

Sustainability Statement

Thong Guan Industries Berhad's (hereinafter referred to as "Thong Guan", "the Group", "us", "our" or "we") is proud to present our Sustainability Statement for the financial year from 1 January 2020 to 31 December 2020 ("FY2020"). This section presented the progress we incorporated sustainability measurements into our business operations and activities. We understand that the embrace of sustainability is a consistent and long journey. We continue to focus on the concerns of all stakeholders' economic interest, environment interest and social interest to ensure sustainability governance is in place.

Introduction

In this fast pace era of business globalisation, Thong Guan business has been continuously evolving to strive for sustainable growth. Over 79 years in business operations, we have established a well-diversified plastics packaging products and food and beverage ("F&B") businesses with global product presence in over 70 countries. As we continue our strides of growth, we are very cautious of our impact on the economic, social and environmental matters. Therefore, it is pertinent to understand the matters that affect the Group's sustainability and to ensure that we identify and manage it accordingly.



70
Country Export



79
Years of Excellency



2,309
Employees



17
Innovative Factories

Reporting Scope

Thong Guan is committed to the provisions of Main Market Listing Requirements of Bursa Malaysia on reviewing, updating and reporting our sustainability performance on an annual basis. The reporting during the year in review covers the Group's operations in Malaysia. Our reporting has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements in relation to the Sustainability Statement in Annual Report of Listed Issuers (Guidelines) issued by Bursa Malaysia Securities Berhad.

We strive to do our utmost to strike a meaningful balance between our economic aspirations and our social and environmental obligations. This Sustainability Report details our continuous efforts to ensure that as we pursue growth in profits and expansion of our operations, we remain vigilant of the economic, social and environmental impact of our actions.

Sustainability Governance

Our sustainability framework is led from the top and the responsibilities played by each level of our organisation.

- Executive Directors
 - Review the Group's sustainability matters and ensure business strategy considers sustainability.
 - Provide advice and direction of sustainability in the Group when necessary.
- Management
 - Responsible for assessing and identifying material sustainability factors.
 - Develop sustainability strategy and recommendation and regular revision is in place.
 - Undertake actions necessary to address sustainability concerns.
 - Oversees operating divisions in ensuring robustness of system of sustainability management.
- Operating Divisions
 - Supports strategy implementation develop by the management to ensure sustainability objective is achieved.
 - Ensures sustainability processes and controls are in place within its departments/functions.
 - To review and feedback on all measurements for improvement.

Sustainability Statement (Cont'd)

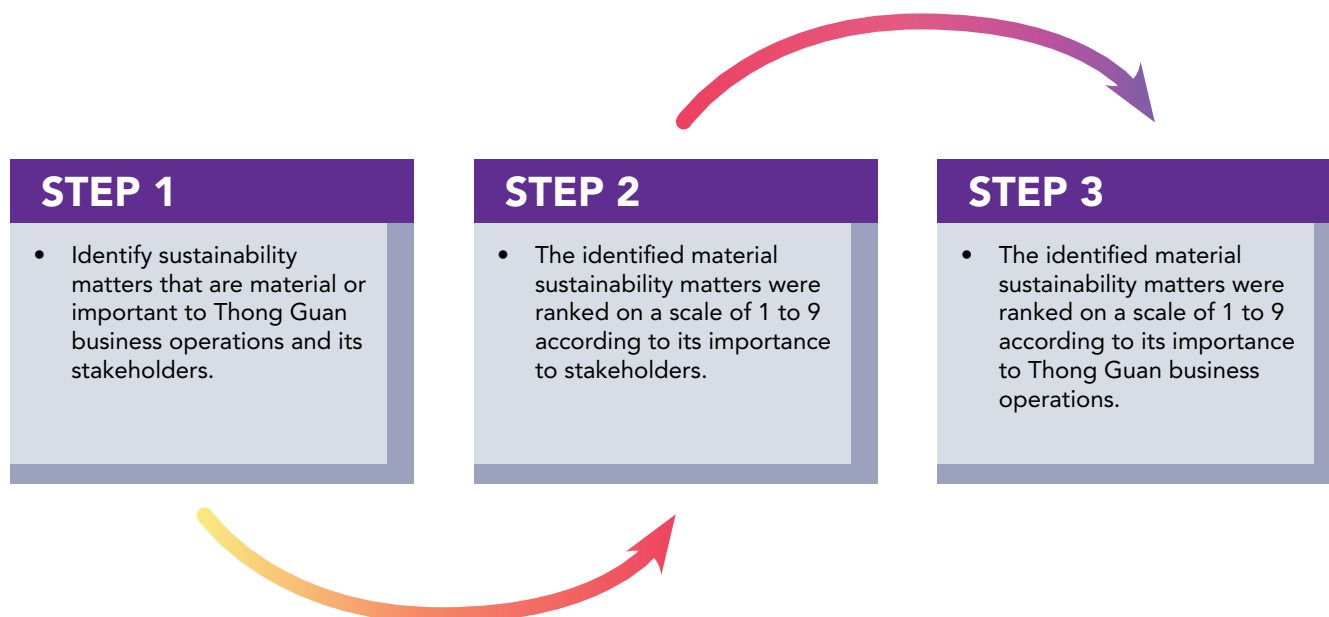
Stakeholder Engagement

Stakeholder engagement is a key element to ensure businesses are continue relevant and value added. The table below show the engagement activities that have been carried out during financial year 2020.

Stakeholders	Areas of Interest	Method and Frequency
Investors/Shareholders	<ul style="list-style-type: none"> • Profitability • Dividend • Business directions 	<ul style="list-style-type: none"> • Quarterly financial result • Annual General Meeting • Company website • Annual Reports • Press release
Customers, Suppliers and Business Partners	<ul style="list-style-type: none"> • Product and service quality • Timely delivery & consistency in supply • Credit worthiness • Value added products 	<ul style="list-style-type: none"> • Customer satisfaction survey/supplier evaluation • Customer service and communication • Trade fairs and frequent site visits
Employees	<ul style="list-style-type: none"> • Career & learning path • Employee welfare and benefits • Health and safety in work place 	<ul style="list-style-type: none"> • Communications through counselling and memo circulation • Continuous improvement of workplace • Bi-annually performance appraisal • Trainings and workshops • Employee events including outing and get together gathering
Regulators / Government / Authorities	<ul style="list-style-type: none"> • Compliance with laws and regulations 	<ul style="list-style-type: none"> • Compliance and certification exercises including site visits and audits by authorities/certification body
Local Community	<ul style="list-style-type: none"> • Corporate social responsibility 	<ul style="list-style-type: none"> • Educational site visits • Sponsoring sports and educational programmes • Community outreach programmes

Materiality Assessment

Materiality assessment is conducted to identify and prioritise the economic, environment and social topics that may potentially impact Thong Guan's business and its stakeholders. The steps involved in the materiality assessment are summarised as below:

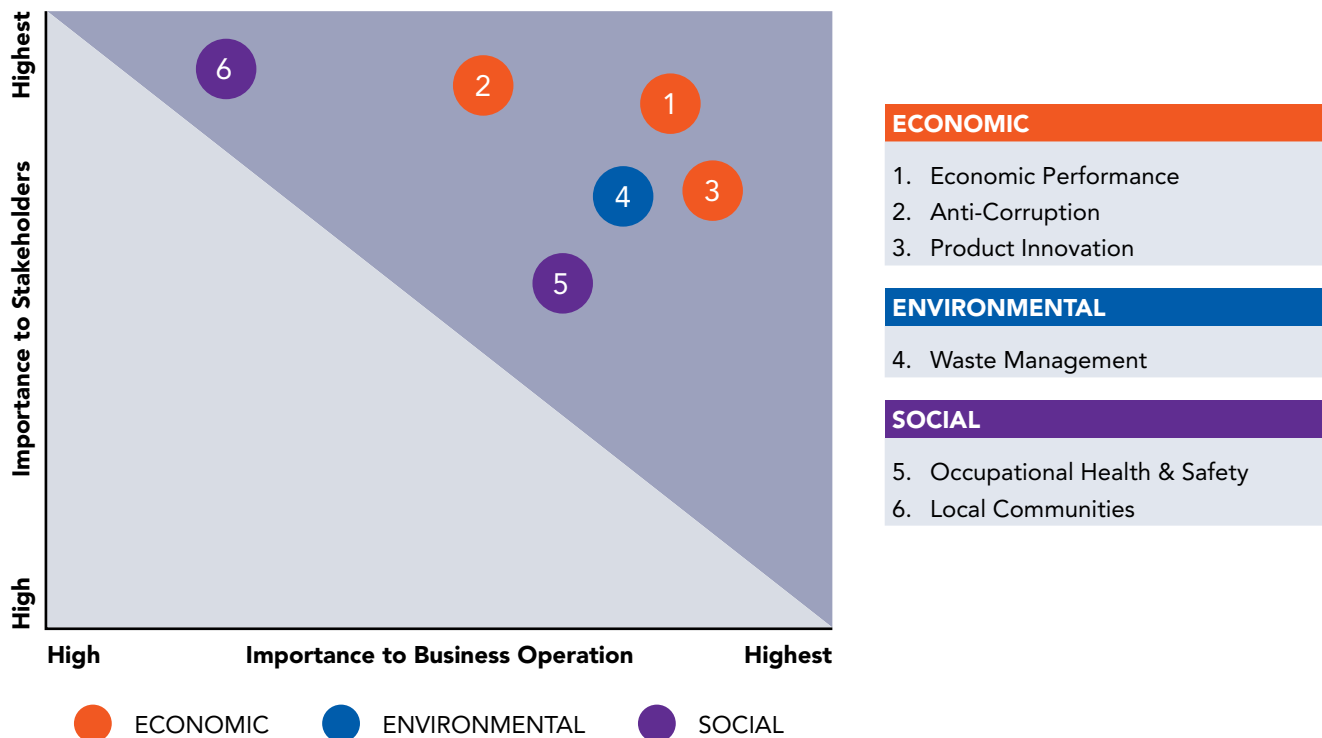


Sustainability Statement (Cont'd)

Materiality Assessment (Cont'd)

Based on the materiality assessment, 6 material sustainability matters are selected in FY2020. This represents a decrease in the number of topics under consideration as prioritisation of the material sustainability matters allow us to focus solely on topics which are deemed to have large impact on the Group's overall economic, environmental and social impact.

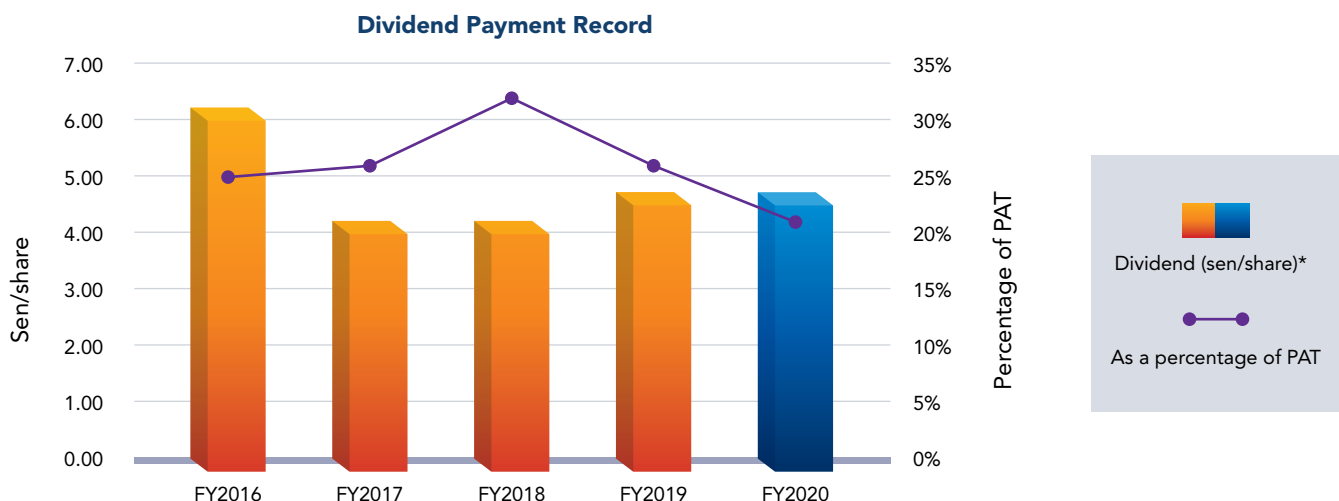
Following that, the Group's Materiality Matrix is as below:



Sustainability Matters of Economic Interest

Economic Performance

Thong Guan is striving to achieve a sustainable financial performance and fulfil our obligation to our shareholders. As a listed company, we generate returns to our shareholders in two ways: dividends and capital appreciation. We understand that this is highly dependent on the company's financial performance. Hence, we are committed to upholding integrity to preserve shareholders' interest and putting efforts to grow the business to achieve our exponential growth.



Note:

* Dividend is computed based on enlarged number of ordinary shares in issued after bonus issue which completed on 19 October 2020.

Sustainability Statement (Cont'd)

Sustainability Matters of Economic Interest (Cont'd)

Economic Performance (Cont'd)

We are also continuing our effort to maintain high standards of corporate ethics and strict compliance with laws and regulations in sustaining our business. The Board of Directors is guided by a Board Charter and Code of Ethics and has adopted a Sustainability/Environment, Social and Governance (ESG) policy, Whistleblowing policy and Corporate Disclosure Policy.

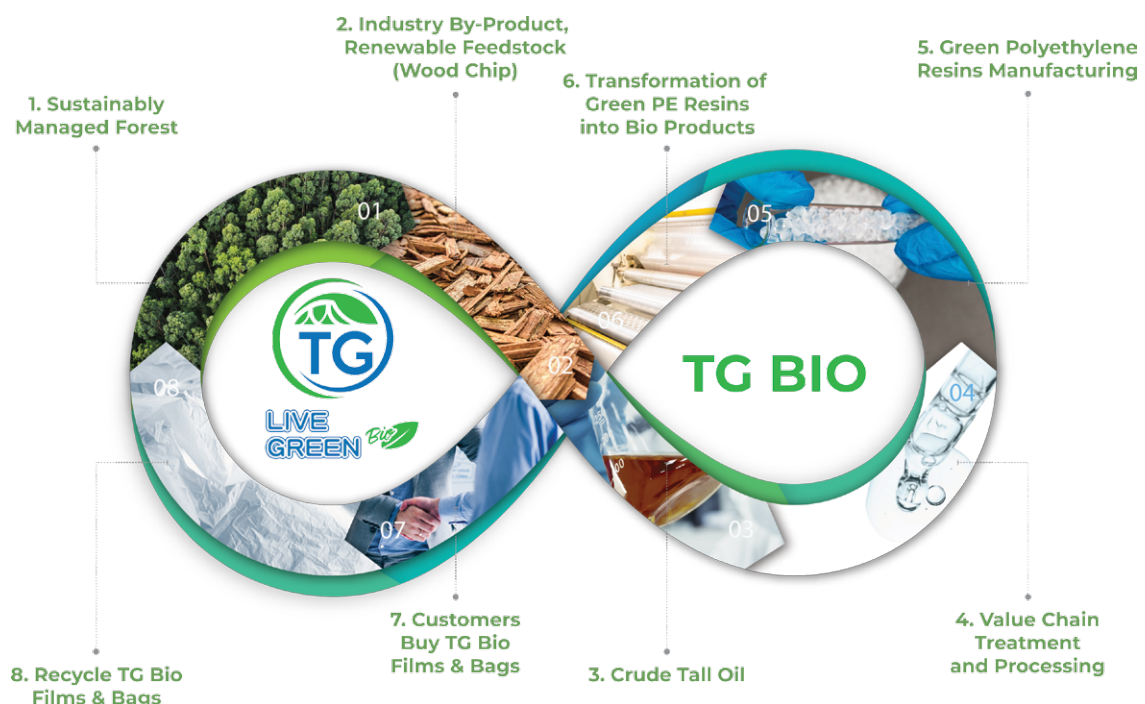
Product Innovation

TG Bio Series

We continue promoting our TG Bio series, which is made from green PE resins from renewable feedstock, wood chips tall oil. Not just from any bio ingredients but a by-product of another industry, making our efforts for circular economy ever more purposeful. The raw material is traditionally made from fossil-based oil, a non-renewable resource. If incinerated after use, one of the components created is carbon dioxide (CO₂). CO₂-emissions increase the greenhouse effect – the more CO₂ emission, the more CO₂ is in the atmosphere and more of the sun's radiation is reflected at earth and hence contributes to global warming and eventually a potential risk of contributing to climate change.

Advantages of TG Bio series including:

- Replacing fossil products and raw materials;
- 2.7 kg CO₂/kg polyethylene (PE) savings;
- No food/feed competition;
- No direct/indirect change in land use;
- Recyclable; and
- Sustainable forestry



Product innovation is fundamental as it improve our sales and maintain our position as a market leader. Through Newton Research & Development Centre Sdn. Bhd., our state-of-the art R&D test laboratory and IoT solutions, we help to understand our customer's packaging problems better and provide cost-effective products to our customers.

We downgauged products which suit our customers needs, with sustained or increased performance, sometimes with less than the original material weight and volume. We are striving to reduce the amount of material used for an application, while still maintaining or even improving the performance of the product. Thong Guan is constantly working to reduce the environmental impact without compromising the quality of its products.

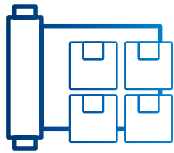
Sustainability Statement (Cont'd)

Sustainability Matters of Economic Interest (Cont'd)

Product Innovation (Cont'd)

TG Nano Series

Advantages of TG Nano series including:



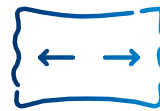
Nano-layered thin film yet tough with good grip for better load stability



Lower your cost per load for each containment with less film needed



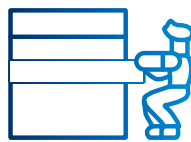
Flexible film customisation for your goods, wrapping machine or hand wrapping needs



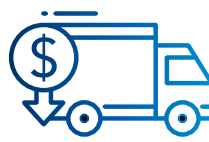
High durability against puncture and tearing perforation



Highly stretchable and able to perform at higher speed wrapping



Pre-stretched for hand wrapping



Economical for transportation and less shelf space needed



Environmentally safe

Anti-Corruption

As part of our effort in strengthening the Group's ethical conduct, we have put in place an Anti-Corruption and Anti-Bribery Policy. We instil a culture of ethical conduct by communicating the requirements of the Policy to our employees. We are pleased to disclose that for FY2020, we recorded zero complaints on corruption within the Group.

Sustainability Matters of Social Interest

Our efforts to develop sustainability in the Social aspect include both internal employees and surrounding communities.

The Group is an equal opportunity employer that promotes inclusivity in the workplace. We provide an inclusive work culture that supports diverse talents who contribute positively to the growth and productivity in line with the Group's vision and mission. Employees are always an asset to the Group, and we are committed to the welfare and wellbeing of our employees. We always provide our employees with a safe, secure and conducive working environment. We also putting in efforts on nurturing talent and provide opportunities for career advancement.

The Group complies with all employment regulations and guidelines set out by the Malaysian Government and relevant bodies:

- Established policies for the Group that supports no child labour, no forced labour, no discrimination and fair labour practices within the Group.
- Established Whistleblowing Policy, No Gift Policy for the Group which provides an avenue and proper channel for stakeholders to voice legitimate concerns. This is the Group's aspiration to conduct its business and operation with high integrity and transparency.
- We comply and respect the right to minimum wage for all our employees in Malaysia and China and comply with the requirements on paying overtime rates as well as working extra hours.
- We promote gender equality and staffs are promoted strictly based on merit without discriminating gender, age, race, or religion.
- The Group has conducted internship program by recruited 23 students in Year 2020.
- The Group is currently employing 5 handicapped employees.

Sustainability Statement (Cont'd)

Sustainability Matters of Social Interest (Cont'd)

Occupational Safety & Health (OSH) activities

The Group is certified with OHSAS 18001 Occupational Health and Safety standard. We place important on occupational health, safety and wellbeing of our employees. We ensure adequate insurance and hospitalisation coverage for all workforce and executives. Our employees are covered for Hospitalisation & surgical policy, personal Accident policy and group term life policy.

The safety and health of our employees, partners and local communities has always been a top priority. Any fatality is unacceptable. We are determined to enhance the safety culture across all of our operations to prevent the recurrence of such incidents. The Group has continuously conducted several OSH activities during the year.

The list of Activities conducted in Year 2020

QMS	PLC for Smart Manufacturing 7 QC Tools Training & Workshop
EMS	Technical Report Preparation Workshop for EiMAS CePSWaM Competency Certificate Chemical Spill Response & PPE Training
OHSAS	ISO 45001:2018 Internal Quality Auditor Training & Workshop Safety, Health & Environmental Training Basic Fire Fighting First Aid & CPR Training Chemical Safety Management Forklift Safe Handling Training Hearing Conservation Training
Food Safety	HACCP Internal Audit Training Understanding and Key Changes of HACCP (MS 1480:2019) Introduction & Understanding of Organic Products Handling Standards Understanding and Key Changes of ISO 22000:2018 Effective Internal Audit Skills of HACCP (MS 1480:2019) GMP Awareness Training Allergen Training Introduction & Understanding of Organic Products Handling Standards Professional Certificate Halal Executive

Sustainability Statement (Cont'd)

Sustainability Matters of Social Interest (Cont'd)

Occupational Safety & Health (OSH) activities (Cont'd)

The list of Activities conducted in Year 2020 (Cont'd)

As the staff safety is always our main concern, we have implemented proactive measures to prevent incidents and to minimise risks.

- Following the Health, Safety and Environment (HSE) rule and practice in place.
- Regularly check on safety equipment.
- Communicate people with potential risk in workplace.
- Wear appropriate Personal Protective Equipment.
- Reporting all related incident to the safety and health officer and supervisor.
- Reporting any near miss & unsafe condition to the safety and health officer and supervisor.
- Directing people to safety training courses.

In addition, rules and regulations have been enforced to ensure a safe working environment for our employees as well as visitors that have entered into our plants. Work instructions are clearly visible on every machine to ensure that our employees are always aware of safety procedures while operating machines.



Customers

For food and beverage ("F&B") division, food safety for our customers is the Group's top priority. In order to achieve this, we have been granted the certification as below:

- BRC global safety standard
- Hazard Analysis, Critical Control Point ("HACCP")
- Makanan Selamat Tanggungjawab Industri ("MeSTI")
- Good Manufacturing Practice ("GMP")
- HALAL certification
- NASAA certified Organic
- USDA Organic
- ISO 9001 (QMS)
- ISO 22000 Food Safety Management
- MyOrganic

The process of certification includes adequacy, compliance and follow up audits by appointed certified external auditors.

Sustainability Statement (Cont'd)

Sustainability Matters of Social Interest (Cont'd)

Local communities

The Group also believes in giving back to the community through participating in CSR activities. During the year, in fighting against coronavirus, we have launched Coronavirus Awareness & Giveaway Free Hand Sanitizer Campaign. The launching was joined by the representative of the Ministry of Health. We gave away free sanitizer, tea sampling and sharing the knowledge how to protect our communities during the virus outbreak.

Our subsidiary, Syarikat Thong Guan Trading Sdn. Bhd. also joined the noble effort of Malaysia Relief Agency Kedah ("MRA") in helping to give aid to affected residents in Targeted Enhancement Movement Control Order ("TEMCO") at Amanjaya, Sungai Petani.



We also sponsored University Tunku Abdul Rahman on the consultancy project titled Analysis on the Factors that Determine the Customer Satisfaction of Logistics Services.

Sustainability Matters of Environmental Interest

At Thong Guan, we believe that environmental sustainability is as important as business sustainability. The Group is seeking to comply with environmental regulations and enhance corporate environmental responsibility efforts. With this objective, we are certified with ISO 14001 which is the most widely used standard for Environmental Management Systems internationally. By implementing the standard, we are able to manage the environmental impacts during conducting our business activities.

Sustainability Statement (Cont'd)

Sustainability Matters of Environmental Interest (Cont'd)

Waste Management

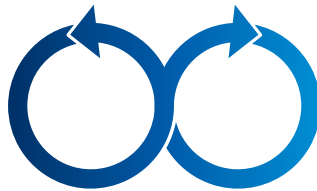
Re-Use Program

The material produced by Thong Guan is technically recyclable, by collecting and cleaning the material all of Thong Guan's products can be recycled. However, the recycled material must be of high quality, hence its recyclability depends on the use of the product as well as the collection and cleaning system after use. There are many different polymers on the market, and they need to be sorted and segregated in the correct way to achieve high and consistent quality.

We have launched our Re-Use program, knowing that we have capacity and know-how to turn our customer post plastic waste into recycled resin to help our customer to achieve their sustainability goal. The objective of our Re-Use program is to give our customer plastic waste a purpose again, helping us to close the loop together.



Strategic partnership
towards a common goal



Flexible repurpose program



As a converter, we offer
services beyond recycling



Sustainability Statement (Cont'd)

Sustainability Matters of Environmental Interest (Cont'd)

Waste Management (Cont'd)

In-House Recycling Facilities

We have in place, Standard Operating Procedures (SOPs) and Work Instructions to ensure the best possible measures are taken throughout all our facilities to reduce any adverse environmental impacts arising from the discharge of waste.

In a few of our production facilities, we have in house recycling machines which used to convert rejected products produced from the manufacturing processes into recycle resin. The recycle resin will subsequently be reused back into our manufacturing processes in producing certain plastic packaging products. With this, the company is able to achieve zero material waste in manufacturing process.

We also have production team focus on the application of recycled resin with the objective to produce high quality recycled resin and increase the usage of recycled resin in our manufacturing process.

Similar as Year 2019, the resin material bag and other recyclable packaging materials that we have received from raw material purchases are also being collected, segregated and subsequently converted into recycle resin. In Year 2020, the Group has converted 422MT of material bag wastes into recycle resin.

We expect to further enhance our recycling facilities in FY2021.

Hazardous Waste

For other hazardous waste, the waste collected will be disposed by licensed hazardous waste recycling operator. The money collected through disposal of waste is then channel to use in CSR activities and staff welfare.

Preserving the Environment

For the energy consumption, the Group has been continuously devoting efforts to reduce the usage of the electricity, we have continuously engaged a certified electricity consultant to perform an analysis and to provide solution to further reduce the usage of electricity apart from our current initiatives.

We have installed photovoltaic solar systems on the roof of our factories to generate electricity. This project generates electricity from sunlight via the solar PV system installed. Solar PV system is deemed as "emission free" system because its operation does not emit any carbon dioxide or greenhouse gas. With the implementation of this solar PV system technology, it will reduce our carbon footprint and deliver economic savings to the Group.

The above has reduced the greenhouse gas emission as shown below:

	Year-to-Date (FY2020)	Accumulated
Total Energy Yield (kWh)	4,758,977	8,623,570
CO2 Avoidance (KG)	3,302,730	5,984,757
Tree Offset	16,513	29,922

Moving Forward

In conclusion, our sustainability statement reports all the economic, environmental and social risks faced by the Company in this financial year. The statement also extends to the management and the efforts put in by the Company to grow as an exemplary sustainable organisation. Moving forward, we will continuously endeavour to enhance our sustainability performance in the coming years.