

2021



# SUSTAINABILITY STATEMENT

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## ABOUT THIS REPORT

At Hai-O Enterprise Berhad's ("Hai-O")<sup>1</sup>, we embrace our mission to promote a healthcare culture and take part in the continuous development and improvement of human well-being. As we work towards our goal to become the premier healthcare company in Malaysia, we are always mindful of the importance of maintaining balanced growth and value creation in the environment and society we operate in, as well as in the operations of Hai-O and its subsidiaries (the "Group").

Following our last Sustainability Statement included in Hai-O's Annual Report FY2020, this Sustainability Statement, which is published together with Hai-O's Annual Report FY2021, marks our first stand-alone Report since we embarked on the sustainability reporting journey in FY2018.

Our Sustainability Statement provides an annual review of our ongoing efforts in managing the Group's business sustainability in terms of economic, environmental, social, and governance matters, in line with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

This Report has been prepared in accordance with Global Reporting Initiative - GRI Standards: Core option and in compliance with the MMLR. In preparing this Report, we have also considered the Sustainability Report 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 Hai-O.

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<sup>1</sup> In this Statement "Group", "we", "us" and "our" are also used to refer to Hai-O and its subsidiaries.

## REPORTING BASIS AND SCOPE

Unless otherwise stated, this Report discloses the Group's sustainability progress and performance for the financial year ended 30 April 2021. It covers the Group's operations at its corporate office in Klang, Selangor Darul Ehsan and the main revenue-generating segments including the Multi-Level Marketing ("MLM"), Wholesale, Retail and Manufacturing. This coverage is largely similar to the scope of our previous year's Sustainability Statement as there were no significant changes to the businesses and operations including the supply chain of the Group.

The sustainability matters discussed in this Report represent matters which are material to the Group's businesses. Sustainability matters, including those which may impact business as well as those which the business has an impact, were assessed and prioritised based on their importance to the business and the Group's stakeholders. In applying the materiality principle, we also consider the roles of each sustainability matter in the context of the Group's mission, vision, and long-term value creation and preservation.

<b>Corporate Office</b>	Located in Wisma Hai-O, Klang, Selangor Darul Ehsan which also is Hai-O's headquarters.
<b>MLM</b>	<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 represents a minor portion of MLM's customer base.</p> <p>SHOM works with approximately 89,000 distributors who represent our products. For the purpose of this Report, these MLM distributors are included in the reporting of certain material sustainability matters of the Group.</p>
<b>Wholesale</b>	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.
<b>Retail</b>	The Retail segment is operated by Hai-O Raya Bhd., with 55 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.
<b>Manufacturing</b>	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

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

## CONTACT US

Further information on Hai-O's policies and management processes are available on our corporate website at [www.hai-o.com.my](http://www.hai-o.com.my). Should you have questions on this Report, please contact us at [ir@hai-o.com.my](mailto:ir@hai-o.com.my).

# GROUP MANAGING DIRECTOR'S MESSAGE



**Tan Keng Kang**  
Group Managing Director

I am pleased to present Hai-O's first stand-alone Sustainability Statement which aims to give our valued stakeholders a holistic view of our ongoing effort to achieve balanced and optimised value creation through our business operations.

Since Hai-O first commenced business in 1975, we have put people before profit and strived to create long-term credibility in the market. The core values we hold close to our hearts and how we do business have helped us overcome challenges and deliver growth and value creation for our stakeholders.



Today, as the business environment constantly evolves alongside the emergence of new challenges, we are confident that our core values and belief in sustainable value will continue to guide the business towards its quest to become a premier healthcare company in Malaysia and contribute to the well-being of the consumers using our products and services.

To achieve our mission and vision, we have a sustainability strategy that emphasises 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.

## HAI-O'S SUSTAINABILITY POLICY

<p><b>Economy</b></p>  	<p>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.</p>
<p><b>Governance</b></p>  	<p>We shall prioritise compliance throughout our value chain, adhere to laws, regulations and internal conduct and policies, manage material sustainability matters, and embed integrity and transparency into our corporate culture.</p>
<p><b>People</b></p>    	<p>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.</p> <p>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.</p>

HAI-O'S SUSTAINABILITY POLICY

<p><b>Product</b></p> 	<p>We shall promote products that improve the 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 Hai-O and our customers.</p>
<p><b>Planet</b></p> 	<p>We shall educate the practice of 3R (Reduce, Reuse and Recycle), reduce the use of Styrofoam in product packaging, promote green initiatives and introduce products which contain eco-friendly ingredients that are less harmful to the environment as well as human health.</p>

Every year, we conduct a materiality assessment review on our sustainability strategy and policy to assess how sustainability issues affect our business and the Group's long-term value creation and preservation. The outcome of the materiality process helps us prioritise and allocate resources in managing material sustainability matters, including setting indicators to measure how well we are managing these matters.

When managing our material sustainability matters, we also consider how our sustainability focus is able to contribute to value creation and preservation within broader perspectives. We mapped our material sustainability matters to the 17 Sustainable Development Goals ("SDGs"), which serve as a shared blueprint towards achieving the 2030 Agenda for Sustainable Development adopted at the United Nations Sustainable Development Summit in 2015 and have identified 6 SDGs which we can best contribute through our sustainability focus.

<p><b>1 NO POVERTY</b></p>  <p>End poverty in all its form everywhere</p>	<p><b>3 GOOD HEALTH AND WELL-BEING</b></p>  <p>Ensure healthy lives and promote well-being for everyone across all ages</p>	<p><b>4 QUALITY EDUCATION</b></p>  <p>Ensure inclusive and equitable quality education and promote lifelong opportunities for all</p>
<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>  <p>Promote inclusive and productive employment and decent work for all</p>	<p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p>  <p>Ensure sustainable consumption and production patterns</p>	<p><b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b></p>  <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>


# Group Managing Director's Message








A summary of Hai-O Group's material sustainability matters and key performance highlights for FY2021 is presented as follows:

## OUR ECONOMY

**Material Sustainability Matters**

- Economic Performance
- Brand and Reputation
- Supply Chain Management



 <b>Profit Before Tax</b> <b>RM52.3 million</b> ↑ <b>26.0%</b> y-o-y <small>Compare FY2020</small>	 <b>Total Revenue</b> <b>RM271.4 million</b> ↑ <b>6.3%</b> y-o-y <small>Compare FY2020</small>	 <b>Total Assets</b> <b>RM371.5 million</b>	 <b>Market Capitalisation</b> <b>RM648.6 million</b>
 <b>60%</b> <small>Local trade procurement</small>	 <b>Average entry level non-executive wage: minimum wage</b> <b>1.67 : 1</b> East Malaysia <b>1.42 : 1</b> West Malaysia		 <b>Internship Programme for 9 Students</b>

## OUR GOVERNANCE

**Material Sustainability Matters**

- Corporate Governance and Risk Management
- Ethics and Integrity
- Succession Planning










 <b>Anti-Bribery Policy</b> communicated to all directors, employees, distributors, and active suppliers and business associates	 Developed <b>Code of Business Ethics</b> for suppliers and business associates	
 <b>Code of Ethics and Business Conduct</b> is made available in: English, Bahasa Malaysia and Chinese	 <b>2 TCM</b> Manufacturing Plants Certification: <b>GMP</b>	 <b>MLM &amp; Manufacturing</b> Certification: <b>ISO 9001:2015</b>

## OUR PEOPLE

**Material Sustainability Matters**

- MLM Entrepreneurship
- Customer Satisfaction
- Employee Well-being
- Occupational Health and Safety
- Equal Employment Opportunities and Leadership Development
- Training and Development
- Community Engagement



 <b>483 employees</b> <b>89,000</b> MLM Distributors	 <b>100%</b> complaints resolved for all business segments	 <b>0 case</b> work-related injuries
 <b>36% male</b> <b>64% female</b> <small>Management diversity</small>	 <b>11 training hours</b> per employee	 <b>Community Engagement Activities</b> Higher Educational Aid, Blood Donation, Giveaway of 10,000 packets of herbal tea at 55 chain stores and franchises

## OUR PRODUCT

### Material Sustainability Matters

- Product Safety and Quality and Responsible Marketing
- Product Innovation
- Product Certification
- Manufacturing Certification



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

### Material Sustainability Matters

- Green Product and Packaging
- Energy Consumption
- Waste and Recycling



**7.34 kWh/ ft<sup>2</sup>**  
Total electricity usage intensity  
(per square foot)



**99.8% 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

During the financial year under review, the Group has demonstrated resilience amidst the global COVID-19 pandemic and challenging economic environment in Malaysia. The Group recorded RM271.4 million in revenue and RM52.3 million in profit-before-tax, marking year-over-year increase of 6.3% and 26.0%, respectively.

We have also undertaken continuous efforts and measures to safeguard and uphold business integrity and ethics in our supply chain as well as in the way we do business. Following the establishment of adequate procedures and relevant controls to address the recently introduced Section 17A of the Malaysian Anti-Corruption Commission Act 2009, we continued to put in place measures to communicate our policies and codes on ethical business practices to our employees and business partners.

During the financial year, we maintained active engagements with

stakeholders and that allowed us to understand our stakeholders and to work together to manage our businesses against the backdrop of a weak and uncertain economic environment. Enhanced adoption of technology and social media in our businesses have also enabled us to continue serving and bringing quality services to our customers. Digitisation also brings us closer towards reduction in use of resources. We also ensured that we comply with all relevant laws and regulations to bring quality products and services to customers.

It is paramount that we take care of our employees especially during the current healthcare crisis. Relentless efforts as well as standard operating policies and procedures aimed to prevent the spread of COVID-19 were established, implemented, and monitored rigorously. We are also pleased to report 0 case of work-related injuries at our workplace. The

Group has also launched a few initiatives which aimed to deliver support and care to the Malaysian community, including the front-liners, Malaysians who are doing their best to stay at home and keeping themselves and others safe, as well as our employees. In the coming years, we will further integrate and align our sustainability process with the Group's strategic management, including ensuring sustainability strategies align with our business strategies, and to identify specific key performance indicators ("KPIs") for Management to drive sustainability performance.

We remain committed to building a sustainable business that brings long-term, shared value creation to our stakeholders. We will continue to manage the Group's businesses considering the economic, environmental, social, and governance aspects in paving the path for a more sustainable future.



## SUSTAINABLE VALUE FOR ALL

Hai-O Group’s businesses are categorised into 4 segments, namely MLM, Wholesale, Retail and Manufacturing. Almost 100% of the Group’s revenue is derived from the Group’s businesses in Malaysia while it also maintains business ventures in Brunei and Indonesia, which currently have minimal revenue contribution to the Group. The Group’s products are generally relevant to healthcare-related consumer products, such as healthcare, nutritional food and beverages, personal care, household, skincare, beauty and cosmetic, herbs and tea and traditional complementary medicines (“TCM”). Hai-O Group also operates 2 manufacturing plants with certifications from ISO, HACCP, GMP, and US FDA for TCM contract manufacturing and manufacturing of health food and food supplements.

Through its products and distribution channels, including 55 retail chain stores and 36 MLM branches, stockists, and sales points across East and West Malaysia, Hai-O Group brings convenient access and a wide range of options for consumers seeking healthcare-related consumer products. In addition, the Group is also involved in research and development activities in the study of the medicinal use of TCM and herbal products. Through employment and MLM distributorships, the Group provides direct career and economic opportunities to the community.

Listed on the then Second Board of Kuala Lumpur Stock Exchange in 1996 and subsequently transferred to the Main Board of Bursa Securities in 2007, Hai-O has demonstrated its commitment to create and deliver value to shareholders.

We acknowledged the roles of different stakeholders in our businesses, and we believe in sustainable value creation and preservation for our stakeholders. This is engraved in our Corporate Values, which not only guide the way we do business but also how we build credible relationships with our stakeholders.

### 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.

## LEADERSHIP FOR SUSTAINABILITY

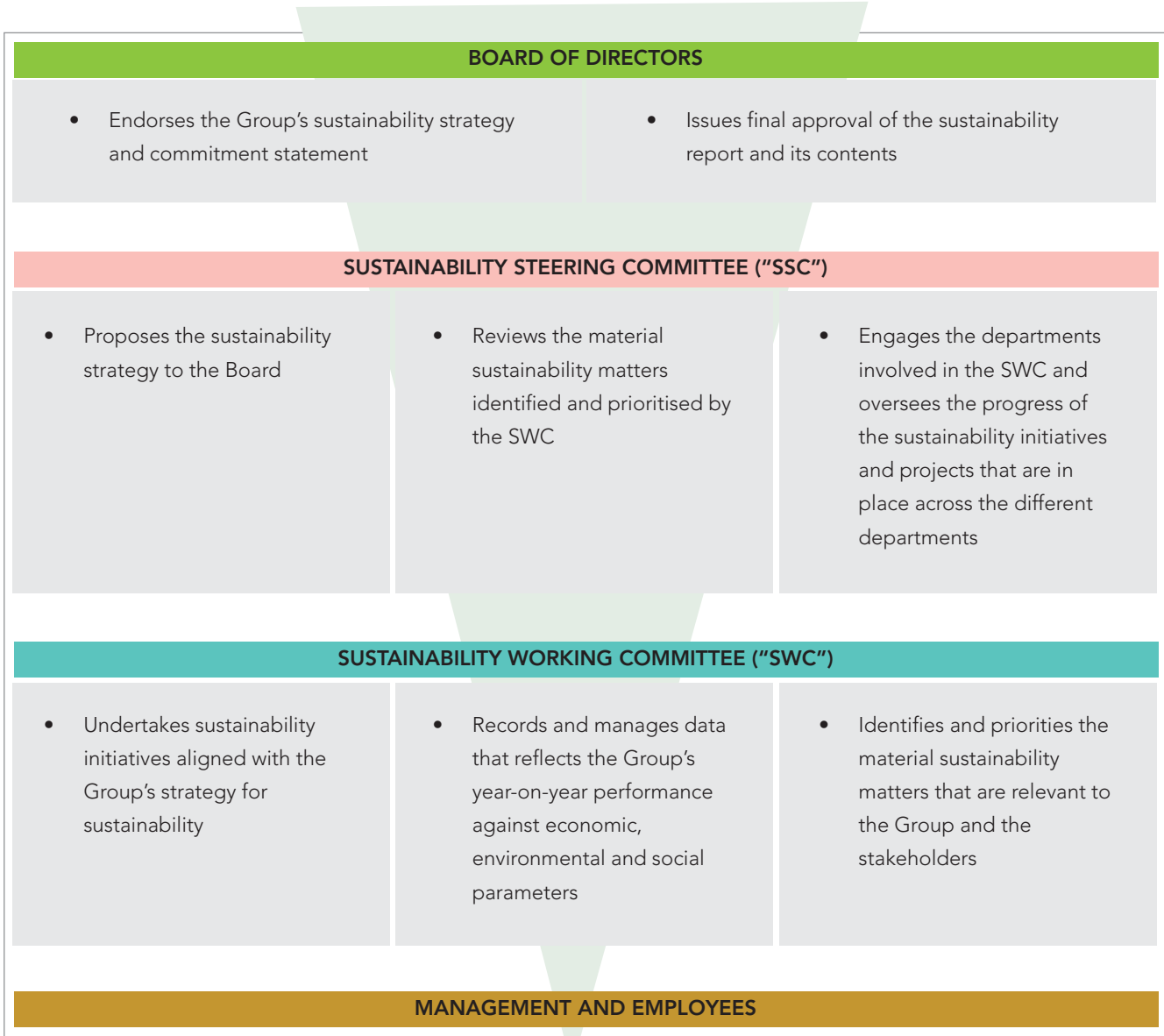
Conducting business in a sustainable and responsible manner is Hai-O's principle which is also fundamental to the Group's mission and vision. The Board of Hai-O holds ultimate responsibility to ensure that sustainability is incorporated in the strategic directions of the Group, including approving and overseeing the implementation of the Group's Sustainability Strategy and Sustainability Policy. The Board also provides oversight to the Group's overall stakeholder management and management of sustainability matters which are material to the Group, including key sustainability risks.

The Board is supported by the Sustainability Steering Committee ("SSC"), which is chaired by the Group Managing Director. Other members of the SSC include the Group Executive Director cum Group Chief Financial Officer, two Independent Directors, and senior management members. The role of the SSC includes developing sustainability strategies, sustainability goals, and performance indicators and recommending them for the Board's approval. The SSC also reviews the Group's stakeholder management process and overall management of sustainability matters carried out by the Sustainability Working Committee ("SWC").

The SWC is a management committee comprising key personnel from business operation units, business support, and general management. Through each SWC member and the respective functions they represent, the SWC is responsible for undertaking sustainability initiatives in accordance with the Group's Sustainability Strategy and Sustainability Policy, managing the Group's material sustainability matters guided by the relevant goals and key performance indicators, and highlighting any significant changes in the Group's material sustainability matters, including emerging risks. The SWC is also responsible for carrying out the Group's stakeholder management and materiality assessment processes, which are subsequently reported to the SSC for its review and recommended for the Board's endorsement. The responsibility for ensuring effective management of material sustainability matters is assigned to the respective key Management personnel, depending on the business operations and accountability structure.

The Group's governance structure for sustainability management is established to ensure the efficient management of sustainability issues, clear accountability, and to provide prompt updates to our Board of Directors. The structure is illustrated in the following overview diagram.

## Leadership For Sustainability



For FY2021, key activities undertaken by the Board in relation to the Group's management of sustainability matters included the following:

- reviewed and approved the Group's materiality assessment review performed by the SWC;
- noted matters highlighted by the SSC on the Group's stakeholder engagement activities;
- reviewed the sustainability strategy and Sustainability Policy<sup>2</sup> with reference to the Group's mission and vision and relevant business strategies; and
- reviewed the performance of the Group's material sustainability matters and their inclusion in Hai-O's Sustainability Statement 2021.

<sup>2</sup> There were no changes to the sustainability strategy and Sustainability Policy arising from the review

## STAKEHOLDER ENGAGEMENT

The Group is committed to forming a sustainable, mutually beneficial relationships with its stakeholders to achieve sustainable value creation and preservation for all.

As the interest and needs of each stakeholder varies, we adopt a process to assess and group stakeholders to facilitate effective and efficient stakeholder engagement. Amongst others, the assessment considers the nature of their relationships with our business and how these relationships impact Hai-O and our stakeholders, and vice versa. Broadly, the Group’s key stakeholder groups include customers, shareholders and investors, employees, distributors, vendors and suppliers, local communities, media and certifications, standards and regulatory bodies.



Appropriate and effective stakeholder engagement approaches are carefully devised for each stakeholder group to enable open communication, including providing information updates and understanding stakeholders’ views and concerns.

The Management personnel who are responsible for maintaining communication with their respective stakeholders also play important roles in ensuring the effectiveness of the communication channels and that stakeholders’ questions and concerns are responded to as appropriate. Members of the SWC, in their roles within their respective functions, oversees the stakeholder communication process and highlights pertinent issues to be considered in the Group’s sustainability strategies. Highlights of the stakeholder engagement outcomes, including important feedback, are also reported to the Board via the SWC and SSC.

## Stakeholder Engagement

The following table summarises the stakeholder engagement activities conducted in FY2021 and their key highlights.

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2021
<b>EMPLOYEES</b>			
The individuals that enable us to serve our customers.			
<ul style="list-style-type: none"> <li>• Career development and advancement</li> <li>• Work-life balance</li> <li>• Employee health and safety</li> <li>• Employee benefits</li> </ul>	<ul style="list-style-type: none"> <li>Performance appraisal</li> <li>Employees Handbook, Code of Ethics &amp; Business Conduct</li> <li>Internship and training and development programmes</li> <li>Team building activities</li> <li>Festive events or celebrations</li> <li>Health screening and check-up</li> <li>Hai-O Human Resource Online</li> <li>Employee Engagement survey</li> <li>Kelab Muhibbah Hai-O</li> <li>Staff purchase/ product giveaway</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Available at all times</li> <li>Regularly</li> <li>Periodically</li> <li>At least once annually</li> <li>Regularly</li> <li>Available at all times</li> <li>Once in every three years</li> <li>Regularly</li> <li>Regularly</li> </ul>	<ul style="list-style-type: none"> <li>• Performance appraisal</li> <li>• Anniversary and festival gathering events (Virtual)</li> <li>• Code of Ethics &amp; Business Conduct and Whistle-Blowing Policy updates</li> <li>• Loyalty and Outstanding Performance Awards</li> <li>• Virtual staff gathering for information sharing</li> <li>• Kelab Muhibbah Hai-O activities</li> <li>• Standard Operating Procedures and communication in relation to COVID-19 response</li> <li>• Safety awareness program, communication of new Operational Manual on Safety and Health, and safety inspections at warehouse and branches</li> </ul>
<b>CUSTOMERS</b>			
The people that use our products and services.			
<ul style="list-style-type: none"> <li>• Food safety</li> <li>• Product quality and branding</li> <li>• Customer-company relationship</li> <li>• Customer service and complaints resolution</li> <li>• Pricing and promotion</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Conventional advertising media</li> <li>Social media platforms</li> <li>Corporate website</li> <li>Customer Relations Management</li> <li>Hai-O Chain Store Friendship Member Programme</li> <li>Product labelling and information</li> <li>Product standards and certifications</li> <li>Feedback and enquiry forms – online and in-store</li> <li>Customer care hotline, toll-free line, and email</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Regularly</li> <li>Available at all times</li> <li>Available at all times</li> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> <li>Ongoing</li> <li>Available at all times</li> <li>Available at all times during business hours</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction survey</li> <li>• Hai-O Chain Store Friendship Member Programme</li> <li>• COVID-19 Awareness conducted occasionally through social media</li> <li>• Social media: Facebook, WeChat, Instagram, YouTube, Telegram</li> <li>• Website with Preferred Customer Program (PCP), E-commerce</li> <li>• Product Zoominars</li> </ul>

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2021
<b>DISTRIBUTORS</b>			
The individuals that bring our products to product users.			
<ul style="list-style-type: none"> <li>Enhancement of distribution platform</li> <li>Market demand for Hai-O products</li> <li>Product quality and pricing</li> <li>Product development and innovation</li> <li>MLM entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>Marketing strategy and plans</li> <li>E-bulletin</li> <li>E-sales kit and e-registration</li> <li>Distributor survey</li> <li>Events and conferences</li> <li>Training and workshops</li> </ul>	<ul style="list-style-type: none"> <li>At least once annually</li> <li>Quarterly</li> <li>Monthly</li> <li>Annually</li> <li>Regularly</li> <li>Regularly</li> </ul>	<ul style="list-style-type: none"> <li>Distributor survey on the effectiveness of online training</li> <li>Virtual Product Launch</li> <li>Crown Diamond Manager Virtual Conference 2021</li> <li>Hall of Fame (Facebook) – recognition of: <ul style="list-style-type: none"> <li>Sales Manager (SM)/ Senior Sales Manager (SSM)</li> <li>Diamond and Car Fund</li> </ul> </li> <li>Standard Operating Procedures and communication in relation to COVID-19 response to branches/ stockiest</li> <li>Product Zoominars</li> <li>E-SHOM Academy</li> <li>Zoom meetings</li> <li>Product e-vouchers</li> <li>Members’ portal</li> </ul>
<b>VENDORS AND SUPPLIERS</b>			
The business partners that enable us to source, make and distribute our products.			
<ul style="list-style-type: none"> <li>Food safety</li> <li>Product quality and branding</li> <li>Customer-company relationship</li> <li>Customer service and complaints resolution</li> <li>Pricing and promotion</li> </ul>	<ul style="list-style-type: none"> <li>Meetings and trade fairs</li> <li>Factory visits</li> <li>Audits</li> <li>Vendor evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> <li>Periodically</li> </ul>	<ul style="list-style-type: none"> <li>Code of Business Ethics for Suppliers and Business Associates</li> <li>Product rebranding and enhancement of Min Kaffe</li> </ul>
<b>CERTIFICATION AND REGULATORY BODIES</b>			
The regulators who monitor our business practices.			
<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Approval and permits</li> <li>Standards and certification</li> </ul>	<ul style="list-style-type: none"> <li>Meetings and consultations</li> <li>Training programmes and dialogues</li> <li>Factory visits and monitoring</li> <li>Legal and regulatory updates</li> <li>Audits</li> </ul>	<ul style="list-style-type: none"> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> <li>Regularly/ as applicable</li> <li>Regularly</li> </ul>	<ul style="list-style-type: none"> <li>ISO, HACCP, SAMM, GMP, HALAL and US FDA certifications</li> <li>BKKM, NOT, MAL</li> <li>COVID-19 SOP Compliance</li> <li>HALAL Committee Chairman factory visit</li> </ul>

## Stakeholder Engagement

Focus Areas	Key Engagement Approaches And/OR Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2021
<b>LOCAL COMMUNITIES</b>			
The individuals in the nearby community who are impacted by our operations.			
<ul style="list-style-type: none"> <li>Quality of health and education</li> <li>Indirect economic impact</li> <li>Environmental impact of operations</li> <li>Community well-being</li> </ul>	<ul style="list-style-type: none"> <li>Community engagement and outreach</li> <li>Donation and sponsorships</li> <li>Social and cultural activities</li> <li>Hai-O Foundation</li> <li>Kelab Muhibbah Hai-O</li> </ul>	<ul style="list-style-type: none"> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> </ul>	<ul style="list-style-type: none"> <li>Hai-O Higher Educational Aid</li> <li>Hai-O Excellent Academic Awards</li> <li>Health talks</li> <li>Caring for our Staff – Health Packages</li> <li>Blood donation campaign</li> <li>Jauh di Mata, Dekat di Hati (Caring for frontliners)</li> <li>#KITA BERSAMA Campaign</li> <li>Breast Cancer Awareness Campaign</li> <li>Virtual Filial Piety Dinner</li> </ul>
<b>SHAREHOLDERS AND INVESTORS</b>			
The investors and lenders who invest in our business.			
<ul style="list-style-type: none"> <li>Financial performance</li> <li>Regulatory compliance</li> <li>Corporate governance</li> <li>Ethical business conduct</li> <li>Investment and divestment</li> <li>Internal control and risk management</li> <li>Board composition</li> </ul>	<ul style="list-style-type: none"> <li>General meetings</li> <li>Analyst briefings and reports</li> <li>Annual report, which includes financial report, corporate governance report, etc.</li> <li>Financial announcements and reporting</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>At least once annually</li> <li>Regularly</li> <li>Annually</li> <li>At least once every quarter</li> <li>Available at all times</li> </ul>	<ul style="list-style-type: none"> <li>2020 Virtual AGM</li> <li>2020 Annual Report and quarterly announcement</li> <li>2020 Corporate Governance Report</li> <li>Other Bursa announcements</li> </ul>
<b>MEDIA</b>			
The media and other opinion formers.			
<ul style="list-style-type: none"> <li>Reputation and image</li> <li>Financial performance</li> <li>Business updates and corporate news</li> <li>Public relations</li> </ul>	<ul style="list-style-type: none"> <li>Press releases</li> <li>Social media platform</li> <li>Conference and interviews</li> <li>Events and functions</li> </ul>	<ul style="list-style-type: none"> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> <li>Regularly</li> </ul>	<ul style="list-style-type: none"> <li>Collaborations – CSR and cultural events</li> <li>Virtual interviews</li> </ul>

Due to the impact of the COVID-19 pandemic and various levels of Movement Control Order (MCO) imposed by the Federal and State Governments, we have expanded the use of digital platforms when engaging with stakeholders, providing greater flexibility for remote communication. The adoption of digitised platforms have also accelerated our online presence in the MLM and Retail segments, enabling us to reach a wider customer base.

## MATERIAL SUSTAINABILITY MATTERS

This year, we continued our practice to perform materiality assessment review to assess and prioritise the Group's sustainability matters and to identify any emerging risks or issues. In applying "materiality" in our assessment of the sustainability matters, we considered the following two significant dimensions:

- (i) whether the 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;
- (ii) whether the matter substantively influences the assessments and decisions of stakeholders.

The materiality assessment review was conducted by the SWC and involved the input of personnel who have close engagement and understands the Group's stakeholders, as appropriate.

### OUR APPROACH TO REVIEW THE GROUP'S MATERIAL SUSTAINABILITY MATTERS INVOLVE THREE STEPS

#### STEP 1

We review the sustainability matters which are relevant to Hai-O 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 perspectives 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 which illustrates the significance of each sustainability matter in the context of the Group and also relative to other sustainability matters. Material sustainability matters are the top 20 matters 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

Hai-O Group’s updated materiality matrix for FY2021 is presented as follows, with our 20 material sustainability matters categorised according to the 5 Key Sustainability Focus Areas.

















Compared to previous years, the materiality of **Occupational Health and Safety** and **Employee Well-being** have escalated significantly mainly due to the pandemic. **Supply Chain Management** has also gained greater importance to the Group as the global supply chain was affected by the pandemic. Generally, due to the nature of our business and products, the Group’s materiality sustainability matters are highly people-based and relevant to social responsibility while environmental issues are concentrated in the use of natural resources in our operations and products. At present, the Group’s business operations have a minimal direct impact on climate change, vice versa.

ECONOMY	GOVERNANCE	PEOPLE	PRODUCT	PLANET
1 Economic Performance	2 Brand and Reputation	3 Product Safety and Quality and Responsible Marketing	4 MLM Entrepreneurship	
5 Customer Satisfaction	6 Corporate Governance and Risk Management	7 Employee Well-being	8 Supply Chain Management	
9 Ethics and Integrity	10 Occupational Health and Safety	11 Equal Employment Opportunities and Leadership Development	12 Product Innovation	
13 Product Certification	14 Succession Planning	15 Training and Development	16 Manufacturing Certification	
17 Green Product and Packaging	18 Community Engagement	19 Energy Consumption	20 Waste and Recycling	




The next section of this Report will discuss in detail each material sustainability matter, including our management approach and strategy, initiatives undertaken, progress, and performance.

## Material Sustainability Matters

Key Sustainability Focus Areas	Material Sustainability Matters	Materiality Ranking	Description
<b>Economy</b> 	<b>Economic Performance</b>	1	Good economic growth will enable Hai-O to have adequate capital to maintain its social licence to operate, comply with new regulations and standards, as well as preparing for potential risks and changes in the future.
	<b>Brand and Reputation</b>	2	Hai-O 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.
	<b>Supply Chain Management</b>	8	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, costs optimisation, risk management and also strengthens our commercial positioning.
<b>Governance</b> 	<b>Corporate Governance and Risk Management</b>	6	Hai-O focuses on establishing a sound governance structure to maintain a fair and orderly market, a high level of investor confidence and to manage risks.
	<b>Ethics and Integrity</b>	9	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.
	<b>Succession Planning</b>	14	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 developments.
<b>People</b> 	<b>MLM Entrepreneurship</b>	4	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.
	<b>Customer Satisfaction</b>	5	This topic is material because by listening to the individuals who use our products, we can better understand how they interact with our products and identify ways to improve both the products and services that we offer.
	<b>Employee Well-being</b>	7	We nurture employees by providing fair remuneration and comprehensive benefit packages to assure job security for employees who are vital to Hai-O.
	<b>Occupational Health and Safety</b>	10	We operate in accordance with the principles of occupational health and workplace safety to ensure a suitable and sustainable workplace environment.

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

## Material Sustainability Matters

Key Sustainability Focus Areas	Material Sustainability Matters	Materiality Ranking	Description
<b>People</b>  	<b>Equal Employment Opportunities and Leadership Development</b>	11	Human capital is key to our growth. We are dedicated to maintaining a high standard of employment practices by attracting and retaining the right talents through their outstanding merits. This best practice enhances our Company's performance and the equity of the Company as a responsible employer.
	<b>Training and Development</b>	15	Hai-O has always made persistent efforts to equip employees with the right skills to keep them abreast of the latest knowledge and techniques. Our training programmes are aimed at enhancing the skills, capabilities and knowledge required for decision making and creative thinking.
	<b>Community Engagement</b>	18	Hai-O 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.
<b>Product</b>  	<b>Product Safety and Quality and Responsible Marketing</b>	3	Our commitment to "promoting healthcare culture and improving human's well-being" entails the provision of safe and quality products.
	<b>Product Innovation</b>	12	Fundamentally, we strive to contribute a healthier community by innovating safe products without exploiting people working in the supply chain or damaging the environment.
	<b>Product Certification</b>	13	Our healthcare products that improve the customers' 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.
	<b>Manufacturing Certification</b>	16	We consistently stay proactive to ensure that our manufacturing processes are undertaken in a safe and efficient manner.
<b>Planet</b>  	<b>Green Product and Packaging</b>	17	Hai-O works towards offering green products by avoiding harmful materials, sourcing raw materials with lower environmental impact and utilising sustainable packaging materials.
	<b>Energy Consumption</b>	19	Hai-O strives to use resources and energy in an efficient and environmentally friendly manner to help alleviate global climate change.
	<b>Waste and Recycling</b>	20	We aim to reduce waste across the Group while stepping up efforts to reuse and recycle.

Relevant stakeholder groups	Relevant GRI (Global Reporting Initiative) disclosures	Relevant SDG (Sustainable Development Goal)
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and Equal Opportunity</li> </ul>	
<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Training and Education</li> </ul>	 
<ul style="list-style-type: none"> <li>Local Communities</li> </ul>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Indirect Economic Impacts</li> </ul>	 
<ul style="list-style-type: none"> <li>Customers</li> <li>Certification, Standards and Regulatory Bodies</li> <li>Distributors</li> </ul>	<ul style="list-style-type: none"> <li>Marketing and Labeling</li> </ul>	
<ul style="list-style-type: none"> <li>Customers</li> <li>Distributors</li> </ul>	<ul style="list-style-type: none"> <li>Customer Health and Safety</li> </ul>	
<ul style="list-style-type: none"> <li>Certification, Standards and Regulatory Bodies</li> <li>Customers</li> </ul>	<p>Non-GRI Disclosure</p>	
<ul style="list-style-type: none"> <li>Certification, Standards and Regulatory Bodies</li> </ul>	<p>Non-GRI Disclosure</p>	
<ul style="list-style-type: none"> <li>Certification, Standards and Regulatory Bodies</li> <li>Customers</li> </ul>	<p>Non-GRI Disclosure</p>	
<ul style="list-style-type: none"> <li>Certification, Standards and Regulatory Bodies</li> </ul>	<ul style="list-style-type: none"> <li>Energy</li> </ul>	
<ul style="list-style-type: none"> <li>Certification, Standards and Regulatory Bodies</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Compliance</li> </ul>	

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

Brand and Reputation

Supply Chain Management

### KEY HIGHLIGHTS IN FY2021



PROFIT BEFORE TAX  
**RM52.3**  
MILLION



TOTAL REVENUE  
**RM271.4**  
MILLION



TOTAL ASSETS  
**RM371.5**  
MILLION



MARKET CAPITALISATION  
**RM648.6**  
MILLION



**60%**

Local trade procurement



AVERAGE ENTRY LEVEL  
NON-EXECUTIVE WAGE MINIMUM WAGE

**1.67 : 1**  
(EAST MALAYSIA)

**1.42 : 1**  
(WEST MALAYSIA)



INTERNSHIP PROGRAMME  
FOR 9 STUDENTS

### Relevant GRI Topics

#### GRI 201: Economic Performance 2016

GRI 202: Market Presence 2016

GRI 405: Diversity and Equal Opportunity 2016

GRI 203: Indirect Economic Impacts 2016

GRI 408: Child Labor 2016

GRI 204: Procurement Practices 2016

GRI 409: Forced or Compulsory Labor 2016

GRI 308: Supplier Environmental Assessment 2016

GRI 414: Supplier Social Assessment 2016

### Contributions to SDGs





## ECONOMIC PERFORMANCE

As a business and a public listed company, the Hai-O Group generates economic value through its business operations and distributes economic value through business transactions in supply chains, wages and remunerations to employees, commissions for MLM distributors, taxes paid to the Government, shareholders return, and others.

The following table summarises the Group's economic value generated and distributed for FY2021.

	<b>FY2019 (RM'000)</b>	<b>FY2020 (RM'000)</b>	<b>FY2021 (RM'000)</b>
Profit Before Tax	63,394	41,517	52,284
Total Revenue	328,407	255,174	271,390
Total Tax paid to Government	15,583	11,378	10,877
Total assets	364,235	361,720	371,500
Total shareholders return in dividends	37,745	29,013	26,584
Interest paid to banks	70	23	-
Employee wages and benefits	32,720	33,014	31,511
Market Capitalisation	771,766	516,512	648,643

Detailed information on the financial performance and position of the Group is available in the Management Discussion and Analysis by the Group Managing Director and the Group's Audited Financial Statements and their relevant notes in our Annual Report FY2021.

**483**

**EMPLOYEES**

2020: 502 employees



**89,000**

**DISTRIBUTORS**

2020: 114,000 distributors



**> 99%**

**LOCAL EMPLOYEES**



**100%**

**LOCAL SENIOR MANAGEMENT**



**9** students

**SUPPORT YOUTH EMPLOYMENT**



**60%**

**LOCAL PROCUREMENT**

2020: 71%



**Supporting the Local Economy and Creating Work Opportunities**

We are always supportive of the local economy, creating work opportunities through direct employment, MLM entrepreneurship, and business value chain. As at 30 April 2021, the Group had a direct workforce of 483 employees and MLM network of 89,000 distributors. Our MLM business, which is supported by independent distributors, also provides a platform for entrepreneurship development and business opportunities.

MLM segment aside, our employed workforce operates and manages the majority of the Group’s business activities, such as sales and marketing, manufacturing, and other business management activities. More than 99% of the Group’s employees are Malaysians while 100% of our Senior Management team<sup>3</sup> comprises of Malaysians. As a majority of our products are healthcare and household products, we greatly value the experience and local market knowledge of local talents which enabled us to cater for the need of the various market segments. On the other hand, we are also able to contribute to a broader, sustainable local economy while building ourselves a sustainable workforce, talent base, and leaders.

In addition, we are also in support of talent development and experience building in youths. Hai-O’s regular internship programmes aims to equip youths with working experience to enable them to secure a better employment opportunity. In FY2021, we have offered internships to 9 students across our various business operations including marketing, accounting, quality assurance, quality control, and laboratory, product and development, merchandising, and administration.

We are committed to adhering to the relevant minimum wage laws and regulations and provide remuneration packages to employees without gender bias, as evident in the entry-level minimum wage ratio of 1:1 by gender. The average wage ratios for entry-level non-executives against the minimum wage<sup>4</sup> for East Malaysia and West Malaysia are 1.67:1 and 1.42:1, respectively. In order to attract young talents into the Group, entry-level executives are competitively remunerated based on their qualifications.

Through our supply chain, we contribute and support the local economy and local businesses, such as manufacturers and suppliers for raw materials, finished goods, and packaging materials for our products. Due to the vast number of products and the various businesses of the Group, we have more than 200 suppliers for goods and services.

In FY2021, approximately 60% of the Group’s trade-related procurement<sup>5</sup>, which includes procurement of packaged products and raw materials, are sourced from Malaysian businesses. We also benefitted from local procurement activities as we are able to build a stronger domestic supply chain, reduce lead time, and reduce transportation-related emissions.

<sup>3</sup> Consisting of the Group Managing Director, the Group Executive Director cum Chief Financial Officer, General Managers and Heads of the respective subsidiaries.

<sup>4</sup> The minimum wage for employee whose place of employment is in Municipal Council or City Council areas, i.e. RM1,200, is used.

<sup>5</sup> Percentage in relation to total trade-related procurement cost.

## BRAND AND REPUTATION

Our people, products, and the way we do business are representatives of our brand and reputation. Most importantly, they are a reflection of our values and beliefs as a responsible corporate citizen.

Since its inception, Hai-O has established its name as a household brand across Malaysians. We take pride in our commitment to delivering the best product quality to consumers and upholding our reputation as a reliable and trustworthy business partner with integrity in the industry. We strive to establish meaningful and strong relationships with our customers, and we relentlessly explore potential products to expand our brand and product portfolio to suit the changing needs, likes, and tastes of customers and consumers.



### CORPORATE BRANDING

“Hai-O”, a well-established household name offering 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 preserve and uphold our “**SEAGULL**” Corporate Values



Our “SHOM” brand represents the Group’s MLM marketing arm which adopts a marketing and branding approach that is well-researched, planned, and executed with clear objectives. SHOM regularly launches branding events and activities to maintain market presence and visibility.

The following table highlights key events carried out by SHOM in FY2021:

<p><b>Thera Branding on a digital billboard at Location: NZ Curry House, Jalan Ampang (KLCC)</b></p> <p>We placed an advertisement of our current flagship brand – the Thera series – on the digital billboard at the busiest area of KL City Centre.</p>	<p><b>Min Kaffe x Raya Branding Campaign</b></p> <p>In conjunction with 2021 Hari Raya, we launched a series of Min Kaffe contests via Facebook to engage with our customers and to celebrate the festive event as well as Mother’s Day with Malaysians online. 5 contests were held during Ramadhan and Raya months.</p> 
<p><b>Thera for Life – Virtual Launch via Facebook Live</b></p>  <p>On 2nd January 2021, we launched our Thera for Life event via Facebook Live, allowing us to gain 24,700 likes and 13,500 shares from our loyal supporters.</p>	<p><b>Spin &amp; Drive Kereta Raya Campaign</b></p> <p>The Spin &amp; Drive Raya Campaign was launched during 2021 Hari Raya. Participants with purchases of 300PV or more will have a chance to spin the wheel and win up to RM5,000 worth of prizes. For every 2 spins, a participant will also get one entry to the Kereta Raya Grand Prize which were drawn at the end of the campaign.</p> 
<p><b>e-SHOM Privilege Customer Program (“PCP”)</b></p> <p>Our customers can directly purchase via SHOM’s website to enjoy high-quality products. Besides, distributors are also encouraged to promote products on social media to reach out to the customer’s market by sharing their own PCP link to earn extra income and at the same time, customers can enjoy discounts.</p> 	

As for Hai-O’s Retail division, our strategy is to further penetrate our market presence into the younger generation market and promotion of the “Hai-O” brand name continues to be carried out through a balanced mixture of conventional and digital marketing channels, such as social media platforms, online advertisements, as well as newspapers and radio. We aim to capture the broader market by enhancing visibility and presence, allowing consumers across different age groups and walks of life to know our products and improve their well-being.

## SUPPLY CHAIN MANAGEMENT

A robust supply chain is crucial to support the availability of diversified portfolios of products offered by Hai-O Group’s businesses. Effective and efficient supply chain management is required to ensure we have consistent and sustainable access to supplies along our value chain.

In order to ensure the integrity of our supply chain, the Group has in place purchasing controls and procedures to safeguard the quality, competitiveness, timeliness and reliability of our suppliers and business associates, including subcontractors. During the financial year under review, as the pandemic affected almost all countries in the world, the global supply chain was not spared. However, due to the broad diversity of our products, supply chain impacts to our business operations were manageable and

momentary. Nonetheless, we have placed emphasis to closely monitor the country conditions of our suppliers’ home country as well as to place additional orders for products or materials as buffer.

We also aim to have a good understanding of our business partners in the supply chain, including any significant social or environmental impact of their operations, such as in raw material input, manufacturing process, and management of significant waste or by-products.

Amongst others, we have internal controls to perform due diligence checks to assess new suppliers and business associates prior to their engagement, to govern the delivery and acceptance of goods and services, and to evaluate their performance on a

regular basis. The performances of approved suppliers are evaluated periodically and any non-conformity or unmet expectations will need to be remedied. Further physical inspections, site visits, or sighting of certification documents such as GMP, HACCP, or ISO, may also be required for assurance.

In FY2021, Hai-O Group has also developed a Code of Business Ethics for Suppliers and Business Associates (“COBE”) which communicates the Group’s expectation in various areas, including compliance, business ethics, and environmental and social responsibilities, with an aim to build a sustainable and responsible supply chain as well as mitigating sustainability-related risks. Through the COBE, suppliers and business associates are required to uphold standards including, but not limited to the following:

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

The COBE was rolled out and communicated to business partners along our supply chain. Furthermore, the COBE is also included as part of our business contracts with key suppliers.

Following the roll-out of the COBE, we also plan to review our due diligence and evaluation processes for new and existing suppliers and business associates to emphasise risk assessment pertaining to environmental and social issues, including those specified in our COBE. The review is scheduled to be rolled out by stages in the coming years. As a responsible company, we also expect that our suppliers and other business parties involved in the business value chain comply with the applicable minimum wage requirements. In this respect, our due diligence and evaluation processes will specifically require our suppliers and business associates to comply with the applicable minimum wage requirements, amongst other basic labour and ethical standards. Furthermore, key personnel in the Group are also being trained on topics pertaining to assessing human rights-related risks in our supply chain as well as in our operations.

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

Succession Planning

### KEY HIGHLIGHTS IN FY2021



**ANTI-BRIBERY  
POLICY**



**CODE OF BUSINESS  
ETHICS**



**CODE OF ETHICS AND  
BUSINESS CONDUCT**



**2 TCM  
MANUFACTURING PLANTS**  
Certification: GMP



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

### Relevant **GRI Topics**

GRI 205: Anti-Corruption 2016

GRI 408: Child Labor 2016

GRI 404: Training and Education 2016

GRI 409: Forced or Compulsory Labor 2016

GRI 406: Non-Discrimination 2016

GRI 415: Public Policy 2016

GRI 407: Freedom of Association and  
Collective Bargaining 2016

GRI 419: Socioeconomic Compliance 2016

### Contributions to **SDGs**



## CORPORATE GOVERNANCE AND RISK MANAGEMENT

As a public listed company listed on Bursa's Main Market, Hai-O complies with the MMLR and adopts good corporate governance practices as promulgated by the Malaysian Code on Corporate Governance and other international better practices, as applicable. The Group's corporate governance structure and practices are reported in the Corporate Governance Overview Statement on pages 46 to 63 of Hai-O's Annual Report and Hai-O's Corporate Governance Report FY2021 which is published together with its Annual Report.

The Board has been briefed on the Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries and the revised Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia published in 2020 and 2021, respectively. Efforts were taken to enhance the Group's corporate governance practices in line with these publications.

In line with good corporate governance practices, the Board ensures a risk management framework is in place to support the establishment of a system of internal control to safeguard the assets of the Group. In addition, the risk management framework also serves as a framework to guide the Group's identification, evaluation, and management of strategic, operational, and sustainability risks which affects the Group's ability to create value in the short, medium, and long term. A system of internal control is also in place to manage and mitigate the relevant risks identified via the risk management framework. Amongst others, includes Group practices for maintaining relevant certifications over the Group's manufacturing processes and products. Our TCM manufacturing plants are certified with Good Manufacturing Practice ("GMP") while both our MLM and Manufacturing segments are certified with ISO 9001:2015.

The Group's risks management framework and relevant features are reported in the Statement on Risk Management and Internal Control on pages 64 to 70 of Hai-O's Annual Report.

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

In order to sustain an ethical and lawful business operations, Hai-O Group ensures that all of its operations are fully compliant with the relevant laws and regulations and are guided by good corporate governance practices. We uphold strong corporate governance culture at the leadership level to set high ethical standards and expectations.

### Employees

At Hai-O, the way we do business is governed by our **Code of Ethics and Business Conduct ("COE")** which 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 COE is included as a dedicated section of the Group's Employee Handbook which is provided to all new employees upon their commencement of employment. Furthermore, all new employees are required to provide written acknowledgement to confirm that they understand and will abide by the policies and COE stated in the Employee Handbook. The Employee Handbook is periodically reviewed and updated and is accessible via our internal Human Resources Online portal. From time to time, when there are significant updates or changes to the Employee Handbook, employees are required to provide a written commitment to uphold the standards and policies stated in the Employee Handbook and is required to declare any arising conflict of interest situations.

An ethical business is one that respects basic human rights and adherence to labour standards. We strive to uphold ethical labour standards including avoiding and preventing all forms of child labour, forced labour, and trafficked labour, as well as excessive working hours. From time to time, Directors, Management, and relevant employees also attend training or briefings on human rights, labour standards, and any relevant development and updates. We strictly comply with all applicable labour laws and regulations in our operations and the Management team regularly monitors such practices in our key operating sites and branches.

Furthermore, the Hai-O Group has established an inclusive culture that welcomes diversity in its workforce. We do not discriminate against anyone based on race, religion, gender, age, disabilities, and nationality. Employees are not governed by any restrictions to freedom of association and the right to collective bargaining without being discriminated against or treated unfairly.

### MLM Distributors

For our MLM segment, all distributors are representatives of SHOM and the products it carries. Hence, it is also important to ensure ethical business is consistently practiced when our MLM distributors carry out their business activities in relation to our brands and products. All distributors are governed by the business ethics and standards stipulated in our Business Handbook, which is available in three languages, i.e. English, Bahasa Malaysia, and Chinese, to cater for the diverse cultures and backgrounds of our distributors. The Business Handbook

stipulates SHOM's business ethics and standards including compliance with the laws and regulations, anti-bribery and anti-corruption, anti-money laundering, responsible marketing and advertising, and others.

Our Business Handbook is available on the Member Portal and is provided to all MLM distributors especially new distributors. When communicating our marketing plan and strategies to MLM distributors, we also incorporate elements of ethical business practices, including our Anti-Bribery Policy, in our materials such as bulletins, marketing and tutorial videos as well as online meeting slides.

In addition, the MLM Business, including distributors, has committed to fully adhere to the Code of Conduct of the Direct Selling Association of Malaysia ("DSAM") which stipulates the standards and conduct for direct selling activities in Malaysia. We communicate with our stakeholders honestly and transparently and we avoid claims which could misrepresent the information of the quality, origin, or performance of our products. Likewise, we ensure that we communicate clear and transparent criteria and terms and conditions in our marketing and incentive programmes, such as rewards programs and member awards.



### Hai-O's Business Handbook

is made available in:

- **English**
- **Bahasa Malaysia**
- **Chinese**

## Business Partners

As for our business associates and suppliers, the **Code of Business Ethics for Suppliers and Business Associates (“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.

## Anti-Bribery

During the beginning of FY2021, we have formalised an **Anti-Bribery Policy (“ABP”)** which is applicable to all of the Group’s business operations, including the employees, distributors, suppliers, and business associates. We adopt a zero-tolerance approach towards bribery, and we expect the same from our internal and external stakeholders. The ABP is available on our corporate website at [www.hai-o.com.my](http://www.hai-o.com.my).

The ABP has been approved by the Board and serves as a guide for the development of the Group’s comprehensive **Anti-Bribery Framework**. Hai-O Group’s Anti-Bribery Framework was developed in line with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (“MACC Act 2009”) and guided by the Guidelines on Adequate Procedures Pursuant to Subsection (5) of Section 17A under the MACC Act 2009. Our Anti-Bribery Framework covers processes from bribery risk assessment, implementing controls to manage bribery risks, communications and training, monitoring and review, ongoing process improvement, to reporting.

The Anti-Bribery Framework further provides guidance on higher-risk transactions such as gifts, entertainment, hospitality, donations and sponsorships and others. 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.

Policies, procedures, and controls related to anti-bribery, as well as other anti-corruption matters such as insider trading, abuse of power, and money laundering, are also incorporated in our COE, COBE and Business Handbook, as applicable. The Group has also established a process to perform due diligence, focusing on assessing and managing corruption risks, amongst others, on new and existing key business partners to ensure the integrity of our supply chain.

These codes and handbook are communicated to the relevant stakeholders from time to time, and briefings and training were also provided to selected stakeholders, e.g. stakeholders who have the authority to enter into high-value transactions. These steps are taken to ensure business ethics and integrity is applied consistently across our businesses. Furthermore, training or briefing are provided to employees and distributors who are involved in higher-risk business processes in terms of corruption.

We undertake efforts to communicate our ethical business standards, especially on anti-bribery, to our stakeholders. The following table summarises our communication efforts to directors, employees, distributors, key suppliers, and relevant business associates.

	Communicated on Anti-Bribery Policy	Received training/ briefing on anti-bribery
Board of Directors	100%	100%
Management	100%	65%
Executives	100%	59%
Non-Executives	100%	12%
Distributors	All active distributors	Active Crown Diamond Managers (“CDMs”)
Suppliers	All active suppliers	–
Relevant business associates	All active business associates	–

## Ethics And Integrity

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### NO

finest/ penalties  
reported in relation to  
corruption

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The Internal Audit Department has also scheduled to review the adequacy and operating effectiveness of internal controls in respect of the Group's Anti-Bribery Policy during the financial year under review. The Group conducted a risk-based internal audit on the roll-out of the Group's Anti-Bribery Policy and relevant code of ethics.

During FY2021, there were no cases reported on personnel being disciplined or dismissed due to non-compliance with ABP. There were also no fines or penalties reported in relation to corruption.

### 0

whistle-blowing cases  
reported

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#### Whistle-Blowing Mechanism

In order to enable genuine concerns to be raised and to ensure effective implementation of the Group's policies and codes, including the COE, COBE and Business Handbook, we have established a whistle-blowing mechanism, via our Whistle-Blowing Policy ("WB Policy"), which can be accessible by anyone, including the public. The WB Policy and the relevant contacts are available on our corporate website.

### NO

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

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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, may be reported via our whistle-blowing mechanism. The WB Policy provides a secure and confidential channel to make a report and it also provides protection to the whistle-blower 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 issues noted pertaining to bribery and corruption, unethical business practices, or human rights or labour standards violation.

## SUCCESSION PLANNING

One of the key elements of a sustainable business is the presence of leadership continuity. Continuous talent and leadership development in the Group is one of the ongoing key focuses of the Group's human resource management and is also a key topic in business strategy and sustainability.

In Hai-O, we have a succession plan which analyses key leadership roles across the Group's businesses to identify the Group's possible future needs in various areas including leadership, experience, and talents and skills. This includes succession needs which may arise due to various reasons such as retirement, resignation, death, disability of incumbent personnel, or due to new business opportunities. Our succession planning is further supported by the annual performance and career development reviews which are conducted for all employees annually. The Group identifies potential personnel to be included in the Group's development programmes, including training, mentoring, job rotations, and others. The performance and progress of personnel identified are further evaluated via the employee performance appraisal process.

Furthermore, the Group carries out a succession planning programme which includes annual review and assessment for its Retail segment to ensure continuous management qualities as well as capabilities are in place to oversee the Retail business and its branches across Malaysia.

The Group plans to conduct a review and enhancement to its group-wide succession planning process in FY2022 in ensuring an updated and structured approach towards sustained leadership of the Group's businesses.

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

Customer Satisfaction

Training and Development

Equal Employment Opportunities and Leadership Development

Occupational Health and Safety

Employee Well-being

Community Engagement

### KEY HIGHLIGHTS IN FY2021



**483**

EMPLOYEES



**89,000**

MLM DISTRIBUTORS



**100%**

COMPLAINTS RESOLVED



**0** CASE

WORK-RELATED INJURIES



MANAGEMENT DIVERSITY

**36%**

MALE

**64%**

FEMALE



**11**

TRAINING HOURS  
Per employee



**COMMUNITY  
ENGAGEMENT  
ACTIVITIES**

### Relevant GRI Topics

GRI 201: Economic Performance 2016

GRI 403: Occupational Health and Safety 2018

GRI 203: Indirect Economic Impacts 2016

GRI 404: Training and Education 2016

GRI 401: Employment 2016

GRI 405: Diversity and Equal Opportunity 2016

### Contributions to SDGs



People is one of the Group's most crucial Key Sustainability Focus Areas. Our businesses are operated through our 483 employees and 89,000 MLM distributors while our products are used in the lives of many Malaysian households.

## MLM ENTREPRENEURSHIP

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# 76%

**MLM DISTRIBUTORS  
ARE WOMEN MEMBERS**

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Our flagship company for the MLM business, SHOM, develops and maintains a strong, mutual relationship with our network of MLM distributors. MLM entrepreneurs from diverse cultures and backgrounds are empowered to build, develop, and manage their own businesses. Through our platforms, individuals with different goals are given the opportunity and flexibility to work towards their dreams. This is why 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 business persons.

While Malaysia continues to take steps to reduce the gender gap, including in the area of economic participation and opportunity, we continue to play our part in women empowerment through our business model. As at 30 April 2021, approximately 76% of our 89,000 MLM distributors are women members who run their own businesses in our network. Many of them are leaders, providing stewardship to their own business teams and members.

On top of providing a platform for entrepreneurship and empowerment, it is also important to invest in enhancing our human and intellectual capitals, developing business leaderships, marketing skills, management skills, and others, amongst our MLM distributors. It does not only support our business growth and performance but also contributes to elevating the personal capabilities and professionalism of individual distributors. In FY2021, we have conducted various training and briefing sessions for our MLM members, including product talks, digital marketing and motivation talks. Digitisation of business activities was one of the key topics emphasised during our online training programmes carried out in FY2021 as Malaysia went through a couple of MCOs

aimed to curb the spread of the pandemic. We have also intensified our technical support for distributors as consumers demand shifted to online shopping during the pandemic.

In order to incentivise our distributors to work towards our goals together, we established structured marketing and promotion campaigns and incentive programmes, rewarding high-performing distributors via monthly sales bonus, trips, premium invitation as guest speaker, rank progression, and other member privileges. We recognised our performing distributors through awards such as the Million Dollar Achiever Board Award, CDM Excellence Award, CDM Master Excellence Award, Top 3 CDM Excellence Award, and Top 3 New CDM Award, which are commonly presented during MLM conferences or events. In FY2021, we held our "CDM Virtual Conference 2021" online.

While physical conferences and meetings posed a significant challenge in the midst of a pandemic outbreak in FY2021, we remained committed to maintaining close engagements with our MLM entrepreneurs to keep them updated with the latest news and provide support using social media platforms. We have also launched a series of videos introducing SHOM's business and live streaming of product introductions via platforms like YouTube and Facebook.

## CUSTOMER SATISFACTION

### We want customers to have confidence and trust in our products and our people.

Satisfied customers are a key element for a sustainable business. The Group puts in effort to ensure all business segments have effective engagement channels with customers, to understand customers' needs and wants as well as to serve them better. Enquiries about our products can be made through these channels.

#### MLM Segment

In the MLM segment, our customers are the product consumers, and our distributors are the main contact point as they are best positioned to understand the consumers. Our continuous close engagement with distributors enables us to understand if our customers are satisfied with our product as well as areas for enhancement.

In addition, we also have the following customer engagement channels:

Corporate email at info@shom.com.my and coe@hai-o.com.my	Customer Service WhatsApp line: 017-302 8588
Toll-free contact number: 1-800-88-2700	E-commerce WhatsApp line for HQ
Corporate website at www.shom.com.my	WhatsApp service lines for branches
Bulletin	Text via SMS and Telegram (one-way communication)
Social media including WhatsApp, Facebook and Instagram	Others including surveys, trainings, meetings, conferences and events

During the year, we have further expanded our E-commerce platform for 9 branches across East and West Malaysia, enabling us to serve our distributors and customers better and more efficiently. In order to ensure we remain relevant and competitive, we will continue to expand our E-commerce platform and enhance its features in the coming years.

Through these channels, customers can make enquiries and provide feedback, as well as submit any complaints regarding our products and services with ease. In FY2021, we received 54 cases of minor product complaints and all of them have been addressed and resolved as of the date of this Report.

As we take the opportunity to intensify our online presence, social media platforms have become a useful tool for us to reach out to more customers. In FY2021, we conducted a variety of online events and created product videos to introduce our products to the public, such as via live streaming and online seminar on product knowledge and use.

In FY2021, we initiated the TheraWonder campaign to engage with our customers – the users – as a product survey session to obtain their views on our Thera series. The feedback received was encouraging and the campaign also gave us the opportunity to select 20 ambassadors for our Thera products.

## Retail Segment

In the Retail segment, our customers consist of walk-in customers and customers who purchased at our online store at <https://mall.hai-o.com.my>. Our stores and online presence allows us to tap a broader base of consumer segments.

Our retail stores are aimed at providing a safe and comfortable shopping environment, and store personnel are trained to provide quality service to customers professionally. We also have a Hai-O Member Programme which offers birthday rewards, member discounts, early and exclusive promotions, access to special seminars, and other benefits. During the MCOs, all our retail stores adopted the relevant standard operating procedures (“SOPs”) specified by the Government to protect the well-being of our customers as well as our employees. Regular briefings were also provided to store personnel, to enable them to carry out the SOPs effectively to prevent the spread of virus in our retail stores. We have also established a new Customer Service WhatsApp Line during FY2021 to expand our engagement channels with customers.

We also engage our Retail customers via the following channels:

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

During the financial year under review, we received 20 product complaints and 6 customer service complaints. Internally, we have established processes to address customers’ complaints and ensure that they are considered for ongoing business improvement. All of the aforementioned complaints have been addressed and resolved as of the date of this Report.

## Wholesale Segment

Many of our customers of Hai-O’s Wholesale segment are business entities and some of which 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 customers are served by our in-house representatives who undergo regular training to ensure customers’ requirements are met and concerns addressed. Customers can also e-mail us at [info@hai-o.com.my](mailto:info@hai-o.com.my) for business enquiries.

We engage our customers regularly to ensure our customers are satisfied with our products and services. In addition, we are constantly on the lookout for collaboration opportunities which may help to achieve mutual growth in our business, as partnerships and collaborations are increasingly important in this competitive business environment. We also carry out regular internal discussions with our representatives to improve our business to enable us to serve our customers better.

During the financial year under review, the Wholesale segment received 3 customer service complaints, all of which have been addressed and resolved as of the date of this Report.



## EQUAL EMPLOYMENT OPPORTUNITIES AND LEADERSHIP DEVELOPMENT

“Employees” is another key stakeholder group of Hai-O Group. Management personnel with leadership talent, skills and experience across various fields spearheads the implementation of the Group’s business strategies. Other employees provide their support to execute and drive sustainable business operations. The Group is committed to providing a safe and conducive working environment which enables personal and professional development among employees. We also believe that a sustainable workforce is paramount to long-term business sustainability.

During the financial year under review, our average monthly turnover rate was 1.5%, which is lower than the nation’s average of 1.67%<sup>6</sup>. It is also worth noting that a majority of our workforce is involved in the retail and manufacturing segments, which generally have higher turnover rates compared to other sectors.

	By Age			By Gender		Group-wide overall
	< 30 years	30 – 50 years	> 50 years	Male	Female	
<b>New Hires</b>						
Number	34	35	2	24	47	71
Rate (%) <sup>*</sup>	7.0	7.2	0.4	5.0	9.7	14.7
<b>Average Monthly New Hire Rate<sup>****</sup>: 1.2%</b>						
<b>Employee Turnover</b>						
Number	32	36	20	32	56	88
Rate (%) <sup>**</sup>	6.5	7.3	4.1	6.5	11.4	17.8
<b>Average Monthly Turnover Rate<sup>*****</sup>: 1.5%</b>						

Note:

\* new hires rate formula = (new hires/ total employees) x 100%

\*\* employee turnover rate = (total resigned staff / average total staff<sup>\*\*\*</sup>) 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<sup>\*\*\*</sup>) x 100%] / 12 months

Exit interviews and/or surveys are also conducted with departing personnel to understand their reasons for departure and potential areas for improvement for the Group, where applicable. A structured process is 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.

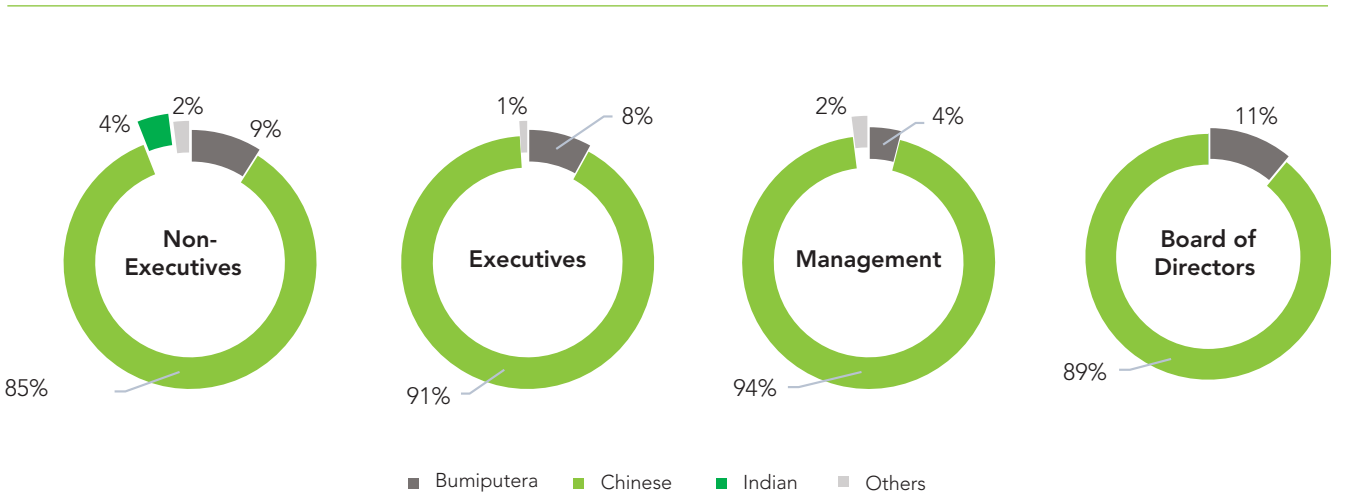
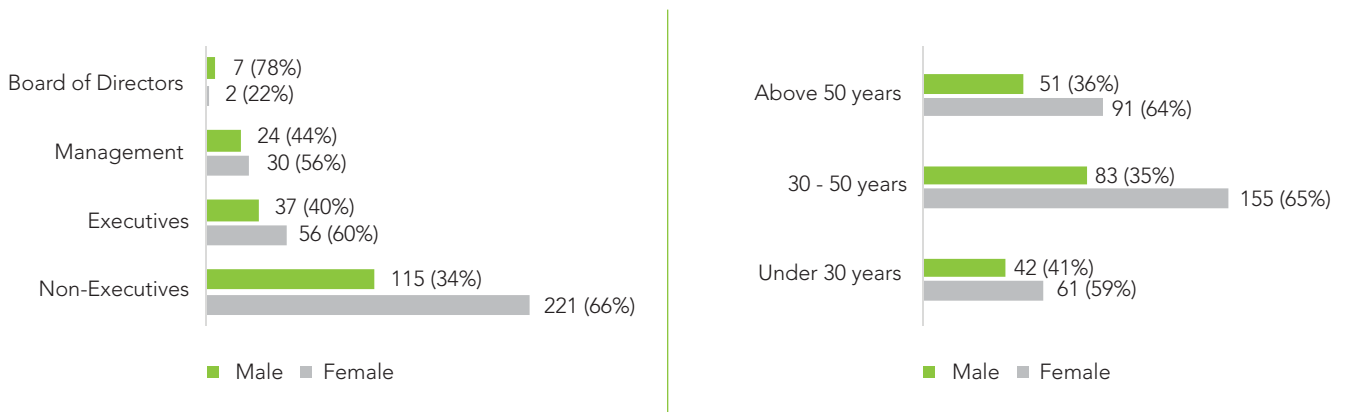
<sup>6</sup> As per the National Employment Returns (NER) 2019, Institute of Labour Market Information and Analysis (ILMIA), Ministry of Human Resources, the average annual turnover rate is 20%, translating to an average monthly turnover rate of 1.67%.

Hai-O’s Human Resource culture centres on three core values: Sense of Belonging, Teamwork, and Equal Opportunity. We embrace diversity and provide 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. This has also been formalised as a written policy in our HR philosophy. Equal employment is demonstrated across our HR practices, from recruitment, training and development, performance appraisals, to promotions.

As at 30 April 2021, Hai-O Group’s workforce composed of 483 employees, of which 6.0% are contract staff or temporary staff and 1.2% are individuals with disabilities. All our employees are governed and protected by the Group’s HR culture and ethical standards, which are applied equally across all employees.

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

Apart from ensuring employees safety and health at work, we also strive to take care of our employees, helping them to achieve work-life balance and living quality. In addition to compliance 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), our employment package also offers other entitlements and benefits. We have an Employee Share Option Scheme ("ESOS") to reward and recognise employees' contribution towards the Group's growth, as well as to motivate employees and attract and retain high calibre individuals.

As part of our employee well-being programme, we provide health care insurance, medical card, and insurance coverage for accident and hospitalisation to employees to enable them to have access to medical and healthcare services which also covers non-occupational related health matters as well. During the financial year under review, due to the pandemic, we have further expanded our medical benefits coverage to include subsidised testing for COVID-19 if the employee is a close contact with a patient who has been tested positive for the virus.

As a healthcare company promoting human well-being, we support working parents in achieving a balance between earning a living and forming a family. At our headquarters in Wisma Hai-O, Klang, we have a dedicated room, private and equipped with necessary amenities, for nursing mothers and other medical needs.

Number of employees	FY2020		FY2021	
	Male	Female	Male	Female
Entitled to parental leave	187	315	176	307
Took parental leave	2	3	3	10
Returned to work in the reporting period after parental leave ended	2	3	3	10
Total number of employees due to return to work after taking parental leave	2	3	3	10
Returned to work after parental leave ended that were still employed 12 months after their return to work	2	7	1	3
Return to work rate	100	100	100	100
Retention rate	-*	-*	50	100

Note:

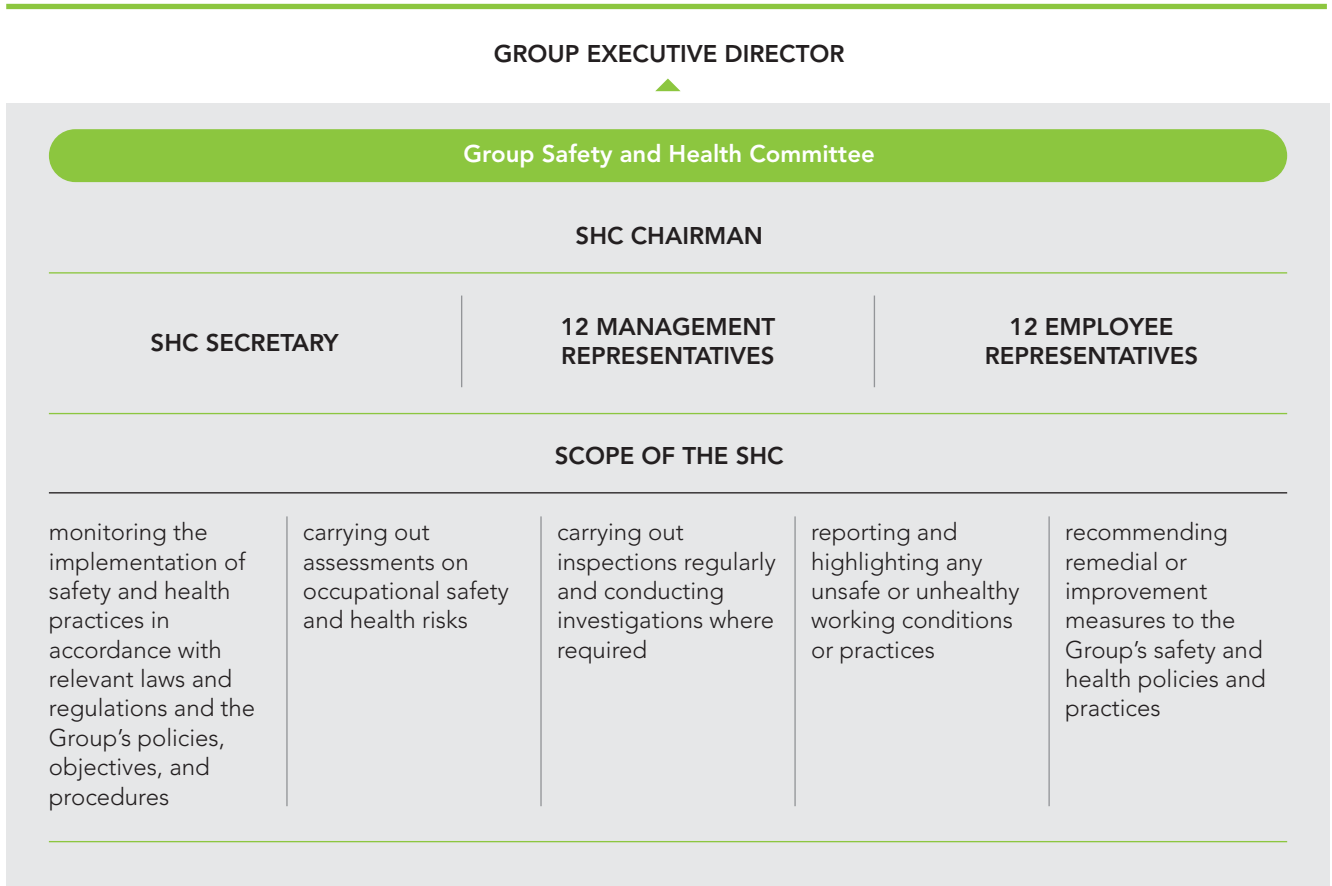
\* Data collection started in FY2020. FY2019 data was not available for the calculation of retention rate for FY2020.

# OCCUPATIONAL HEALTH AND SAFETY

Due to the various business segments of the Group, the key business activities performed by employees range from working with automated machines, moving goods, to conducting meetings with business partners and customers. We ensure a systematic approach is in place to provide a safe working environment for all employees, and that our SOPs have incorporated the necessary safety and health control to protect our employees. In its commitment to protect employees, the public, and the Group’s property, we have a group-wide Safety Policy to guide the safety and health practices in our operations.

In FY2021, we have also formalised our Operational Manual on Safety and Health (“OMSH”), which stipulates the governance structure, roles and responsibilities, monitoring and reporting, and continuous improvement of the Group’s safety and health programmes. While the Board of Hai-O is overall responsible for the strategic risk management over the Group’s Safety and Health Management System (“SHMS”), the Safety and Health Committee (“SHC”) is responsible for the implementation and performance of SHMS in their respective operations. 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 presence of both Management and employee representatives ensures practical, operational-level considerations and concerns are taken into account in the SHC’s deliberations.

In order to ensure that the Board has an oversight of the Group’s overall health and safety performances and issues, the SHC Chairman reports to the Group Executive Director cum Group Chief Financial Officer who represents the Board. The SHC meets every quarter and escalates any significant health and safety issues to the Board, where necessary.



## Occupational Health and Safety

We adopt a risk-based approach towards managing safety and health risk. A Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) process is in place to identify and evaluate areas of high-risk activities within our existing and new operations, where applicable. These areas are subject to more intensive safety and health controls and monitoring, including audits, from time to time. Policies and procedures are also established to guide employees in preventing accidents, using the right personal protective equipment (“PPE”), protecting themselves from situations that may cause injury or ill health, as well as reporting incidents and accidents.

When encountering situations that may cause injury or ill health, employees are required to stop performing the said activity and escalate the situation to Management immediately. The Group also encourages employees to come forward with any unsafe work practices or concerns regarding safety and health matters encountered. In addition, all accidents and incidents, no matter how minor, shall also be immediately reported to the SHC. All employees raising concerns on safety and health are protected against dismissal and discrimination, and such protection is formalised as a Group policy. Apart from addressing safety and health concerns as well as issues faced by employees in their work, the SHC also provides guidance and advice on related matters. Employees may also submit requests for safety and health training to the SHC for its consideration.

HIRARC evaluations, safety and health issues and concerns, including accidents and incident records, are reported at the SHC for deliberation. Through these reports, the SHC continuously incorporate enhancements to the Group’s SHMS.

On top of implementing controls and monitoring activities, it is also important to ensure the relevant personnel have an adequate understanding of the risks they face and are competent in carrying out their respective operational activities, especially high-risk activities. Training programmes customised according to the relevant operational activities, considering the related safety risks exposures, are regularly provided to employees. Furthermore, SHC members and representatives from the relevant operations are also subject to safety and health training to ensure continuous quality management and leadership in managing occupational safety and health.

The safety and health training and briefing topics provided to employees in FY2021 is summarised as follows:

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

## 0

FATALITIES AS A RESULT OF  
WORK-RELATED INJURY\*

In FY2021, the SHC met four times to review the formalisation of the SHMS and its implementation across the Group's businesses. Training and briefings were provided to SHC members on the workings of an effective SHMS as well as on the SHC members' respective responsibilities. During the year, the SHC also reviewed the safety records of the Group, deliberated action plans to improve workplace safety and health, and monitored their implementations.

		FY2020	FY2021
Total number of hours worked		1,056,736	1,026,900
No. of accidents with lost time		0	0
Lost-time Incident Rate*		0.0	0.0
Fatality as a result of work-related injury	No.	0	0
	Rate**	0.0	0.0

Note:

(i) Comparable data for FY2019 was not available as the OMSH and the relevant data reporting scope were recently developed/ revised in FY2020 and FY2021.

\* 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

We aim to create a healthy and accident-free workplace. During FY2021, there is no work-related injury or any fatality recorded.

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

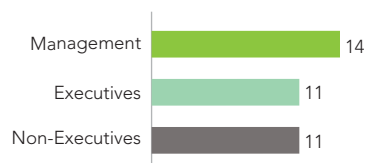
We have set up our CV19-ERT in early 2020, which is led by the Group Managing Director and the Group Executive Director cum Group Chief Financial Officer and includes the SHC Chairman, to assess, manage, and monitor the business and operational risks arising from the pandemic. The CV19-ERT continues to be in place and operational during FY2021, assessing the various safety and health risks in our operations considering the trend and spread of the pandemic in our operating locations.

SOPs and preventive measures such as limiting the number of visitors and their access to our sites, regularly disinfecting floors and common contact zones (e.g. door handles, photocopier buttons, and lift buttons), investing in a fogging machine to disinfect all our warehouses and delivery vehicles, and work-from-home arrangements continued to be carried out as we are going through the pandemic. We have also made arrangements to ensure physical distancing is practiced at all times. Where possible, we also leverage IT to adapt to work-from-home arrangements and reduce unnecessary face-to-face contacts.

In addition, the CV19-ERT also ensures compliance with permit applications, SOPs, and regulations stipulated by the Government through monitoring activities, including scheduled inspection of premises for compliance with SOPs.

## TRAINING AND DEVELOPMENT

### Average Training Hours – by employee category



# 5,705

### TOTAL TRAINING HOURS

2020: 10,550 training hours

### Average Training Hours – by gender



# 11

 per employee

### AVERAGE TRAINING HOURS

2020: 21 training hours per employee

Training and development are important for enhancing the intellectual capital of the Group and ensuring a succession of leadership with experience. Hai-O Group is committed to providing ongoing learning and growth opportunities to its employees in an equal and fair manner.

Performance and career development reviews are performed for all Hai-O employees at least once a year to evaluate and reward performance, identify training needs, encourage career development, and to identify talents as part of succession planning. The performance and career reviews also serve as an important platform for dialogue between the Group and employees to understand employees' needs and wants, and areas of enhancement opportunities of the Group.

We acknowledge and greatly appreciate the efforts and performance of our employees through formal recognitions including the Best Employee Award (biennial award), Best Company Award, Best Sales Personnel/ Team Award, Best Performance Award – Retail Outlet, Best Franchisee Award (biennial award), and Franchisee Loyal Award. We also conferred 45 Long Service Awards during FY2021 as our appreciation to our long-serving employees for their continuous support and contribution.

### EMPLOYEES TRAINING

In FY2021, due to the pandemic and MCOs, significant efforts and resources have been put in to closely monitor the market environment amidst uncertainties and various stages of MCOs, as well as in the implementation of SOPs for COVID-19 prevention. As a result, physical training sessions were not possible and hence lower employee training hours were recorded at 5,705 hours (FY2020: 10,550 hours), marking a 46% decrease from FY2020. That translates to 11 training hours per person (FY2020: 21 hours per person). We aim to have 16 training hours annually per person for managers and above and 8 training hours annually per person for executive-level employees. Due to the aforementioned limitations, approximately 57% of employees achieved these targets. More critical training topics relating to compliance and those which enable business continuity during the pandemic were given priority. We expect to see improvement in training attendance once the COVID-19 situation in Malaysia gradually improves and is under control.

A breakdown of training hours by employment category, gender, and summary of training topics for FY2021 is presented as follows.

	FY2019	FY2020	FY2021
Total training hours	12,281	10,550	5,705

#### Average training hours – by gender

Male	20	19	9
Female	25	22	13

#### Average training hours – by employee category

Management	33	38	14
Executive	30	21	11
Non-Executive	20	17	11

#### Average training hours

Per employees	23	21	11
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Target Skills	Related topics, lessons, and training (non-exhaustive)	Target Skills	Related topics, lessons, and training (non-exhaustive)
<b>Business and Strategic Management</b>	<ul style="list-style-type: none"> <li>Decision making skills</li> <li>Crisis management</li> <li>Behavioural management</li> <li>Business digitation</li> </ul>	<b>Compliance and regulatory, Legal and Law</b>	<ul style="list-style-type: none"> <li>Anti-bribery</li> <li>Hazard Analysis and Critical Control Point ("HACCP")</li> <li>COVID-19 related legal matters</li> <li>Data and compliance</li> <li>ESG and Shariah-compliance for securities</li> </ul>
<b>Product knowledge</b>	<ul style="list-style-type: none"> <li>Insurance and claims</li> <li>Halal management systems</li> <li>New and existing product briefings</li> <li>Store management and service</li> </ul>	<b>Human Resource management</b>	<ul style="list-style-type: none"> <li>Human Resource Development Fund processes</li> <li>Payroll system</li> <li>Insurance and employer's liability</li> <li>Employment and labour law updates/ briefings</li> </ul>
<b>Accounting, Finance, Data Analysis, Marketing and Sales</b>	<ul style="list-style-type: none"> <li>Customer due diligence</li> <li>Trade financing</li> <li>Big data analysis and reporting</li> <li>Entrepreneurship skills</li> <li>Briefing on marketing plan</li> <li>Strategy development</li> <li>Outlet sales performance management</li> </ul>	<b>Safety, Health and Wellness</b>	<ul style="list-style-type: none"> <li>Training for safety and health officer</li> <li>Fire prevention</li> <li>Safety awareness</li> <li>Orientation on safety policy and practices for new staff</li> <li>COVID-19 awareness and prevention</li> </ul>
<b>Audit, tax and Risk Management</b>	<ul style="list-style-type: none"> <li>Tax audits and investigations</li> <li>Audit management systems</li> <li>Income tax</li> <li>Fraud and corruption</li> <li>Special Voluntary Disclosure Programme</li> </ul>	<b>Education or training, motivation and personal development</b>	<ul style="list-style-type: none"> <li>Human capital management</li> <li>Managing work virtually (online)</li> <li>Presentation skills</li> <li>Leadership training</li> <li>Self-improvement</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>Task Force on Climate-related Financial Disclosures ("TCFD") alignment</li> <li>Human rights assessment and management</li> <li>Climate governance</li> </ul>	<b>Creativity and Innovation</b>	<ul style="list-style-type: none"> <li>Dynamic business model</li> <li>Patents, trademarks, and other intellectual property</li> </ul>
<b>Computer, Information and Technology, Digital Marketing, IT Management, Cyber Security, Maintenance and System Control</b>	<ul style="list-style-type: none"> <li>Digital transformation</li> <li>Strategic shifts</li> <li>Microsoft Office</li> <li>Cybersecurity</li> <li>Social media and digital marketing</li> <li>Digital learning and talent transformation</li> <li>Sales automation</li> <li>Website design</li> <li>Warehouse management system</li> </ul>	<b>Supervisory and Leadership</b>	<ul style="list-style-type: none"> <li>Leadership management and performance</li> <li>Team management and strategy</li> </ul>
		<b>Public Relations and Customer Services</b>	<ul style="list-style-type: none"> <li>Customer relationship management strategy</li> </ul>
		<b>Process and Operation</b>	<ul style="list-style-type: none"> <li>Briefings on internal standard operating policies and procedures</li> </ul>
		<b>Biotechnology or Chemistry</b>	<ul style="list-style-type: none"> <li>Validation techniques and quality control</li> </ul>
		<b>Medical or Healthcare</b>	<ul style="list-style-type: none"> <li>Nutrition and health</li> </ul>



## COMMUNITY ENGAGEMENT

We believe that as a responsible corporate citizen, we can play a role in promoting sustainability in the society. As the Group creates value for our stakeholders including shareholders, business partners, distributors, and employees, it also aims to achieve the social objectives of promoting multi-ethnic unity and harmony and advocating inter-ethnic interaction and understanding through community engagement activities.

Hai-O's corporate social responsibility spirit is embedded in 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.

Due to the impact of the pandemic and MCOs, we were unable to carry out or participate in some of the community engagement activities such as the Ai Hua Jiao fundraising programme which we had been organising together with Sin Chew Daily for the past ten years. The programme's objective is to provide high-quality educational infrastructure and facilities to provide access to education and to elevate the education standards of our future generation.

### 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 2020 which was postponed in FY2020 granted a total of 177 awards – 61 for outstanding performance in UPSR; 59 for PT3; and 57 for SPM. The commencement of entries for our Excellent Academic Awards 2021 has been postponed as the related public exams had been postponed due to the pandemic and MCOs.

### Education – Hai-O Higher Educational Aid



Since 2014, Hai-O has been providing financial assistance to eligible employee's children to encourage them to further their studies in higher learning institutions. Hai-O has 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 Educational Aid is also a way the Group shows its appreciation to loyal employees.

In FY2021, Hai-O provided assistance amounting to RM55,000 for 11 eligible employees' children through the Hai-O Higher Education Aid.

### Caring for Our Staff

Throughout the pandemic in FY2021, Hai-O provided continuous support to its employees and had distributed, on three occasions, healthcare packages which include health supplements and products, masks, and cash vouchers to all of its employees. Apart from showing appreciation to employees, we hope to raise health awareness and encourage employees to take good care of themselves and their families as we go through challenging times together.

### Community – Jauh Di Mata, Dekat Di Hati



The pandemic has affected many Malaysians in 2020, especially front-liners who are working hard to serve the healthcare and security needs of the Malaysian public during the MCO periods. During the month of Ramadhan in 2020, SHOM launched an initiative to help front-liners who are unable to unite with their families to deliver their love and longing for reunion with their families through video recordings and gifts. Through this initiative, SHOM had helped 98 individuals/ families to receive and feel the love of their loved ones from afar.

### Caring to Community



In April 2021, Hai-O offered 10,000 packets of herbal tea (to strengthen immunity) giveaway which are redeemable at any of our 55 chainstores & franchisee across Malaysia.

### Blood Donation Campaign

In September 2020, 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, especially when we are in the midst of an international healthcare crisis. The blood donation campaign in 2020 was held in Setia City Mall which had successfully collected 263 bags of blood.



### 100 Days Fitness Challenge

Organised by Kelab Muhibbah Hai-O, the challenge was launched as an online event on the social media Facebook from June to September 2020. The online event was aimed to motivate participants to keep themselves active as many Malaysians had to work from home due to the various MCOs and physical distancing requirements. Participants were required to post weekly workout videos on Facebook and 5 winners and consolation prizes were awarded.

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"

### Product Safety and Quality and Responsible Marketing

Product Innovation

Product Certification

Manufacturing Certification

### KEY HIGHLIGHTS IN FY2021



Guidelines  
in place to govern  
**RESPONSIBLE  
MARKETING**



COMPLIANT:  
**MAL, NPRA,  
FSQD, KKLIU**



**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**



Through its broad variety of products, Hai-O Group offers additional product options for consumers who seek to live a quality life. We are committed to providing safe and high-quality products as well as introducing new products to cater for our consumers' healthcare needs, amongst others. When selling our products, we promise to uphold our principle of honest and truthful marketing, establishing a sustainable and transparent line of communication between Hai-O and its customers.

# PRODUCT SAFETY AND QUALITY AND RESPONSIBLE MARKETING

Product safety is a basic, non-negotiable assessment criterion before a product can be approved to be included in our product portfolio. All our products are strictly compliant with the relevant regulatory requirements. For example, health supplements and traditional preparations are generally required to be registered with and comply with the regulations of the National Pharmaceutical Regulatory Agency (“NPRA”); while products such as food and drinks are assessed by the professional testing bodies recognised by the Ministry of Health to ensure quality and compliance of safety parameters. In Hai-O, we ensure compliance with the relevant regulations to assure our customers and consumers the safety of our products.

In addition to compliance requirements, we have established robust product quality and safety control processes from market readiness, procurement, manufacturing, packaging to logistics and distribution. Our MLM and Manufacturing segments are also certified with ISO9001:2015.

We pride ourselves in using only quality ingredients and this is controlled through our stringent selection of suppliers for raw materials or products. When selecting suppliers, we assess them based on, amongst others, the quality of raw material of the product, and the manufacturing process, as relevant.

Every batch of food, supplement, skincare, and cosmetic products delivered by suppliers shall be accompanied with a Certificate of Analysis (“COA”) by the supplier as an assurance for the regulated and agreed-upon specifications. In addition

to that, we also undertake vigorous testing in our manufacturing process to detect the presence of contaminants or to evaluate product efficacy.

In our MLM and Manufacturing segments, we have a dedicated in-house quality control team whose role is to perform quality checks on every batch of products before distribution to our stores and branches. Products may be assessed for quality based on physical appearance, aroma and taste, and other specifications. The quality control process also includes taking 2 units of retention samples per batch to be kept throughout the specified shelf-life as controlled samples. These retention samples will enable future verification, reference, batch tracing, and even investigations or testing, if required. Traceability is also practiced throughout the supply chain, as well as other practices in line with ISO9001:2015.

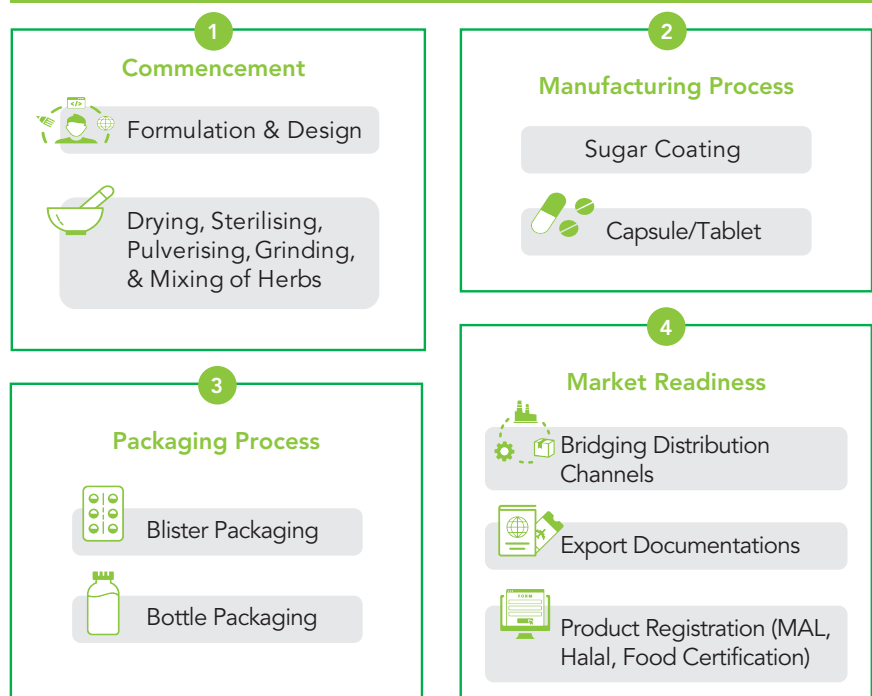
## HOW TO IDENTIFY NPRA-REGISTERED PRODUCTS

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 on 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.

## PRODUCTION FLOW IN MANUFACTURING SEGMENT



**SHELF LIFE OF OUR MLM PRODUCTS**



**Cosmetic and Personal Care**

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**Food Products**

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**Wellness Products**

**Product Labelling**

In upholding responsible marketing, we ensure that our product labels communicate product information accurately and truthfully.

To cater for the diverse demographics of Malaysian customers, most of the Group’s products are labelled in at least two languages, where relevant. Amongst others, product information included in labels may include the ingredients used, any potential allergens or health risks for consumers, additives used, manufacturing date, expiry date, and/or best-before date. We strive to provide relevant and adequate information in product labels to enable consumers to make informed decisions about their consumption or purchase.

Our product labelling practices are also compliant with relevant laws and regulations, at a minimum, and product labelling compliance is also monitored through our quality control process.

In 2019, we adopted a Super QR labelling technology that serves as an anti-counterfeiting measure made possible by its traceability and security features. The Super QR code, which cannot be duplicated, enables product authenticity verification and helps protect our customers against fake products. During the year, we further improvised the design and features of the Super QR to enhance its security and effectiveness.

**Super QR Code**

Our MLM product – Min Kaffe series is sealed with 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. Scanning a Super QR Code marked with “Customer Scan” on a product distributed by SHOM will show the following:



## Product Safety and Quality and Responsible Marketing

# ZERO

INCIDENTS OF  
PRODUCT RECALL

### Responsible Marketing and Advertising

It is important for all our businesses to abide by the principles of responsible marketing. We are committed to ensuring all MAL products registered under NPRA are advertised in accordance with KKLIU's<sup>7</sup> approval and that the labelling of all our food products complies with the Food Act 1983.

It is paramount that our MLM business adheres to ethical marketing practices for all products. As a member of the DSAM, the MLM segment adopts the DSAM Code of Conduct and requires all distributors to conduct fair and ethical direct sales practices. Similar requirements are also reflected in the Advertising and Marketing Policy for SHOM and its Business Handbook. Amongst others, our policy prohibits any repackaging, changes in labelling, or claims about product efficacy, health ability, as a specific treatment, or purported cure for any disease or condition. When marketing our products, all distributors shall communicate accurate information, market with integrity and honesty, and not misrepresenting product information, such as quality, origin, performance and others. All distributors must comply with these policies.

The Group regularly reminds and trains its salesmen and distributors on applicable advertising and marketing laws and regulations, the Group's stance on responsible marketing, as well as acceptable and non-acceptable marketing practices. When new products are launched, we also develop product information materials and conduct product briefings for salesmen and distributors. The briefings and materials are meant to provide sufficient information and to guide salesmen and distributors to market the new product in line with the Group's principle of responsible marketing.

In the MLM segment, distributors shall be fully compliant with SHOM's product information and guidelines in their marketing practices. We also perform checking of distributor's marketing materials to ensure alignment with SHOM's guidelines. Warnings and disciplinary actions will be taken where necessary.

### Product Recall Process

In order to address situations where products need to be recalled, we have established product recall policy and processes to guide effective and efficient product recall. The product recall procedures are developed in line with the relevant recall procedures prescribed by the NPRA and are reviewed regularly.

Our product recall process is supported by existing practices, such as batch tracing, which help to enhance efficient recall process and accurate tracing of problematic products in achieving greater impact mitigation.

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

<sup>7</sup> *Pharmaceutical Services Division, Ministry of Health*

## PRODUCT INNOVATION

At Hai-O, a strong product portfolio is one with products which are safe and of high quality, contribute positively to consumer well-being, and are well received by the market. In ensuring our product portfolios remain relevant to the market condition and needs, we regularly review our portfolios against the needs and wants of the market. Market research and analysis are conducted taking into consideration our business strategies, and we also seek feedback from our consumers to obtain first-hand feedback on how they view our products.

The 360 Thera Series is our revolutionary brand extension from the Premium Beautiful line with improved design and technology.

At the core of the 360 Thera series is our dedication to research and development. We partnered with the world’s top man-made fibre manufacturers and incorporated technologies from the US, Japan, and Korea to develop a gorgeous, customised body shaper that’s more effective, equipped with therapeutic functions, softer, cooler, and more comfortable with ultimate body support and breathability.

In FY2021, we launched Thera for Life, an effective and personalised body shaping routine that caters to women of all ages across different stages of life. Thera for Life is our tribute to women where we dedicate our brand to perfecting body silhouettes, enhancing self-esteem and body confidence.

In the MLM segment, before a product is successfully launched into the market, a comprehensive evaluation is conducted from multiple perspectives to ensure that we constantly meet our goal of delivering at least 80% customer satisfaction.

As we seek to introduce quality products to expand our product portfolios, we constantly keep ourselves abreast of technology, trends, and developments in the broad healthcare and personal care industries locally and around the world.

Apart from ensuring that we bring in innovative and quality products to suit the market needs, we also look into the product supply chain to mitigate significant, negative environmental or social impacts, if any. We strive to work with suppliers who share the same values as us and we have established a supplier evaluation process to assess the supplier’s quality, performance, and any significant issues. Further details on how we deal with suppliers are available in the **Supply Chain Management, Ethics and Integrity**, and **Green Product and Packaging** sections of this Report.



Min Kaffe Enhanced	Bfit
<p>Min Kaffe Enhanced is the enhanced version of our Min Kaffe – formulated with Robusta coffee, Korea Bamboo Salt, and exclusive Sweetality Sweetener.</p>	<p>Bfit is a 100% plant-based beverage mix specifically formulated with active ingredients from Denmark and Germany to help boost manhood, power and endurance in a safe and natural way.</p>



## PRODUCT CERTIFICATION AND MANUFACTURING CERTIFICATION

In addition to adherence to better practices for responsible marketing, our internal processes to ensure product and quality, as well as compliance with relevant laws and regulations, we also maintain certifications for relevant local and international standards and practices as an assurance to our business partners and customers.

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

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

- **Good Manufacturing Practice ("GMP")** which governs the manufacturing and production of food or pharmaceutical products;
- **ISO 9001:2015** which specifies the requirements for a quality management system;
- **Hazard Analysis and Critical Control Point ("HACCP")** which is a management system addressing food safety through the production chain from sourcing to consumption;
- **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.

Regular training is also provided to employees to ensure they carry out their work in accordance with the standards adopted by the Group to uphold the standards and quality of our production process as well as our products. In FY2021, we have carried out an awareness training for relevant employees to ensure they are familiar with the HACCP management system adopted in our operations.

In order to maintain these certifications, the relevant companies or processes are subject to independent audits by accreditation bodies. During FY2021, all expiring certifications have been successfully renewed without significant issues.

Certification	Certified process/ company	Audit Frequency
<b>GMP</b>	Manufacturing plants at Lot 1388 and Wisma Hai-O	Annually
<b>ISO 9001:2015</b>	MLM operations at Wawasan Hai-O and Manufacturing plants at Lot 1388 and Wisma Hai-O	Annually
<b>SAMM Accreditation (MS ISO/IEC 17025)</b>	Laboratories and QC team	Annually
<b>HACCP</b>	Manufacturing plants at Lot 1388 and Wisma Hai-O	Biennially

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 Consumption

Waste and Recycling

### KEY HIGHLIGHTS IN FY2021



**7.34**

kWh/ ft2

Total electricity usage intensity (per square foot)



**99.8%**

new MLM members registered on electronic platform



ELECTRONIC COMMUNICATION WITH STAKEHOLDERS



EFFORTS TO **REDUCE** PACKAGING AND USE OF **PAPER AND PLASTIC** MATERIALS

Relevant **GRI Topics**

GRI 302: Energy 2016

GRI 307: Environmental Compliance 2016

Contributions to **SDGs**



In Hai-O, we strive to reduce the environmental impact of our products and conserve natural resources, where possible. Due to the nature of our businesses and our diverse range of products, there is no significant environmental impact which may cause significant direct harm to the environment or the society within the scope of our business operations. Similarly, climate change is not identified as a significant direct impact in relation to the Group’s business operations. That said, we remain committed to carrying out our responsibilities toward protecting the environment, including reducing unnecessary wastage of materials and pollution in all forms.

## GREEN PRODUCT AND PACKAGING



As environmental awareness increases among businesses and consumers, we have also incorporated our preference for products which have less environmental impact and use less materials which may be harmful to the environment. In recent years, we are taking the initiative to understand the environmental impacts of our supply chain business partners. Moving forward, environmental considerations, together with considerations pertaining to social impacts, will also be considered in our suppliers' due diligence and evaluation.

When considering products for inclusion in our product portfolio, we also consider the environmental footprint of the products. For example, we encourage the use of vegetarian capsules as a substitute for the non-vegetarian bovine capsules in our products. Despite 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.

In the past, our product the Sweetality Granulated Sweetener only comes in bottle form and consumers will replace the bottle when they purchase another pack. In February 2021, we launched the Sweetality Flexi Pack, a refill pack for the Sweetality Granulated Sweetener where consumers can reuse their old bottles instead. The refill pack uses fewer plastic materials and less paper packaging and is also slightly cheaper while delivering the same amount of content.

We will continue to explore the feasible options of adopting more environmentally friendly packaging and will keep ourselves updated on current market trends and new technologies. For our existing products and product packaging, enhancement towards more environmentally responsible alternatives will require close collaboration and strong working relationships with our business partners and product principals. Hai-O will also continue to work with its business partners towards a shared vision in creating and offering environmentally sustainable products to our consumers.

## ENERGY CONSUMPTION

# 10



### STORES CONVERTED TO LED LIGHTING SYSTEMS

2020: 9 stores

In Hai-O Group, electricity usage in offices and premises is a significant source of the Group's energy use and carbon emission. Electricity used is largely, if not all, purchased from the national or state power utility companies which derive electricity mainly from non-renewable sources, such as natural gas and coal.

Since 2017, we have started to upgrade incandescent and fluorescent lamps in our properties to LED lights, which deliver greater energy and cost-efficiency. LED lights typically last longer as well. In order to balance between unnecessary wastage of lamps which can still be used, energy-saving, and cost, existing lamps which are nearing the end of usable product life will be prioritised for upgrading to LED lighting systems. In FY2021, we converted and installed 580 LED lights which helped to save approximately 48,285kWh in electricity use<sup>8</sup> during FY2021.

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) are monitored to measure the efficiency of our electricity use. For the financial year ended 30 April 2021, we have recorded lower electricity usage across our buildings at 7.34 kWh per square foot which is lower than FY2020. 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.

Electricity saving efforts and performance in the 4 main buildings of Hai-O Group	Unit	FY2019	FY2020	FY2021
<b>Total electricity usage</b>	million kWh	1.93	1.89	1.86
<b>Total electricity usage intensity (per square foot)<sup>9</sup></b>	kWh/ ft <sup>2</sup>	9.85	8.11	7.34
<b>Conversion of LED lights</b>				
LED Lights installed during the year	Unit	640	392	580
Estimated savings from conversion to LED for the year	kWh	49,748	59,695	48,285

During the year, we have also upgraded an outlet to LED lighting systems. As of 30 April 2021, 10 out of the Group's 55 retail outlets are fully fitted with LED lighting systems.

<sup>8</sup> 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.

<sup>9</sup> The floor area used as denominator is calculated based on the floor area used for the purpose of the Group's operations.

## WASTE AND RECYCLING

# 99.8%



**OF NEW MEMBERS  
REGISTERED ON  
E-MEMBERSHIP PLATFORM**

2020: 99.0%

### Reducing use of paper

Paper is considerably one of the more notable natural resources used directly in our business operations, including for distributor registrations, procurement, member statement, and other administrative purposes.

In our quest to reduce our environmental impact and practice '3R', we look beyond mere cost to understand the sourcing of paper we use. We make it a point to source for environmentally friendly paper and encourage the practice of reusing paper.

On the other hand, we also leverage on technology to reduce our reliance on paper as we digitise certain business processes, which also helps to achieve operational efficiency and saves space.

In October 2017, SHOM initiated an enhancement to its membership management process, implementing e-memberships for new and existing members. In FY2020, we had also fully moved into providing membership cards and member's statements in electronic format. For the financial year ended 30 April 2021, more than 99.8% of our new MLM members are on the e-membership platform.

	FY2019	FY2020	FY2021
<b>% of new members registered on e-membership platform</b>	95.0%	99.0%	99.8%

From March 2021 onwards, all our bulletin updates will be distributed through e-bulletin. Furthermore, SHOM is also progressively digitising its business operations and communications, including the expansion of the online ordering system for branches to enhance operational efficiency and reduce physical paperwork.

In our Retail segment, higher traffic in our online store at <https://mall.hai-o.com.my> has also encouraged the normalisation of e-membership. At our physical stores, we are targeting to offer the option of membership without the need for a physical card. Hai-O Friendship Members will still get access to their membership benefits via email address, phone number, or membership number.

At Hai-O's headquarters, the digitisation of our management processes continues to be carried out through enhancement of existing information system and reducing reliance on printed materials. Currently, most of our meeting papers, including board papers, are disseminated in electronic format.

In FY2021, there was a 10% savings on the number of A4 paper reams ordered compared to FY2020.

## Waste and Recycling

# NO

**FINES OR PENALTY DUE TO  
NON-COMPLIANCE WITH  
WASTE MANAGEMENT LAWS  
OR REGULATIONS RECORDED**

### Other waste

We also practice '3R' in areas where it is possible to do so. Since last financial year, we no longer provide plastic bags in our MLM branches while our Retail segment stores only provide biodegradable bags but are encouraged to reuse carton boxes to pack goods for customers.

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.

Hai-O Group also ensures compliance with disposal-related regulations, particularly on safe disposal of expired or defective pharmaceutical products and MAL registered products, as well as disposal of containers of defective excisable goods. For such purposes, we have established waste management SOPs for the relevant items. For example, we dispose of broken glass bottles used for excisable goods (e.g. alcoholic health tonic) at designated sites and containers approved by the Department of Environment.

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	FY2019	FY2020	FY2021
Paper	kg	9,350	26,607	4,130
Plastic	pieces	650	739	249
Metal	kg	6,130	1,356	3,231
Battery	units	7	6	5
Glass	kg	760	330	20
Toner casing/ parts	pieces	232	7	2

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



# GRI CONTENT INDEX



## GRI Content Index

### Abbreviations

**AR** : Annual Report 2021

**SS** : Sustainability Statement 2021

GRI Standard	Disclosure	Reference section and Comments and/or URL(s)	Page number(s)	
<b>General Disclosures</b>				
<b>GRI 102: General Disclosures 2016</b>	<b>Organizational profile</b>			
	102-1	Name of the organization	<b>SS:</b> About this Report: <b>AR:</b> Group Corporate Structure	2 3
	102-2	Activities, brands, products, and services	<b>SS:</b> About this Report: Reporting Basis and Scope <b>SS:</b> Sustainable Value for All <b>AR:</b> Corporate Profile	3 8 6
	102-3	Location of headquarters	<b>SS:</b> About this Report: Reporting Basis and Scope <b>AR:</b> Corporate Information and Corporate Profile	3 2 & 6
	102-4	Location of operations	<b>SS:</b> About this Report: Reporting Basis and Scope <b>AR:</b> Corporate Profile	3 6
	102-5	Ownership and legal form	<b>SS:</b> About this Report <b>AR:</b> Analysis of Shareholdings	2 166 - 168
	102-6	Markets served	<b>SS:</b> About this Report: Reporting Basis and Scope <b>SS:</b> Sustainable Value for All <b>AR:</b> Corporate Profile <b>AR:</b> Management Discussion and Analysis by the Group Managing Director	3 8 6 17 - 30
	102-7	Scale of the organization	<b>SS:</b> About this Report: Reporting Basis and Scope <b>SS:</b> Sustainable Value for All <b>SS:</b> Economic Performance <b>SS:</b> Equal Employment Opportunities and Leadership Development <b>AR:</b> Financial Statements	3 8 24 - 25 40 - 41 73 - 159
	102-8	Information on employees and other workers	<b>SS:</b> Equal Employment Opportunities and Leadership Development	40 - 41
	102-9	Supply chain	<b>SS:</b> About this Report: Reporting Basis and Scope <b>SS:</b> Economic Performance: Supporting the Local Economy and Creating Work Opportunities <b>SS:</b> Supply Chain Management	3 25 28

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<b>GRI 102: General Disclosures 2016</b>	<b>Organizational profile</b>			
	102-10	Significant changes to the organization and its supply chain	<b>SS:</b> About this Report: Reporting Basis and Scope	3
	102-11	Precautionary Principle or approach	<b>SS:</b> Our Planet	57 - 62
	102-12	External initiatives	Not applicable	–
	102-13	Membership of associations	<b>SS:</b> Ethics and Integrity <b>SS:</b> Product Safety and Quality and Responsible Marketing: Responsible Marketing and Advertising	32 - 34 52 - 54
<b>Strategy</b>				
102-14	Statement from senior decision-maker	<b>SS:</b> Group Managing Director's Message <b>AR:</b> Chairman's Statement <b>AR:</b> Management Discussion and Analysis by the Group Managing Director	4 - 7 14 - 16 17 - 30	
102-15	Key impacts, risks, and opportunities	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Our Economy <b>SS:</b> Our Governance <b>SS:</b> Our People <b>SS:</b> Our Product <b>SS:</b> Our Planet	15 - 21 22 - 28 29 - 34 35 - 49 50 - 56 57 - 62	
<b>Ethics and Integrity</b>				
102-16	Values, principles, standards, and norms of behavior	<b>SS:</b> Sustainable Value for All <b>SS:</b> Ethics and Integrity <b>SS:</b> Corporate Governance and Risk Management	8 32 - 34 31	
102-17	Mechanisms for advice and concerns about ethics	<b>SS:</b> Ethics and Integrity: Whistle-Blowing Mechanism	34	
<b>Governance</b>				
102-18	Governance structure	<b>SS:</b> Leadership for Sustainability <b>AR:</b> Corporate Governance Overview Statement	9 - 10 46 - 63	
102-19	Delegating authority	<b>SS:</b> Leadership for Sustainability	9 - 10	
102-20	Executive-level responsibility for economic, environmental, and social topics	<b>SS:</b> Leadership for Sustainability	9 - 10	
102-21	Consulting stakeholders on economic, environmental, and social topics	<b>SS:</b> Stakeholder Engagement	11 - 14	

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	102-23	Chair of the highest governance body	<b>AR</b> : Corporate Governance Overview Statement: Principle A – Board Leadership	46 - 57
	102-24	Nominating and selecting the highest governance body	<b>AR</b> : Corporate Governance Overview Statement: Principle A – Board Leadership	46 - 57
	102-25	Conflicts of interest	<b>AR</b> : Additional Corporate Disclosure: Conflict of Interest with the company	72
	102-26	Role of highest governance body in setting purpose, values, and strategy	<b>SS</b> : Leadership for Sustainability <b>AR</b> : Corporate Governance Overview Statement: Principle A – Board Leadership	9 - 10 46 - 48
	102-29	Identifying and managing economic, environmental, and social impacts	<b>SS</b> : Leadership for Sustainability <b>SS</b> : Material Sustainability Matters	9 - 10 15 - 21
	102-30	Effectiveness of risk management processes	<b>SS</b> : Leadership for Sustainability <b>AR</b> : Statement on Risk Management and Internal Control	9 - 10 64 - 70
	102-31	Review of economic, environmental, and social topics	<b>SS</b> : Leadership for Sustainability <b>SS</b> : Material Sustainability Matters	9 - 10 15 - 21
	102-32	Highest governance body's role in sustainability reporting	<b>SS</b> : Leadership for Sustainability	9 - 10
<b>Stakeholder Engagement</b>				
102-40	List of stakeholder groups	<b>SS</b> : Stakeholder Engagement	11 - 14	
102-41	Collective bargaining agreements	<b>SS</b> : Ethics and Integrity	32 - 34	
102-42	Identifying and selecting stakeholders	<b>SS</b> : Stakeholder Engagement	11 - 14	
102-43	Approach to stakeholder engagement	<b>SS</b> : Stakeholder Engagement	11 - 14	
102-44	Key topics and concerns raised	<b>SS</b> : Material Sustainability Matters	15 - 21	

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	102-45	Entities included in the consolidated financial statements	<b>AR:</b> Financial Statements	73 - 159
	102-46	Defining report content and topic Boundaries	<b>SS:</b> About this Report: Reporting Basis and Scope <b>SS:</b> Material Sustainability Matters	3 15 - 21
	102-47	List of material topics	<b>SS:</b> Material Sustainability Matters	15 - 21
	102-48	Restatements of information	None	–
	102-49	Changes in reporting	<b>SS:</b> Material Sustainability Matters	15 - 21
	102-50	Reporting period	<b>SS:</b> About this Report: Reporting Basis and Scope	3
	102-51	Date of most recent report	<b>SS:</b> About this Report: Reporting Basis and Scope	3
	102-52	Reporting cycle	<b>SS:</b> About this Report: Reporting Basis and Scope	3
	102-53	Contact point for questions regarding the report	<b>SS:</b> About this Report: Contact Us	3
	102-54	Claims of reporting in accordance with the GRI Standards	<b>SS:</b> About this Report	2
	102-55	GRI content index	<b>SS:</b> GRI Content Index	63 - 76
102-56	External assurance	<b>SS:</b> About this Report: Assurance	3	

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	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Economic Performance	18 - 19 24 - 28
	103-3	Evaluation of the management approach	<b>SS:</b> Economic Performance	24 - 28
<b>GRI 201: Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	<b>SS:</b> Economic Performance <b>SS:</b> Community Engagement <b>AR:</b> Management Discussion and Analysis by the Group Managing Director	24 - 25 48 - 49 17 - 30
<b>GRI 202: Market Presence 2016</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	<b>SS:</b> Economic Performance: Supporting the Local Economy and Creating Work Opportunities	25
	202-2	Proportion of senior management hired from the local community	<b>SS:</b> Economic Performance: Supporting the Local Economy and Creating Work Opportunities	25
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-2	Significant indirect GRI economic impacts	<b>SS:</b> Economic Performance: Supporting the Local Economy and Creating Work Opportunities	25
<b>GRI 204: Procurement Practices 2016</b>	204-1	Proportion of spending on local suppliers	<b>SS:</b> Economic Performance: Supporting the Local Economy and Creating Work Opportunities	25
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-2	Ratio of basic salary and remuneration of women to men	<b>SS:</b> Economic Performance: Supporting the Local Economy and Creating Work Opportunities	25
<b>Brand and Reputation</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Brand and Reputation	18 - 19 26 - 27
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Brand and Reputation	18 - 19 26 - 27
	103-3	Evaluation of the management approach	<b>SS:</b> Brand and Reputation	26 - 27

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<b>Supply Chain Management</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Supply Chain Management	18 - 19 28
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Supply Chain Management	18 - 19 28
	103-3	Evaluation of the management approach	<b>SS:</b> Supply Chain Management	28
<b>GRI 408: Child Labor 2016</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	<b>SS:</b> Supply Chain Management	28
			<b>SS:</b> Ethics and Integrity: Employees	32
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<b>SS:</b> Supply Chain Management <b>SS:</b> Ethics and Integrity: Employees	28 32
<b>Our Governance</b>				
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<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Corporate Governance and Risk Management	18 - 19 31
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Corporate Governance and Risk Management	18 - 19 31
	103-3	Evaluation of the management approach	<b>SS:</b> Corporate Governance and Risk Management	31
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	103-3	Evaluation of the management approach	<b>SS:</b> Ethics and Integrity	32 - 34
<b>GRI 205: Anti-Corruption 2016</b>	205-1	Operations assessed for risks related to corruption	<b>SS:</b> Ethics and Integrity: Anti-Bribery <b>AR:</b> Statement on Risk Management and Internal Control	33 - 34 67 - 69
	205-2	Communication and training about anti-corruption policies and procedures	<b>SS:</b> Ethics and Integrity: Anti-Bribery	33 - 34
	205-3	Confirmed incidents of corruption and actions taken	<b>SS:</b> Ethics and Integrity: Whistle-Blowing Mechanism	34
<b>GRI 406: Non-Discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	<b>SS:</b> Ethics and Integrity: Whistle-Blowing Mechanism	34
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<b>SS:</b> Ethics and Integrity: Employees	32
<b>GRI 408: Child Labor 2016</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	<b>SS:</b> Supply Chain Management	28
			<b>SS:</b> Ethics and Integrity: Employees	32
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<b>SS:</b> Supply Chain Management	28
			<b>SS:</b> Ethics and Integrity: Employees	32
<b>GRI 415: Public Policy 2016</b>	415-1	Political contributions	<b>SS:</b> Ethics and Integrity: Anti-Bribery	33 - 34
<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1	Non-compliance with laws and regulations in the social and economic area	<b>SS:</b> Ethics and Integrity: Anti-Bribery	33 - 34

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<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Succession Planning	18 - 19 34
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Succession Planning	18 - 19 34
	103-3	Evaluation of the management approach	<b>SS:</b> Succession Planning	34
<b>GRI 404: Training and Education 2016</b>	404-2	Programs for upgrading employee skills and transition assistance programs	<b>SS:</b> Succession Planning	34
<b>Our People</b>				
<b>MLM Entrepreneurship</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> MLM Entrepreneurship	18 - 19 37
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> MLM Entrepreneurship	18 - 19 37
	103-3	Evaluation of the management approach	<b>SS:</b> MLM Entrepreneurship	37
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<b>Customer Satisfaction</b>				
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	103-2	The management approach and its components	SS: Material Sustainability Matters SS: Equal Employment Opportunities and Leadership Development	20 - 21 40 - 41
	103-3	Evaluation of the management approach	SS: Equal Employment Opportunities and Leadership Development	40 - 41
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	SS: Equal Employment Opportunities and Leadership Development	40 - 41
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	SS: Equal Employment Opportunities and Leadership Development	41
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	103-3	Evaluation of the management approach	SS: Employee Well-being	42
<b>GRI 401: Employment 2016</b>	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SS: Employee Well-being	42
	401-3	Parental leave	SS: Employee Well-being	42
<b>GRI 403: Occupational Health and Safety 2018</b>	403-6	Promotion of worker health	SS: Employee Well-being	42

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<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Occupational Health and Safety	18 - 19 43 - 45
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Occupational Health and Safety	18 - 19 43 - 45
	103-3	Evaluation of the management approach	<b>SS:</b> Occupational Health and Safety	43 - 45
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1	Occupational health and safety management system	<b>SS:</b> Occupational Health and Safety	43 - 45
	403-2	Hazard identification, risk assessment, and incident investigation	<b>SS:</b> Occupational Health and Safety	43 - 45
	403-3	Occupational health services	<b>SS:</b> Occupational Health and Safety	43 - 45
	403-4	Worker participation, consultation, and communication on occupational health and safety	<b>SS:</b> Occupational Health and Safety	43 - 45
	403-5	Worker training on occupational health and safety	<b>SS:</b> Occupational Health and Safety	43 - 45
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	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<b>SS:</b> Occupational Health and Safety	43 - 45
	403-8	Workers covered by an occupational health and safety management system	<b>SS:</b> Occupational Health and Safety	43 - 45
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<b>Training and Development</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Training and Development	20 - 21 46 - 47
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Training and Development	20 - 21 46 - 47
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	404-3	Percentage of employees receiving regular performance and career development reviews	<b>SS:</b> Training and Development 46 - 47
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<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Community Engagement 20 - 21 48 - 49
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Community Engagement 20 - 21 48 - 49
	103-3	Evaluation of the management approach	<b>SS:</b> Community Engagement 48 - 49
<b>GRI 201: Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	<b>SS:</b> Economic Performance <b>SS:</b> Community Engagement <b>AR:</b> Management Discussion and Analysis by the Group Managing Director 24 - 25 48 - 49 17 - 30
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1	Infrastructure investments and services supported	<b>SS:</b> Community Engagement 48 - 49
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	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Product Safety and Quality and Responsible Marketing 20 - 21 52 - 54
	103-3	Evaluation of the management approach	<b>SS:</b> Product Safety and Quality and Responsible Marketing 52 - 54
<b>GRI 417: Marketing and Labeling 2016</b>	417-1	Requirements for product and service information and labeling	<b>SS:</b> Product Safety and Quality and Responsible Marketing: Product Labelling 53

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<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Product Innovation	20 - 21 55
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Product Innovation	20 - 21 55
	103-3	Evaluation of the management approach	<b>SS:</b> Product Innovation	55
<b>GRI 416: Customer Health and Safety 2016</b>	416-1	Assessment of the health and safety impacts of product and service categories	<b>SS:</b> Product Innovation	55
<b>Product Certification</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Product Certification and Manufacturing Certification	20 - 21 56
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Product Certification and Manufacturing Certification	20 - 21 56
	103-3	Evaluation of the management approach	<b>SS:</b> Product Certification and Manufacturing Certification	56
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<b>Manufacturing Certification</b>				
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Product Certification and Manufacturing Certification	20 - 21 56
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Product Certification and Manufacturing Certification	20 - 21 56
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	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Green Product and Packaging	20 - 21 59
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<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Energy Consumption	20 - 21 60
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Energy Consumption	20 - 21 60
	103-3	Evaluation of the management approach	<b>SS:</b> Energy Consumption	60
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organization	<b>SS:</b> Energy Consumption	60
	302-4	Reduction of energy consumption	<b>SS:</b> Energy Consumption	60
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<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Waste and Recycling	20 - 21 61 - 62
	103-2	The management approach and its components	<b>SS:</b> Material Sustainability Matters <b>SS:</b> Waste and Recycling	20 - 21 61 - 62
	103-3	Evaluation of the management approach	<b>SS:</b> Waste and Recycling	61 - 62
<b>GRI 307: Environmental Compliance 2016</b>	307-1	Non-compliance with environmental laws and regulations	<b>SS:</b> Waste and Recycling: Other Waste	62