



SCGM BHD

200701021012 (779028-H)

**TOWARDS SUSTAINABILITY
PACKAGING MANUFACTURER**

Sustainability **REPORT**
www.scgmbhd.com **2021**

COVER RATIONALE

Our sustainability report cover touches on the issue of environmental pollution, a topic we at SCGM Bhd feel strongly about. This report aims to showcase how our pillars of People, Planet and Prosperity includes outreach programmes for economic prosperity while minimizing environmental harm.



The building blocks of SCGM BHD are...

a committed group of individuals - working together towards a common goal of developing a sustainable future for generations to come.

At SCGM Bhd, we harness on the wonderful power of innovation to create plastic packaging solutions and medical grade surgical masks for our clients and consumers while operating in an environment that's positive for our surrounding communities.

This was a challenging year for all - and this was when we needed to band together the most. COVID-19 required us to quickly change and adapt to new remote working arrangements, make appropriate changes to our production capacity while still building resilience in business and ensuring all our employees are kept safe and well. We hope that our report has demonstrated our continuous commitments and vision of a sustainable future for all.



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1.0

About This Report

This is the fifth Sustainability Report published by SCGM Bhd and for the financial year ended 30 April 2021.

This report details our sustainable performance for the financial year from 1 May 2020 to 30 April 2021.

The information in this report focuses primarily on SCGM Bhd's sustainable performance, operations and management over 12 months period in particular.

All financial amounts stated in this Report are denominated in Ringgit Malaysia (RM) unless otherwise stated.



Feedback

We value your feedback.

Please contact us should you have any questions about this Report or its contents.

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You may visit our website at

www.scgmbhd.com for further information.

2.0 Managing Director's Message



Dato' Sri Lee Hock Chai
Managing Director

It is with great pleasure that I present to you the 5th SCGM Bhd Sustainability Report. The year under review was particularly challenging as we grappled with the multiple challenges posed by the ongoing COVID-19 pandemic.

Together we are...a diverse team of professional, passionate people who strive to excel in various ways and overcome the challenges along our path. SCGM Bhd, a Malaysia food & beverage packaging producer with 37 years of track record, has always believed in a common purpose: to contribute to a better world by embedding our values of “Sustainable by Design” into our environmentally-friendly products. This fundamental tenet inspires us to deliver positive change through what we do and how we do it. The past year has required us to band together more than ever – finding innovative methods of collaborating and connecting with one another, while staying agile amidst the COVID-19 environment and prioritising the health of our people and communities. As this report shows, our strong performance underlines our resilience both as a business and as a team – we are stronger together.

In reporting our efforts for sustainability, SCGM Bhd has taken numerous initiatives to contain the spread of the COVID-19. We will continue to be vigilant in combating this virus and will continue to be supportive to staff who are affected in one way or another.

Lastly, I would like to take this opportunity to say thank you to all our shareholders and investors for supporting us through these trying times. As always, we will persevere as we move forward into the next financial year.

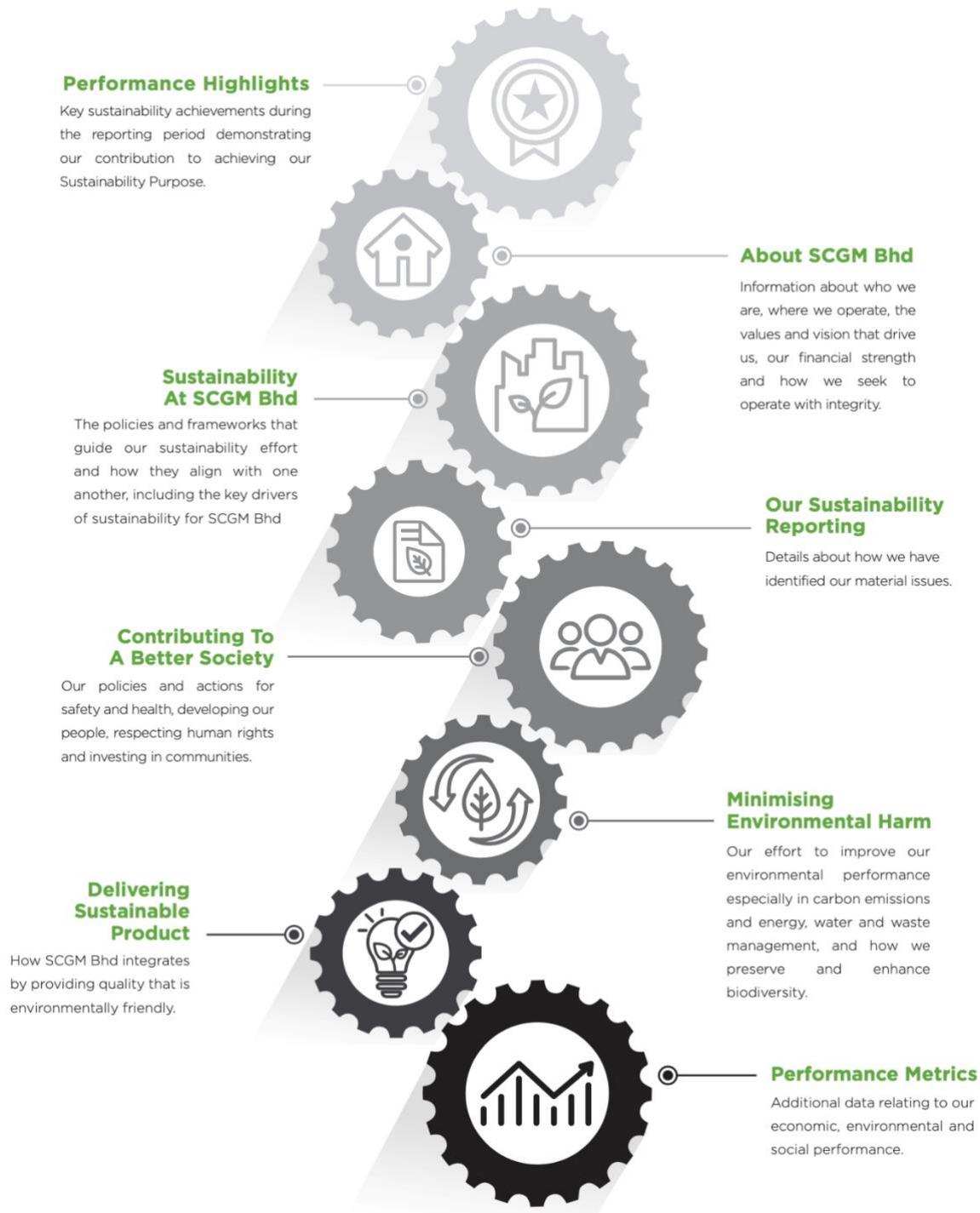


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3.0 Introduction

3.1 Report Snapshot



2021 Highlights

Keeping Our People Safe

100,000+ facemasks provided to employees since pandemic

98% of our workers attended mandatory safety training



Supporting Local Communities

SCGM donated RM220,124.00 to community initiatives in 2021

4,860 units faceshield donated to protect frontliner in Malaysia from Covid-19



Setting 2030 Sustainability Commitments





Ms Lee Lih Chyong
Alternate Director to Dato' Sri Lee Hock Seng
Date of Appointment : 28 June 2021

Taking Steps Towards Greater Diversity and Inclusion

29% women
across our entire
work force

43% women
on our Board

**Diversity & Inclusion
Policy**
updated and published

Developing Sustainable Solutions

90%
of our revenue is from
products that are reusable,
recyclable, degradable or
compostable **Eco
Solutions Approved**



BENXON®

**Use Original,
Use Benxon,**
The name you can trust.



3.2 Our Approach to Reporting

Our approach to reporting

This report provides a comprehensive overview of our approach to sustainable development and our performance across areas which we believe are material to us. As our financial year comes to a close, we have reflected on our cumulative impact over the three years, as well as our 2021 performance. The report is in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

To improve the accessibility and transparency of our reporting, we have included an Appendix at the end of the report, making reference to the GRI related disclosures.



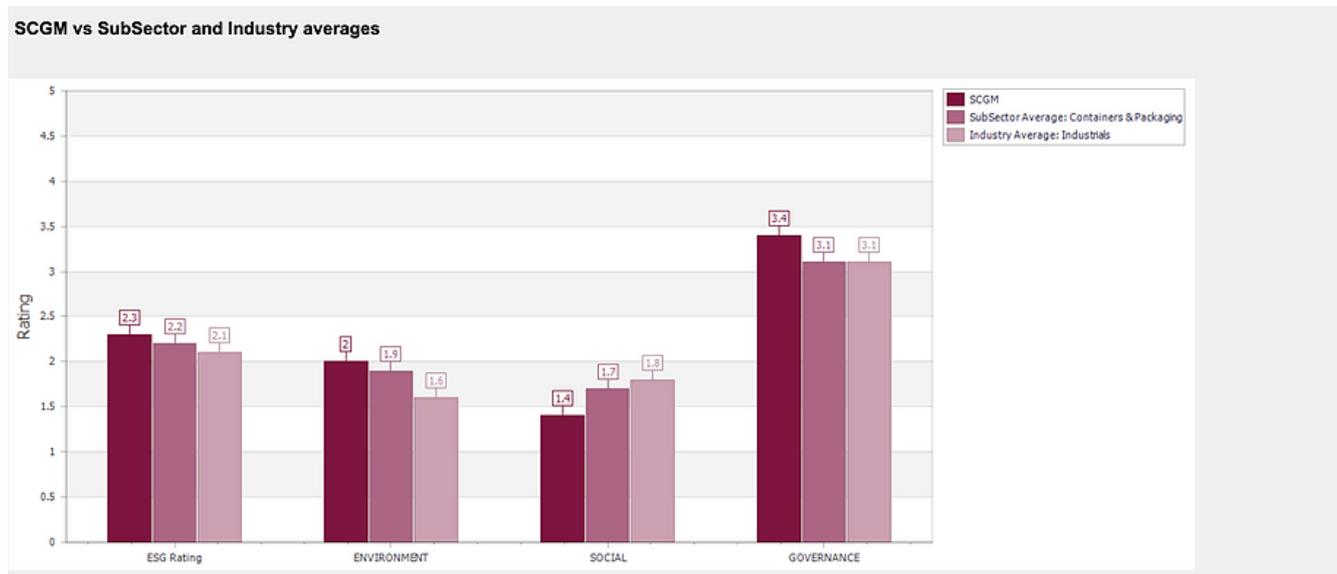
3.3 External Recognition and FTSE Russell Performance

External Recognition and FTSE Russell Performance

Our sustainability performance has received recognition by FTSE Russell under the FTSE4 Good Index. Comparing our last performance, SCGM Bhd has improved on its performance.

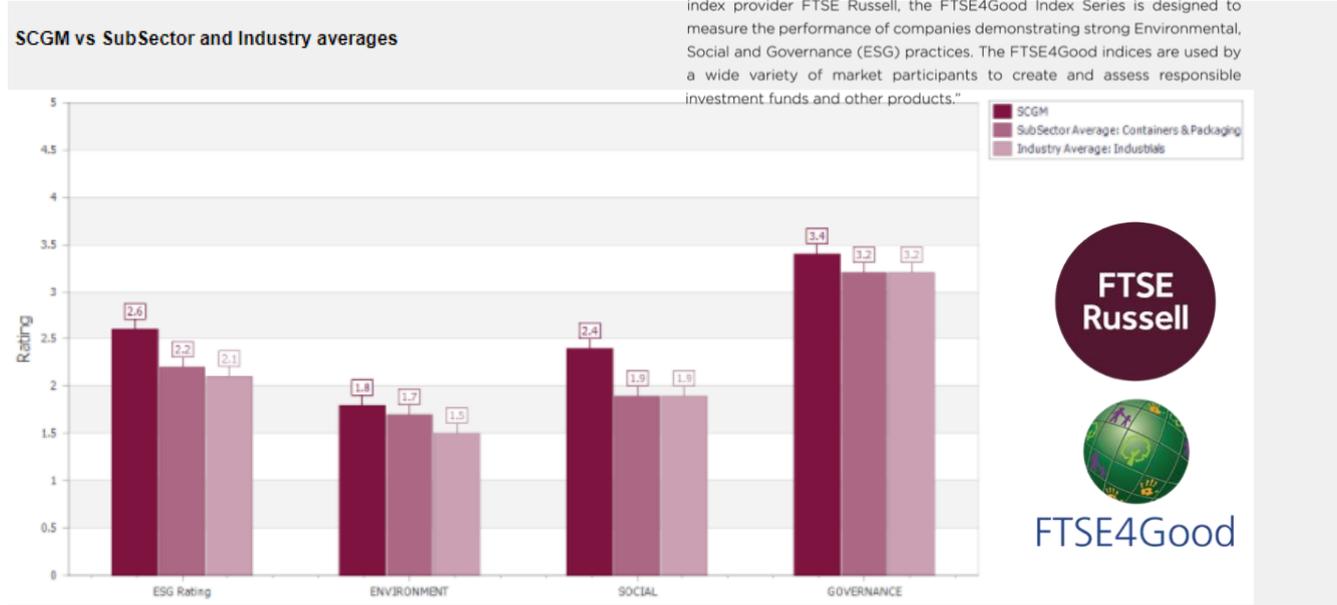
ESG Rating: 2.3 ICB Supersector: Industrial Goods & Services Percentile rank: 21	Environment Score: 2.0 ICB Supersector decile rank: 4	Social Score: 1.4 ICB Supersector decile rank: 2	Governance Score: 3.4 ICB Supersector decile rank: 5
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Exposure levels: High Medium Low
 Score / Rating: 0 to 5 (higher scores are better)



ESG Rating: 2.6 ICB Supersector: Industrial Goods & Services Percentile rank: 28	Environment Score: 1.8 ICB Supersector decile rank: 3	Social Score: 2.4 ICB Supersector decile rank: 3	Governance Score: 3.4 ICB Supersector decile rank: 4
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Exposure levels: High Medium Low
 Score / Rating: 0 to 5 (higher scores are better)



3.4 Responding to COVID-19

In 2020, the world was ravaged by COVID-19. The lockdowns implemented to curb infections impacted various systems, from individuals, communities, businesses and economies globally. At SCGM Bhd, we share in the collective sorrow for all those affected. This motivates us to move forward with renewed determination to challenge the status quo and build a more sustainable future together.



Supporting our people

When the COVID-19 pandemic first emerged, the health and safety of our employees and their families was our top priority. We acted quickly and decisively as a Group to ensure we could continue to work safely under changing local conditions and protocols.

An emergency response team (“ERT”) central response team known as COVID-19 Task Force headed by Mr David Cheng the Investor Relations and Sustainability Director was set up to coordinate the plant's efforts and supply over one hundred thousand facemasks and other personal protective equipment (PPE) to all our group employees. We defined best practice measures and communicated safety precautions required across sites so that people could safely continue their work.

This was essential to allow us to continue to make products that are indispensable to everyday life, including packaging for food containers and facemasks.

We focused on empowering local management to make appropriate decisions within their responsibilities and ensure that the jobs and livelihoods of our employees were not affected.

We actively supported people to adapt to new ways of working and balancing the pressures of remote working arrangements. This was an unsettling time and we took steps to look after the wellbeing of our people. Our leadership communicated personal messages, business teams shared stories of success and the Employee Assistance Programme was promoted across the business. There were messages of hope, resilience and togetherness – with the theme of **#LSSPISTAYSTRONG** featuring in our internal communications.

When the government announced the requirement for all workforces to operate at 60% capacity, the Group did not initiate any pay cuts and ensured that the full salary payments for all employees on work from home (“WFH”). The Group continuously supported the livelihoods of those affected by COVID-19.

Responding to Ministry of Health SOP

We believe that it is our responsibility as a Group to strictly adhere to the 60% workforce capacity and we are particularly grateful to the employees who kept our manufacturing plants in operation during this period. Many made personal sacrifices including taking on longer shifts – a situation we have kept under close review and will adjust to normal as soon as it is practically possible. We adapted team rotations and shift models, introducing flexible shift times, and ensuring access to ensure our plants are running. For the many employees working remotely, we invested in digital infrastructure and equipment for teams to have better channels of communications. Check-ins became a norm, with many teams more connected than ever before. While we have operated under exceptional conditions due to the pandemic, with travel and site-based monitoring and auditing not being feasible in 2020, environmental compliance requirements have continued to be met.



Medical surveillance

Adapting our operations

During times like these, flexibility in production is crucial to meet global market demand for packaging.

Our resilient business model demonstrated its true value. With the situation changing daily, local operations were empowered to take decisive action and make decisions in an agile way. This enabled continued delivery of essential products to our customers while following the rules and guidelines established by local administrations.

Many of our operations stepped up to support the local response to the health crisis. During the period, we installed six new face mask production lines to meet the demand for facemasks. Together, they are capable of producing 7,200,000 face masks a month.



Keeping supplies flowing

Ensuring business continuity for our customers, many of whom supply products that are essential to everyday life and public health, is a crucial responsibility. As the situation unfolded, securing the raw materials needed to keep serving our customers was a top priority.

Transport delays, cross border restrictions and changes to regulations linked to movement challenged the ability of our suppliers to move the necessary components required to produce our products. Our employees worked around the clock to ensure that operations, supplies and production ran efficiently during these times.

Assisting local communities

The pandemic increased hygiene and safety concerns and exacerbated social challenges, such as poverty and food security. Our operations focused their social investments on local needs.

Many targeted funds and in-kind donations to help tackle the local response with thousands of masks, PPE, medical and surgical raw materials donated to municipalities, health facilities and local organisations.

Sustaining momentum out of a crisis

The COVID-19 crisis has driven transformation and increased the pace of social change. It has impacted our behaviour and made us all more aware of how connected we are with each other and with nature. We have an opportunity to build on this momentum and look at how we operate as a society and as businesses.

At SCGM Bhd, as we continue to adapt and innovate, we will challenge ourselves to find new ways to support our customers and drive lasting, positive change for society.



3.5 Leadership Insights



Dato' Sri Lee Hock Chai
Managing Director

Mr David Cheng Lai Chuan
Investor Relations and Sustainability Director

Q1. David, How did the pandemic change your view on sustainability?

David: In my view, COVID-19 has changed the way we live. Things were constantly dynamic and it has certainly changed how we do business. During the pandemic, businesses may tend to overlook the aspects of sustainability due to unprecedented challenges posed to them. Sustainability may not be the priority for now but it has certainly changed the way we look at things. Packaging demand is on the rise due to takeaway during the COVID-19 and this has certainly impacted how we look at the circular economy.

The pandemic has also shown how we all come together and brave the pandemic as one to ensure business continuity as well as to ensure all our employees are taken care of.

Q2. Chai, what do you think COVID-19 has taught us about addressing sustainability issues as a society?

Chai: I think COVID-19 has increased the pressure on existing issues and accelerated the sustainability agenda. It has changed the way we think about things like digitalisation and flexible working and it has moved crucial issues like food security, environmental quality and access to healthcare under the spotlight. The constant dynamism of things moving at a rapid pace has kept everyone on their toes to ensure the company adopt the regulations as well as to ensure the well-being and safety of our employees.

The pandemic has shown just how connected we all are and why it is important that we work together, upstream and downstream, to keep materials and goods flowing. This is a strength of SCGM Bhd because of our integrated business model that places great importance on collaboration across the value chain. But amid the current crisis, we must not lose sight of the longer-term issues such as climate change and the importance of innovating for a circular economy. The Board has been greatly encouraged by the strength of our employees and we thank all our employees for showing resilience in managing this crisis.

Q3. Finally, what do you see as the key challenge for the coming year?

Chai: I believe the pandemic has changed the way we behave and to re-think our solutions toward plastics packaging. During the lockdown, we understand the need for fast, agile and solutions to fit the market as we drive towards delivery and packaging of our food. We still have a lot to learn from this pandemic and by working together we will need to resolve the issues of plastic solutions. At SCGM Bhd we strive to understand how we can better design our products to deliver a more sustainable solution to our consumers as well as protect our environment at the same time. We must make more progress on sustainable packaging. Sustainable solutions are at the heart of our offering and it's encouraging that we are seeing more customers coming to us to develop sustainable packaging while we are investing in processes and packaging lines to accommodate innovations. This is a much-needed evolution that has gained traction in the last year. While it has accelerated in areas where there is regulation, we are also starting to see changes being driven by consumers. I believe this will continue and there is considerable potential for SCGM Bhd to grow with our unique sustainable packaging.

3.6 Sustainability Topics Discussed By the Board SDC

Sustainability topics discussed by the Sustainable Development Committee

Safety and health

The safety and health of our employees and contractors is a key topic at every meeting. In 2020, this included regular discussion of the safety and health implications of COVID-19. The Committee reviewed safety performance at every meeting and agreed on measures to keep employees and contractors safe, including:

Supply of masks and PPE to our operations; distancing and hygiene rules; and adapting our production sites and offices to mitigate related risks. Members discussed safety performance and selected incident investigation outcomes, including several incidents during the year.

The Committee received an update on training, engagement and monitoring of incidents and investigations, including in the lead-up to major shut down of maintenance. The Committee reviewed safety and health rates such as incident rates, severity rates and frequency rates. Barriers to achieving our safety and health milestones were noted to include gaps between the performance of our recent performance and the Group's standards, with measures put in place to address this, including training and ongoing engagement with sites.

We also test all our workers for COVID-19 using RTK -Antigen Test to ensure all our workers do not contract COVID-19. We have also set up quarantine centres within our hostel block to ensure the diseases do not spread within the local community.

Climate Crisis

The Committee focused on climate-related risks and opportunities and understood the war on marine plastics as a result of the single-use plastic ban roadmap by the Malaysian government. Key areas assessed in 2020 were products container packaging and material operations. Results and estimated financial impacts were reviewed and the need for ongoing refinement was acknowledged, given the high degree of uncertainty around the impact quantification over long time horizons.

Human Rights

The Committee discussed SCGM Bhd's progress in assessing its human rights risks, including an overview of processes and procedures to address potential risks of human trafficking and modern slavery. Discussions included developments in the Responsible Procurement process and our internal assessment of Supplier Audit on Social on human rights due diligence and policy development to be refined and developed in the next financial year.

Stakeholders participation

Last year, the Committee did not engage stakeholders to provide input on the key issues due to the COVID-19 and our primary focus was on staff welfare and well-being. However, the Group recognizes the importance of stakeholders engagement and will strive to do so in this following reporting period.

Engaging our shareholders

The Group engaged with several key institutional investors every quarter to provide financial updates as well as an update on key sustainability efforts during the reporting period. The Sustainability Committee reviewed the Group's relationships and engagement with key stakeholders. Social and community engagement mechanisms were discussed, focusing on COVID-19-related community contributions.

The Group also engages with minority shareholders via video conferences and during the financial year, the Group has conducted no less than 3 conferences over the financial period.

3.7 Our Business Model

We exist for the greater good – bringing to market innovative products, sustainable packaging solutions and designs for our consumers.

We believe in delivering results across our supply chains, to ensure that our end goal, our customers receive value creation. We have adopted our SUSPI Framework, (Sustainable Performance Index) based on our 3 pillars that is contributing to a better society, maximising value and protecting the environment.

The dedication, commitment and willingness of our employees is essential to delivering on our strategic priorities as we continue to contribute to a better world, together.



What makes us different

- Our distinct competitive advantage is our ability to drive value and unlock opportunities for our business and our stakeholders through embedding sustainability centred solutions.
- As a unique packaging producer, we are positioned to meet our customers’ demands with our broad range of sustainable packaging and products.
- Our varied products from medical grade protective equipment to our plastic packaging products are all sustainable by design, developed through extensive research and development
- Our locations in both Johor and Kuala Lumpur provides us with a strategic advantage of ease of distribution to the central urban capital and the manufacturing hub in Malaysia’s Southern Region
- Our culture of prioritising safety and health of our employees provides our community with confidence that we are operating a manner that is for the benefit of all employees
- A financial position that we are proud of through our disciplined capital allocation and robust financial position enabling us to do more efficiently and effectively

How we add value

We rely on a robust supply chain, continuously prioritising our customers' needs and efficient resource management to add value to our stakeholders.

COVID-19 highlighted the vulnerability of global supply chains. We work closely with our suppliers and rely on our strong relationships to continuously drive the business forward and ensure that there is a symbiotic relationship between us and our suppliers. Our suppliers are part of our community and we set values within our procurement team that is passed along throughout our value-chain.

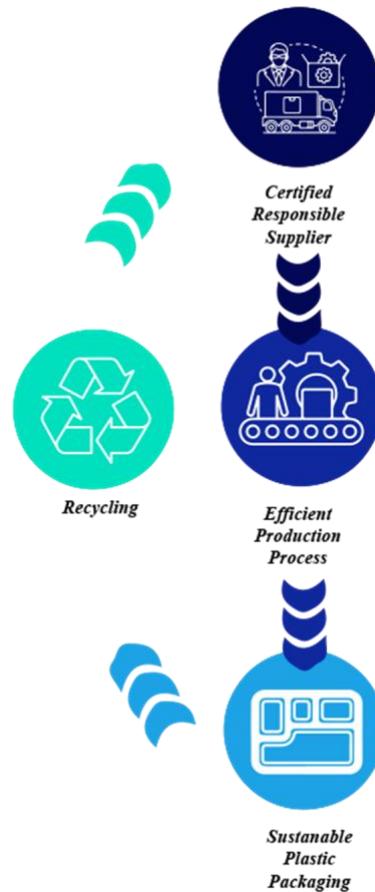
Prioritising our customers' needs and delivering product of the best quality and value for money. We understand that we operate in a saturated market, with hundreds of options available for commercial plastic, but we continuously keep an eye out for trends and innovative ideas to adopt that we believe adds value to our customers. We are also continuously updating our standards and certifications to remain competitive in the market.

Efficient resource management is a key component of our manufacturing processes. We require raw materials such as resin, and continuously use resources such as energy and water to produce our products. We are committed to ensuring the responsible procurement of these materials and to protect and safeguard the biodiversity and ecosystems in which we source these natural resources.

What we do

Our integrated value chain

Our integrated business leverages on our distinct competitive advantages, and key relationships and resources.



Managing our risks

Embedding the concept on risk into our business model ensures that we are creating sustainable long term value and impact across our value chain

3.8 Our Businesses

Together we are...

Tamper Evident Containers

Our range of tamper evidence containers were developed in 2017 including Deli Round, Deli Square and Deli Rectangle. These containers are strong, high clear, durable and perfect for food safety purpose.

A tamper- evident package, according to the regulations of the Food and Drugs Administration (21CFR & sect; 211.132), “is one having one or more indicators or barriers to entry which, if breached or missing, can reasonably be expected to provide visible evidence to consumers when tampering has occurred”.

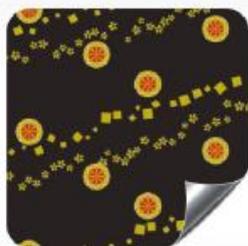
These Deli Containers are designing for visible evidence to consumers when tampering has occurred. Another word is advise end users ‘not to buy if safety seal has been broken’.



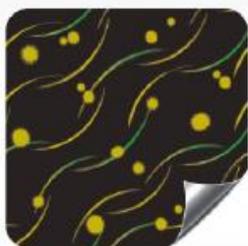
a group of dedicated individuals, striving to continuously produce innovative plastic solutions and medical grade protective equipment. Community spirit is embedded in how we operate and will forever be a key value of the company. Through banding together, we are able to continuously deliver quality products to our consumers. Here is a selection of products illustrating the variety of industries we serve:

Printing Sushi Tray and Japanese Food Box

Our printing sushi tray was developed in 2017. We introduce 4 different patterns to apply on sushi trays and food boxes. These 4 pattern are unique and printed in Japan. There are Hanaguruma, Hotaru, Mokume and Momiji. These design can apply to all current HIPS and PP material food containers. When combine with high clear OPS lids. The whole set food box will be very presentable.



HANAGURUMA
【花車】



HOTARU
【螢】



MOMIJI
【紅葉】



MOKUME
【木目】

PET Cups

Super high crystal clarity PET cups for better visibility. We have 4 sizes for beginning and will develop more in future. The sizes are 10oz, 14oz, 16oz and 22oz. All fit with either one flat lids or dome lids.



Co-Extrusion PET sheet Line

The company has invested for co-extrusion PET sheet line in 3rd quarter 2016 to make 2 color food container clamshells. This type of clamshell is widely use in USA and expanding to every corner of the world. The advantage of 2 colors clamshell are presentable and convinient for food packers and end consumers.

Packaging

Our plastic packaging is sustainable by design, and developed with input directly from our consumers. We actively encourage our customers to provide us with their requirements so we are able to provide bespoke solutions to make our clients happy.

Our in-house research and design team are able to create the highest quality of moulds to deliver products that suit our clients needs.

PPE (Facemask)

Facemasks are traditional used by medical professionals, but have been adopted as a component of everyday fashion since the rise of COVID-19 infections.

The pandemic required us to scale-up production as the start of the pandemic saw shortages faced by healthcare providers. We feel as though we are positively impacting the society through supplying the public with our medical grade masks.



3.9 Our Global Context

The global response to the COVID-19 pandemic has shown we have the ability to collaborate and innovate as a global society when it comes to solving urgent issues impacting humanity. Empowered by innovative technology, the challenge brought on by the pandemic has redefined how we live, work, learn and consume. At the same time, it is important to remember that the climate crisis is still ongoing.

We now have an opportunity to apply the same creative, innovative and problem-solving approach that has led to the development of vaccines, tackling the climate emergency and cutting carbon emissions globally. Here, we set out some of the global megatrends and themes shaping society, industry and our business.

The climate crisis

In 2021, the UN’s Intergovernmental Panel on Climate Change (IPCC) Report stated that “it is unequivocal that human influence has warmed the atmosphere, ocean and land.” However, despite international commitments made through The Paris Agreement and other international frameworks, emissions continue to rise. The knock-on effects for biodiversity, water and food security are detrimental to the well-being of humanity.

Latest studies from the World Meteorological Organization predict the actual point of no return to be in 2024, reinforcing the need to act now. Setting and delivering science-based targets is key for businesses to reduce emissions to the levels required. With investors placing growing importance on how companies manage their climate-related risks and wanting to know how they impact business models and operations, the climate crisis will increasingly influence companies’ long-term financial standing, reputation and investment potential.



Impact of plastic pollution to our water supplies

Plastic waste

Every year, around 8 million tonnes of plastic waste escapes into the oceans from coastal nations. The impact is driving environmental awareness and anti-plastic sentiment among consumers, especially younger generations. Understanding our business model and how we may be contributing to pollution is imperative to create change. As mentioned in our cover rationale, our report is themed on plastic pollution – one of the most pressing environmental issues impacting the world to date. As we developed as a nation, the convenience of plastic has led to a culture of throwing away single-use plastics. They have a lifespan of minutes to hours but persist in the environment for hundreds of years.

The impact of plastic pollution can be observed in the increase of microplastics and harm to wildlife. Microplastics are plastic waste that has been broken down to the size of one-fifth of an inch – and these microfibers have been found in municipal water systems and occasionally drifting through the air. Wildlife populations have also been known to be impacted by plastic waste. Most of the deaths of animals are caused by entanglement or starvation. Plastic has been found to have blocked digestive tracks or pierced organs – causing death. Plastic waste ultimately disturbs the fragile balance of our ecosystem, one that is crucial for us to thrive.

To address the crisis and relieve pressure on natural resources, there is an urgent need to design for recyclability, improve waste sorting and recycling at scale. Building circular economy models that transform waste into materials of value is an important lever for progress.

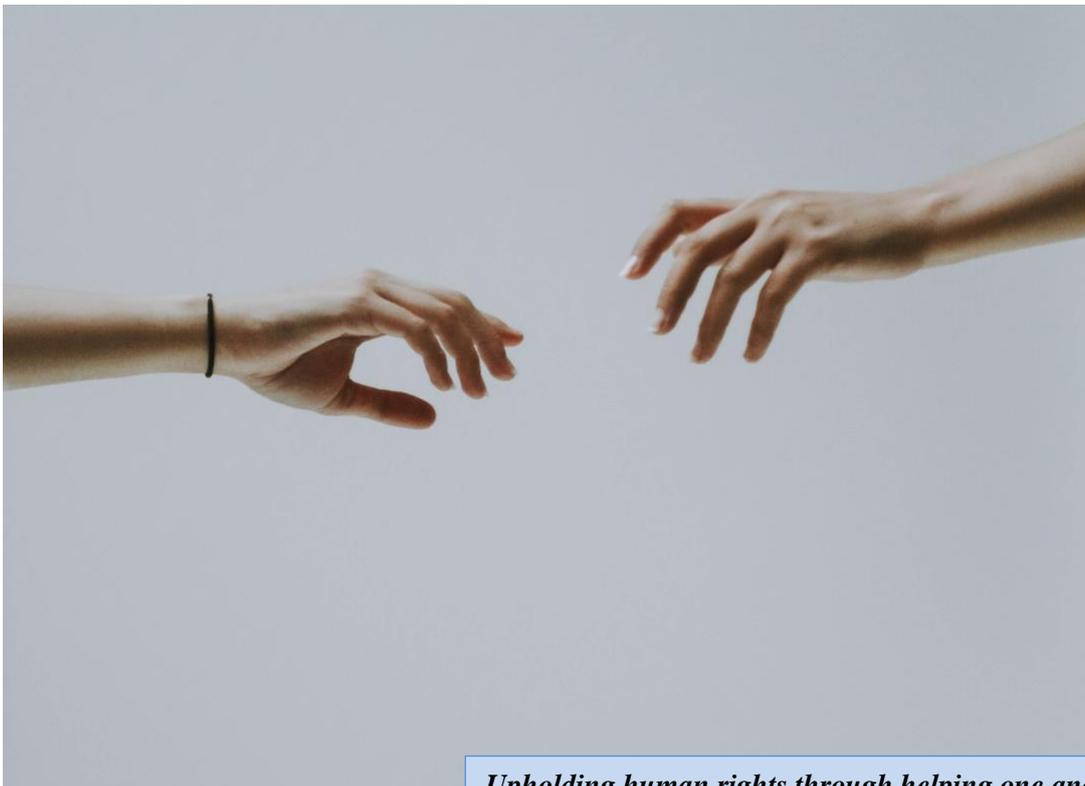
Before the COVID-19 pandemic, sustainability was top of mind for the packaging value chain – particularly about regulatory and public concerns regarding single-use packaging waste. With the onset of the global health crisis, concerns about hygiene and food safety issues have become higher priorities. Legislation like the Malaysia Roadmap towards Single-Use Plastics ban 2018-2030 and the Circular Economy Action Plan in Malaysia, and country bans on plastic bags in many other countries, are driving the development of sustainable solutions. However, the current low purchase price of virgin plastic resin means it is more affordable than using recycled content. The cost difference is being driven by increased oil production and rising demand for recycled plastic as more brands make commitments to use recycled materials in products.



Plastic pollution harming our fragile ecosystem

Human rights and social impact

Respect for human rights has become a global minimum standard of conduct for businesses, within their own operations and across their supply chains. Issues such as child labour and forced labour, safety and security, systemic racism, respect for indigenous people and land claims, and impacts of pollution on people's health are increasingly visible and exposed publicly. Women and girls are disproportionately impacted by issues such as forced labour and one in four victims of modern slavery are children. The pandemic has taken a particular toll on the poor, turning the spotlight on issues such as access to healthcare, livelihoods, extreme poverty and world hunger.



Upholding human rights through helping one another



4.0

Governance & Stakeholder Engagement

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4.0 Governance & Stakeholder Engagement

4.1 Stakeholders Engagement and Achievements

Membership

SCGM Bhd's subsidiary, Lee Soon Seng Plastic Industries Sdn Bhd is an active member of the Malaysian Plastics Manufacturers Association (MPMA).

SCGM Bhd is a corporate member of the Malaysian Investor Relations Association (MIRA).

Stakeholders

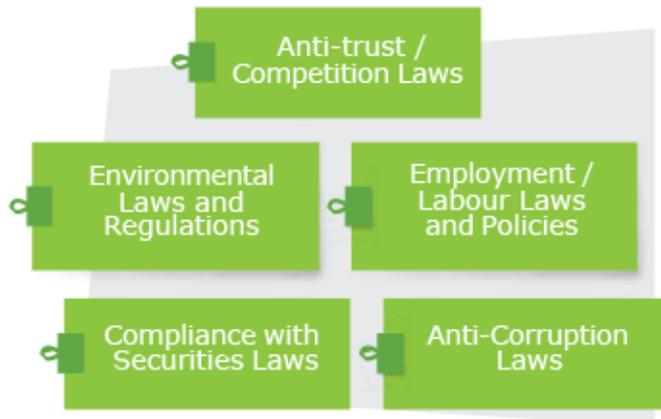
Our business relies on partnerships and working with a range of stakeholders. Our stakeholder engagement, including topics of concern and management of issues, are listed below:-

Stakeholder group	Frequency and type of engagement	Topics of concern	How we manage the issue
Customers (existing and potential)	Frequency: Ongoing Type: Awareness program, One to one engagement, Marketing materials, Roadshow	<ul style="list-style-type: none"> - Quality of product - Late delivery - Product defects - Re-engage with customers and avoid repetition of mistakes - Product prices and values. 	<ul style="list-style-type: none"> - Quality management system - Competitively price against our competitors - Quality assurance and reunion program
Media	Frequency: Frequent Type: Newspaper, Social media, Press conferences, Product launches	<ul style="list-style-type: none"> - Company performance - Misconceptions about the Company - Complaints on products or services 	<ul style="list-style-type: none"> - Direct engagement - Press statements / briefings - To highlight effort through engagement and communication channel
Employees	Frequency: Regular, ongoing Type: Knowledge sharing sessions, Internal customer engagement programme, Internal customer satisfaction survey, Innovation Accelerator Programme	<ul style="list-style-type: none"> - Well-being of the company and job security - Staff welfare and benefits - Safety environment at work - Work competency 	<ul style="list-style-type: none"> - Staff engagement programmes (e.g. HR4U, Customer 1st programme) - Implementation of ESH programmes involving employees - Job-related training and workshops
Suppliers	Frequency: Occasional Type: Performance review meetings, workshops, coaching for compliance	<ul style="list-style-type: none"> - Compliance issues - Tender prices and payments - Cost efficiency and introduction of innovative products - Workers quarters - ESH 	<ul style="list-style-type: none"> - Engagement with suppliers during Safety Day and assurance audit - Constant and regular communications - Process improvement - Engage and share concerns with relevant parties - ESH roadshow, ESH elements in tender and contract documents

Stakeholder group	Frequency and type of engagement	Topics of concern	How we manage the issue
Investors and financiers	Frequency: Annual, quarterly Type: Annual general meeting, quarterly results announcement, press conference, targeted briefing, meetings	<ul style="list-style-type: none"> - Legal compliance - Financial performance at expense of environmental/social well-being - Business risks - Soft market conditions - Negative public perception 	<ul style="list-style-type: none"> - Monthly reporting and regular audit - Engagement with investors & sharing of strategy - Rolling out diversified affordable products
Industry associations	Frequency: Ongoing Type: Represent in association, lobbying, sharing of knowledge at different platforms, participation in surveys	<ul style="list-style-type: none"> - Rising cost of materials - Effect to cost due to new regulations - New legislation & policies that adversely affect the industry 	<ul style="list-style-type: none"> - New procurement methods & new innovative materials - Lobbying and joint engagement between SDP, authority and association
Business partners	Frequency: Ad hoc Type: Meetings, discussions, functions, product launches	<ul style="list-style-type: none"> - Payment - Terms of reference (TOR) - Appraisal - Human rights - ESH 	<ul style="list-style-type: none"> - Standard Operation Procedure (SOP) - Proper SOP for monitoring and tracking - Audit and using e-tendering - Benchmarking
General public	Frequency: Ad hoc Type: Dialogue, meetings, engagement	<ul style="list-style-type: none"> - Environmental impact on communities 	<ul style="list-style-type: none"> - Engage with experts and explain via reporting, environmental conservation activities (e.g. tree planting)
Governments and regulators	Frequency: Ad hoc Type: Meetings, pre-consult submission, periodical monitoring & amp; reporting	<ul style="list-style-type: none"> - Customer rights - Compliance 	<ul style="list-style-type: none"> - Responsible reporting and marketing communications - Monitoring of compliance (e.g. legal checklist)
NGOs	Frequency: Ad hoc Type: Meetings, discussions, collaborations	<ul style="list-style-type: none"> - Environmental issues - Human rights - Issues affecting the local community 	<ul style="list-style-type: none"> - Environment engagement programmes (e.g. tree planting) - CSR programmes (e.g. safety in school), plastic waste separation awareness

4.2 Operating with Integrity

At SCGM Bhd we conduct our activities in accordance with the laws, rules and regulations in the various places we operate as well as support our employees to consistently uphold the highest standards of integrity and accountability. This year SCGM Bhd will include measures to ensure employees and partners adhere to all applicable policies, procedures, laws and regulations of the countries in which we operate, as listed below: -



Integrity is a major instrument which SCGM Bhd strictly adheres to, SCGM Bhd adopts robust policies and practices to address risk, to comply with relevant legislation and regulations, and to implement our high standards of ethics and integrity.

All our vendors (suppliers and contractors) are made aware of the Code of Business Conduct (COBC) and we also require them to follow SCGM Bhd Global Policies. As our counterparts or business partners, vendors are expected to adhere to standards of behaviours aligned to promoting a fair, honest and ethical business environment.

While environmental compliance is the responsibility of each employee, several departments within our organisation are entrusted with the ‘check and balance’ role, such as the Group Compliance Office as well as the Sustainability and Quality Management Department. All contractors and consultants engaged by the company are also required to comply with all necessary regulatory requirements.

Anti-Bribery and Corruption Risk Management (“ABC”)

The Group determines, evaluates and manages corruption-related risk regularly. At the end of each reporting year, the ABC of each business unit analyses corruption risk related to fraud and corruption.

The Group considers its business processes and focuses on those that are particularly prone to corruption risk, and carefully assesses existing controls and procedures in these areas. The ABC compliance unit will look into areas that are particularly prone to corruption typically procurement, payment, sales, charity, sponsorship, business gifts and hospitality and interaction with other business partners or government authorities.

The main documents regulating ABC risk management are the Anti-Bribery and Corruption Policy is published on the Company’s website at www.scgmbhd.com under the “Corporate Governance” section.

Raising Awareness of Ethical Business Conduct

The Group initiated wide-based engagement with customers and suppliers in 2020 by sending out notices on its new ABC Policy.

Areas assessed	Responses (Numbers)	Response Rate	Communication Method
Employees	Groupwide	100.0%	Via ABC employees' declaration form
Customers	Groupwide	100.0%	Via notification in the monthly customers' statement of account
Suppliers	53	76.8%	Via ABC suppliers' declaration form

The Group published its ABC policies and procedures on the Company's website at www.scgmbhd.com under the "Corporate Governance" section and made the documents available for all stakeholders upon request.

At the same time, to increase the awareness about corporate behaviour standards and the consequences of engaging in bribery and corruption, we provided ABC training for top management and all employees on the important amendment of Malaysian Anti-Corruption Commission (MACC) Act 2009 as follows:-

"Section 17A (1) of the MACC (Amendment) Act 2018, addresses corporate liability for corruption where directors and senior management will be held personally liable for acts of corruption (i.e. gives, agrees to give, promises or offers to any person any gratification in order to obtain or retain business or advantage for the commercial organisation) committed by the organisation, either by personnel or parties acting on behalf the organisation, which came into effect on 1 June 2020".

In addition, the Group also provided training on the ABC related topics such as gifts and hospitality, communications with suppliers and charity. The course emphasised the importance of alerting responsible managers and consulting with compliance managers when in doubt. Informing business partners about our standards of ethics and conduct is equally important. The Group requested contractors and suppliers to get acquainted with corporate principles related to ethical behaviour and draw references to ABC policies in contract negotiations.

Whistleblowing Policy

In the spirit of maintaining corporate integrity, the Group encourages stakeholders to report any suspicious activities through its corporate whistleblowing channels within the Whistleblowing Policy, which is available on the Company's website at www.scgmbhd.com under the "Corporate Governance" section.

The whistle-blower, who may choose to remain anonymous, may raise the concerns via the prescribed Whistleblowing e-form together with the relevant supporting documents (i.e. print, audio and/or visual evidence) to be submitted directly to:-

- a) The Independent Non-Executive Director, Ms Lim Peng Peng
Email: eunice913@hotmail.com

The Independent Non-Executive Director reserves the right on the next course of action, including but not limited to initiating an investigation on the raised matter, depending on the merits and adequacy of initial evidence provided.

In the years 2020 and 2021, the Group did not receive any reports on issues relating to labour, hazardous working conditions, workers' accommodation, corruption and fraud.

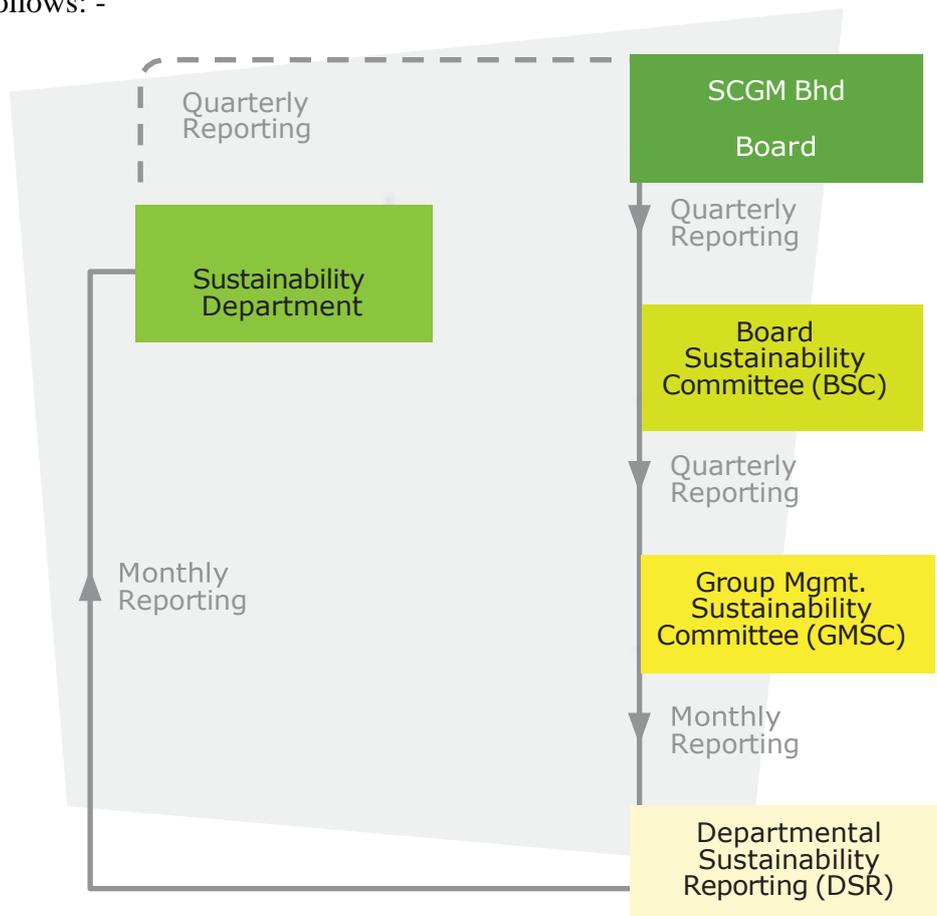
4.3 Sustainability Governance

The Board of SCGM Bhd has overall responsibility for the Group, in which Lee Soon Seng Plastics Industries Sdn. Bhd. forms as a Division. The Board meets quarterly to address the issues of Sustainability Governance.

This is our fifth Sustainability journey and as we continue to strive to yield better results, SCGM Bhd and its Board of Directors will continue to display sustainability leadership throughout our corporate governance and culture, daily operations and business practices and in the communities we build and foster. To be effective, we require a sustainability vision, governance structure, strategy implementation and monitoring of results.

Sustainability Governance is then also driven at the divisional level mostly through Departmental Sustainability Reporting (DSR) and via Strategic Business Units where the focus is placed on reporting and advising progress of the Key Performance Indicator (KPI).

Our Company was incorporated in Malaysia on 29 June 2007 under the Companies Act 1965 as a public limited company. Our Company is an investment holding company while our subsidiary, namely, Lee Soon Seng Plastic Industries Sdn. Bhd. ("LSSPI") is principally involved in the manufacturing and trading of plastic products and personal protective equipment. The structure of our Group is as follows: -



4.4 SCGM Bhd Sustainability Strategic Framework

At both the group and subsidiary level, SCGM Bhd supports its commitment to sustainability through creation of a logical sustainability strategic framework as depicted below: -

*The frame work illustrates SCGM Bhd activities and initiatives that help us to deliver our sustainability purpose which are **Contributing to A Better Society, Minimising Environmental Harm, and Delivering Sustainable Product**. This in turn helps to create values for the organisation.*



2025 Goals

Sustainability Purpose

Contributing to a Better Society
Minimising Environmental Harm
Delivering Sustainable Product

3 Years Strategic Goals

Sustainability,
Roadmaps and
KPIs



Sustainability Positions

- Effectively manage sustainability risks
- Effective sustainability reporting
- Instill a performance culture
- Leverage on sustainability to create value
- Develop sustainability through leadership

Corporate Core Values

Integrity, Respect &
Responsibility, Enterprise,
Excellence

Our Sustainability Strategic Framework adopts the United Nations (UN) Sustainable Development Goals (SDGs) to underpin and guide our effort. It also embeds our Corporate Core Values and Sustainability Beliefs.

The 17 SDGs and their associated targets are expected to become increasingly important in driving business and government delivery of sustainability. The goals set an agenda for sustainable development to 2030. For SCGM Bhd, 12 of the 17 goals are either directly or indirectly related to our overarching goals of developing sustainable communities and nation-building, as shown below.

The Sustainability Strategic Framework sets in place a structure to foster a performance culture that aims to move SCGM Bhd further along what we term the sustainability ‘maturity curve’, from ‘Emerging’ level to a ‘Leader’.

Our KPIs focus on our most material sustainability challenges and are assessed through objective metrics and aligned with Group Blueprints and Divisional Roadmaps. Achieving our KPIs enables us to move to the next level on the maturity curve.



4.5 SCGM Bhd Key Performance Indicators

We place primary emphasis on the Sustainability Leadership Index (SLI) and Critical and Trending Sustainability Key Performance Indicators (KPIs). These help us to focus on crucial material issues with measurable targets, supported by logical initiatives and programmes.

While fully adopting the Sustainability Strategic Framework at a Divisional level, SCGM Bhd focuses on the Critical and Trending Sustainability KPIs. In addition, we evaluate regularly the Division Strategy Blueprint, which is the primary business strategy tool of the division and advise focus and content to drive delivery of the sustainability framework.

To make progress on our sustainability journey and sustainability maturity curve, we need to achieve the targets of six critical KPIs and at least six of our trending KPIs.

Critical KPIs

Key area	KPI	Purpose	Subsidiary Target	Status
Safety and Health	Reducing Lost Time Injury Frequency Rate (LTIFR)	Protect our people by developing a safe working culture with zero fatalities	2 concern reports per Operating Units (OUs) per month	Reporting the next year
Business efficiency	To implement Lean Six Sigma	Empower operational excellent to enhance monetary benefits	Target to achieve 2 million per year until the year 2021	In planning stage
Sustainability reporting	GRI Sustainability Reporting	Engage stakeholders and commit to better disclosure	Contribute to the Group Sustainability content of the Annual Report and Division Materiality Assessment	On-going
Emissions	Carbon Intensity Reduction	Protect the environment by mitigating the impacts of SCGM Bhd operations on climate change	Review and recommit carbon emission reduction target	On-going
Managing waste	Setting Waste Baseline	Respect the environment by promoting sustainable consumption and production	Setting the preliminary waste baseline	On-going
Water	Setting Water Baseline	Protect the environment by adopting responsible water stewardship	Setting preliminary water baseline	On-going

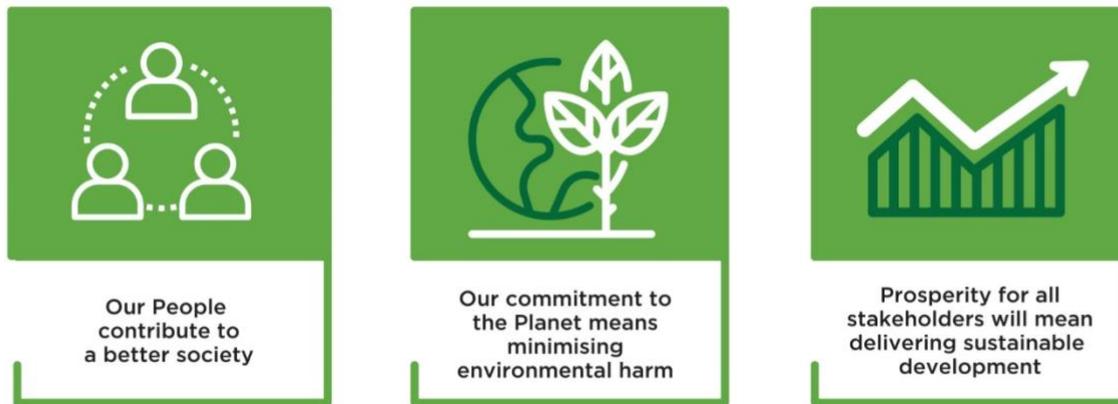
Trending KPIs

Key area	KPI	Purpose	Divisional Target	Status
Safety	Implementing Divisional Environment, Safety and Health (ESH) Roadmaps	Empower divisions by guiding the strategic progression of ESH initiatives	10% of 3-year ESH Division Roadmap	On-going
Business efficiency	Implementing Divisional Lean Six Sigma (LSS) Roadmap	Empower divisions by guiding the strategic progression of Quality and Operational Excellent initiatives	Division LSS Roadmap to be implemented	On-going
Safety and Health	Implementing Sustainability Management System (SMS)	Empower teams to disclose Sustainability data by providing a robust automated system	90% reporting to SMS	On-going
Safety and Health	Maintaining QESH-MS	Operational readiness for QESH-MS Certification	Preparation for certification	On-going
Safety and Health	A safe working environment for all employees	Reduction of safety and health metrics to ensure that all employees operate in a safe environment	Meet targets for the reduction of safety and health metrics (Incident Rate, Frequency Rate and Severity rate)	On-going
Energy	Energy Efficiency	Protect the environment by mitigating the impacts of climate change through promoting eco-efficiency initiatives	Review and commit target for energy reduction by 2021	On-going
Risk Management	Implementing ESH Risk Management	Protect SCGM Bhd against major ESH risks by ensuring that effective risk management in place	Generate 3 Top Risks and implement mitigation controls to reduce risk	On-going
Sustainability Engagement and Recognition	National competition/ Sustainability/engagement/ Awards	Highlight the value of corporate sustainability	Sustainability Awards Shortlisting	On-going
Quality	Quality Assessment System	To ensure product quality and reduce customer complaints		On-going

4.6 Drivers of Sustainability

SCGM Bhd is guided by the three key drivers of sustainability – People, Planet and Prosperity.

These drivers relate directly to our Sustainability Purpose which is Contributing to A Better Society, Minimising Environmental Harm and Delivering Sustainable products.



In this Report, we use our Sustainability Purpose Framework to outline our performance sometimes with initiatives case studies to demonstrate our progress in delivering on the three pillars.

Sustainability Performance Index (SUSPI)

Within SCGM Bhd, we apply SUSPI to serve as our guide and measure the sustainability at our manufacturing process and the sustainability at our contribution to the three pillars ie. Contributing to A Better Society, Minimising Environmental Harm and Delivering Sustainable Product.

This in-house tool helps us to optimise our resources whereby the focus is on ensuring a pragmatic approach by delivering sustainable solutions in relation to the three key drivers of sustainability – People, Planet and Prosperity during the manufacturing process.

This tool also serves as an engagement to provide DSR with recommendations for enhancement which are often implemented upon recommendation of GMSC.

Our main focus will be using this tool to evaluate our sustainability performance and the results of which would be in our next reporting period.



4.7 Sustainability Risk Management

Approach to Managing Sustainability Risk

The framework in which the Group addresses the sustainable risks are tabulated below:

Areas to be Assessed	Description	Action to be taken
Health, Safety and Environment (“HSE”): Environment	<p>The environmental risks from manufacturing are mainly related to Climate Change (CO2 emission related to energy consumption), Emission to Air (dust and harmful contents in gas emitted from production), Emission to Water and Waste.</p> <p>The company faces risks of regulatory fines and/or jail terms for non-compliance with the Environmental Quality Act, 1974, and risk of suspension or revocation of business licenses either temporary or permanently by local authorities for detection of actual pollution of the environment.</p> <p>The company may also face increasing scrutiny and pressure from residents, regulatory bodies, environmental activists, and environmentally conscious investors, suppliers, customers as well as prospective employees.</p>	<p>The environmental risk matrix is monitored regularly. Respective mitigation activity is developed and performed in response to the risks.</p> <p>Implementation of air emissions and water use reduction programmes at plants.</p> <p>Waste management improvement programmes.</p> <p>Updating on relevant environment statutory.</p>
HSE: Safety	<p>The potential danger of fire, explosion, electrocution, hazardous chemical substance, moving machinery parts, moving handling equipment, handling heavy inventories, etc. could lead to industrial accidents which may result in loss of human lives, permanent or non-permanent human disability, production disruption, damages to machinery, equipment or inventories.</p> <p>Any breach of Occupational Health and Safety regulations by SCGM Bhd or any occurrence of significant industrial accidents may attract regulatory sanctions which include fines or production suspension, reputational damages, employees’ dissatisfaction.</p>	<p>To introduce Management KPIs which place significant emphasis on safety performance and the standardisation of critical safety programmes.</p> <p>To implement an energy isolation programme.</p> <p>To further develop a programme of behavioural safety observations and to drive a more proactive approach to injuries and accidents prevention.</p> <p>To introduce maintenance and repair modernisation programmes, downtime management system.</p> <p>Further development of occupational safety risk assessment methodology. Analysis of the effectiveness of corrective measures to be taken.</p> <p>Analysis of anticipated risk to have occurred.</p>

Areas to be Assessed	Description	Action to be taken
<p>Business Interruptions</p>	<p>The Group’s profitability is subjected to the volatility of resins prices, is favoured by a downtrend and affected by an uptrend.</p> <p>The Group places heavy reliance on the capability of the Information and Communication Technology (“ICT”) and Enterprise Resource Planning (“ERP”) software to initiate, process and record voluminous transactions accurately and reliably. This is critical to provide seamless supply chain solutions and audit trails for accounting and tax audits. Therefore, data security and storage are of significant importance and may be subject to a cybersecurity threat.</p>	<p>Practice cautious and disciplined procurement to ensure stable medium-term profitability.</p> <p>Prolonged significant business disruptions are carefully analysed for their root causes, and future preventive strategies are formulated to prevent the occurrence and mitigate damages.</p> <p>Currently, the Group has set up a Disaster Recovery site in addition to the Production site. This is to ensure, in the unlikely event of a disaster, the ICT systems continue to function as normal. Recently, a special Digital Transformation Committee headed by the Managing Director is set up to chart the strategic direction and to further improve the ICT infrastructure and systems capabilities to cater for the Group’s future expansion needs.</p>
<p>Disruptive Governmental Actions</p>	<p>Imposition or removal of trade duties by either the Malaysian Government or by foreign jurisdictions.</p> <p>Reprimands by relevant regulatory bodies for breaches of anti-competition laws, dubious transfer pricing practices, tax evasion etc.</p>	<p>Subscribed memberships of various trade or industry bodies for better dialogues with governmental bodies for better resolution formulation.</p> <p>Engaged external consultants or advisors on compliance with various trade and tax-related laws.</p>
<p>Product Competition</p>	<p>The Group businesses are subject to market competitions which are affected by new entry/exit of industry players (local or overseas), the introduction of substitute products, changes in competitors’ output capacities, and fluctuation in market demands for its products.</p>	<p>Maintain a diversified range of products to reduce the effects of cyclical changes in market demand.</p> <p>Looking for business/assets acquisition opportunities and upstream manufacturing activities to reduce procurement risk and enhance profitability.</p> <p>Maintain price competitiveness for plastic packaging products, apart from maintaining acceptable product quality and reliable product deliveries for enhancing market/customer confidence.</p>

Areas to be Assessed	Description	Action to be taken
Social and Community Risk	While the majority of the Group manufacturing facilities are located in industrial areas, its activities are expected to affect their respective local communities in manners such as noise, effluences, traffic, job opportunities etc.	<p>Erection of sound barriers where noise emitted from operations is known to be affecting residences in the vicinity.</p> <p>Child and Forced Labour Policy to prohibit exploitative employment to protect vulnerable communities.</p> <p>To undertake various initiatives to:</p> <ul style="list-style-type: none"> - Improve employment of local communities. - Improve or maintain local infrastructure to enable a better living environment. - Support education opportunities for needy and vulnerable groups.
Climate Change Risk	Risks related to climate change and extreme weather events could lead to business disruptions, resource shortages, and damage to the supply chain, equipment, and reputation.	<p>Implementing energy efficiency projects and, as a result, lowering greenhouse gas emissions.</p> <p>Supporting global programmes to reduce greenhouse gas emissions.</p> <p>Participating in drawing up greenhouse gas emission regulations in Malaysia</p>
Human Resource and Employee Risk	Employees' low productivity, low motivations and morale, low job satisfaction, due to unfair treatment, lack of performance recognition, unhealthy work environment, hostile colleagues etc.	<p>Established employee grievance and conflict handling procedures.</p> <p>Equal employment opportunity.</p> <p>Established employee engagement through annual appraisals and face-to-face meetings.</p>
Quality	Customer dissatisfaction and lack of confidence due to products quality and functionality fail to meet the expectation.	<p>Regular monitoring of customer satisfaction levels.</p> <p>Meetings and feedback sessions with clients and management.</p> <p>Site visits to production assets Production and quality improvement programmes.</p>



Our Sustainability Reporting

- 5.1 Material Issues
- 5.2 Our Sustainability Purpose

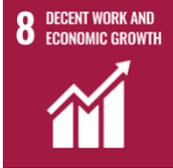


5.0 Our Sustainability Reporting

5.1 Material Issues

SCGM Bhd has taken the initiative to map out aspect boundaries in areas that are of importance to us. Our aspect boundaries are impacts experiences either inside the organisation or externally in the value chain. We have also mapped it alongside key SDGs as we feel that the SDGs represents an all encompassing roadmap towards better development.

Here we have indicated our activities and commitments to the goals. Below are 13 of our key issues that we will continuously strive towards developing for the future.

Issue	Aspect Boundary	SDGs	
Corporate governance	SCGM Bhd and subsidiaries		
Economic and financial performance	SCGM Bhd, our vendors and our investors and customers		
Business risks	SCGM Bhd, our vendors and our investors and customers		
Cost management/efficiency	SCGM Bhd and our investors and customers		
Pricing strategy	SCGM Bhd and our customers		
Environmental management	SCGM Bhd and our customers	 	

Issue	Aspect Boundary	SDGs	
Talent management	SCGM Bhd, especially our employees	8 DECENT WORK AND ECONOMIC GROWTH 	4 QUALITY EDUCATION 
Employee welfare	SCGM Bhd, especially our employees	8 DECENT WORK AND ECONOMIC GROWTH 	3 GOOD HEALTH AND WELL-BEING 
Human rights in the workplace	SCGM Bhd, especially our employees	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	10 REDUCED INEQUALITIES 
Customer relationships	SCGM Bhd and our customers	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	
Facility safety	SCGM Bhd and our customers	10 REDUCED INEQUALITIES 	
Community engagement	SCGM Bhd, our customers and township communities	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	
Negative public relations risks	SCGM Bhd	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	

5.2 Our Sustainability Purpose

In this Report, i.e. Chapter 6 to 9 details our activities and sustainability performance under three pillars areas of our sustainability purpose, i.e. Contributing to a Better Society, Minimizing Environmental Harm and Delivering Sustainable Product.





6.0

Sustainable Supply Chain

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



6.0 Sustainable Supply Chain

Our Supply Chain / Procurement

SUPPLIER ESH COMPLIANCE

Supplier internal assessment was conducted last year to ensure suppliers conform with our sustainability guidelines and based on the guidelines provided, enclosed below are the results of our Supplier ESH Performance Audit.

2020 AUDIT PERFORMANCE						
	LIST OF FACTORIES WE PROCURE FROM	TOTAL AUDITS	RESULT A, B	RESULT C	RESULT D	RESULT E
Malaysia	13	0	13	0	0	0
Taiwan	2	0	1	1	0	0
China	4	0	1	3	0	0

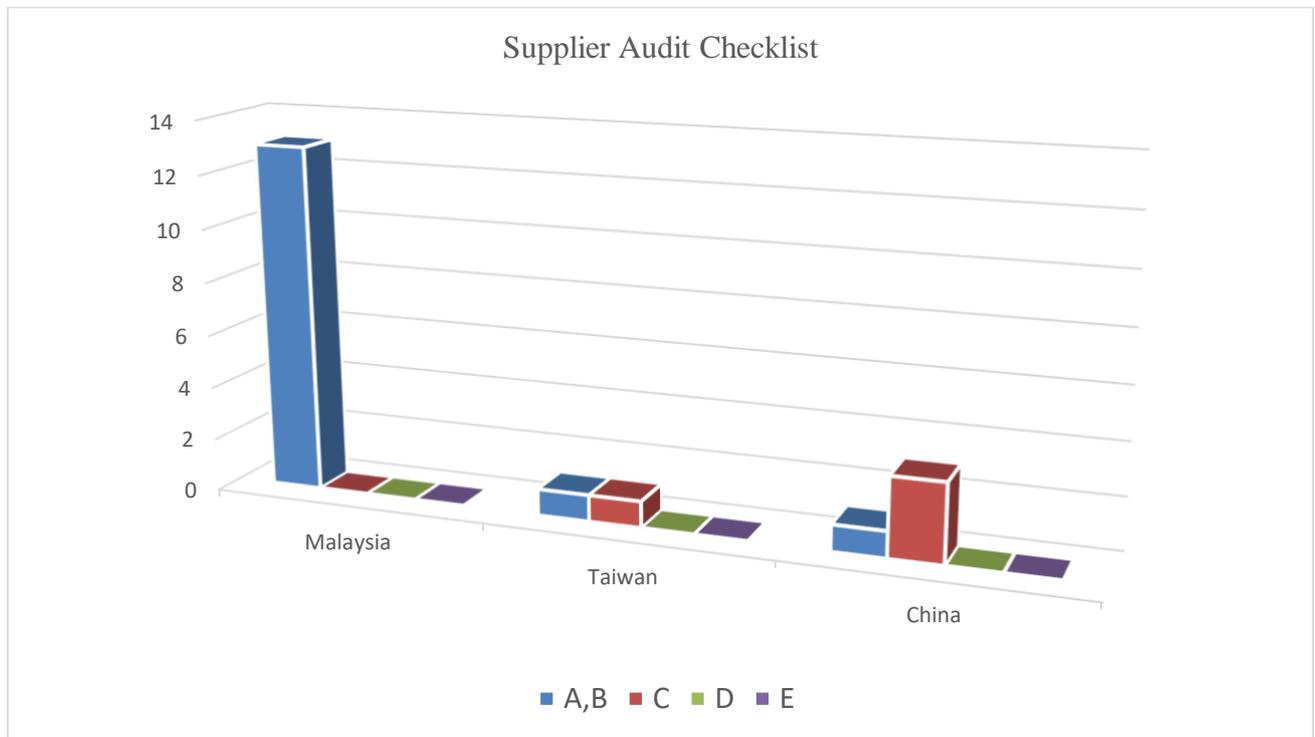
PROCUREMENT OF MATERIALS

As part of our commitment to the community to support the local economy, SCGM Bhd endeavours to source its raw materials locally in its manufacturing process as well as its non-consumables. We purchased approximately 80% of our raw materials locally as tabulated below.

Resin Type	Local	Foreign	Distance from Kulai
PP	100%	-	47 km
HIPS	100%	-	46 km
PET	100%	-	269 km
OPS	-	100%	-
PVC	-	100%	-

In addition to its other components such as spare parts, consumables, etc. SCGM Bhd would directly purchase from Kulai District or within 10 km from the factory.

In the year 2020, we did not perform a physical audit on the suppliers, however, we request suppliers to fill up our supplier audit checklist and based on the checklist we found that more than 90% of the suppliers met or conformed with our requirements in line with our sustainability guidelines. The chart below depicts our results from surveys being conducted.



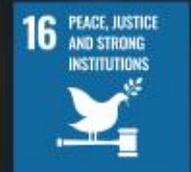
The table below depicts the results of the assessment based on the survey being conducted. SCGM Bhd will continue to review its supplier assessment with ratings C and below.

	A	B	C	D	E
	VERY GOOD	GOOD	ACCEPTABLE	INSUFFICIENT	UNACCEPTABLE
Social management System	8%	10%	21%	59%	0%
Workers Involvement	48%	31%	15%	4%	0%
Freedom of Association	99%	1%	0%	0%	0%
No discrimination	85%	10%	5%	0%	0%
Fair remuneration	36%	50%	13%	0%	0%
Decent working hours	36%	0%	8%	55%	0%
OHS	76%	10%	1%	9%	0%
No Child Labour	98%	1%	0%	1%	0%
Special protection for young workers	95%	3%	1%	0%	0%
No precarious employment	99%	1%	0%	0%	0%
No bonded labour	100%	0%	0%	0%	0%
Protection of the environment	74%	13%	12%	1%	0%
Ethical business behaviour	80%	12%	8%	0%	0%



Contributing to A Better Society

- 7.1 Safety and Health
- 7.2 Human Capital
- 7.3 Human Rights



7.0 Contributing to A Better Society

7.1 Safety and Health

Our commitment

As a manufacturer, the nature of our business is potentially hazardous to the safety and health of our employees and contractors. Due to this, we truly believe in the importance of prioritizing the culture of protecting the wellbeing of our workers, both employees and contractors.

We strive to meet all necessary safety and health requirements to ensure that our employees are able to operate safely and return home in the best of health.

Minimizing safety and health risks through appropriate governance processes

Safety and health governance is a major component to aligning and addressing health and safety risks with the ultimate goal of minimizing future incidents. Our Safety and Health Committee presents to the Managing Director on a quarterly basis to discuss updates on our safety and health numbers. The Managing Director reports these issues to the Board as awareness of these risks should be aligned to business efforts.

We remain guided by our Environment, Safety and Health (ESH) Policy that has been approved by our Board to embed a culture that is accountable to these practices. We require all our stakeholders, including vendors and contractors to abide by these standards.

On-site, our safety and health officers oversee activities to ensure that all operations are conducted in a safe manner. Providing an environment that is safe for all employees and contractors, requires our safety and health officers to rely on the support of all relevant departments.

When an incident occurs, a Safety and Health Representative must be notified within 24 hours. An investigation on the incident will be conducted where an assessment on the following areas will be examined:

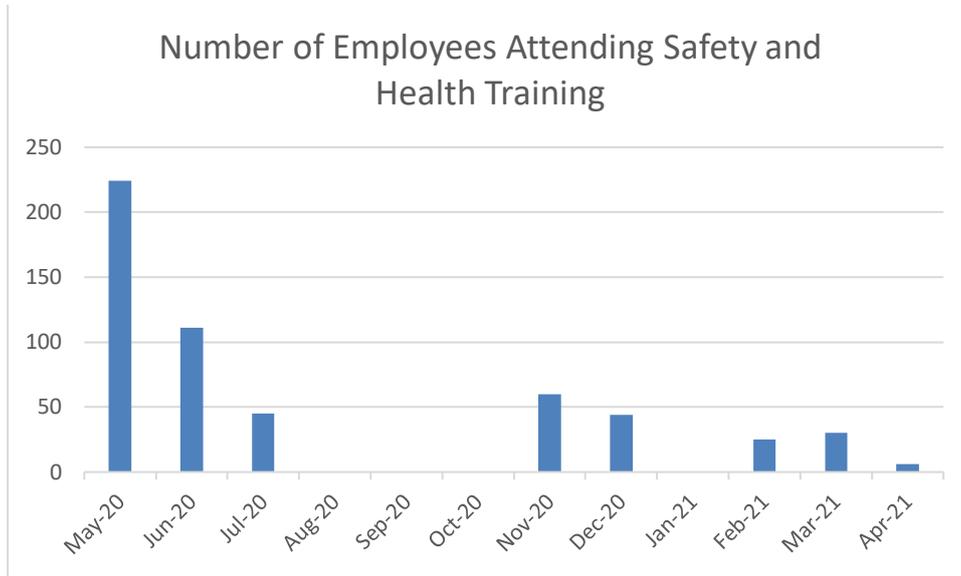
- 1) Nature of injury
- 2) Cause of injury
- 3) Location of injury
- 4) Contributing factors to the incident (method of work, machinery, human behaviour)
- 5) The current safety procedures available with regards to the incident
- 6) Proposed corrective actions to eliminate the cause of incidents
- 7) Proposed preventive actions to prevent any other future incidents

All investigations must include collecting evidence, discussions with witnesses and is further followed up with discussions with the relevant departments. Investigations are normally completed within 5 working days, and the preventive and corrective actions will be shared with the Management.

Safety and health legal requirements

As required by Malaysian law, we abide by the Occupational Safety and Health Act (OHSA) 1994. This provides us with the legislative framework for the safety, health and welfare among all our sites with the principle aim of preventing and protecting workers against hazards and their risk in connection with their activities at work. We are subjected to inspections by the relevant authorities as required.

Safety and health training



During the reporting period, 545 employees attended safety and health training on various safety and health topics. This constitutes 98% of our current total number of employees.

A component of minimizing safety and health-related incidents in the organization includes providing our workers with relevant training. Examples of training that we have conducted include: First Aid Training, Personal Hygiene Procedure, COVID-19 Training and Noise Risk Assessments.

For the year under review 2020, our employees and contractors have attended training programmes in the areas of first-aid, safety chemical handling, overhead crane safety training and forklift safety and operational training.

Continuous measurement

As we continue the path of creating a safe workplace culture, we aim to benchmark our performance through set internal targets. Our calculations of fatality rate, incident rate, frequency rate and severity rate are based on Malaysia's national standards as set by the Department of Occupational Safety and Health. Incident rates are calculated based on the number of accidents over the annual average number of employees. Frequency rates are calculated based on the number of accidents over the total man-hours worked.

Severity rates are calculated based on the total workdays lost over the total man-hours worked.

Although our incident and frequency rates have been relatively high, we are pleased to report that our severity rates have been declining over the years. This provides us with an indication that individual employees require more workplace safety training, which we will aim to do for the next reporting period.

Fatality rate

From 2017 – 2020, the Group has recorded 0 fatalities, and we hope to continue this trend in the future. For further context, Malaysia recorded 2.09 occupational fatalities per 100,000 workers in 2021. The manufacturing industry recorded 83 fatalities from July 2020 – July 2021.¹

Incident rate

Financial Year (FY)	Incident rate
FY 2019 (May2018 – April 2019)	12.00
FY 2020 (May2019 – April 2020)	10.17
FY 2021 (May2020 – April 2021)	29.67
Target for FY2022	Below 20

In FY2021, the Group recorded the highest number of incidents over the annual average number of employees. As the number of employees remained consistent during this period, the high incident rate can be attributed to a high number of non-threatening accidents. In FY2021 we recorded 17 total incidents, compared to FY2019 where we recorded only 6 total incidents.

Frequency rate

Financial Year (FY)	Frequency rate
FY 2019 (May2018 – April 2019)	2.75
FY 2020 (May2019 – April 2020)	4.11
FY 2021 (May2020 – April 2021)	8.40
Target for FY2022	Below 6

In FY2021, the Group recorded a frequency rate of 8.4, which was significantly higher than FY2020, which was 4.11, and even higher than FY2019, which was 2.75.

Similar to the incident rate, we believe that this indicates that accidents are becoming increasingly common, however, they are non-threatening and does not require additional days off.

Despite this, we aim to lower the number of accidents to meet our internal targets.

Severity rate

Financial Year (FY)	Severity rate
FY 2019 (May2018 – April 2019)	156.11
FY 2020 (May2019 – April 2020)	89.13
FY 2021 (May2020 – April 2021)	45.98
Target for FY2022	Below 40

Throughout the years, we have managed to significantly reduce our severity rate from 156.11 in FY2019 to 45.98 in FY2021. We believe that our safety training on safe equipment usage has contributed to this reduction. We will continue to take necessary safety precautionary measures to mitigate the risk of worker injury.

¹ Department of Statistics Malaysia (2021), National Occupational Accident Statistics 2020

COVID-19

As COVID-19 had an impact on individuals, communities and businesses, we adopted precautionary measures in our daily operations to ensure that the safety and health needs of all employees were fully upheld.

We adopted safety measures such as increasing sanitation activities, temperature checks, limiting the number of individuals on-site, enforcing mandatory facemasks and additional social distancing measures to minimise contact between employees as a means of curbing the spread of the virus.

Our Company was allowed to operate during the multiple implementations and extensions of Movement Control Order (MCO) in Malaysia with reduced workforce capacity.

In terms of vaccination rate, 100% of our workforce received at least one dose of COVID-19 vaccine as at 27 August 2021, with all of our employees on track for full vaccination against COVID-19 by end of September 2021.

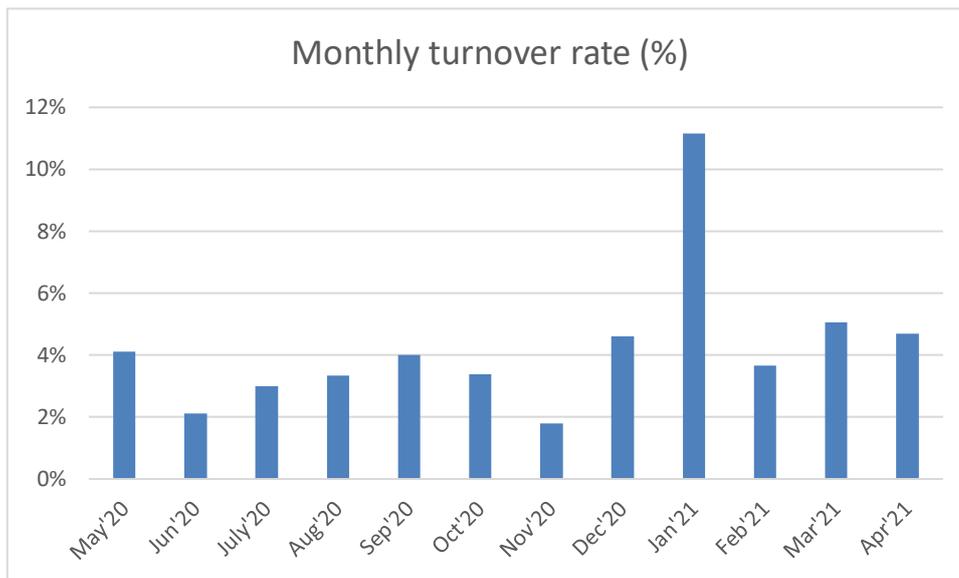


7.2 Human Capital

Labour practices

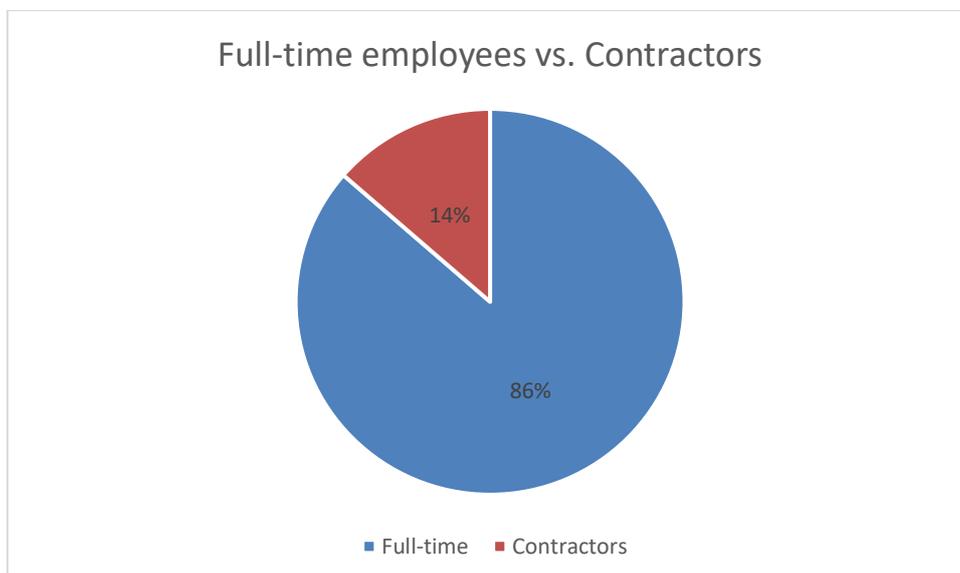
As an organization, we remain guided by our “Human Resource Policy” to operate effectively and efficiently by employing and retaining adequate competent employees with relevant knowledge, skill, and experience to carry out their duties and responsibilities effectively and efficiently. We carry our performance evaluations across all levels of staff to identify performance gaps for training needs and talent development.

Our policy is communicated to all our employees, and as we employ people of various nationalities, we ensure that it is translated into English, Malay, Burmese and Bengali.



We had an average turnover rate of 4% per month during the reporting period, and a spike of 11% in the month of January 2021. This is an area that we monitor throughout the year, as we believe that a high rate of employee turnover can indicate levels of dissatisfaction amongst our employees.

The majority of our staff are full-time staff at 86% of our workforce, while 14% are contractors.



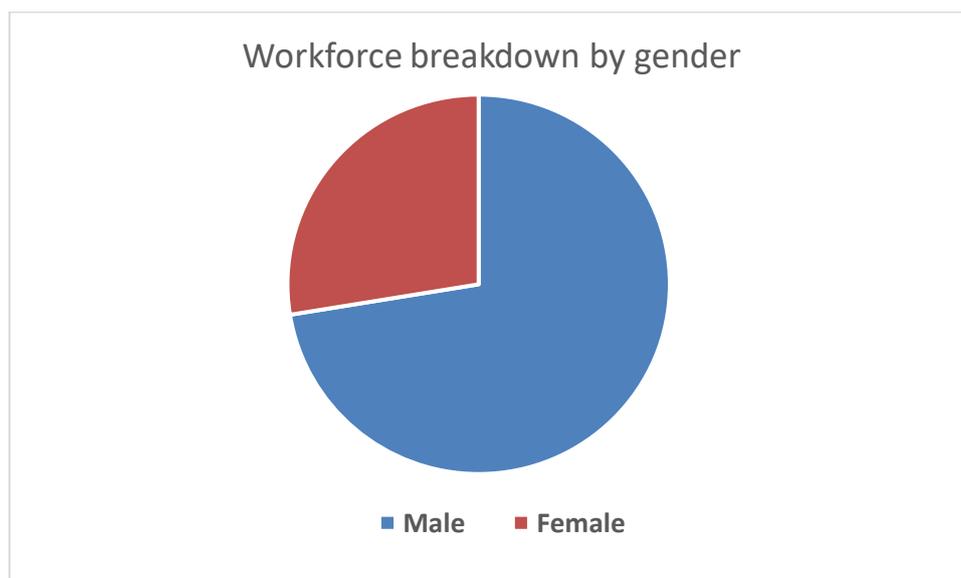
Diversity

SCGM Group will not discriminate against suppliers, employees, and other relevant stakeholders with regards to race, age, gender, sexual orientation, religion, disability, and nationality.

Equal pay for equal work refers to the right for all workers to have equal remuneration for work of equal value. This goes beyond basic wages and includes forms of remuneration including overtime pay, bonuses, travel allowances, insurance, and other benefits. Championing diversity requires us to ensure that all employees receive pay based on merit regardless of their race, age, gender, sexual orientation, religion, disability, and nationality. We aim to ensure that employees receive equal opportunity for work, with equal pay. Malaysia has ratified the ILO's Equal Remuneration Convention in 1997 and we aim to uphold this concept within the organization.

Aligned with our views on gender diversity, we have formalized a Sexual Harassment Policy and Grievance Procedure that is included in employee handbooks and is frequently briefed to relevant employees. We are pleased to report that during the reporting period, there have been no instances of sexual harassment reported to management.

When divided by gender, our workforce constitutes of 29% females. This will be an area of improvement that will be focusing on in the future.



Right to collective bargaining and freedom of association

In support of fundamental labour rights as stated in the Universal Declaration of Human Rights and the United Nations Global Compact requires the company to respect freedom of association and the right to collective bargaining principles of employees.

Malaysia has enacted the Industrial Relations Act 1967, which provides the mechanisms for collective bargaining between employees and employers. Article 10 of the Constitution of Malaysia guarantees the rights of all citizens to associations. We abide by the laws and regulations of the nation concerning the right to collective bargaining and freedom of association.

Labour practices concerning the right to a minimum wage and working hours

The Malaysian government has increased the minimum wage to RM1,200 per month in 2020.

We ensure that all our employees are paid the minimum wage, as the starting salary within the organization currently sits at RM1,200 per month.

We remain guided by the Employment Act 1995 as the main source of law on employment matters in West Malaysia. The Employment Act has specifically stated the rules and regulations about what constitutes working hours, the minimum number of rest periods, the maximum hours of work and overtime. We uphold these regulations through references in all employment contracts.

Training and development

As supporters of talent development, we aim to ensure that all employees have access to development programmes that can provide them with knowledge on relevant areas of operations such as compliance with rules and regulations, health and safety, technical training, leadership, and product development.



7.3 Human Rights

Human rights and the Community

Our commitment to human rights and children's rights

All businesses have a responsibility to respect human rights and as stated by the United Nations Guiding Principles on Business and Human Rights, SCGM Group strives to continuously respect human rights, carry out human rights due diligence and provide grievance mechanisms for human rights issues. Our business actions should also be in support of respecting children's rights.

We acknowledge that human rights extend beyond labour practices, but also includes how we as a business operate within our surrounding communities. To do this, we have taken the necessary steps to understand how our business can impact human and children's rights throughout the organization.

Child Labour and Forced Labour Policy

We have taken active precautions to monitor and prevent instances of child labour within our organization. As stated in our last report, we have adopted a Child Labour and Forced Labour Policy in March 2020. Through the policy, we aim to create a culture of awareness on these issues with the ultimate goal of informing and educating people on the topic, to influence attitudes, behaviours and beliefs.

This policy has been disseminated to all our stakeholders, including our employees, suppliers, business associates and customers.

Prevention of Child Labour

Within SCGM Group, we verify the age of applicants for employment by requiring the presentation of valid identification issued by an official authority before employment. Other legal proof of age such as a diploma, birth certificate or official documents from the place of residence may be accepted. We also ensure that applicants have already completed their compulsory schooling.

This policy is applicable to all our business partners, and we demand that they uphold rigorous due diligence to prevent instances of child labour within their organization.

Prevention of Forced Labour

We recognize the definition of forced labour as work or services performed involuntarily under threat of penalty. We have embedded measures to prevent any forms of forced labour, modern slavery or human trafficking throughout the organization.

To prevent this, we require social compliance audits to be carried out at regular intervals to ensure that our business partners meet our standards and prevent instances of forced labour. Suppliers are also required to submit self-assessment questionnaires based on their labour practices.

Community investments

The pandemic has exacerbated social challenges such as poverty and food security. We have strategized our local community investments to address these pervasive community issues.

We donated 4,860 face shields to front liners to aid in the fight against COVID-19 through Jabatan Kesihatan Negeri Johor, Ministry of International Trade and Industry (MITI), Malaysian Investment Development Authority (MIDA) and Kuala Lumpur Hospital (HKL). SCGM Bhd hopes to continue providing personal protective equipment to relevant personnel as a component of our business values.

During the reporting period, we have invested approximately RM220,124 in the local communities which we operate in.



Respecting and Protecting Human Rights in Our Workforce

Human Rights is an increasing area of concern from a wide range of stakeholders.

SCGM Bhd will register to become a signatory of the United Nations Global Compact (UNGC) and to become a member of the Global Initiative on Human Rights. The company's observance and direction of fundamental human rights are enshrined within its policies and COBC.

In our reporting period, we have yet to implement a formal charter of human rights policies. In addressing these issues holistically, SCGM Bhd will strive to do so in the near term.

SCGM Bhd believes it has to respect the rights of all individuals regardless of race, colour, creed, religious and nationality, including but not limited to, its employees and communities wherever it operates.

Ongoing general awareness sessions are being rolled out to raise awareness about fundamental Human Rights and their relevance to business for our management team.

The pictures below show our recently upgraded facilities according to our staff who worked in SCGM Bhd.



2 blocks of Hostel made of Brick with fire system



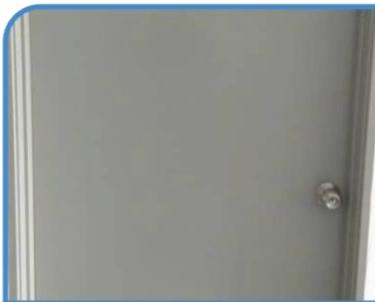
Canteen



Sport Facilities provided by Company



Bed for Staff



Fire Rated Door



Bed for Staff

For male employees, we provide 4 beds to a room and 2 beds to a room for female employees, located at different floor and accessible only by access card. Each block is monitored 24 hours by our security guards to ensure our employees are well protected and to avoid any mishaps. We have also provided an Automated Teller Machine (ATM) at the entrance of our manufacturing plant to facilitate the withdrawal of salary by our employees. To further illustrate our commitment to ensure the welfare of our staff, we have engaged a licensed money changer once a month to assist the employees who wish to repatriate funds back to their home countries.



Steel Locker for Staff



Curtain provided by Company for Staff



Canteen for Staff



8.0

Minimising Environmental Harm

- 8.1 Recognition of Climate Change Impacts
- 8.2 Environmental Regulation
- 8.3 Managing Our Carbon Footprint
- 8.4 Resource Management

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

8.0 Minimising Environmental Harm

8.1 Recognition of Climate Change Impacts

Climate change impacts are becoming increasingly present, both globally and within Malaysia. Malaysia’s Disaster Management Reference Handbook states that in the past two decades (latest data up to 2018), Malaysia has experienced 51 natural disaster events, with over 280 deaths and affecting over 3 million people. The weather impacts due to climate change will increase natural disaster events. As the weather becomes more extreme, deadly heatwaves, floods and drought will worsen – and as a business, we have a responsibility to pinpoint our role in climate change and take active steps to mitigate this.

The concept of a circular economy can significantly reduce greenhouse gas emissions by applying principles such as re-use, re-manufacturing and re-cycling. A regenerative system in which resource input and waste, emission and energy leakages are minimized by closing and narrowing energy gaps and material loops can be achieved through long-lasting design, maintenance, repair, reuse, remanufacturing, refurbishing and recycling.

At SCGM Bhd, we aim to adopt the principles of a circular economy through two methods. We hope to ensure that our products are biodegradable through product design specifics, discussed in Section 3.7, on “Sustainability by Design.” We are also looking at methods of ensuring better product manufacturing through monitoring and overseeing elements of minimising the use of environmental resources, which will be discussed further in this section.

8.2 Environmental Regulation

Adhering to local environmental regulation is part and parcel of our practices to minimise environmental impact. Below are local regulations that shape our environmental practices which we consider as minimum requirements to conduct our business.

Government regulation	Related environmental impact
Environmental Quality Act 1974	Prevention, abatement, control of pollution and enhancement of the environment
Environmental Quality Clean Air Regulation 2014	For the provision and proper operation of discharge related to pollutants into the open air
Environmental Quality Sewage Regulations 2009	For the provision and proper operation of sewage operation and discharge
Industrial Effluent Regulations 2009	For the provision and proper operation of discharge or release of industrial effluents
Solid Waste and Public Cleansing Act 2007	Segregation of waste to ensure all disposed materials are dealt with safely by licensed contractors

The Group is pleased to report that there were no issues of non-compliance with laws and regulations on issues pertaining to the environment in FY2021.

8.3 Managing Our Carbon Footprint

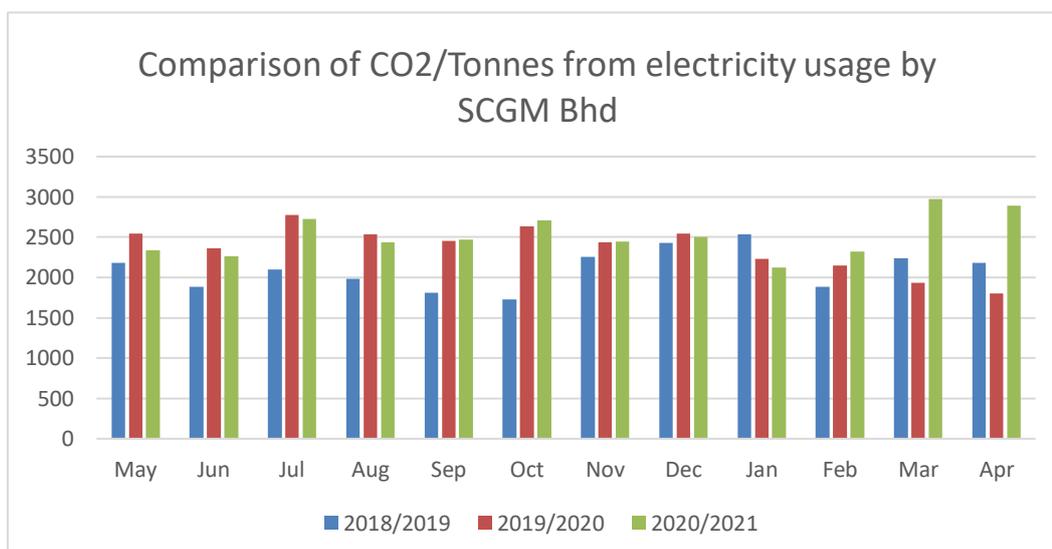
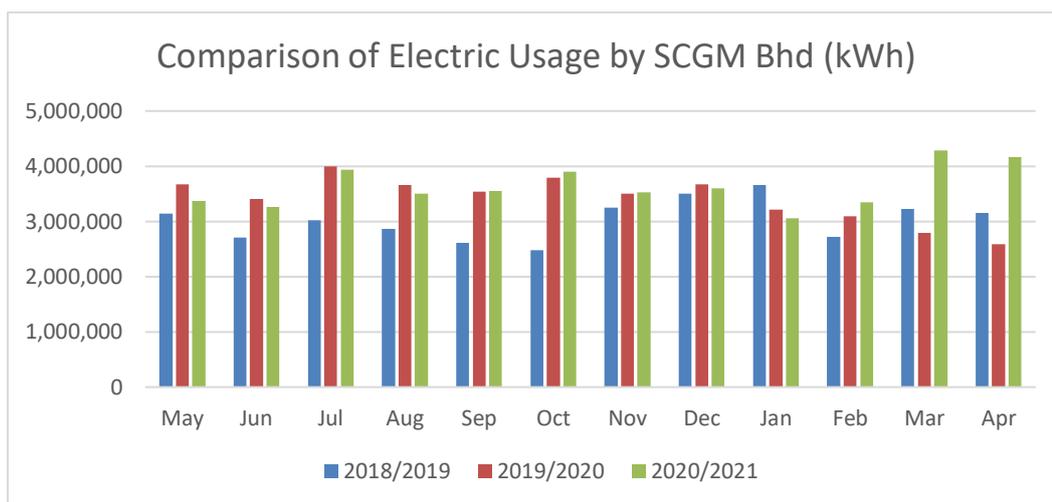
By monitoring our carbon footprint, we are able to implement better carbon management tools. Our carbon management strategy is influenced by the potential risks of climate change and extreme weather events, making the need to ensure resilience in our business value chain and products a priority.

For the purpose of this report, we have based our calculations carbon emission on <https://greentechmalaysia.my/carboncalculator/>

8.3.1 Carbon emissions based on electricity consumption

Our electricity consumption is based on our factories in Kulai. We have seen an increase in electricity usage during these periods from 36,318,792 kWh in 2018/2019 compared to 43,547,170 kWh in 2020/2021, in line with the increase in output. For future comparisons we will consider measuring based on output for our stakeholders to effectively assess our consumption.

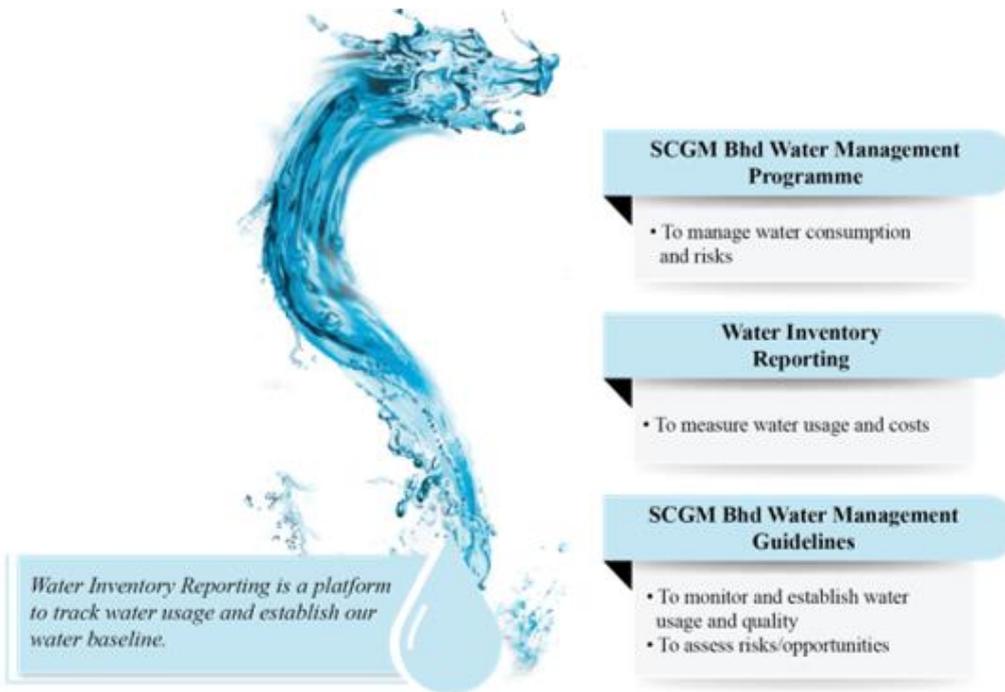
Financial Year (FY)	Electricity consumption (kWh)	Carbon Emissions (CO ² /tonne)
FY2019 (May 2018-Apr 2019)	36,318,792	25,205
FY2020 (May 2019-Apr 2020)	40,941,159	28,413
FY2021 (May 2020-Apr 2021)	43,547,170	30,222



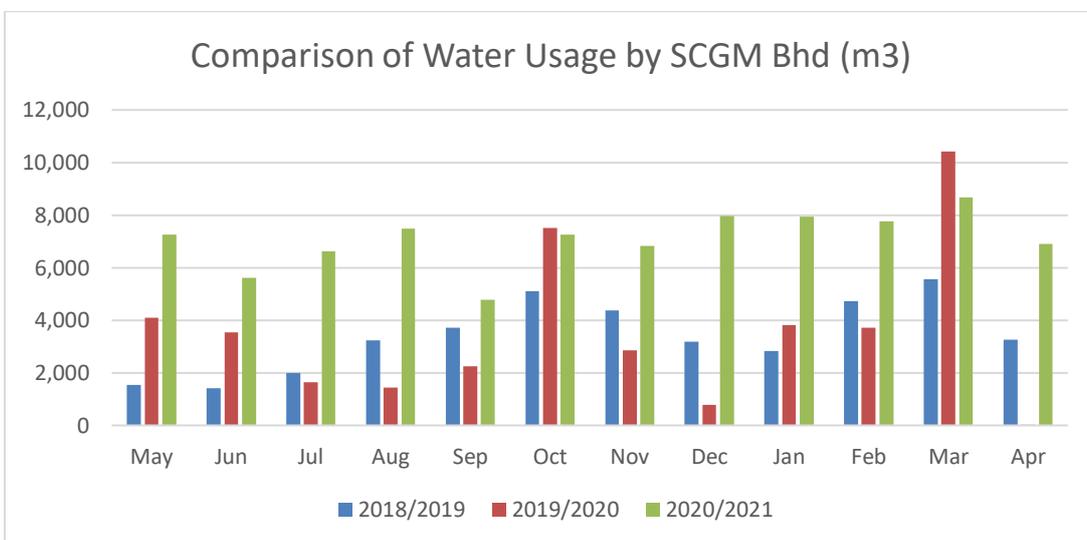
8.3.2 Carbon emissions based on water consumption

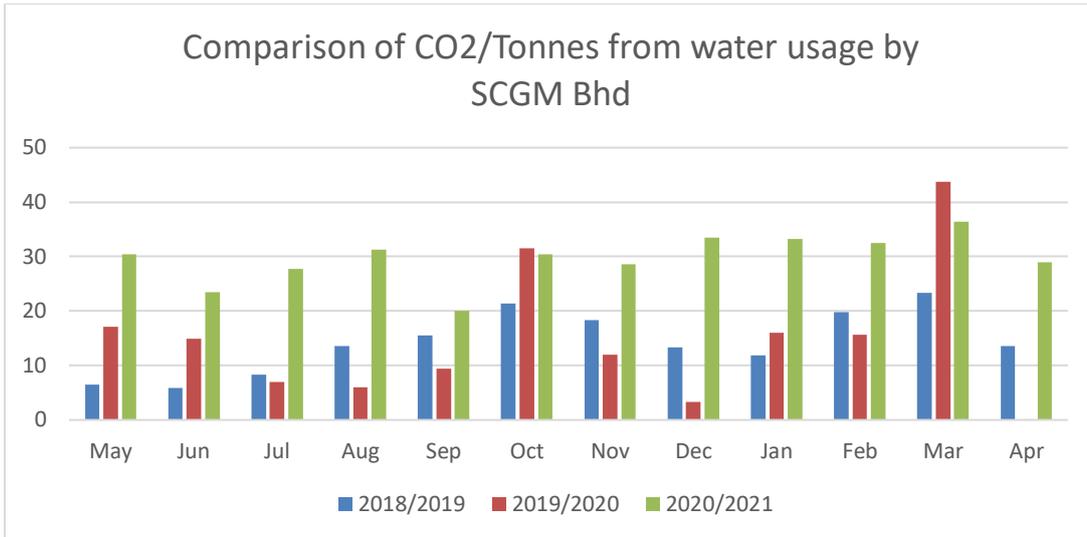
Water is a vital component of our business needs. For the reporting period, our water management strategies include the SCGM Bhd Water Management programme, water inventory reporting and SCGM Bhd’s Water Management Guidelines.

We have noticed a significant increase in water consumption in the past three years, from 40,937m³ in 2018, to 85,093m³ in 2021. We believe that this is due to an increase in our production output and for future reports we will consider reporting our water usage based on output.



Financial Year (FY)	Water Consumption (m ³)	Carbon Emissions (CO ² /tonne)
FY2019 (May 2018-Apr 2019)	40,937	172
FY2020 (May 2019-Apr 2020)	42,120	176
FY2021 (May 2020-Apr 2021)	85,093	357
Target for FY2022	To reduce by 5% yearly	To reduce by 5% yearly





8.4 Resource Management

8.4.1 Consumption of diesel and petrol

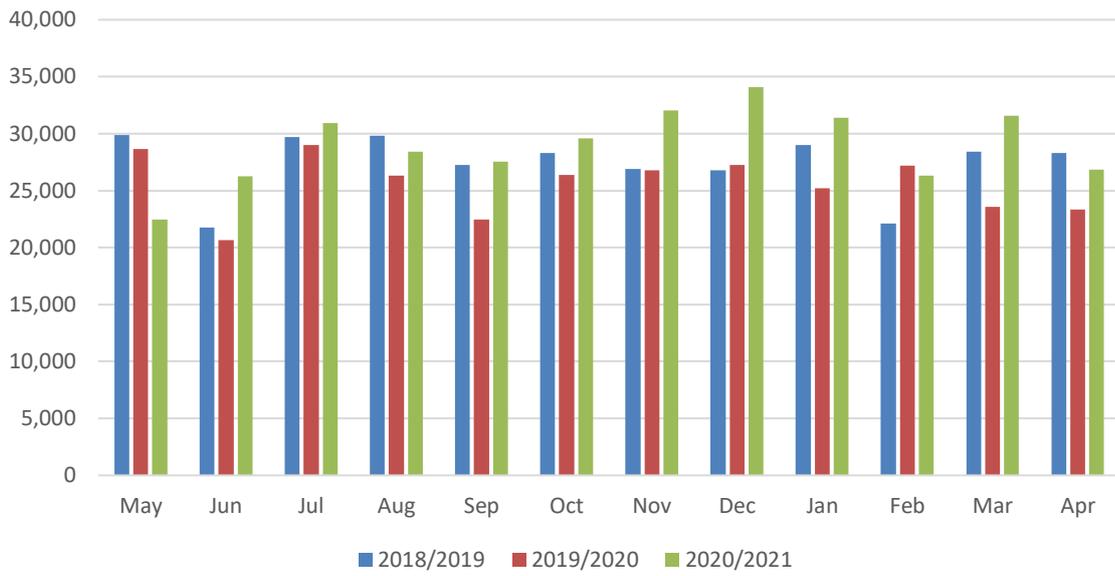
Transportation is an integral component of our business to ensure that we are able to receive the raw materials for our goods accordingly and we are able to distribute our goods through our company trucks, vehicles and fleets to our customers.

Since 2018, we have managed to reduce our diesel and petrol consumption, however this may be partially due to the lockdowns faced as a result of COVID-19 containment measures in early 2020 and 2021. Despite this, minimising consumption will continue to be an area of focus for the company as we look to the future of creating a sustainable business.

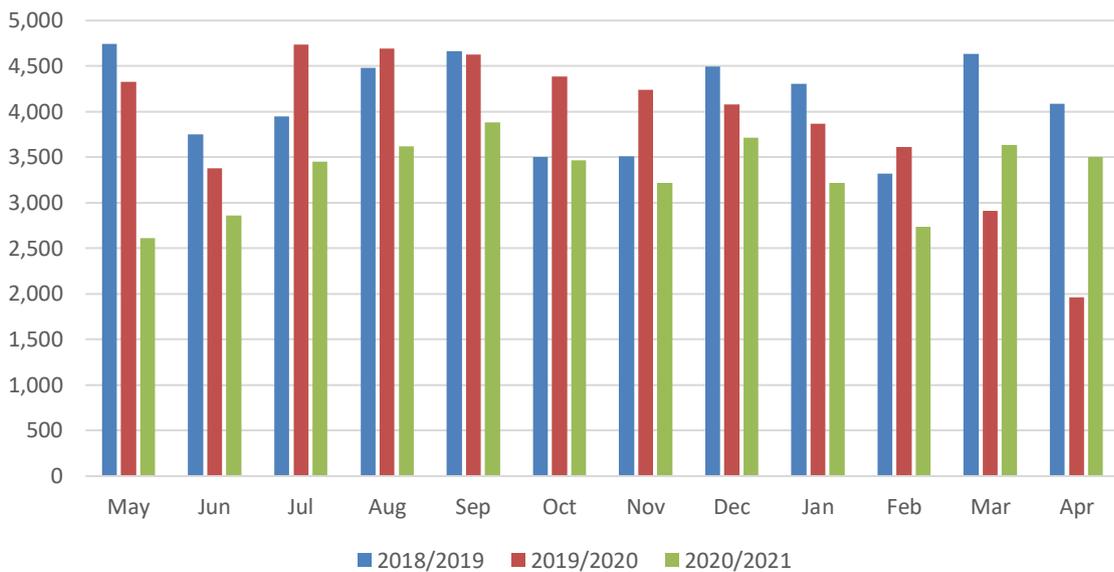
Financial Year (FY)	Diesel consumption (Litres)
FY2019 (May 2018-Apr 2019)	328,221
FY2020 (May 2019-Apr 2020)	306,821
FY2021 (May 2020-Apr 2021)	347,361
Target for FY2022	To reduce by 5% yearly

Financial Year (FY)	Petrol consumption (Litres)
FY2019 (May 2018-Apr 2019)	49,436
FY2020 (May 2019-Apr 2020)	46,817
FY2021 (May 2020-Apr 2021)	39,907
Target for FY2022	To reduce by 5% yearly

Comparison of Diesel Consumption by SCGM Bhd (Litres)



Comparison of Petrol Consumption by SCGM Bhd (Litres)



8.4.2 Waste management

In line with the 4R Concept, SCGM Bhd has created an awareness to guide its staffs to segregate the waste as show in the diagram below. We aim to provide more trainings on the importance of general waste segregation and to achieve minimal harm to the environment.



Waste Category	Total weight recycled (Kg)
Paper waste	64,995
Scrap Polyethylene Terephthalate (PET) Scrap	4,216,435

A major raw material of our products is PET, a type of plastic that can be commercially recycled through washing, re-melting and further reprocessed into usable PET resin. All PET scrap generated from our production processes was sent to certified contractors for recycling purposes. We also take active steps to recycle paper waste to further reduce its impact on the environment.



Bertanggungjawab, **Mengasingkan Sisa Anda** | Be Responsible, **Separate Your Waste**





Delivering Sustainable Product



DEGRADABLE WITHIN 5 YEARS

depending on heat and humidity

PROGRESSIVE DEGRADATION
 BENXON - PP Degradable Product with OXIUM Additive

Phase 0: Before exposure Phase 1: After exposure Phase 2: After exposure

According to ASTM D-5206
 (Standard Practice for Exposure of Photodegradation Plastics)

BENXON[®]

... when you expect more

Pilihan Utama Saya • My First Choice



各类环保餐盒及杯子 Degradable Lunch Box & Cup

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SIRIM
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PHOTO-DEGRADABLE
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**Use Original,
Use Benxon,**
The name you can trust.

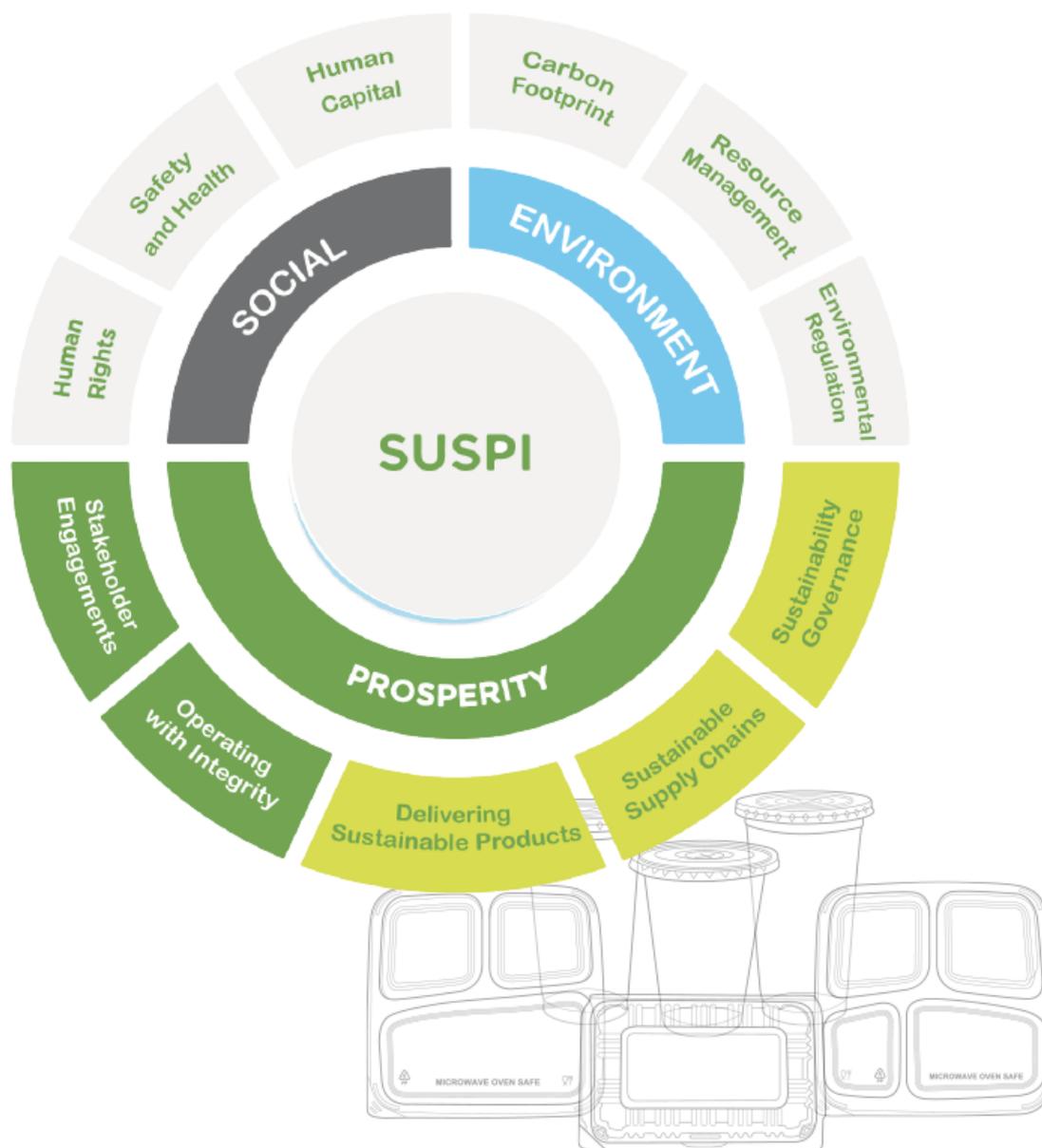
9.0 Delivering Sustainable Product

Sustainable by Design

Our purpose brings us together in contributing to a better world by making packaging that is sustainable by design.

SCGM Way....

The SCGM Way shows how our shared sense of purpose is intrinsically connected to our strategy and culture, enabling us to create best-in-class products for our customers and shared value for our stakeholders. Our four strategic value drivers are set a clear roadmap for the future and, together with our resilient business model and manufacturing excellence, give us distinct competitive advantages. Our culture is centred around empowering people to be passionate and entrepreneurial in a respectful and inclusive way, underpinned by our values of Performance, Care, and Integrity.



We keep sustainability at the forefront of our designs.

Ensuring that each individual packaging is easy to recycle for the end consumer. Innovation is our priority, and through collaborations with customers, suppliers and other stakeholders, we identify the approaches that enables us to make quality products in the long run.



...helping customers to achieve their goals

SCGM Bhd is proud to offer bespoke services to our customers and have forward thinking solutions for the users of our end products. We work closely with our customers and customer service is our top priority.





10.0

Appendices

10.0 Appendices

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李順成塑膠工業有限公司

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