

## Sustainability Statement

Daibochi Group is committed towards building a sustainable business and conducting our operations as a responsible corporate citizen. This Sustainability Statement provides an overview on the management of the economic, environment and social matters in the Group's operations during the financial year ended 31 July 2020 ("FY 2020").

### Sustainability Governance

The Board sets the tone and steers a strong sustainability culture whilst Management ensures that ethical, social values and good environmental practices are cascaded throughout the entire organisation.

### Governance Structure

Key Leadership	Roles and Responsibilities
<b>Board of Directors</b>	Reviews and approves the Sustainability Statement.
<b>Managing Director</b>	<ul style="list-style-type: none"> <li>Reviews material sustainability matters with the Management team;</li> <li>Formulates sustainability strategies/initiatives with the Management team; and</li> <li>Reports to the Board on material sustainability matters.</li> </ul>
<b>Management Team:</b> Heads of Departments: Sales, Corporate, Finance, Operations, Management Information Systems and Product Development & Technical	<ul style="list-style-type: none"> <li>Responsible for stakeholder engagement process, identifying material sustainability matters, executing and monitoring the implementation of sustainability initiatives/strategies; and</li> <li>Reports to the Managing Director on material sustainability matters.</li> </ul>

### Stakeholder Engagement

We recognise that our stakeholders are pivotal to the Group's long-term growth. Hence, sustainability issues that are of relevance or interest to these stakeholders are essential to our business. Our key stakeholders and their areas of interest identified during our various engagements with them are reflected below:

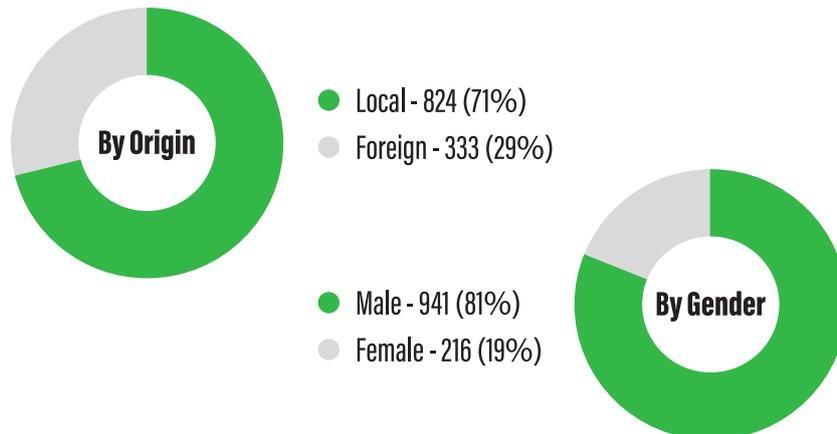
Key Stakeholder Group	Engagement Methods	Areas of Interest
<b>Employees</b>	Discussions, meetings, training programmes and team building	Remuneration package, career progression, occupational safety and health
<b>Customers</b>	Meetings, feedback to sales personnel, audits and customer surveys	Product quality and service, competitive price, environment, occupational safety and health
<b>Governments and Regulators</b>	Meetings, on-site inspections and correspondences	Economy, environment, occupational safety and health, compliance with applicable laws
<b>Investors and Shareholders</b>	Annual report, announcements, press releases, investor briefings and general meetings	Performance and financial results, business strategy and outlook, governance
<b>Local Communities</b>	Community programmes	Social responsibility
<b>Suppliers</b>	Meetings, discussions and information from procurement personnel	Price, payment, occupational safety and health

## Our Workforce

Our employees are our greatest asset and key to our success. We foster an inclusive working environment by cultivating a culture of personal ownership and facilitating the pursuit of excellence for all employees.

Information on our workforce can be viewed below:

Number of employees - 1,157



Daibochi complies with all applicable labour laws, rules and regulations in the countries in which the Group conducts its operations. The Group offers a fair and competitive remuneration package based on our employees' performance, roles and responsibilities to ensure that we meet industry standards in attracting and retaining talent. Employees are offered a wide variety of learning and development opportunities that enhance their existing knowledge and skills to fulfil current job expectations as well as future roles in the organisation.



Team building

## Supply Chain

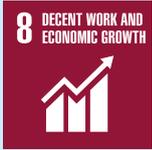
Our supply chain plays an important role in ensuring the efficiency and effectiveness of our operations. Suppliers and service providers are chosen for their ability to consistently deliver over the long-term and operate in a responsible and ethical manner. Presently, 70% of our raw materials suppliers are based in Malaysia.

## Key Sustainability Topics

The 4 key sustainability topics selected in FY 2020 represent a decrease in the number of topics under consideration. This decision was made to focus on topics deemed to be most material to our business, bearing on the Group’s overall economic, environmental and social impact as well as the significance to our stakeholders.

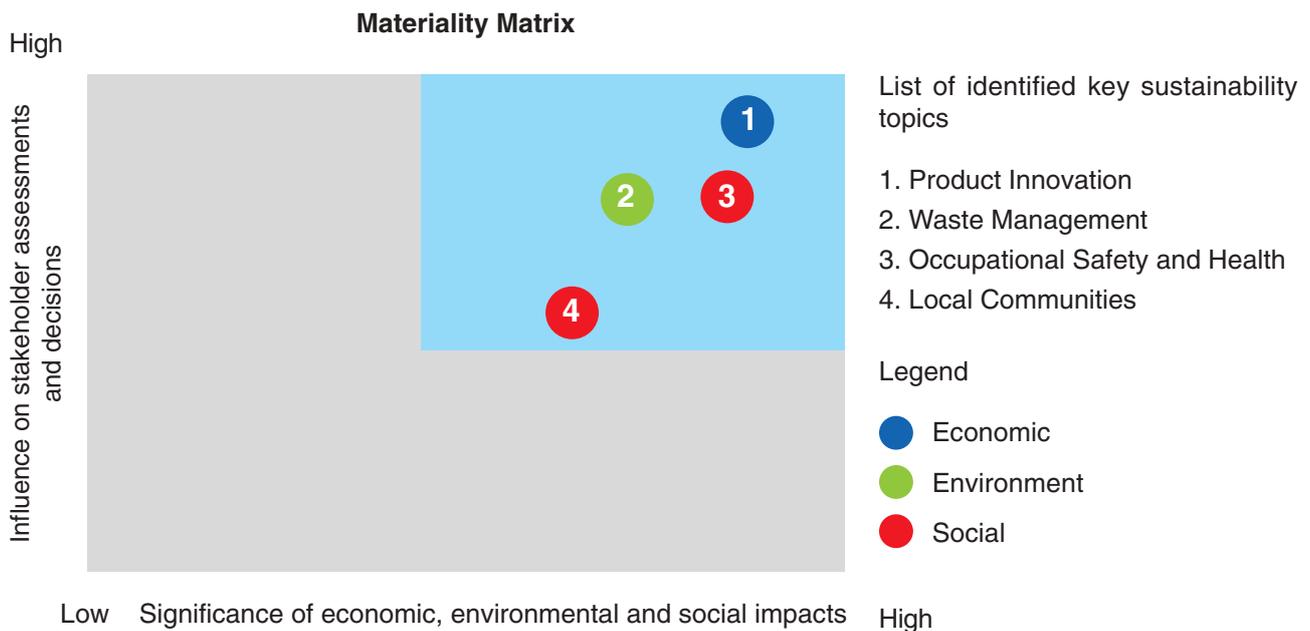
## The United Nations Sustainable Development Goals

The 4 key sustainability topics have been aligned with the United Nations Sustainable Development Goals which are most pertinent to our operations as follows:

No.	Topic	United Nations Sustainable Development Goals
1	Product Innovation	  
2	Waste Management	
3	Occupational Safety and Health	 
4	Local Communities	

## Sustainability Materiality Matrix

The 4 key sustainability topics were then plotted onto a matrix to portray their significance to Daibochi’s business operations and the Group’s stakeholders.



### Impact on Key Stakeholders

Key Sustainability Topic	Key Area of Impact	Stakeholders	Effect on Economic, Environmental and Social Outcomes
<b>Product Innovation</b>	Economic	<ul style="list-style-type: none"> <li>- Customers</li> <li>- Suppliers</li> <li>- Governments and Regulators</li> </ul>	<ul style="list-style-type: none"> <li>- Sustainable packaging solutions have become increasingly important in the recent years as consumers are more focused on the environment</li> <li>- Our integration of resources and processes with Scientex Berhad (our holding company) ("Scientex"), technical expertise, and collaboration with customers enables us to develop sustainable and innovative products to meet the growing demand from consumers</li> </ul>
<b>Waste Management</b>	Environmental	<ul style="list-style-type: none"> <li>- Customers</li> <li>- Suppliers</li> <li>- Governments and Regulators</li> </ul>	<ul style="list-style-type: none"> <li>- Managing waste generated from our operations in a responsible manner enables us to mitigate the potential impact on the environment</li> <li>- Focusing on eco-friendly practices for effective environmental management</li> </ul>
<b>Occupational Safety and Health</b>	Social	<ul style="list-style-type: none"> <li>- Employees</li> <li>- Governments and Regulators</li> </ul>	<ul style="list-style-type: none"> <li>- Maintaining a safe and healthy working environment and complying with relevant laws and regulations to ensure the safety and health of our employees</li> </ul>
<b>Local Communities</b>	Social	<ul style="list-style-type: none"> <li>- Customers</li> <li>- Investors and Shareholders</li> <li>- Governments and Regulators</li> <li>- Local Communities</li> </ul>	<ul style="list-style-type: none"> <li>- Engaging with the community to cultivate environmental awareness for their well-being</li> </ul>

## 1. Product Innovation



As awareness on the impact of plastics on the environment grows amongst consumer groups, it is increasingly important to remain focus on developments of sustainable flexible plastic packaging solutions as well as other innovative products to fulfil consumer preferences and for the long-term preservation of the environment. Our efforts in terms of product innovation focuses on:

- Developing packaging solutions in line with customers' needs and market trends.
- Developing sustainable packaging solutions.

### Developing packaging solutions in line with customers' needs and market trends

The Group adopts stringent benchmarks in our operational processes to ensure the quality and safety of our products and this is reflected in the international accreditations, ISO 9001, ISO 14001 and FSSC 22000 (Food Safety System Certification) attained by us. Continual investment in enhanced capabilities also paves the way for the development of innovative products. The Group's manufacturing facilities are equipped with state-of-the-art machinery and in-house laboratory facilities to produce high-quality packaging solutions. Capacity and capability expansions undertaken during FY 2020 are:

- Installation of 7 high speed machineries which include 4 bag making machines, 2 extrusion laminators and 1 gravure printer.
- Completed the new bagging section at the Company's manufacturing plant, equipped with 13 bagging machines, integrated visitors' walkway and stringent quality control environment.

Close collaborations with customers and brand owners form the basis for market-centric innovation. Feedback is gained through regular review sessions which lay the groundwork for collaboration on developing new products which are geared to our customers' specific needs, as well as collaborations that unlock improved product value.



**New bagging section and integrated visitors' walkway**



**Example of bag produced**



Bowl pack



Internal print



### Developing sustainable packaging solutions

Daibochi's close collaboration with multinational ("MNC") clients and the integration of resources and processes with Scientex has enabled us to develop sustainable packaging solutions and innovative products in line with customers' needs and market trends. Our notable achievement in sustainable packaging solutions is the development of flexible mono-material laminates with the following features:

- 100% Recyclable.
- Able to satisfy current laminate properties and functional performance especially in terms of barrier to oxygen and moisture, machine ability to run as well as aesthetics.



Bricks packaging (gusset bag)



This sustainable innovation, the first of its kind in Malaysia, was developed for a renowned domestic beverage brand during FY 2020 and we are currently collaborating with the customer to roll out packaging solutions for their other products. Leveraging on our competitive advantage, we are also undergoing various stages of qualifications with our prominent MNC customers and the response has been promising. Accordingly, Daibochi targets to capitalise this innovation for other product lines which include pet food, confectionery and beverages.

## 2. Waste Management



Daibochi endeavours to conduct our operations in an environmentally responsible manner by adopting environmental best practices in our production process. Our ISO 14001 environmental management certification signifies our commitment to minimise the impact on the environment and conserve natural resources.

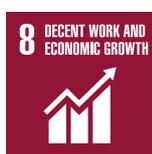
Wastes from our production plants are managed and disposed effectively in accordance with the relevant country-level laws and regulations in terms of its transportation, storage and disposal. The nature of waste considered herein specifically refers to non-scheduled waste, which is defined as recyclable and non-recyclable plastic waste generated from our manufacturing plants.

Non-recyclable production waste were either sold to waste collectors or delivered to a third-party waste-to-energy incineration facility and is free of asbestos, scheduled waste or any hazardous materials and converted into alternative fuel. In addition, plastic pellets and resins are delivered by the waste collector to plastic recycling companies to be recycled for use in the injection moulding industry for household products, including waste bins and plastic chairs.

We seek to keep waste to a minimum within our production process. Frequent briefings and meetings are held by Management with the production team to continuously instil waste management awareness. Waste management matters are also reported at monthly management meetings. We recorded an improvement in waste reduction, as tabulated below, by focusing on our core competency in converting, instead of upstream activities and continuous process improvements across our manufacturing plants.

	FY 2020	FPE 2019
Recyclable waste/sales tonnage	1.9%	1.1%
Non-recyclable waste/sales tonnage (converted to alternative fuel)	2.9%	12.6%
Non-recyclable waste/sales tonnage (others)	8.2%	4.6%
<b>Total Waste/Sales Tonnage</b>	<b>13.0%</b>	<b>18.3%</b>

### 3. Occupational Safety and Health



Creating a healthy and safe environment for our employees, contractors, service providers, customers and visitors to our manufacturing facilities remains a priority and this is manifested in Daibochi's Safety and Health Policy. Our Safety and Health Committee ("SH Committee") is entrusted with cultivating safe workplace practices which encompass the following measures:

- Developing and administering safety policies.
- Conducting annual safety audits and inspections of our manufacturing sites.
- Ensuring compliance with Occupational Safety and Health Administration laws and regulations.
- Providing personal protective equipment to all concerned workers to reduce potential occupational hazard exposure.

The SH Committee performed the following duties during FY 2020:

- Provided regular training sessions to all relevant production employees on fire safety, chemical spills, machine safety and accident-prevention.
- Held meetings for major accident cases on an immediate basis and conducted investigations of the accidents, including corrective and preventive actions.
- Reported details of major accidents at monthly assemblies or briefings with production employees.
- Carried out reviews on accidents on a monthly basis and reported to Management.
- Collaborated with the Fire Department to conduct trainings at our Melaka plants for our firefighting team to ensure preparedness in the eventuality of fire emergencies.

As a result of our safety and health initiatives, we achieved our target of zero fatalities in the Group's manufacturing plants, details of which are tabulated below:

Accident cases	FY 2020	FPE 2019
No. of major injury	4	7
No. of minor injury	7	12
No. of Fatality	-	-

Notes:

- Number of major injury - defined as an injury that prevents the said employee from performing his normal occupation for more than 4 days of work, including the day of accident
- Number of minor injury - defined as an injury that prevents the said employee from performing his normal occupation for 4 days of work or less, including the day of accident



Training on fire safety

Management of emissions and materials/ substances in accordance with safety and health requirements are as follows:

- Trained and qualified personnel to closely monitor all emissions such as air and water discharge.
- Emissions from our vehicles and transporters are within regulatory limits.
- Hazardous substances and chemical containers are clearly identified, located in designated areas, and disposed properly.
- Stringent monitoring measures to prevent spills during handling and transportation of hazardous materials for safety purposes.
- Air emission monitoring and monthly industrial effluent testing.

#### 4. Local Communities



As a responsible corporate citizen, we support the betterment of the local communities by contributing towards socio-economic development as outlined herein:

- Approximately 71% of our workforce comprises local employees.
- At the Company level, we provided the poor/marginalised community in Melaka with supplementary work and income by collaborating with a non-profit organisation in respect of an assembly project and to supply a portion of our fresh fruits' requirements in the staff canteen.
- 9 trainees were recruited by the Company for industrial training during FY 2020.

On the social responsibility front, we made a positive impact by providing contributions to:

- a secondary school in Melaka for the education of poor students.
- the Melaka Fire Department for its Fire Safety Awareness Campaign.
- an association which assists poor and needy patients who are terminally ill.

The Group supports green activities and environmental conservation efforts through the following initiatives:

- Participation by the Company’s employees in recycling activities through our “Green Day” campaign every Tuesday and Thursday.
- Employees are encouraged to practise the 5R’s – ‘Refuse, Reuse, Reduce, Repair and Recycle’ in their daily activities.



**Recycling activity**

**Special Section: Coronavirus Disease 2019 (“COVID-19”) Activities**

The COVID-19 pandemic has brought unprecedented challenges to the global economy, people and businesses worldwide. Throughout the crisis, our primary focus has been to safeguard the health and safety of our employees as well as maintain continuity of the Group’s business/operations to meet customers’ needs and support the requirements imposed by the Government and local authorities during the Movement Control Order (“MCO”). The key initiatives undertaken by the Group are summarised herein:

- Providing a working environment that promotes personal hygiene.
- Mandatory temperature checks for employees and visitors prior to commencing work or entering the premises.
- Limiting the number of visitors from visiting the plants unless it is necessary.
- Restricting movement between manufacturing areas/work premises to reduce the risk of transmission.
- Establishing alternate workdays or extra shifts and encouraging employees to work remotely from home.
- COVID-19 screening for all employees based in Malaysia.



**COVID-19 test**



**Sanitising machinery**

Daibochi donated 400 food kits to the Melaka State Government to assist the poor and needy during the MCO period, contributed to relief funds and provided essentials and necessities such as food, beverage and masks to frontliners in Melaka.



**Donation of food kits to the Melaka State Government**



**Appreciation to frontliners**