
- Management approach, current performance and forward-looking key performance indicators to be achieved in the future.

REPORTING SCOPE AND BOUNDARY

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

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

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

REPORTING PERIOD AND CYCLE

The environment, social and governance performances in the following pages cover data which have been compiled for period from 1 January to 31 December 2023 unless stated otherwise. Where available and relevant, historical data from the preceding years has been included for comparison purposes.

EXTERNAL ASSURANCE

Selected indicators contained within this report were validated by an independent third party and their assurance statement can be viewed at pages 68 and 69. Where applicable, the selected indicators validated are indicated across the sections in this report.

DISCLAIMER

Hup Seng recognizes the challenges and limitations arising from compiling ESG data on a group-wide basis. As such, the accuracy or comparability of some ESG data reported may differ on a case-to-case basis and are highlighted, where relevant.

This report contains forward-looking statements concerning our business, which may be identified by words or phrases such as 'should,' 'would,' 'target,' and 'will'. Such statements should not be interpreted as a guarantee of future operational practices or initiatives, as actual results may differ significantly from these forward-looking statements due to challenges that may arise in an everchanging business and operating environment.

Future plans, targets and other forward-looking statements discussed herein are made based on reasonable current assumptions and circumstances that are subject to change. Actual plans and results may differ according to changes in the operating environment.

Readers are advised not to place undue reliance on such statements as our business is subject to risks and uncertainties beyond Hup Seng's control.

MESSAGE FROM OUR MANAGING DIRECTOR

Dear esteemed shareholders,

Our products have been a source of delight in hearts and homes for more than 60 years. It is a legacy that has been built over generations and I am dedicated to preserving and fostering it for future generations to enjoy. We are driven by a deep sense of duty to honor the trust that consumers have placed in our products. I understand that these products hold a special place in the lives of so many people, and I am dedicated to maintaining the high standards of quality and excellence that have become synonymous with Hup Seng Industries Berhad.

We are also mindful of the responsibility that comes with being entrusted with the stewardship

of HSIB. It is a responsibility that we do not take lightly, and we are constantly seeking ways to improve ourselves while also embracing innovation and progress.

On behalf of the Board of Directors of HSIB, I am pleased to present to you the sustainability report of HSIB for the financial year ended 31 December 2023.

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

Beyond Short Term Profits

The global economy is navigating through a challenging environment marked by the enduring impact of the COVID-19 pandemic. The persistence of the global pandemic, geopolitical tensions, soaring energy and logistics costs, the disruption of some supply chains and soaring inflation have curtailed businesses best expectations.

Malaysia is not immune from these global developments, given the degree of openness in our economy and financial system. The diversified structure of the Malaysian economy and its solid fundamentals built over the years have bolstered the economy’s resilience and positioned the country on a steady growth path. These positive factors, supported by firm policies and action plans as well as the continuous implementation of pragmatic measures by the Government are expected to uphold the strength and resilience of Malaysia’s economy in the face of global uncertainties.

Amidst these difficult circumstances, our staff members have been the bedrock of our strength, persisting in the face of challenges

to consistently achieve positive outcomes. In today’s rapidly changing and dynamic business environment, their contributions are vital in ensuring the organization’s long-term value generation and success.

Looking ahead, with the gradual return to normalcy post pandemic, we expect to see an increase in consumer spending and improving labour market conditions. The Group will remain focus on streamlining our operations, enhancing brand awareness, improving customer service to improve profitability, focusing on internal optimizations as well as variables that are within our control.

We are proud of our team and the stakeholders we work with, whose hard work, drive and passion have ensured supply chain continuity amidst increasing challenges, serving as an inspiration to us all. With a strong commitment to the future, we will continue to drive ourselves and others to work ever more closely and find sustainable solutions to the challenges we face as a society.

Our Planet and Environment

Sustainability is not just about the ingredients that go into our products, it is also about how we go about making them. We acknowledge that our biscuit and beverage manufacturing facility and warehousing use considerable amounts of energy and resources. We make efforts to reduce our energy consumption and carbon emissions throughout our operations by adopting energy-saving technologies, upgrading our machineries where necessary and utilizing low-energy lighting. Optimizing our energy consumption presents an opportunity to reduce our greenhouse gas emissions (“GHG”). Furthermore, lowered energy usage also translates to reduced operating expenses for the Group. To this end, Hup Seng has begun to monitor its climate impact by tracking its Scope 1, 2 and 3 emissions.

The Group is also in the midst of replacing the last existing brick baking line fired by diesel to a new European baking line fired by natural gas. The new line with modern technology could improve the cost of production, such as reducing fuel cost, improve quality and hygiene, reduce

waste and environmentally able to reduce carbon emission.

In FY2023, we have achieved a reduction of 11.11% in our group’s total energy consumption. Furthermore, most of our trucks are equipped with environmentally friendly Euro 2 and 3 engines that run on Euro 5 diesel fuel, in an effort to minimize fuel consumption and carbon emissions.

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

Our Society’s Future

Occupational Health and Safety

It is our prime responsibility to keep our workforce safe and free from harm, while they perform their work across our operations and offices. Our occupational health and safety (“OHS”) initiatives aims to ensure safe working conditions everywhere for our employees. We seek to embed health, safety and security into the fabric of our business and ensure that we have the capacity to manage risk under variable conditions. We believe all incidents and injuries are preventable.

Through our comprehensive OHS policy, we have taken proactive measures to ensure that our workplaces maintain high standards of safety and health practices. We are pleased to report that there were no on-site fatalities at our workplaces during FY2023.

In addition, we maintain a pleasant and supportive workplace in which employees are provided with fair and meaningful opportunities for learning and development.

Training and Development

Compared to FY2022, we recorded an increase of 6.74% in the number of training hours in FY2023. As we strive to make a positive and sustainable impact on our local communities, we also align our business strategies with key societal needs, such as creating jobs, supporting local businesses, and participating in fundraising activities.

Food Safety

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

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

Our Prospects

We anticipate that our performance in FY2024 to be cautiously optimistic, affected by a number of domestic factors, including inflationary pressures, currency fluctuations, imposition of excise duty on premix preparations and increase in tariffs. Despite these challenges, we remain committed to providing affordable and high-quality products to consumers.

In order to remain competitive in the market, we will continue keep a close eye on changes in commodity prices, review our pricing strategies, and make changes to the production scale of our main products as necessary. We aim to improve our financial performance by maximizing operational efficiency and implementing cost-saving initiatives, while maintaining a careful approach to spending.

Closing Remarks

We appreciate and value the longstanding good relationships with all our stakeholders. On behalf of the Board of Directors, I would like to extend our heartfelt gratitude to them for their steadfast support throughout the years. I look forward to their continued collaboration, confidence and trust in our Group.

I would also like to extend my sincerest appreciation to my fellow Board members, management, and employees for your continued dedication and faithfulness. On 2 January 2024, we welcomed Mr. Lee Ting Kiat as Independent Non-Executive Director. The appointment of new director has further contributed to the diversity of our Board, enabling us to make better business decisions due to their extensive experience and expertise.

As we look ahead to the future, the Group will continue capitalizing on the fundamentals built in FY2023 in the areas of people, product and

We will continue to focus both on strengthening the domestic and international markets and on ensuring a steady supply of our products to satisfy the needs of our consumers.

sustainability. We focus on mitigating the negative impact of our operations on sustainability, at the same time we aim to have a positive impact on our customers by improving the sustainability aspects of our product offerings. Through this, we hope to integrate more sustainability practices into our operations, stay abreast on global trends, and drive continuous growth through meaningful initiatives.

Sincerely,

Kerk Chiew Siong
Managing Director

OUR SUSTAINABILITY PERFORMANCE AT A GLANCE

Indicators	FY2023 Performance	FY2024 Target
Anti-Bribery and Anti-Corruption	<ul style="list-style-type: none"> • Zero incidents of bribery and corruption • Percentage of employees who have received ABAC training: 96.37% 	<ul style="list-style-type: none"> • Maintain zero incidents of bribery and corruption.
Economic Performance	<ul style="list-style-type: none"> • Revenue: RM357 million • Operating Costs: RM297 million • Taxes: RM15 million • Net Profit: RM45 million • Return on Equity: 27.8 (%) • Earnings Per Share: RM0.056 • Net dividends per share: RM0.04 	<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 ESG. • Adapt to market demands and consumer lifestyle changes through continuous innovation.
Ecological Footprint	<ul style="list-style-type: none"> • Materials used by weight (thousand tonnes): 35 • Water Consumption within the Group: 37,206 (m³) 	<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. • Continue to monitor water usage, prioritize water conservation efforts and seek further opportunities to enhance efficiency in water usage
Effluents and Waste Management	<ul style="list-style-type: none"> • Waste diverted from disposal (food): 238 (tonnes) • Waste diverted from disposal (non-food): 537 (tonnes) • Total waste generated and diverted from disposal: 775 (tonnes) 	<ul style="list-style-type: none"> • 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.

OUR SUSTAINABILITY PERFORMANCE AT A GLANCE

Indicators	FY2023 Performance	FY2024 Target
Energy Consumption	<ul style="list-style-type: none"> Electricity consumption within the Group (mil kWh): 7.57 Energy consumption within the Group (mil kWh): 24 Energy intensity: 732 kWh per tonne GHG Emissions: <ul style="list-style-type: none"> Scope 1 emissions (tCO₂e): 3,529.33 Scope 2 emissions (tCO₂e): 4,883.52 Scope 3 emissions (tCO₂e): 2,839.74 	<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
Environmental Compliance	<ul style="list-style-type: none"> Zero incidents of non-compliance with environmental regulations. 	<ul style="list-style-type: none"> Maintain a zero-incident rate of non-compliance with environmental regulations.
Occupational Health and Safety	<ul style="list-style-type: none"> Zero work-related fatalities 4 accident cases <ul style="list-style-type: none"> Lost time injury frequency rate: 1.4 million man-hours Percentage of employees trained on safety and health standards: 60.8% 	<ul style="list-style-type: none"> Maintain a zero on-site fatality rate. Reduce lost time injury frequency rate and accident cases. Enhance awareness and training programs to provide employees with skills and knowledge.
Training and Development	<ul style="list-style-type: none"> Total hours of training: 14,168.5 hours <ul style="list-style-type: none"> By gender <ul style="list-style-type: none"> Male: 5,161.0 hours Female: 9,007.5 hours By job level <ul style="list-style-type: none"> Management: 3,960.5 hours Non-Management: 10,208.0 hours Average number of training hours per employee: 11.4 	<ul style="list-style-type: none"> Increase the number of training hours for employees at all levels. Integrate sustainability-related training programs into the competency development plans of employees.

OUR SUSTAINABILITY PERFORMANCE AT A GLANCE

Indicators	FY2023 Performance	FY2024 Target
<p>Diversity and Equal Opportunity</p>	<ul style="list-style-type: none"> Total number of employees: 1,241 Male: 62.77% Female: 37.23% Percentage of directors by gender Male: 75.00% Female: 25.00% Percentage of employees that are contractors or temporary employees: 21.9% Percentage of employee turnover: 1.4% Zero incidents of discrimination, harassment, human rights violations, forced labor or child labor. 	<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 labor 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.
<p>Supporting Our Community</p>	<ul style="list-style-type: none"> Amount invested in the CSR activities: RM127,418.83 Number of beneficiaries from the CSR activities: 373 Number of new local hires: 176 Spending on local suppliers: 92.80% 	<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. Strengthen partnerships with local suppliers and seek out mutually beneficial opportunities.
<p>Quality and Healthy Food</p>	<ul style="list-style-type: none"> Monitor the use of only ingredients that are free of partially hydrogenated oils (“PHOs”), including new and alternative ingredients. 	<ul style="list-style-type: none"> Continue to develop products containing healthy natural ingredients such as cereals, chia seeds, etc.

OUR SUSTAINABILITY PERFORMANCE AT A GLANCE

Indicators	FY2023 Performance	FY2024 Target
<p>Nutrition Labelling</p>	<ul style="list-style-type: none"> Transparent nutrition information and calorie intakes on all products. 	<ul style="list-style-type: none"> Continuously adhere to food labelling requirements in Malaysia and other countries where our products are exported. Maintain transparent nutrition information and calorie intakes on all products.
<p>Food Safety</p>	<ul style="list-style-type: none"> Producing safe and high-quality food. Adhering to stringent product and ingredient standards designed to ensure the safety and quality of products. 	<ul style="list-style-type: none"> Maintain all certifications to ensure customer confidence and to meet export requirements.
<p>Customer Privacy</p>	<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-incidence of complaints concerning breaches of customer privacy and losses of customer data.

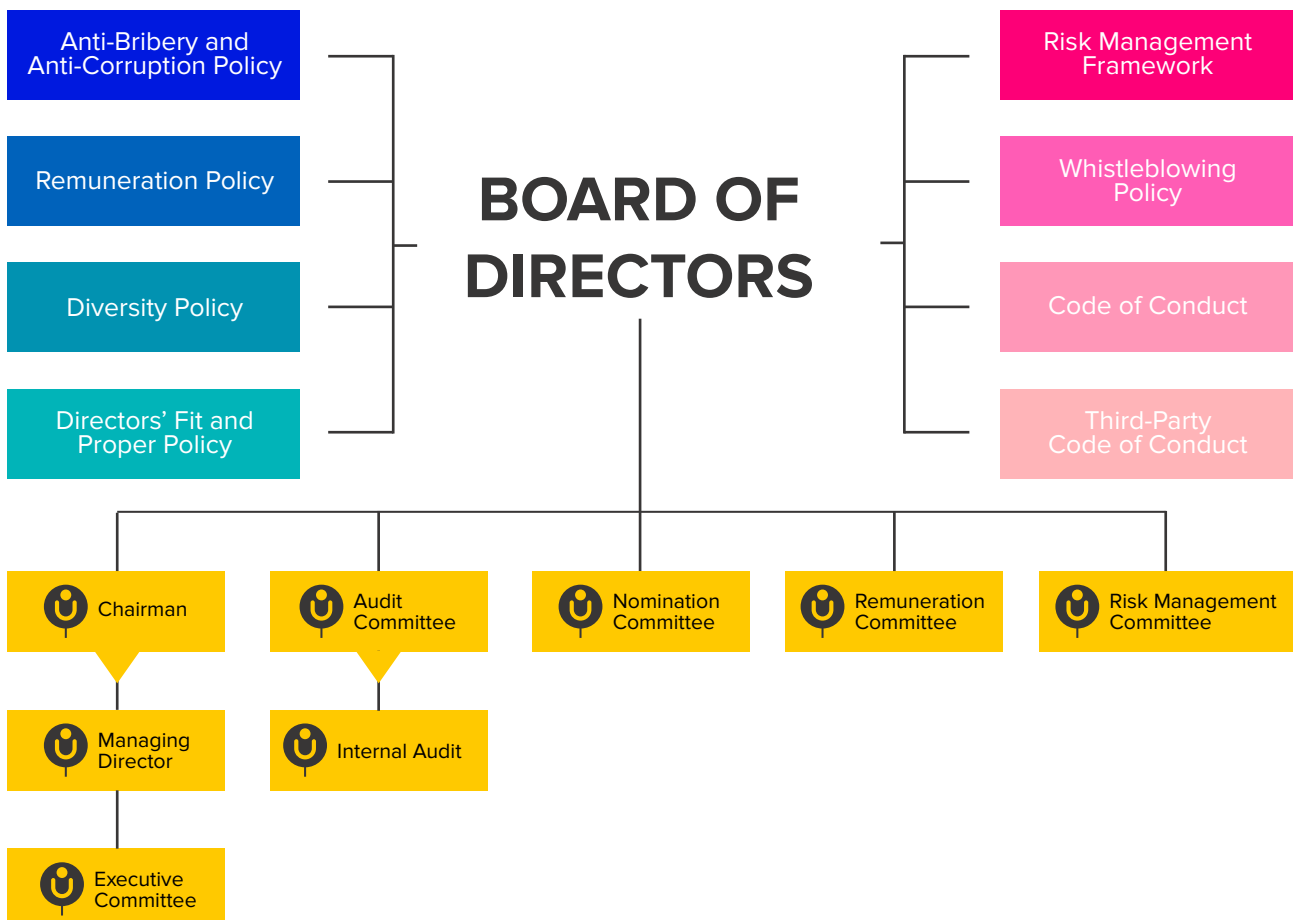
OUR GOVERNANCE STRUCTURE

Corporate governance is the system by which the Group is directed and controlled. The Board of Directors (“the Board”) is responsible for the governance of the Group while the shareholders’ role is to appoint the directors and auditors to ensure that an appropriate governance structure is in place.

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

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

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



Sustainability Governance

A robust governance structure is crucial to ensure that the Group achieves its sustainability commitments. The Board leads the initiative to incorporate sustainability considerations into the Group's strategy, and the Executive Committee is responsible for implementing the strategy based on the Group's sustainability framework.

The Sustainability Project Committee integrates sustainability into the Group's business processes and prepares the Group's sustainability reporting. A Sustainability Coordinator works closely with representatives from various business functions to implement sustainability programs and initiatives. There is a clear line of communication; with the Sustainability Project Committee reporting to the Executive Committee which ultimately reports to the Board.

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

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

BOARD OF DIRECTORS



Executive Committee



Sustainability Project Committee



Sustainability Coordinator

Risk Management

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

The Group has established and implemented a risk management framework for the identification, assessment, treatment, monitoring and reporting of significant risks. The Board oversees the management in the formulation, update and maintenance of an adequate and effective risk management framework. The Group's Enterprise Risk Management ("ERM") framework is based on an internationally recognized risk management framework (i.e., ISO 31000). The Group maintains a risk register which identifies the material risks faced by the Group and the internal controls in place to manage and mitigate those risks. When considering these risks, our assessment has led to some of them being directly linked to sustainability related topics. Where applicable, these material issues are mapped to our risk profile to provide a meaningful correlation and broader view on the Group's overall risks that they are facing.

OUR VALUE CHAIN

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



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

With 65 years of experience in the food processing industry, achieving manufacturing efficiency is undoubtedly crucial in attaining optimal asset utilization. On average, our production lines are running at a utilization rate of about 80%. During peak seasons, some of our production lines are fully utilized to 100%.



The Group owns a solid corporate brand portfolio that consists of 5 trademarks, each positioned distinctively by their marketing and sales strategies. Our brands are recognized internationally and one of our products, Cream Crackers, has been awarded the Monde Selection, Belgium's Gold Quality Awards from 1994 to 2003, 2020 to 2023 and Grand Gold Quality Awards from 2004 to 2019. As an award-winning product, it has also received the "25 Years Trophy" in 2018 and garnered the "International High Quality Trophy" in 2017 and 2020. We are constantly expanding our product range under these 5 trademarks to meet the ever-evolving needs of new and existing consumer segments. We take pride in the quality of our products and the health benefits they offer to our consumers.

OUR SUSTAINABILITY FRAMEWORK

Our corporate strategy is based on the following sustainability framework:



Our Sustainability Vision

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



Our Sustainability Mission

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

PILLARS

Beyond Short Term Profits

Our Planet and Environment

Our Society's Future

CORE AREAS

Anti-Bribery and Anti-Corruption

- **Economic Performance**

- **Ecological Footprint:**
 - Materials
 - Water Management
- Effluents and Waste Management
- **Energy Consumption**
- Emissions Management
- **Environmental Compliance**
- Climate Change

- **Occupational Health and Safety**
- **Training and Development**
- **Diversity and Equal Opportunity**
- Supporting Our Community
 - Supporting the Local Supply Chain Network
- **Quality and Healthy Food**
- **Food Safety**
- **Nutrition Labelling**
- Customer Privacy

ECONOMIC

ENVIRONMENTAL

SOCIAL

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

Beyond Short Term Profits

The connection between corporate sustainability efforts and the creation of long-term value is more evident now than it has been in previous years. Companies can achieve increased long-term business value by integrating sustainability into their strategic and operational practices.

At HSIB, we place emphasis on long-term perspectives when planning and executing our corporate strategy. Our financial goals are set based on sustainable financial performance metrics, namely Return on Equity and Free Cash Flow. Successes arising due to the close alignment between the management team and substantial shareholders has resulted in the Group being awarded the “Highest Compound Growth in Profit Before Tax Over Three Years” and “Highest Returns To Shareholders Over Three Years” in the Consumer Products Sector from The Edge Malaysia, a finance and investment weekly newspaper.

Our Planet and Environment

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

Our environmental sustainability commitments include the following:

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

Our Society's Future

At the core of our business are our people. We strive to improve the remuneration of our employees by consistently enhancing their job performance through well-organized training and growth initiatives.

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

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

OUR MANAGEMENT APPROACH



We remain committed to integrating sustainability into our decision-making and overall business management to achieve sustained business growth and long-term success. Our approach is driven by our vision, the expectations of our stakeholders, and the environmental, social, and governance (ESG) topics that are most material to our industry.

As the Group operates under five major trademarks, it is imperative that we manufacture and distribute food items that are safe for consumption. We acknowledge that while doing so, efforts in reducing food waste and improving resource and efficiency to protect the planet and society is equally important.

We are guided by the three pillars of sustainability framework in meeting the needs of our consumers. Our core competencies in food processing have enabled us to become the leading food manufacturer in Malaysia with a strong export orientation. With our extensive distribution network, we have successfully maintained an uncompromised fulfilment process that aims to deliver the freshest biscuits and beverages everywhere within Malaysia and to the various countries which our products are exported to.

Our dedication to minimizing our environmental impact has led to a decrease in the amount of energy used per tonne of products. We maintain an unwavering commitment to sustainability across the three pillars, ensuring that our production processes and technologies adhere to the most stringent standards. The focus on sustainability not only drives our efforts to reduce energy consumption, but also guides our overall approach to environmental responsibility. By continuously evaluating and improving our practices within the framework of sustainability, we strive to make a positive impact on the planet while delivering high-quality products to our customers.

As part of our Group's effort in nurturing future leaders, our systematic in-house performance appraisal system and training programs has resulted in the creation of a robust pipeline of talent for succession planning, promising a sustainable future for the Group.

Our primary focus moving forward would be to establish a clear and achievable goal for improving our operations in a sustainable manner, while also embracing environmentally friendly practices. We are committed to placing greater emphasis on upholding sustainability goals that are aligned with the most pressing requirements of our stakeholders.

STAKEHOLDER ENGAGEMENT

Maintaining good relationships and rapport with our stakeholders has been the foundation for our success. By listening to our stakeholders, we are able to gather invaluable inputs to shape our decision-making processes for business operations.

Stakeholder groups were engaged via different communication channels tailored for each group in order to obtain crucial feedback that allows us to gauge the gap between actual and expected outcomes while addressing their concerns. The key stakeholders are those who have a significant impact on our business, as well as those with a vested interest in the success of the business.

We engage with our stakeholders in both formal and informal settings. Our engagements with our suppliers and consumers range from formal meetings to ongoing dialogues. Through our collaborations with external stakeholder partners, we were able to identify and address issues as soon as they arise. This approach allows us to better achieve our environmental, social and economic goals.

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

We remained proactive in engaging various stakeholders through a variety of channels. We have summarized our key stakeholders and methods of engagement in the following table:

Below are the impact and significance of our key stakeholders:

STAKEHOLDER ENGAGEMENT

Key Stakeholders	Impact and Significance	Frequency	Types of Engagement	Focus
Shareholders	As owners of the Group, shareholders' views are important in the Group's strategy and future directions. We encourage our shareholders to view their ownership as a long-term relationship as this will allow the management to focus on long-term value creation.	<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
Employees	The sustainability of our business is reliant upon the close working relationship between top management and all employees. Employees' productivity is the key factor that ultimately affects the financial performance of our Group.	<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
Regulators	Other than just meeting regulatory requirements, we strive to build a good working relationship with the regulators, which includes the government agencies, stock exchange regulators and the Inland Revenue Board.	<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
Supplier	A good supplier base will enable us to create a sustainable supply chain that not only minimizes overall cost, but also provides access to quality materials and sustainable best practices within their decision-making process.	<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

STAKEHOLDER ENGAGEMENT

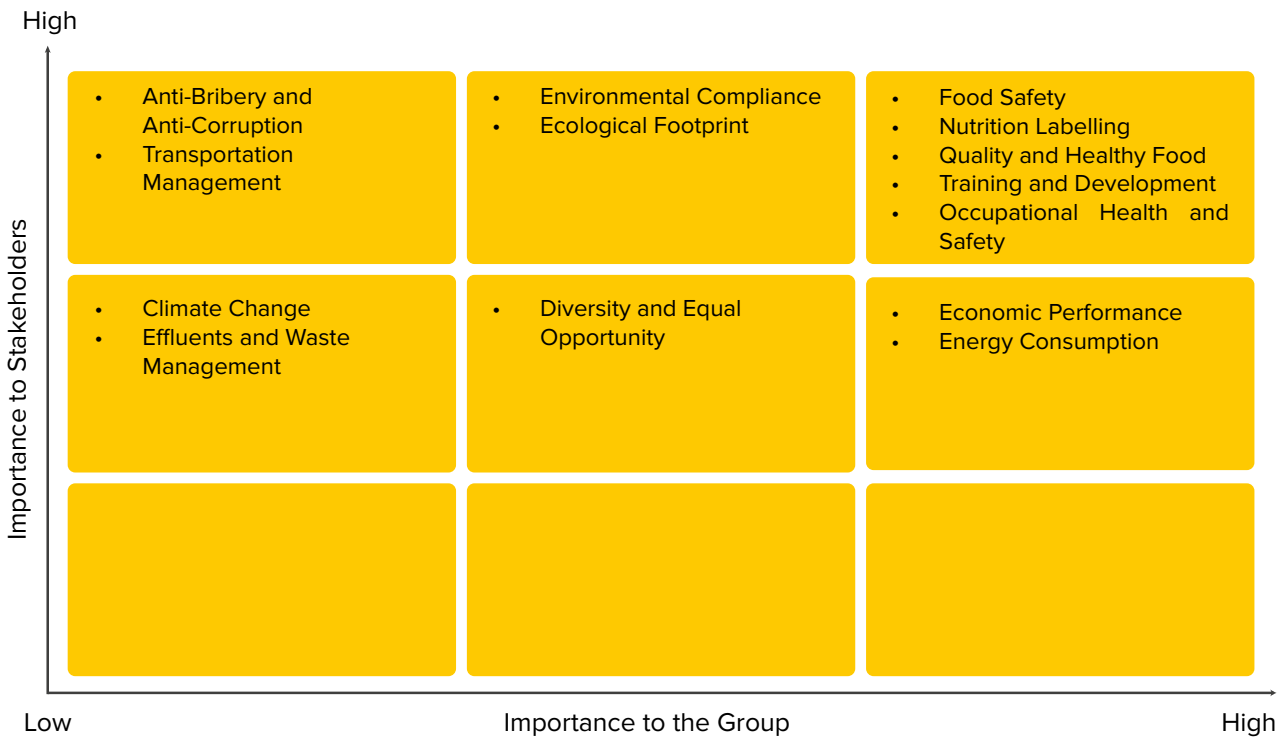
Key Stakeholders	Impact and Significance	Frequency	Types of Engagement	Focus
Customers	A business can exist only if it continues to provide value to their customers. Hence, customers' feedback and concern are vital for our business to remain relevant.	<ul style="list-style-type: none"> Throughout the 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
Media	We disseminate vital information, including financial and marketing details to stakeholders via conventional media channels 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 Organizations ("NGOs")	Forge partnerships with NGOs to have positive impacts on the local community by actively contributing to and supporting 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 strive to build an inclusive society where nobody gets left behind. To achieve this, we have organized and implemented various initiatives such as cash contribution and in-kind donations.	<ul style="list-style-type: none"> Throughout the year 	<ul style="list-style-type: none"> Social media channels (e.g. Facebook and Instagram) Corporate website Community events 	<ul style="list-style-type: none"> Direct and indirect economic contribution Responsible environmental management and contribution to society

STAKEHOLDER ENGAGEMENT

Key Stakeholders	Impact and Significance	Frequency	Types of Engagement	Focus
Consumers	As health awareness increases worldwide, consumers are getting increasingly health conscious. In full support of this trend, we strive to make healthy and nutritious food readily available. Accurate and concise product labelling with stringent quality control is key to gaining consumers' confidence.	<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 Association	We support the development of food-related laws and regulations as well as national manpower 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 plays a crucial role in 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 ASSESSMENT

Businesses utilize the concept of materiality to shape their strategic planning for sustainability. A material sustainability issue refers to an economic, environmental, or social issue that a business currently has or may have an impact on. These issues are deemed significant enough to potentially influence the decision-making process of stakeholders. The primary objective of the assessment is to assess how the identified sustainability issues impact the company and how important they are in the decisions and perspectives of our stakeholders. The materiality matrix was developed based on the importance of material sustainability issues to key stakeholders and to the business operations. The matrix is as follows:



MATERIALITY ASSESSMENT

Material Topics and Risk Assessment

The Group's Enterprise Risk Management ("ERM") system manages and monitors the Group's operational risks. The Group maintains a risk register that outlines the significant risks that the Group is exposed to, as well as the internal controls that have been implemented to mitigate those risks. Where applicable, these material issues are mapped to our risk profile to provide a meaningful correlation and broader view on the Group's overall risks that they are facing. Some of the Group's corporate risk that are assessed in relation to ESG matters include financial performance, non-compliance to regulatory standards, health and safety hazards and product quality.

Our materiality assessment was guided by Bursa Securities's Sustainability Reporting Guide (3rd Edition), Bursa Securities's Toolkit and reference made to our risk management framework to ensure that our economic, environmental, social and governance risk profile remains relevant.

In our previous reports, we derived a total of 46 issues which were subsequently ranked and summarized into 10 significant matters with related identities. These 10 matters were still under consideration in 2022, as stated in the previous year's annual report.


In FY2023, we conducted a materiality assessment review to determine whether the existing matters above are still relevant to our business. Our sustainability matters were then revised via this materiality assessment. Moving forward, any revision to these matters will be based on current business trend.

We retained all 10 material sustainability matters that were identified previously since these matters continue to be material and relevant to our stakeholders and have a significant impact on our Group's business operations. These material matters were then evaluated in terms of their sustainability risks and opportunities, and correlated with our Group's risk profile.

MATERIALITY ASSESSMENT

Material Issues	Description	Potential Opportunities for HSIB If issue is addressed	Potential Risks for HSIB if issue is not addressed	Link to Our Corporate Risks	Corresponding United Nations Sustainable Development Goals (“UN SDGs”)
Economic Performance	Return on equity and earnings per share.	Sustainable financial performance creates long-term value for all stakeholders.	Hinder business continuity.	Strategic <ul style="list-style-type: none"> Long Term Viability and Growth Rate Risk Continuity Risk Financial <ul style="list-style-type: none"> Financial Performance Risk 	
Ecological Footprint	The impact on environment caused by our business operations.	<ul style="list-style-type: none"> Reducing wastage at source supports operational efficiency, which is cost saving. Recycling also conserves diminishing natural resources. 	Environmental and reputational risk from the failure to meet stakeholders’ expectations in managing our waste and production efficiency	Operation <ul style="list-style-type: none"> Production Cost Overrun Risk 	
Energy Consumption	Countering climate change has become a business priority and no longer an option.	Reduce energy usage and emissions which saves costs.	Waste of resources and affects production processes.	Operation <ul style="list-style-type: none"> Machinery Breakdown Risk 	  
Environmental Compliance	As a leader in food processing, environmental regulation compliance is vital to the community around our plants.	Engaging with regulators allows HSIB to prepare for emerging legislation and ensure compliance.	Reputational risk and unable to obtain certification or license renewal from regulatory bodies.	Compliance <ul style="list-style-type: none"> Non-Compliance with Regulatory Authority Requirements Risk 	
Occupational Health and Safety	Minimize injury is our goal in workplace safety	Increased productivity and efficiency in HSIB operations.	Injuries, occupational hazards, lost days and fatalities will result in productivity loss and reputational risk.	Operation <ul style="list-style-type: none"> Health and Safety Hazard Risk 	 

MATERIALITY ASSESSMENT

Material Issues	Description	Potential Opportunities for HSIB If issue is addressed	Potential Risks for HSIB if issue is not addressed	Link to Our Corporate Risks	Corresponding United Nations Sustainable Development Goals ("UN SDGs")
Training and Development	Develop future leaders through training programs.	<ul style="list-style-type: none"> Remain competitive with skilled and diverse employees. Cultivate high performance culture through effective training and upskilling programs. 	<ul style="list-style-type: none"> Loss of competent and experienced employees. Financial implications when HSIB workforce is not developed to meet the evolving market demands. 	Operation <ul style="list-style-type: none"> Knowledge/Competency Risk 	
Diversity and Equal Opportunity	We are an equal opportunity employer who believes diverse background can contribute to making better decisions.	Remain competitive with skilled and diverse employees.	Challenge to attract and retain talent.	Operation <ul style="list-style-type: none"> Knowledge/Competency Risk Dependence on Foreign Labor Risk 	
Quality and Healthy Food	We strive to continuously develop new products with healthier ingredients.	<ul style="list-style-type: none"> Deliver HSIB's brand promise to consumers through product excellence. Offer healthier options that contribute to consumers' wellbeing. 	Unable to meet consumers demand and compete in existing and new markets.	Strategic <ul style="list-style-type: none"> Innovation/R&D Risk 	
Nutrition Labelling	Correct labelling to be printed on packaging and is in compliance with respective countries' regulations.	Meeting consumer demands for nutritional information which enable them to make informed decision on choice of products.	Regulatory risks.	Compliance <ul style="list-style-type: none"> Non-compliance to Regulatory Standards Risk 	
Food Safety	Our products have passed the various certification processes to ensure safety compliance.	Deliver HSIB's brand promise to consumers through product quality and increase in customers' confidence.	Reputational risk and branding damage.	Compliance <ul style="list-style-type: none"> Non-compliance to Regulatory Standards Risk Operation <ul style="list-style-type: none"> Product Quality Risk 	

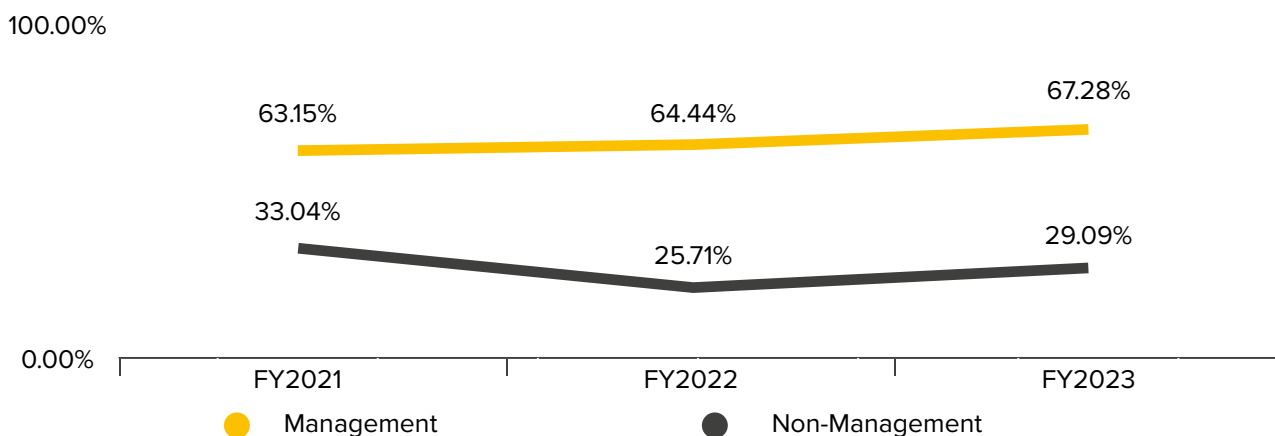
ANTI-BRIBERY AND ANTI-CORRUPTION

We take a zero-tolerance approach to corruption, bribery and fraud. It is our priority that our employees observe the highest standards of ethical and professional conduct.

We are committed to conducting business with integrity and complying with the Anti-Corruption Commission Act of Malaysia. We have also developed an anti-bribery and anti-corruption (“ABAC”) policy, as well as code of conduct and whistleblowing policy to assist our employees in understanding their roles and responsibilities. As part of our effort to support transparency and good governance, the Anti-Bribery and Anti-Corruption Policy and other policies mentioned above are published on the Group’s corporate website. Any real or suspected bribery and corruption incidents can be reported via the Group’s whistleblowing channel.

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

As of 31 December 2023, all our directors and employees had read, acknowledged and agreed to comply with our ABAC policy. The following is the breakdown of the percentage of employees who have received ABAC training within each employee category over the past three financial years:



Material Issue	FY2021	FY2022	FY2023
Percentage of employees who received ABAC training (GRI 205-2)			
Management	33.04%	25.71%	29.09% ¹
Non-Management	63.15%	64.44%	67.28% ¹
Total	96.19%	90.15%	96.37%
Operations assessed for risks related to corruption (GRI 205-1)	NIL	NIL	NIL ²
Confirmed incidents of corruption and action taken (GRI 205-3)	NIL	NIL	NIL ¹

Note:

- Indicator for FY2023 validated by independent third party
- There are no operations assessed this year, we will provide updates when available.

OUR PRIORITIES PILLAR 1: BEYOND SHORT TERM PROFITS

Economic Performance

Key Performance Data

One of the crucial elements contributing to our business's success is our ability to generate lasting value for our stakeholders. Toward this goal, we maintain leadership in our core markets and leverage innovative technologies and our employees' expertise to meet consumers' evolving needs. Furthermore, our solid economic performance has enabled us to continue to provide our customers and consumers with the products they enjoy.

Aspect	GRI Universal Standards	Details	FY2021	FY2022	FY2023
Economic Performance	201-1	Direct economic value generated and distributed (RM mil)	296	318	357
		Total number of factories	2	2	2
		Operating Costs (RM mil)	259	283	297
		Taxes (RM mil)	10	9	15
		Net Profit (RM mil)	27	26	45
	Return on Equity (%)		19.6	18.5	27.8
	Earnings per share (RM)		0.034	0.033	0.056
	Net Dividends per share (RM)		0.025	0.03	0.04

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

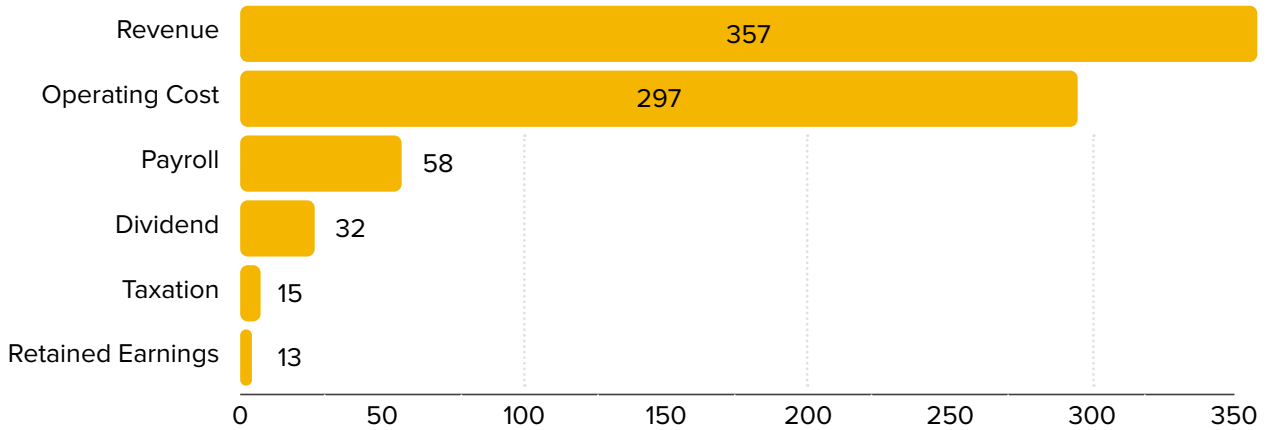
Our Approach

Our shareholders and banking partners provide us with economic resources to operate and expand in our marketplace. We are committed to meeting our financial obligations towards them through good financial governance and stewardship within the Group's financial affairs. We have adopted a dividend policy that entails paying out at least 60% of the annual profit after taxes as dividends to shareholders. We believe that such a pay-out rate will be beneficial and well-received by the shareholders and investors.

Our Progress

In the last three financial years, our financial strategy has generated an above average return for shareholders. We intend to maintain this level of performance in order to meet the increasing expectations of our shareholders. The following distribution chart illustrates that payments made to our employees, shareholders, and tax authorities account for 29.4% of our total economic value.

Economic Value Distribution (RM mil)



Further information pertaining to our financial performance can be referred to at our Annual Report FY2023.

What's Next

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

To increase our strategic visibility and further improve economic performance, we will also explore other appropriate options, such as dividend reinvestment schemes, share repurchase programs, employee stock option schemes, etc. We will also adapt to market demands and consumer lifestyle changes through continuous innovation.

OUR PRIORITIES PILLAR 2:

OUR PLANET AND ENVIRONMENT

Ecological Footprint: Materials

Key Performance Data

Being a conscientious food producer, we understand that the raw materials and components we acquire, as well as the packaging we utilize, significantly influence our operations. Thus, we strive to alleviate the negative impacts of these value chain elements by improving the sourcing of raw materials and packaging materials. Our key performance indicators for the past three financial years are listed below:-

Material Issue	FY2021	FY2022	FY2023
Materials used by weight (thousand tonnes) (GRI 301-1)	34	32	35

Note: Our previous disclosure on recycled packaging materials defined as scrap are now grouped under total waste generated, which are presented in the following section under Effluents and Waste Management.

Our Approach

We are fully committed to implementing sustainable practices that prioritize the conservation of natural resources and the protection of the environment. This includes a focus on reducing the use of materials that have adverse effects on the environment.

In order to manage the use of materials effectively, we focus on the following:

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

Our Progress

Our materials used by weight for FY2023 amounted to 35 thousand tonnes, an increase of 9.38% from the previous year. This increase, is minimal in contrast with our growth in demand of our products for the current year. This is a testament to our efficiency in utilizing resources, in line with sustainability practices that are embedded into our daily operations to minimize materials being used. In addition, we have also developed applications that enable storage and monitoring of data on a digital platform, thereby eliminating the need for paper-based records and procedures.

What's Next

We remain dedicated to furthering our efforts in responsibly sourcing and managing materials to drive positive environmental and business outcomes. As part of our ongoing efforts to improve our material usage practices, we will continue to track and monitor our material usage as well as source for recyclable and sustainable raw materials and packaging materials. Furthermore, we aim to increase the amount of scrap materials sent for recycling and promote recycling awareness amongst our employees through training sessions and team building activities.

Ecological Footprint: Water Management

Through our manufacturing facilities and supply chain, Hup Seng is dependent on water for every product we make. This challenge requires that Hup Seng fully understands and responsibly manages the use of this critical resource. Although water is a renewable source, it is limited during times of droughts and water cuts. Our water consumption and water effluent discharge from our processes are constantly measured and monitored to keep track of our progress.

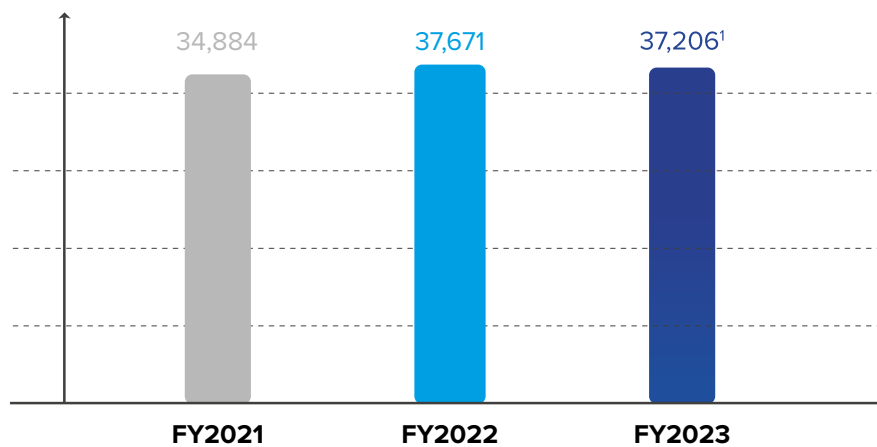
We continue to seek ways to ensure sustainable water management efforts are implemented and water is used efficiently in our operations.

Key Performance Data

The Group recognizes the importance of managing one of our most important natural resources, water. The better we understand our water use, the better we are able to manage those areas where our impact is the most significant.

Our efforts include monitoring our water consumption, as we gain insights into our manufacturing and office footprint and use this data to identify the most impactful actions.

Water Consumption (m³) (GRI 303-5)



Note:

1. Indicator for FY2023 validated by independent third party

Our Approach

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

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

Our Progress

Our water consumption for FY2023 amounted to 37,206 m³, a reduction of 1.23% against FY2022.

Albeit a minor reduction, this decrease represents a significant milestone, achieved against a backdrop of increase in revenue and volume while maintaining fairly similar consumption rates. In short, our implementation of water conservation measures and the adoption of more water-efficient practices across our operations has yielded positive results.

The decrease in water consumption not only contributes to cost savings but also aligns with our environmental responsibility goals by minimizing our impact on water resources.

What's Next

We will continue to monitor water usage, prioritize water conservation efforts and seek further opportunities to enhance our efficiency in water usage, ensuring that we play our part in preserving this vital resource for future generations. We will also consider the possibility of conserving the environment by optimizing water usage by collecting rainwater.

Effluents and Waste Management

Key Performance Data

At Hup Seng, we explore how waste from our operations can be minimized and put to alternative uses. By adopting this approach, we aim to not only reduce the environmental impact of our operations but also to enhance resource efficiency.

Waste Management (tonnes)	FY2021	FY2022	FY2023
Waste diverted from disposal (food) (GRI 306-4)			
i) Biscuit scraps – repurposed and used as animal feeds	247.23	218.28	237.96
Waste diverted from disposal (non-food)			
ii) Plastics	65.58	28.92	76.94
iii) Iron / Tins	62.47	45.77	159.47
iv) Carton boxes / papers	173.49	177.24	183.66
v) Big containers (“tong besar”)	-	-	72.96
vi) Empty sacks for sugar, milk and flour	25.43	26.77	24.45
vii) Tapes (“OPP”)	1.32	1.68	17.78
viii) Pallets	5.76	-	1.58
ix) Drums	-	0.12	0.23
Sub-total: Waste diverted from disposal (non-food)	334.04	280.51	537.07
Total waste generated (GRI 306-3)	581.27^{1,2}	498.79^{1,2}	775.03^{1,2}

Note:

- Scrap reported in prior years has not taken into account item vi, viii and ix. For consistency of description and reporting, the definition of scrap will now include item i to ix, and reported as total waste generated from FY2023 onwards.
- Data disclosed in prior years has been revised to reflect changes in calculation method used to define scrap, ensuring consistency of data reported and in line with Note 1 above.

Our Approach

Our goal is to enhance our waste management practices by identifying important waste categories and streams, as well as improving our data collection and scope. This will enable us to increase recycling efforts and minimize waste generation.

Our Progress

Our waste generated contains items from raw materials, processing and packaging items. In FY2023, approximately 775 tonnes of waste were diverted from disposal. Out of these, 238 tonnes were repurposed and used as animal feeds while the remaining 537 tonnes comprising of non-food items are sent for recycling.

Through proper waste management practices, we can effectively minimize our environmental footprint, leading to potential cost savings for the Group. This means that we are constantly exploring innovative ways to repurpose waste materials and implement sustainable solutions throughout our value chain.

What's Next

As part of our ongoing efforts to improve our waste management and recycling practices, we will continue to track, monitor and manage waste generation and disposal as well as source for recyclable and sustainable raw materials. We aim to improve efficiency in production processes and continue to find innovative ways to repurpose and recycle waste throughout our entire value chain.

Energy Consumption

Key Performance Data

We strive to use the most efficient mix of energy sources in order to reduce our operating costs, thereby improving our energy efficiency and contributing to the reduction of global warming. By promoting a culture of conservation and sustainability, this helps to not only reduce our environmental impact but also contribute to operational efficiency. The following table represent our energy consumption within the Group for past three financial years:

Material Issue	FY2021	FY2022	FY2023
Energy consumption within the Group (mil kWh) (GRI 302-1)	27	27	24
Energy intensity (kWh per tonne) (GRI 302-3)	830	875	732

Our energy consumption is comprised of electricity, natural gas, Liquefied Petroleum Gases (“LPG”), heating oils, diesel and gasoline consumed and energy intensity is based on total production of biscuits and beverages.

Our Approach

We are committed to reducing our energy consumption and GHG emissions, as well as addressing the potential risks associated with climate change. In addition, Malaysia is expected to introduce a carbon tax soon. The beginning of 2024 also saw an increase in electricity tariff.

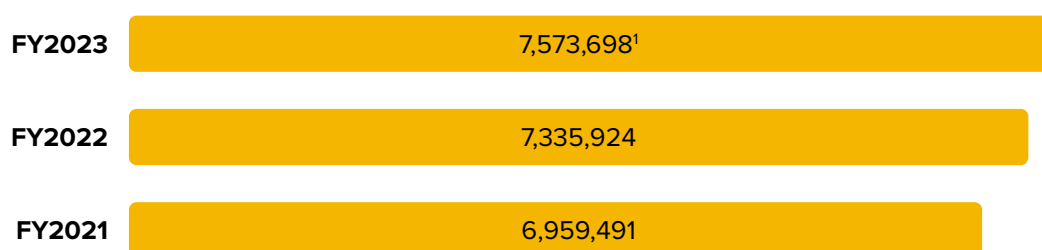
With this in mind, the Group will continue to seek to use the most efficient mix of energy sources in order to reduce our operating costs, thereby improving our energy efficiency and contributing to the reduction of global warming. Our electrical energy management (“EEM”) committee, is responsible for reviewing and recommending energy-saving measures.

Our Progress

The use of natural gas on three (3) of our baking lines has enabled us to reduce our carbon dioxide (“CO₂”) emissions per kilowatt hour (“kWh”). Over the years, Hup Seng has been steadily reducing its overall energy consumption through energy efficiency initiatives. In FY2023, we are pleased to report that the energy consumption of Hup Seng was 24 million kWh, a decrease of approximately 11.11% over FY2022’s 27 million kWh.

Among the energy consumed in FY2023, 7.57 million kWh were purchased electricity, representing an increase of 3.13% over FY2022’s 7.34 million kWh.

Electricity Consumption Within The Group (kWh)



Note:

1. Indicator for FY2023 validated by independent third party

Regarding the energy intensity of our production, it has decreased to 732 kWh per tonne in FY2023, representing a decrease of 16.34% over FY2022’s 875 kWh per tonne.

It is well known that the excessive use of lighting can have detrimental effects on the environment, and as a result, we have implemented various measures to mitigate this impact. One of our initiatives involves the practice of switching off the lights in our office buildings during lunch breaks, thereby reducing unnecessary energy consumption. In addition, we have also invested in eco-friendly and energy-saving lamps and light fixtures. These initiatives not only contribute to a reduction in heat generation but also play an important role in minimizing overall energy consumption. In line with our commitment to environmental sustainability, we actively encourage our employees to contribute innovative ideas towards energy conservation.

We firmly believe that promoting a culture of creativity and incentivizing such contributions is essential in driving meaningful change within our organization.

What’s Next

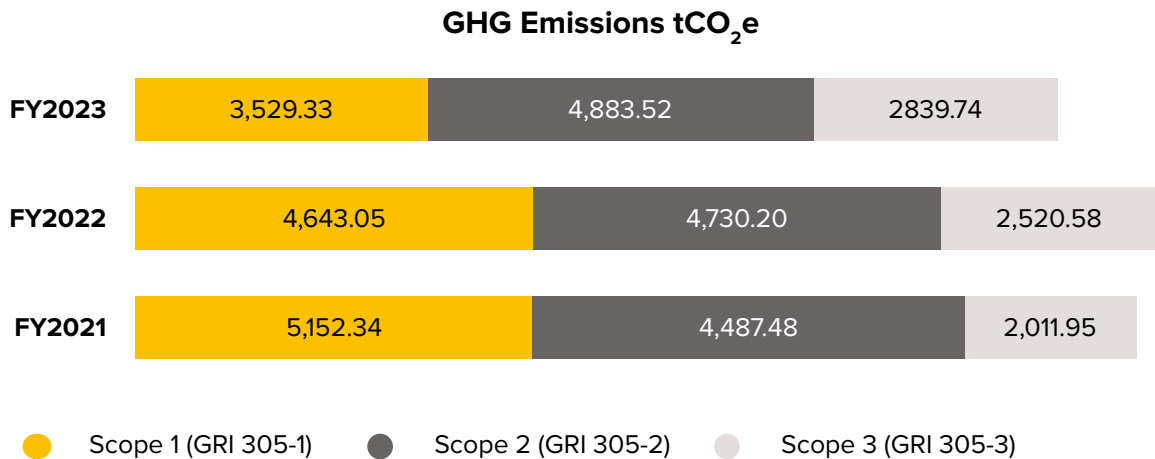
To accelerate our low-carbon transition journey, we will continue to explore alternative ways to reduce our electricity consumption and overall GHG emissions across our operations.

Emissions Management

Key Performance Data

The need to address climate change has become increasingly urgent as its effects continue to manifest in extreme weather events, rising sea levels, and disruptions to supply chains. It is critical for businesses to advocate sustainable practices that preserve resources for future generations and we are committed to improving efficiency in our operations to ensure responsible consumption of energy and sustainable production.

The Group recognizes the importance of environmental protection, and that climate change has an impact on our value chain. Our business relies on a wide spectrum of raw materials and natural resources such as energy and water. Understanding the significance of these natural capital is crucial for our business, as it directly impacts our long-term sustainability and success. As part of our efforts to address climate change, we conducted an assessment of our greenhouse gas (GHG) emissions inventory. This involved identifying and analyzing the key emissions from entities within our control across the Group.



Note:

- Our Scope 1 calculations above are performed using the Greenhouse Gas Protocol's GHG Emissions Calculation Tool.
- Our Scope 2 is calculated based on average operating margin emission factor is taken from the 2017 CDM Electricity Baseline for Malaysia prepared by the Malaysian Green Technology Corporation. Scope 2 Indicator for FY2023 is validated by independent third party.
- Data collected for Scope 3 calculations covers Business Travel and Employee Commuting. The calculations above are performed using the Greenhouse Gas Protocol's GHG Emissions Calculation Tool and Myclimate's GHG Emissions Calculation Tool.

Material Issue	FY2021	FY2022	FY2023
Total Emissions (Scope 1, 2 and 3) tCO ₂ e (GRI 305-1, 305-2, 305-3)	11,651.77	11,893.83	11,252.59

Scope 1 refers to direct GHG emissions from sources controlled or owned by Hup Seng such as passenger vehicles and logistics fleet, and stationary combustion such as gas and heating oil used in production. Scope 2 refers to indirect emissions from purchased electricity and Scope 3 include emissions from operations or assets that are not owned or controlled by the Group but are part of our value chain, and are comprised of business travel and employee commuting.

Our Approach

We strive to manage our emissions by monitoring and tracking our emissions according to Scope 1, 2 and 3 carbon emissions, and continue to work towards improving its GHG inventory and evaluating our GHG disclosures to ensure that our data is measured in a consistent manner.

Our Progress

Our total emissions for FY2023 is 11,252.59 tCO₂e, a decrease of 641.24 tCO₂e compared to FY2022. Scope 2 emissions accounted for 43.40% and Scope 1 accounted for 31.36% of the total.

What's Next

Moving forward, we aim to integrate climate action measures into our overall business strategy and action plans. The Group will continue to explore alternative ways to reduce our GHG emissions across our operations and may explore the possibility of obtaining green energy to offset our purchased electricity in the future.

Environmental Compliance

Key Performance Data

Material Issue	FY2021	FY2022	FY2023
Incidents of non-compliance with environmental regulations (GRI 2-27)	NIL	NIL	NIL

Our Approach

Environmental compliance is important as it ensures businesses adhere to the regulations and laws put in place to protect the environment. We are committed to complying with the standards and regulations of the Department of Environment (“DOE”) Malaysia and minimizing carbon footprints across our value chain, including manufacturing, packaging, storage and logistics, all the way to end users and disposal. As part of our commitment to the environment, we adhere to a formalized set of policies that provide guidance on environmental issues as well as all applicable regulations, including:

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

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

Our Progress

Due to our periodic quality assessments of wastewater and air emissions, we have recorded zero incidents of non-compliance with environmental regulations for the last three financial years. The following training courses were attended by personnel involved in environmental monitoring in FY2023:

1. The Next Energy Frontiers Webinar Series: Decarbonising Malaysian Manufactures: From Planning to Implementation
2. The Rise To Climate Risk Training
3. ‘Simposium Pematuhan Akta Kualiti Alam Sekeliling 1974 Dan Pemerkasaan Pemantauan Kualiti.’

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

What’s Next

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

OUR PRIORITIES PILLAR 3: OUR SOCIETY'S FUTURE

Occupational Health and Safety

Key Performance Data

The Group recognizes that each and every employee is a valuable asset. It is our utmost priority to ensure the overall well-being of our employees, both physically and mentally. We are committed to fostering a safe and healthy work environment where the rights of every individual are upheld and respected. Our responsibility extends to providing a workplace that not only prioritizes safety but also promotes a culture of inclusivity and support for all members of our team.

Our key performance indicators on occupational health and safety for the past three financial years are as follows:

Material Issue	FY2021	FY2022	FY2023
Number of work-related fatalities (GRI 403-9)	NIL	NIL	NIL ¹
Number of accident cases (GRI 403-9)	7	1	4 ¹
Lost time injury frequency rate (in million man hours) (GRI 403-9)	2.5	0.4	1.4 ¹

Note:

1. Indicator for FY2023 validated by independent third party

Our Approach

The Group is committed to providing a safe and healthy workplace to minimize accidents, work-related injuries and illnesses across our operations, while embedding a culture of health and safety to enhance our operational performance. In view of the significance of Occupational Health and Safety ("OHS") of the Group, Hup Seng adopts a zero-tolerance approach regarding OHS violations and adheres to the Occupational Safety and Health (Amendment) Act 2022 and other applicable regulations. Our OHS policy is continuously reviewed and strengthened in order to safeguard the health and safety of all employees, including full-time and part-time, through daily workplace inspections and walkabouts, regular on-the-job training, safety awareness briefings, induction training for new employees, specific skill training for machine and forklift operators, as well as quarterly committee meetings due to the high level of labor intensity and complexity of machinery involved in our industry.

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

Our Progress

It is Hup Seng's objective to have all employees attend health and safety training and approximately 60.8% of its employees have completed the aforesaid training in FY2023.

Material Issue	FY2021	FY2022	FY2023
Worker training on occupational health and safety (%) (GRI 403-5)	1.7 ¹	74.5	60.8 ²

Note:

1. Reduced training hours due to restrictions faced in prohibitions of general mass movements and gatherings across the country, social distance practice and limited workforce capacity allowed as a result of Movement Control Order implemented by the Government.
2. Indicator for FY2023 validated by independent third party

As part of an effort to ensure that safety personnel are equipped with the necessary knowledge and skills, the following OHS training was provided in FY2023:

1. Understanding CHRA Implementation at Workplace
2. Authorised Entrant & Standby Person For Confined Space
3. Understanding, Evaluation and Implementing Effective HIRARC at Workplace
4. Emergency Preparedness and Response Plan
5. Pembangunan Mampan, Gangguan Seksual, dan Kesedaran Keselamatan
6. Hearing Protection Training
7. Kursus Asas Keselamatan Kebakaran Organisasi Keselamatan Kebakaran (OKK)
8. Updates on Occupational Safety & Health (Noise Regulation) 2019 & ICOP 2019 and Environmental Noise

Achieving zero workplace fatalities has always been the collective objective across all our business units. We are pleased to report that we have achieved this objective in FY2023 and attribute it to the health and safety practices that are tailored to our business operations.

What's Next

Throughout our operations, we make every effort to prevent hazards to reduce injuries and safeguard our employees and workers. However, unforeseen accidents or incidents leading to injuries or fatalities may still occur.

It is our aim to maintain a zero-incidence rate of work-related fatalities. Hup Seng will continue to make improvements to our OHS management system and performance via trainings, management reviews and Safety and Health committee meetings.

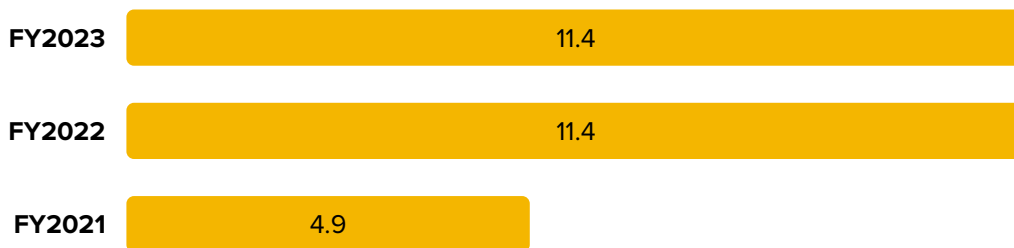
Training and Development

Effective training and development opportunities play a crucial role in the expansion of our businesses, as they are essential for keeping our workforce dynamic and well-versed in current industry trends. By providing our employees with these opportunities, we not only invest in their professional growth but also ensure that they are equipped to contribute to the success of our Group. It is through continuous training and development that we empower our employees to enhance their skills, stay abreast of the latest advancements in their respective fields, and adapt to the ever-evolving demands of the market.

Our training programs are designed and structured according to the job levels and technical requirements of our employees.

Key Performance Data

The following table summarizes the average number of hours each employee has received over the last three financial years:



● Average number of hours each employee spent in training each year (GRI 404-1)

Our Approach

We believe that a well-managed talent pool will lead to increased productivity, better decision-making and higher employee satisfaction. Investing in talent can also improve the Company's reputation and brand as a desirable place to work, which can attract top talent and increase customer loyalty.

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

At Hup Seng, we are committed to helping our employees grow as professionals and raise the standard of services they provide. We conduct a training needs analysis every year through our year-end performance appraisals to identify the short and long-term career goals and skill deficiencies of our employees. Following that, we discuss their strengths, areas for development, and assist them in achieving their goals through training programs and guidance from their superiors.

Upon completion of the training programs, their superiors and the human resource department will evaluate the effectiveness of the training programs.

Our Progress

Training Hours	FY2021	FY2022	FY2023
Total Training Hours	6,077.0	13,274.0	14,168.5

We highly regard our people as one of the Hup Seng’s biggest assets and continue to inculcate a culture of learning and development. We are pleased to note that Hup Seng has recorded an increase in total training hours in comparison with FY2022. There was a total of 14,168.5 training hours completed by our employees, representing a 6.74% increase from the previous financial year.

This averaged out to 11.4 hours per employee, which is the same as in FY2022. The increase in training hours was attributed to the use of both online learning tools and face- to-face training programs, and a broader range of training programs conducted across various departments.

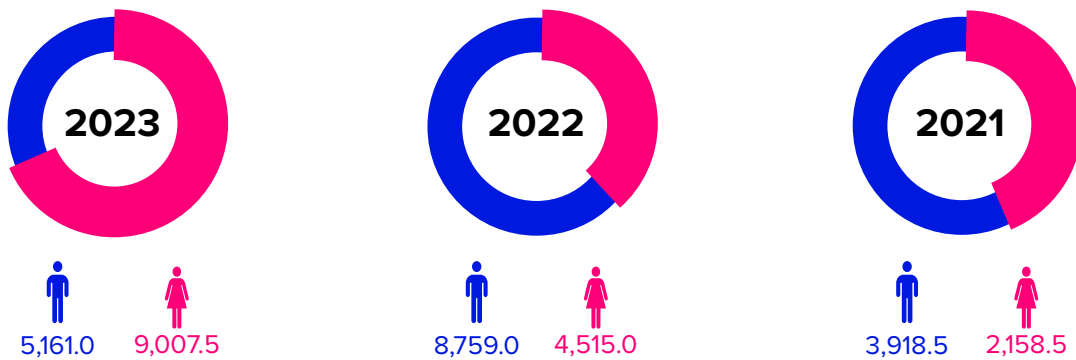
Material Issue	FY2021	FY2022	FY2023
Average number of hours each employee spent in training each year (GRI 404-1)	4.9	11.4	11.4 ¹

Note:

1. Indicator for FY2023 validated by independent third party

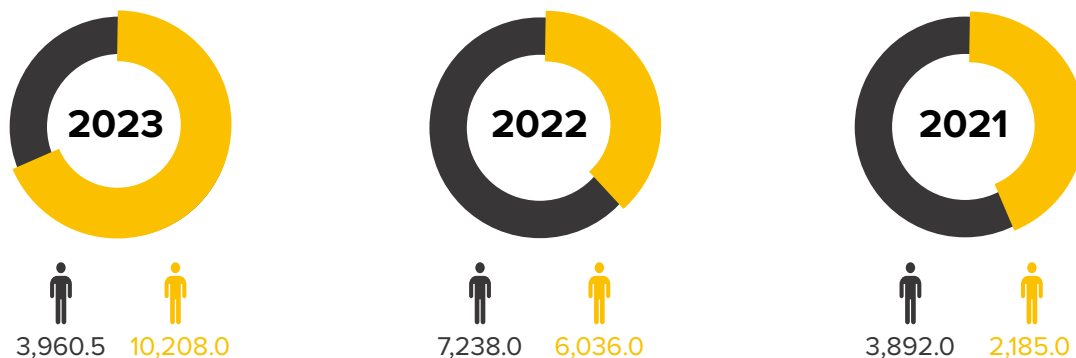
Total Training Hours by Gender

● Male ● Female



Total Training Hours by Job Level

● Management ● Non-Management



The following are some of the training programs that have been conducted in FY2023:

1. Anti-Bribery and Corruption Management System
2. Environmental, Social and Governance (ESG)
3. MIA Webinar Series: Reinvestment Allowance and Automation Capital Allowance.
4. Pengurusan Penamatan Pekerjaan & Prosedur Siasatan Dalaman (Domestic Inquiry) Dibawah Skop Akta Kerja 1955
5. Corrective Action Root Cause Analysis
6. Impact of Blockchain on Accounting Profession
7. The Combat of Web Application – Hacker vs Developer
8. Seminar Kompetensi Halal Bagi Permohonan Sijil Pengesahan Halal Malaysia 2023
9. Seminar Percukaian Kebangsaan 2023 (Bajet 2024)
10. Pengiraan Upah Di Bawah Akta Kerja 1955 serta Isu-isu Pemburuan Semasa

What's Next

Our goal in FY2024 is to increase the number of training hours for all of our employees as well as to integrate sustainability-related training into their competency development plans.

Diversity and Equal Opportunity

Key Performance Data

Percentage of Employees by Gender and Age Group for Each Employee Category (GRI 405-1)

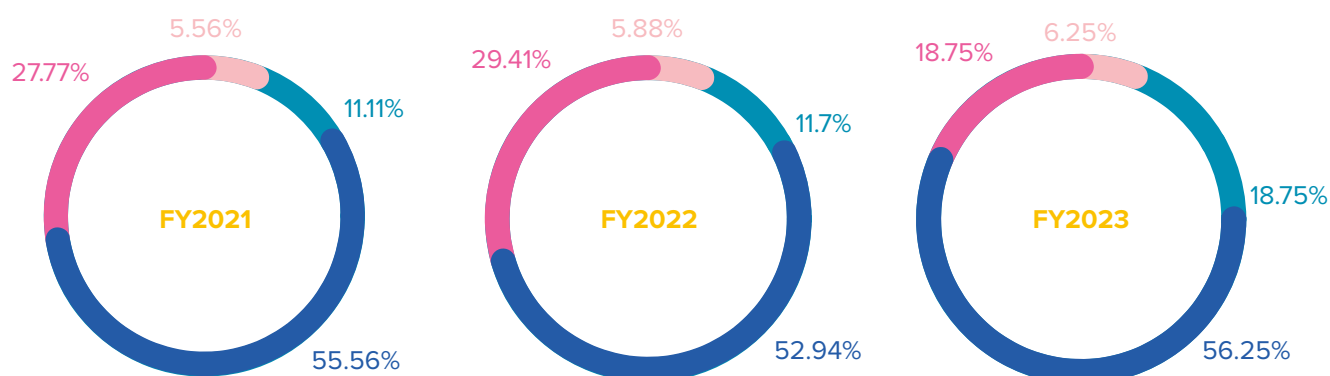
FY2021	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.08%	0.49%	35.47%	0.08%	0.73%	14.85%
40 to 55 years old	0.81%	1.62%	16.40%	0.25%	1.38%	12.18%
Over 55 years old	1.46%	0.57%	5.68%	0.89%	0.81%	6.25%
TOTAL	2.35%	2.68%	57.55%	1.22%	2.92%	33.28%

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

FY2023	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.08%	0.40%	36.50%	0.08%	0.40%	15.47%
40 to 55 years old	0.56%	1.61%	16.44%	0.24%	1.37%	11.44%
Over 55 years old	1.69%	0.65%	4.84%	0.89%	0.81%	6.53%
TOTAL	2.33%	2.66%	57.78%	1.21%	2.58%	33.44%

Percentage of Directors by Gender and Age Group (GRI 405-1)

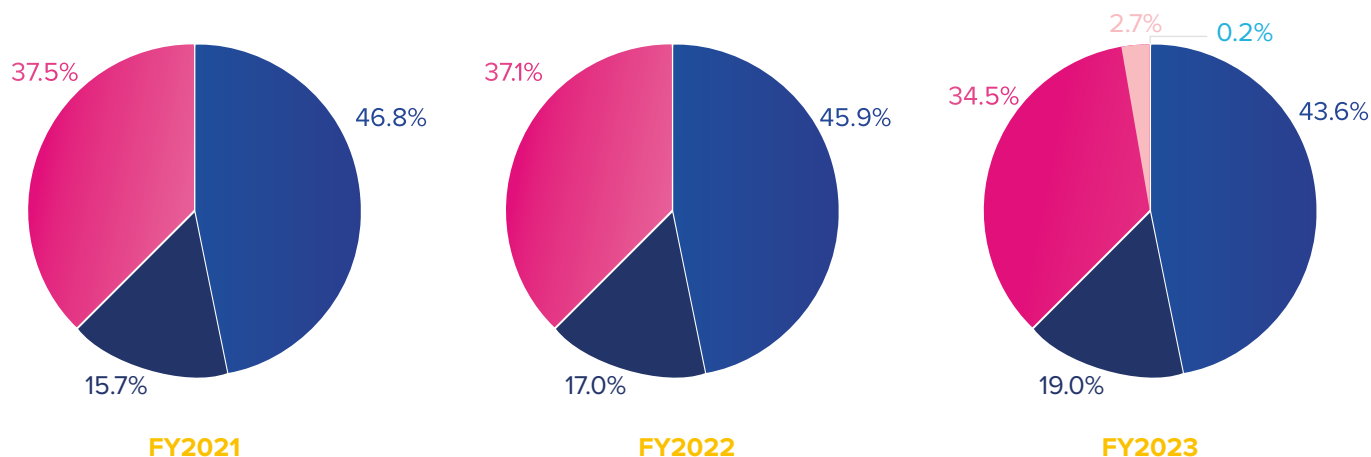
- Male / Under 39 years old ● Male / 40-55 years old ● Male / Over 55 years old
- Female / Under 39 years old ● Female / 40-55 years old ● Female / Over 55 years old



Percentage of employees that are contractors or temporary employees by gender and nationality (GRI 2-7)

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

- Male / Permanent (Local)
- Male / Contractors or Temporary Employees (Foreigner)
- Female / Permanent (Local)
- Female / Contractors or Temporary Employees (Local)
- Male / Contractors or Temporary Employees (Local)

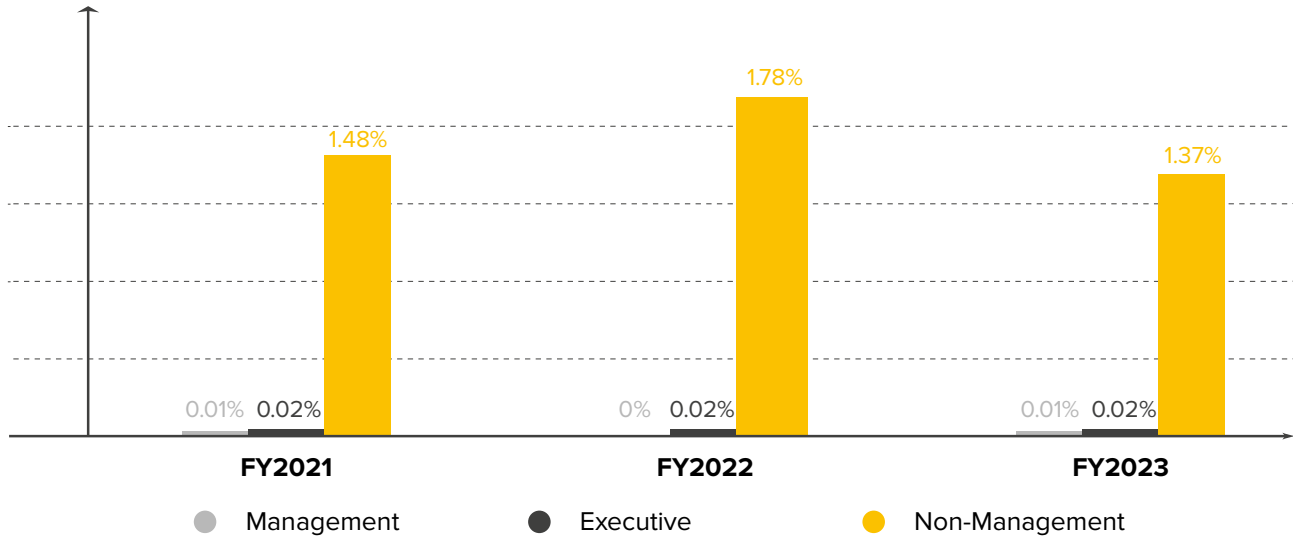


Material Issue	FY2021	FY2022	FY2023
Percentage of employees that are contractors or temporary employees: Male-Local (%)	NIL	NIL	0.2 ¹
Percentage of employees that are contractors or temporary employees: Female-Local (%)	NIL	NIL	2.7 ¹
Percentage of employees that are contractors or temporary employees: Male-Foreigner (%)	15.7	17.0	19.0 ¹

Note:
1. Indicator for FY2023 validated by independent third party

Percentage of employee turnover by employee category (GRI 401-1)

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



Incidents of Discrimination

Material Issue	FY2021	FY2022	FY2023
Incidents of discrimination and corrective actions taken (GRI 406-1)	NIL	NIL	NIL
Incidents concerning human rights violation (FTSE SHR: Human Rights & Community)	NIL	NIL	NIL ¹

Note:
 1. Indicator for FY2023 validated by independent third party

Our Approach

We are committed to creating a safe and inclusive workplace that embraces and celebrates diversity. To enrich the diversity of our organization, we strive to attract and retain a diverse group of talent, regardless of their gender, age, ethnicity, disabilities, skills, experience, and cultural background.

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

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

Our Progress

We are committed to fostering diversity and inclusion within our organization by not only complying with all applicable employment laws, but also by actively seeking out and recruiting individuals with a wide range of backgrounds and expertise. We believe that a diverse workforce brings a variety of perspectives and ideas, which in turn leads to better decision-making and innovation. By creating an inclusive environment where all individuals feel valued and respected, we aim to harness the full potential of our team and better serve our customers and communities.

As of 31 December 2023, Hup Seng employs 1,241 people, of whom 78% are permanent employees and the remainder being contractors or temporary employees. We have also made consistent progress in achieving gender equality in our workforce, with 37% of all Hup Seng employees being female. Our current workforce is primarily comprised of 52.9% of individuals under the age of 39, who bring fresh ideas to the organization and provide a healthy pipeline of talent that may be nurtured into leadership positions in the future. 31.7% of our workforce are between the ages of 40 and 55, whom assist in providing on-the-job training and mentoring to our young talents.

As for the remaining 15.4%, they are over the age of 55.

What's Next

We aim to maintain zero-incidence of discrimination, harassment, human rights violations, forced or child labor incidents. We continuously seek for diversity, equitable and fair gender representation, and where meritable prioritize increase on the percentage of women in the total workforce based on merit and skills.

Supporting Our Community

Key Performance Data

At the core of our business philosophy is the commitment to giving back to the communities in which we operate. We recognize the importance of making a positive impact on individuals, communities, and the environment, and we believe that engaging with and investing in the local community is essential to achieving this goal.

We understand that each community has its own unique set of needs and challenges, and we are dedicated to identifying and addressing these needs in a way that creates long-term value. This may involve providing job opportunities for local residents, supporting education and skill development initiatives, or contributing to projects that empower communities in need.

By doing so, we hope to foster a sense of partnership and collaboration that extends beyond business transactions, creating a lasting and positive impact on the communities we serve. The following are the amounts invested in the communities and the number of beneficiaries for the past three financial years:

Material Issue	FY2021	FY2022	FY2023
Amount invested in the communities (RM) (GRI 201-1)	32,120.64	79,423.52	127,418.83 ¹
Total number of beneficiaries of the investment in communities	99	266	373

Note:

1. Indicator for FY2023 validated by independent third party

Our Approach

Hup Seng is committed to maintaining a strong commitment to corporate social responsibility (“CSR”) in addition to creating long-term value in the communities in which it operates.

Our primary goal in community development is to empower and support the underprivileged members of our society. We are dedicated to creating opportunities for those in need, whether through educational programs, job training, or other forms of assistance. Additionally, we are committed to environmental conservation and sustainability, and we actively seek out partnerships with like-minded organizations to achieve this goal. Over the years, Hup Seng has collaborated with non-governmental organizations, government agencies, and educational institutions to support community-based programs and initiatives, including food donations and fundraising campaigns.

Our various programs and 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 where we operate.

Our Progress

In FY2023, we have invested RM127,418.83 in CSR activities across 373 organizations, an increase of 60.43% compared to FY2022.

We have also included below a list of some of the beneficiaries of our CSR activities for FY2023:

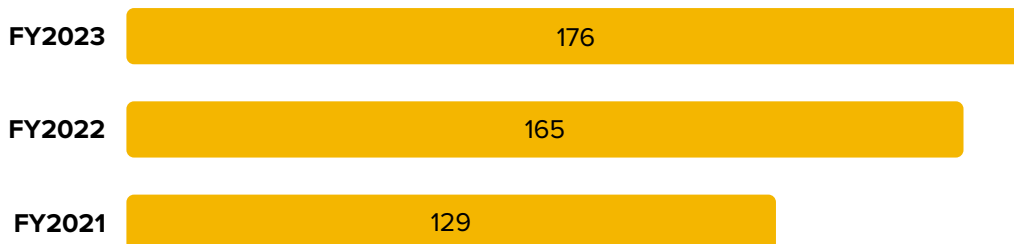
1. Che Eng Khor Moral Uplifting Society, Batu Pahat
2. The Salvation Army
3. Penang Adventist Hospital
4. Hospital Sultanah Nora Ismail, Batu Pahat [HPSNIBP]
5. Persatuan Penganut Agama Buddha Fo Guang Johor
6. Yayasan Taiwan Buddhist Tzu-Chi Malaysia (Melaka)

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

Our goal is to create a mutually beneficial relationship with the communities in which we operate. We believe that by investing in the well-being and prosperity of these communities, we are not only fulfilling our corporate responsibility but also laying the foundation for sustainable success.

Number of New Local Hires

The Group acknowledges that cultivating a collaborative relationship with our stakeholders is imperative for our sustained success and growth. Our new local hires for the past three financial years are:



The increase of number of local hires in the past indicates our commitment to attract diverse and qualified employees, while providing support to our local community.

What's Next

Hup Seng is dedicated to making a meaningful difference in the communities where we operate by engaging in a wide range of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) initiatives.

Hup Seng will continue to seek opportunities to expand our community engagement and support initiatives. This includes exploring partnerships with local organizations, and non-profit entities to maximize our collective impact and address a broader range of community needs. Through these collaborations, we aim to leverage our resources and expertise to drive meaningful change and create a ripple effect of positive outcomes within the communities we are privileged to be a part of.

Supporting the Local Supply Chain Network

Key Performance Data

Through the establishment of a responsible value chain, we can elevate our capacity to create value and promote positive outcomes for our community. By ensuring that every step of the value chain is conducted in a responsible manner, we can create a positive effect that benefits not only our business but also the environment, workers, and society as a whole.

The Group aims to support local industries by engaging local vendors and suppliers. In FY2023, our percentage of local spending amounted to 92.80%, consistent with our spending in the previous years.

Material Issue	FY2021	FY2022	FY2023
Spending on local suppliers (%) (GRI 204-1)	92.90	93.20	92.80 ¹

Note:

1. Indicator for FY2023 validated by independent third party.
2. The calculation methodology on spending on local suppliers from prior reporting years has been changed from 'origin of products' to 'business location of the local suppliers' to improve data represented.
3. Data disclosed on spending on local suppliers has been revised to reflect changes in calculation methods.

Our Approach

Our approach to procurement is guided by a set of principles that prioritize obtaining the best value for our organization. We place emphasis on assessing the quality of vendor performance, ensuring that we engage with suppliers who consistently deliver high-quality products and services. Additionally, we are committed to fostering an environment of open and fair competition, where all qualified vendors have an equal opportunity to participate in our procurement processes.

Furthermore, we recognize the importance of forming smart collaborations with our vendors, seeking to build mutually beneficial relationships that drive innovation and efficiency. By adhering to these principles, we aim to optimize our procurement practices and ultimately contribute to the overall success of our organization.

Our Progress

To maintain a sustainable supply chain, we actively monitor and evaluate our vendors and business partners via our vendor evaluation process. This enables us to assess their performance and ensure that we have a strong vendor base that offers competitive pricing and high-quality services. By regularly reviewing and analyzing our vendors and business partners, we can make informed decisions that contribute to the overall efficiency and reliability of our supply chain.

This process also allows us to identify areas for improvement and collaborate with our local vendors to drive positive change and innovation.

What's Next

Ultimately, our goal is to foster long-term, mutually beneficial relationships with our vendors and business partners, creating a supply chain that is not only sustainable but also adaptable and responsive to the evolving needs of our business and customers.

We are committed to enhancing our sustainable supply chain through procurement initiatives. Our aim is to strengthen our partnerships with local suppliers as part of our ongoing efforts to support the growth of the country's economy, while also ensuring that they adhere to our high standards for quality and sustainability. Through ongoing dialogue and engagement, we will continue to seek out opportunities for mutually beneficial partnerships that drive positive impact and create value for all stakeholders involved.

Quality and Healthy Food

The Group places high importance on regulatory compliance across our operations and works closely with local regulators of our operations in a responsible and transparent manner. Hup Seng remains competitive in the market it operates in, which is attributed to our consistent delivery of the highest-quality products to our domestic and international customers.

Our Approach

In response to the growing awareness among consumers regarding the importance of maintaining good health, we are dedicated to meeting their demand for a wide range of healthy food options. Our commitment lies in ensuring that consumers have access to top-quality, nutritious products at prices that are affordable.

Our primary objective is to consistently enhance the quality and nutritional value of our food items, while adhering to both local and international standards, as well as regulatory guidelines. We are fully committed to continuously improving our products to meet the evolving needs of our consumers and to contribute to their overall well-being.

Our Progress

Our commitment to producing exceptional crackers, biscuits, and cookies is evident in our unwavering dedication to using only the finest, healthiest ingredients and employing high-quality production methods. Our top priority is to deliver products that stand out for their unparalleled quality, ensuring that every bite is a delightful experience for our customers.

We develop our products with a keen focus on maintaining the highest standards of excellence. From the selection of ingredients to the final packaging, we take great care in every step of the process to guarantee that our products not only meet but exceed expectations. This dedication to quality is what sets our crackers, biscuits, and cookies apart, making them a delicious and wholesome choice for all occasions.

As an official recognition of our products' quality excellence, we have received the International High Quality Award by Monde Selection, Belgium from FY1996 to FY2023 and the Gold Quality Award since FY1994. It is one of the world's most prestigious awards with regards to product quality.

Monde Selection distinguishes itself as the only quality institute in the world to offer a global quality evaluation of food products. A panel of independent experts examines each product individually based on a set of up to 25 parameters that address sensory, scientific, and legal aspects relevant to consumers. The Group has always kept abreast with worldwide health concerns. As part of our continuous effort in producing healthier products, our research and development department is currently monitoring the use of only ingredients that are free of partially hydrogenated oils ("PHOs"), including new and alternative ingredients.

What's Next

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

Achievements and Awards

In FY2023, we were awarded a Gold Quality Award by Monde Selection, Belgium for our Cream Crackers.



Food Safety

Our Approach

We are committed to ensure that our food products meet the highest standards, from sourcing to production, and delivery. Our stringent processes and controls are in place to not only meet regulatory requirements but also to exceed expectations and build trust with our customers. This dedication is driven by our belief that everyone deserves access to safe and high-quality food, and we strive to meet this need for our local and international customers.

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

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

Our Progress

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

1. FSSC 22000 (V5.1) 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 Responsibility of the Industry) Certification

To serve national and international Muslim communities in meeting their religious compliance, we ensure strict adherence to halal standards as part of our manufacturing processes, allowing our Muslim consumers to consume our products with the full confidence that their religious practices are being honoured. Our Halal certifications include:

1. Halal Certification from the Department of Islamic Development Malaysia ("JAKIM")
2. Halal Certification from the Halal Product Assurance Organizing Agency of Indonesia ("BPJPH")

As part of our commitment to quality and product safety, we have established a group purchasing policy that is monitored and overseen by our department heads and managing directors. The policy describes a set of criteria used to select new suppliers for inclusion on an approved supplier list, including quality requirements, reliable supply and delivery, competitive pricing, etc. In addition, all our active suppliers are evaluated on an annual basis based on their performance in terms of quality, customer service, and etc.

In FY2023, the following food safety training programs were provided:

1. ISO 9001:2015 Awareness And Internal Audit
2. FSSC 22000 (Food Safety System Certification) Version 6.0 Requirements
3. Food Labeling Regulation & Halal Labeling Requirement in Malaysia
4. Food Handler and Halal Awareness
5. Food Hygiene Awareness Training
6. Pest Awareness Training
7. Food Toxicology And Incidental Constituent

We commit to adhering with the Halal standards and requirements by strengthening our employees' Halal awareness and understanding through the following training programs:

1. Latest LPPOM MUI : Update of Halal Regulations & HAS Implementation
2. Seminar Profesionalisme Eksekutif Halal bagi Skim Produk dan Perkhidmatan
3. Seminar Pengukuhan Halal Assurance System (HAS) Negeri Johor Tahun 2023

What's Next

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

Nutrition Labelling

Key Performance Data

Material Issue	FY2021	FY2022	FY2023
Transparent nutrition information and calorie intakes on all products.	Achieved	Achieved	Achieved

Our Approach

For our business, the label serves as the primary method of communication with our consumers, providing essential information about the quality, nutritional content and safety of our products. They play a crucial role in conveying important details that help consumers make informed decisions about the products they purchase. As such, it is crucial that our product labels are thorough, precise, and easily understood. The label also acts as a form of assurance, assuring consumers that our products have undergone thorough quality checks and meet all necessary safety standards.

Our Progress

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

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

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

What's Next

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

Moving forward, we aim to maintain transparent nutrition information and calorie intakes on all of our products.

Customer Privacy

Key Performance Data

Material Issue	FY2021	FY2022	FY2023
Substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI 418-1)	NIL	NIL	NIL ¹

Note:

1. Indicator for FY2023 validated by independent third party.

Our Approach

Presence in Social Media

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

As such, processing of personal information and data has become even more important, both within the company as well as externally with regard to data flows. Trust is therefore a fundamental prerequisite for Hup Seng's sustainable success. The Group is committed to handling personal data with the utmost care.

Our Progress

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

What's Next

Moving forward, we will continue to aim to achieve zero substantiated complaints concerning breaches of customer privacy and losses of customer data.

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 2023 to 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location	Page
GRI 2: General Disclosures 2021	2-1 Organizational details	About Us	4
	2-2 Entities included in the organization's sustainability reporting	About Us About This Report	4 7
	2-3 Reporting period, frequency and contact point	About This Report	7-8
	2-4 Restatements of information	<u>Effluents and Waste Management</u>	
		1. Scrap reported in prior years has not taken into account item vi, viii and ix. For consistency of description and reporting, the definition of scrap will now include item i to ix, and reported as total waste generated from FY2023 onwards.	38
		2. Data disclosed in prior years has been revised to reflect changes in calculation method used to define scrap, ensuring consistency of data reported and in line with Note 1 above.	
		<u>Supporting the Local Supply Chain Network</u>	
		1. The calculation methodology on spending on local suppliers from prior reporting years has been changed from 'origin of products' to 'business location of the local suppliers' to improve data represented.	56
		2. Data disclosed on spending on local suppliers has been revised to reflect changes in calculation methods.	
	2-5 External assurance	About This Report	8
2-6 Activities, value chain and other business relationships	Our Value Chain	18	
2-7 Employees	Diversity and Equal Opportunity	50 - 53	
2-8 Workers who are not employees	Diversity and Equal Opportunity	51	
2-9 Governance structure and composition	Our Governance Structure	16-17	

GRI CONTEXT INDEX

GRI Standard	Disclosure	Location	Page	
GRI 2: General Disclosures 2021	2-10	Nomination and selection of the highest governance body	CG Overview Statement https://www.hsib.com.my/nomination-committee	40 - 41 (AR)
	2-11	Chair of the highest governance body	Our Governance Structure	16 - 17
	2-12	Role of the highest governance body in overseeing the management of impacts	Our Governance Structure	16 - 17
	2-13	Delegation of responsibility for managing impacts	Our Governance Structure	17
	2-14	Role of the highest governance body in sustainability reporting	Our Governance Structure	17
	2-15	Conflicts of interest	Anti-Bribery and Anti-Corruption: Code of Conduct https://www.hsib.com.my/corporate-governance	30 - 31
	2-16	Communication of critical concerns	Anti-Bribery and Anti-Corruption: Code of Conduct https://www.hsib.com.my/corporate-governance	30 - 31
	2-17	Collective knowledge of the highest governance body	Our Governance Structure Directors' Profile CG Overview Statement	16 - 17 6 - 15 (AR) 41, 45 - 46 (AR)
	2-18	Evaluation of the performance of the highest governance body	Corporate Governance Report	Practice 5.1 (CG Report)
	2-19	Remuneration policies	https://www.hsib.com.my/corporate-governance	-
	2-20	Process to determine remuneration	https://www.hsib.com.my/corporate-governance	-
	2-21	Annual total compensation ratio	Information on Compensation Ratio unavailable. Information on key management personnel compensation is available	43 - 44 (AR)
	2-22	Statement on sustainable development strategy	Our Governance Structure Our Value Chain Our Sustainability Framework	17 18 19
	2-23	Policy commitments	Our Governance Structure	16
	2-24	Embedding policy commitments	Our Governance Structure Anti-Bribery and Anti-Corruption Occupational Health and Safety	16 30 - 31 45
	2-25	Processes to remediate negative impacts	Anti-Bribery and Anti-Corruption Whistleblowing Policy https://www.hsib.com.my/corporate-governance	30

GRI CONTEXT INDEX

GRI Standard	Disclosure	Location	Page
GRI 2: General Disclosures 2021	2-26 Mechanisms for seeking advice and raising concerns	Anti-Bribery and Anti-Corruption	30
	2-27 Compliance with laws and regulations	Environmental Compliance	44
	2-28 Membership associations	-	-
	2-29 Approach to stakeholder engagement	Stakeholder Engagement	22 - 25
	2-30 Collective bargaining agreements	-	-
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Assessment	26 - 29
	3-2 List of material topics	Materiality Assessment	26 - 29
	3-3 Management of material topics	SR	30 - 63
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Performance	32 - 33
		Community Investment: <i>Supporting Our Community</i>	54
		Total number of beneficiaries of the investment in communities: <i>Supporting Our Community</i>	54
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supporting the Local Supply Chain Network	56
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	There are no operations assessed this year. Updates will be provided when available.	-
	205-2 Communication and training about anti-corruption policies and procedures	Anti-Bribery and Anti-Corruption	30 - 31
	205-3 Confirmed incidents of corruption and actions taken	Anti-Bribery and Anti-Corruption	30 - 31
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Ecological Footprint: Materials	34 - 35
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Consumption	40 - 41
	302-3 Energy intensity	Energy Consumption	40 - 41
GRI 303: Water and Effluents 2018	303-5 Water consumption	Water Management	36 - 37

GRI CONTEXT INDEX

GRI Standard	Disclosure	Location	Page
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Emissions Management	42 - 43
	305-2 Energy indirect (Scope 2) GHG emissions	Emissions Management	42 - 43
	305-3 Other indirect (Scope 3) GHG emissions	Emissions Management	42 - 43
GRI 306: Waste 2020	306-3 Waste generated	Effluents and Waste Management	38 - 39
	306-4 Waste diverted from disposal	Effluents and Waste Management	38 - 39
	306-5 Waste directed to disposal	NIL	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Diversity and Equal Opportunity	52
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Health and Safety	45 - 46
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety	45 - 46
	403-5 Worker training on occupational health and safety	Occupational Health and Safety	45 - 46
	403-9 Work-related injuries	Occupational Health and Safety	45 - 46
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Training and Development	47 - 49
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity and Equal Opportunity	50 - 53
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Diversity and Equal Opportunity	52
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Nutrition Labelling	62
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy	63

INDEPENDENT LIMITED ASSURANCE STATEMENT



IBDC Integrated Solutions Sdn. Bhd. (202101020693)

Integrating Your Business Processes • Development of Corporate Solutions

I B D C

Independent Limited Assurance Statement

On the Selected Reporting Indicators of Hup Seng Industries Berhad's Sustainability Report for the Financial Year Ended 31 December 2023

Terms of Engagement

IBDC Integrated Solutions Sdn. Bhd. was commissioned by Hup Seng Industries Berhad (the "Company") to provide an independent limited assurance on its selected reporting indicators of Global Reporting Initiatives ("GRI") Standards 2021 and Bursa Malaysia Securities Berhad ("Bursa Malaysia") Common Sustainability Matters (the "Data") in the Sustainability Report for the financial year ended 31 December 2023 to a limited level of assurance and at the materiality of the professional judgement of the verifier.

Scope of Work

Our limited assurance review is performed on the selected reporting indicators as follow:

GRI 2-7; GRI 201-1; GRI 204-1; GRI 205-2(b); GRI 205-3; GRI 303-5; GRI 305-2; GRI 403-5; GRI 403-9(a)(i), (iii) and Lost Time Injury Rate; GRI 404-1; GRI 418-1; and Bursa Common Sustainability Matter C6(d)

Our scope of work includes:

- Review on adherence to the reporting requirements of selected reporting indicators of GRI Standards 2021 and Bursa Malaysia's Common Sustainability Matters;
- Evaluating the reliability, comparability, and clarity of the reported information; and
- To provide recommendations on modifications to the Sustainability Report on material gap detected, if any.

Review Approach

Our limited assurance review would include, but not limited to the following procedures:

- Review the Group's businesses, profile, and overall sustainability management strategy in determining the selection of specified material indicators;
- Conduct interviews with relevant personnel to obtain understanding on the data collection and information compilation processes;
- Assess the adequacy of reported information to the source data, evidence, and other information or representations provided by the management (whichever available) on a sampling basis,
- Verify the accuracy of the comparable information to the prior year disclosures;
- Evaluate the reported information against the disclosure requirements of the selected reporting indicators of GRI Standards 2021 and Bursa Malaysia's Common Sustainability Matters.

Recommendations

Based on our work performed, areas for improvement were identified. These recommendations are presented in a separate report to the Company as appropriate.

Responsibilities

The Directors of the Company are primarily responsible for the selection of reporting criteria, details reported, and preparation of report in accordance to the GRI Standards 2021 and Bursa Malaysia's listing requirements, as well as to ensure that appropriate system of internal control and processes are in place and effective on data collection, information reporting, making estimations, as well as maintaining records and documentations to be free from material misstatement, whether due to fraud or error.

Our responsibilities in performing our limited assurance services are to the Company only premised on the agreed terms and conditions. Our deliverables are strictly for the private use of the Company. We shall not, in providing this independent limited assurance statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent limited assurance statement may be read. Any reliance on this statement by any third party is entirely at its own risk.

Opinion

Based on our review performed, nothing has come to our attention that would cause us to believe that the Company has not, in all material respects, disclosed reliable performance data and information, in accordance with the reporting requirements of selected reporting indicators of GRI Standards 2021 and Bursa Malaysia's Common Sustainability Matters.

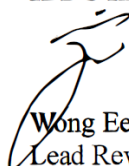
Level of Assurance

The extent of work for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physical checking on the source data. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Independence and Competency

We confirm that we are independent from the Company and no conflicts of interest exist with the Company, its subsidiaries, directors and shareholders. The review is conducted by the assurance team with competent knowledge, experience and qualifications for this assignment.

**Signed for and on behalf of
IBDC Integrated Solutions Sdn. Bhd.**



Wong Een Joon
Lead Reviewer

29 February 2024