

B E S H O M

THE BEST STARTS FROM HOME

BESHOM HOLDINGS BERHAD

Registration No. 202101001114 (1401412-A)

2022



SUSTAINABILITY
STATEMENT

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ABOUT THIS REPORT

Building upon the legacy of Hai-O, Beshom Holdings Berhad (“BESHOM”) continues to aim to become the premier healthcare company in Malaysia and thereby bringing the greatest value and pride to our customers, business partners, employees, and shareholders.

At BESHOM, there will be no compromise of our efforts in maintaining balanced growth and value creation in the society and environment for our wider stakeholders. This Sustainability Statement FY2022 (this “Report”), which is published together with BESHOM’s Annual Report FY2022, reports on the ongoing efforts in ensuring business sustainability in the context of economic, environmental, social, and governance aspects within BESHOM and its subsidiaries (the “Group”).

This Report has been prepared with reference to the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). This Report has been prepared in accordance with the GRI Standards: Core option. We have also considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits and relevant international sustainability reporting framework and requirements.

This Report has been approved by the Board of Directors (the “Board”) of BESHOM.

ABOUT THIS REPORT

REPORTING BASIS AND SCOPE

This Report presents BESHOM Group's sustainability progress and performance for the financial year ended 30 April 2022 ("FY2022"), covering the Group's main revenue-generating business segments including Multi-Level Marketing ("MLM"), Wholesale, Retail, and Manufacturing, as well as the Group's operations at its corporate office in Klang, Selangor.

Almost 100% of the Group's revenue is derived from operations in Malaysia while the Group's business ventures in Brunei and Indonesia currently have minimal revenue contribution to the Group.

Compared to the previous financial year under review, our reporting scope remains to be based on the revenue-generating businesses, where the Group has active operations and where stakeholder value may be impacted.

There were no significant changes to the Group's businesses and operations, including the supply chain, save for the internal reorganisation activity where BESHOM assumed Hai-O Enterprise Berhad's ("Hai-O") listing status upon completion of the internal reorganisation on 29 November 2021. The reorganisation streamlined the Group's businesses into separate identifiable business streams which reflect the diverse operations of the Group, i.e. MLM, Wholesale, Retail, and Manufacturing segments. Other supporting business activities, such as property management, are not covered in this Report due to insignificant financial, environmental, and social impacts.

| | |
|------------------------------|---|
| Corporate Office | Located in Wisma Hai-O, Klang, Selangor Darul Ehsan which also is BESHOM's headquarters. |
| MLM Segment | <p>The MLM segment is operated by Sahajidah Hai-O Marketing Sdn. Bhd. ("SHOM") with presence in Malaysia, Indonesia, and Brunei. Customers of the MLM segment are largely based in Malaysia, while markets in Indonesia and Brunei represent an insignificant portion of the MLM's customer base.</p> <p>SHOM works with MLM distributors and we have 36 MLM branches, stockists, and sales points across East and West Malaysia.</p> |
| Wholesale Segment | The Wholesale segment is operated by Hai-O Enterprise Bhd., Hai-O Medicine Sdn. Bhd., Kinds Resource Sdn. Bhd., Grand Brands (M) Sdn. Bhd. and Chop Aik Seng Sdn. Bhd.. Customers of the Wholesale segment are mostly based in Malaysia. |
| Retail Segment | The Retail segment is operated by Hai-O Raya Bhd., with 54 outlets including franchises across East and West Malaysia and an online retail store. With its local and online presence, the Retail segment is able to serve both Malaysian and overseas customers. |
| Manufacturing Segment | The Manufacturing segment is operated by SG Global Biotech Sdn. Bhd., QIS Research Laboratory Sdn. Bhd., Yan Ou Holdings (M) Sdn. Bhd. and Yan Ou Marketing (Intl) Sdn. Bhd. Customers of the Manufacturing segment are mostly based in Malaysia. |

ASSURANCE

An internal validation process has been undertaken in the preparation of this Report. This Report has not been externally assured.

CONTACT US

Further information on BESHOM's policies and management processes are available on our corporate website at www.beshom.com. Should you have questions about this Report, please contact us at ir@beshom.com.

GROUP MANAGING DIRECTOR'S MESSAGE



As Malaysia emerges from the impacts of the COVID-19 pandemic, businesses and markets continue to see new challenges arise, such as climate risks, economic and supply chain disruptions, and concerns regarding labour practices and human rights around the world. To ensure businesses are managed sustainably and responsibly, businesses must take a holistic approach and integrate economic, environmental, social, and governance considerations in their strategies.

Throughout the years, we have continuously assessed and enhanced the management of sustainability in our business processes, and we have also reaped the fruits of our sustainability initiatives such as streamlined operational processes, expanded our online presence, achieved cost savings through green energy initiatives, as well as setting a consistent ethical culture across the Group's businesses.

GROUP MANAGING DIRECTOR'S MESSAGE

BESHOM's sustainability strategy focuses on 5 Key Sustainability Focus Areas, namely **Economy, Governance, People, Product, and Planet**. Our Sustainability Policy further sets out the priorities in these Key Sustainability Focus Areas and guides us in addressing sustainability in our business operations. We also carry out our sustainability initiatives in consideration of the global 17 Sustainable Development Goals towards the 2030 Agenda for Sustainable Development adopted at the United Nations Sustainable Development Summit, focusing on 8 Sustainable Development Goals ("SDGs") where we can best contribute through our sustainability focus, as follows:



End poverty in all its form everywhere



Ensure healthy lives and promote well-being for everyone across all ages



Ensure inclusive and equitable quality education and promote lifelong opportunities for all



Ensure access to affordable, reliable, sustainable and modern energy for all



Promote inclusive and productive employment and decent work for all



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

This year, we have also streamlined and consolidated some of our sustainability matters to enable better management focus.

GROUP MANAGING DIRECTOR'S MESSAGE

The Group's key performance highlights for FY2022 are presented as follows:



OUR ECONOMY



Profit Before Tax
RM40.3
million



Total Revenue
RM209.6
million



Total Assets
RM370.1
million



Market Capitalisation
RM483.2
million



Local trade procurement
60%



Average entry level non-executive
wage: minimum wage*
1.67 : 1
East Malaysia
1.42 : 1
West Malaysia



Internship Programme for
18
Students



Gender Wage Parity Index
1 : 0.91
(male-to-female)



Initiated

**supplier environmental and social
impact assessment**

* The minimum wage of RM1,200 was used.



OUR GOVERNANCE



**Anti-Bribery
Policy**
communicated to all directors,
employees,
distributors, active
suppliers and business
associates



Developed
**Code of
Business Ethics**
for suppliers and business
associates



**SHOM's Business
Handbook**
is made available in:
**English, Bahasa Malaysia and
Chinese**



No fines, penalties, or
settlements reported in relation
to corruption

No whistle-blowing cases



2 TCM
Manufacturing Plants
Certification:
GMP



**MLM &
Manufacturing**
Certification:
ISO 9001 : 2015



No breaches
relating to customer data or privacy

GROUP MANAGING DIRECTOR'S MESSAGE



OUR PEOPLE



465
employees
49,795
MLM
Distributors



100%
complaints resolved
for all business
segments



2 cases
work-related injury



37% male :
63% female
employee diversity



**14 training
hours**
per employee



**Community
Engagement
Activities**
Higher Educational
Aid, Blood Donation,
aid for flood victims



OUR PRODUCT



Guidelines in place
to govern
**responsible
marketing**



Compliant
with relevant
regulatory
requirements:
MAL, NPRA, FSQD,
KKLIU



0 case
of product
recall



**> 100
products**
with
HALAL certifications



OUR PLANET



7.30 kWh/ ft²
Total electricity
usage intensity**



99.9%
new MLM
members
registered on
electronic platform



Electronic
communication with
stakeholders
(100%
MLM e-bulletin,
Board e-portal,
e-vouchers, and etc)



Efforts to **reduce**
packaging and use of
paper and
plastic materials



Initiated project to
install **solar
panels**

** Covering the Group 4 main buildings at Wisma Hai-O, Lot 1388 (A) and (B) and Wawasan Hai-O

GROUP MANAGING DIRECTOR'S MESSAGE

This year, we have reviewed and further enhanced BESHOM's corporate governance to enable better alignment with sustainability accountability and performance, in accordance with the recommended practices of the Malaysian Code on Corporate Governance (as at 28 April 2021) ("MCCG"). We have developed sustainability key performance indicators ("KPIs") which aim to measure and drive the Group's sustainability performance. The KPIs are categorised into 3 key pillars, driving impact and creating long-term value for our stakeholders, as follows:

| FY2023 Sustainability Targets |
|---|
| SocioEconomic |
| <ul style="list-style-type: none"> • more than 80,000 transactions/orders made via e-commerce platform • facilitate at least 2 cross-over projects with business alliances to cater for market needs and synergy reach • zero incidents of product recall • at least 75% employees meeting the minimum training hours required • maintaining a Gender Wage Parity Index of 1:0.91 among employees • achieving zero cases of work-related injuries • sponsorship, fund-raising, or similar programmes which benefit more than 30,000 students and teachers • resolving 100% of complaints received |
| Governance |
| <ul style="list-style-type: none"> • achieving 100% training completion rate for management-level employees on mandatory topics • achieving an average passing rate of at least 70% for in-house post training assessment on Anti-Bribery and Corruption • zero complaints on breaches of customer privacy • zero food safety incidents |
| Environment |
| <ul style="list-style-type: none"> • savings of 20,000 reams of A4 paper (1 ream = 500 pieces of 80gsm paper) • prioritise the use of environmentally friendly packaging for new products or product rebranding • solar energy project ready for commissioning by 1st half of 2023 • to use LED lighting systems for all new outlet and branch |

With the support of our employees, distributors, and business partners, I look forward to driving the Group towards achieving long-term sustainability. Bearing the legacy and spirit of HAI-O, BESHOM will continue to pursue its Vision and Mission, and continue to create and deliver sustainable value to its stakeholders.

GROUP MANAGING DIRECTOR'S MESSAGE

SUSTAINABILITY AS THE HEART OF OUR HOME

BESHOM aims to become the premier healthcare company in Malaysia, bringing value and pride to our stakeholders through promoting healthcare culture and human well-being.

BESHOM's diverse business segments from MLM to retail and wholesale enable Malaysia's multi-cultural communities to access different healthcare-related consumer products. Our businesses also create career opportunities through direct and indirect employment and economic opportunities through MLM distributorships. We also support the development of talents within the healthcare industry.

Our products and services are mainly healthcare-related, such as supplements, nutritional foods and beverages, personal care, household, skincare, beauty and cosmetics, herbs and tea and traditional complementary medicines ("TCM"). We also manufacture health food and food supplements via our 2 manufacturing plants which have certifications from International Organization for Standardization ("ISO"), Hazard Analysis and Critical Control Point ("HACCP"), Good Manufacturing Practice ("GMP"), and/or the United States Food and Drug Administration ("US FDA").



MISSION

We are committed to promoting healthcare culture and improving human's well-being.



VISION

We aim to become the premier healthcare company in Malaysia, thereby bringing the greatest value and pride to our customers, business partners, employees and shareholders.

By embracing business opportunities and managing risks, cherishing our people and executing our social and environmental responsibilities to deliver sustainable stakeholder value, we strive to build a strong and resilient business.



We are committed to uphold our CORPORATE VALUES



Social
Responsibility



Excellent
Services



Attitude



Growing



Unity



Loyalty



Learning

These values are also considered in our Sustainability Policy which sets out the Group's focus on managing our businesses sustainably and responsibly. Our operations and processes are developed incorporating practices from compliance standards to better international practices relating to environmental, social, and governance aspects.

GROUP MANAGING
DIRECTOR'S MESSAGE**B E S H O M**

We believe in the importance of a good start, which underscores our motto of **The Best Starts From Home**. For over four decades, we have upheld our mission to enhance the well-being for all.



FOR OUR **PEOPLE** 以人为本
Making wellness and healthcare products more accessible has and will always be our goal.

我们为每个人提供便捷可信的健康保健产品，
这个承诺永不改变。



FOR OUR **LIVELIHOOD** 安居乐业
A platform to enhance the quality of life by giving support and opportunities.

我们精心设计一应俱全的平台，为您提供支援，
替您创造机会，让每一个人享受安居乐业的成果。



FOR OUR **FUTURE** 高瞻远瞩
Improve the well-being of humankind through innovative healthcare and technology.

通过崭新的医疗保健科技，改善人类健康，
勇于创新，未来可期。



FOR OUR **LEGACY** 继往开来
Building a world based on trust, values, integrity and sustainability for the future generations.

建立一个融合信任，价值、诚信和永续发展概念的企业，继往开来，承先启后、延续美好。

GROUP MANAGING DIRECTOR'S MESSAGE

At BESHOM, sustainability is considered in our business strategies approved by the Board, supplemented by a sustainability strategy and sustainability policy that sets the direction and focus for the Group, as follows.



ECONOMY

We shall create business and employment opportunities, recruit local talent, embed sustainability in our procurement practices and throughout our value chain, provide a skill development and business collaboration platform for distributors, and instil the "Hai-O My Choice for Life" team spirit.



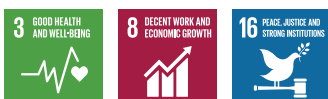
GOVERNANCE

We shall prioritise compliance throughout the value chain, adhere to laws, regulations, and internal conduct and policies, manage material sustainability matters, and embed integrity and transparency into our corporate culture.



PRODUCT

We shall promote products that improve community well-being, provide high quality and safe products and services, apply and maintain standards and certifications, improve customers'/distributors' satisfaction, and establish sustainable and transparent lines of communication between BESHOM and our customers.



PEOPLE

For our employees, we shall ensure a safe and conducive workplace, provide fair remuneration, foster talent development and performance management system, provide regular training and development programmes, encourage employees' involvement in Kelab Muhibbah Hai-O and provide recognition for high performing and loyal employees, teams, and franchisees.

For the community, we shall strive to bring a positive impact, encourage quality education, support vulnerable communities, and continuously spread health awareness and community harmony.



PLANET

We shall educate the practice of 4R (Reduce, Reuse, Recycle, Replace), reduce and replace less environmentally friendly materials in product packaging, promote green initiatives, and introduce products that contain eco-friendly ingredients that are less harmful to the environment as well as human health.



GOVERNANCE FOR SUSTAINABILITY

Our corporate governance process incorporates the oversight and management of sustainability. Spearheaded by the Board, our robust sustainability governance helps to set the Group on the right path towards its long-term objectives.

| | | |
|--|--|--|
| Board of Directors ("Board") | <ul style="list-style-type: none"> • Endorses the Group's sustainability strategy and commitment statement • Approves the Sustainability Report and its contents | <p>The Board provides stewardship to the Group and ensures overall business strategy considers long-term sustainability for the stakeholders as well as for the business. The Board approves and oversees the implementation of the Group's Sustainability Strategy, Sustainability Policy, and achievement of targets while ensuring their ongoing relevance in the ever-changing business environment.</p> <p>The Board also provides oversight to the Group's overall stakeholder management and management of material sustainability matters and key sustainability risks.</p> |
| Sustainability Steering Committee ("SSC") | <ul style="list-style-type: none"> • Proposes the sustainability strategy to the Board • Reviews the material sustainability matters identified and prioritised by the SMC • Engages the departments involved in the SMC and oversees the progress of sustainability initiatives and projects that are in place across different departments | <p>The SSC is chaired by the Group Managing Director. Its members include the Group Executive Director cum Group Chief Financial Officer and two Independent Directors to bring objective views to the SSC.</p> <p>The SSC develops group-wide Sustainability Strategies, goals, targets, and performance indicators and recommends them for the Board's approval. The SSC also reviews the Group's overall stakeholder management process and management of material sustainability matters.</p> |
| Sustainability Management Committee ("SMC") | <ul style="list-style-type: none"> • Undertakes sustainability initiatives aligned with the Group's sustainability strategy • Records and manages data that reflect the Group's year-on-year performance against economic, environmental, social and governance parameters • Identifies and prioritises the material sustainability matters that are relevant to the Group and the stakeholders | <p>The SMC is a Management-level committee comprising the senior management members and key management personnel. It plays a significant role in the successful execution of the Sustainability Strategy towards meeting the sustainability goals and priorities approved by the Board. In this regard, individual members of the SMC are responsible for undertaking relevant initiatives at the respective departments or functions they oversee to drive sustainability performance towards the goals and priorities, according to the Group's operational and accountability structure.</p> <p>The SMC is also responsible for overseeing stakeholder management and conducting materiality assessment, which are subsequently reported to the SSC and the Board. The SMC identifies if there are any significant changes to the Group's material sustainability matters, including emerging risks, as well as any significant stakeholder issues.</p> |
| Sustainability Task Force ("STF") and Employees | <ul style="list-style-type: none"> • Executes sustainability initiatives and collects sustainability data • Executes internal controls to manage sustainability matters | <p>The STF comprises Management personnel that leads employees to execute sustainability initiatives based on approved sustainability strategies, collect relevant data to measure sustainability performance, and undertake internal controls to manage material sustainability matters and relevant risks and opportunities.</p> |

GOVERNANCE FOR SUSTAINABILITY

For FY2022, key activities undertaken by the Board in relation to the Group's management of sustainability matters include the following:

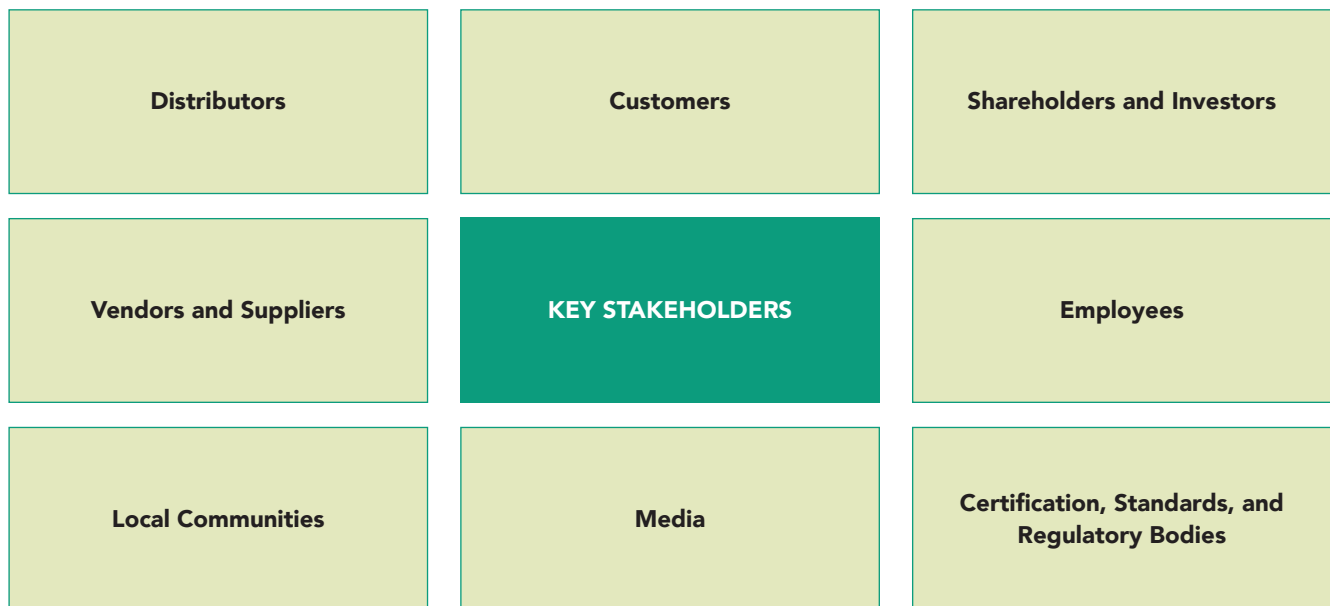
- reviewed and approved the Group's materiality assessment review performed by the SMC;
- reviewed matters highlighted by the SSC on the Group's stakeholder engagement activities;
- reviewed the Group's corporate governance processes to enhance alignment with sustainability-related accountability and performance evaluation;
- reviewed the sustainability strategy, targets, and Sustainability Policy¹ with reference to the Group's mission and vision and relevant business strategies;
- reviewed the performance of the Group's material sustainability matters and their inclusion in BESHOM's Sustainability Statement FY2022; and
- reviewed and approved the sustainability KPIs for FY2023 proposed by the SSC.

¹ There were no changes to the sustainability strategy and Sustainability Policy arising from the review.

STAKEHOLDER ENGAGEMENT

BESHOM is committed to forming sustainable, mutually beneficial relationships with its stakeholders towards achieving long-term, sustainable value creation and preservation. Every stakeholder is important in different ways, and we seek to strike a balance between the Group's interest, its obligations, corporate responsibilities towards stakeholders, as well as stakeholders' interest overall.

We adopt a structured process to assess and group stakeholders to understand the various interest and needs of our varying stakeholders, as well as to facilitate effective and efficient communication with them. We assess stakeholders by considering their relationships with our businesses, how these relationships impact the Group, how the Group's activities impact stakeholders, as well as their relationship with other stakeholders. Broadly, our stakeholders include customers, shareholders and investors, employees, distributors, vendors and suppliers, local communities, media, certifications, standards, and regulatory bodies.



We engage with our stakeholders through various engagement channels, as appropriate, and we embrace open and honest communication with stakeholders with an aim to have adequate understanding of their views and concerns and to communicate effectively with them.

The heads of respective business units and departments ensure effective stakeholder engagements by overseeing the stakeholder communication process, considering the Group's sustainability strategies and ensuring pertinent issues or concerns raised by stakeholders are managed and escalated as appropriate. Highlights of the stakeholder engagement outcomes, including important stakeholder feedback, are reported to the Board via the SMC and SSC.

In the past few years, greater adoption of digital communication modes in our stakeholder engagement activities due to the pandemic has helped us to expand our variety of stakeholder engagement tools. During FY2022, as Malaysia gradually rolled out its various stages of National Recovery Plan alongside nationwide vaccination programmes, we carried out stakeholder engagements electronically and we also carried out some engagements physically while exercising great care and complying fully with COVID-19 preventive protocols.

Amongst others, we resumed holding our recognition events for MLM distributors and local incentive trips carried out in small groups. Amongst others, we also carried out supplier audits, stakeholder surveys with customers, suppliers, employees, and distributors, as well as awareness sessions on safety and health, COVID-19 prevention, and personal health.

STAKEHOLDER ENGAGEMENT

The Group's stakeholder engagements during the financial year under review, including engagement approaches, are summarised as follows.

| FOCUS AREAS | KEY ENGAGEMENT APPROACHES AND/OR CHANNELS | FREQUENCY OF ENGAGEMENT | KEY HIGHLIGHT OF ENGAGEMENT ACTIVITIES CONDUCTED DURING FY2022 |
|--|--|---------------------------|---|
| Employees | | | |
| The individuals that enable us to serve our customers. | | | |
| <ul style="list-style-type: none"> • Career development and advancement • Work-life balance • Employee health and safety • Employee benefits | Performance appraisal | Annually | <ul style="list-style-type: none"> • Performance appraisal • Anniversary and festival gathering events (Physical and Virtual) • Code of Ethics & Business Conduct and Whistle-Blowing Policy updates • Loyalty and Outstanding Performance Awards • Virtual staff gathering for information sharing • Kelab Muhibbah Hai-O activities • Standard Operating Procedures and communication in relation to COVID-19 response • Safety awareness talks program, communication of new Operational Manual on Safety and Health |
| | Employee Handbook, Code of Ethics & Business Conduct | Available at all-times | |
| | Internship and training and development programmes | Regularly | |
| | Festive events or celebrations | At least once annually | |
| | Health screening and check-up | Regularly | |
| | BESHOM Human Resource Online | Available at all times | |
| | Employee Engagement survey | Once in every three years | |
| | Kelab Muhibbah Hai-O | Regularly | |
| | Staff purchase/ product giveaway | Regularly | |
| Customers | | | |
| The people that use our products and services. | | | |
| <ul style="list-style-type: none"> • Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints • Pricing and promotion | Customer satisfaction survey | Annually | <ul style="list-style-type: none"> • Customer satisfaction survey • Hai-O Chain Store Friendship Member Programme • COVID-19 Awareness conducted occasionally through online platforms • Social media: Facebook, WeChat, Instagram, YouTube, Telegram • Website with Preferred Customer Program (PCP), E-commerce • Product Zoominars • Health talk through FB live |
| | Conventional advertising media | Regularly | |
| | Social media platforms | Available at all times | |
| | Corporate website | Available at all times | |
| | Customer Relations Management | Ongoing | |
| | Hai-O Chain Store Friendship Member Programme | Ongoing | |
| | Product labelling and information | Ongoing | |
| | Product standards and certifications | Ongoing | |
| | Feedback and enquiry forms – online and in-store | Available at all times | |
| WhatsApp line, customer care line, and email | Available at all times during business hours | | |

STAKEHOLDER
ENGAGEMENT

| FOCUS AREAS | KEY ENGAGEMENT APPROACHES AND/OR CHANNELS | FREQUENCY OF ENGAGEMENT | KEY HIGHLIGHT OF ENGAGEMENT ACTIVITIES CONDUCTED DURING FY2022 |
|---|--|--|--|
| Distributors | | | |
| The individuals that bring our products to product users. | | | |
| <ul style="list-style-type: none"> Enhancement of distribution platform Market demand for Hai-O products Product quality and pricing Product development and innovation MLM entrepreneurship | <ul style="list-style-type: none"> Marketing strategy and plans E-bulletin E-sales kit and e-registration Distributor survey Events and conferences Training and workshops | <ul style="list-style-type: none"> At least once annually Quarterly Monthly Annually Regularly Regularly | <ul style="list-style-type: none"> Distributor survey Crown Diamond Manager Virtual Conference 2022 Hall of Fame (Facebook) – recognition of Sales Manager (SM), Senior Sales Manager (SSM), Diamond Sales Manager (DSM), Double Diamond Manager (DDM), and Car Fund Achievers. Standard Operating Procedures and communication in relation to COVID-19 response to branches/stockists Product Zoominars SHOM TechTalk Zoom meetings Product e-vouchers Members' portal Local incentive trip (break into small groups) Recognition event i.e. SM/SSM (Hybrid) 29th Anniversary, recognition of Crown Diamond Manager and top performers |

STAKEHOLDER ENGAGEMENT

| FOCUS AREAS | KEY ENGAGEMENT APPROACHES AND/OR CHANNELS | FREQUENCY OF ENGAGEMENT | KEY HIGHLIGHT OF ENGAGEMENT ACTIVITIES CONDUCTED DURING FY2022 |
|---|--|--|---|
| Vendors and Suppliers | | | |
| The business partners that enable us to source, make and distribute our products. | | | |
| <ul style="list-style-type: none"> • Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion | <ul style="list-style-type: none"> Meetings Factory visits Audits Vendor evaluation | <ul style="list-style-type: none"> Regularly Regularly Regularly Periodically | <ul style="list-style-type: none"> • Code of Business Ethics for Suppliers and Business Associates • Supplier declaration on <ul style="list-style-type: none"> o BESHOM Group Anti-Bribery Policy o Integrity & Background Declaration o BESHOM Group Privacy Notice and PDPA Declaration • Supplier Engagement Survey on Sustainability • Supplier site audit |
| Certification and Regulatory Bodies | | | |
| The regulators who monitor our business practices. | | | |
| <ul style="list-style-type: none"> • Regulatory compliance • Approval and permits • Standards and certification | <ul style="list-style-type: none"> Meetings and consultations Training programmes and dialogues Factory visits and monitoring Legal and regulatory updates Audits | <ul style="list-style-type: none"> Regularly Regularly Regularly Regularly/ as applicable Regularly | <ul style="list-style-type: none"> • ISO, HACCP, SAMM, GMP and US FDA certifications • BKKM, NOT, MAL • COVID-19 SOP Compliance • HALAL certificate |

STAKEHOLDER
ENGAGEMENT

| FOCUS AREAS | KEY ENGAGEMENT APPROACHES AND/OR CHANNELS | FREQUENCY OF ENGAGEMENT | KEY HIGHLIGHT OF ENGAGEMENT ACTIVITIES CONDUCTED DURING FY2022 |
|--|--|--|---|
| Local Communities | | | |
| The individuals in the nearby community who are in need or are impacted by our operations. | | | |
| <ul style="list-style-type: none"> Quality of health and education Indirect economic impact Environmental impact of operations Community well-being | <ul style="list-style-type: none"> Community engagement and outreach Donation and sponsorships Social and charitable activities Hai-O Foundation Kelab Muhibbah Hai-O | <ul style="list-style-type: none"> Regularly Regularly Regularly Regularly Regularly | <ul style="list-style-type: none"> Hai-O Higher Educational Aid and Hai-O Excellent Academic Awards Health talks Caring for our Staff – Health Packages Blood donation campaign Virtual Filial Piety Dinner Flood donation Orphanage House |
| Shareholders and Investors | | | |
| The investors and lenders who invest in our business. | | | |
| <ul style="list-style-type: none"> Financial performance Regulatory compliance Corporate governance Ethical business conduct Investment and divestment Internal control and risk management Board composition | <ul style="list-style-type: none"> General meetings Analyst briefings and reports Annual report, which includes financial report, corporate governance report, etc. Financial announcements and reporting Corporate website | <ul style="list-style-type: none"> At least once annually Regularly Annually At least once every quarter Available at all times | <ul style="list-style-type: none"> 2021 Virtual AGM, CCM & EGM 2021 Annual Report and quarterly announcement 2021 Sustainability Statement 2021 Corporate Governance Report Other Bursa announcements |
| Media | | | |
| The media and other opinion formers. | | | |
| <ul style="list-style-type: none"> Reputation and image Financial performance Business updates and corporate news Public relations | <ul style="list-style-type: none"> Press releases Social media platform Conference and interviews Events and functions | <ul style="list-style-type: none"> Regularly Regularly Regularly Regularly | <ul style="list-style-type: none"> Collaboration - CSR Virtual and physical interviews Media invitation to Group Anniversary BESHOM corporate branding event |

MATERIAL SUSTAINABILITY MATTERS

The SMC carried out its annual materiality assessment review to assess and prioritise the Group's sustainability matters and to identify any emerging sustainability risks or issues. In its assessment, the SMC considered the outcomes arising from stakeholder engagements such as stakeholder surveys, as well as the input of personnel who have close engagement with and understand our stakeholders.

At BESHOM, we adopt a "materiality" principle which is largely in line with the MMLR and the GRI Standards, where we consider:

- (i) whether a matter reflects the Group's significant sustainability impact – this includes impact by the Group's operations as well as the impact on the Group's business; and
- (ii) whether a matter substantively influences the assessments and decisions of stakeholders.

Our approach to review the Group's material sustainability matters involves three steps

STEP 1

We review the sustainability matters which are relevant to BESHOM by taking into consideration our business operations and our stakeholders' concerns and interests, considering also if there are any emerging sustainability risks or opportunities.

STEP 2

We rate the importance of each sustainability matter: (i) from the perspective of the business, i.e. "importance to business"; and (ii) from the perspective of the stakeholders, i.e. "importance to stakeholders".

A weighted rating approach is employed to consolidate the ratings for each sustainability matter. Based on the consolidated rating, each sustainability matter is plotted on a materiality matrix.

Material sustainability matters are those with higher "importance to business" and/or "importance to stakeholders".

STEP 3

The material sustainability matters identified are reported to the SSC for its recommendation for the Board's review and endorsement.

MATERIAL SUSTAINABILITY MATTERS

We reviewed our sustainability matters and consolidated our FY2021 material sustainability matters into 15 matters to enable better management focus, with key changes as follows:

| FY2021 material sustainability matters | FY2022 consolidated matters |
|--|---|
| Energy Consumption | Renamed as "Energy and GHG Emissions Management" |
| Waste and Recycling | Renamed as "Resource and Waste Management" |
| Brand and Reputation | Reputable Brands, Products, and Services |
| Product Innovation | |
| Customer Satisfaction | |
| Product Safety and Quality | |
| Product Certification | |
| Manufacturing Certification | |
| Responsible Marketing | |
| Equal Employment Opportunities | Employee Well-being and Inclusiveness |
| Employee Well-being | |
| Leadership Development | Talent Management and Succession Planning |
| Succession Planning | |
| Training and Development | |

MATERIAL SUSTAINABILITY MATTERS




We performed a materiality assessment for FY2022 and the materiality matrix is presented as follows:



Following a greater worldwide focus on governments and businesses to increase efforts to tackle climate change, the materiality for **“Energy and GHG Emissions Management”** increased substantively. In addition, following greater online presence and increased digitalisation of our processes, **“IP and Data Integrity”** has also risen in its materiality rank and is now reported as a material sustainability matter under **“Our Governance”**. Overall, **“MLM Entrepreneurship”** and **“Ethics and Integrity”** have also become more material.

MATERIAL SUSTAINABILITY MATTERS




The next section of this Report discusses our 15 material sustainability matters, with reference to BESHOM's key sustainability focus areas, relevant stakeholders, GRI disclosures, and relevant SDGs.

| Key Sustainability Focus Areas | Material Sustainability Matters | Materiality Ranking | Description |
|--|--|---------------------|---|
| Economy  | Economic Performance | 1 | Good economic growth will enable BESHOM to have adequate capital to maintain its social licence to operate, comply with new regulations and standards as well as prepare for potential risks and changes in the future. |
| | Supply Chain Management | 10 | We aim to build long-term, mutually beneficial relationships with all third parties along our value chain. A good supply chain management supports operational efficiency, cost optimisation, risk management, and also strengthens our commercial positioning. |
| Governance  | Corporate Governance and Risk Management | 5 | BESHOM focuses on establishing a sound governance structure to maintain a fair and orderly market, a high level of investor confidence and to manage risks. |
| | Ethics and Integrity | 4 | Ethics, bribery, and corruption risk has been identified as one of the principal risks that could threaten our strategy, performance, and reputation. Building trust can only be achieved through an ethical approach and we place significant emphasis on adopting the right behaviours. |
| | IP and Data Integrity | 9 | Data integrity and intellectual property, including data privacy and cybersecurity, are increasingly important to maintain the relevance of the Group's businesses and safeguard the interests of stakeholders. |
| People  | MLM Entrepreneurship | 2 | We continuously invest in our Multi-Level Marketing business, which is one of our main economic contributors, to create job opportunities and a platform for entrepreneurship excellence. |
| | Employee Well-being and Inclusiveness | 6 | We nurture employees by providing fair remuneration and comprehensive benefit packages to assure job security for employees who are vital to BESHOM. We also embrace diversity and inclusiveness and do not discriminate in our employment practices. |
| | Talent Management and Succession Planning | 8 | <p>BESHOM's employment focuses on attracting and retaining the right talents to support the Group's long-term human capital sustainability. We make persistent efforts to equip employees with the right skills to keep them abreast of the latest knowledge and techniques, and training programmes are aimed at enhancing the skills, capabilities, and knowledge required for decision-making and creative thinking.</p> <p>It is paramount that we develop successors and identify next-in-lines to ensure a smooth transition in our operational structure. We oversee and follow up on the competency development of employees from their first day at work to help them in their career development.</p> |




MATERIAL SUSTAINABILITY MATTERS

| Relevant stakeholder groups | Relevant GRI (Global Reporting Initiative) disclosures | Relevant SDG (Sustainable Development Goal) |
|---|---|---|
| <ul style="list-style-type: none"> Shareholders and Investors Employees Local Communities | <ul style="list-style-type: none"> Economic Performance Market Presence Indirect Economic Impacts Procurement Practices Diversity and Equal Opportunity |  |
| <ul style="list-style-type: none"> Vendors and Suppliers | <p>Non-GRI Disclosure</p> |   |
| <ul style="list-style-type: none"> Certification, Standards, and Regulatory Bodies Employees | <p>Non-GRI Disclosure</p> |  |
| <ul style="list-style-type: none"> Certification, Standards, and Regulatory Bodies Shareholders and Investors Employees Vendors and Suppliers Distributors | <ul style="list-style-type: none"> Anti-Corruption Non-Discrimination Freedom of Association and Collective Bargaining Child Labour Forced or Compulsory Labour Public Policy Socioeconomic Compliance |  |
| <ul style="list-style-type: none"> Customers Distributors Certification, Standards, and Regulatory Bodies | <ul style="list-style-type: none"> Customer Privacy |  |
| <ul style="list-style-type: none"> Distributors | <p>Non-GRI Disclosure</p> |   |
| <ul style="list-style-type: none"> Employees | <ul style="list-style-type: none"> Employment Occupational Health and Safety Diversity and Equal Opportunity |   |
| <ul style="list-style-type: none"> Employees Shareholders and Investors | <ul style="list-style-type: none"> Training and Education |    |

MATERIAL SUSTAINABILITY MATTERS

| Key Sustainability Focus Areas | Material Sustainability Matters | Materiality Ranking | Description |
|---|---|---------------------|--|
| People  | Occupational Health and Safety | 12 | We operate in accordance with the principles of occupational health and workplace safety to ensure a suitable and sustainable workplace environment. |
| | Community Engagement | 13 | BESHOM focuses on supporting and promoting the development of communities as a way to demonstrate social responsibility and create engagement with the community and wider society to achieve sustainable advancement. |
| Product  | Reputable Brands, Products, and Services | 3 | <p>BESHOM takes pride in its good branding and marketing strategies. We strengthen our corporate brand image by focusing on creative ideas that will build brand awareness while meeting customers' needs. We strive to contribute to a healthier community with innovative and safe products which our customers can trust and rely on. We listen to the individuals who use our products to better understand how they interact with our products and to identify how we can improve our products and services.</p> <p>Our commitment to "promoting healthcare culture and improving human's well-being" entails the provision of safe and quality products. Our healthcare products that improve consumers' well-being are safe and of the highest quality and comply with the statutory requirements and relevant standards. Our products are certified and are regularly audited by external experts, regulatory authorities, and external consultants. Furthermore, we consistently stay proactive to ensure that our manufacturing processes are undertaken in a safe and efficient manner.</p> |
| | Customer Responsibility | 7 | BESHOM aims to produce our products with sustainable raw ingredients and environmental packaging to reduce the negative impact towards our customers and the planet. We also ensure our products are advertising and marketing responsibility as the health and safety of our consumers is our main focus. |
| Planet  | Green Product and Packaging | 14 | BESHOM works towards offering green products by avoiding harmful materials, sourcing raw materials with lower environmental impact and utilising sustainable packaging materials. |
| | Energy and GHG Emissions Management | 11 | BESHOM strives to use resources and energy in an efficient and environmentally friendly manner to help alleviate global climate change. We strive to manage GHG emissions through emission reduction initiatives and pursuing emission-efficient operations. |
| | Resource and Waste Management | 15 | We aim to reduce waste across the Group while also stepping up efforts to reuse and recycle. |

MATERIAL SUSTAINABILITY MATTERS

| Relevant stakeholder groups | Relevant GRI (Global Reporting Initiative) disclosures | Relevant SDG (Sustainable Development Goal) |
|---|--|---|
| <ul style="list-style-type: none"> • Employees • Certification, Standards, and Regulatory Bodies | <ul style="list-style-type: none"> • Occupational Health and Safety |  |
| <ul style="list-style-type: none"> • Local Communities | <ul style="list-style-type: none"> • Indirect Economic Impacts |   |
| <ul style="list-style-type: none"> • Shareholders and Investors • Media • Customers • Distributors • Certification, Standards, and Regulatory Bodies | <ul style="list-style-type: none"> • Customer Health and Safety |    |
| <ul style="list-style-type: none"> • Customers • Certification, Standards, and Regulatory Bodies • Distributors | <ul style="list-style-type: none"> • Marketing and Labeling |  |
| <ul style="list-style-type: none"> • Certification, Standards, and Regulatory Bodies • Customers | <p>Non-GRI Disclosure</p> |  |
| <ul style="list-style-type: none"> • Certification, Standards, and Regulatory Bodies • Employees | <ul style="list-style-type: none"> • Energy |    |
| <ul style="list-style-type: none"> • Certification, Standards, and Regulatory Bodies • Employees • Vendors and Suppliers | <ul style="list-style-type: none"> • Environmental Compliance |  |

KEY
SUSTAINABILITY
FOCUS AREA



OUR
ECONOMY

OUR ECONOMY

To contribute to the sustainable growth of the local economy and to create business opportunities for entrepreneurs

Relevant Material Sustainability Matters discussed under “OUR ECONOMY”

Economic Performance

Supply Chain Management

Key highlights in FY2022



Profit Before Tax
RM40.3
million



Total Revenue
RM209.6
million



Market Capitalisation
RM483.2
million



Total Assets
RM370.1
million



Local trade procurement
60%



Average entry level non-executive wage: minimum wage³
1.67 : 1 **1.42 : 1**
East Malaysia West Malaysia



Internship Programme for
18
Students



Gender Wage Parity Index
1 : 0.91
(male-to-female)

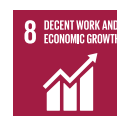


Initiated
supplier environmental and social impact assessment

Relevant GRI Topics

GRI **201**: Economic Performance 2016
GRI **202**: Market Presence 2016
GRI **203**: Indirect Economic Impacts 2016
GRI **204**: Procurement Practices 2016
GRI **405**: Diversity and Equal Opportunity 2016

Contributions to SDGs



³ The minimum wage for employee whose place of employment is in Municipal Council or City Council areas, i.e. RM1,200 was used.

ECONOMIC PERFORMANCE

BESHOM Group generates economic value through its business operations and distributes value via its activities in supply chains, wages and remuneration to employees, commissions for MLM distributors, interests to lenders, shareholder returns, community contributions, and we also pay a fair share of our taxes.

The following table summarises the Group's economic value generated and distributed, as well as some other key financial indicators, for FY2022.

| Economic value generated and distributed | FY2020 [^] (RM'000) | FY2021 ^{^^} (RM'000) | FY2022 (RM'000) |
|---|---------------------------------|----------------------------------|--------------------|
| Economic value generated | | | |
| Total Revenue | 255,174 | 271,390 | 209,555 |
| Economic value distributed | | | |
| Total Tax paid to Government | 11,378 | 10,877 | 14,360 |
| Total shareholders return in dividends | 29,013 | 26,584 | 24,008 |
| Interest paid to banks | 23 | - | - |
| Employee wages and benefits | 33,014 | 31,511 | 28,461 |
| Contribution to community | 1,251 | 191 | 632 |
| Commissions and other incentives for distributors and customers | 57,943 | 62,309 | 38,620 |
| Other key financial indicators | | | |
| Profit Before Tax | 41,517 | 52,273 | 40,300 |
| Total assets | 361,720 | 371,500 | 370,139 |
| Market Capitalisation | 516,512 | 648,643 | 483,166 |

[^] FY2020 reported under HAI-O Enterprise Berhad and its subsidiaries.

^{^^} FY2021 restated to include audited financial statements of BESHOM Holdings Berhad for FY2021.

Detailed information on the financial performance and position of the Group is available in the **Management Discussion and Analysis** by Group Managing Director and the Group's **Audited Financial Statements** and their relevant notes in our Annual Report FY2022.

Supporting the Local Economy and Creating Work Opportunities

Through our business activities, we provide work and income opportunities via direct employment, MLM entrepreneurship, and indirect opportunities through business partners along our value chain such as our suppliers and service providers.

As at 30 April 2022, BESHOM Group employs 465 staff, of which 94.4% are permanent employees, and has a MLM network made up of 49,795 distributors. More than 99% of the Group's employees are Malaysians while 100% of our Senior Management team² comprises Malaysians, bringing us local experience and market knowledge while providing income and work opportunities to the local economy.

We support youth talent development and experience building via internship programmes across different business functions and segments. This allows youths to have first-hand early work experience, make better decisions regarding their future career, and have better experience and opportunities in securing employment in the future.

² Consisting of the Group Managing Director, the Group Executive Director cum Chief Financial Officer, Chief Marketing Officer, and General Managers of the respective subsidiaries.

ECONOMIC PERFORMANCE

Compared to the previous year, we doubled our internship positions offered to 18 students, including in the department of marketing, merchandising, product development & promotion, accounts, administration, business operations, warehouse, e-commerce, and human resources, amongst others.

We are committed to complying with the relevant minimum wage laws and regulations and remunerating employees fairly and without gender bias. Beginning from FY2022, we measure our Gender Wage Parity Index to monitor the average male-to-female salary among our non-director full-time employees. We recorded a Gender Wage Parity Index of 1: 0.91 for FY2022.

For FY2022, the average wage ratios for entry-level non-executives against the minimum wage³ for East Malaysia and West Malaysia are 1.67:1 and 1.42:1, respectively. In line with the new minimum wage of RM1,500 which came into effect on 1 May 2022, we have also made relevant wage adjustments for non-executive-level employees, as appropriate. In order to attract young talents into the Group, entry-level executives are competitively remunerated based on their qualifications.

We also contribute to local businesses and the local economy via our supply chain activities, such as purchases of raw materials, finished goods, and packaging materials for our products, as well as manufacturing services we procure from third parties. We have more than 200 suppliers of goods and services across BESHOM Group to cater for our wide range of products and various business segments.

In FY2022, approximately 60% of the Group's trade-related procurement⁴, which includes procurement of packaged products and raw materials, are sourced from Malaysian businesses. FY2022 further highlighted the advantages of local procurement as the global supply chain faces heightened challenges including price instability and logistics issues. This is in addition to other benefits of buying local such as reduced lead time, lower transportation-related emissions, and stronger domestic supply chain support.

465

employees



2021: 483 employees

100%

local senior management



60%

local procurement



2021: 60%

49,795

distributors



2021: 89,000 distributors

18

internship positions



>99%

local employees



Gender Wage Parity Index (M: F) of

1: 0.91



³ The minimum wage for employee whose place of employment is in Municipal Council or City Council areas, i.e. RM1,200 was used.

⁴ Percentage in relation to total trade-related procurement cost.

SUPPLY CHAIN MANAGEMENT

BESHOM's ability to offer a wide range of products across its business segments depends on its **robust and reliable supply chain** which has more than 200 suppliers for goods and services. We choose our business partners carefully and aim to have a good understanding of how they do business, quality of products and services, and any significant social or environmental impacts of their operations such as raw material sourcing, manufacturing process, and management of significant waste or by-products.

Our supply chain management is governed by stringent supplier due diligence, onboarding process, and periodic performance assessment which considers multi-faceted considerations including product and service quality, supplier capability and reliability, business ethics, and environmental and social impacts and relevant management, where appropriate. Physical inspections, site visits, or sighting of certification documents will also be conducted as necessary. Any non-conformity or unmet expectations arising from day-to-day business dealings or the periodic supplier assessment will be followed-up with action plans, where we will work together with suppliers to perform the necessary remedial actions.

Since the pandemic outbreak two years ago, managing the supply chain for our products have been challenging due to uncertainties in logistics arrangements around the world, price instability, and other issues arising from lockdowns in countries where we get our supplies from. We continued to monitor closely the supply chain situations in relevant countries of our suppliers, and we worked together with them to mitigate or reduce supply chain risks, where possible. As our business does not rely on a single product or single source of supply, the supply chain impact to our business remained manageable during FY2022.

During the FY2022, we conducted Sustainability Surveys on our key suppliers for a better understanding of possible sustainability risks related to our group supply chain. The survey enabled us to identify existing and potential sustainability impacts and have better knowledge of how our suppliers addressed issues on social, environmental and governance aspects.

SUPPLY CHAIN MANAGEMENT

Code of Business Ethics for Suppliers and Business Associates

BESHOM developed a Code of Business Ethics for Suppliers and Business Associates (“COBE”) which sets out the Group’s expectations of its suppliers and business associates, including in the areas **of compliance, business ethics, and environmental and social responsibilities**, with an aim to build a sustainable and responsible supply chain. Amongst others, the COBE covers the following areas:

| | | | |
|--|---|---|---|
| compliance with laws and regulations | business integrity, including anti-corruption and anti-bribery | fair competition | prohibit the use of child labour, trafficked labour and forced labour |
| compliance with legal minimum working age and wage | respecting human rights and non-discrimination regardless of race, religion, gender, age, disabilities, and nationality | providing healthy, safe, and conducive workplace | minimising the impact of business towards the environment |

The COBE was rolled out and communicated to our business partners along our supply chain and is also included as part of our business contracts with key suppliers. The COBE is accessible at <https://www.beshom.com/investor-relations/corporate-governance>.

Following our internal process review carried out during FY2022, we initiated our Sustainability Survey process to assess the environmental, social, and governance factors of selected suppliers, covering risks such as climate change, business ethics, labour practices, resource use, waste management, etc. We also carried out supplier audit activities which consider factors such as the supplier’s occupational safety programme and performance, certifications and standards adopted for its processes, hygiene and cleanliness, employee training programme, quality control processes, product quality, waste management practices, etc.

Due to our vast base of suppliers, we will undertake a combined approach towards assessing the business and sustainability practices of our suppliers, placing greater emphasis on suppliers that are key to us or have higher risks. Meanwhile, ongoing improvement to our assessment of suppliers’ environmental and social impacts will continue to be carried out.

KEY
SUSTAINABILITY
FOCUS AREA



OUR
GOVERNANCE

OUR GOVERNANCE

To foster corporate transparency and lay the foundation for strong and sound leadership

Relevant Material Sustainability Matters discussed under “OUR GOVERNANCE”

Corporate Governance and Risk Management

Ethics and Integrity

IP and Data Integrity

Key highlights in FY2022



Anti-Bribery Policy
communicated to **all** directors, employees, distributors, active suppliers and business associates



Code of Business Ethics
for suppliers and business associates



SHOM's Business Handbook is made available in: **English, Bahasa Malaysia and Chinese**



2 TCM Manufacturing Plants
Certification: GMP



MLM & Manufacturing
Certification: ISO 9001:2015



No breaches relating to customer data or privacy

Relevant GRI Topics

GRI **205**: Anti-Corruption 2016
GRI **406**: Non-Discrimination 2016
GRI **407**: Freedom of Association and Collective Bargaining 2016
GRI **408**: Child Labor 2016
GRI **409**: Forced or Compulsory Labor 2016
GRI **415**: Public Policy 2016
GRI **418**: Customer Privacy 2016
GRI **419**: Socioeconomic Compliance 2016

Contributions to SDGs



CORPORATE GOVERNANCE AND RISK MANAGEMENT

Good governance structure and practices form the foundation for BESHOM Group's effective management. Listed on the Bursa's Main Market, BESHOM is committed to complying with the MMLR and adopts good corporate governance taking into consideration practices promulgated by the MCCG and other international better practices. Details of the BESHOM Group's corporate governance structure and practices are reported in the **Corporate Governance Overview Statement** on pages 55 to 77 of BESHOM's Annual Report FY2022 and **Corporate Governance Report** FY2022.

In addition to ensuring a good corporate governance structure, the Group, led by the Board, ensures that processes and internal controls are in place to manage risks faced by the Group's businesses and operations. In this regard, a risk management framework is established with the objective to safeguard the assets of the Group. Management is guided by the risk management framework in its identification, evaluation, and management of strategic, operational, and sustainability risks which affect the Group's ability to create or preserve value in the short, medium, and long term. Details of our risk management and internal control systems are reported in the **Statement on Risk Management and Internal Control** on pages 78 to 84 of BESHOM's Annual Report FY2022.

Information on our corporate governance policies and practices, as well as key corporate communication materials, such as Annual Reports, minutes of general meetings, announcements made to Bursa Securities, press releases, corporate presentations, financial result updates, and analyst reports, are also available on our corporate website.

ETHICS AND INTEGRITY

Business ethics and integrity is key to building a long-term sustainable business as well as trustworthy and reliable relationships with our stakeholders. At BESHOM, the Board who represents the highest governance level of the Group sets out the ethical standards which shall be demonstrated across all our people and operations.

Employees

Our Code of Ethics and Business Conduct ("COE"), which is included in the Group Employee Handbook, is approved by the Board and is applicable to all our businesses and our directors and employees. The COE governs various areas of ethical business conduct and practices, including anti-bribery and anti-corruption, avoiding, and managing conflict of interest situations, abuse of power, insider trading, anti-money laundering, and others.

The Employee Handbook reflects BESHOM Group's respect for everyone's fundamental human rights and commitment to ensure adherence to labour standards, including avoiding and preventing all forms of child labour, forced labour, trafficked labour, and preventing excessive working hours. Our Employee Handbook also seeks to protect our employees and stakeholder from bullying or harassment, including sexual and verbal harassment. We also respect the employees' rights to freedom of association and collective bargaining, in alignment with the law. Our employment practices and business operations strictly comply with relevant applicable laws and regulations and Management team regularly monitors such practices in our key operating sites and branches.

At the beginning of their employment with BESHOM, all new employees will be briefed on the BESHOM Group's Employee Handbook which includes the COE and they are required to provide written acknowledgement of their understanding and commitment to adhere to the Employee Handbook. Employees are also required to declare any arising conflict of interest situations they have with the Group or the Group's key stakeholders. The Employee Handbook is accessible by all employees via our internal Human Resources Online Portal and is available in English and Chinese.

The Employee Handbook is periodically reviewed and updated to reflect any development considering business ethics as well as employment and labour practices, for instance. Any key updates to the Employee Handbook will be followed up with refreshed written acknowledgements from our employees.

MLM Distributors

We have a Business Handbook applicable for all distributors to ensure the MLM business is carried out with a consistent ethical standard, including compliance with relevant laws and regulations, anti-bribery and anti-corruption, anti-money laundering, responsible marketing and advertising, and customer return and exchange policy, amongst others.

SHOM, including its distributors, also commits to fully adhere to the Code of Conduct of Direct Selling Association of Malaysia ("DSAM") which stipulates the standards and conduct for direct selling activities in Malaysia.

Guided by the Business Handbook and DSAM Code of Conduct, we shall communicate with stakeholders honestly and transparently and avoid any claims which could misrepresent any information on the quality, origin, or performance of our products. Similarly, we ensure that we communicate clear and transparent criteria and the terms and conditions in our marketing and incentive programmes such as rewards programs and member awards.

The Business Handbook and DSAM Code of Conduct are provided to all distributors, and we also periodically communicate relevant ethical business practices and updates to our MLM distributors from time to time, such as when we communicate our marketing plans and strategies, in bulletin materials, online meeting slides, marketing and tutorial videos, training sessions, and others. The Business Handbook is available in three languages, i.e. English, Bahasa Malaysia, and Chinese, to cater for the diverse culture and backgrounds of our distributors, and it is accessible on our Member Portal. The DSAM Code of Conduct and Code of Ethics are also publicly accessible on our SHOM's website together with a third-party whistleblowing channel to report unethical direct sales practices if carried out by our distributors.



SHOM's Business Handbook

is made available in:

- English
- Bahasa Malaysia
- Chinese

ETHICS AND INTEGRITY

Business Partners

As for our business associates and suppliers, the COBE was established and rolled out to communicate our expectation of acceptable business ethics required to be demonstrated. The COBE is available on our corporate website and is also communicated to all new and existing suppliers and business associates from time to time.

Our efforts to ensure ethical business practices amongst our business partners are discussed in the **Supply Chain Management** section of this Report.

Anti-Bribery and Anti-Corruption

The Board of BESHOM sets out a clear, zero-tolerance approach towards bribery through our Board-approved Anti-Bribery Policy ("ABP"). The ABP is applicable to all the Group's business operations, employees, distributors, suppliers, and business associates. The ABP sets out our expectations on the prohibition of the use of bribes and facilitation payment, as well as guidance on the use of high-risk transactions such as gifts, entertainment, donations, sponsorships, etc.

The ABP is available on our corporate website at www.beshom.com.

The ABP further sets the basis for the Group's Anti-Bribery Framework which guides internal controls and processes on corruption risk management including due diligence, periodic review and monitoring of business associates, and permissible levels on the use of high-risk transactions such as gifts, entertainment, and hospitality. The Anti-Bribery Framework adopts a risk-based approach towards bribery risk management. Bribery risk assessment is generally carried out once in three years. Our most recent group-wide bribery risk assessment was reviewed in April 2022.

To safeguard the integrity of our business and supply chain, the Group has due diligence processes which include assessing and managing corruption risks on new employees, distributors, and business associates (including suppliers and service providers). The due diligence also includes obtaining a declaration of conflict of interest from employees, distributors, and suppliers to identify and mitigate risks arising from conflict of interest.

Instilling Ethical Culture

Our ABP, Anti-Bribery Framework, COE, COBE, and Business Handbook are communicated to the relevant stakeholders from time to time. Briefing and training are also provided to stakeholders as appropriate. Specific training on business ethics and anti-corruption is also provided to selected stakeholders involved in higher-risk business processes or who have the authority to enter into high-value transactions.

The following table summarises our communication efforts to directors, employees, distributors, key suppliers, and relevant business associates as at 30 April 2022. Topics covered in the training, includes an understanding of the applicable laws, the types of bribery including facilitation, active and passive bribery, the use of high-risk transactions such as gift, entertainment, and hospitality, and well as identifying, preventing, and reporting incidents of bribes or suspected bribes through established channels.

| | Communicated on Anti-Bribery Policy | Received training/ briefing on anti-bribery |
|------------------------------|-------------------------------------|---|
| Board of Directors | 100% | 100% |
| Management | 100% | 80% |
| Executives | 100% | 77% |
| Non-Executives | 100% | 28% |
| Distributors | All active distributors | - |
| Suppliers | All active suppliers | - |
| Relevant business associates | All active business associates | - |

ETHICS AND INTEGRITY

To monitor compliance, corruption risk is also included in our internal audit scope. During FY2022, in relation to corruption risks, the Group Internal Audit Department performed a review on the high bribery risk areas covering exclusive distributorship for the Wholesale, MLM, and Retail segments and the Group's undertakings or commitment in the trade and non-trade functions in April 2022.

We do not have political affiliations and generally do not make political contributions or donations unless approved by the Board. During the financial year under review, no political donations or contributions were made by the Group.

During FY2022, there were no cases reported on BESHOM's personnel being disciplined or dismissed due to non-compliance with ABP. There were also no fines, penalties, or settlements reported in relation to corruption.

Whistle-Blowing Mechanism

We have a whistle-blowing mechanism through our Whistle-Blowing Policy ("WB Policy"), which is publicly accessible on our corporate website at <https://www.beshom.com/investor-relations/corporate-governance>. The whistle-blowing mechanism enables genuine concerns regarding serious misconduct, illegal acts, human rights violations, or unethical business conduct, as well as serious non-compliance with the Group's policies and code including workplace discrimination, bullying, or harassment, to be reported via a secure and confidential channel and to be handled via a structured and confidential process.

Anyone, including the public, can raise genuine concerns via the whistle-blowing mechanism and the WB Policy provides protection to the whistleblower against any retaliation by the Group or its personnel.

During the financial year under review, there were no whistle-blowing cases reported and there were no significant issues noted pertaining to bribery and corruption, unethical business practices, or human rights or labour standards violations.

NO

fines, penalties, or settlements reported in relation to corruption

ZERO

whistle-blowing cases reported

NO

issues noted pertaining to bribery and corruption, unethical business practices, or human rights or labour standards violation

IP AND DATA INTEGRITY

Intellectual Property (“IP”) Protection

BESHOM Group recognises that IP rights, in particular to our trademarks and brands, are valuable company assets. Safeguarding the Group’s IP is crucial for protecting and keeping the full benefits of our investments, as well as supporting the key success factors relevant to the Group’s long-term business strategies.

The Group develops new and innovative products and establishes new brands and logos from time to time. Customers recognise our brands as our unique identity and indication of premium quality and therefore it is crucial for BESHOM to protect its reputation.

We register trademarks to protect our brands and logos and we always manage and protect our IP before launching new products to the market. To date, we have successfully registered more than 180 trademarks in Malaysia and in other jurisdictions, such as Indonesia, China, Brunei, Singapore, and other countries.

We have a team to monitor trademark applications to facilitate swift registration of trademarks and relevant IP management. We also check the government gazette and monitor the market to manage IP-related risks, such as ensuring identical or similar trademarks registered by third parties will be immediately brought to our attention and further actions, if necessary.

Anti-counterfeiting

Most often counterfeiting in Malaysia is associated with branded goods and the public may be exposed to counterfeits regularly. Our products are no exception to these risks.

To protect consumers from the risks of counterfeit products and to protect our brands, we have established counterfeit countermeasures and will continue to actively cooperate with government authorities to stamp out counterfeits including through monitoring and efforts to eliminate counterfeits sold on the internet.

In addition, we constantly review and expand the security measures of our product labels, allowing consumers to verify the authenticity of products.

Super QR Code

Our MLM product – Min Kaffe series – has a unique Super QR Code label on its packaging to help consumers and buyers to validate that the product is genuine and distributed by SHOM. The Super QR Code is an anti-counterfeiting measure which is traceable and secure. The code cannot be duplicated and protects our customers against fake or counterfeit products.

Scanning a Super QR Code marked with “Customer Scan” on a product distributed by SHOM will show the following:



IP AND DATA INTEGRITY

Cybersecurity

Digital and online integration is almost inevitable for businesses nowadays. BESHOM's businesses are also seeing increasing reliance on IT and online infrastructures. Remaining cyber-resilient and building stakeholder trust in data security and privacy are among the Group's strategic imperatives.

In this regard, we have policies and processes to govern the security of IT infrastructure supporting business operations. These include our User Access Management Policy for controlling and restricting user access on core systems, which is complemented by the Group's IT and Data Usage Policy which governs employees' proper use of IT assets, systems, and data.

All our payment platform service providers are compliant with the Payment Card Industry Data Security Standards ("PCI DSS") which meets regulatory security expectations. Further, our MLM segment also performs monthly testing on the integrity of the system to maintain high security standards to safeguard our distributors and customers.

The Group also has a Cyber Security Incident Response Plan that ensures proper procedures to protect the confidentiality, integrity, and availability of Group assets in the event of a security breach. The response plan is developed based on a holistic approach considering preparation, identification, containment, remediation, and recovery processes.

All employees of the Group receive regular training on cyber security awareness to raise awareness and ensure employees are well-equipped with relevant knowledge to uphold the integrity of the Group's cyber environment.

Data Privacy

BESHOM Group endeavours to maintain high standards and implement strict procedures in the handling and protection of data of our employees, distributors, customers, suppliers, and business associates.

Our practices include the following:

- restricting access on a need-to-know basis;
- retention for no more than necessary;
- regular monitoring to facilitate prompt detection and follow-up of possible data breaches; and
- security updates on evolving threats (e.g. phishing and ransomware) to encourage user vigilance.

Our Data Privacy Policy and the corresponding standards and procedures define our principles for collecting, processing, and storing personal data in line with the Personal Data Protection Act 2010. We obtained consent from our employees, distributors, customers, suppliers, and business associates when we collect their personal data and inform them on how we would process their personal data.

The Group reviews the regulatory best practices to manage vigorous data privacy control and evaluates the effectiveness of these measures on a regular basis. Our Privacy notice is publicly available on HAI-O's e-commerce portal, SHOM's website, as well as our corporate website at <https://www.beshom.com/privacy-notice>.

NO

breaches relating to customer
data or privacy

KEY
SUSTAINABILITY
FOCUS AREA



OUR
PEOPLE

OUR PEOPLE

To create a corporate culture that champions safety, good conduct, skill development, and community engagement

Relevant Material Sustainability Matters discussed under “OUR PEOPLE”

**MLM
Entrepreneurship**

**Employee
Well-being and
Inclusiveness**

**Talent Management
and Succession
Planning**

**Occupational
Health and Safety**

**Community
Engagement**

Key highlights in FY2022



465 employees
49,795 MLM Distributors



100%
complaints resolved
for all business segments



2 cases
work-related injuries



37% male : 63% female
Employee diversity



14 training hours
per employee



**Community Engagement
Activities**
Higher Educational Aid, Blood
Donation, aid for flood victims

Relevant GRI Topics

- GRI **203**: Indirect Economic Impacts 2016
- GRI **401**: Employment 2016
- GRI **403**: Occupational Health and Safety 2018
- GRI **404**: Training and Education 2016
- GRI **405**: Diversity and Equal Opportunity 2016

Contributions to SDGs



MLM ENTREPRENEURSHIP

MLM is one of the key principle businesses of BESHOM Group. Throughout the past three decades, our MLM business has built a strong network of entrepreneurs who have fulfilled their own dreams. Operated by SHOM, our MLM provided a platform for people from diverse cultures and backgrounds to build, develop, and manage their own businesses, while enjoying the opportunity, freedom, and flexibility to work towards their personal goals. Our MLM distributors come from all walks of life, including housewives, youngsters who are new to society, professionals working for multinational companies, as well as full-time businesspersons.

Through our MLM business, we bring empowerment to people, supporting diversity by providing a fair and flexible platform for distributors from different cultural and economic backgrounds, ages, gender, etc. As at 30 April 2022, approximately 78% of our distributors are women leaders and members, running and managing their own businesses in our network. With our continuous business development and people development efforts across our MLM business, we believe that SHOM will continue to empower people and support equality in our community.

In support of our MLM business and distributors, we continuously invest in human and intellectual capitals through business and people development programmes, such as developing business leadership skills, marketing skills, management skills, and others. In addition, our development programmes do not only promote business growth and performance but also help to build our people, elevating their personal capabilities and professionalism.

In FY2022, we carried out various programmes and sessions including 67 'Zoominar' training and 58 short script knowledge sharing sessions, focusing on amongst others, product talk, marketing plan, business talk, motivational talk, product users testimonies, and company program briefing. We also held structured marketing and promotion campaigns and incentive programmes to reward high-performance distributors through monthly sales bonuses, incentive trips, premium invitations as guest speakers, rank progression, and other member privileges. During the year, we gave out the Top 12 Million Dollar Achiever Board Award, Million Dollar Achiever Board Award, and Top 3 New CDM Award during SHOM's 29th Anniversary which was held in November 2021.

We keep our MLM distributors engaged and updated on latest news and products of our business, including knowledge-sharing videos and product introductions pages via social media platforms like YouTube, Facebook, and Telegram.

78%

MLM distributors are women members



EMPLOYEE WELL-BEING AND INCLUSIVENESS

Employees

As at 30 April 2022, we have 465 employees driving the BESHOM Group towards success with their various skill sets such as leadership skills, experience across various fields, people skills, management skills, and others. Of our employees, 5.3% are contract or temporary staff while 1.5% are individuals with disabilities.

The Group is committed to providing a safe and conducive working environment which enables personal and professional development among employees. All employees are protected by the Group's HR culture and ethical standards, and any reports of violation can be made via our internal grievance reporting channels or whistleblowing channel.

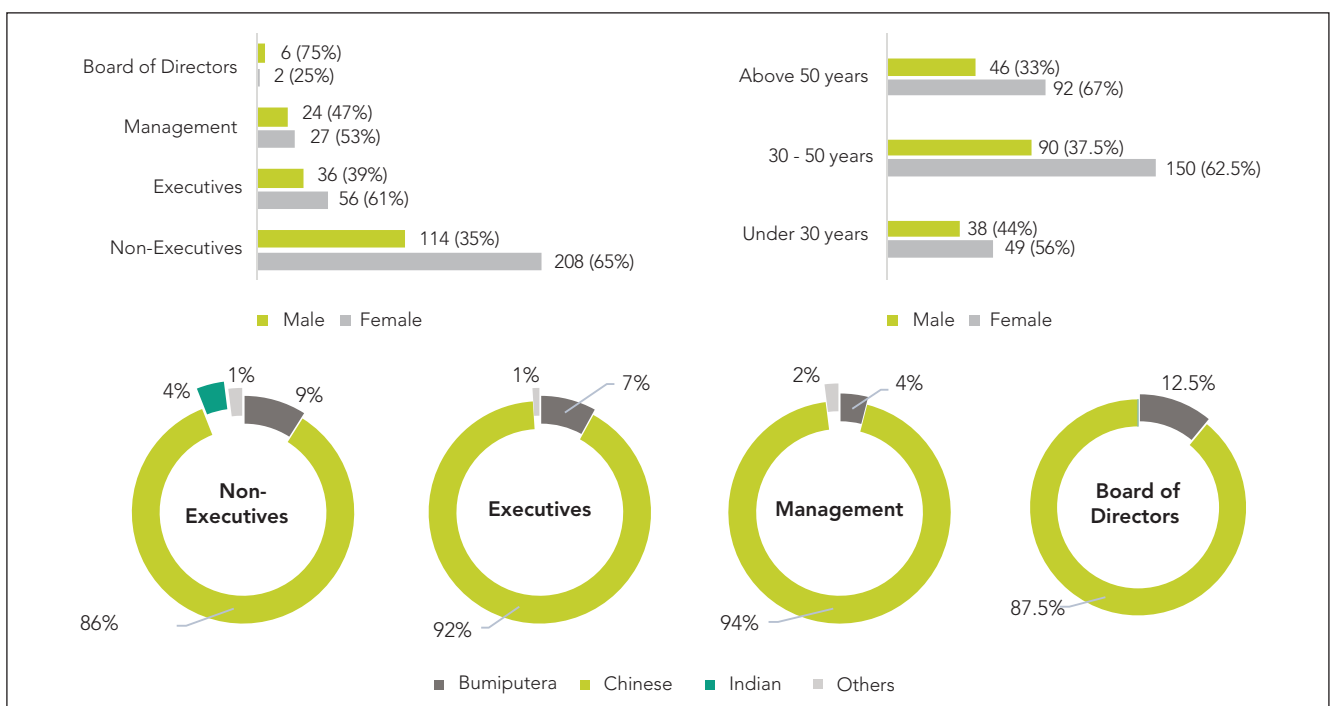


BESHOM's Human Resource culture centres on three core values: Sense of Belonging, Teamwork, and Equal Opportunity. We embrace diversity and provide equal opportunities to individuals based on their merits, competency, experience, and qualities relevant to their roles and responsibilities without discrimination, whether against race, religion, gender, age, disabilities, or nationality. Our equal opportunities HR policy is demonstrated across all our employment practices, from recruitment, training and development, performance appraisals, to promotions. In furtherance to upholding equal employment opportunity, we ensure we practise fair remuneration, i.e. equal pay for equal work, based on merits and without discrimination of any sort. The Group's HR Philosophy is available online at <https://www.beshom.com/career/hr-philosophy>.

During FY2022, we provided employee training on diversity and inclusivity, raising awareness and appreciation of diversity, such as gender and cultural diversity, within our business.

The demographics of our workforce by gender, ethnicity, and age group are illustrated in the following diagrams.

Workforce by gender, ethnicity, and age group



EMPLOYEE WELL-BEING AND INCLUSIVENESS

During the financial year under review, our average monthly turnover rate was 1.8% while the monthly new hire rate was recorded at an average of 1.5%. While the overall employment market in Malaysia has seen greater volatility during the past two years, coupled with the effects of the pandemic, our turnover rate remained manageable as we carry out careful human resources management strategies across our Group.

| | By Age | | | By Gender | | Group-wide overall |
|---|------------|---------------|------------|-----------|--------|--------------------|
| | < 30 years | 30 – 50 years | > 50 years | Male | Female | |
| New Hires | | | | | | |
| Number | 31 | 39 | 13 | 30 | 53 | 83 |
| Rate (%)* | 6.5 | 8.2 | 2.7 | 6.3 | 11.2 | 17.5 |
| Average Monthly New Hire Rate****: 1.5% | | | | | | |
| Employee Turnover | | | | | | |
| Number | 31 | 47 | 24 | 31 | 71 | 102 |
| Rate (%)** | 6.5 | 9.9 | 5.1 | 6.5 | 15.0 | 21.5 |
| Average Monthly Turnover Rate*****: 1.8% | | | | | | |

Note:

* new hires rate formula = (new hires/ average total staff***) x 100%

** employee turnover rate = (total resigned staff / average total staff***) x 100%

*** average total staff = (total staff on last day of previous FY + total staff on last day of current FY) / 2

**** average monthly new hire rate = [(total new hires staff / total staff on last day of current FY) x 100%] / 12 months

***** average monthly turnover rate = [(total resigned staff / average total staff***) x 100%] / 12 months

We carry out ongoing engagement with employees with an objective to create a harmonious working relationship between the business and employees. Our regular employee engagement channels include performance appraisals, talks, etc. We adopt an open communication culture with employees as we appreciate employees' comments and feedback, through which we may be able to improve our business as well as relationships with employees. Exit interviews and/or surveys with departing personnel are also carried out to understand the reasons for their departure and potential areas of improvement for the Group. Processes are in place to analyse and deliberate the outcome of these interviews and surveys, and action plans will be put in place and monitored, where required.

Employees, including HR personnel, receive training or briefings on HR practices including human rights, labour standards, or development and updates on employment laws and regulations from time to time. During the year, key topics of training provided include updates to the employment law, minimum wage updates, and non-discrimination.

EMPLOYEE WELL-BEING AND INCLUSIVENESS

Employee Well-being

We are committed to complying with applicable laws and regulations governing employee benefits such as employees' accident insurance (i.e. SOCSO contribution), retirement (i.e. EPF contribution), and employment insurance (i.e. EIS contribution), we also offer other entitlements and benefits with an aim to support the work-life balance and living quality of our employees.

BESHOM's employee well-being programme includes health care insurance, medical card, and insurance coverage for accidents and hospitalisation, helping employees to have access to medical and healthcare services covering non-occupational related health matters as well. The Group also has an Employee Share Option Scheme ("ESOS") which intends to reward and recognise employees' contributions while also incentives continuous performance and to attract and retain high calibre individuals.

We also support family development and working parents by providing sufficient parental support including paternity and maternity leaves. We have a dedicated mother room that is private and equipped with necessary amenities for nursing mothers and other medical needs at our headquarters in Wisma Hai-O and Wawasan Hai-O.

| Number of employees | FY2020 | | FY2021 | | FY2022 | |
|---|--------|--------|--------|--------|--------|--------|
| | Male | Female | Male | Female | Male | Female |
| Entitled to parental leave | 187 | 315 | 176 | 307 | 174 | 291 |
| Took parental leave | 2 | 3 | 3 | 10 | 0 | 4 |
| Returned to work in the reporting period after parental leave ended | 2 | 3 | 3 | 10 | 0 | 4 |
| Total number of employees due to return to work after taking parental leave | 2 | 3 | 3 | 10 | 0 | 4 |
| still employed 12 months after their return to work from parental leave | 2 | 7 | 1 | 3 | 0 | 3 |
| Return to work rate** (%) | 100 | 100 | 100 | 100 | N/A | 100 |
| Retention rates*** (%) | -* | -* | 50 | 100 | 0 | 30 |

Note:

- * Data collection started in FY2020. FY2019 data was not available for the calculation of retention rates for FY2020.
- ** Return to work rate = Total number of employees that did return to work after parental leave ended / Total number of employees due to return to work after taking parental leave
- *** Total number of employees who were still employed 12 months after their return to work from parental leave/ total number of employees that did return to work after parental leave ended in the prior reporting period

TALENT MANAGEMENT AND SUCCESSION PLANNING

Training and development are part of the key focuses of our people-building strategy. In addition to enhancing BESHOM Group's intellectual capital, training and development programmes also help us develop a leadership succession pipeline. We commit to providing ongoing learning and growth opportunities to our employees equally and fairly.

We conduct performance and career development reviews for all employees at least once a year to evaluate employees' performance, identify their training needs, and to identify talents as part of the Group's succession planning. These reviews form our basis to reward employees in accordance with their contribution as well as to encourage personal and professional development. They also serve as an important platform for dialogue for us to understand our employees' needs and wants, and areas of enhancement opportunities for the Group in our operations including people management approach.

We acknowledge and greatly appreciate the efforts and performance through formal recognitions including the Best Company Award, 6 Best Performance Retail Outlet, and 33 Long Service Awards which we awarded during FY2022.

Succession Planning

In ensuring leadership continuity, BESHOM's succession plan analyses key leadership roles across the Group to identify future needs in the areas of leadership, experience, talents, and skills which may arise due to various reasons including retirement, resignation, death, or disability of incumbent personnel, or due to new business opportunities or developments. Our succession planning programme is complemented by our employee development activities such as annual performance reviews and assessments.

At BESHOM's Retail segment, we carry out an active succession planning programme for our retail outlets to ensure continuous leadership and/or management qualities, as well as skills and capabilities, are in place to ensure the sustainability of our Retail business and branches.

In FY2022, BESHOM conducted a group-wide assessment of its succession planning needs, identifying candidates for specific talent development programmes in the future years to ensure sustained leadership for the Group's businesses. The group-wide succession planning is overseen by the Nominating Committee.

TALENT MANAGEMENT AND SUCCESSION PLANNING

Employees Training

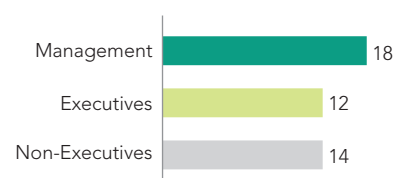
In FY2022, we were able to carry out more training activities due to greater adoption of online training and more physical or hybrid training sessions made possible by the easing of COVID-19 regulations by the government. Compared to FY2021, we have increased our training provided to employees by approximately 30%, clocking up to 7,430 training hours across the BESHOM Group (FY2021: 5,705 hours). That is approximately 14 hours of training per employee (FY2021: 11 hours).

We set target for each of the employees of managerial level and above to attend 16 training hours annually and 8 training hours annually per person for executive-level employees. 68% of employees achieved these targets during FY2022 (FY2021: 57%).

A breakdown of training hours by employment category, gender, and summary of training topics for FY2022 is presented as follows.

| | FY2020 | FY2021 | FY2022 |
|--|--------|--------|--------|
| Total training hours | 10,550 | 5,705 | 7,430 |
| Average training hours – by gender | | | |
| Male | 19 | 9 | 11 |
| Female | 22 | 13 | 15 |
| Average training hours – by employee category | | | |
| Management | 38 | 14 | 18 |
| Executives | 21 | 11 | 12 |
| Non-Executives | 17 | 11 | 14 |
| Average training hours | | | |
| Per employees | 21 | 11 | 14 |

Average Training Hours – by employee category



7,430

Total Training Hours

2021: 5,705 training hours

Average Training Hours – by gender



14 per employee

Average Training Hours

2021: 11 training hours per employee

TALENT MANAGEMENT AND SUCCESSION PLANNING

| Target Skills | Related topics, lessons, and training (non-exhaustive) |
|---|---|
| Business and Strategic Management | <ul style="list-style-type: none"> • Crisis management, communication, and business continuity plan • Business acumen • Talent management and succession planning skills • Effective project management • Business digitation |
| Product knowledge | <ul style="list-style-type: none"> • Insurance and claims • Halal management systems • New and existing product briefings • Personal Data Protection Act 2010 • Food Labelling for Food Practitioners • Contractor's all risk |
| Accounting, Finance, Data Analysis, Marketing and Sales | <ul style="list-style-type: none"> • Trade financing • Finance transformation • Budget 2022 • Understanding of equipment handling, calibration, and maintenance |
| Audit, tax and Risk Management | <ul style="list-style-type: none"> • MACC regarding Section 17A related to Corporate Liability, Legal Framework, Corruption Risk Management • Tax audits and investigations • Audit management systems • Budget 2022 • Income tax |
| Corporate Governance | <ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosures ("TCFD") alignment • Training in relation to sustainability • Diversity • ESG Disclosure Standards • FTSE4Good Bursa Malaysia Index • Decision-making process • Updates on MCCG |
| Computer, Information and Technology, Digital Marketing, IT Management, Cyber Security, Maintenance and System Control | <ul style="list-style-type: none"> • Digital transformation • Microsoft Office • Google AppSheet • Labour dependency • Cybersecurity evolution • Mobile development • Presentation skills • ZOOM training • Thermal Printer User Guide • Social media and digital marketing • Digital learning |
| Compliance and regulatory, Legal and Law | <ul style="list-style-type: none"> • Whistleblower Protection Act 2010 • Scam and fraud cases and prevention • Section 17A Corporate Liability and Adequate Procedures • Fraud awareness and prevention • Intellectual Property Rights ("IPR") and Employment Law related issues • CTOS Workshop |

TALENT MANAGEMENT AND SUCCESSION PLANNING

| Target Skills | Related topics, lessons, and training (non-exhaustive) |
|---|--|
| Human Resource management | <ul style="list-style-type: none"> • Human Resource Development Fund processes • Payroll system • HRD Corp claimable courses • Human Capital Management System • Culture advantage • Training and development • Human capital strategy • PROTEK • Extension of Penjana 3.0 Strategies initiatives • Tricky facets of team building • Employment and labour law updates/ briefings |
| Safety, Health and Wellness | <ul style="list-style-type: none"> • Training for safety and health officer • Mental Health First Aid and fitness • Maintaining mental health • Health screening • Safety and health in food handling business • Forklift Safety training • Fire prevention seminar • OSHA Compliance and Workplace Safety awareness • COVID-19 awareness and prevention |
| Education or training, motivation and personal development | <ul style="list-style-type: none"> • Time management fundamentals • Human communication behavioural patterns • Managing work virtually (online) and new adaption • Guidelines for diversity, equity, and inclusion • Collaborative intelligence • Self-improvement • Communications skills • Professional workplace English |
| Creativity and Innovation | <ul style="list-style-type: none"> • Dynamic business model |
| Supervisory and Leadership | <ul style="list-style-type: none"> • Leadership management and performance • Evolution of metrics • Coaching and mentoring • Agile culture • Employee engagement strategies • Organizational behaviour |
| Public Relations and Customer Services | <ul style="list-style-type: none"> • Essential skills • Customer service skills |
| Process and Operation | <ul style="list-style-type: none"> • Halal Competency training • Food safety • Advertisement and Product Claims Guidelines Training |
| Biotechnology or Chemistry | <ul style="list-style-type: none"> • Validation techniques and quality control |
| Research and Development | <ul style="list-style-type: none"> • Guidelines for CAPP |
| Quality and Productivity | <ul style="list-style-type: none"> • Raise the awareness on quality control testing of products • Laboratory quality control • 5S training |

OCCUPATIONAL HEALTH AND SAFETY

We aim to create a health and injury and accident-free workplace to ensure there is a safe and conducive working environment for all people at our premises, including customers, employees, contractors, as well as visitors. Through BESHOM Group’s group-wide Safety Policy, we are committed to protecting employees, the public, and the Group’s property.

We adopt a systematic approach towards managing occupational health and safety including via our Operational Manual on Safety and Health (“OMSH”) which sets out the governance structure, roles and responsibilities, monitoring and reporting process, and continuous improvement of the Group’s safety and health programmes.

Governance for Safety and Health

The Board of BESHOM holds overall responsibility for the strategic risk management of the Group’s Safety and Health Management System (“SHMS”) and is supported by the Safety and Health Committee (“SHC”) which is responsible for the implementation and performance of SHMS in their respective operations. The SHC Chairman reports to the Group Executive Director cum Group Financial Officer who represents the Board in its oversight of the Group’s overall health and safety performance and issues.

The SHC is established in accordance with the Occupational Safety and Health Act 1994 and the Occupational Safety and Health (Safety and Health Committee) Regulation 1996 and comprises management and employee representatives from the relevant business units, including a qualified Safety Officer who is responsible for monitoring compliance with safety and health laws and regulations. The participation of employee representatives in the SHC facilitates practical, operational-level considerations at the deliberations of the SHC. Having employee representatives also ensures that safety and health concerns at the working level can be represented and escalated directly at the SHC.

The SHC meets every quarter to review the safety and health performance of the Group’s operations, as well as to escalate any significant safety and health issues to the Board, where necessary.

During the financial year under review, the SHC met four times and some of the key activities of the SHC are summarised as follows:

- reviewed the SHC organisation chart and Safety Policy;
- reviewed overall safety performance of the Group;
- reviewed the overall workplace safety and health condition of the Group; and
- reviewed the group-wide safety and health training and briefings.



Guided by our SHMS process, we have a Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) process to identify, evaluate and prioritise high-risk areas within our existing operations and new operations, as applicable. This process is supported by policies, procedures and internal controls which reflect the changing or emerging risk levels arising from the HIRARC process.

OCCUPATIONAL HEALTH AND SAFETY

Safety and Health Training

We provide regular training programmes, including programmes customised to specific operational activities, to employees. The SHC is also responsible for considering relevant occupational safety and health training to be provided to employees. Employees may also submit requests for safety and health training to the SHC for its consideration. SHC members and representatives from relevant operations are also subject to safety and health training to ensure continuous quality management and leadership in managing occupational safety and health.

We also promote mental health awareness among our employees as well as awareness of personal health and hygiene, especially in the midst of the COVID-19 pandemic in recent years. Training is also provided to SHC members to facilitate the effective functioning of the SHMS. Training topics relevant to safety and health provided to employees during FY2022 are summarised as follows.

| | | | |
|---|---|---|---|
| Safety and Health Officer Examination | Fire prevention talk | Briefing on Safety and Health awareness for all new employees on monthly basis | Briefing on safety awareness management |
| Briefing on COVID-19 prevention to raise employees' awareness | Briefing of the Group's SHMS to all 26 members and representatives of the SHC | Briefing of safety and health SOPs to all new and existing employees working in retail stores, warehouse, and in our manufacturing plants | |

COVID-19 Emergency Response Team ("CV19-ERT")

Our CV19-ERT which was set up to manage and control the spread of COVID-19 continued to be in place in FY2022. The CV19-ERT which is led by the Group Managing Director and the Group Executive Director cum Group Chief Financial Officer continued to ensure relevant COVID-19 preventive measures are in place and are in compliance with all government regulations.

Our COVID-19 preventive measures include, but are not limited to:

- limiting the number of visitors and their access to our sites;
- limiting cross-site visits;
- regularly disinfecting floors and common contact zones (e.g. door handles, photocopier buttons, and lift buttons);
- regular fogging activities to disinfect warehouses and delivery vehicles; and
- reorganising office workspace to enable observation of the recommended physical distance.

During FY2022, we continued to provide training and raise awareness amongst our employees on personal health especially on COVID-19-related updates, providing them with sufficient understanding of the development of the COVID-19 pandemic, as well as on appropriate preventive measures. This is done through training, briefings, and reminders via emails and communication platforms such as WhatsApp and WeChat.

OCCUPATIONAL
HEALTH AND SAFETY

Occupational Health and Safety Performance

| | | FY2020 | FY2021 | FY2022 |
|---|-----------|-----------|-----------|----------|
| Total number of hours worked* | | 1,056,736 | 1,026,901 | 987,289 |
| No. of accidents with lost time | | 0 | 0 | 2 |
| Lost-time Incident Rate** | | 0.0 | 0.0 | 4.2 |
| Fatality as a result of work-related injury | No. | 0 | 0 | 0 |
| | Rate*** | 0.0 | 0.0 | 0.0 |
| Lost time due to work-related injury | No. (hrs) | 0 | 0 | 40 |
| | Rate | 0.0 | 0.0 | 0.000041 |
| Lost time due to work-related illness | No. (hrs) | 0 | 0 | 0 |
| | Rate | 0.0 | 0.0 | 0.0 |

ZEROfatalities as a result of
work-related injury

Note:

* (365 days – total number of public holidays - total number of non-working Saturdays – total number of Sundays) x total applicable working hours per day x total number of employees

** Lost-time incident rate = Number of cases of accidents with lost-day x 1,000 / annual average of no. employees

*** Fatality Rate = Number of cases of fatality x 1,000 / annual average of no. employee

During FY2022, we recorded 248 hours of lost time which includes 40 hours attributable to lost time arising from slip, trip, or fall. Separately, there were 109 COVID-19-positive cases which we have managed diligently via appropriate contact tracing and testing measures to minimise the spread of infections. The table below shows the total staff diagnosed with COVID-19 for the past 3 financial years:

| | FY2020 | FY2021 | FY2022 |
|--|--------|---------|-----------|
| | - | 6 cases | 109 cases |

COMMUNITY ENGAGEMENT

Our community engagements aim to promote multi-ethnic unity and harmony and advocate inter-ethnic interaction and understanding. The Group's corporate social responsibility ("CSR") activities are spearheaded by the Hai-O Foundation (also known as "Yayasan Hai-O") which was set up with the aim to reach out to communities in need and contribute to the promotion of healthcare, educational, and cultural causes. Overall, the Group's contribution to community amounted to RM632,000 for FY2022.

We support charities and good causes through donations, gifts in kind, and CSR related program support in the particular area of arts, education, environment, health, welfare and sports. Our Group charitable donations and sponsorship policy sets out rules to ensure that the sponsorship or donation activities are aligned with our business objectives and reflective of our commitment to corporate responsibility in a positive, valuable and long term impact. All charitable donations or sponsorship are subject to the relevant approvals in accordance to "Group CSR Operational Guidelines and Procedures".

We are convinced that despite whatever efforts made, they must be done in good faith, creating shared value for business and society while building continuous engagement with the community.

Education – Excellent Academic Awards

The objective of the Excellent Academic Awards, which was first launched in 2016, is to encourage academic performance amongst the children of our MLM entrepreneurs and employees and, at the same time, recognise the hard work of dedicated and committed parents. The Excellent Academic Awards 2021 granted a total of 34 awards for SPM, including 1 award for our employee's child, while UPSR and PT3 have been abolished by the Ministry of Education. The awards totalled to RM13,500.

Education – Hai-O Higher Educational Aid

Since 2014, Hai-O Foundation has been providing financial assistance to eligible employees' children to encourage them to further their studies in higher learning institutions. We always believed in the power of education in civilisation and humanity development, on top of the added competitiveness to pursue greater career opportunities and leading to better living standards. The Hai-O Higher Educational Aid is also a way the Group shows its appreciation to loyal employees.

In FY2022, we provided assistance amounting to RM45,000 for 9 eligible employees' children through the Hai-O Higher Education Aid.



COMMUNITY ENGAGEMENT

Projek Kasih Ihsan by Tan Kai Hee Foundation

In conjunction with Ramadan month 2022, we supported 8 charitable bodies including orphanage, school, learning institution, and surau through our Project Kasih Ihsan launched in honour of our late Mr Tan Kai Hee. The project involved a total donation of RM71,920, comprising RM5,000 in cash and Airyventz Air Purifier worth RM3,990 for each charitable body.



Donation of computers for education

The pandemic and the resulting movement control measures have affected the access to education by many children. In June 2021, SHOM visited two orphanage homes, the Rumah Amal Limpahan Kasih and Pusat Jagaan Baitul Hidayah, and donated 2 computers for each home, allowing children to have sufficient technological support for online classes.



Box of Love

In December 2021, Klang was hit by flash floods following heavy rain of more than 2 hours. Our Box of Love programme has seen 337 flood victims benefiting from our Boxes containing various SHOM products, including Min Kaffe coffee, Min Cha tea, cookies, Bio Seleza sanitary pads, and masks.

In addition, we also allocated close to RM10,000 to purchase necessities, food, baby diapers, food, bedding items, etc. to flood victims.



Sponsorship for "Our Home Our New Village – Blossom Spring Festival"

We sponsored RM1,600 for the "Our Home Our New Village – Blossom Spring Festival" which was organised by the China Cultural Centre, Kuala Lumpur and supported by the Ministry of Tourism, Arts, and Culture of Malaysia.

COMMUNITY ENGAGEMENT

Fundraising for flood victims

Kelab Muhibbah Hai-O has organised a fundraising event, collecting RM20,494 for our employees affected by the flood.

We Care. We Share Campaigns

In September 2021, we donated essential goods and food valued at RM100,000 to 50 NGOs during the COVID-19 pandemic, Movement Control Orders (MCO) periods. These NGOs include aged care homes, orphanages, organisations for people with disabilities, and vulnerable communities which were largely neglected during the MCO periods.

In December 2021, we donated essential goods valued at RM106,470 to flood victims via collaborative programmes initiated by a few charitable organisations.

We also provided a total of RM96,000 Flood Financial Aid to our staff, aiding 48 beneficiaries affected by the flood, helping them to get access to basic daily necessities as soon as possible.

Joy 4 Klang Blood Donation Campaign

In October 2021, Kelab Muhibbah Hai-O carried out its regular, annual blood donation campaign in collaboration with the Angkatan Pertahanan Awan Unit Sungai Pinang. The blood donation campaign is aimed at promoting and raising awareness on healthcare and community well-being. The blood donation campaign in 2021 was held in Setia City Mall which had successfully collected 256 bags of blood.



KEY
SUSTAINABILITY
FOCUS AREA



OUR
PRODUCT

OUR PRODUCT

To provide safe and high quality products that cater to improving the well-being of our customers

Relevant Material Sustainability Matters discussed under “OUR PRODUCT”

Reputable Brands, Products,
and Services

Customer Responsibility

Key highlights in FY2022



Guidelines in place
to govern
responsible marketing



Compliant
with relevant regulatory requirements:
MAL, NPRA, FSQD, KKKLIU



0 case
of product recall

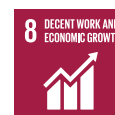


> 100 products
with HALAL certifications

Relevant GRI Topics

GRI **416**: Customer Health and Safety 2016
GRI **417**: Marketing and Labeling 2016

Contributions to SDGs



REPUTABLE BRANDS, PRODUCTS, AND SERVICES

Brand Reputation

At BESHOM, we continued to uphold our reputation and portfolio of brands which are synonymous with our values and beliefs as a responsible corporate citizen. We are committed to delivering best product quality as a reliable and trustworthy business partner with integrity.



CORPORATE BRANDING

BESHOM Group offers a wide range of Traditional Complementary Medicines ("TCM"), Wellness and healthcare products in Malaysia.



OBJECTIVE

To constantly uphold corporate branding through various channels and activities

STRATEGY

To preservice and upholding our "SEAGULL" corporate values

Our branding activities and events are commonly conducted in conjunction with health-related informative sessions, to complement our Vision and Mission towards better healthcare for all people.

We engage with industry peers and leaders through association to keep ourselves abreast of the latest industry development and better practices and to participate in industry-wide efforts towards building sustainable businesses.

Our MLM business is a member of the DSAM whose roles include setting industry standards and promoting an ethical marketplace for direct selling. Our Retail business is a member of the Malaysia Retail Chain Association. We also participate as a member in the Federation of Chinese Physicians and Acupuncturists Association of Malaysia ("FCPAAM") and the Malaysia-China Traditional Medicine and Health Food Product Association ("MCTMHFPA").

REPUTABLE BRANDS, PRODUCTS, AND SERVICES

Product Innovation

At BESHOM Group, we continued to introduce innovative products in our portfolios to offer more options to suit our customers' healthcare needs. We carry a strong portfolio of safe and high quality products, which contribute positively to consumers' well-being and are well-received by the market.

We keep ourselves updated on development of the industry and relevant knowledge, trends, and technology to maintain competitiveness and relevance in the market. This includes providing training to our employees on topics such as personal healthcare (including healthcare, skincare, etc.) and food technology. Our product team conducts market research and analysis to identify products required by the market, in line with our business strategy, and considering the first-hand feedback and comments by consumers.

With our network of experienced distributors who understands the local markets, we have the advantage to be able to reliably gauge market response through our product evaluation for new products before introducing them into the market. Our product evaluation process considers multiple perspectives, including physical and sensory factors and also the level of nutrients for F&B products, with an aim towards delivering at least 80% customer satisfaction.

In November 2021, we launched the AiryVentz Air Purifier. AiryVentz Air Purifier is equipped with an exclusive high efficacy 5-stage purification system that is proven scientifically by MRIGlobal from the U.S.A to effectively kill SARS-CoV-2 virus by 99.97%.

In addition, AiryVentz Air Purifier also can kill H1N1, H3N2 viruses by 99.99% and effectively remove 99.97% of airborne pollutants as small as 0.3µm.

AiryVentz Air Purifier releases 3 million negative ions, providing you with fresh air.

AiryVentz Air Purifier's safety has been tested and certified by SIRIM, Eurofins GS, CB, CE, and RoHS.



We launched Nurich Puri-C in April 2022. Nurich Puri C is a proprietary blend of revolutionary Vitamin C from U.S.A., enhanced with Superfruit Powder and nutrient Vitamin D3 to provide potent antioxidants, boost immunity, and aid in health maintenance. It has higher absorption rate compared to other forms of Vitamin C in the market, i.e. 233% higher absorption, and is retained in the body for as long as 24 hours.



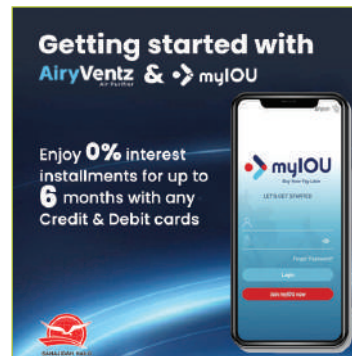
Access to Healthier Options

We also prioritise healthier options when selecting products and ingredients to be included in our portfolio. Amongst others, we will prioritise ingredients with low GI and low fat in the development of some FMCG food products in FY2023. In addition, we encourage non-excessive consumption of sugar and, where suitable, we prefer the use of safe substitute ingredients in our products to lower the risks related to excessive intake of sugar such as obesity and heart-related diseases. We also offer products that better enable consumers to reduce sugar intake, serve as healthier food options, as well as products that help consumers with better health management.

REPUTABLE BRANDS, PRODUCTS, AND SERVICES

Summary of Key Branding and Health Promotion Events

| Events (SHOM) | Description |
|--|--|
| Min Kaffe x Raya Branding | Min Kaffe Raya Branding campaign with the theme of Buka Raya has been launched offline and online to hype up the momentum of drinking Min Kaffe during Ramadan and Raya celebration. Limited edition promotion gifts, e.g. Buka Raya packet and Min Kaffe dining plate. We promote this campaign via our SM/SSM event and through digital engagement campaigns on Facebook, Instagram, and Telegram. |
| Raya Gift Box | Festive-oriented limited edition Raya Gift Box with SHOM branding for distributors to share the joy of gifting. |
| AiryVentz branding and marketing series | Following the launch of AiryVentz, our promotional and marketing aims to heighten product visibility, including at selected charities, vaccination centres, mosques, and commercial premises such as beauty salons and restaurants, as well as the provision of branding sets for commercial users. |
| Collaboration between SHOM & MyIOU | Collaboration between SHOM and myIOU to facilitate flexible payment arrangements for customers. |



REPUTABLE BRANDS, PRODUCTS, AND SERVICES

| Events (SHOM) | Description |
|---|---|
| SHOM's 29th Anniversary | SHOM's 29 th Anniversary Event was held at the KLCC Plenary Hall. |
| Jeju & 916 Gold Incentive Campaign | In conjunction with SHOM's 30 th Anniversary, we held a sales campaign by offering 5D3N Jeju incentive trip or limited edition "SHOM 30" 916 gold bracelet as rewards of the campaign. |
| Clean air awareness talk | We collaborated with Respiratory Physician Consultant Dr. Justin Lim and Vice President of Professional Development and Talent of MyCAS, Associate Professor Dr. Sr Norhayati on a clean air awareness talk. |
| SHOM Live | Our SHOM Live event conducted via Facebook platform serve as an official channel for news and updates on our products and relevant knowledge. During the year, we discussed topics from beauty to automotive performance. |
| Borak Santai Wanite #weareONEnita Campaign | A campaign for raising awareness on women health focusing on women's fertility, pregnancy care, and breast cancer, amongst others. |






REPUTABLE BRANDS, PRODUCTS, AND SERVICES

| Events (SHOM) | Description |
|--|---|
| Peraduan Memasak (Dari Dapur SHOM) | We held the Peraduan Memasak (Dari Dapur SHOM) 1.0 and 2.0 during the year, to promote the rich varieties of dishes made possible through SHOM's wide range of products. |
| Ezi To Grow Contest | We held an Ezigrow Facebook Contest to profess contestants' love for the EziGrow series. Contestants were to submit their best slogans and the "before" and "after" photos of their crops and plants for a chance to win a 4L EziGrow pack. |
| Min Kaffe Distributor Authorisation e-Template | Various Min Kaffe based e-Template designs were created and released for fellow SHOMpreneurs to edit and use for branding, together with their contact number and social media tags such as Facebook and Instagram. |



REPUTABLE BRANDS, PRODUCTS, AND SERVICES

| Events (Hai-O) | Description |
|--|---|
| <p>Classic Culinary Online Competition with Oriental Cuisine for Pagoda Hua Diao Cooking Wine</p> | <p>Online cooking competition to make oriental dishes using Hai-O's represented brand Pagoda Hua Diao Cooking Wine.</p> |
| <p>AstroGo & AEC live</p> | <p>Yang Sheng Chiew (1L) was first launched on AstroGo & AEC live, an hour-long broadcast with an informative and cooking demonstration.</p> |
| <p>Onboarding various digital platforms</p> | <p>Hai-O onboarded various digital platforms to expand brand awareness on the online market, including at Halal Food Master, PG Mall, and Yubeli.</p> <div style="display: flex; justify-content: space-around; align-items: center;">    </div> |
| <p>TCM clinic</p> | <p>We collaborated with Kampar University to assign a Chinese physician to the university's TCM clinic.</p> |
| <p>REN TCM</p> | <p>A series of 11 health talks by Chinese physicians including on topics including personal health, controlling sugar consumption, identifying, and managing stroke risks, cancer, COVID-19 and vaccines, female health, cholesterol and fat, sports-related injuries, and others.</p> |



REPUTABLE BRANDS, PRODUCTS, AND SERVICES

Customer Satisfaction

We strive to build customer confidence and trust in our products and our people.

We have various engagement channels to engage with our wide range of customers, with an aim to provide quality products and services which suit our customers' needs and preferences.

MLM Segment

We maintain a strong and robust engagement network with and among our distributors, where they serve as our main contact point with consumers of our products. We also established channels where consumers can directly contact us for any enquiry, comments, and feedback.

Some of our key engagement channels are as follows:

- Corporate email at info@shom.com.my and coe@shom.com.my
- Corporate website at www.shom.com.my
- Bulletin
- Social media including WhatsApp, Facebook and Instagram
- Customer Service WhatsApp line: 017-302 8588
- E-commerce WhatsApp line for HQ
- E-commerce service lines for branches and stockists
- Text via SMS and Telegram (one-way communication)
- Others include surveys, training, meetings, conferences, and events

In FY2022, our e-commerce services have been expanded to include 5 stockists, allowing stockists to accept e-commerce orders.

Our engagement channels also helped us to effectively resolve customers' complaints. We received 25 cases of minor product complaints and all of them had been addressed and resolved as of the date of this Report.

We also carried out distributor engagements to obtain testimonials on the use of our products such as Cozuma, Bai Feng Wan, Alfalfa, Bfit, and Thera to help us improve our products and services offered to the market.

Retail Segment

We have online and physical Hai-O retail stores to cater for a broad base of customers.

At our physical retail stores, we aim to provide a safe and comfortable shopping environment, where our store personnel are adequately trained to provide quality service and assistance to walk-in customers. Our retail stores continued to adopt standard operating procedures ("SOPs") which are compliant with government regulations to control the spread of COVID-19 during the year. Employee training or briefing on the COVID-19 SOPs is provided where necessary.

Our online store, <https://mall.hai-o.com.my>, allows online customers to browse our wide range of products online anywhere, and we also have online promotional activities from time to time.

Members of our Hai-O Member Programme enjoy extra benefits such as birthday rewards, member discounts, early and exclusive promotions, access to special seminars, and others. We also held our Member Privilege Sales to reward the loyalty of our members.

Hai-O's key engagement channels are summarised as follows:

- BESHOM General Email: info@beshom.com
- Hai-O Chain Store Facebook
- Hai-O Chain Store WeChat
- Hai-O Chain Store Customer Service Hotline: 03-3343 8889
- Text via SMS and telemarketing
- Customer Service WhatsApp line
- Customer complaint procedures
- Feedback Form (available in our retail stores)
- Customer Satisfaction Survey (accessible via QR Code)
- customer_care@hai-o.com.my (for online store)

This year, we enabled more communication channels to increase our online engagements with customers. Amongst others, we rolled out live chat services via our e-store platform which is available during working hours and enabled Google My Business Service where customers are able to leave their public comments and feedback online.

We continued to carry out various surveys to understand our customers and how we are able to provide them with better services, products, and promotional activities.

REPUTABLE BRANDS, PRODUCTS, AND SERVICES

During the financial year under review, we received 15 product complaints and 7 customer service complaints. Internally, we have established processes to address customers' complaints and ensure that they are considered for ongoing business improvement. All the aforementioned complaints have been addressed and resolved as of the date of this Report.

Wholesale Segment

Hai-O's Wholesale segment mainly serves business customers and some of them are also our business partners with whom we have collaborated in the past years to promote our products and their distribution platforms, such as supermarkets and hypermarkets. Our Wholesale segment focuses on establishing collaborative relationships with other businesses with an aim to achieve mutual growth and increase competitiveness. In this regard, our in-house representatives are provided with regular training and we work closely with our customers to serve their needs and interest. We will continue to further intensify our customer engagement including holding events and functions to gain a deeper understanding of our customers including their concerns regarding product quality, sustainability, and responsibility.

There were no customer service complaints received during FY2022.

Product Safety and Quality

We ensure all our products are safe. Product safety is a basic, non-negotiable criterion that we will assess before including a product in our portfolio. In addition, we also ensure all products are compliant with relevant regulatory requirements.

In Malaysia, health supplements and traditional preparations are generally required to be registered with and comply with the National Pharmaceutical Regulatory Agency ("NPRA"); foods and beverages products shall be tested by professional testing bodies recognised by the Ministry of Health on quality and safety compliance before they can be sold; all food, wellness, skincare, cosmetic, and personal care products marketed by SHOM are governed and approved by the Ministry of Health. Across all our relevant business segments, SOPs are established to ensure products are compliant with the relevant regulations before they can be sold to customers.

How to Identify NPRA-registered Products

Health supplements and traditional preparations are considered pharmaceutical products and must be registered with NPRA. There are two main features for registered products:

- Registration number starting with "MAL". followed by eight numbers and ending with the letter T, A, X, or N; and
- Genuine hologram sticker affixed to the packaging of the product.

Please refer to the official government website of the NPRA or the official website of the Ministry of Health for further details.

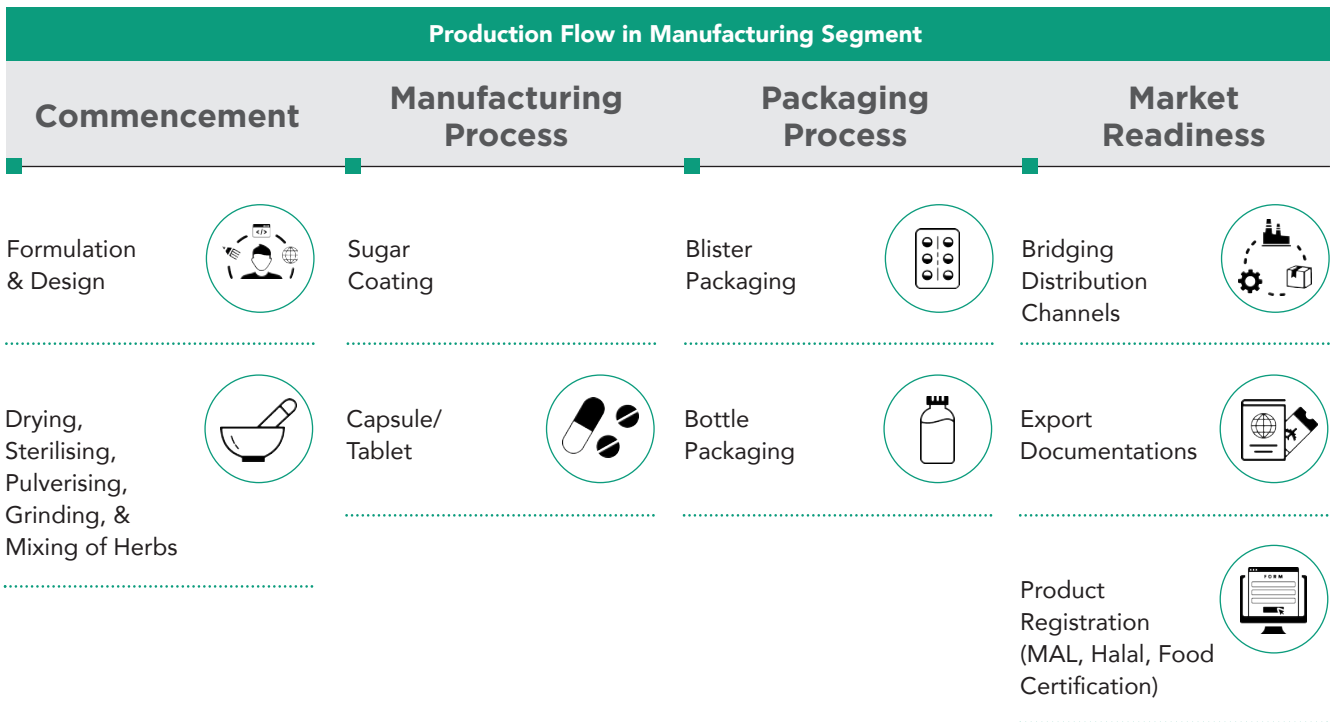
The products we sell may be generally categorised into products of our own brands manufactured in our own facilities, products of our own brands manufactured by third parties, or third-party brands to which we hold distributing rights. All our products are subject to robust product quality and safety control processes governing market readiness, procurement, manufacturing, packaging, to logistics and distribution.

Our process requires all batches of food, supplement, skincare, and cosmetic product we receive from suppliers to be accompanied by a Certification of Analysis ("COA") which serves as an assurance for the regulated and agreed-upon specifications. In addition, we also undertake vigorous testing in our manufacturing process to detect any presence of contaminants and/or to evaluate product efficacy.

REPUTABLE BRANDS, PRODUCTS, AND SERVICES

Furthermore, our MLM and Manufacturing segments have dedicated in-house quality control teams to perform quality checks on every batch of products before distributing them to our stores and branches. Amongst others, these teams assess products for quality, considering their physical appearance, aroma, taste (for edible products), and other specifications. As part of the quality control process, 2 units of retention samples will be taken as controlled samples for each batch of delivery and will be kept throughout their specified shelf life, as well as for future verification, reference, batch tracing, or investigations or testing where required. We undertake traceability practices for every batch of products we sell.

At our manufacturing sites, we only use quality ingredients for our manufacturing process. In this regard, we have a stringent process for selecting suppliers for raw materials and products, who are assessed based on, amongst others, the quality of raw material, quality of product, and the manufacturing process, as relevant. In addition, we also perform due diligence, periodic reviews, as well as audits to gain an enhanced understanding of our suppliers. Our manufacturing sites practice a high level of quality control, hygiene, and best practices, and are certified with GMP.



REPUTABLE BRANDS, PRODUCTS, AND SERVICES

Product Certification and Manufacturing Certification

Product and manufacturing certifications serve as additional assurance for our business, our business partners, and customers.

Relevant key business activities of the Group, including manufacturing, distribution, and quality control processes maintain the following certifications, as applicable:

- **GMP** which governs the manufacturing and production of food or pharmaceutical products;
- **ISO 9001:2015** which specifies the requirements for a quality management system;
- **HACCP** is a management system addressing food safety through the production chain from sourcing to consumption; and
- **SAMM Accreditation (MS ISO/IEC 17025)** which is an accreditation under the Skim Akreditasi Makmal Malaysia ("SAMM") based on ISO/IEC 17025, in relation to the competence of testing and calibration laboratories.

To maintain these certifications, independent audits are carried out periodically to ensure continuous implementation of practices according to the said standards. During FY2022, we continued to maintain our certifications as follows, without significant issues.

| Certification | Certified process/ company | Audit Frequency |
|--|--|-----------------|
| GMP | <ul style="list-style-type: none"> • Manufacturing plants at Lot 1388 and Wisma Hai-O | Annually |
| ISO 9001:2015 | <ul style="list-style-type: none"> • MLM operations at Wawasan Hai-O • Manufacturing plants at both Lot 1388 and Wisma Hai-O | Annually |
| SAMM Accreditation (MS ISO/IEC 17025) | <ul style="list-style-type: none"> • Laboratories and QC team | Annually |
| HACCP | <ul style="list-style-type: none"> • Manufacturing plants at Lot 1388 and Wisma Hai-O | Biennially |
| FDA Certificate of Registration | <ul style="list-style-type: none"> • Manufacturing plants at Lot 1388 and Wisma Hai-O | - |

We also have HALAL certifications for more than 100 products and maintain KKLIU certifications for advertising certain NPRA-registered products through appropriate channels.

Product Recall Process

We have established product recall policy and SOPs to guide an effective and efficient product recall process, in case a product needs to be recalled to mitigate negative impacts arising from problematic products. These procedures are in line with the recall procedures prescribed by the NPRA and are subject to regular review. Quality control processes at our operations, such as batch tracing and other practices supporting traceability, also help to enhance the effectiveness of our recall process and facilitate accurate tracing of problematic products.

ZERO
incidents of product recall

During the financial year under review, there were no incidents of product recall.

CUSTOMER RESPONSIBILITY

Responsible Marketing and Advertising

We are committed to upholding the principles of responsible market and will comply with all relevant responsible marketing and advertising regulations. All our MAL products shall be registered under NPRA and advertisements shall be made in accordance with KKKLIU's⁵ approval and take into consideration the principle of responsible advertising and marketing.

Among our businesses, it is especially important that we govern responsible and ethical marketing in our MLM business segment which is represented by our numerous distributors. Committing to adhering to the Code of Conduct of DSAM, all our MLM distributors are required to conduct fair and ethical direct sales practices. Our Advertising and Marketing Policy for SHOM and Business Handbook also reflect similar requirements which require all distributors to advertise truthfully and accurately for all advertising and promotional activities including electronic formats. Our policy prohibits any repackaging, changes in labelling, or any claims about product efficacy, health ability, as a specific treatment, or purported cure for any disease or condition, and distributors shall not misrepresent product information such as quality, origin, performance, and others. Our SHOM personnel also conducts checks on distributors' marketing practices and marketing materials and will take necessary actions against non-compliance.

At BESHOM, we regularly train and raise awareness among employees, our salesmen and distributors on applicable advertising and marketing regulations, our stance on responsible marketing, and acceptable and non-acceptable marketing practices. We also ensure clear marketing and advertising guidance is provided to salesmen and distributors regarding product information materials for all products. During the financial year under review, we provided training to employees on responsible marketing, such as on our Advertisement and Product Claims Guidelines to employees handling distributors and customers, the "dos and don'ts" of being creative in marketing for our marketing and branding team, and others.

Customer Data Privacy

We value the privacy of our customer information and we maintain high standards of procedures to safeguard customers' privacy and information, guided by our various data and privacy policies. Further discussions are discussed in the **IP and Data Integrity** section of this Report.

⁵ *Pharmaceutical Services Division, Ministry of Health*

CUSTOMER RESPONSIBILITY

Responsible Marketing of Products Containing Alcohol

At our Hai-O Wholesale and Retail segments, some of our products may contain alcohol and these products may be consumed as traditional complementary health products or used for cooking, or as consumed for enjoyment. That said, majority of our alcohol-containing products are traditional complementary medicated health products which are MAL-registered with the NPRA and affixed with genuine hologram stickers.

See **“Product Safety and Quality”** of this Report on page 65 to understand how to identify NPRA-registered products.

The selling and marketing of alcohol-containing products are strictly in compliance with the relevant laws and regulations. We promote and encourage responsible drinking and are strictly against any drink-driving actions.

We only sell alcohol-containing products to adults who are 21 years old and above and non-Muslims. In this regard, the alcohol sections at both our physical stores and online stores, as well as our marketing and advertising materials, are marked with such a statement. Our staff at Hai-O’s retail store are also trained and required to only sell alcohol-containing products to those who are 21 years old and older and non-Muslims.

Our wine and liquor products, which are consumed for enjoyment, are accompanied by a statement warning against excessive drinking, i.e. **“Meminum Arak boleh Merbahayakan Kesihatan”**. In addition, all our MAL-registered medicated tonic products contain information on the recommended dosage and precautions to guide consumers on safe use.

The Group also undertakes to include health-awareness messages in all advertisements and packaging for its alcohol-containing products, moving forward, to promote responsible drinking and legal consumption.

Awareness of nutrition intake

Our processed food and beverage products include nutritional information, guided by applicable laws and regulations, such as Food Act 1983. This includes the recommended intake amount, as well as the content amount for the relevant nutrition contained within the said product.

Through SHOM’s social media channel, i.e. BoraknutriSHOM channel on YouTube, we also have publicly available awareness videos to promote health knowledge and personal health management, such as on topics including weight management, sugar consumption, breast health, feminine health, and digestive health. Similarly, we also spread public health knowledge through various Hai-O events and initiatives such as the health talk series by REN TCM.

Product Labelling

Guided by relevant product labelling regulations, all our products are labelled properly, communicating product information accurately and truthfully. For food products, we will perform product labelling checks through the MOH to obtain its clearance, ensuring our product label practices are compliant with applicable regulations.

Serving a market with a diverse demographic, most of our products are labelled in at least two languages to communicate effectively with our customers. Amongst others, the product labels may include product information such as ingredients used, any potential allergens or health risks for consumers, additives used, suggested consumption/application methods, manufacturing date, expiry date, and/or the best-before date. We aim to provide relevant and adequate information enabling consumers to make informed decisions about their consumption or purchase through our product labelling practices.

KEY
SUSTAINABILITY
FOCUS AREA



OUR
PLANET

OUR PLANET

To strengthen our efforts towards protecting the environment when carrying out our business operations

Relevant Material Sustainability Matters discussed under “OUR PLANET”

Green Product
and Packaging

Energy and GHG Emissions
Management

Resource and
Waste Management

Key highlights in FY2022



7.30 kWh/ ft^{2*}
Total electricity usage intensity



99.9%
new MLM members
registered on electronic platform



Electronic communication
with stakeholders
(**100%** MLM e-bulletin, Board
e-portal, e-vouchers, and etc)



Efforts to **reduce** packaging
and use of **paper** and **plastic**
materials



Initiated project to install
solar panels

Relevant GRI Topics

GRI **302**: Energy 2016
GRI **307**: Environmental Compliance 2016

Contributions to SDGs



* Covering the Group 4 main buildings at Wisma Hai-O, Lot 1388(A) and (B) and Wawasan Hai-O.

BESHOM acknowledges its corporate responsibility towards protecting the environment, and strives to reduce the environmental impacts of our products and operations and conserve natural resources through:

- (i) pursuing efficient use of resources (including energy, water, and raw materials);
- (ii) reducing waste discharged to landfills and unnecessary wastage of materials;
- (iii) avoiding pollution in all forms; and
- (iv) promoting the use of eco-friendly materials.

GREEN PRODUCT AND PACKAGING

When considering products for inclusion in our portfolio, in addition to our core focus on ensuring the safety and quality of products, we also consider the environmental impacts of the materials used in the product as well as its packaging. Generally, we avoid materials which are hazardous or may cause significant pollution to the environment and prefer eco-friendly or reusable materials for packaging. We also look into ways to reduce the overall use of packaging materials such as through innovative packaging solutions or launching refill packs.

Where viable, we encourage the use of vegetarian capsules as a substitute for non-vegetarian bovine capsules in our products. Despite the higher cost, vegetarian capsules offer extra benefits in terms of stability and solubility and are perfect for people who cannot consume gelatine for religious, cultural, or dietary reasons.

The refill pack for the Sweetality Granulated Sweetener known as Sweetality Flexi Pack uses less plastic and paper packaging compared to the bottled pack. While customers can reuse their old bottles and avoid generating unnecessary waste, the Sweetener Flexi Pack is also cheaper while offering the same volume of content.



The Nurich Puri-C and 2 new variants of our D'Chef series which were launched during FY2022 utilise grey pack packaging that comprises approximately 85% recycled fibres. Such material does not only help us reduce the use of virgin materials, it can also be recycled to extend the useful life of the material.



In the new financial year 2023, BESHOM undertook an internal initiative to collect and recycle empty supplement bottles through a third-party service provider. Proceeds from the selling of recycled materials will be donated to associations that support activities relating to environmental protection or preservation.

ENERGY AND GHG EMISSIONS MANAGEMENT

In supporting global efforts toward managing climate change, we believe businesses should adapt to new ways of doing business and shift towards a lower-emission operating model. For BESHOM, we begin by collecting data and managing our energy consumption, which is considered one of our more significant sources of emission which we may be able to control or manage, by reducing the use of energy and achieving greater energy efficiency.

Energy Management

BESHOM Group's energy use is mainly derived from electricity usage in its offices and premises, also representing a key source of carbon emissions of our business. our operations are largely based in Malaysia and electricity used is mainly purchased from Tenaga Nasional Berhad in West Malaysia and from the relevant state power utility companies in Sabah and Sarawak. Generally, electricity in Malaysia is derived from a mix of non-renewable and renewable sources including natural gas, coal, and hydro-powered dams.

The electricity usage of the Group's 4 main buildings, i.e. Wisma Hai-O, Lot 1388 (Klang), Wawasan Hai-O (Klang), and Menara Hai-O (Kuala Lumpur, formerly known as Sun Kompleks), are monitored to measure the efficiency of our electricity use. For the financial year ended 30 April 2022, we have recorded slightly lower electricity usage across our buildings at 7.30 kWh per square foot which is lower than FY2021. The reduction is attributable to the conversion into LED lighting systems and due to the fact that the buildings have not been operating at full capacity due to the MCOs.

22

out of **54** retail outlets are fully fitted with LED lighting systems

2021: 10 outlets

| Electricity saving efforts and performance in the 4 main buildings of BESHOM Group | Unit | FY2020 | FY2021 | FY2022 |
|--|----------------------------|--------|--------|--------|
| Total electricity usage | million kWh | 1.89 | 1.86 | 1.99 |
| Total electricity usage intensity (per square foot)⁶ | kWh/ ft² | 8.11 | 7.34 | 7.30 |
| Conversion of LED lights | | | | |
| LED Lights installed during the year | Unit | 392 | 580 | 533 |
| Estimated savings from conversion to LED for the year | kWh | 59,695 | 48,285 | 17,990 |

⁶ The floor area used as denominator is calculated based on the floor area used for the purpose of the Group's operations.

ENERGY AND GHG EMISSIONS MANAGEMENT

We started to carry out our LED lighting system upgrading initiatives in 2017, replacing incandescent and fluorescent lamps to achieve greater energy efficiency and cost-efficiency, as well as achieving a longer life span for light fittings. In order to balance between unnecessary wastage of lamps and the benefits of LED lighting systems, we prioritise the replacement of existing lamps nearing the end of usable product life. For the financial year under review, we installed approximately 533 LED lights with an estimated savings of 17,990 kWh in electricity use⁷ during FY2022. As at 30 April 2022, 68% of the total floor area has been converted to LED lighting systems.

During the year, we have ramped up our LED conversion efforts at outlets and have upgraded 12 outlets to LED lighting systems. We have 22 outlets out of 54 retail outlets fully fitted with LED lighting systems as at 30 April 2022. There are 22 remaining outlets which were been identified and planned for LED conversion.

Renewable Energy

In February 2022, we initiated a Solar Energy project with an appointed contractor to install solar panels at our 4 main buildings at Wisma Hai-O, Lot 1388(A) and (B), and Wawasan Hai-O. The project has the capacity to provide up to 1,000,000 kWh of energy and an estimated 600 tons reduction in CO₂ emissions per year across the properties reported above.

The solar panel system will generate electricity for our own use at the properties while any excess electricity will be sold to the grid. The installation will also benefit us in terms of reduction in our electricity bills, decreased ambient temperature, tax incentives, as well as significantly lowering our carbon footprint. The use of solar panel systems for electricity will substantially reduce the emissions associated with purchased electricity which is still mainly generated via fossil fuels including coal and gas in Malaysia.

Currently, the application has been submitted to the relevant authorities and is pending approval before installation can take place. The project is expected to be ready for commissioning by 1st half of 2023.

⁷ The basis of estimation includes, amongst others: (i) general operating duration of 8 hours per day (ii) the timing when the LED lights were installed during the financial year (e.g. a bulb converted to LED during the beginning of the financial year would save more electricity than one that is converted to LED during the end of the financial year); and (iii) the type of lighting and where it is used.

RESOURCE AND WASTE MANAGEMENT

Reducing the use of paper

Aligned with our efforts to achieve efficient use of materials and reduce the generation of waste, we practise '4R' in our operations where possible. We undertake continuous improvement in our waste management and resource management through identifying significant waste and materials and exploring methods to recycle or reduce waste. Our efforts aim to achieve better environmental protection and preservation beyond mere compliance with laws and regulations.

Since years ago, we have embarked on a journey to reduce paper use in our processes, such as for distributor registrations, procurement, member statement, and others. Technology is a key enabling factor, allowing us to rely less on paper while having a more integrated data management process.

For instance, our migration to a digitised system for SHOM's membership management process helped us significantly reduce paper use during the registration process, at the same time allowed us to better manage our business through statistics and better analytics. We have since FY2020 migrated fully to electronic membership cards and member's statements. 99.9% of our new MLM members in FY2022 are on the e-membership platform.

| | FY2020 | FY2021 | FY2022 |
|--|--------|--------|--------|
| % of new members registered on the e-membership platform | 99.0% | 99.8% | 99.9% |

Since last year, we started to distribute all our bulletin updates through e-bulletin, which saves printing material and costs. The progressive digitalisation of our SHOM operations and communications has also helped to reduce a lot of paperwork, in addition to enhancing operational efficiency.

We also make use of digital platforms to facilitate our increasing effort to engage with stakeholders. Customers across our MLM, Retail, and Wholesale segments can participate in customer surveys using digital survey forms. Several processes for the MLM business have also been digitalised and are conducted via online systems, e.g. e-training evaluation, incentive trip registrations, and SM/ SSM event registration and door gift redemption.

In FY2022, SHOM conducted a review of the printing activities across its operations and revised several documentation processes with an intention to reduce printing. For example, reducing copies of documentation used in internal accounting processes and simplifying printed filling requirements.

At Hai-O Retail, customers can now be Hai-O Friendship Members without the need for a physical membership card while accessing their benefits using their email address, phone number, or membership number. Digitalisation and paper-reduction efforts also continued to be carried out in Hai-O headquarters, using digital meeting papers and board papers, etc.

In BESHOM Group, where paper use is necessary, we will source environmentally-friendly paper and encourage the practice of reusing paper.

99.9%

of new members registered on the e-membership platform

2021: 99.8%

RESOURCE AND WASTE MANAGEMENT

Other waste reduction and management practices

In support of the global initiative towards reducing plastic waste, our MLM branches no longer provide single-use plastic bags while our Retail stores are encouraged to reuse carton boxes to pack goods for customers. Where necessary, our Retail stores only provide biodegradable bags instead of single-use plastic bags.

In our warehouse, broken wooden pallets are taken apart and the usable pieces will be reconstructed into 'new', usable pallets. Typically, 3 or 4 broken pallets can be reconstructed into 2 usable units. Carton boxes are also reused for packing and delivery.

We ensure compliance with waste management-related laws and regulations, especially on safe disposal of expired or defective pharmaceutical products and MAL-registered products, and disposal of containers of defective excisable goods. Our waste management practices are guided by formalised SOPs. Broken glass bottles used for excisable goods (e.g. alcoholic health tonic) are disposed at designated sites and containers approved by the Department of Environment.

In addition, waste contractors engaged by BESHOM Group are subject to careful assessment to ensure they carry out BESHOM's waste management practices in accordance with applicable laws and regulations. Like our suppliers and vendors, waste contractors are also subject to periodic evaluation.

The following table details the Group's more notable waste from its offices and warehouse. They are either disposed of or sold to third parties for recycling.

| Types of waste disposed and/or recycled | Unit | FY2020 | FY2021 | FY2022 |
|---|--------|--------|--------|--------|
| Paper | kg | 26,607 | 4,130 | 6,930 |
| Plastic | pieces | 739 | 249 | 291 |
| Metal | kg | 1,356 | 3,231 | 1,556 |
| Battery | units | 6 | 5 | - |
| Glass | kg | 330 | 20 | 320 |
| Toner casing/ parts | pieces | 7 | 2 | 2 |

There were no fines or penalties for non-compliance with waste management laws or regulations recorded for the financial year under review.

NO

fines or penalties for non-compliance
with waste management laws or
regulations recorded



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