

**SUSTAINABILITY
STATEMENT
2020**

SUSTAINABILITY

STATEMENT

ABOUT THIS STATEMENT	30	OUR GOVERNANCE	46
Reporting Basis And Scope		Corporate Governance And Risk Management	
Assurance		Ethics And Integrity	
Contact Us		Succession Planning	
OVERALL APPROACH TO SUSTAINABILITY	31	OUR PEOPLE	48
SUSTAINABLE DEVELOPMENT GOALS	33	MLM Entrepreneurship	
LEADERSHIP FOR SUSTAINABILITY	34	Customer Satisfaction	
STAKEHOLDER ENGAGEMENT	35	Equal Employment Opportunities And Leadership Development	
MATERIAL SUSTAINABILITY MATTERS	38	Employee Well-being	
KEY SUSTAINABILITY FOCUS AREAS		Occupational Health And Safety	
OUR ECONOMY	43	Training And Development	
Economic Performance		Community Engagement	
Supply Chain Management		OUR PRODUCT	58
Brand And Reputation		Product Safety And Quality	
		Product Certification And Manufacturing Certification	
		Product Innovation	
		OUR PLANET	62
		Energy Consumption	
		Green Product And Packaging	
		Waste And Recycling	
		CONCLUSION	63

ABOUT THIS STATEMENT

Hai-O Enterprise Berhad (“Hai-O”) Sustainability Statement 2020 (“Statement”) offers a company-wide overview of Hai-O’s ongoing efforts related to economic, environmental, social and governance matters.

In addition to the term “Hai-O”, in this Statement “Group”, “we”, “us” and “our” are also used to refer to Hai-O and its subsidiaries.

This Statement has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards: Core option. This Statement also complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). We have also considered the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits in the preparation of this Statement.

Reporting Basis And Scope

Information contained in this Statement reflects Hai-O’s sustainability progress from May 1, 2019 to April 30, 2020, unless otherwise stated. Following our previous 2019 Sustainability Statement issued in August 2019, this Statement provides an update of our performance across our most material issues and is based on a materiality assessment conducted in 2019 which has considered both our internal and external stakeholders. We will continue to publish our progress on sustainability efforts on an annual basis.

This Statement discloses the sustainability performances of our corporate office in Klang, Selangor as well as the Group’s main revenue generating segments including Multi-Level Marketing (MLM), Wholesale, Retail and Manufacturing segments.

The MLM segment is operated by Sahajidah Hai-O

Marketing Sdn. Bhd. (“SHOM”) with presence in Malaysia, Indonesia and Brunei. The Wholesale segment is operated by Hai-O Enterprise Bhd., Hai-O Medicine Sdn. Bhd., Kinds Resource Sdn. Bhd., Grand Brands (M) Sdn. Bhd., Chop Aik Seng Sdn. Bhd., Yan Ou Holdings (M) Sdn. Bhd. and Yan Ou Marketing (Intl) Sdn. Bhd. The Retail segment is operated by Hai-O Raya Bhd., with 57 outlets including franchises across East and West Malaysia. Lastly, the Manufacturing segment is operated by SG Global Biotech Sdn. Bhd. and QIS Research Laboratory Sdn. Bhd.

This Statement is prepared as part of Hai-O’s established process for the management of business sustainability, which is discussed in detail in the following sections. The Sustainability Focus Areas and materiality sustainability matters which are identified via the application of materiality principle, largely remained to be relevant and material compared to that discussed in our previous 2019 Sustainability Statement.

Assurance

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

Contact Us

Further information on Hai-O’s policies and management processes is available on our corporate website at www.hai-o.com.my. Should you have questions on this Statement, please contact us at ir@hai-o.com.my.

OVERALL APPROACH TO SUSTAINABILITY

Since Hai-O's listing on the then Second Board of the Kuala Lumpur Stock Exchange ("KLSE" or "Bursa Securities") in 1996 as the first traditional healthcare company, we have strived to create long-term credibility and value-added growth not only for our shareholders and investors, but also for our employees, customers and other stakeholders. Hai-O was subsequently transferred to the Main Board of Bursa Securities in October 2007.

Recognising the need for a sustainable future, we have formulated our Sustainability Policy based on the Group's Sustainability Strategy that fulfil our Mission, Vision and Corporate Values as well as the aspirations under the Sustainable Development Goals (SDGs) of the United Nation ("UN"). Our Sustainability Policy and Sustainability Strategy focuses on five Sustainability Focus Areas, namely Economy, Governance, People, Product, and Planet.



HAI-O SUSTAINABILITY STRATEGY

MISSION

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

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

We are committed to uphold our

VISION

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

CORPORATE VALUES



Social Responsibility, Excellent Services, Attitude, Growing, Unity, Loyalty, Learning

SUSTAINABILTY STATEMENT
OVERALL APPROACH TO SUSTAINABILITY
 (CONTINUED)

Key Sustainability Focus Areas

Hai-O's Sustainability Policy outlines our five (5) key sustainability focus areas:
Economy, Governance, People, Product and Planet

Economy



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



People



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

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



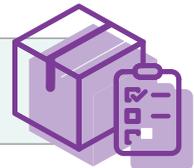
Governance



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



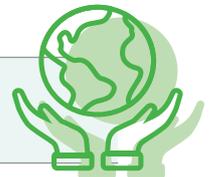
Product



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



Planet



We shall educate the practice of 3R (Reduce, Reuse and Recycle), reduce the use of Styrofoam in product packaging, promote green initiatives and introduce products which contain eco-friendly ingredients that are less harmful to the environment as well as human health.



SUSTAINABLE DEVELOPMENT GOALS

The SDGs, adopted by all UN Member States in 2015, form the basis to collectively create a better future by addressing fundamental global challenges. Hai-O supports the UN agenda and believes that companies can play a significant role in helping to achieve these development goals.

We support the vision of the SDGs as a critical element in delivering sustainable development. We focus primarily on six goals that represent areas where we can best contribute.

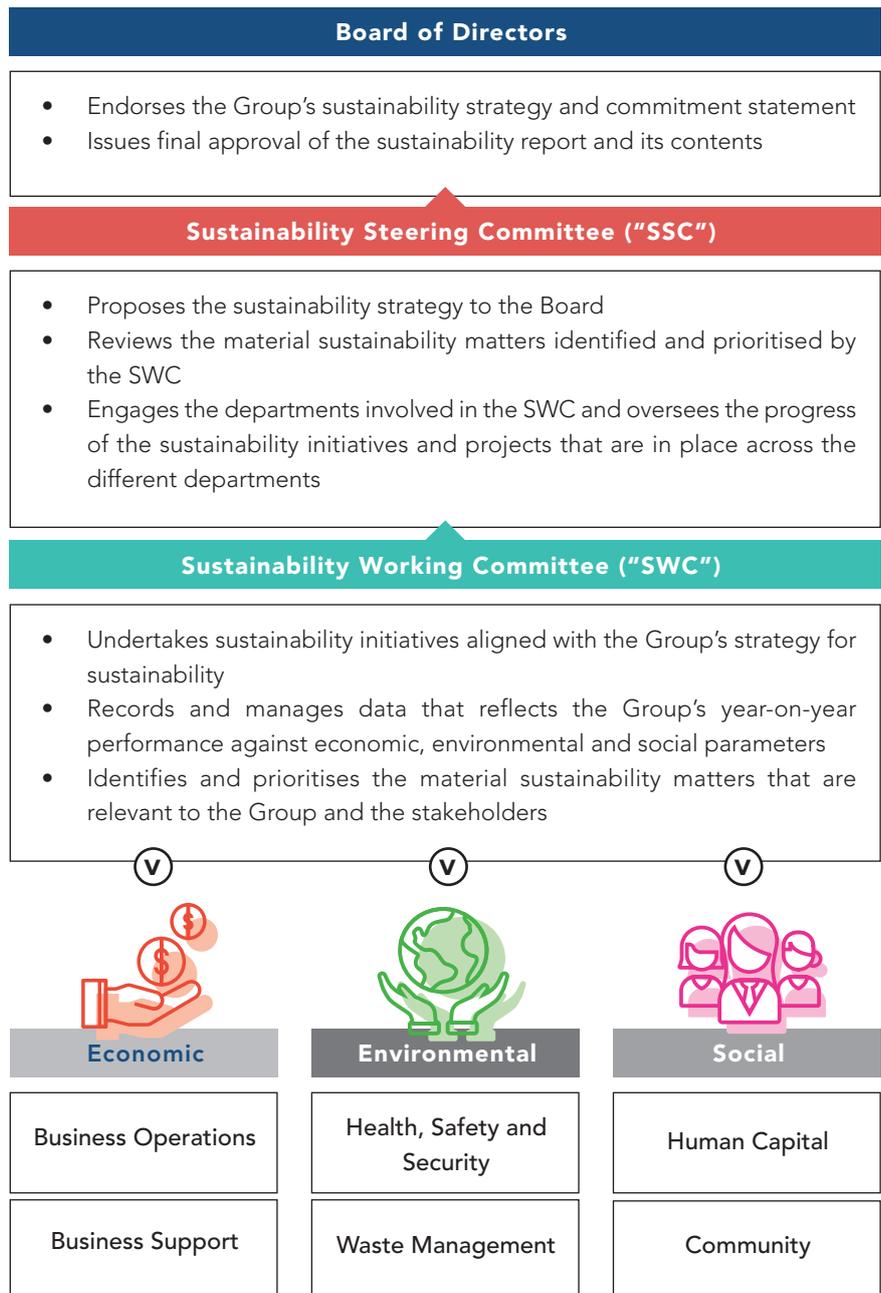


LEADERSHIP FOR SUSTAINABILITY

A robust governance structure is key to operationalising our sustainability strategy across the business, manage goal-setting and reporting processes, strengthen relations with external stakeholders, and ensure overall accountability.

Our Board provides strategic direction for the Group, taking into consideration the economic, environmental and social (“EES”) opportunities and risks that need to be addressed. Assisted by the Sustainability Steering Committee (“SSC”), the Board oversees the overall performance of the Group’s business sustainability, including reviewing the identification of the Group’s material sustainability matters, the engagement and management of stakeholders, and the effectiveness of the Group’s sustainability risk management process. The SSC is chaired by the Group Executive Director, members comprise of Group Executive Director cum Group Chief Financial officer, two Independent Directors and senior management members. The SSC is supported by the Sustainability Working Committee (“SWC”) which comprises key personnel from business support and operations units and general management.

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



STAKEHOLDER ENGAGEMENT

Core to the Group's success is our ability to develop strong and meaningful relationships with our stakeholders.

To fulfil our corporate mission and vision, and to provide sustainable returns to our shareholders as well as generate value to our stakeholders, we must establish positive relationships through engagements with our broad range of stakeholders. We analyse our stakeholders and determine appropriate and effective approaches to engage them based on the nature of their relationships with our businesses and how these relationships generate values or impact for Hai-O and our stakeholders, and vice versa.

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2020
EMPLOYEES			
The individuals that enable us to serve our customers.			
<ul style="list-style-type: none"> • Career development and advancement • Work-life balance • Employee health and safety • Employee benefits 	Performance appraisal	Annually	<ul style="list-style-type: none"> • Performance appraisal • Anniversary dinners and festival gathering events • Code of Ethics & Business Conduct and Whistle-Blowing Policy updates. • Loyalty and Outstanding Performance Awards • Incentive trips (local and overseas) • Kelab Muhibbah Hai-O activities • Standard Operating Procedures and communications in relation to COVID-19 response
	Employees Handbook, Code of Ethics & Business Conduct	Available at all times	
	Internship and training and development programmes	Regularly	
	Team building activities	Periodically	
	Festive events or celebrations	At least annually	
	Health screening and check-up	Regularly	
	Hai-O Human Resource Online	Available at all times	
	Employee Engagement survey	Once in three years	
	Kelab Muhibbah Hai-O	Regularly	
Staff purchase/ product giveaway	Regularly		
CUSTOMERS			
The people that use our products and services.			
<ul style="list-style-type: none"> • Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion 	Customer satisfaction survey	Annually	<ul style="list-style-type: none"> • Customer satisfaction survey • Hai-O Chain Store Friendship Member Programme • Standard Operating Procedures and communication in relation to COVID-19 response (available on website) • Social media: Facebook, WeChat, and Instagram
	Conventional media advertisements	Regularly	
	Social media platforms	Available at all times	
	Corporate website	Available at all times	
	Customer Relations Management	Ongoing	
	Hai-O Chain Store Friendship Member Programme	Ongoing	
	Product labelling and information	Ongoing	
	Product standards and certifications	Ongoing	
	Feedback and enquiry forms – online and in-store	Available at all times	
Customer care hotline, toll-free line, and email	Available at all times during business hours		

SUSTAINABILTY STATEMENT
STAKEHOLDER ENGAGEMENT
 (CONTINUED)

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2020
DISTRIBUTORS			
The individuals that bring our products to product users.			
<ul style="list-style-type: none"> • Enhancement of distribution platform • Market demand for Hai-O products • Product quality and pricing • Product development and innovation • MLM entrepreneurship 	Marketing strategy and plans	At least annually	<ul style="list-style-type: none"> • 2019 distributor survey • SHOM's 27th Anniversary – "Revolution" • Crown Diamond Manager Conference 2020 • Diamond Night • SM/ SSM Recognition Night • Overseas incentive trips • Standard Operating Procedures and communication in relation to COVID-19 response
	E-bulletin	Quarterly	
	E-sales kit and e-registration	Monthly	
	Distributor survey	Annually	
	Events and conferences	Regularly	
	Training and workshops	Regularly	
VENDORS AND SUPPLIERS			
The business partners that enable us to source, make and distribute our products.			
<ul style="list-style-type: none"> • Food safety • Product quality and branding • Customer-company relationship • Customer service and complaints resolution • Pricing and promotion 	Meetings and trade fairs	Regularly	<ul style="list-style-type: none"> • Newly developed Code of Business Ethics for Suppliers and Business Associates • Product Branding Engagement Night (Pagoda brand)
	Factory visits	Regularly	
	Audits	Regularly	
	Vendor evaluation	Annually	
CERTIFICATION AND REGULATORY BODIES			
The regulators who monitor our business practices.			
<ul style="list-style-type: none"> • Regulatory compliance • Approval and permits • Standards and certification 	Meetings and consultations	Regularly	<ul style="list-style-type: none"> • ISO, HACCP, SAMM, GMP, HALAL and US FDA certifications
	Training programmes and dialogues	Regularly	
	Factory visits and monitoring	Regularly	
	Legal and regulatory updates	Regularly/ as applicable	
	Audits	Regularly	

SUSTAINABILITY STATEMENT
STAKEHOLDER ENGAGEMENT
 (CONTINUED)

Focus Areas	Key Engagement Approaches And/Or Channels	Frequency Of Engagement	Key Highlight Of Engagement Activities Conducted During FY2020
LOCAL COMMUNITIES			
The individuals in the nearby community who are impacted by our operations.			
<ul style="list-style-type: none"> Quality of health and education Indirect economic impact Environmental impact of operations Community well-being 	Community engagement and outreach	Regularly	<ul style="list-style-type: none"> Ai Hua Jiao Fund Raising programme Daripadamu Untukmu – Manis Ceria Bersama, Kasih Jelas Terasa Hai-O Higher Educational Aid and Excellent Academic Awards Collaborative Research Initiative CNY Make A Wish Charity Campaign Food aid during Movement Control Order (“MCO”), Health talks Caring for our Staff – Health Packages Blood donation campaign Hai-O Arts and Culture Grants Hai-O Literature Award
	Donation and sponsorships	Regularly	
	Social and cultural activities	Regularly	
	Hai-O Foundation	Regularly	
	Kelab Muhibbah Hai-O	Regularly	
SHAREHOLDERS AND INVESTORS			
The investors and lenders who invest in our business.			
<ul style="list-style-type: none"> Financial performance Regulatory compliance Corporate governance Ethical business conduct Investment and divestment Internal control and risk management Board composition 	General meetings	At least annually	<ul style="list-style-type: none"> 2019 AGM 2019 Annual Report and quarterly announcement Other Bursa announcements
	Analyst briefings and reports	Regularly	
	Annual report, which includes financial report, corporate governance report, etc.	Annually	
	Financial announcements and reporting	At least quarterly	
	Corporate website	Available at all times	
MEDIA			
The media and other opinion formers.			
<ul style="list-style-type: none"> Reputation and image Financial performance Business updates and corporate news Public relations 	Press releases	Regularly	<ul style="list-style-type: none"> Joint collaboration CSR and cultural events
	Social media platform	Regularly	
	Conference and interviews	Regularly	
	Events and functions	Regularly	

MATERIAL SUSTAINABILITY MATTERS

Since 2018, we have adopted an approach that enables the systematic identification, assessment and prioritisation, management, and reporting of significant EES risks and opportunities, i.e. materiality assessment of the Group’s sustainability matters. The key underlying principle in this process is “materiality” which helps to determine the EES aspects that are sufficiently important to be addressed and reported. Applying materiality enables us to prioritise our resources and efforts on dealing with the Group’s material sustainability matters, which are assessed to reflect the Group’s significant EES impacts and/or substantively influence the assessments and decisions of our key stakeholders.

For the financial year under review, we have performed a review of our materiality assessment, which considered the sustainability risks and opportunities in the context of our in-scope business operations and stakeholders involved in these operations as well as stakeholders of the Group. The materiality assessment review is conducted and participated by the SWC and personnel who engage closely with and has comprehensive understanding of the Group’s key stakeholders.

The materiality assessment review approach is summarised as follows:

Our approach to review Group’s material sustainability matters involves three steps:

- Firstly, we review the sustainability matters which are relevant to Hai-O by taking into consideration our business operations and our stakeholders’ concerns and interests, considering also if there are any emerging sustainability risks or opportunities.
- Secondly, we rate the importance of each sustainability matter from two dimensions: (i) from the perspectives of the business, i.e. “importance to business”; and (ii) from the perspectives of the stakeholders, i.e. “importance to stakeholders”.

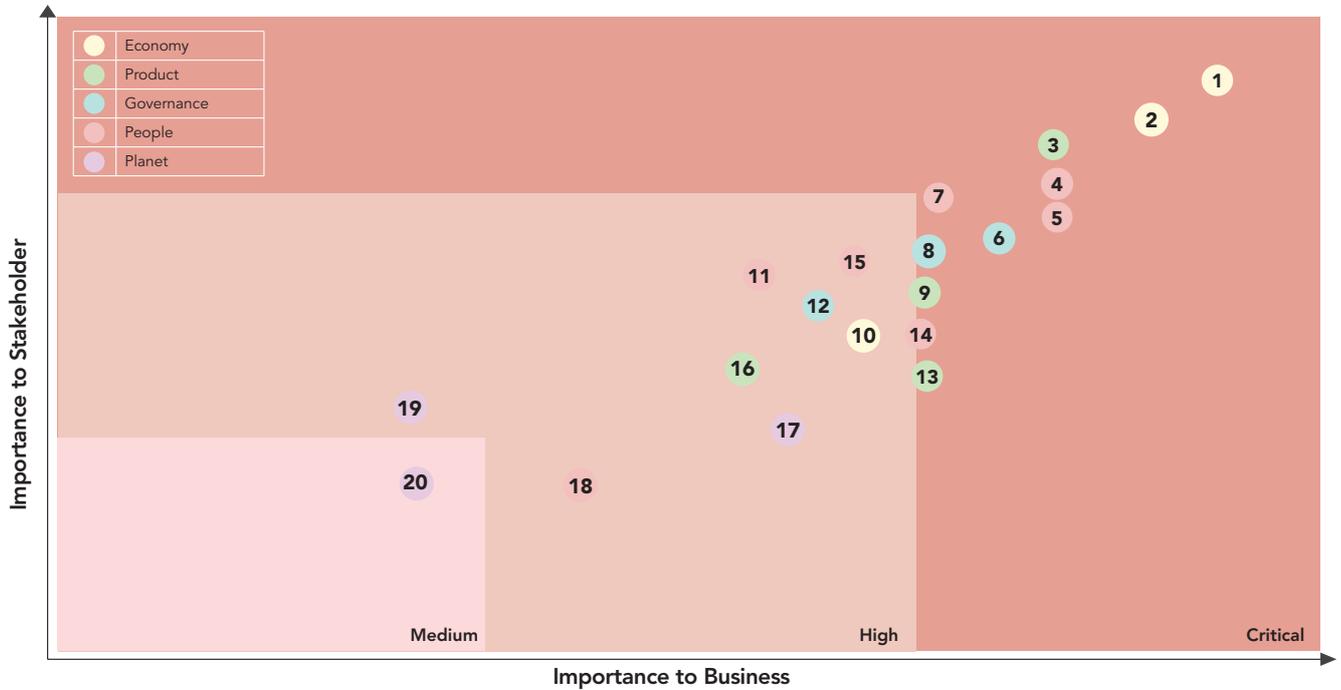
A weighted rating approach is employed to consolidate the ratings for each sustainability matter. Based on the consolidated rating, each sustainability matter is plotted on a materiality matrix which illustrates the significance of each sustainability matter in the context of the Group and also relative to other sustainability matters. Material sustainability matters are the top 20 matters with higher “importance to business” and/or “importance to stakeholders”.

- Lastly, the material sustainability matters identified are reported to the SSC and the Board for the Board’s review and update.



SUSTAINABILITY STATEMENT
MATERIAL SUSTAINABILITY MATTERS
 (CONTINUED)

The following updated materiality matrix illustrates the outcome of the latest materiality assessment review, presenting the Group’s material sustainability matters for the financial year under review. The 20 material sustainability matters of the Group remain unchanged from our assessment in the previous financial year.



The 20 material sustainability matters categorised into Economy, Product, Governance, People and Planet that are material to Hai-O and our stakeholders are described below.

1 Economic Performance

Good economic growth will enable Hai-O to have adequate capital to maintain its social licence to operate, comply with new regulations and standards as well as for Hai-O to prepare for potential risks and fluctuations in the future.

GRI disclosures covered:

Economic Performance, Market Presence, Indirect Economic Impacts

Relevant to stakeholder groups:

Shareholders and Investors

Relevant SDGs:



2 Brand And Reputation

Hai-O takes pride in its good branding and marketing strategies. We strengthen our corporate brand image by focusing on creative ideas that will build brand awareness while meeting customers’ needs.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Shareholders and Investors, Media

Relevant SDGs:



3 Product Safety And Quality

Our commitment to “promoting healthcare culture and improving human’s well-being” entails the provision of safe and quality products.

GRI disclosures covered:

Customer Health and Safety, Marketing and Labelling

Relevant to stakeholder groups:

Customers, Certification and Regulatory Bodies, Distributors

Relevant SDGs:



MATERIAL SUSTAINABILITY MATTERS

(CONTINUED)

4 MLM Entrepreneurship

We continuously invest in our Multi-Level Marketing business, which is one of our main economic contributors, to create job opportunities and a platform for entrepreneurship excellence.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Distributors

Relevant SDGs:



5 Customer Satisfaction

This topic is material because by listening to the individuals who use our products, we can better understand how they interact with our products and identify ways to improve both the products and services that we offer.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Customers, Certification and Regulatory Bodies

Relevant SDGs:



6 Corporate Governance And Risk Management

Hai-O focuses on the establishment of a sound governance structure to maintain a fair and orderly market, a high level of investor confidence, and to manage risks.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Certification and Regulatory Bodies, Employees

Relevant SDGs:



7 Equal Employment Opportunities And Leadership Development

Human capital is key to our growth. We are dedicated to maintaining a high standard of employment practices by attracting and retaining the right talents through their outstanding merits. This best practice enhances our company performance and the equity of the company as a responsible employer.

GRI disclosures covered:

Employment, Diversity and Equal Opportunity

Relevant to stakeholder groups:

Employees

Relevant SDGs:



8 Ethics And Integrity

Ethics, bribery and corruption risk has been identified as one of the principal risks that could threaten our strategy, performance and reputation. Building trust can only be achieved through an ethical approach and we place significant emphasis on adopting the right behaviours.

GRI disclosures covered:

Anti-Corruption

Relevant to stakeholder groups:

Certification and Regulatory Bodies, Shareholders and Investors, Employees, Suppliers, Distributors

Relevant SDGs:



9 Product Certification

Our healthcare products which improve the well-being of consumers are safe and of high quality and comply with statutory requirements and relevant standards. Our products are certified and regularly audited by external experts, regulatory authorities and external consultants.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Certification and Regulatory Bodies, Customers

Relevant SDGs:



SUSTAINABILITY STATEMENT
MATERIAL SUSTAINABILITY MATTERS
 (CONTINUED)

10 Supply Chain Management

We aim to build long-term, mutually beneficial relationships with all third parties along our value chain. A good supply chain management supports the operational efficiency, costs optimisation, risk management and also strengthens our commercial positioning.

GRI disclosures covered:

Procurement Practices

Relevant to stakeholder groups:

Vendors and Suppliers

Relevant SDGs:



11 Employee Well-being

We nurture employees by providing fair remuneration and comprehensive benefit packages to assure job security for employees who are vital to Hai-O.

GRI disclosures covered:

Employment

Relevant to stakeholder groups:

Employees

Relevant SDGs:



12 Succession Planning

It is paramount that we develop successors and identify next-in-lines to ensure a smooth transition in our operational structure. We oversee and follow up on the competency development of employees from their first day at work to help them in their career developments.

GRI disclosures covered:

Training and Education

Relevant to stakeholder groups:

Shareholders and Investors,
Employees

Relevant SDGs:



13 Product Innovation

Fundamentally, we strive to contribute to better health outcomes by innovating safe products without exploiting people working in the supply chain or damaging the environment.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Customers, Distributors

Relevant SDGs:



14 Occupational Health And Safety

We operate in accordance with the principles of occupational health and workplace safety to ensure a suitable and sustainable workplace environment.

GRI disclosures covered:

Occupational Health and Safety

Relevant to stakeholder groups:

Employees, Certification and
Regulatory Bodies

Relevant SDGs:



15 Training And Development

Hai-O has always made persistent efforts to equip employees with the right skills to keep them abreast of the latest knowledge and techniques. Our training programmes are aimed at enhancing the skills, capabilities and knowledge required for decision making and creative thinking.

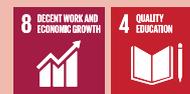
GRI disclosures covered:

Training and Education

Relevant to stakeholder groups:

Employees

Relevant SDGs:



SUSTAINABILITY STATEMENT
MATERIAL SUSTAINABILITY MATTERS
 (CONTINUED)

16 Manufacturing Certification

We consistently stay proactive to ensure that our manufacturing processes are undertaken safely and efficient.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Certification and Regulatory Bodies

Relevant SDGs:



17 Energy Consumption

Hai-O strives to use resources and energy in an efficient and environment friendly manner to help alleviate global climate change.

GRI disclosures covered:

Energy

Relevant to stakeholder groups:

Certification and Regulatory Bodies

Relevant SDGs:



18 Community Engagement

Hai-O focuses on supporting and promoting development of communities as a way to demonstrate social responsibility and create engagement with the community and wider society to achieve sustainable advancement.

GRI disclosures covered:

Indirect Economic Impacts, Public Policy

Relevant to stakeholder groups:

Local Communities

Relevant SDGs:



19 Green Product And Packaging

Hai-O works towards offering green products by avoiding harmful materials, sourcing raw materials with lower environmental impact and utilising sustainable packaging materials.

GRI disclosures covered:

Customer Health and Safety

Relevant to stakeholder groups:

Certification and Regulatory Bodies, Customers

Relevant SDGs:



20 Waste And Recycling

We aim to reduce waste across the Group while also stepping up efforts to reuse and recycle.

GRI disclosures covered:

Non GRI Disclosure

Relevant to stakeholder groups:

Certification and Regulatory Bodies

Relevant SDGs:



OUR ECONOMY



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

This Sustainability Focus Area discusses about the following material sustainability matters:

- Economic Performance
- Supply Chain Management
- Brand And Reputation

Economic Performance

Over the years, Hai-O has expanded its portfolio from MLM, import trading, wholesaling and retailing of Chinese herbal products and medicated tonics to a wide range of products and services. These products and services include beauty and healthcare products, clinical and traditional complementary medicine (“TCM”) consultation services, TCM contract manufacturing as well as health food and food supplements manufacturing. From a humble beginning with a small start-up capital, Hai-O has risen through many business challenges as it expanded over the years.

We strive to create sustainable values for our stakeholders through the Group’s businesses. Amongst others, sustainable financial performance is translated into economic values generated and distributed to the country, to the economy, to shareholders, to our employees, to our distributors, to our business partners and society. For further details, please refer to the Group’s audited financial statements and their relevant notes on pages 96 to 186 of this Annual Report.

Local Economy and Work Opportunities

Through our various business segments, the Group contributes to the local economy across Malaysia and creates work opportunities in various forms, including through direct employment, MLM entrepreneurship, and through our business value chain and business partners. As at 30 April 2020, the Group had a direct workforce of 502 employees (FY2019: 526 employees) and an MLM network of 114,000 distributors (FY2019: 121,000 distributors). Apart from the MLM segment which is supported by independent distributors, the majority of the Group’s business activities are run and performed by our employed workforce.

Hai-O believes in supporting youth employment and employability and conducts regular internship programmes.

During the financial year under review, the Group provided internships to 18 students across our various business operations including product development and promotion, accounts, business administration, quality assurance/ quality control and laboratory, merchandising, advertising, promotion, marketing, and Chinese physician clinical training.

We believe the talent of our people constitutes a competitive advantage which underpins the future of the Group. In support of the local economy, our senior Management team consisting of the Group Managing Director, the Group Executive Director, and General Managers of the parent and principal subsidiaries are 100% Malaysians. We value the experienced local talents who have a lot to offer in terms of their local market knowledge, strategic planning and managerial skills, amongst others, which have enabled us to cater for the needs of various market segments. More than 95% of the Group’s employed workforce are Malaysians as we try to do our best to support local employment to contribute to a broader, sustainable local economy.

From 1 February 2020, Malaysia’s minimum wage has been revised by the *Minimum Wages Order 2020* as follows:

- RM 1,200 per month for employee whose place of employment is in any of the Municipal Council or City Council areas stated in the *Minimum Wages Order 2020*;
- RM 1,100 per month for employee whose place of employment is in other than the Municipal Council or City Council areas stated in the *Minimum Wages Order 2020*.

Hai-O’s average wage ratios for entry level non-executives in East Malaysia as compared to the nation’s minimum is 1.10:1, whereas in West Malaysia, the ratio is 1.13: 1. Entry level executives are competitively remunerated based on their qualifications as we strive to attract young talents into the Group. We also provide attractive remuneration packages to our employees without gender bias, as evident in the entry level minimum wage ratio of 1:1 by gender.

SUSTAINABILITY STATEMENT

OUR ECONOMY

(CONTINUED)

The Group is aware of its corporate responsibility in promoting fair remuneration across its business value chain. We believe that, at the minimum, our suppliers and other business parties involved in the business value chain should comply with the applicable minimum wage requirements. In this respect, we have formalised Hai-O's Code of Business Ethics for Suppliers and Business Associates in May 2020, specifically requiring our suppliers and business associates to comply with the applicable minimum wage requirements, amongst other basic labour standards.

Supply Chain Management

In order to foster strong, trustworthy, and mutually beneficial business relationships with our supply chain partners, Hai-O's Code of Business Ethics for Suppliers and Business Associates sets a standard expectation of responsible and ethical business practices as well as compliance with laws and regulation, covering amongst others, anti-bribery, health, safety and environment, and labour laws including basic human rights. We are working to translate the Code of Business Ethics for Suppliers and Business Associates into multiple languages to ensure effective communication to business parties within our supply chain.

Apart from creating job opportunities and entrepreneurship throughout our value chain, Hai-O also supports local businesses across our supply chain, which includes manufacturers and suppliers for raw materials, finished goods and packaging materials. 71% of our trade-related procurement, including products and materials, is sourced from Malaysian businesses. On top of generating values and sustaining the local economy, local procurement also contributes to lower environmental impact in view of reduced overseas transportation requirements and transportation-related emissions.

Hai-O practices sustainable procurement via the Group's purchasing control procedures. All our supply chain partners, including suppliers or subcontractors, are required to conform to Hai-O's internal procedures and be consistent in delivering quality, competitive costing, responsiveness and supply reliability. In addition, proper procedures and controls must be followed across all relevant operations.

A robust and well-managed supply chain is crucial for maintaining product safety and quality, certification, and standards to deliver safe, quality, and reliable products to the

market. We have an effective procurement system for the inclusion of new products in our product portfolio, and suppliers are required to be screened and evaluated before we engage with them. In addition, we conduct periodical reviews and evaluations to make sure that suppliers conform to the agreed and expected performance, standards, and practices. Further details on supply chain management is discussed in the section: Our Product on pages 58 to 61 of this Annual Report.

Brand And Reputation

We are pleased to be awarded **The Centurion of The Year Award** at The Edge Malaysia Centurion Club Corporate Awards 2019. The event was organised to honour the best-performing companies in Malaysia with a market capitalisation of RM100 million to below RM 1 billion and aims to encourage Malaysian companies to be more efficient, competitive, and successful while being socially responsible.

Hai-O also clinched two more awards at the same event for achieving the **Highest Growth in Profit After Tax over Three Years** and **Highest Returns to Shareholders over Three Years** under the Consumer Products & Services sector.



Hai-O is committed to delivering the best product quality to our customers and upholding our reputation as a trusted business owner. Preserving and uplifting our brand name and reputation is a key driver to achieve our mission and vision in the long term.

OUR ECONOMY

(CONTINUED)



✓ Corporate branding:

"Hai-O", a well-established household name offering a wide range of Traditional Complementary Medicines ("TCM"), Wellness and healthcare products in Malaysia

✓ Objective:

To constantly uphold corporate branding through various channels and activities

✓ Strategy:

To preserve and uphold our "SEAGULL" Corporate Values



Every sachet of BB+ Glo contains 5,000mg of marine collagen peptide, a Type 1 collagen peptide identical to the collagen found in human skin and bones. Marine collagen peptides are broken down by enzymatic hydrolysis into small molecules with the molecular size of 2,000 Dalton only, thus making it highly bio-available.

The blackcurrant powder in BB+ Glo not only enhances the taste but is also rich in polyphenols, bioflavonoids and Vitamin C. The powder is manufactured in Denmark with a unique patent-pending technology which enables active compounds to be protected and preserved. More remarkably, bioflavonoids can only be found from natural sources and cannot be made synthetically.

Meanwhile, the red grape extract is a strong antioxidant that helps skin fight against free radicals, helps collagen to repair by itself and helps reduce inflammation, thus delaying aging.

Hai-O's Retail division continues to promote its brand name and product awareness by increasing visibility and presence, including venturing into the younger generation market, via a mixture of both conventional and digital marketing channels including newspapers, radio, and social media platforms.

Bearing in mind that the people and products of Hai-O Group are direct representations of the Hai-O group of brands, People and Product are also identified as two of the five key focus areas of the Group's sustainable strategy. They are further discussed in their respective sections: Our People and Our Product.

We continue to invest in building and strengthening our product portfolios. Apart from products that cater for the likes and tastes of our customers and consumers, we are constantly exploring new products to promote healthy and sustainable living.

Our MLM marketing arm, SHOM, focuses on branding strategies targeted at "SHOM" corporate branding and several high potential products. SHOM's approach in the marketing and branding of MLM products is well researched, planned and executed with specific objectives.

In July 2019, SHOM hosted a branding event with the manufacturer of BB+ Glo Collagen Drink, a premium product which showcased our focus on quality ingredients. BB+ Glo Collagen Drink combines collagen from a top brand in France, blackcurrant powder from Denmark, red grape extract from France, and potent bio-actives which help to strengthen and maintain skin elasticity, hydration and brightness.

SUSTAINABILITY STATEMENT

OUR GOVERNANCE



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

This Sustainability Focus Area discusses the following material sustainability matters:

• Corporate Governance And Risk Management

• Ethics And Integrity

• Succession Planning

Corporate Governance And Risk Management

A robust governance structure and good corporate governance practices are paramount to building a sustainable business that is responsible and truly cares about the economy, the environment and the society. Hai-O Group's corporate governance structure and practices, which comply with applicable laws and regulations and adopt internationally recognised practices, are reported in the Corporate Governance Overview Statement on pages 70 to 86 of this Annual Report and Hai-O's Corporate Governance Report 2020.

Hai-O recognises its responsibility to comply with regulations and has the appropriate risk management systems in place to safeguard the interests of our shareholders. The Group has also implemented a risk management plan to anticipate and adapt to changing and evolving trends that may disrupt its businesses. For more information, please refer to the Statement on Risk Management and Internal Control on pages 87 to 92 of this Annual Report.

In our efforts to uphold transparency and gain the trust of all stakeholders, including potential investors, we provide updated business information through various methods of periodic reporting. On our corporate website, we consolidate such information for easy reference, including Annual Reports, AGM/EGM minutes, Bursa announcements, press releases, Corporate Presentations, Results Updates and Analyst Reports.

Ethics And Integrity

At Hai-O, we have set in place the Code of Ethics and Business Conduct, Whistle-Blowing Policy and guidelines to avoid conflicts of interest and to maintain a high standard of ethics and integrity. All Hai-O employees, senior management and the Board of Directors are required to strictly adhere to these policies. These policies and guidelines are also stated clearly in the Employee Handbook which is communicated to every new employee on Orientation Day and is periodically updated and accessible through our HR Online internal portal. All new hires must sign an acknowledgement form to confirm that they understand and will abide by these policies and guidelines.

We also require our MLM distributors to work ethically in line with our good business image and reputation. We distribute Hai-O's Business Handbook to our distributors in multiple languages to cater to the needs of our multi-racial distributors. Key aspects addressed in the Business Handbook include distributors' roles in product exchange, advertising and promotion, data protection and pricing. As we invest to develop and nurture our distributors to become our professional and ethical business partners, we also provide briefings focusing on ethical business practices.

During the financial year, we conducted an assessment for our Crown Diamond Manager ("CDM") distributors focusing on distributor's Code of Ethics. We believe the assessment enables a better understanding of the conduct of ethical business and fosters professional and trustworthy business relationships.



We have recently in May 2020 reviewed and revised our Code of Ethics and Business Conduct for directors and employees and our members' portal for distributors to reflect the Group's newly enhanced anti-bribery policies and procedures, in response to the amendment to the *Malaysian Anti-Corruption Commission Act 2009* ("*MACC Act 2009*") which took effect on 1 June 2020.

At the same time, we have also established a Code of Business Ethics for Suppliers and Business Associates to communicate our expectations of acceptable business ethics required to be demonstrated by our suppliers and other business associates, including service providers, agents, and consultants.

- **Anti-Corruption**

Following the amendment to the *MACC Act 2009*, specifically relating to Section 17A which may cause commercial organisations to be liable for the bribery conduct of associated persons, we have, with the assistance of an appointed consultant, undertaken an initiative to review, assess, and enhance our policies and procedures relating to the management of bribery risks across our businesses. The initiative was guided by the Guidelines on Adequate Procedures Pursuant to Subsection (5) of Section 17A under the *MACC Act 2009*, and also included bribery risk assessment workshops participated by representatives from the Group's various business operations and functions.

We have in May 2020 developed a group-wide Anti-Bribery Policy, which is applicable to the Group's directors, employees, suppliers, and business associates and includes specific policies governing transactions such as gifts, entertainment, hospitality, donations and sponsorships. The Anti-Bribery Policy is published on our corporate website. The Group has no political affiliations and generally does not make political contributions or donations unless approved by the Board. During the financial year under review, the Group did not make any political donation or contribution.

We have enhanced our **Code of Ethics and Business Conduct** for MLM distributors and has established a **Code of Business Ethics for Suppliers and Business Associates**, to reflect the Anti-Bribery Policy. A comprehensive **Anti-Bribery Framework** has been established to formalise the systematic identification, assessment, and management of bribery risks of the Group. The Anti-Bribery Framework and the Anti-Bribery Policy has been approved by the Board.

To ensure that our stakeholders are aware of and understand our anti-bribery stance, we have issued letters and notices to our key stakeholders, including employees, distributors, suppliers, and relevant business associates. The same will also be communicated to newly formed business relationships, such as new employees, suppliers, and distributors. Depending on the nature of their business relationships with the Hai-O Group, some stakeholders are required to provide written acknowledgment on their commitment to observe Hai-O's anti-bribery stance. Regular communications, including training where relevant, will be conducted to uphold integrity throughout our businesses.

We have made it a priority to address the issues of anti-corruption and anti-bribery and have taken measures to provide proper channels for employees and non-employees to report any malpractices including bribery and corrupt business conduct. The Hai-O Whistle-Blowing Policy formalises a secure and confidential channel for concerns to be raised or malpractices to be reported.

OUR PEOPLE

(CONTINUED)

• **Whistle-Blowing Mechanism**

Good governance entails the provision of proper channels for anyone to raise concerns pertaining to the professionalism, ethics, and integrity of the Group’s business, amongst others. For this purpose, the Group has established a Whistle-Blowing Policy which is available on our corporate website. The Whistle-Blowing Policy provides the whistle-blower a channel to report in a confidential manner, hence protected against retaliation by the Group or its personnel.

During the financial year under review, there was no case recorded.

regard, it is in our interest to formulate a succession plan to ensure that the Group develops and identifies a pool of qualified personnel for high-level positions that become available due to retirement, resignation, death, disability of incumbent personnel or due to new business opportunities. These qualified individuals are developed through training, mentoring and job rotations. Sustainable talent and leadership management is an ongoing focus of the Group’s human resource management and a key topic in business strategy setting and reviews. We conduct annual performance and career development reviews for all our employees, the results of which are also considered in the process of succession planning.

Guided and assisted by an appointed consultant, Hai-O’s Human Resources department has formulated a succession plan for its Retail segment, which sets out a formal process to identify and cultivate potential talents to equip them with the required skills and capabilities to operate and grow the segment.

Succession Planning

As a responsible business operator, preparedness in every form is needed to ensure that all operations run smoothly. This includes ensuring continuous and consistent leadership in the management of the Group and its businesses. In this

OUR PEOPLE



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

This Sustainability Focus Area discusses the following material sustainability matters:

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

OUR PEOPLE

(CONTINUED)



Distributors get together celebrating the glory of success in conjunction with SHOM's 27th Anniversary celebration.

MLM Entrepreneurship

Hai-O's MLM distributors act as our key ambassadors with their roaring entrepreneurial spirit. We do our utmost to nurture, support and invest in our distributors to help them understand the Group, our products and how to run a business efficiently, ethically and successfully. As at 30 April 2020, our MLM distributors totalled 114,000, of which 77% were women.

Ongoing engagement between the Group and distributors is key to mutual growth for the business, personally, and professionally. The Group maintains close relationship with its distributors as we work together to build and expand the business.

Our MLM leaders are equipped with key skills, such as leadership skills, entrepreneurship skills, people skills and business management skills. We invest in our MLM distributors to continuously upgrade them in various aspects to enhance their professionalism and business skills.

In FY2020, we conducted 88 training programmes, including product talk, digital marketing and motivation talk for our distributors.

In addition to regular training and education, we also have in place structured marketing plan and incentive programmes

to incentivise and reward high-performing distributors via monthly sales bonus, overseas trips, premium invitation as guest speaker, rank progression and other privileges. We also give recognition in the form of awards such as CDM Excellence Award, CDM Master Excellence Award, Top 3 Excellence Award and Diamond Star Award, which are commonly presented during MLM conferences or events.

During the financial year under review, major events of SHOM included (1) SHOM's 27th anniversary at Setia City Convention Centre, Shah Alam with the theme "Revolution", (2) SHOM CDM Conference 2020 at Bangi, (3) SHOM Diamond Night 2019 at Setia Spice Convention Centre, Penang as well as (4) SM/ SSM Recognition held in Sabah and Penang.

Conferences and events are regularly held to bring our members together to share knowledge and experience, besides other significant occasions such as product launch, festival celebration, and performance recognition. These events and conferences may also be used as a platform to provide training and briefing on the Group's policies and procedures and to obtain constructive feedback and ideas on how we can better work together through feedback forms.

OUR PEOPLE

(CONTINUED)

The focus of FY2020 Distributor Survey was on enhancing the capabilities of our e-commerce platform. The survey questionnaire was customised to obtain distributors' comments and input on how to improve our information and e-commerce systems. 180 distributors participated in the survey, providing valuable input and ideas towards the ongoing system enhancement.

The FY2020 Distributor Survey also sought distributors' feedback on the following focus areas, for which we have achieved an overall average satisfaction level exceeding 90%.



Customer Satisfaction

Gaining customers' confidence and trust in our distributors and products is key to Hai-O's continued success and growth. We conduct open and frequent communications with our customers and take their opinions very seriously.

We regularly engage with our customers through various channels across our business divisions. These engagement channels allow us to understand the needs of our customers, to address any concerns or clarifications required, as well as obtaining feedback and comments in order to provide products and services that enhances customers' satisfaction.

MLM Segment

We engage with our customers mainly via our network of MLM distributors, who themselves are also our customers. Our distributors are best positioned to understand our customers and are important to the success of our MLM business, hence our emphasis on close engagement with distributors.

To enhance customer satisfaction for our products and services, our annual Distributor Survey facilitates the process of understanding the needs and expectations of our customers, which provide input into our research and development for products and service to meet their needs.

As we are currently undertaking an initiative to strengthen our network, business capabilities and outreach by leveraging on technology, our Distributor Survey for the financial year ended 30 April 2020 was customised to focus on the digital platform.

We also engage our customers via the following channels:

- Corporate email at info@hai-omarketing.com.my and coe@hai-o.com.my
- Toll-free contact number: 1-800-88-2700
- Corporate website at www.hai-omarketing.com.my
- Internal bulletin
- Social media including WhatsApp, Facebook and Instagram
- Customer Service WhatsApp line: 017-302 8588
- E-commerce WhatsApp line: 012-2726181
- Text via SMS and Telegram (one-way communication)
- Others including surveys, trainings, road tours, meetings, incentive trips, conferences and events

OUR PEOPLE

(CONTINUED)

The MLM Branches Hotline / WhatsApp line were newly launched during the financial year to widen our access and reach to distributors and customers via a popular communication platform. With the various engagement channels, our customers can make enquires and provide feedback, as well as make formal complaints relating to our products and services with relative ease.

During the financial year ended 30 April 2020, we received a total of 41 cases of minor product complaints, all of which have been addressed and resolved.

Please refer to a separate subsection on MLM Entrepreneurship on pages 49 to 50 of this Annual Report for further details on how we engage and work with our distributors.

Retail Segment

In Hai-O’s Retail segment, all customers, both Hai-O Friendship members and non-members, can reach out to us and make purchases via our physical retail stores and our online store at <https://mall.hai-o.com.my>. It has been an ongoing effort to ensure our retail stores and online store are easily accessible and provide a safe and comfortable environment for our customers. Furthermore, we provide adequate training to our retail store personnel so that they provide quality service and serve our customers professionally.

We run a Hai-O Friendship Member Programme which offers birthday rewards, member discounts, early and exclusive promotions, access to special seminars, and other events. The programme is accessible at <https://mall.hai-o.com.my>.

We also engage our Retail customers via the following channels:

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

During the financial year under review, we launched a new customer care email, i.e. customer_care@hai-o.com.my, to enhance communication with our customers. We also facilitated the access of our Customer Satisfaction Survey via QR Code to encourage customers to provide feedback on our products and services.

Retail Customer Satisfaction Survey Results FY2020:

Due to better accessibility, we have improved outreach to customers with more than 5,800 customers participating in our Customer Satisfaction Survey after QR Code was enabled in July 2019.

More than 97% of our customers rated our overall service as “good” and “very good”. The Survey helps us to analyse customers’ feedback by store location so that we can maintain where we have done well and improve where we fall short.

Through the various channels, customers are welcomed to give comments, feedback, and even to raise concerns or make product or service complaints. Internally, we have established structured processes to ensure customers’ inputs are addressed and taken into considerations for the ongoing improvement of our business.

During the financial year under review, a total of two customer service complaints and 21 product complaints were filed and resolved.

Wholesale Segment

In the Wholesale segment, our customers are mainly businesses with whom we maintain close relationships through our in-house business representatives. In some instances, our Wholesale customers are also our business partners as we collaborate to promote our products via their distribution platforms, for example, in supermarkets and hypermarkets. To foster mutually beneficial working relationships, our in-house business representatives are adequately trained in various aspects to serve our Wholesale customers as well as to promote our products to the wider market. Through our well-trained business representatives, our customers are able to communicate effectively with us and to provide comments or raise concerns.

OUR PEOPLE

(CONTINUED)

We also conduct customer surveys with our Wholesale customers to engage and understand how business relationships and collaborations can be further enhanced to achieve and create shared values. The customer survey does not only focus on past performance but also considers present and emerging business trends in order to keep our business and business relationships relevant and sustainable.

During the financial year under review, the Wholesale segment received two minor customer complaints, all of which have been addressed and resolved.

Equal Employment Opportunities And Leadership Development

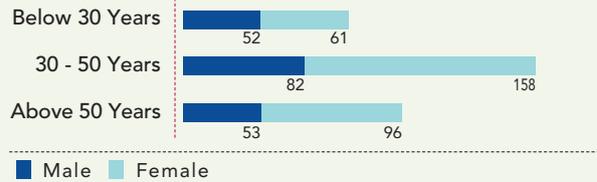
Hai-O is committed to fostering a culture of diversity in our workforce. Our Human Resources culture centres on three core values: Sense of Belonging, Teamwork and Equal Opportunity. We provide equal opportunities to individuals based on their merits, competency, experience and relevant qualities. In Hai-O, we do not discriminate against age, gender, ethnicity or religion. We are in the midst of developing a policy to formalise such principles in our HR philosophy. We also provide opportunities to vulnerable groups, counting among our employees five individuals with disabilities, representing 1% of our workforce.

The demography of Hai-O's workforce in FY2020 is illustrated below, comprising 502 individuals of different races, gender, and age groups, out of which 8.4% are contract staff or temporary staff to whom our Human Resources culture and business ethics are similarly applied.

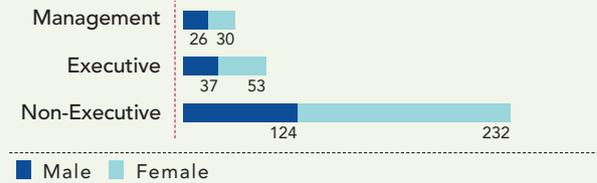
In FY2020, we hired a total of 84 new employees and recorded an annual average turnover rate of 1.5%. Our recruitment process is strictly guided by our equal opportunity stance with assessments conducted based on merits. We also conduct exit interviews and/or surveys with departing personnel to understand their reasons for leaving and the potential areas for improvement, if applicable. The exit interviews and surveys are analysed and deliberated by Management for further actions and monitoring, where required.

WORKFORCE DIVERSITY

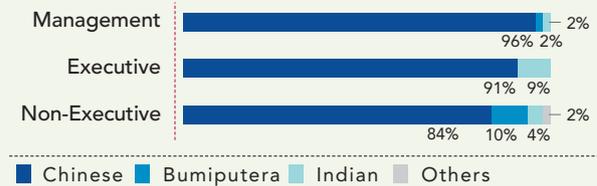
COMPOSITION BY AGE



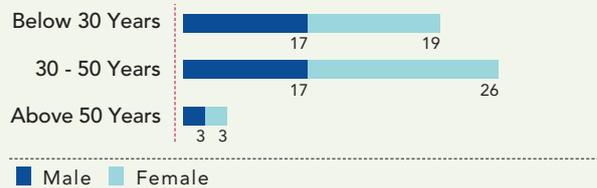
COMPOSITION BY LEVEL



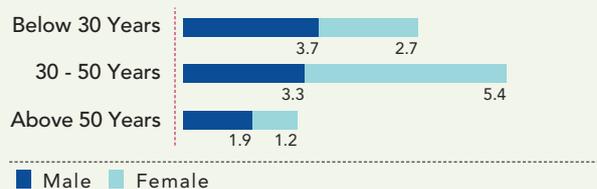
COMPOSITION BY ETHNICITY



NEW EMPLOYEE HIRES



EMPLOYEE TURNOVER RATE (%)



OUR PEOPLE

(CONTINUED)

Employee Well-being

Apart from ensuring employees are well-equipped to carry out their duties and responsibilities, their safety and health and well-being are also important elements to build a sustained workforce and positive social impact.

As part of our initiative to improve the well-being of our employees, we have crafted employment packages with a range of entitlement and benefits to take care of our employees and to help them to achieve work life balance, on top of compliance with applicable laws and regulations governing employees benefits such as employees’ accident insurance (i.e. Social Security Organisation or “SOCSO”), retirement (i.e. Employee Provident Fund or “EPF”), and employment insurance (i.e. Employment Insurance System or “EIS”). Amongst others, we provide health care insurance and medical cards which have been enhanced since FY2019, insurance coverage for accident and hospitalisation, as well as parental leaves including paternity and maternity leaves which enable parents to take care of their new-borns. The Company also offers an Employee Share Option Scheme (“ESOS”) to reward and recognise the contribution of employees towards the growth of the Group, to motivate employees to work towards achieving the Group’s long-term targets and objectives, and to attract and retain high calibre individuals. During the financial year under review, we reviewed employees’ benefits with revisions of overtime rate, outstation accommodation benefits and medical claims and other benefits.

During the financial year under review, we also focused on assessing and addressing the overall safety and health risks of our workforce, which covers broadly employees’ safety and health, including physical and mental. Further details are discussed in the following subsection on Occupational Health and Safety.



SHC members attended basic occupational first aid, CPR & AED training.

Occupational Health And Safety

As our operations span various locations across Malaysia, it is important for us to adopt a systematic approach towards providing a safe working environment in all our business locations. In order to facilitate a consistent management of workplace and occupational health and safety, safety considerations and practices have been incorporated in the design of our standard operating procedures (“SOP”) to guide employees in performing their day-to-day business operations and duties.

In 2019, Hai-O established a Group Safety and Health Committee (“SHC”), in compliance with the Occupational Safety and Health Act 1994 (“OSHA”) under Safety and Health Committee Regulation 1996, comprising management level employees and selected employees from relevant business units. The SHC is further supported by a qualified Safety Officer who is responsible for monitoring compliance with safety and health laws and regulations. The SHC Chairman reports directly to the Group Executive Director to ensure that the Board, through the senior management, is kept abreast of Hai-O’s overall health and safety performance and issues. The structure of the SHC is illustrated as follows:



The SHC met four times during the financial year under review and conducted a thorough occupational health and safety risk assessment across the Group’s business operation, identifying various labour-related issues and health and safety risks including injuries due to workplace accidents, ergonomic injuries, mental health, and cyber safety. In response to the identified risk areas, we have reviewed and developed 16 SOPs to provide better guidance to employees on managing occupational health and safety risks. A Group Safety Policy was also established to support a healthy and accident-free workplace.

SUSTAINABILITY STATEMENT

OUR PEOPLE

(CONTINUED)



Fire safety awareness Talk & Drill held annually.

Various briefings, trainings, and programmes, aimed at promoting better health and safety risk awareness, understanding, and prevention of accidents among employees were provided, including, but not limited to, the following:

- Vision Zero Conference 2019;
- Basic Occupational First Aid, Cardiopulmonary Resuscitation ("CPR") & Automated External Defibrillator ("AED") training, conducted by CERT Academy;
- Safety Made Simple: Meeting the safety needs of employees;
- Fire prevention talk and drill held at Wawasan Hai-O;
- Forklift training; and
- Briefing on awareness on OSHA to all staff - conducted in stages by appointed SHC officer.

We are glad to report that we have recorded zero accident across the Group's operations for the financial year under review. Hai-O will continue to put in relentless efforts to manage the Group's occupational health and safety risks to safeguard and protect employees and stakeholders.

COVID-19 Response

We have taken a proactive approach to the recent COVID-19 pandemic outbreak, putting in place precautionary measures in our office even before Movement Control Order ("MCO") was imposed by the Malaysian Government, including temperature checks, visitor declaration forms, and the provision of hand sanitisers and face masks. Bearing in mind that precautionary measures are best executed with proper understanding and awareness, we have also issued guidance on proper preventive methods such as the correct usage of face masks.

During the MCO period, Hai-O's business segments dealing with essential products and services obtained approval from the relevant authorities to continue operation with Emergency Response Protocol in place. In order to closely manage and monitor workplace safety and health in the midst of the pandemic, we have set up a COVID-19 Emergency Response Team ("CV19-ERT") which is led by the Group Managing Director and the Group Executive Director and supported by representatives from various business locations and functions. The CV19-ERT has helped Management assess the risk exposures of various operational activities and develop policies and procedures in consultation with MITI, the Ministry of Health, and other relevant authorities. In addition, the CV19-ERT is also tasked to coordinate the timely dissemination of relevant information to stakeholders, employees, as well as the Board.

Among the physical preventive and control measures undertaken to manage COVID-19 risks, we have applied the concept of minimal contact and social / physical distancing as much as possible. Technology capabilities, such as the adoption of QR Code scanning, have also helped us to minimize contact while enabling more efficient tracing if necessary.

The COVID-19 management and prevention measures will continue to be implemented and monitored strictly, guided by and in consultation with the relevant authorities, to protect all our stakeholders and the broader community.

OUR PEOPLE

(CONTINUED)

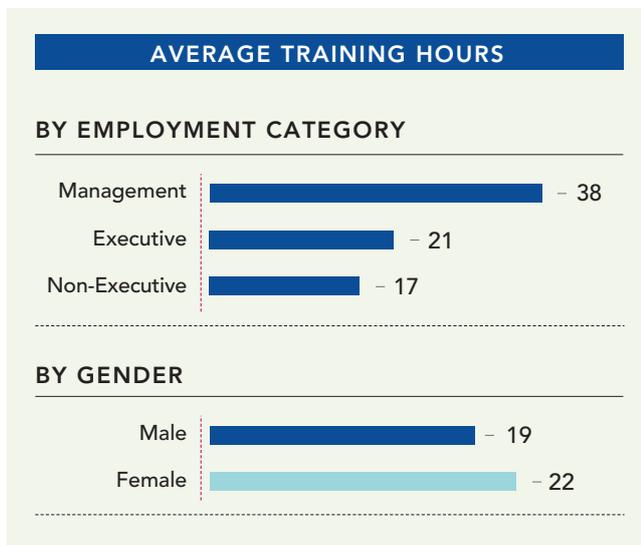
Training And Development

As a Group, Hai-O remains committed to the principle of equality in providing opportunities for learning and growth. All Hai-O employees receive regular performance and career development reviews, at least once a year. The review process serves as a structured evaluation approach to reward performance and to identify the training needs of employees. Hai-O rewards performers through formal recognition, including three Best Performance Awards (Retail outlet) and 38 qualifiers for Long Service Award, which were conferred during the financial year under review.

Apart from rewarding performance and identifying training needs, we also leverage on the review process to identify high-performing and loyal employees who have excelled in their respective positions for succession planning considerations.

In order to ensure our employees receive appropriate training to upskill themselves and enhance work capabilities, we have set minimum training requirements of at least 16 hours annually for managers and above, and at least 8 hours annually for executives.

In FY2020, Hai-O employees completed a series of training programmes totalling 10,550 training hours: 5,848 training hours for employees at our headquarters and 4,702 training hours for our retail outlet employees. On average, our employees have completed 21 training hours per person during the financial year under review. An analysis of training hours by employment category, gender, and a summary of the training category for FY2020 is presented as follows.



Target Skills	Related lesson/training (non-exhaustive)
Business management	Market and economic conference, costing, warehouse operation system, customer service, leadership conference, branding and marketing, digital payment systems, strategic thinking and business planning
Product knowledge	Product labelling technology (QR code and hologram), product briefing and information, sales acceleration
Accounting, finance and data analysis	Accounting Standards (MFRS) update, credit monitoring, tax impact
Audit and Risk Management	Improving audit quality, technical skills for internal auditors
Corporate Governance	Mandatory Accreditation Programme – Directors’ responsibilities to stakeholder groups, basic principles in managing business and living a wonderful life, integrated reporting
IT management, Cyber security and Digital Marketing	Digital marketing and advertising, personal data protection, e-commerce operations, direct selling transformation, recruitment using social media, internet security, cyber security awareness, computer applications, advertising rules, Hai-O in-house system application
Compliance and regulatory	Malaysian Anti-Corruption Commission (Amendment) Act 2018 and corporate liability, corporate governance and anti-corruption, trade permits, Halal Rules & Regulations, OSH practices, trademark, advertising, Conformity Assessment Standards 2019 Seminar, OSHA 1994
Human Resource management	HR payroll system, HRDF conference and exhibition, HRDF training market framework, understanding of the employment & labour law
Safety, Health and Wellness	Chemical disaster, stress management, workplace safety and health, 5S Safety, forklift safety, anti-burglary, fire safety, OSHA 1994, gynaecological diseases and health
Self-development	MsExcel, photography skills, public speaking, mindset and motivation training, leadership training, presentation skills, self-improvement

OUR PEOPLE

(CONTINUED)

Community Engagement

At Hai-O, we believe in the importance of sustainable development in a holistic manner. We are committed for all business undertakings to be made in good faith to creating shared values for business and society while maintaining continuous engagement with the community. Hai-O Group has been practising corporate social responsibility, fulfilling our social objectives of promoting multi-ethnic unity and harmony, advocating inter-ethnic interaction and understanding through community engagement in various activities, sponsorships, and contributions.

The establishment of Hai-O Foundation (also known as “Yayasan Hai-O”) in 2009 reflects our commitment to corporate social responsibility. Since its inception, Hai-O Foundation has actively reached out to local communities particularly the needy and less fortunate, while supporting educational and cultural causes in various ways.



FY2020 marks the tenth anniversary for the Ai Hua Jiao fund raising campaign organized by Hai-O Foundation in collaboration with Sin Chew Daily (星洲日报). The fund-raising campaign aims to empower our future generations through the provision of high-quality educational infrastructure and facilities. In FY2020, the campaign raised RM18.7 million for ten Chinese-medium schools in conjunction with its tenth anniversary (compared to a selection of five to six schools during usual campaign years), benefitting 9,500 students and teachers in Peninsular Malaysia. Over the past 10 years, the campaign has raised a total of RM116.2 million for 69 Chinese-medium schools through the Ai Hua Jiao Concerts.

EXCELLENT ACADEMIC AWARDS

Hai-O introduced the Excellent Academic Awards in 2016 for the children of our MLM entrepreneurs and employees to encourage academic performance and to cherish their success as dedicated and committed parents.

For the financial year under review, the closing date for the Excellent Academic Awards was extended due to the Movement Control Order (MCO). The awards for FY2020 will hence be disclosed during the next financial year.

The Hai-O Higher Educational Aid was launched in 2014 to provide financial assistance to employees’ children pursuing degree or postgraduate programmes at higher learning institutions. The programme aims to encourage the next generation to further their studies to enhance competitiveness, to gain better opportunity for career progression and also serves as a token of appreciation to loyal employees.

During the financial year under review, Hai-O Higher Education Aid provided assistance amounting to RM75,000 for 15 eligible employees’ children.



OUR PEOPLE

(CONTINUED)

COLLABORATIVE RESEARCH INITIATIVE



As a healthcare industry player, Hai-O is supportive of ongoing developments in the healthcare space, especially in TCM. In July 2019, Hai-O, Tung Shin Hospital, and Universiti Tunku Abdul Rahman signed a Memorandum of Agreement to collaborate on a research project to determine the syndrome differentiation of breast cancer patients treated with adjuvant traditional Chinese medicine. Research and development remains an important focus in the development of the healthcare industry to provide alternative treatment methods and options for better lives.

"MANIS CERIA BERSAMA, KASIH JELAS TERASA"

As part of our Daripadamu Untukmu's annual programme for the FY2020 financial year, Yayasan Hai-O and Sahajidah Hai-O Marketing Sdn. Bhd. ("SHOM") jointly organised a Majlis Berbuka Puasa with Bait al-Mawaddah, an old folks' home at Shah Alam. The slogan for the event is "Manis Ceria Bersama, Kasih Jelas Terasa", which signifies the sharing of love and care among the home residents, Yayasan Hai-O and SHOM who work together to make this event a success. The event activities involved the cooking and packing of *bubur lampuk*, which were delivered to a few community homes and centres including *Bait al-Salam (pusat kebajikan mualaf managed by Lembaga Zakat Selangor)*, *pusat tahfiz*, *pusat perlindungan wanita*, and two other centres. In addition, the home residents also received health care products and donations by SHOM and the CDM leaders.

CNY "MAKE A WISH" CHARITY CAMPAIGN

In conjunction with Chinese New Year 2020, Hai-O organised the CNY "Make A Wish" charity campaign which donated a total of RM17,000 to seven community homes and centres according to the wishes of employees. The community homes and centres include children's homes, old folks' homes, and charity centres across Malaysia.

FOOD AID DURING MOVEMENT CONTROL ORDER (MCO)



During the MCO period, the livelihood of many has been affected. Headquartered in Klang, Hai-O played its part by providing food aid to those in need, including low-income students, single-parent families, and the unemployed to help them overcome the difficult MCO period. Food items donated included rice, masks, flour, oil, sugar, noodles, canned food and dried food.

CARING FOR OUR STAFF - HEALTH PACKAGES

In conjunction with Hai-O's 45th anniversary which was celebrated online with our employees at the end of April 2020, Hai-O took the opportunity to distribute health packages consisting of health supplements and products, and masks to all our employees. This was also a token of appreciation to create health awareness and to help boost the immunity of our employees and their families amid the COVID-19 pandemic.

SUSTAINABILITY STATEMENT

OUR PEOPLE

(CONTINUED)



BLOOD DONATION CAMPAIGN

The Group has also organised and/or contributed to various programmes aimed at promoting and raising awareness of healthcare and well-being of the community of Hai-O as well as the wider community. One of such events was the blood donation campaign co-organised by Kelab Muhibbah Hai-O and Angkatan Pertahanan Awan Unit Sungai Pinang at Klang Parade. The campaign provided free health and dental check-ups, CPR demonstrations, and collected 230 bags of blood.

SUPPORT ARTS & CULTURAL ACTIVITIES

Acknowledging the significance of arts in the advancement of society, Hai-O launched the first annual Hai-O Arts and Culture Grants under the patronage of Hai-O Foundation on 28 November 2018 to encourage and support Malaysian arts and cultures across all ethnicities. The Hai-O Arts and Culture Grants is formed in on the spirit of social justice, multi-ethnic unity, and harmony.

In FY2020, eight eligible applicants were awarded a total of RM50,000. Further details relating to the grants, including information relating to the works produced under the grants, are available on Hai-O's corporate website.

In FY2020, Hai-O also presented its Youth Literature Award in conjunction with the 34th University of Malaya ("UM") Chinese Studies Literature Fortnight event. The Award aims to encourage studies and development in Chinese literature amongst youths.

OUR PRODUCT



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

This Sustainability Focus Area discusses the following material sustainability matters:

- Product Safety And Quality
- Product Certification
- Manufacturing Certification
- Product Innovation

OUR PRODUCT

(CONTINUED)

Product Safety And Quality

We pride ourselves in using only quality ingredients and adhering to strict regulatory requirements at our certified laboratories and manufacturing plants as our customers’ health and safety is of utmost importance. Product safety consideration is incorporated as a non-negotiable assessment criterion even before a product can be approved and included in the Group’s product portfolios. Subsequently, every step of the manufacturing process from commencement to manufacturing, packaging and market readiness is designed with product quality and safety as the key focus. We also undertake vigorous testings to detect the presence of contaminants and to evaluate the efficacy of each product for its intended use.

We comply with regulations set by the National Pharmaceutical Regulatory Agency (“NPRA”) which uses a strict registration and licensing scheme to maintain the quality, safety and efficacy of products distributed in the local markets. All TCM products with MAL¹ registration numbers including health supplements and traditional preparations are registered with the NPRA. Products under our MLM segment are assessed by professional testing bodies recognised by government agencies on their safety and health impacts. The safety of the products is governed by regulatory bodies including the NPRA and the Food Safety and Quality Division (“FSQD”) under the Ministry of Health.

We also comply with all other applicable laws and regulations governing food safety.

Apart from compliance with laws and regulations governing the safety and quality of our products, Hai-O has also established in-house teams dedicated to perform quality checks on every batch of products before selling, including assessing the physical appearance, aroma and taste (for edible products), and specifications. All products are assessed for their respective shelf-life/validity period to make sure that products sold are safe to use/consume. Retention samples from each batch are used to enable future verification, reference, batch tracing, and even investigations or testing, if required. The process is in line and compliant with the ISO standards adopted by Hai-O.



¹ On the packaging of all registered products are labels with the two distinct features: the registration number (starting with (“MAL”)), as well as the hologram security label.

SUSTAINABILTY STATEMENT

OUR PRODUCT

(CONTINUED)

Product Recall Process

We have formalised a product recall policy and process to cater for situations where products need to be recalled. The product recall policy and process is developed in line with the recall procedures prescribed by the NPRA for MAL registered products.

Our current practices and procedures throughout the production process, including batch tracing and the use of product labelling technology, also help towards an efficient product recall process, enabling the accurate tracing of product and minimising the potential negative impact to consumers and the Group.

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

Product Certification And Manufacturing Certification

Product and manufacturing certifications enable us to adopt international practices in our processes, and also provides independent assurance from locally and internationally recognised accreditation bodies to give further comfort to our stakeholders.

Apart from the registration of products with relevant authorities as discussed above, we have received HALAL certifications for more than 100 products and KKLIU² certification which allows us to advertise our products through the appropriate channels.

As for our manufacturing and related processes, we have obtained the following certifications:

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

² Pharmaceutical Services Division, Ministry of Health Malaysia

Audits are performed regularly by the accreditation bodies, as summarised in the following table:

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

Product Innovation

Building a strong product portfolio is vital for the Group. A good product is one that is safe and of high quality, contributes positively to consumer well-being, and is well received. In order to build strong product portfolios, we adopt a structured approach to regularly review and assess our portfolios, taking into consideration relevant business strategies and market research and analysis. Our product portfolio building process also considers any potential environmental impact which is discussed in the section: Our Planet on pages 62 to 63 of this Annual Report.

We are constantly exploring new opportunities and potential products by keeping ourselves abreast of technology, trends, and developments in the healthcare industry locally, regionally, and even internationally. The PB 360 Thera Pants and Infince Men's Radiation Protection Boxer launched by SHOM represent the highlight of our newly launched products during the financial year under review.

Product Highlights

PB 360 Thera Pants - functional shaping pants specially designed with fabrics and technology from US, Japan & Korea.

Infince Men's Radiation Protection Boxer - uniquely designed with Lenzing Modal & Silver Fibres which reduces EMF radiation by up to 99%.

OUR PRODUCT

(CONTINUED)

Procurement Management

Hai-O forms business relationships with different business partners across our supply chain for different purposes, including the procurement of new products, sourcing of materials and contracting for manufacturing. Therefore, supply chain management is important to the development, production and delivery of our products.

In the selection of supply chain business partners, we apply various assessment criteria depending on the raw material, product, or manufacturing process in question. We implement an effective procurement system which screens and assesses new products, new materials, and new suppliers before entering into any business relationships. We aim to have a good understanding of our supply chain business partners, including any significant social and environmental impact of their operations such as raw material input, manufacturing process, and management of significant waste/ by-products, as we seek to establish long-term and sustainable business relationships. This process is further supported by site visits and/or sighting of certification documents such as GMP, HACCP and ISO, where applicable. We review and evaluate our approved suppliers' performance annually to detect non-conformity, if any, and to ensure that any risks arising are duly mitigated.

For every batch of procured food, supplement, skincare, and cosmetic products, we will obtain a Certificate of Analysis ("COA") from the supplier as assurance that the product meets the regulated and agreed specifications. Furthermore, in our MLM and Manufacturing segments, we proactively practise traceability throughout our supply chain management as well as adopt other best practices through the ISO 9001:2015 Quality Management System guidelines.

Product Labelling and Responsible Marketing

Product labels contain information that helps our customers make informed decisions based on their needs. It is thus important that the labelling on our products communicate accurately, truthfully, and effectively with customers and potential customers. Most of Hai-O's products are labelled in at least two languages to cater for the diverse demographics of Malaysian customers.

How to Identify Registered Products

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

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

Please refer to the official government website of the National Pharmaceutical Regulatory Agency or official website of the Ministry of Health for further details.

During the financial year under review, we began to adopt Super QR labelling technology embedded with security features as an anti-counterfeiting measure not only to safeguard our business but more importantly, to protect our customers against fake products. The technology enables product authenticity verification, traceability, and assigns a unique identification for every box of the product.

All trademark registration of our products is properly managed to protect our customers and business interests, and to reduce the risk of counterfeit products.

Super QR Code

Our MLM product – Min Kaffe is sealed with a unique Super QR Code label on its packaging to help consumers and buyers validate that the product is genuine and distributed by SHOM. Scanning a Super QR Code marked with "Customer Scan" on a product distributed by SHOM will show the following:



Advertising and Marketing Practices

The Hai-O Group is committed to practising responsible marketing and communication. Our marketing and advertising strategy and practices are compliant with applicable laws and regulations and they shall communicate accurate information, advertise and market with integrity, promote our brands with honesty and avoid misrepresenting product information on quality, origin, performance and others.

SHOM, our MLM subsidiary, is a member of the Direct Selling Association of Malaysia (DSAM) and abides by the DSAM Code of Conduct on fair and ethical direct sales practices in the marketplace. SHOM distributors' Code of Ethics also specifies various guidelines which amongst others, disallow distributors to misinterpret product quality, origin and performance when marketing our products.

The Group also provides relevant communication and training to our salesmen and distributors on advertising laws and regulations, responsible marketing, and truthful representation of the Group's products. Regular product briefings and trainings, especially for newly launched products, are conducted for salesman and distributors to enhance their knowledge to better serve customers.

OUR PLANET



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

This Sustainability Focus Area discusses about the following material sustainability matters:

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

As a Group, Hai-O has adopted the ethos of sustainability because we are cognisant that environmental stewardship is critical to the sustainability of businesses.

Energy Consumption

A major source of Hai-O's carbon footprint comes from energy use in our offices, mainly in the form of electricity generated from mostly non-renewable sources such as natural gas and coal in Malaysia.

We aim to reduce energy usage through the progressive upgrading of incandescent and fluorescent lights to LED lights. LED lights typically last longer and boast better energy and cost efficiency, helping to reduce electricity usage and cost. In order to strike a balance between waste generation, investment cost and energy saving, we have adopted an approach to prioritise the upgrading of existing lighting systems which are nearing the end of their usable product life.

For the financial year under review, we upgraded the lighting system for another retail outlet to LED. As at 30 April 2020, nine of the Group's 57 retail outlets were fully fitted with LED lighting systems, resulting in approximately 20% cost and electricity savings for each outlet.

We also closely monitor electricity usage for our buildings at Wisma Hai-O (Klang), Lot 1388 (Klang), Wawasan Hai-O (Klang), and Menara Hai-O (Kuala Lumpur, formerly Sun Kompleks). As at 30 April 2020, we achieved 50% conversion to LED lighting systems, up 10% from the previous financial year, translating to cost savings of approximately RM25,000 based on 40,000 kWh reduction in our electricity consumption, as summarised in the following table. (Note: electricity expense is derived directly from electricity bills. Year-on-year difference may not be wholly attributable to the conversion exercise.)

	Unit	FY 2018	FY 2019	FY 2020
Percentage of total floor area converted to LED lighting systems	%	30	40	50
Total electricity usage	million kWh RM '000	1.99 1,027	1.93 993	1.89 964

Green Product And Packaging

As a responsible multi-business Group, we are committed to minimising the environmental footprint associated with our services and products. Our product portfolio development process has also incorporated our preference for green products that minimise the use of materials harmful to the environment.

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

Hai-O will continue to explore the feasibility of adopting more environment friendly packaging for our products over the longer term, and will closely track current and new market practices to manage the environmental impact of our products and packaging. Any enhancement of existing products or product packaging to more environmentally responsible alternatives may require close collaboration and strong working relationships with our business partners, including product principals, and thus a shared vision across our product value chain will help in the journey towards more environment friendly products and brands.

OUR PLANET

(CONTINUED)

Waste And Recycling

Reducing the use of paper

It is our mission to practice '3R' - reduce, reuse and recycle – throughout the Group as far as practicable. Inevitably, paper as one of the most highly consumed resources, is a key focus of the '3R' drive. Indeed, paper is widely used across the Group's business operations including distributor registration, procurement, members statements and for other administrative purposes. Besides making conscious efforts to source for environment friendly paper, we are also actively shifting towards electronic platforms to reduce paper usage. In addition to environmental considerations, we also note potential positive impact on operational efficiency and physical space efficiency.

SHOM, our MLM division, has since October 2017 initiated an upgrade of its membership management process, starting with the implementation of e-registration for new members and subsequently the migration of existing members to e-membership. In the financial year ended 30 April 2020, we successfully registered more than 99% of new MLM members on the e-membership platform.

	FY 2018	FY 2019	FY 2020
% of new members registered on e-membership platform	45%	95%	99%

Furthermore, SHOM has switched to electronic membership cards since September 2019, hence eliminating the need to issue plastic cards. All MLM membership statements are currently delivered to members electronically, and SHOM is progressively moving other operational processes and communications online. The latter includes online ordering and the sharing of materials, e.g. e-sales kit and e-bulletin, to facilitate effective and efficient operation and communication while preserving environmental resources.

Our Retail segment is also taking similar initiatives to reduce paper usage, targeting to migrate to card-less Friendship membership moving forward.

At the corporate level, Hai-O has also intensified our '3R' efforts by investing in an electronic platform to safely and securely disseminate business documents, including board meeting papers.

Other wastes

Our '3R' mission is not limited to just paper. We also strive to reduce the use of plastic bags across our MLM and Retail segments. We do not provide plastic bags for the MLM business, while our retail stores only provide biodegradable plastic bags but are encouraged to reuse carton boxes to pack goods for customers.

Elsewhere, we reconstruct broken pallets to reuse (typically three or four broken pallets can be reconstructed into two usable units), and also actively reuse carton boxes for packing and delivery.

In order to ensure the safe disposal of expired or defective pharmaceutical products and MAL registered products, we have established processes for waste management in compliance with applicable laws and regulations. During the financial year under review, we disposed 330 kgs of broken glass (FY2019: 760 kgs and FY2018: 230 kgs) at designated sites in allocated containers approved by the Department of Environment. For the financial year under review, there were no fines and penalty due to non-compliance with waste management laws or regulations.

The following table illustrates the amount and types of wastes disposed and/or recycled from the Group's offices and warehouses.

Types of wastes disposed and/or recycled	Unit	FY 2018	FY 2019	FY 2020
Paper	kg	3,334	9,350	26,607
Plastic	pieces	693	650	739
Metal	kg	2,299	6,130	1,356
Battery	units	11	7	6
Toner casing/parts	pieces	0	232	7

The significantly higher volume of paper waste disposed during the financial year under review reflected an intensive exercise to reorganize and remove historical paper records as the migration of business documents to the new electronic platform has substantially eliminated the need to keep physical documents. We expect paper waste disposal to be reduced in the coming financial year.

Conclusion

On an ongoing basis and together with our efforts towards a sustainable business model, Hai-O's Sustainability Strategy will remain an integral part of our business management process. We will continue to monitor, manage, and improve on sustainability management and performance. We will strive to maintain our economic, environmental, and social progress in the coming years to build a strong, sustainable and resilient business.

GRI Content Index

Please visit our corporate website at www.hai-o.com.my or scan this QR code.



GRI CONTENT INDEX

GRI STANDARDS AND DISCLOSURES	REFERENCE SECTION (OF ANNUAL REPORT 2020 OTHERWISE SPECIFICALLY STATED)	PAGE
GRI 102: General Disclosures 2016		
Organizational Profile		
102-1 Name of organization	<ul style="list-style-type: none"> Group Corporate Structure Sustainability Statement (“SS”) – About this Statement 	3 30
102-2 Activities, brands, products, and services	<ul style="list-style-type: none"> Corporate Profile Sustainability Statement (“SS”) – Reporting Basis and Scope 	6 30
102-3 Location of headquarters	<ul style="list-style-type: none"> Corporate Information SS – Reporting Basis and Scope 	2 30
102-4 Location of operations	<ul style="list-style-type: none"> SS – Reporting Basis and Scope 	30
102-5 Ownership and legal form	<ul style="list-style-type: none"> Analysis of Shareholdings 	187- 189
102-6 Markets served	<ul style="list-style-type: none"> SS – Reporting Basis and Scope 	30
102-7 Scale of the organization	<ul style="list-style-type: none"> Financial Statements and Notes to the Financial Statements SS – Our Economy: Local Economy and Work Opportunities 	95-181 43-44
102-8 Information on employees and other workers	<ul style="list-style-type: none"> SS – Our Economy: Local Economy and Work Opportunities SS – Our People: Equal Employment Opportunities and Leadership Development 	43-44 52
102-9 Supply chain	<ul style="list-style-type: none"> SS – Our Economy: Supply Chain Management SS – Our Product: Procurement Management 	44 61
102-10 Significant changes to the organization and its supply chain	There were no significant changes to the organization and its supply chain.	-
102-11 Precautionary Principle or approach	<ul style="list-style-type: none"> SS – Sustainability Strategy and Policy 	31-32
102-13 Membership of associations	<ul style="list-style-type: none"> SS – Our Product: Advertising and Marketing Practices 	61
Strategy		
102-14 Statement from senior decision-maker	<ul style="list-style-type: none"> Chairman’s Statement 	14-16
102-15 Key impacts, risks, and opportunities	<ul style="list-style-type: none"> SS – Overall Approach to Sustainability SS – Material Sustainability Matters 	31-32 38-42
Ethics and integrity		
102-16 Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> SS – Overall Approach to Sustainability 	31-32
102-17 Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> SS – Our Governance: Ethics and Integrity 	46-48
Governance		
102-18 Governance structure	<ul style="list-style-type: none"> Corporate Governance Overview Statement: Principle A – Board Leadership and Effectiveness: Part I. Board Responsibilities SS – Leadership for Sustainability 	70-74 34
102-19 Delegating authority	<ul style="list-style-type: none"> SS – Leadership for Sustainability 	34
102-20 Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> SS – Leadership for Sustainability 	34
102-22 Composition of the highest governance body and its committees	<ul style="list-style-type: none"> Corporate Governance Overview Statement: Principle A – Board Leadership and Effectiveness 	70-79
102-23 Chair of the highest governance body	<ul style="list-style-type: none"> Corporate Governance Overview Statement: Principle A – Board Leadership and Effectiveness: 	70-79
102-24 Nominating and selecting the highest governance body	<ul style="list-style-type: none"> Corporate Governance Overview Statement: Principle A – Board Leadership and Effectiveness 	74-79
102-26 Role of highest governance body in setting purpose, values, and strategy	<ul style="list-style-type: none"> SS – Leadership for Sustainability 	34
102-29 Identifying and managing economic, environmental, and social impacts	<ul style="list-style-type: none"> SS – Leadership for Sustainability 	34
102-30 Effectiveness of risk management processes	<ul style="list-style-type: none"> SS – Leadership for Sustainability Statement of Risk Management & Internal Control 	34 87-92
102-31 Review of economic, environmental, and social topics	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	38-42
102-32 Highest governance body’s role in sustainability reporting	<ul style="list-style-type: none"> SS – Leadership for Sustainability 	34

GRI STANDARDS AND DISCLOSURES	REFERENCE SECTION (OF ANNUAL REPORT 2020 OTHERWISE SPECIFICALLY STATED)	PAGE
Stakeholder engagement		
102-40 List of stakeholder groups	<ul style="list-style-type: none"> SS – Stakeholder Engagement 	35-37
102-41 Collective bargaining agreements	Not applicable as there are no employees are covered by collective bargaining agreements	-
102-42 Identifying and selecting stakeholders	<ul style="list-style-type: none"> SS – Stakeholder Engagement 	35-37
102-43 Approach to stakeholder engagement	<ul style="list-style-type: none"> SS – Stakeholder Engagement 	35-37
102-44 Key topics and concerns raised	<ul style="list-style-type: none"> SS – Stakeholder Engagement SS – the respective sections on the disclosure of Material Sustainability Matters 	35-37 43-63
Reporting practice		
102-45 Entities included in the consolidated financial statements	<ul style="list-style-type: none"> Financial Statements and Notes to the Financial Statements: 2(a) Basis of Consolidation SS – Reporting Basis and Scope 	113-116 30
102-46 Defining report content and topic Boundaries	<ul style="list-style-type: none"> SS – Reporting Basis and Scope SS – Material Sustainability Matters 	30 38-42
102-47 List of material topics	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	38-42
102-48 Restatements of information	None	-
102-49 Changes in reporting	There are no significant changes in the list of material sustainability matters apart from their order which is presented in the materiality matrix in SS – Material Sustainability Matrix	39
102-50 Reporting period	<ul style="list-style-type: none"> SS – Reporting Basis and Scope 	30
102-51 Date of most recent report	<ul style="list-style-type: none"> SS – Reporting Basis and Scope 	30
102-52 Reporting cycle	<ul style="list-style-type: none"> SS – Reporting Basis and Scope 	30
102-53 Contact point for questions regarding the report	<ul style="list-style-type: none"> SS – Contact Us 	30
102-54 Claims of reporting in accordance with the GRI Standards	<ul style="list-style-type: none"> SS – About This Statement 	30
102-55 GRI content index	<ul style="list-style-type: none"> SS – GRI Content Index 	63
102-56 External assurance	<ul style="list-style-type: none"> SS – Assurance 	30
Material Sustainability Matter: Economic Performance		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	39
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Economy 	39 43-45
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Economy 	39 43-45
GRI 201: Economic Performance 2016		
201-1 Direct economic value generated and distributed	<ul style="list-style-type: none"> Management Discussion and Analysis by Group Managing Director Financial Statements and Notes to the Financial Statements SS – Our Economy SS – Our People 	17-28 95-181 43-45 48-58
GRI 202: Market Presence 2016		
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	<ul style="list-style-type: none"> SS – Our Economy: Local Economy and Work Opportunities 	43-44
202-2 Proportion of senior management hired from the local community	<ul style="list-style-type: none"> SS – Our Economy: Local Economy and Work Opportunities 	43-44
GRI 203: Indirect Economic Impacts 2016		
203-2 Significant indirect economic impacts	<ul style="list-style-type: none"> SS – Our Economy: Local Economy and Work Opportunities 	43-44
Material Sustainability Matter: Brand and Reputation		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	39
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Economy: Brand and Reputation 	39 44-45
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Economy: Brand and Reputation 	44-45
Non GRI disclosure	<ul style="list-style-type: none"> SS – Our Economy: Brand and Reputation 	44-45

GRI STANDARDS AND DISCLOSURES	REFERENCE SECTION (OF ANNUAL REPORT 2020 OTHERWISE SPECIFICALLY STATED)	PAGE
Material Sustainability Matter: Product Safety and Quality		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Product: Product Safety and Quality 	39 59-60
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Product: Product Safety and Quality 	39 59-60
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Product: Product Safety and Quality 	59-60
GRI 416: Customer Health and Safety 2016		
416-1 Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> SS – Our Product: Product Safety and Quality 	59-60
GRI 417: Marketing and Labelling 2016		
417-1 Requirements for product and service information and labelling	<ul style="list-style-type: none"> SS – Our Product: Product Labelling and Responsible Marketing 	61
Material Sustainability Matter: MLM Entrepreneurship		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our People: MLM Entrepreneurship 	40 49-50
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our People: MLM Entrepreneurship 	40 49-50
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our People: MLM Entrepreneurship 	49-50
Non GRI disclosure	<ul style="list-style-type: none"> SS – Our People: MLM Entrepreneurship 	49-50
Material Sustainability Matter: Customer Satisfaction		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	40
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our People: Customer Satisfaction 	40 50-52
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our People: Customer Satisfaction 	40 50-52
Non GRI disclosure	<ul style="list-style-type: none"> SS – Our Product: Customer Satisfaction 	50-52
Material Sustainability Matter: Corporate Governance and Risk Management		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	40
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Governance 	40 46-48
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Governance 	46-48
Non GRI disclosure	<ul style="list-style-type: none"> SS – Our Governance: Corporate Governance and Risk Management Corporate Governance Overview Statement / CG Report Statement on Risk Management and Internal Control 	46 70-86 87-92
Material Sustainability Matter: Equal Employment Opportunities and Leadership Development		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	40
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our People: MLM Entrepreneurship SS – Our People: Equal Employment Opportunities and Leadership Development 	40 49-50 52-55
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our People: MLM Entrepreneurship SS – Our People: Equal Employment Opportunities and Leadership Development 	49-50 52-55
GRI 401: Employment 2016		
401-1 New employee hires and employee turnover	<ul style="list-style-type: none"> SS – Our People: Equal Employment Opportunities and Leadership Development 	52
GRI 405: Diversity and Equal Opportunity 2016		
405-1 Diversity of governance bodies and employees	<ul style="list-style-type: none"> SS – Our People: Equal Employment Opportunities and Leadership Development (Workforce Diversity) 	52

GRI STANDARDS AND DISCLOSURES	REFERENCE SECTION (OF ANNUAL REPORT 2020 OTHERWISE SPECIFICALLY STATED)	PAGE
Material Sustainability Matter: Ethics and Integrity		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Governance: Ethics and Integrity 	40 46-48
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Governance: Ethics and Integrity 	40 46-48
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Governance: Ethics and Integrity 	46-48
GRI 205: Anti-corruption 2016		
205-3 Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> SS – Our Governance: Ethics and Integrity – Anti-Corruption and Whistle-blowing Mechanism 	47-48
Material Sustainability Matter: Product Certification		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	40
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Product 	40 58-61
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Product 	58-61
Non GRI disclosure	<ul style="list-style-type: none"> SS – Our Product: Product Certification 	60
Material Sustainability Matter: Supply Chain Management		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	41
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Economy: Supply Chain Management SS – Our Product: Procurement Management 	41 44 61
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Economy: Supply Chain Management SS – Our Product: Procurement Management 	44 61
GRI 204: Procurement Practices 2016		
204-1 Proportion of spending on local suppliers	<ul style="list-style-type: none"> SS – Our Economy: Supply Chain Management 	44
Material Sustainability Matter: Employee Well-being		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	41
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our People: Employee Well-being 	41 53
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our People: Employee Well-being 	53
GRI 401: Employment 2016		
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<ul style="list-style-type: none"> SS – Our People: Employee Wellbeing 	53
Material Sustainability Matter: Succession Planning		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	41
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Governance: Succession Planning Corporate Governance Overview Statement 	41 48 72
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Governance: Succession Planning 	48
GRI 404: Training and Education 2016		
404-2 Programs for upgrading employee skills and transition assistance programs	<ul style="list-style-type: none"> SS – Our Governance: Succession Planning 	48
Material Sustainability Matter: Product Innovation		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> SS – Material Sustainability Matters 	41
103-2 The management approach and its components	<ul style="list-style-type: none"> SS – Material Sustainability Matters SS – Our Product: Product Innovation 	41 60
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> SS – Our Product: Product Innovation 	60
Non GRI disclosure	<ul style="list-style-type: none"> SS – Our Product: Product Innovation 	60

GRI STANDARDS AND DISCLOSURES	REFERENCE SECTION (OF ANNUAL REPORT 2020 OTHERWISE SPECIFICALLY STATED)	PAGE
Material Sustainability Matter: Occupational Health and Safety		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • SS – Material Sustainability Matters 	41
103-2 The management approach and its components	<ul style="list-style-type: none"> • SS – Material Sustainability Matters • SS – Our People: Occupational Health and Safety 	41 53-54
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> • SS – Our People: Occupational Health and Safety 	53-54
GRI 403: Occupational Health and Safety 2018		
403-1 Occupational health and safety management system	<ul style="list-style-type: none"> • SS – Our People: Occupational Health and Safety 	53-54
403-4 Worker participation, consultation, and communication on occupational health and safety	<ul style="list-style-type: none"> • SS – Our People: Occupational Health and Safety 	53-54
403-5 Worker training on occupational health and safety	<ul style="list-style-type: none"> • SS – Our People: Occupational Health and Safety 	53-54
403-9 Work-related injuries	<ul style="list-style-type: none"> • SS – Our People: Occupational Health and Safety 	53-54
Material Sustainability Matter: Training and Development		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • SS – Material Sustainability Matters 	41
103-2 The management approach and its components	<ul style="list-style-type: none"> • SS – Material Sustainability Matters • SS – Our People: Training and Development 	41 55
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> • SS – Our People: Training and Development 	55
GRI 404: Training and Education 2016		
404-1 Average hours of training per year per employee	<ul style="list-style-type: none"> • SS – Our People: Training and Development 	55
404-3 Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> • SS – Our People: Training and Development 	55
Material Sustainability Matter: Manufacturing Certification		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • SS – Material Sustainability Matters 	42
103-2 The management approach and its components	<ul style="list-style-type: none"> • SS – Material Sustainability Matters • SS – Our Product: Manufacturing Certification 	42 60
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> • SS – Our Product: Manufacturing Certification 	60
Non GRI disclosure	<ul style="list-style-type: none"> • SS – Our Product: Manufacturing Certification 	60
Material Sustainability Matter: Energy Consumption		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • SS – Material Sustainability Matters 	42
103-2 The management approach and its components	<ul style="list-style-type: none"> • SS – Material Sustainability Matters • SS – Our Planet: Energy Consumption 	42 62
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> • SS – Our Planet: Energy Consumption 	62
302-1 Energy consumption within the organization	<ul style="list-style-type: none"> • SS – Our Planet: Energy Consumption 	62
302-4 Reduction of energy consumption	<ul style="list-style-type: none"> • SS – Our Planet: Energy Consumption 	62
Material Sustainability Matter: Community Engagement		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • SS – Material Sustainability Matters 	42
103-2 The management approach and its components	<ul style="list-style-type: none"> • SS – Material Sustainability Matters • SS – Our People: Community Engagement 	42 56-58
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> • SS – Our People: Community Engagement 	56-58
GRI 203: Indirect Economic Impacts 2016		
203-1 Infrastructure investments and services supported	<ul style="list-style-type: none"> • SS – Our People: Community Engagement 	56-58
GRI 415: Public Policy 2016		
415-1 Political contributions	<ul style="list-style-type: none"> • SS – Our Governance: Ethics and Integrity – Anti-Corruption and Whistle-blowing Mechanism 	47-48

GRI STANDARDS AND DISCLOSURES	REFERENCE SECTION (OF ANNUAL REPORT 2020 OTHERWISE SPECIFICALLY STATED)	PAGE
Material Sustainability Matter: Green Product and Packaging		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • SS – Material Sustainability Matters 	42
103-2 The management approach and its components	<ul style="list-style-type: none"> • SS – Material Sustainability Matters • SS – Our Product: Green Product and Packaging 	42 62
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> • SS – Our Product: Green Product and Packaging 	62
GRI 416: Customer Health and Safety 2016		
416-1 Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> • SS – Our Product: Product Safety and Quality 	59-60
Material Sustainability Matter: Waste and Recycling		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • SS – Material Sustainability Matters 	42
103-2 The management approach and its components	<ul style="list-style-type: none"> • SS – Material Sustainability Matters • SS – Our Planet: Waste and Recycling 	42 63
103-3 Evaluation of the management approach	<ul style="list-style-type: none"> • SS – Our Planet: Waste and Recycling 	63
Non GRI disclosure	<ul style="list-style-type: none"> • SS – Our Planet: Waste and Recycling 	63

Note:

* Corporate Governance (“CG”) Report is available at Hai-O’s corporate website as follows: www.hai-o.com.my under Investor Relation.