



THONG GUAN
INDUSTRIES BERHAD
199401038519 (324203-K)

FY2023 SUSTAINABILITY STATEMENT

LIVE GREEN

A SUSTAINABILITY
ADVOCATOR'S JOURNEY



Contents

OUR SUSTAINABILITY COMMITMENT

“We are dedicated to fostering a safer, enhanced, and more sustainable world as we strive toward our goal of becoming champions for sustainability.

We achieve this by directing our efforts towards product innovation, cultivating a positive organizational culture and governance, minimizing waste, reducing emissions, and responsibly managing and preserving resources.”



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About Us

Who We Are

In this fast-paced era of business globalisation, Thong Guan Industries Berhad (“Thong Guan”, “the Group”, “us”, “our”, or “we”) has been continuously evolving to strive for sustainable growth. Over 80 years in business operations, we have established well-diversified plastics packaging products and food and beverage (“F&B”) businesses and export to over 70 countries.

In FY2023, we witnessed the completion of a new factory in Sungai Petani and the commencement of business activities at our overseas sales offices in US and Denmark, which were incorporated in FY2022. This expansion solidified our presence in the US and Denmark, allowing us to better serve our customers in these regions.

As we continue our growth strides, we are very cautious of our impact on the economic, social and environmental scales. Therefore, it is pertinent to understand the matters that affect the Group’s sustainability and ensure that we identify and manage them accordingly.



18

Factories



2

Overseas Sales Offices



3

R&D Centres



>70

Country Export



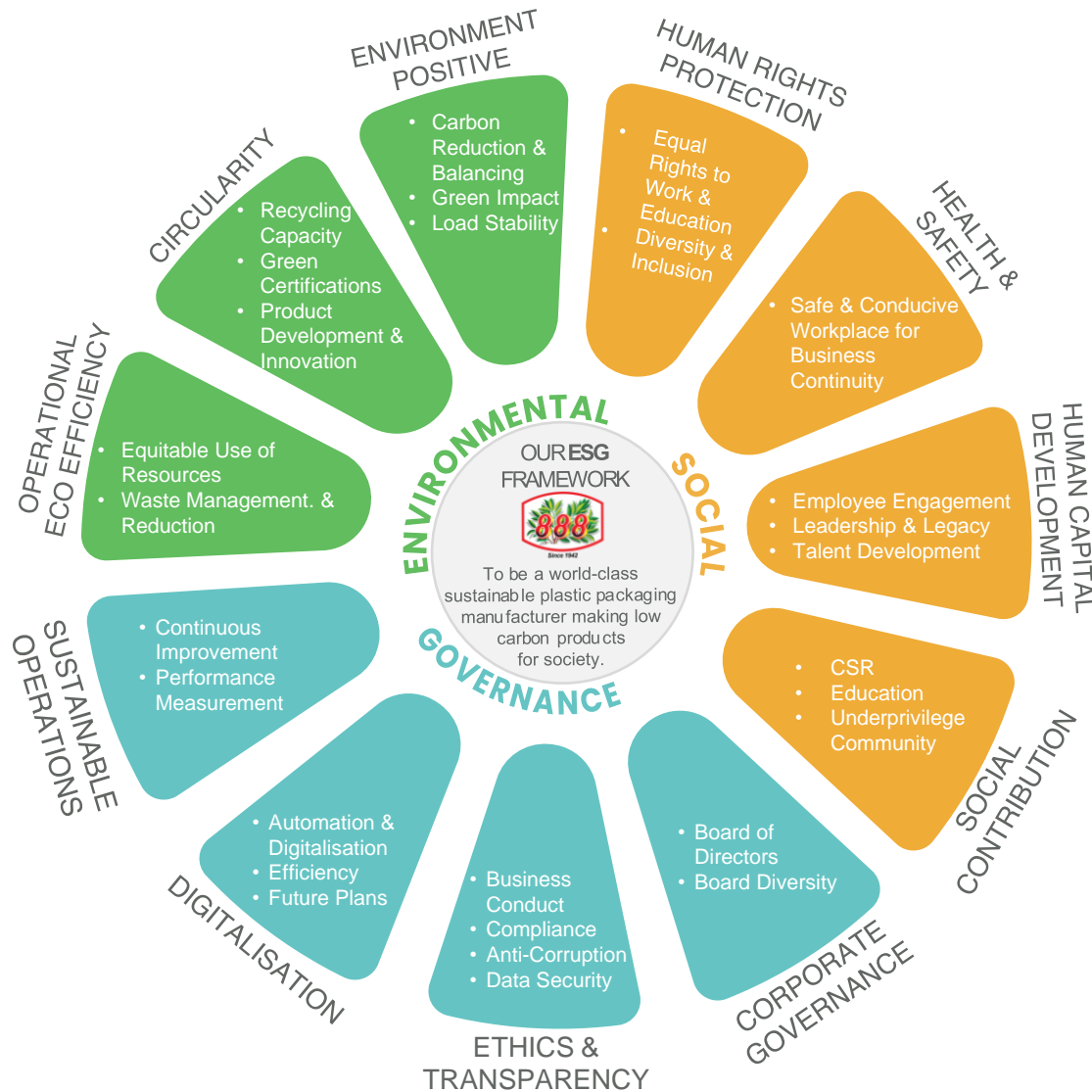
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Years of Excellency

Our ESG Framework

#LiveGreen Roadmap

Our Environmental, Social, and Governance Framework outlines our goal, key initiatives, and strategic action plans encompassing factors related to environmental, social and governance. The aim is to make sustainability easier to achieve through sharing of our successes, document the pitfalls encountered and challenges met, and how we overcome them for future improvements.



Our Core Strategies

Matching our core strategies with United Nation (UN) Sustainability Development Goals (SDGs)

We want to build economic growth and address a range of social needs, including education, health, social protection and job opportunities, while tackling climate change issues through environmental conservation and preservation.

We create value focusing on 3Ps—People, Planet and Prosperity. We develop our Environmental, Social and Governance (ESG) core strategies through the guidance of UN SDGs.

Our Initiatives

TG as a stakeholder and steward of the planet, our sustainability and corporate citizenship initiatives encompass these areas.

- **Recycling & Circular Economy**
- **Climate Change & Energy**
- **Health, Safety & Well Being**
- **Corporate Social Responsibilities & Collaboration**
- **Effective, Accountable & Transparent Organisational Structure & Culture**

SUSTAINABLE DEVELOPMENT GOALS



About Our Sustainability Statement

TG Sustainability statement aims to deliver clear understanding of our sustainability commitments, ambitions, actions, and progress. This Statement furnishes information into our strategies for overseeing of our operations, encompassing matters related to the economy, the environment, the social and governance issues. At Thong Guan, sustainability is embedded in all our business activities so that we can foster meaningful and long-lasting relationships with all our stakeholders and contribute to national growth.

Scope & Boundaries

Information in this statement primarily reflects the sustainability performance of Thong Guan during the period of 1 January 2023 to 31 December 2023. It covers the two business segments of the Group, namely, plastic packaging and food & beverages in Malaysia, China and Thailand. It does not cover overseas sales offices in United States and Denmark. Historical information from previous years was include, wherever applicable, to provide a basis for comparison.

Reporting Framework

This statement has been prepared to conform with the applicable requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Bursa Malaysia's Sustainability Reporting Guide (3rd Edition) as well as with reference to the global best practices for sustainability, i.e. United Nations Sustainable Development Goals as respond to emerging information demands from stakeholders and regulators.





Assurance

We strive to improve our data collection in Thong Guan to ensure completeness and accuracy. The information in this Statement has been reviewed by the Thong Guan Risk Management Task Force. This Statement has yet to be externally assured.

Sustainability Governance

Sustainability-related topics fall under the purview of the executive committee, assisted by the risk management task force. Our executive director represents the executive committee in reporting the sustainability-related matters to the Board of Directors.

We led our sustainability framework from the top-down, and each level of our organisation holds its respective responsibilities

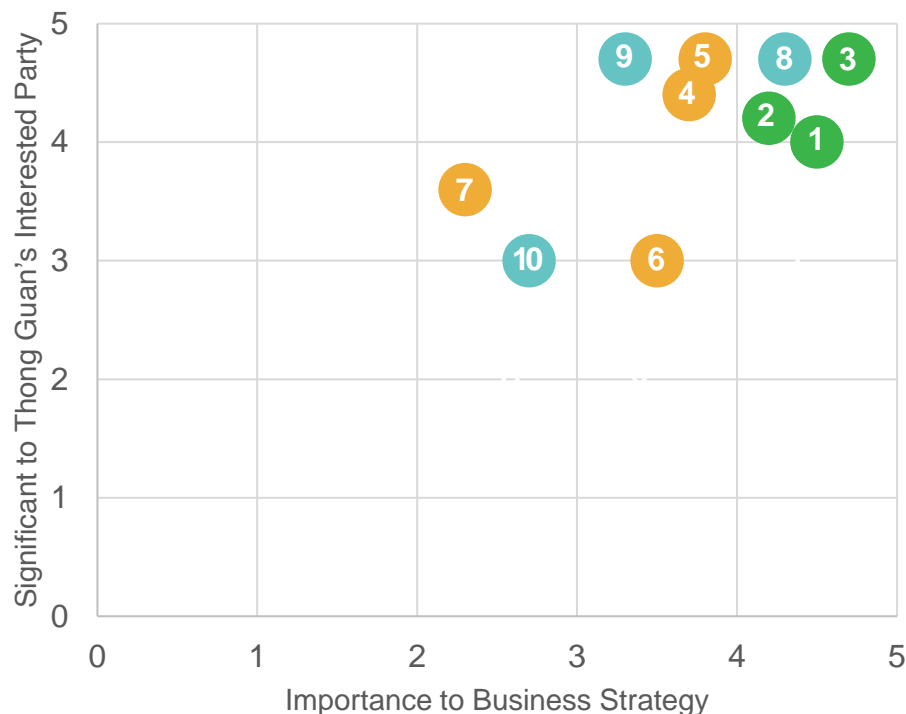
Role	Responsibilities	Composition
 Thong Guan's Board of Directors	<ul style="list-style-type: none"> Review the Group's sustainability matters and ensure business strategy considers sustainability. Provide advice and direction of sustainability in the Group when necessary, leading sustainability agenda. Provide the final review and approval on sustainability matters related to Thong Guan. 	 <ul style="list-style-type: none"> Executive Directors Non-Executive Directors
 Risk Management Task Force	<ul style="list-style-type: none"> Responsible for assessing and identifying material sustainability factors. Develop sustainability strategies, policies, practices, targets and regular revision is in place. Undertake actions necessary to address sustainability concerns. Oversees operating divisions in ensuring the robustness of the system of sustainability management. Report to the Board on the progress in sustainability matters and programs. 	 <ul style="list-style-type: none"> Executive Directors Divisional COO General Manager Senior Sustainability Manager Head of Departments
Sustainability Leaders at Operating Level	<ul style="list-style-type: none"> Support strategy implementation developed by the Risk management Task Force to ensure sustainability objective is achieved. Ensure sustainability processes and controls are in place within its departments/ functions. Review and feedback on all measurements for improvement. 	<ul style="list-style-type: none"> Operation leaders Key department representatives

The Board aims to stay well-informed about sustainability management, including climate-related risks and opportunities. Additionally, Thong Guan implemented sustainability-linked Key Performance Indicators (KPIs) in the evaluation process senior management to foster accountability and drive sustainability performance across the organization.

Materiality Assessment

The Risk Management Task Force conducted the materiality assessment process to pinpoint significant economic, environmental, social and governance risks and opportunities affecting our business. This procedure offers stakeholders insights for decision-making and prioritizing the company's interests, guided by Bursa Securities' Sustainability Reporting Guide and Toolkits.











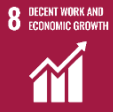
The Risk Management Task Force has recognized and ranked numerous sustainability concerns pertaining to the Group's operations, considering their impact and feedback from stakeholders.











- 1 Operational Eco Efficiency
- 2 Circularity
- 3 Environment Positive
- 4 Human Rights Protection
- 5 Health & Safety
- 6 Human Capital Development
- 7 Social Contribution
- 8 Corporate Governance and Ethics & Transparency
- 9 Sustainable Operations
- 10 Digitalisation

The table below offers a concise overview of Thong Guan's material matters and their significance. These 10 material matters align with supporting UN Sustainable Development Goals (SDGs), which aim to eradicate poverty, safeguard the environment and climate, and promote peace and prosperity for all people.

Material Matter	Description on its significance
	<p>Operational Eco Efficiency</p> <p>In manufacturing operations, efficient resource use, waste management, and product stewardship are paramount. Efficient use of resources increase profit, promoting sustainability. Efficient waste management and reduction strategies minimize environmental impact, conserve resources, and mitigate pollution. Product stewardship involves taking responsibility for a product's entire lifecycle, from design to disposal, ensuring minimal environmental harm. These practices not only enhance environmental sustainability but also improve operational efficiency, reduce costs, and bolster the company's reputation as a responsible corporate citizen.</p>
	<p>Circularity</p> <p>Circularity and recycling are crucial in the plastic industry to mitigate environmental impact. Embracing circular economy principles promotes the reuse, repurposing, and recycling of plastic materials, reducing waste, conserving resources, and contributing to a more sustainable and resilient industry ecosystem.</p>

	Material Matter	Description on its significance
   	Environment Positive	The greenhouse gas (GHG) emissions from our manufacturing and supply chain activities, along with high water usage, contribute to climate change and strain valuable resources. To mitigate adverse effects on both our business and the environment, managing energy consumption to reduce carbon footprint and ensuring water security are vital for minimizing environmental impact.
Social		
 	Human Rights Protection	Implementing human rights and ensuring fair treatment of employees enhances job satisfaction and underscores our commitment as an empathetic employer who upholds stakeholders' basic human rights and complies with relevant laws, regulations, and employment and human rights standards.
 	Health & Safety	Ensuring a healthy and safe workplace is paramount to preserving the health and overall well-being of employees and stakeholders, mitigating the risk of accidents, and is pivotal in attracting and retaining talent.
  	Human Capital Development	<p>Attracting and retaining talent is vital for cultivating a skilled team, decreasing turnover rates and associated costs, and ultimately fostering stronger customer relationships.</p> <p>Consistent training and leadership development programs will elevate employee skills and competencies, fostering career growth and enabling them to meet the evolving demands of the company.</p>

	Material Matter	Description on its significance
  	Social Contribution	Corporate responsibility involves supporting the community as a means to nurture mutual growth and demonstrate care towards society.
Governance*		
	Corporate Governance and Ethics & Transparency	Sound corporate governance and ethical business practices cultivate an atmosphere of trust, transparency, and accountability essential for nurturing enduring investment, financial stability, and corporate integrity. Our corporate governance adheres to the directives outlined in our Board Charter, Code of Conduct, and policies on anti-corruption and risk management.
Economic*		
 	Sustainable Operations	In sustainable operation, growth and profit are vital for long-term viability, innovation, attracting investors and talent, scaling impact, building resilience, and demonstrating success. They provide resources to expand sustainability efforts and deliver long term value to the stakeholders.
 	Digitalisation	Automation and digitalization in future manufacturing operations reduce reliance on manual labour, enhancing efficiency, productivity, and quality. By streamlining processes and minimizing human intervention, these technologies mitigate labour shortages, decrease errors, and ensure consistency.

* "Governance" and "Economic" material matters are reported under Governance pillar.

Stakeholder Engagement

Staying relevant & add value

Stakeholder engagement is key to ensuring our business continue be relevant and add value. The table below shows the engagement activities we have carried out during financial year 2023.

STAKEHOLDERS	AREAS OF INTERESTS	METHOD AND FREQUENCY
Bankers, Investors & Shareholders	<ul style="list-style-type: none"> • Sustainable Operations • Ethics & Transparency • Corporate Governance 	<ul style="list-style-type: none"> • Quarterly Financial Result • Annual General Meeting • Company Website • Annual Reports • Press Release
Customers, Suppliers & Business Partners	<ul style="list-style-type: none"> • Operational Eco Efficiency • Circularity • Environment Positive • Ethics & Transparency • Digitalisation 	<ul style="list-style-type: none"> • Customer Satisfaction Survey/Supplier Evaluation • Customer Service & Communication • Trade Fairs & Frequent Site Visits
Employees	<ul style="list-style-type: none"> • Human Rights Protection • Health & Safety • Human Capital Development 	<ul style="list-style-type: none"> • Communications, through counselling & memo circulation • Workplace Continuous Improvement Annual Performance Appraisal • Trainings & Workshops • Employee Events, including outing and get together gathering
Regulators, Government & Authorities	<ul style="list-style-type: none"> • Corporate Governance • Circularity • Environment Positive 	<ul style="list-style-type: none"> • Compliance & Certification Exercises, including site visits and audits by authorities/certification bodies
Communities	<ul style="list-style-type: none"> • Social contribution • Circularity • Environment Positive 	<ul style="list-style-type: none"> • Educational Site Visits • Community Outreach Programmes
Consultants (In the areas of business, finance, environment, social and governance)	<ul style="list-style-type: none"> • Corporate Governance • Ethics & Transparency • Circularity • Environment Positive • Health & Safety 	<ul style="list-style-type: none"> • Communications, through collaborations and engagement sessions with consultants

Environmental

Our sustainability goals toward carbon reduction, focusing on short & mid-term targets



Environmental

- Recycling & Circular Economy
- Climate Change & Energy

Environmental Progress:

2023 ENVIRONMENTAL HIGHLIGHTS

Solar power system implementation at 6 factories with capacity of **4425.8kWp** as at FY2023.

100% of our main packaging materials (paper core and carton) made of recycled and recyclable material.

6 factories certified with ISO 14001 Environmental Management System as at FY2023.

Consumption up to **1,000 pcs** of recycled wooden pallet **per month** through collaboration with supplier

6 factories completed energy audit as at FY2023.

Achieved target by **reducing waste to landfill by 37%** compared to FY2022-baseline (Target set: 30%).

All our plastic packaging factories located at West Malaysia signed up OCS program.

Subscribed to **49,578 MWh** GET during FY2023.

OUR APPROACH TO ENVIRONMENT MANAGEMENT

As a responsible corporate citizen committed to environmental sustainability, we are dedicated to taking meaningful actions. These include regulating our resources usage, minimising air and water pollution and emphasizing wildlife conservation by supporting the Operation Clean Sweep (OCS) program, minimizing waste to landfill through recycling, and adhering to regulations set on hazardous waste.

Establishing a robust environmental governance framework is essential for integrating best practices and strategies across our value chain, ensuring accountability among relevant functions and teams. The Risk Management Task Force plays a pivotal role in driving environmental management initiatives aligned with Thong Guan's environmental goals. Supported by our Environmental Management System (EMS), which upholds high standards of environmental business conduct, the responsibilities of the Risk Management Task Force include:

- Overseeing sustainability issues stemming from internal and external factors.
- Endorsing and proposing new ESG (Environmental, Social, and Governance) initiatives.
- Presenting the progress of ESG initiatives to senior management and the Board of Directors.
- Implementing and monitoring decarbonization and other environmental initiatives.

RISK MANAGEMENT THROUGH INNOVATION AND COMPLIANCE

In recent years, there has been a significant rise in public consciousness regarding the imminent threats posed by climate change and global warming. This heightened awareness has led to an escalating demand for products and solutions that boast reduced climate impact. Moreover, with the anticipated surge in regulatory requirements pertaining to plastics in the foreseeable future, the imperative to adapt and innovate is becoming increasingly urgent.

Failure to heed both legislative mandates and evolving customer expectations could result in a decline in sales volumes for Thong Guan. To preemptively address this challenge, we diligently monitor legislative developments, ensuring swift and strategic responses. Additionally, we have proactively bolstered our regulatory expertise over the years, enabling us to remain abreast of forthcoming changes and actively engage with pertinent industry associations.

We aim not only to comply with regulatory frameworks but also to anticipate and exceed customer demands for environmentally responsible solutions. This proactive stance positions us at the forefront of sustainability initiatives, reinforcing our commitment to environmental stewardship while safeguarding our market competitiveness.

Energy Management

Improving operational efficiency & Increasing the use of renewable energy

Improving operational efficiency

Efficient energy management is central to our commitment to sustainability and environmental stewardship. Our proactive approach involves not only investing in operational and energy efficiency but also fostering a culture of continuous improvement.

At the heart of our efforts is a dedicated in-house engineering team meticulously monitoring energy consumption across our facilities. Their expertise ensures we identify opportunities for optimization and implement effective energy-saving measures.

In FY2023, recognizing the importance of structured oversight, we established an energy management committee. Comprising senior management, this committee provides strategic direction and oversight, ensuring alignment with our sustainability goals. By closely monitoring progress and evaluating outcomes, we ensure accountability and drive meaningful results.

Furthermore, we have recently completed energy audits for two additional plastic packaging subsidiaries, bringing the total number of factories audited to six. These audits represent a proactive approach to identifying opportunities for energy optimization and efficiency improvements within our operations. By systematically evaluating energy usage and performance, we can implement targeted measures to minimize waste and reduce environmental impact across our facilities. Our aim is to achieve a 5% reduction in the Building Energy Index within three years following the completion of the audit. This ambitious target represents a significant milestone, especially considering that our facilities already operate under a robust energy management program.

Through these initiatives, we are not only reducing emissions but also enhancing operational resilience and cost-effectiveness. Our commitment to sustainable energy practices underscores our responsibility to future generations and strengthens our position as a leader in environmental stewardship within our industry.

Our power energy-saving project includes changing the chiller system, lightings to energy-saving bulbs & tubes, control system from direct online starter to variable frequency drive. These transformations brought considerable energy savings.



Site visits by auditor during energy audit

Harnessing renewable energy

In FY2018, we began installing solar photovoltaic (PV) system on the roofs of our factories to reduce our reliance on conventional energy.

In FY2023, we completed the installation of solar PV systems at two production facilities, bringing our total investment in solar PV systems to RM13.3 million. We continuously identify opportunities to install more solar PV systems, and we expect to further increase our solar PV system capacity in FY2024.

These initiatives underscore our commitment to sustainable practices and reducing our carbon footprint. By investing in renewable energy sources, we not only reduce our environmental impact but also enhance our resilience to energy price fluctuations. Ultimately, these efforts contribute to long-term cost savings and operational efficiency.

- ✓ In 2023, our combined use of 5,067 MWh of solar energy saved over 3,840 tCO₂e
- ✓ Since the installation of the PV system in FY2018, our combined use of 22,852 MWh of solar energy saved over 18,059 tCO₂e.

1. EQUITABLE USE OF RESOURCES

Energy Management

Improving operational efficiency & Increasing the use of renewable energy

Electricity Consumption (MWh)

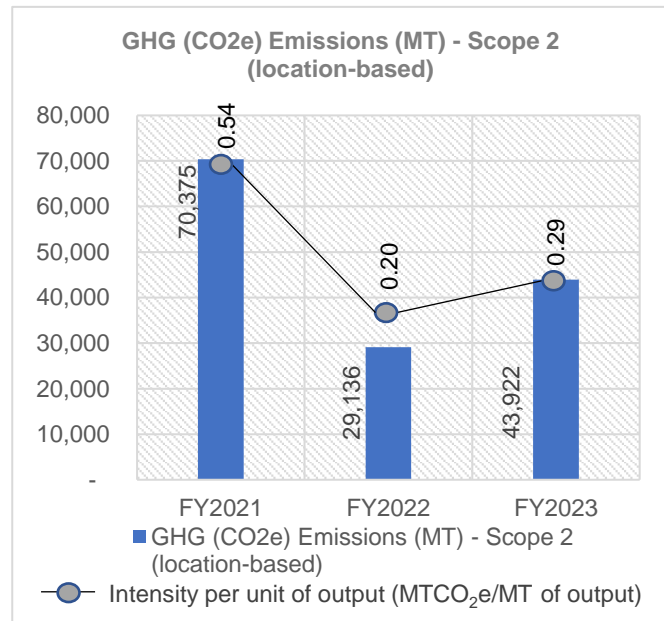
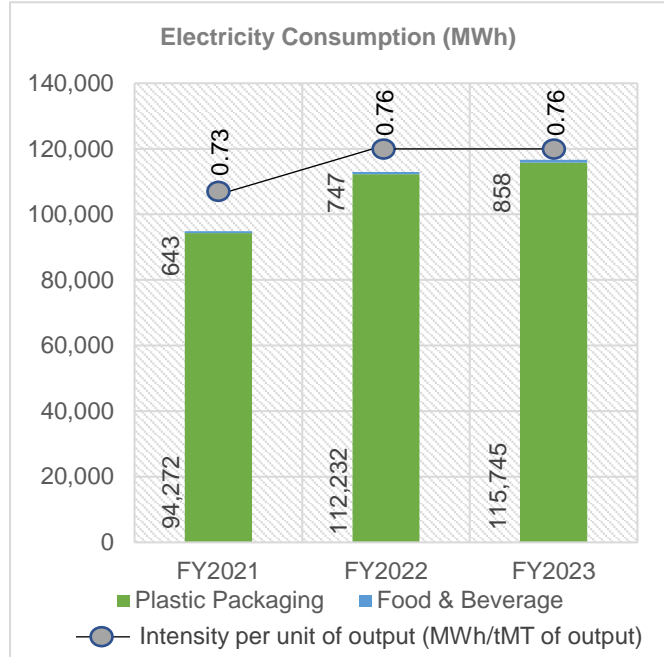
	FY2021	FY2022	FY2023
Food & Beverage	643	747	858
Plastic Packaging	94,272	112,232	115,745
Total	94,915	112,979	116,603
Powered by:			
Solar PV System	4,690	4,468	5,067
GET	-	66,759	49,578
Fossil-based	90,225	41,752	61,958
Total	94,915	112,979	116,603

GHG (CO₂e) Emissions (MT)

	FY2021	FY2022	FY2023
Total	70,375	29,136	43,922

Note:

- FY2021 Energy Consumption and GHG (CO₂e) Emission disclosed above refer to consumption and emission of facilities located in West Malaysia only.
- Scope 2 emission factors refer to:
 - Grid emission factors in Malaysia (2017-2021) published by Suruhanjaya Tenaga Malaysia
 - Electricity emission factor published by Ministry of Ecology and Environment of the People's Republic of China dated 15 March 2022, 25 April 2023



Exploring natural capital solution

In FY2023, we achieved 4.3% usage of renewable electricity generated by our own solar PV system on a group-wide basis. Our goal is to increase the usage of renewable electricity to 10% by 2025 and 20% by 2030. We are optimistic that we will be able to achieve the targets we have set.

Limitations of available rooftop space and variability of energy output indeed present significant challenges that limit our ability to exceed the 10% target.

We subscribed to Green Energy Tariff (GET¹) Programme by Tenaga Nasional Berhad (TNB) since the first quarter of 2022 as an alternative to increase our usage of renewable electricity. With this move, we achieved 47% (FY2022: 63%) usage of renewable energy in FY2023 on a group wide basis.

The percentage of renewable energy decreased compared to the prior year as we ceased our subscription to GET starting from August 2023 due to high subscription costs. However, this setback does not deter us from actively seeking alternative solutions. For instance, we are currently exploring Virtual Power Purchase Agreement (VPPA) opportunities in Malaysia as a viable option to further our commitment to renewable energy.

¹GET electricity is from solar and hydro generators. This offered us a further reduction opportunity of our GHG emissions in line with our support of the Paris Agreement and our development of local renewable energy sources.

1. EQUITABLE USE OF RESOURCES

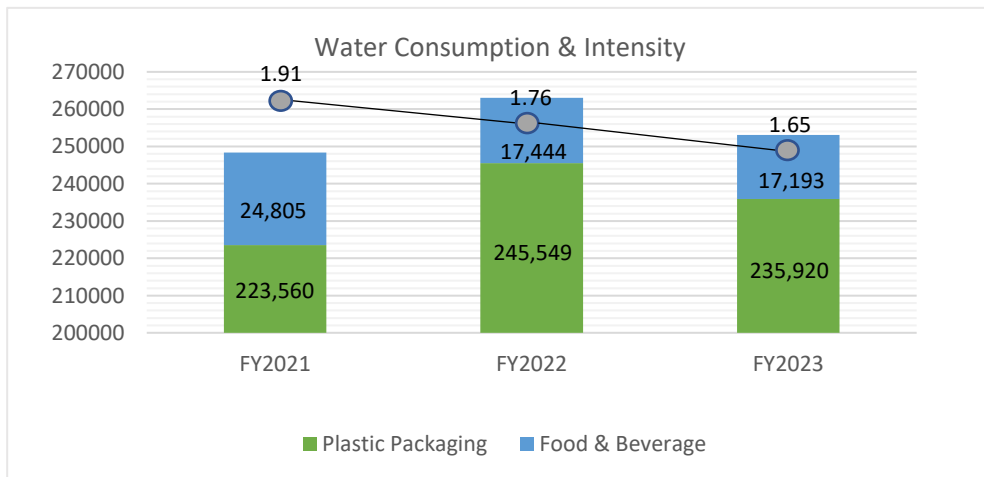
Water Management

Managing & reducing our water consumption

Water Management Policy

- Thong Guan adheres to all relevant environmental laws, international standards, procedures, and regulations in the countries where we operate. We consistently demonstrate responsible water usage by optimizing water utilization while safeguarding water sources.
- We have committed to decreasing our water intensity and mitigating water-related risks through our enterprise risk management framework.
- We preserve water quality by preventing plastic pellets from entering waterways and the environment.

Environment Progress Against Targets					
Focus Area	Metrics	Progress		Target	
		2022	2023	2025	2030
Water	Reduction in water intensity (Based on FY2021 baseline)	7.8%	13.6%	10%	20%



Water Consumption (m³)			
	FY2021	FY2022	FY2023
Food & Beverage	24,805	17,444	17,193
Plastic Packaging	223,560	245,549	235,920
Total	248,365	262,933	253,113

In FY 2023, we successfully met our objective of decreasing water intensity by 13.6% in comparison to the FY2021 baseline. This accomplishment primarily stemmed from heightened awareness of water conservation practices during our daily operations, as well as proactive measures implemented to detect and address water leakages in aging pipelines.

Operation Clean Sweep¹ (OCS)

Thong Guan pledges to OCS, ensuring zero pellet loss. We are committed to preventing resin spills with 6 actions:

- Improve our worksites set-up to prevent spills;
- Have in place internal procedures towards zero pellet loss goals;
- Provide employees training and accountability for spill prevention, containment, clean-up and disposal;
- Audit our performance regularly;
- Comply with all applicable local and national regulations governing pellet containment; and
- Encourage our partners (contractors, transporter, distributors, etc) to join the OCS

¹Operation Clean Sweep is an international programme designed to prevent the loss of plastic granules (pellets, flakes, and powders) during handling by the various entities in the plastics' value chain and their release into the environment.

Thong Guan has signed up to the Operation Clean Sweep³ (OCS) pledge in Europe and is implementing zero pellet loss measures. Pellet loss should always be avoided. Examples of actions taken to avoid pellet loss at some of our sites are installation of filters in storm water drainage, cleaning with vacuums and installing equipment, specific recycling processes for dirty granules, weekly action plans, and staff training.

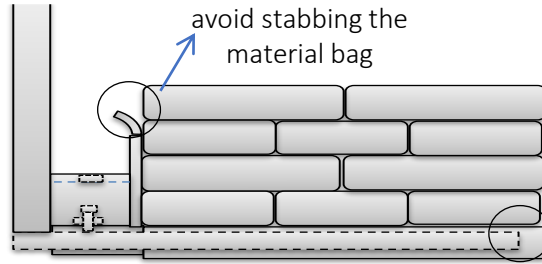
Water Management

Managing & reducing our water consumption

Operation Clean Sweep (OCS)



Installation of filters in water drainage



Installation of forklift stopper to avoid stabbing the material bag

Consuming Water Responsibly

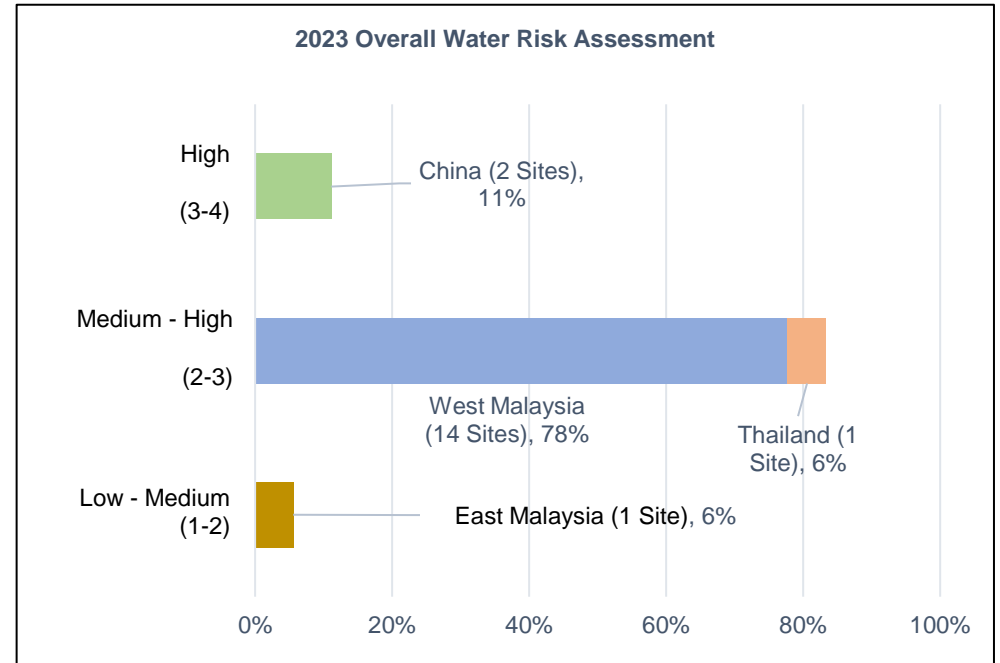
While water is not a primary component in our manufacturing process for plastic packaging and the food & beverage sector, it remains a significant focal point in our resource management strategies. Our F&B Division mainly processes dry material

We initiate our water management strategy by responsibly utilizing water from municipal pipelines, which currently serve as our primary water source. Our objective is to decrease our reliance on municipal water sources by minimizing water wastage throughout our operations. For instance, we implement practices such as continuous recirculation and reuse of water in cooling towers to diminish evaporation and limit wastage. Additionally, we conduct regular monitoring of our water usage to detect any irregularities and pinpoint areas for enhancement, all while ensuring there are no leakages that could contribute to water wastage.

Additionally, we conduct periodic monitoring of the effluent quality from our plastic packaging manufacturing plants. Samples are collected and dispatched to third-party laboratories for analysis. Over the past three years, we have complied with regulations concerning both water consumption and quality, with zero incidents of non-compliance reported.

To optimize water resource utilization at our operational sites and alleviate strain on water-stressed environments, we implement proactive measures and utilize predictive methods. We rely on the AQUEDUCT Water Risk Atlas, which employs 13 indicators to assess our water risk, stress levels, and forecast fluctuations in demand and supply at our sites. Senior management and the Risk Management Task Force utilize these results to formulate remediation strategies for water optimization.

Location	Percentage	Overall Water Risk
East Malaysia (1 Site)	6%	Low - Medium (1-2)
West Malaysia (14 Sites)	78%	Medium - High (2-3)
Thailand (1 Site)	6%	Medium - High (2-3)
China (2 Sites)	11%	High (3-4)



1. **EQUITABLE USE OF RESOURCES**

Material Management

Manufacturing responsibly

We always strive to use materials responsibly. Thong Guan’s use of raw materials contains virgin (fossil) and recycled. Our main raw material is polyethylene (PE), additives, compounds and masterbatches (mainly consisting of polymers) are used to enhanced properties of the films. We encourage sustainable consumption and closely monitor the total volume of primary materials. We are committed to innovating and developing more sustainable solutions, stemming from the use of virgin polymer by using recycled materials and reduce the thickness of our film.

Total Materials Used (MT)			
	FY2021	FY2022	FY2023
Virgin material	141,139	131,156	138,615
Recycle resin	7,948	9,143	10,071
Total	149,087	140,299	148,686

Post-Industrial Recycle (PIR)

Recycled plastic from post-industrial waste - waste material diverted during a manufacturing process is reutilization of materials such as rework, regrind or scrap generated in a given process and capable of being reclaimed within the same process.

We oversee our daily plastic production waste as part of our ongoing commitment to minimizing in-house plastic production waste. Should the percentage of plastic production waste surpass the internal threshold, the production manager conducts an investigation. Additionally, we refine our in-house recycling process to minimize contamination in plastic production waste. We also segregate plastic production waste according to grade, type, and colour to enhance the quality of our PIR.

Our plastic production waste is recyclable and undergoes full recycling into PIR, aiming for zero plastic production waste. While PIR remains a resource at Thong Guan, it is no longer a primary component in our target follow-up process.

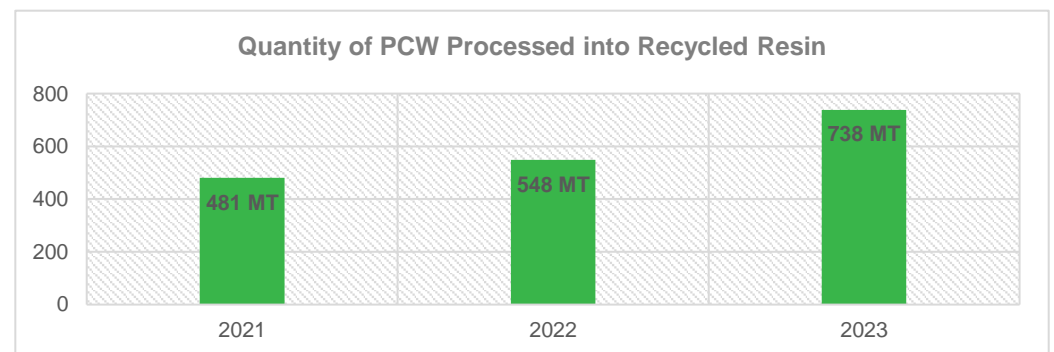
Post-Consumer Recyclate (PCR)

Recycled plastic resin from post-consumer plastic waste (PCW) (waste material generated by the end-users of products, that has fulfilled its intended purpose or can no longer be used – including material returned from within the distribution chain). Handling post-consumer waste come with immense challenges, but we support the use of PCR for greener results. Our ambition toward plastic circularity is incomplete without formulating and successfully executing our strategies for handling PCW.

We are committed to incorporating 10% Post-Consumer Recycled (PCR) materials into our total plastic production output by the year 2030, recognizing the pivotal role PCR plays in spearheading the transition towards a circular use of plastics and in mitigating our carbon footprint. Our dedication to providing low-carbon solutions to our customers underpins our mission. Currently, our utilization of PCR is less than 1% of our total plastic production output as of FY2023. While this figure falls short of our set targets, we persistently explore avenues to bolster our PCR consumption. The primary hurdle we encounter is the restricted availability of PCR meeting our stringent quality standards. Presently, our PCR sources predominantly encompass external resin suppliers, internal post-use plastic packaging such as resin bags, shrink covers, stretch hoods, and stretch films, along with collaborative initiatives with customers aimed at collecting post-use plastic packaging.

To effectively meet our PCR utilization targets, we have implemented comprehensive strategies focused on forging enduring partnerships with PCR suppliers and waste collectors, thereby securing a reliable and steady influx of externally sourced PCR. Additionally, recognizing the paramount importance of bolstering our recycling infrastructure, we have made significant investments totaling RM5 million over the past three years. These investments are directed towards enhancing our recycling capabilities, thus fortifying our ability to process and utilize PCR materials efficiently and sustainably.

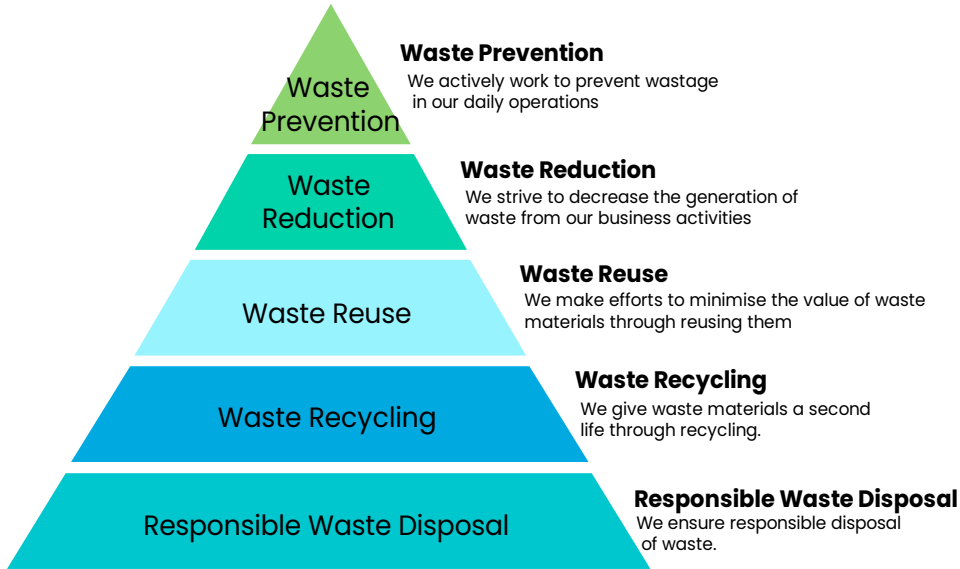
Waste segregation campaign was successfully launched in within TG. In FY2023, total PCW from internal post-use processed into recycled resin increased by 190MT to 738MT.



Waste Management

Managing & reducing our production waste

We adhere to a responsible approach in industrial waste management, prioritizing compliance with pertinent laws and regulations. Our waste management practices include providing guidance on the safe handling and disposal of waste, aligning with health and safety control requirements. Our approach involves:



In FY2022, we committed to reducing waste to landfill by 30% in 2023. To achieve this goal, we implemented a waste segregation and recycling awareness program and conducted frequent briefings for operational staff on the significance of recycling. Additionally, we engaged with suppliers who demonstrate high awareness in waste reuse, recovery, or recycling. As a result of these efforts, we achieved encouraging results, successfully reducing waste to landfill by 37% in FY2023.

Environment Progress Against Targets					
Focus Area	Metrics	Progress		Target	
		2022	2023	2023	2025
Waste	Reduction in waste (Based on FY2022 baseline)	N/A	37%*	30%	60%

Total solid waste excludes production scraps generated directly from our manufacturing process such as plastic trimmings and rejected films. Production scraps generated directly from our manufacturing process is fully recycled, upcycled and sold to third parties that may use them as raw material in their own production processes. Our manufacturing plants are equipped with recycling facilities which made the recycling of our production scraps efficient and achieved zero production scraps.

Our solid waste includes:

- Post-use industrial plastic waste, including packaging like resin bags, shrink covers, stretch hoods, and films from our suppliers
- Post-use industrial non-plastic waste, such as used wooden pallets, paper, and metal.
- Post-consumer waste from in-house segregation program, including PET bottles, clean flexible packaging, and paper.

Total waste generated (MT)		
	FY 2023	
		Plastic Packaging
		Food & Beverage
Total waste diverted from disposal	5,485	35
Total waste directed to disposal	1,169	414
Total	6,654	449

Refer to total waste of facilities in West Malaysia

Scheduled (Hazardous) Waste

Thong Guan collaborates with licensed collectors from the Department of Environment (DOE) to manage schedule waste. This waste is either sent to landfills, incinerated, or recycled. We transparently report and disclose our scheduled waste generation on the government portal.



Wooden Pallet Recycling Program

Managing & reducing our production waste

TG Group is dedicated to embracing sustainable practices in response to environmental concerns, particularly in light of the growing demand from eco-conscious consumers for more sustainable packaging solutions. We place a strong emphasis on the recyclability of our packaging materials, including wooden pallets, recognizing the importance of collaboration with stakeholders across the value chain to address the systemic challenge of waste management.



Used, worn and broken pallets sent to vendor

In FY2022 December, Thong Guan initiated the Wooden Pallet Recycling Program with our vendors, focusing on rebuilding used, worn, and broken pallets into usable recycled pallets. Collaborating closely with our vendors, we ensured that the durability and strength of the recycled pallets met our quality standards. Furthermore, we undertook efforts to educate our customers on the significance of using recycled wooden pallets and demonstrated how this initiative contributes to minimizing deforestation issues.

The program garnered positive responses from customers, leading to a significant increase in the internal consumption of recycled wooden pallets from 50 pieces monthly to 1,000 pieces monthly by the end of FY2023. Looking ahead to FY2024, we aim to further elevate consumption to 2,500 pieces monthly.



Recycled pallets using our own materials

Through the Wooden Pallet Recycling Program, even wood dust and broken wood planks are repurposed into wood chips or energy by our vendors. This demonstrates our commitment to ensuring that our used, worn, and broken pallets are handled responsibly while emphasizing the importance of stakeholder partnerships for achieving circularity in our operations. In FY2023, the vendor collected 47,324 pieces broken or used pallet for recycling in their manufacturing operations.



Thong Guan is committed to build a sustainable supply chain with our stakeholders and contribute to both CO₂e and landfill avoidance. Every recycled wooden pallet saves 28KG of CO₂e.

Recyclability and Recycling

Driving plastic circularity

Product Recyclability

Promoting recyclability plays a pivotal role in reducing the environmental impact of a product by minimizing its carbon footprint. Thong Guan is committed to enhancing the recyclability of our products post-consumption, thereby steering them away from conventional disposal routes like landfills or incinerators. Instead, our focus is on maintaining their presence within the material cycle, thus bolstering circularity within the system. This objective is pursued through various initiatives, such as advancing process technologies and innovating the design of plastic products to optimize their recyclability potential.

Our products are designed with recyclability in mind, ensuring that they can be efficiently repurposed at the end of their lifecycle. This holistic approach not only aligns with our sustainability goals but also underscores our dedication to fostering a more environmentally responsible manufacturing process.

Thong Guan defines recyclable products as those that are deemed recyclable in polyethylene (PE) upon receipt from our company. However, it is important to note that certain products designed for specific uses may become contaminated in a manner that renders mechanical recycling unfeasible. Examples of such applications include medical products and hygiene laminations, which are therefore excluded from our recyclability definition.

Recycling Capacity

TGSH Plastic Industries Sdn. Bhd. has served as our internal recycling plant since 2011. As of December 31, 2023, TGSH owns 4 recycling lines and has the capacity to convert 5,400 MT of plastic waste into recycled resin. TGSH specialise in recycling of post-consumer waste (PCW). Managing PCW requires specialised knowledge and expertise in feedstock management to ensure effective processing. Our investment in recycling facilities has been substantial, totalling RM6.3 million since 2016.

To our customers, we:

- Increase awareness among customers regarding their role in minimizing environmental impact by supporting environmentally friendly products and offer an after-use collection program.
- Provide data and evidence-based test results from the Newton R&D Centre to assure customers of the quality performance of our recycled packaging.
- Quantify our sustainability commitment through green certificates such as ISCC Plus & GRS to ensure traceability of certified material (recycled resin) and third-party confirmation on recycled content.

Risk management in relation to recycling

As of the present day, Thong Guan's impact on end-of-life plastic recycling is somewhat constrained, given that the actual recycling process hinges on several factors including product usage, as well as the collection and management of waste post-consumption. Waste collection procedures are predominantly governed by national and local authorities, thereby limiting the standardization of recycling regulations. Furthermore, the perception of recycling among both local authorities and the public plays a significant role in shaping our expansion plans for recycling facilities.

To enhance the recycling rate, it is imperative to establish efficient conditions that encourage the collection of used plastics and create a predictable regulatory framework conducive to investments in circular plastics. In response to this need, Thong Guan has initiated the RE:USE program, aimed at providing after-use waste collection services to our customers. Additionally, we are actively exploring collaboration opportunities with waste collectors to scale up the recycling of post-consumer plastic waste (PCW), thereby enabling a greater volume of plastic waste to be recycled.

Life Cycle Assessment (LCA)

In collaboration with SIRIM, we successfully completed our first life cycle assessment (LCA) of our nano stretch film product in FY2013. This assessment was conducted in accordance with ISO14044 (Environmental Management – Life Cycle Assessment) to comprehensively evaluate the environmental impact of our products.

This assessment was conducted to carefully evaluate the environmental impacts of our products, with a specific focus on our core offerings, such as nano stretch film. Throughout this process, we actively solicited feedback and input from both our suppliers and customers, seeking valuable insights to enhance various facets of our product lifecycle.



2. GREEN CERTIFICATIONS

Justifiable Sustainability

Quantifying & qualifying our green competency

Green Certifications

Through the application of globally recognized standards and the validation of our sustainability efforts by external entities, we secure an additional layer of assurance for both ourselves and our stakeholders, affirming our trajectory towards becoming the preeminent leader in sustainability within our industry. Our emphasis on obtaining globally recognised certifications such as ISO14001, ISCC Plus and GRS enables us to stay updated with industry best practices and enhance our reputation by showcasing our commitment to be transparent in supply chain.

We meticulously choose our certificates, and when applicable, seek assistance from external parties to ensure that we engage with certifications that yield the greatest impact and establish the most stringent standards for sustainability. Thong Guan's subsidiaries, where relevant, are certified in accordance with a range of international and national standards and certifications, including but not limited to the following:

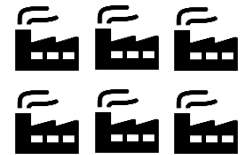
ISO 14001



ISO 14001 is a globally recognized standard for establishing and maintaining effective environmental management systems (EMS). It guides organizations in addressing environmental responsibilities, fostering sustainability, and driving continual improvement. Compliance with ISO 14001 signifies a commitment to environmental stewardship and operational excellence.

By adhering to this standard, we are taking proactive measures to minimise our environmental footprint and comply with relevant legal requirements. The framework encompasses various aspects, from resource usage and waste management to monitoring environmental performance and involving stakeholders in environmental commitments.

6 Factories



ISCC Plus



The International Sustainability and Carbon Certification (ISCC) stands out as a premier solution provider for fostering sustainable international supply chains. Renowned for its comprehensive approach, ISCC encompasses the entirety of the supply chain, encompassing diverse bio-based feedstocks and renewables. With ISCC certification, companies are assured of meeting stringent ecological and social sustainability criteria, achieving reductions in greenhouse gas emissions, and maintaining traceability across the entire supply chain.

The ISCC certification serves as a testament to a commitment to sustainability, ensuring that materials sourced are sustainably produced and traceable throughout global supply chains. By opting for ISCC PLUS certification, Thong Guan demonstrates its dedication to sustainable practices, particularly in the conversion of circular materials with mass balance approach. This strategic choice underscores Thong Guan's commitment to environmental responsibility and its role in driving positive change within the industry.

2 Factories



In the process of adding an additional site in FY2024

GRS



Global Recycled Standard (GRS) set the criteria for third-party certification of recycled materials and chain of custody. Certifiable products must contain at least 20% of recycled material and only products with at least 50% Recycled Content qualify for product-specific GRS labelling

GRS sites are required to meet strict social and environmental requirements. Chemicals with harmful potential are not allowed to be used on GRS products.

2 Factories



3. Sustainable Product Development and Innovation

LoopClosers

Closing the loop with product development and innovation

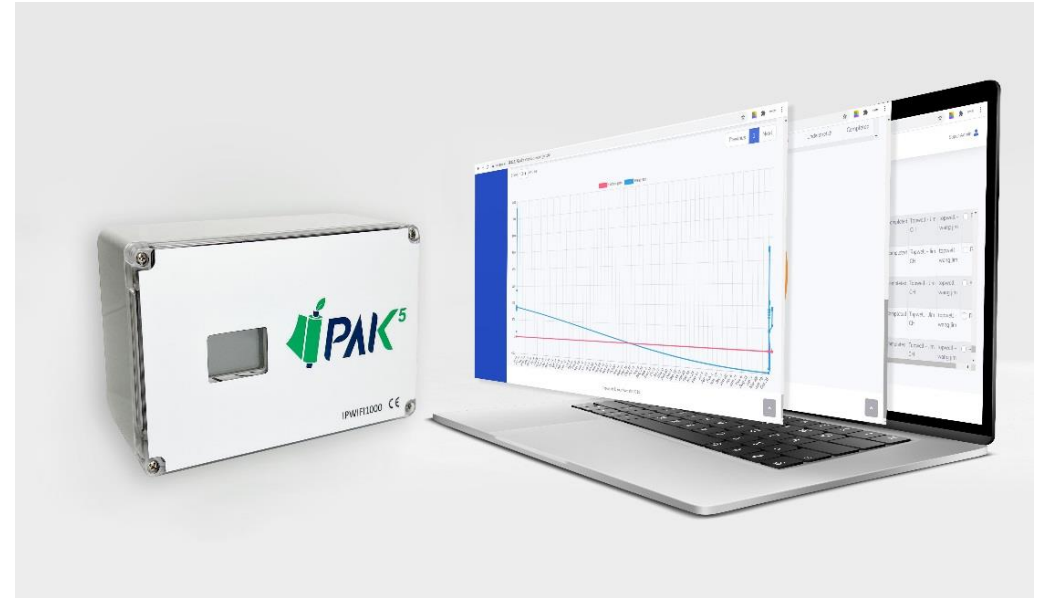
Thong Guan is dedicated to assisting our customers in their sustainability journey by pioneering innovative products and solutions that contribute to a reduced climate footprint. We empower our clients to progress towards their sustainability targets while ensuring that their functional and branding needs are met. Our commitment extends to providing products and solutions that prioritize environmental responsibility while delivering excellent service. By deeply comprehending our customers' businesses and profitability concerns, we tailor our offerings to align seamlessly with their objectives, fostering a mutually beneficial partnership dedicated to sustainability and success.

In collaboration with our stakeholders, we actively explore and identify the most suitable options to fulfil their unique requirements. One such initiative is our provision of carbon footprint calculations for Thong Guan's products, enabling our customers to gain comprehensive insights into their environmental impact and identifying avenues for reduction.

Recycling collation shrink film

Collation shrink films are no longer required to be classified as single-use plastics thanks to our collaborative efforts with ExxonMobil. We've achieved a breakthrough in mechanical recycling, developing a solution that incorporates 50% recycled material content into shrink films.

Our innovative approach has proven successful, with the collation shrink films passing the "proof of concept" stage. This indicates that the films meet the necessary performance criteria after undergoing three months of testing.

**iPAK 5**

iPAK5, an affordable IoT solution, has been developed to enhance businesses' visibility and traceability in their packaging operations. With iPAK5, customers can achieve optimal performance by:

- Providing visibility and traceability of operations.
- Reducing product damages during transportation.
- Enhancing safety throughout the supply chain.
- Boosting productivity.
- Offering long-term cost reduction.
- Improving sustainability Key Performance Indicators (KPIs).

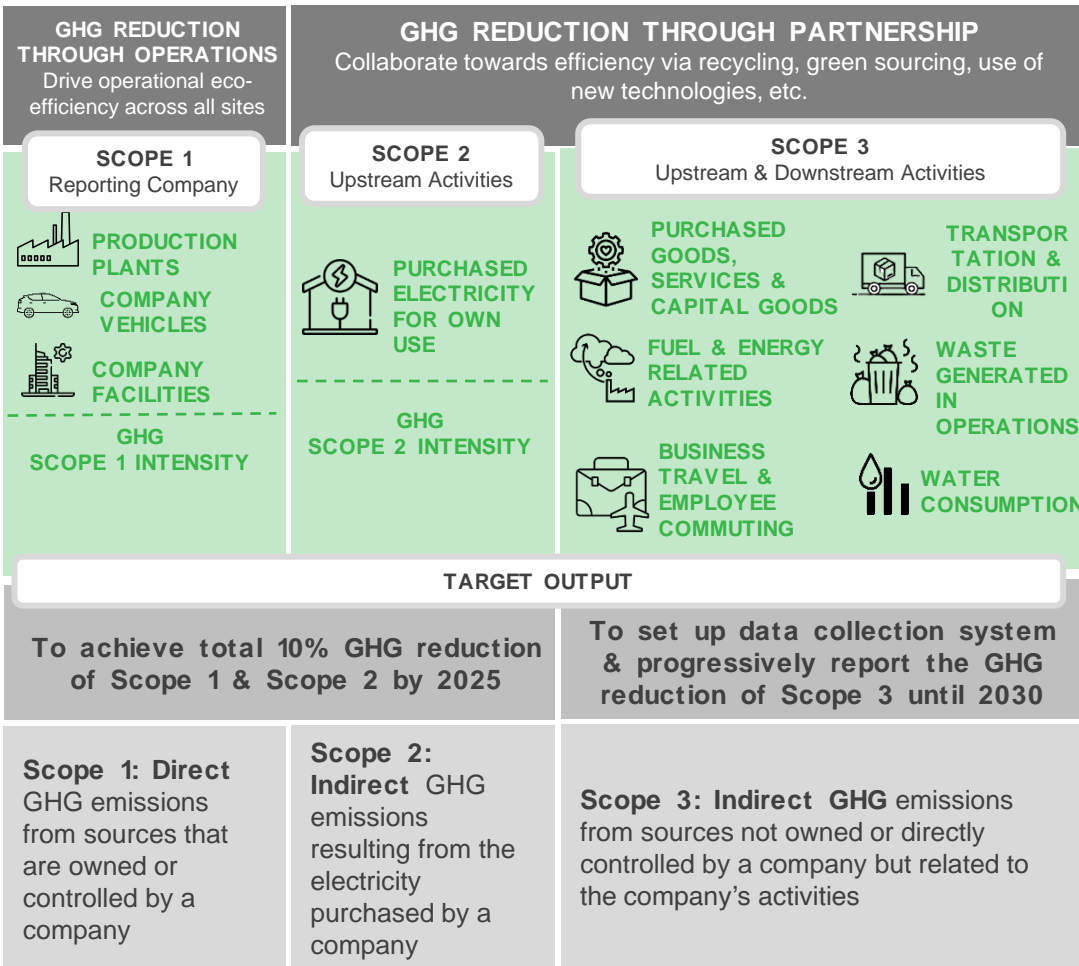
iPAK5 delivers valuable insights, including:

- Total films consumed.
- Downtime alerts.
- Monitoring across multiple sites.
- Estimated CO2 savings.
- Load stability.

GHG Emissions Reduction

Keeping our environmental impact in check

GHG EMISSIONS ACROSS OUR VALUE CHAIN



GHG Emissions Reduction

As a producer of plastic packaging, Thong Guan directly and indirectly contributes to GHG emissions. Thong Guan is committed to limiting emissions and adapting to climate change. In 2021, Thong Guan strengthened its commitment to reducing its climate impact by setting group-wide emissions reduction targets for Scope 1 & Scope 2 GHG emissions, aiming for a 10% reduction compared to the FY2021 baseline.

Air Pollution Management

Minimising environmental pollution

As a responsible corporate citizen, Thong Guan remains dedicated to upholding adherence to relevant local and international environmental and climate regulations. We are resolute in our commitment to incorporating sustainable environment practices into our business activities and minimising adverse impacts on the environment resulting from air pollution. Our formal air pollution management is guided by ISO 14001 to address odour-related environmental concern.

During FY2021 to FY2023, there were no instance of non-compliance resulting from air pollution. We strictly abide by environmental laws and regulations to achieve the goal of zero penalty.

At Thong Guan, we have established various initiatives for air pollution control in our manufacturing processes and comply with the Environmental Quality (Clean Air) Regulations of 2014. These initiatives include:

1. Collaboration with external laboratory to ensure that emissions from our chimneys consistently adhere to regulatory limits.
2. Prohibition of open burning to mitigate air pollution.
3. Modernization our equipment by changing diesel forklift to electric forklift. Since FY2022, we purchased 14 electric forklifts with a total cost of RM1,113k.

GHG Emissions Reduction

Understanding where emissions occur across the value chain is crucial for improving our climate impact. Our assessment of Scope 1 & Scope 2 emissions revealed that 98% of Thong Guan's production sites' energy consumption comes from purchased electricity (Scope 2), while our Scope 1 emissions derive from diesel and petrol consumption. Following our roadmap, we aim to reduce our Scope 1 & Scope 2 GHG emissions by 10% through transitioning to renewable electricity, such as electricity generated by our solar PV system, and continuous improvement in energy efficiency. Additionally, we are exploring Virtual Power Purchase Agreements to further decrease our Scope 1 & Scope 2 emissions beyond the 10% target.

Transportation and distribution are identified as major components of our Scope 3 emissions. We have established a data collection system and are exploring greener transportation modes. We have also set Key Performance Indicators to increase the utilization of return containers. In FY204, we will disclose our Scope 3 emissions for Category 6 (business travel) and Category 7 (employee commuting) in accordance with the Bursa Sustainability Reporting Guide (3rd edition).

Chemical Substances Management

Minimising environmental pollution

Chemical Substances Management

Thong Guan places paramount importance on the responsible handling of its raw materials, particularly those classified as chemical substances. Thong Guan diligently adheres to the regulations outlined REACH¹ framework, ensuring ongoing compliance. Additionally, in cases where relevant, Thong Guan strictly follows legislation governing food contact materials to guarantee the safety and quality of its products.

At the heart of our commitment to compliance is the meticulous selection of substances that have been either registered or pre-registered in accordance with the rigorous standards set forth by REACH. Furthermore, fostering transparent communication and collaboration, we engage in continuous dialogue with our network of raw material suppliers, ensuring that they too uphold the stringent requirements of REACH. Our dedication to transparency extends to providing access to our REACH statement via our official website, affirming our unwavering commitment to regulatory adherence and responsible business practices.



¹Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is a regulation of the European Union, adopted to improve the protection of human health and the environment from risks that can be posed by chemicals.

Collaboration Helps Growth

Optimising synergy for greater positive green impact

Our Membership In Associations

As active member in a variety of industry associations, we unlock greater value through collaboration, develop closer relationship with various stakeholders and contribute to the uplifting of standard across the Malaysian business community. Our membership also enable us to stay abreast of the latest industry innovations and trends.

Association	Business Division	Our Role
Malaysian Plastic Manufacturers Association (MPMA)	Packaging	Member in Central Committee Northern Branch Chairman
Federation of Malaysian Manufacturers (FMM)	Packaging	Member
International Safe Transit Association (ISTA)	Packaging	Member
European Safe Logistics Association (EUMOS)	Packaging	Member
ASTM International (American Society for Testing and Materials)	Packaging	Member

Support Green Initiatives

The call for climate action continue to grow louder. At Thong Guan, we support organisation/agencies who share the same value to same value to develop and implement sustainable environment practices to effectively manage climate and environmental risk.

We are a member of the Climate Governance Malaysia, the Malaysian chapter of the World Economic Forum (WEF) climate governance initiative



CLIMATE GOVERNANCE MALAYSIA

Sustainability Through Data

Optimising performance to achieve greener impact

Safe & Stable Load Reduce Risk of Road Accidents

While Thong Guan acknowledges the significance of sustainability initiatives within the packaging sector, particularly in recycling and downgauging, we also prioritize the delicate balance between environmental concerns and logistical safety. This is especially pertinent when considering the utilization of recycled materials in packaging films, such as stretch film, shrink film, stretch hood, and strappings, and reducing packaging material thickness, which are crucial for load stability. Excessive use of recycled materials may alter the physical properties of packaging film, resulting in decreased tensile strength, puncture resistance, and elongation capacity, directly impacting load stability.

At Thong Guan, ensuring load stability remains paramount and is not to be compromised, even in the pursuit of increased recycled content and downgauging in packaging films.

Compromised load stability poses significant safety risks and operational inefficiencies:

- **Increased Product Damage:** Unstable loads are more prone to collapse or shift, leading to a higher incidence of product damage.
- **Repacking and Reverse Logistics:** Damaged goods necessitate repacking and return shipments, involving additional material use and transportation.
- **Labour and Documentation:** Handling incidents related to unstable loads requires extra labour and extensive documentation, thereby increasing operational costs.
- **Overall Increased Carbon Emissions:** Ironically, the additional transportation, manufacturing of replacement goods, and waste management resulting from load failures may outweigh the carbon savings from using recycled materials.

The establishment of the Newton Research and Development Centre aims to provide customers with visibility of data and guidance on the suitability of films to be used, including the optimal percentage of recycled content and thickness.

In Newton, our state-of-the-art simulators assess palletized load stability and integrity in real-world scenarios, encompassing various transportation modes such as road, rail, sea, and air. Our global standards lab simulations reassure customers that their palletized load can withstand the rigors of long journeys, even in potential transit or situational incidents. Reducing the risk of road accidents also contributes to mitigating transportation-related fatalities, aligning with our mission.

Customer Testimonial



“Since, my team and I took part in the training at **Newton**, it has revolutionized the way we offer our services to our client”
Sean Twiname / Manager/ Castle Industrial

“We’ve learned lots of things by joining **Newton’s training**. We’ve been able to understand the technology that goes into the films that we utilise, plus the best mechanisms to reduce waste to improve load containment which ultimately leads to better safety with our customers”

James Poulsen/ Sales General Manager/ Signet



Our Load Stability On The Move was recently showcased at the Interpack 2023 in Dusseldorf, Germany

Social

Empowering our people & the communities

HUMAN RIGHTS PROTECTION

Scope & Strategies:

1. Equal Rights to Work & Education
2. Diversity & Inclusion

We assess & address our human rights risk & impact per internationally accepted guidelines and best practices, i.e. SMETA or its equivalent.

Targeted Output:

- To certify our major manufacturing plants in Malaysia as Sedex members by 2025.
- To improve 50% women leadership by FY2025.

HEALTH & SAFETY

Scopes & Strategies:

1. Business Continuity
2. Safe & Conducive Workplace

We benchmark our workplace safety & health practices with internationally accepted guidelines and best practices, i.e. ISO 45001:2018.

Targeted Output:

To achieve 100% ISO 45001:2018 certification for all our factories by 2025.

OUR SOCIAL GOALS

SOCIAL CONTRIBUTION

Scope & Strategies:

1. CSR
2. Education
3. Underprivilege Community

- Provide aid & relief to the poor, aged, sick, old, disabled, orphans & victims of violence & abuse.
- Support & assist in the welfare of local communities.
- Support projects relating to environmental sustainability.

Targeted Output:

To be an active participant in creating a sustainable and caring society.

HUMAN CAPITAL DEVELOPMENT

Scope & Strategies:

1. Employee Engagement
2. Talent Development
3. Leadership & Legacy

We invest in our workforce by providing training to our employees.

Targeted Output:

- To increase training hours by 10% in FY2023 and 30% by FY2025.
- To develop a succession plan for key leadership positions to mitigate key person risk.



Social

- Health, Safety & Well Being
- Corporate Social Responsibilities & Collaboration

Social Progress:

2023 SOCIAL HIGHLIGHTS

Zero complaint on incident of unfair employment, violation of labour law and human rights, unfair harassment and unlawful discrimination practices in the past three years.

Donated goods and money worth RM91,016 to 43 beneficiaries.

Zero fatality in FY2023. To continue to achieve zero fatality in coming years.

All our hostels are approved Centralised Labour Quarters (CLQ).

3 of our factories have obtained SMETA accreditation.

We employed 4 employees with disabilities and 44 interns as at 31 Dec 2023.

4 of our factories are certified under ISO 45001:2018.

Increased training hours by 62% compared to FY2022, achieving our target set in the prior year.

OUR APPROACH TO SOCIAL MANAGEMENT

Thong Guan demonstrates a commitment to responsible employment practices and active community engagement across our operational areas. Our focus lies in fostering a secure and inspiring workplace environment that prioritizes the well-being of our employees. We pledge to cultivate a culture where our staff not only excel and grow but also enjoy optimal physical and mental health. By investing in our personnel, promoting continuous learning, and fostering a culture of recognition for all contributions, we strive to create an inclusive environment. While adherence to laws and regulations is non-negotiable across all our sites, Thong Guan goes beyond mere compliance, embracing a heightened level of social responsibility in many instances.

RISK MANGEMENT THROUGH KEY STRATEGIES

Major risks associated with heavily relying on foreign workers include changes in immigration policies, geopolitical tensions, and currency fluctuations. Additionally, there is the potential for increased costs related to work permits, visas, and recruitment fees. To address these challenges, Thong Guan aims to minimize dependence on foreign labour by prioritizing local economic development and sourcing its workforce locally whenever feasible, thereby reducing reliance on external factors beyond the Group's controls.

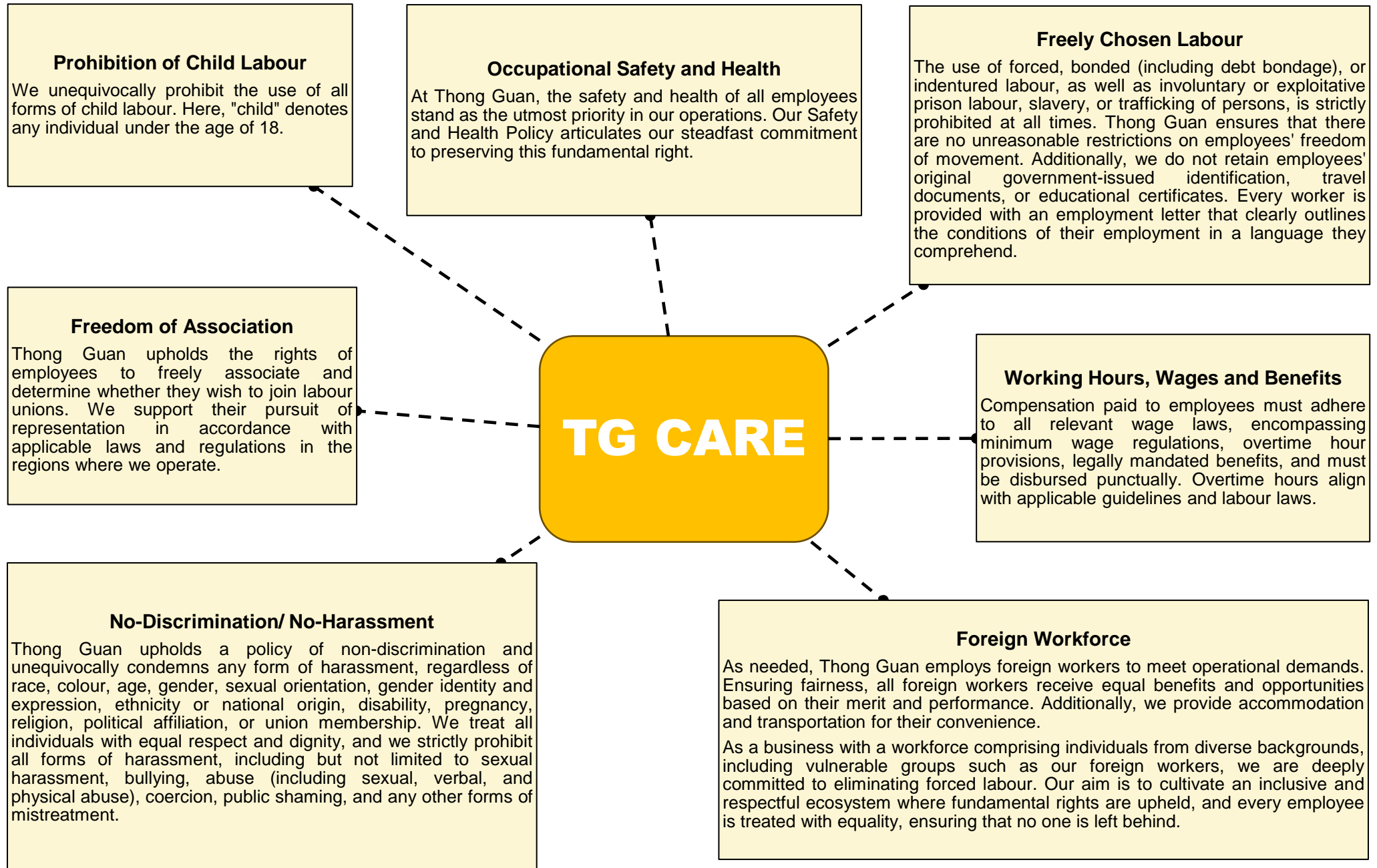
To mitigate these risks effectively, Thong Guan has implemented several key strategies:

- 1. Monitoring Regulatory Changes:** Thong Guan's Group Human Resources Department remains vigilant regarding developments in labour laws and regulations. They provide proactive updates to ensure the Group stays abreast of the latest regulatory changes, enabling timely adjustments to policies and practices.
- 2. Continuous Improvement of Labour Practices:** Thong Guan consistently monitors and enhances its labour practices, committed to complying with best practices to promote the resilience of its workforce and mitigate potential disruptions.
- 3. Manpower Utilization Planning:** The Group has established a dedicated manpower utilization plan, regularly reviewed to ensure a sufficient talent pool to meet the organization's evolving needs, thus reducing reliance on external hiring.
- 4. Adoption of Technology and Diversification:** Thong Guan is actively embracing technology and automation to minimize reliance on human labour.

These proactive measures underscore Thong Guan's commitment to managing risks associated with foreign labour reliance while promoting sustainable growth and resilience across its operations.

Our People

Our commitment to human rights and labour standard is seamlessly integrated into our human capital management principle



Equal Opportunities

Protecting our people on their rights

Workplace human rights

TG respects the human rights of all its workers and supports the local communities. A primary subsidiary of TG passed the SMETA audit in 2021, followed by another subsidiary obtained SMETA accreditation in FY2022 to ensure no human rights violations across the organisation. We continue to engage with our suppliers on their commitment to addressing human rights issues.

Sedex Member Ethical Trade Audit (SMETA)



SEDEX is a membership organisation that provides one of the world's leading online platforms for companies to manage and improve working conditions in the global supply chain.

SMETA (Sedex Members Ethical Trade Audit) is the most widely used social audit globally. SMETA is Sedex's social auditing methodology, enabling businesses to assess their sites and suppliers to understand working conditions in their supply chain.

Equal rights to work & education

Our practice is always basing employee performance on a merit system, regardless of language, culture, age, gender, ethnicity or nationality.

We provide equal training and promotion opportunities to all employees, including migrant workers. There is clear evidence of our practice with certain long service migrant workers being promoted to supervisory level.



Company trip included all employees regardless gender, ethnicity or nationality

Welcoming Workplace

Embracing differences for the greater good

Diverse & inclusive workplace

Diversity and inclusivity are our core focus for maintaining a sustainable workplace. We understand that by embracing people regardless of who they are, where they come from, and what they believe in, we can achieve extraordinary work results. Diversity sparks innovation, improves collaboration, makes better decisions, attracts new talents, and boosts profitability.

But above all, it is our respect towards everyone as human, and we respect what they bring to the table, not who brought it.

A diverse workforce is essential for continued innovation, a growth mindset and sustained business growth.

As a diverse and inclusive organisation that continues to seek differences in opinions, viewpoints and ideas, we do not discriminate based on language, culture, age, gender or nationality and offer employees promotions and rewards based on merit.

From the outset of our recruitment activities, we demonstrate our commitment to diversity and inclusion. When we hire internally and externally, we search for a diverse pool of candidates based on individual qualities. Diversity is also a key focus in succession planning.

Our Diversity & Inclusion Framework

We embrace employees from different ethnicities, cultures, nationalities and educational backgrounds. Our framework, comprising five core strategies, ensure the practice of diversity and inclusion throughout our organisation.



Women Leadership

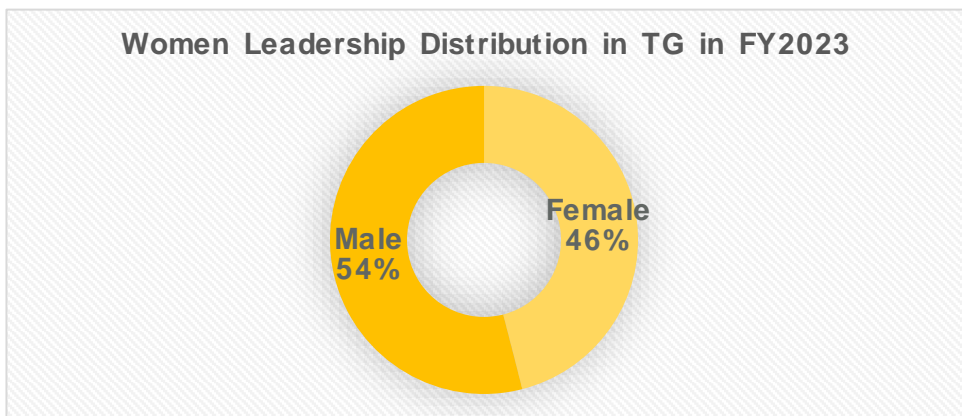
Advancing gender justice & equality for furthering economic, social and environmental progress

The power of women leadership

We know that women are powerful agents of change. The far-reaching benefits of diversity and gender parity in leadership and decision making are increasingly recognised everywhere.

In Thong Guan, we recognised people by their talents and ability to hold leadership position and not by gender. In FY2023, we have 46% (FY2022: 48%) of women in our management team. They held positions of business unit and departmental heads.

30% (FY2022: 32%) of our global workforce are female employees as at 31 Dec 2023.



Board Diversity

Under the Malaysian Code of Corporate Governance, the board should at least comprises 30% of women directors. Thong Guan welcomes its first female director to join TG family in FY2022 as we recognise the importance of board diversity, and board decisions should consider diverse perspectives and insights.

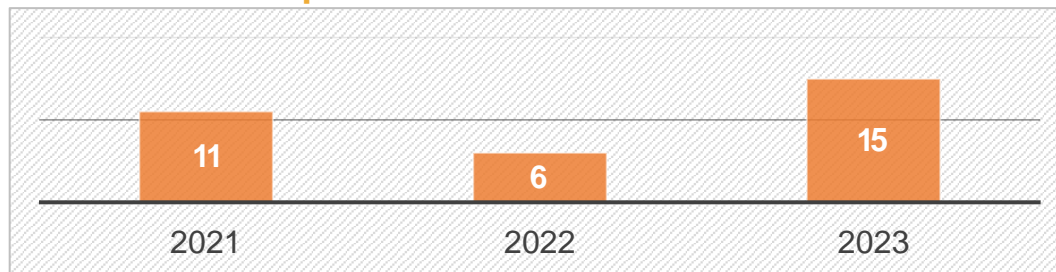
- ✓ We have 46% (FY2022: 48%) women leaders in Thong Guan.
- ✓ Despite not yet reaching our target of 50%, we remain committed to providing opportunities for qualified female candidates to assume roles as business unit and departmental heads.

OHS System for the people

Ensuring our workplace is safe & conducive

Safety and health at work are paramount for our workforce and operations. We are proud to be a responsible operators maintaining our duty of care for the environment and our employees, and we routinely go beyond minimum legislative requirements. Our well-established Occupational Health and Safety (OHS) system ensures that everyone understands their responsibility in providing a safe work environment and maintaining safe and healthy habits daily within our business.

Number of workplace accidents



Summary of major workplace accidents (with medical leave > 2 days) were published in our group's employee intranet to serve as a reminder to all employees on the importance of carefulness in their daily operations. Investigations were conducted to find out the root cause and allows us to take precautionary measures to prevent it in future.

Process safety

In addition to prioritising workforce safety, we ensure that our plant's infrastructure and equipment are regularly maintained and tested to meet international health and safety standards. This reduces the risk of safety incidents, improves efficiencies and helps us avoid potential incidents, many of which can have significant adverse social and environmental implications.

We also provide occupational health services, including medical surveillance tests and audiometry. We outsource this work to external providers to support employees' health efforts.



Chemical Spill Response and PPE training conducted during FY2023

1. EMPLOYEE ENGAGEMENT

Employee Engagement Model

Investing in our people

Benefits of highly engaged employees

Highly engaged employees are essential for our business success and help us achieve and sustain our vision. We have an open door policy of which the staffs are encouraged to share their issues with superiors. Weekly meetings are held between executive directors and leaders to discuss operational matters and to provide solutions and guidance.

Our Employee Engagement Framework

Our people are our most valuable assets. As such we invest heavily in our workforce. In our focus on employee engagement, we follow the guideline of our framework. The focus areas are on these six areas.



2. LEADERSHIP & LEGACY

Organisational Success

Future-proofing our workforce

Our people are our most valuable asset, and we invest heavily in our workforce. We focused on creating a strong leadership team with the right capabilities and experiences to drive our ambitions and achievements. We develop our people and reward strong performance through our career management strategies, learning and development opportunities, and access to resources.

Developing strong leadership

Leaders are important to set the culture of the company.

Our corporate values and philosophy are

- Driving excellence through innovation
- Fostering trust and confidence
- Cultivating a safer, better working world

As such, we ensure our leaders are aligned and can propagate the same cultural essence and values through their own ways.

Succession planning

A strong pipeline is critical to ensure sustained quality leadership and organisational success. We need a well-structured and consistent process to build a robust pipeline of competent candidates to fill the positions.

Therefore, we follow the succession planning process to identify key leadership positions to mitigate key person risk.

✓ Commencing in FY2023, business unit and department heads are tasked to mentor and coach succession leaders and establish succession plans for key leadership positions. This responsibility is integrated into the Key Performance Indicators (KPIs) of business unit and department heads.

Opportunities & Growth

Training & developing our people for progression

Attract, develop and engage

People are a company's ultimate competitive advantage. We strive to attract, develop and engage our employees because our people's success is TG's success.

Attracting Talent

We continually attract qualified and talented personnel and nurture our workforce, so they are ready to take on new challenges. Our ambition is to facilitate the seamless integration of talent into the organisation and build our brand as an employer of choice.

Developing Talent

We encourage employees to adopt a growth mindset where learning is ongoing. There are different ways to learn and grow, depending on the development needs and an individual's learning style.



In Thong Guan, these are the learning styles we adopt.

- **On the job training and learning.** For example, taking on new challenges or stretched assignments
- **Growth through others.** For example, social and collaborative interactions and constructive feedback in a community, networks, peers, coaches and mentors
- **Formal learning.** For example, structured programmes and courses like training, online classes and readings

Each business unit and department need to submit an annual training plan to the human resources department to make necessary training arrangement. Employees can also discuss with their superiors to request additional training if required. We also have an education sponsorship programme for qualified employees.

We also recognised employees who have been with us through thick and thin by awarding them a long-service award.

- ✓ FY2023, we clocked 14,155 (FY:2022 8,712) structured training hours for our employees. An increase of 62% compared to FY2022.
- ✓ We achieved training hours target set.



CSR Projects

Helping others during hard times

Contribution to society

In FY2023, our commitment to serving and uplifting our communities through corporate social responsibility (CSR) initiatives remained steadfast. Throughout the fiscal year, we actively responded to the needs of our communities by engaging in various CSR activities. Among our efforts, we proudly contributed to the betterment of society by donating both funds and goods totaling RM91,000 to a diverse range of 44 deserving beneficiaries. Through these contributions, we aimed to make a meaningful and lasting impact on the lives of those in need, reinforcing our dedication to social responsibility and community support.

Support local talents

We continued to champion promising athletes and individuals who showcased exceptional performance in various sporting events. Through our sponsorship initiatives, we provided financial support to these talented individuals, empowering them to reach greater heights in their sporting endeavors. By investing in the development of local talent, we not only fostered a culture of excellence but also contributed to the growth and success of our communities.



Support Technical and Vocational Education and Training (TVET)

We support the TVET program coordinated by the university. Through our participation, we offer profound insights into prevailing industry trends, cutting-edge technological advancements, and promising career pathways. This involvement ensures that both students and faculty members remain well-informed about the latest advancements, empowering them to stay ahead in their fields and cultivate a deeper comprehension of industry requisites. By facilitating this exchange of knowledge, we aim to nurture a workforce that is not only well-prepared but also highly adaptable to the dynamic demands of the ever-evolving industrial landscape.



Support underprivileged community and local schools

Throughout the year, we extend our support to various local initiatives, including schools, the Malaysia Relief Agency, and blood donation campaigns. Our primary objective is to assist those in need and foster a compassionate community. By actively participating in these endeavors, we aim to make a positive impact on the lives of vulnerable groups and contribute to the creation of a caring and supportive society. Through our collective efforts, we strive to build stronger bonds within our community and inspire others to join us in spreading kindness and goodwill.



Governance

Effective, accountable & transparent

CORPORATE GOVERNANCE

Scope:

1. Board of Directors
2. Board Diversity

Strategies:

Have a strategic corporate governance structure

Value Creation:

To ensure the creation and protection of shareholders' value

ETHICS & TRANSPARENCY

Scope:

1. Business Conduct
2. Communication
3. Compliance
4. Anti-Corruption
5. Data Security

Strategies:

Clearly defined process and procedures, Training and education, Open communication, Third party accreditation

Value Creation:

To build trust and confidence among stakeholders

SUSTAINABLE OPERATIONS

Scope:

1. Continuous Improvement
2. Performance Measurement

Strategies: Streamline all our strategies on a growth mindset that focuses on the People, Planet & Prosperity

Value Creation:

- To be a world-class sustainable plastic packaging manufacturer
- To double the group's revenue to RM 2 billion by FY2027

DIGITALISATION

Scope:

1. Automation & Digitalisation
2. Efficiency
3. Timeliness

Strategies: Invest in technology and operational infrastructure

Value Creation:

- To build a culture of excellence that meet our stakeholders' needs and expectation
- To create an environment that supports employees' personal and professional development
- To encourage continuous learning

OUR GOVERNANCE GOALS



Governance

• Effective, Accountable & Transparent Organisational Structure & Culture

Governance Progress:

2023 GOVERNANCE HIGHLIGHTS

Introducing an **online course** on anti-bribery and corruption for executives and above, along with **fundamental training sessions** designed for non-executive staffs.

Annual Board Effectiveness Evaluation conducted internally, facilitated by the Company Secretary.

Enhance the disclosure of **sustainability performance data** according to Bursa Malaysia enhanced sustainability reporting requirements.

Engagement between **Non-executive Directors and Management**

100% board meeting attendance.

100% independent directors on audit, nominating & remuneration committee.

The Board consists of **50%** independent directors.

Adoption of **Conflict of Interest Policy** effective FY2023.

OUR APPROACH TO GOVERNANCE MANAGEMENT

Thong Guan's esteemed reputation is firmly rooted in its core Business Ethics: Honesty, Integrity & Transparency. From day one, we instill these values in every employee, recognizing that earning stakeholders' trust is paramount for our business's future success. We are dedicated to upholding exemplary ethics and compliance, fostering a culture of good corporate governance throughout the Group.

Demonstrating the highest standards of corporate governance is integral to building a foundation of credibility and integrity. We are committed to implementing comprehensive risk management practices, adhering to good boardroom principles, and instilling a culture of anti-bribery, anti-corruption, and ethical conduct. By prioritizing these principles in all aspects of our operations, we uphold our commitment to ethical excellence and sustain the trust of our stakeholders.

RISK MANGEMENT THROUGH COMPREHENSIVE FRAMEWORK

The risk management system in Thong Guan is set up in accordance with the principles of Committee of Sponsoring organisations of the treadway Commission ("CoSo") enterprise Risk Management framework and ISO31000 on risk management which are internationally recognised risk management frameworks, Our Enterprise Risk Management Framework is to provide us with the capability to align risk management with corporate strategies, business direction and sustainable development.

Guided by Thong Guan's Enterprise Risk Management Framework, which is reviewed on frequent basis, we strive to maintain a sustainable balance between our risk appetite and business potential to achieve a competitive advantage. Please refer to the Statement On Risk Management And Internal Control in the Annual Report 2023 for more disclosure on our risk management practices.

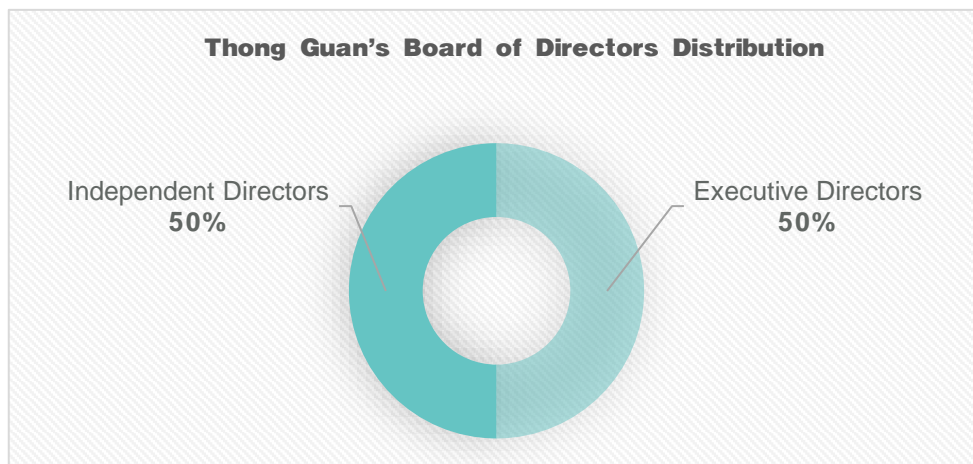
Board of Directors

Leveraging on the invaluable assets of a strong & effective Board of Directors

Good corporate governance creates a conducive business environment for long-term growth. Our efforts are underpinned by a board of directors elected to represent shareholders in providing strategic and independent oversight for the corporation’s affairs, including corporate management, activities, policies, and more.

Board of Directors

In 2023, the Board comprised eight directors who met on four occasions, during which they approved the company’s financial statements. The Board receives updates and reviews from internal and external experts on issues of importance to the company.



- ✓ 100% board meeting attendance
- ✓ 100% independent directors on audit, nominating & remuneration committee

Business Code of Conduct

Building deep trust among stakeholders of the company

Ethics & transparency

Thong Guan strives to uphold high ethical standards in all aspects of our business. Our **Business Ethics and Code of Conduct** set the ethical conduct expectation for our Group.

Thong Guan encourages employees and contractors to ask questions, voice concerns and report any alleged violations of company policies.

In addition to our open-door communication culture, we have the **Whistleblowing Policy**, providing an independent channel to offer more accessible, secure, and confidential reporting. We respect confidentiality, subject to legal requirements, and strictly prohibit retaliation against any employee for submitting concerns—audit Committee reviews reports of suspected violations concerning ethics and management integrity.

Our audit committee, comprising three independent directors, oversees accounting and internal control matters for the company, including compliance with legal and regulatory requirements. Thong Guan conducts quarterly internal audits and self-assessments to verify the effectiveness of our control system.

Anti bribery & corruption

In FY2023, we continue to review and update our risk analysis in relation to anti bribery and corruption. Anti-corruption training was carried out in FY2022. Below is our anti-corruption and anti bribery data for FY2021, FY2022 & FY2023.

Furthermore, in FY2023 we have implemented an online course on anti-bribery and corruption for executive-level employees and above, complemented by foundational training sessions tailored for non-executive staff and also include the training in our on-boarding process. While we have not yet achieved full participation from our workforce, we remain committed to emphasizing the importance of corporate integrity to all our employees.

Financial year	2021	2022	2023
Number of corruption and bribery case	0	0	0
Political contribution made (RM)	0	0	0
Facilities payment made (RM)	0	0	0
Fines imposed in relation to corruption, bribery (RM)	0	0	0
Percentage of operations assessed for corruption-related risks	100	100	100

Data Security

Protecting data assets

Data Security

Thong Guan's commitment to data security extends beyond mere technological upgrades. Within our organization, we actively prioritise ethical standards in data handling, as outlined by our Security Policy and Procedures. These guidelines dictate the responsible utilization of information, ensuring the protection of our information assets and network infrastructure. An essential aspect of this approach involves the implementation of Non-Disclosure Agreements (NDAs), serving as a legal safeguard to shield our intellectual property from theft or unauthorized access.

Our dedication to cybersecurity compliance not only enhances our daily operations but also fosters trust among stakeholders. Our employees serve as the first line of defense in safeguarding data. Through comprehensive training and awareness initiatives, we empower them to act as a human firewall, remaining vigilant against potential threats. By nurturing a culture of security awareness, we instill a sense of accountability in each individual to protect our data assets. This entails following best practices and promptly identifying and reporting any suspicious activities, contributing to a collective effort to bolster our defenses.

To ensure that employees only access necessary data for their roles, we have implemented access controls within our business processes. Our technological solutions, including endpoint protection, secure cloud storage, and cloud email security, work together seamlessly to establish a robust defense mechanism against cyber threats and unauthorized access attempts.

To proactively address emerging risks, we continually invest in and adopt innovative technologies to reinforce our commitment to upholding data security standards.

There were no complaints concerning breaches of customer privacy and losses of customer data in 2023.

Automation & Digitalisation

Improving efficiency, transparency & speed

Automation & digitalisation transformation

Automation and digitalization revolutionize manufacturing by enhancing efficiency, precision, and agility. They streamline processes, reducing human error and labour costs while accelerating production. Real-time data analytics optimize resource allocation, inventory management, ensuring seamless operations. Furthermore, automation enhances workplace safety by minimizing hazardous tasks. Overall, embracing automation and digitalization in manufacturing environments not only boosts productivity and competitiveness but also paves the way for innovation and sustainability.

In FY2023, we successfully implemented an auto-debagging system for handling incoming resin materials. This innovative solution not only reduces manpower requirements but also minimizes the risk of plastic resin leakage into the environment. Additionally, it plays a crucial role in safeguarding the well-being of our staff by minimizing tasks that pose risks to their posture and physical health.

Similar as previous years, we continue to focus on increasing automation and digitalisation in our infrastructure.



Continuous Improvements

Ensuring our business thrive for the people, environment & economy

Sustainable Operation Management & strategies

Our Sustainable Operations Management (SOM) drives the operational strategies of the company. They cover the procedures, processes, practices and systems we have initiated, created and delivered. In which are profitable for our business using the resources at our disposal while taking preservation of the nature and social environment into account.



It is an honour for us to be included in Forbes Asia's Best Under A Billion 2023, which recognizes 200 top-performing publicly listed small and mid-sized companies in the Asia-Pacific region. This marks our second time receiving such an honour.

- ✓ Paid RM16.3 M tax to support the development of the countries where we operates.
- ✓ Paid 4.25 cents per share dividend to shareholders (total RM16.9 M) to shareholders.

We recognised business growth and profit are vital for long-term viability, innovation, attracting investors and talent, scaling impact, building resilience, and demonstrating success. Our aim is to elevate the Group's revenue to RM2 billion by FY2027. Despite facing a downturn, with a 10.5% decrease in revenue and a 29% decline in profit compared to FY2022, attributed to challenging global economic conditions, we remain resolute in our dedication. Our commitment continues to drive us to pursue our target, realizing the ambitious RM2 billion revenue milestone by FY2027.

In June 2023, Thong Guan was honored with the Malaysia Sustainability Excellence Award at the 2nd Malaysian Sustainability Leadership Summit. This summit is a collaborative effort between the All-Party Parliamentary Group on SDGs, the Malaysian CSO-SDG Alliance, the Economic Club of Kuala Lumpur, and the KSI Strategic Institute for Asia Pacific.



In March 2024, we were announced as the Epicor Innovation Champion Award Winner. This recognition is not just a trophy on our shelf, it is a testament to our unwavering commitment to innovation and excellence.

Sustainability is a matter of survival for our company. That way, we can create a massive impact.



**THONG GUAN
INDUSTRIES BERHAD**
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