

SUSTAINABILITY REPORT

ABOUT THIS REPORT

Box-Pak (Malaysia) Bhd. (“BPM” or “the Company”) and its subsidiaries (“BPM Group” or “the Group”) presents its Sustainability Report for the financial year ended 31 December 2021 (“FYE 2021”) published in accordance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad.

The Sustainability Report is published with the view of promoting transparent disclosure to all our stakeholders by communicating key matters that reflect significant economic, environment and social impact to our business.

The Group’s Sustainability Report for FYE 2021 includes the scope, approach, governance structure, stakeholders engagement, key material sustainability matters, initiatives and activities executed during the period from 1 January 2021 to 31 December 2021. It looks beyond financial performance and corporate governance practices and examines our non-financial performance.

The information and data of the Group are derived from our internal reporting systems and operation records of FYE 2021 and financial year ended 31 December 2020 (“FYE 2020”). Comparatives are made between the periods to reflect the level of sustainability efforts.

As a further step to improve our sustainability reporting and promote greater transparency, we are looking at adopting the Global Reporting Initiative Standards, GRI – core option and align our initiatives with the United Nations Sustainable Development Goals (“UNSDG”) in the coming report.

SCOPE OF REPORT

Reporting Period	1 January 2021 to 31 December 2021
Scope	This Statement covers the Group’s active entities in Malaysia and Vietnam. The Group’s operation in Myanmar is not included as its operation is in the initial operational stage and is not a significant operating segment.

SUSTAINABILITY APPROACH

The Group conducts its business activities in a responsible and ethical manner by embedding sustainability practices in its business activities to ensure a long-term growth and profitability of the Group.

ECONOMIC SUSTAINABILITY	ENVIRONMENT SUSTAINABILITY	SOCIAL SUSTAINABILITY
To continuously improve business profitability for our shareholders, create beneficial value to all stakeholders, provide customers with high quality products, and develop mutually beneficial business relationships with our suppliers.	To reduce our carbon footprint by ensuring sustainable water consumption, efficient energy usage, minimise greenhouse emissions, reduce waste generation and increase recycling practices.	To provide a safe and conducive working environment for our employees to contribute and grow their careers. To ensure all our employees are treated with respect.

The Group pursues its sustainability approach according to these sustainability principles:

- Ensuring compliance with all relevant law and regulations applicable to the Group.
- Embed sustainability practices to the Group’s business operations and implementation of business strategies.
- Periodically review its sustainability approach and practices for improvement and to ensure the journey aligns with the Group’s business objectives.
- Continuously engage and communicate with all relevant stakeholders for the identification, assessment and management of material sustainability matters.



SUSTAINABILITY REPORT

GOVERNANCE STRUCTURE

The Board of Directors (“Board”) assume overall responsibility and oversight of the Group’s sustainability agenda. The Board receive updates on sustainability matter twice a year.



STAKEHOLDERS’ ENGAGEMENT

Our stakeholder groups are those that have an impact on our business or have the potential to be affected by our business. We conduct periodic engagement with our stakeholders because we recognise that their perspectives may be important in helping us stay well informed of any key issues or risks that may impact our business.

The table below summarises the Group’s different engagement methods employed across the stakeholder groups including their main area of concerns:

STAKEHOLDER	METHOD OF ENGAGEMENT	STAKEHOLDERS’ CONCERNS	OUR RESPONSE
Shareholders and Investors	<ul style="list-style-type: none"> Annual General Meeting 	<ul style="list-style-type: none"> Higher financial returns Value of investment 	<ul style="list-style-type: none"> Dividends Sustainable growth
Employees	<ul style="list-style-type: none"> Employee Survey Town Hall Meetings Performance appraisals 	<ul style="list-style-type: none"> Safety at workplace Career development Fair remuneration Equal opportunity 	<ul style="list-style-type: none"> Safety and health Rights and Respect Training & Development
Customers	<ul style="list-style-type: none"> Customer Satisfaction Survey Customer feedbacks Face to face meetings 	<ul style="list-style-type: none"> Pricing Delivery Quality Sustainability 	<ul style="list-style-type: none"> Reasonable pricing and reliability Quality and satisfaction Data privacy & security
Suppliers	<ul style="list-style-type: none"> Suppliers’ survey Supplier meetings Supplier audits 	<ul style="list-style-type: none"> Cost efficiencies Compliance to sustainability matters Quality product 	<ul style="list-style-type: none"> Delivery, Quality and payment Data privacy & security Collaboration opportunities
Government	<ul style="list-style-type: none"> Compliance with government legislative framework 	<ul style="list-style-type: none"> Regulatory disclosure Accountability Access to premise and records 	<ul style="list-style-type: none"> Certifications Compliance to regulations Transparency
Communities	<ul style="list-style-type: none"> Engagement with local communities 	<ul style="list-style-type: none"> Provision of jobs and internship to graduates Local employment Environmental impacts 	<ul style="list-style-type: none"> Employment & career development Environmental responsibilities and engagements



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MATERIALITY ASSESSMENT

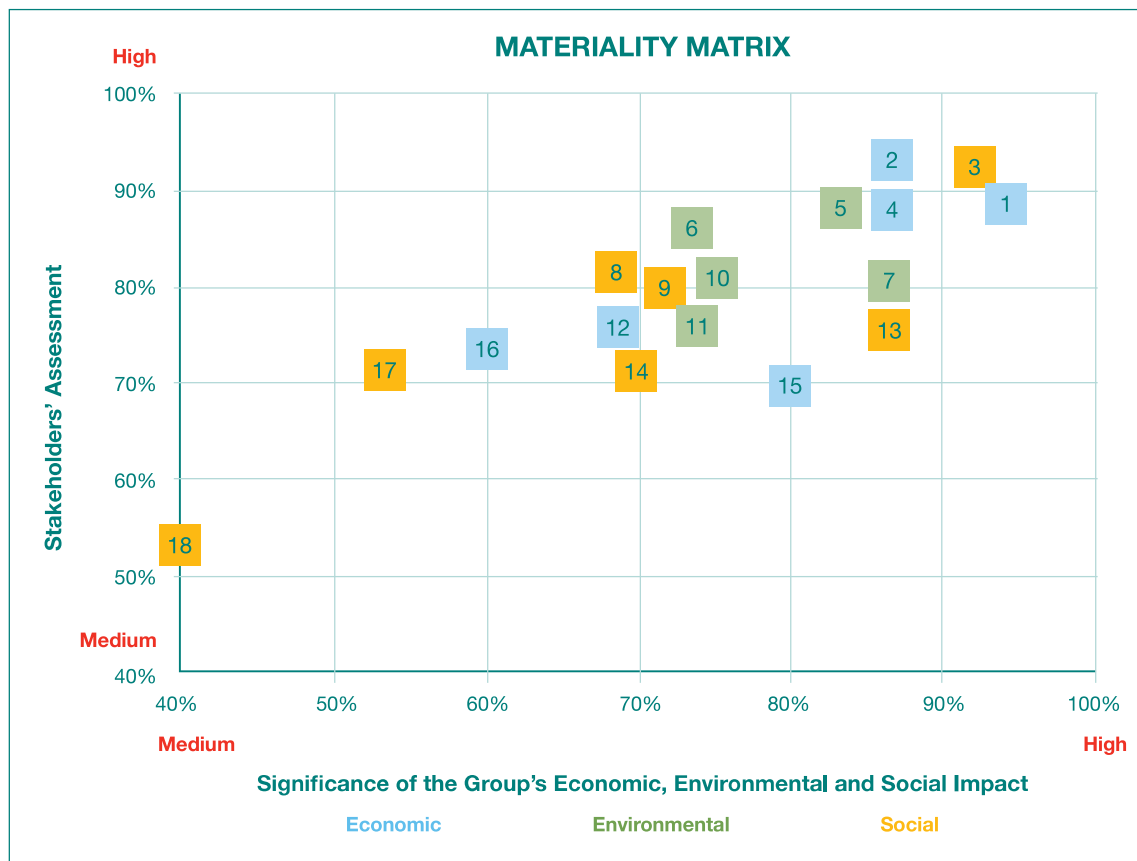
A stakeholder driven assessment was conducted in Quarter 4 of FYE 2020 in the form of a survey to identify the Group's significant economic, environment and social matters that substantially impact and influence the decisions of our stakeholders.

MATERIALITY ASSESSMENT PROCESS

The materiality assessment process entails a methodical way of identifying, categorising and prioritising key sustainability issues which enable us to identify and review material issues that are most relevant and significant to the Group and its stakeholders. The process enables us to allocate our resources effectively to address the most pertinent issues covering all 3 sustainability pillars: Economic, Environment and Social.

Based on our methodical ranking, we have selected 9 key material matters to focus our efforts on and to set targets for the year 2021 and beyond. These 9 also represent top 3 key material matters from each of the 3 sustainability pillars.

The materiality matrix below maps each topic's significance in terms of economic, environmental and social impact against its influence on stakeholders' assessments.



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MATERIALITY ASSESSMENT PROCESS (continued)

Order of Significance Ranked by Our Stakeholders	Top 9 Sustainability Materiality Matters	Order of Significance Ranked by Our Stakeholders	Other Sustainability Materiality Matters
1	<ul style="list-style-type: none"> Product Safety 	10	Electricity Consumption
2	<ul style="list-style-type: none"> Business Ethics 	11	Water Consumption
3	<ul style="list-style-type: none"> Safety at Workplace 	12	Smart Manufacturing
4	<ul style="list-style-type: none"> Ethical Sourcing 	13	Leadership
5	<ul style="list-style-type: none"> Waste Management 	14	Employee Training Development
6	<ul style="list-style-type: none"> Air Quality 	15	Product Life Cycle
7	<ul style="list-style-type: none"> Energy & Carbon Emission 	16	Succession Plan
8	<ul style="list-style-type: none"> Employee Engagement 	17	Foreign Workers
9	<ul style="list-style-type: none"> Diversity & Fair Treatment 	18	Freedom of Association

SUSTAINABILITY TARGETS

There were no targets set in prior years reporting. FYE 2021 will be our first attempt to improve our sustainability performance by setting targets. These targets will be measured against the FYE 2020 baseline and progress and achievement will be monitored and reported each year.

These targets have been reviewed and approved by the Sustainability Committee.

Sustainability Pillar	Key Material Matters	Sustainability Targets
Economic	<ul style="list-style-type: none"> Product Safety Business Ethics Ethical Sourcing 	<ul style="list-style-type: none"> Zero product recall from packaging material defects Zero bribery and corruption cases reported Procure from suppliers who are ethically compliant
Environment	<ul style="list-style-type: none"> Waste Management Air Quality Energy & Carbon Emission 	<ul style="list-style-type: none"> Minimise waste generation. Scheduled waste management compliant with regulatory framework Air emission consistently meet Department of Environment guidelines Adoption of solar energy as renewable source for greenfield sites. For Vietnam manufacturing plant, substitution of coal energy to gas or fuel oil Energy efficiency will be given high consideration for future machinery and equipment investment
Social	<ul style="list-style-type: none"> Safety at Workplace Diversity & Fair Treatment Employee Engagement 	<ul style="list-style-type: none"> Zero employee and contractor fatality Increase female representation by 10% by 2025 Increase staff retention rate by 3% by 2025 Improve staff satisfaction rate by 5% by 2025



SUSTAINABILITY REPORT

ECONOMIC SUSTAINABILITY

PRODUCT SAFETY

All operating entities within the Group have ISO9001: 2015 certification. As an ISO9001 certified manufacturer, the Group's manufacturing plants are built around a quality management system incorporating a strong customer focus, leadership, process driven approach, evidence based decision-making and continuous improvement principles.

With a quality management system, we can assure our products are of the highest levels of safety and quality in all processes: from design to new product development to manufacture to sales and after-sales support.

All primary raw materials undergo quality checks to ensure they meet the Group's requirement standards in terms of specification and Material Safety Data Sheet ("MSDS") before they are approved for use. Finished products also undergo strict quality inspection to ensure they meet customers' specification in terms of dimension, weight, print quality, carton forming and carton strength. Through these vigorous check processes, customers' requirements in terms of quality and safety can be ensured.

Our sustainability target is to have zero product recall from packaging material defects.

There were no product recall cases reported or received during FYE 2021.

ETHICAL SOURCING

Responsible sourcing is an integral part of our business. Our Group's Procurement Policy, Suppliers' Code of Conduct and Anti-Corruption Policy require commitment from our suppliers to be socially responsible and practise lawful and ethical labour practices without violation of international human rights.

All our suppliers are required to acknowledge receipt, read and sign a copy of the Suppliers' Code of Conduct and Anti-Corruption document affirming their compliance during the course of doing business with us.

Suppliers' audit was planned for FYE 2021 to be carried out by our Internal Audit team and procurement personnel to confirm suppliers' adherence to our Suppliers' Code of Conduct and Anti-Corruption Policy. The progress however was delayed by COVID-19 outbreak measures implemented by various suppliers which disallowed physical visit. We initiated a desktop audit in December 2021 as a starting point and planned for follow-up site audits in financial year ending 31 December 2022 ("FYE 2022").

BUSINESS ETHICS

The Group believes that good corporate governance is essential to build a sustainable business and are committed to implementing best practices in this area. Over the years, our consistent adherence to ethical business practices have earned the trust of our customers, suppliers, business partners, employees and shareholders.

Anti-Corruption

The Group adopts a zero-tolerance approach to all forms of bribery and corruption. Our Anti-Corruption Policy reiterates our commitment to conduct business with all applicable anti-corruption laws in the countries we operate in and to cause our organisation, Directors, officers and employees to comply accordingly.

We have communicated the Policy to all our entities to ensure all are align within the Group.

The Policy and procedures are also made available to all employees through various channels.

All managerial and key employees are required to sign an Annual Statement of Compliance to Independence and Anti-Bribery Behaviour ("ASC"). We also updated the ASC in FYE 2021 to require General Managers and Heads of Departments to confirm that they are not aware of any fraud or bribery in their entities.



SUSTAINABILITY REPORT

ECONOMIC SUSTAINABILITY (continued)

BUSINESS ETHICS (continued)

Anti-bribery and anti-corruption (continued)

Whistle-blowing Policy and Procedure was also added in FYE 2021 to further safeguard the Group and its stakeholders against unethical behaviour. Measures were put in place that enable a confidential, non-retaliatory and effective whistleblowing avenue through appropriate channels.

The Group believes that a robust stance prohibiting any form of unethical business conduct provides a strong foundation for the sustainability of the Group's business activities. Towards this end, the Group is looking at adopting ISO 37001 Anti-Bribery Management System in FYE 2022.

There were no cases of corruption, bribery or unethical business conduct reported or investigated in FYE 2021.

ENVIRONMENTAL SUSTAINABILITY

The Group undertakes various measures to ensure compliance with all related environmental laws and regulations established in the various jurisdictions where it operates. In Malaysia, the Group is governed by various Environmental Quality Act including but not limited to the following:

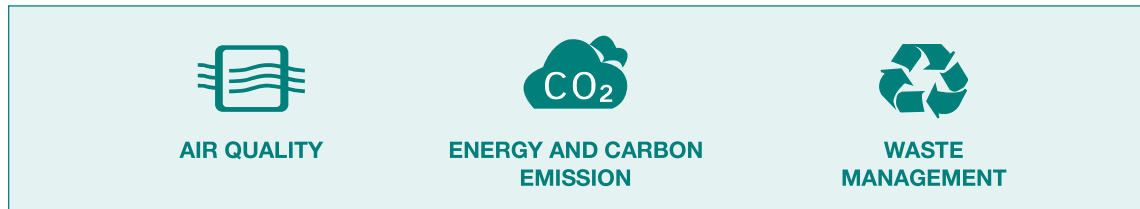
- Environmental Quality (Scheduled Wastes) Regulations 2005;
- Environmental Quality (Industrial Effluent) Regulations 2009 (Standard B); and
- Environmental Quality (Clean Air) Regulations 2014.

Responsibility to monitor compliance and provide oversight is assumed by the Health, Safety and Environment ("HSE") Committee and supported by HSE Officers within the respective entities. Internal auditors carry out review periodically on the compliance.

An Environmental Policy is also in place which is provided to all employees as a guidance to our actions and business practices towards environment as a whole. All our manufacturing plants are accredited with ISO 14001 certification.

We have regular engagements with the authorities and ensure our HSE personnel attend courses to keep abreast of the latest requirements and developments in environmental rules and regulations.

We focus on the following areas:



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ENVIRONMENTAL SUSTAINABILITY (continued)

AIR QUALITY

Our stakeholders identified air quality as one of the key material matters that impact them and it is the Group's responsibility to ensure the air emissions generated from our manufacturing plants comply with regulatory requirements and are as low as they can be.

We monitor our air emissions to ensure compliance with the local regulations wherever we operate and, when required, to act as soon as possible if the specific limits are exceeded.

Some of the significant air pollutants include nitrogen oxides and sulfur oxides emissions from our furnaces and energy generation systems. There are also particulate matters released by machinery and vehicles exhaust units.

Based on the result of our air emission monitoring, all the parameters tested are within the specific limits set by the local regulators.

ENERGY AND CARBON EMISSION

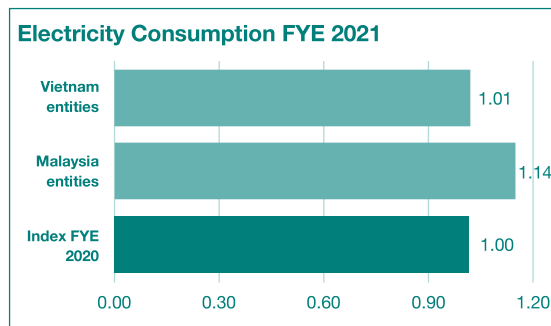
We recognised our duty and responsibility to minimise our carbon footprint across our value chain. From manufacturing to the packaging process, we constantly find ways to reduce and optimise our carbon footprint further.

CO2 emission is monitored through electricity and natural gas consumption.

Electricity Consumption

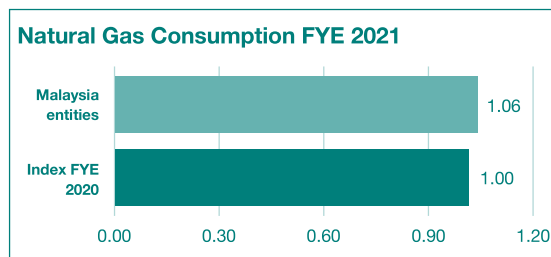
Electricity is a resource that the Group uses extensively in its manufacturing operations. Our aim is to manage our energy needs in a responsible manner, optimise our energy usage and continually seek opportunities to improve efficiency in our manufacturing process. The Group is always exploring ways to increase the adoption of energy-saving practices in the workplace.

Electricity is used to convert raw paper into corrugated boards which then undergo a die-cut, slotting, printing and gluing process, where applicable, to form a corrugated carton box. We constantly reassess our manufacturing processes and adopt technologies to be more energy efficient.



Natural Gas Consumption

Our manufacturing plant in Ho Chi Minh City, Vietnam is currently consuming coal instead of natural gas for its boiler system as compared to the manufacturing plants in Malaysia. The industrial park where the Vietnam manufacturing plant is located do not have any natural gas infrastructure yet. As coal is not part of the clean energy cycle, the manufacturing plant is currently evaluating the feasibility of using waste wood boiler to replace its coal fired boiler. Should the system be viable, the manufacturing plant would potentially be able to cut carbon emissions by at least 70% from current level.



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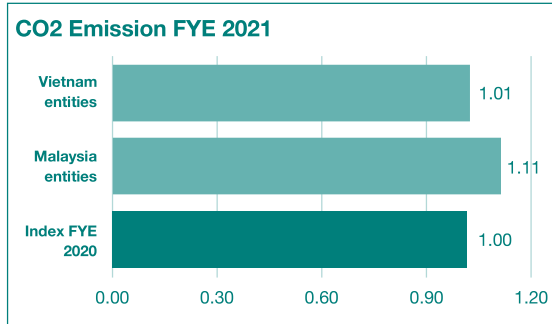
ENVIRONMENTAL SUSTAINABILITY (continued)

ENERGY AND CARBON EMISSION (continued)

CO2 Emission

Our CO2 emission is from electricity consumption and natural gas only. It is calculated based on emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid 2014 and Intergovernmental Panel on Climate Change (“IPCC”) Guidelines for National Greenhouse Gas Inventories respectively.

The increase in CO2 emission in our manufacturing plants in Malaysia in FYE 2021 is mainly due to disruptions from the various Movement Control Orders imposed by the Government which affected operations efficiency.



WASTE MANAGEMENT

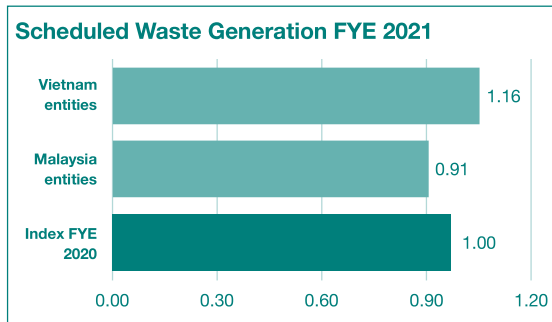
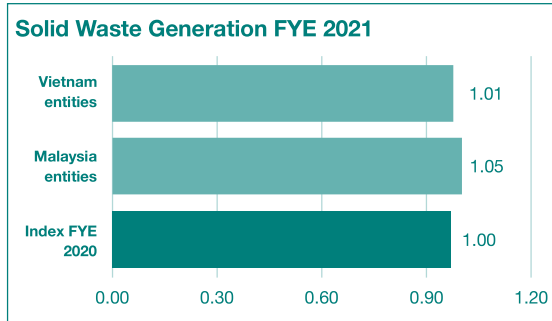
Our waste prevention extends beyond reducing packaging material to optimising packaging efficiency, and recovering for reuse. We are constantly seeking innovative approaches to manage our waste generation. We strive to reduce, reuse and recycle, wherever possible, along our value chain.

The Group places emphasis on managing and monitoring manufacturing solid waste generated from our manufacturing plants. Paper scraps forms bulk of the waste generated by the Group. Scraps are fully recycled as they are collected and sold back to paper mills. Our solid wastes are largely scheduled waste and are disposed to Government approved solid waste management companies in Malaysia and in Vietnam.

Our manufacturing plants in Malaysia have 7 types of scheduled wastes while our manufacturing plant in Vietnam have 12 types. Licensed waste collectors engaged by the Group ensure the wastes undergo proper disposal and appropriate recycling processes.

For the manufacturing plants in Malaysia, all scheduled wastes disposed are reported to the Department of Environment through its Electronic Scheduled Waste Information System (“eSWIS”). Similarly in Vietnam, there is Government mandated authority to handle and monitor all scheduled waste disposed.

As part of the Group’s efforts to source responsibly, all our manufacturing plants are Forest Stewardship Council (“FSC”) accredited which allow them to offer papers coming from responsibly managed forests that provide environmental, social and economic benefits to their customers. FSC-certified paper usage currently represents 13% of the overall paper consumption in the Group.



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SOCIAL SUSTAINABILITY

We embrace diversity as we believe a diverse and respectful culture is a key factor to boost staff morale, retain talent and improve productivity. By nurturing a high-performing, committed and diverse workforce, our overall competitiveness to support our Group's growth can be sustained.

We are committed to provide equal opportunities in recruitment and career progression, and have zero tolerance for discrimination whether based on gender, ethnicity, nationality, cultural background, marital status, disabilities or age. We are also committed to provide our employees with attractive remuneration and benefits packages, a supportive working environment and rewarding career advancement opportunities.

Our Code of Conduct enforces ethical labour practices that prohibit the employment of underaged workers, forced or unpaid labour and any form of coercion to work, harassment or bullying.

3 of our manufacturing plants are members of Supplier Ethical Data Exchange ("SEDEX"), a global membership organisation dedicated to driving improvements in ethical and responsible business practices.

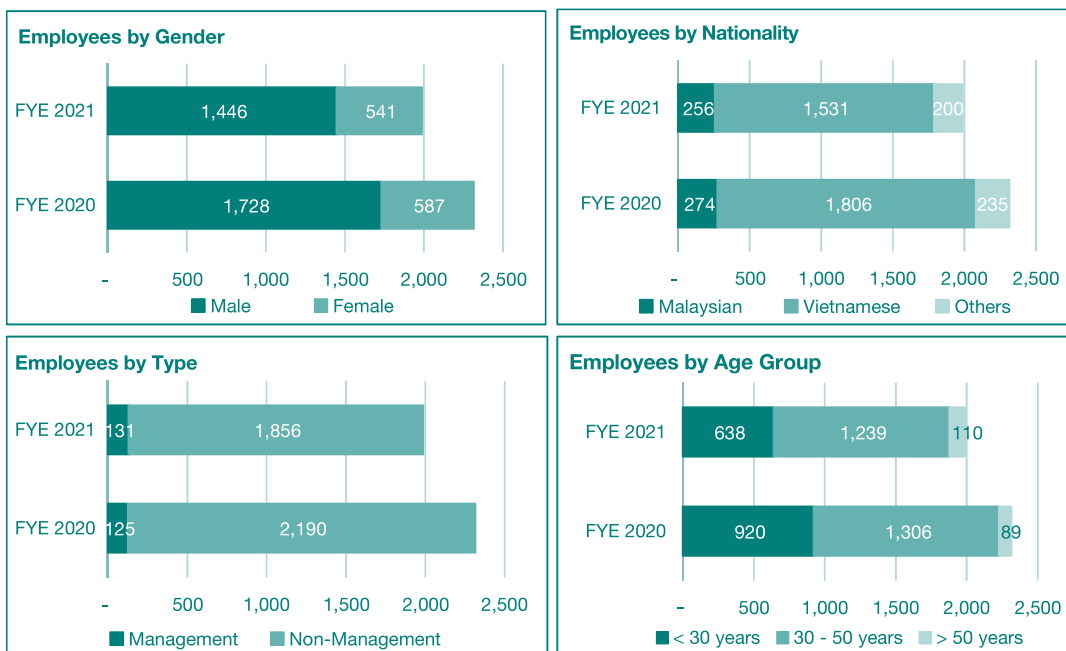
The safety and health of employees at workplace are managed through the Safety and Health Committee in the respective entities and further supported by a safety officer to ensure the workplace meet local safety and health laws and regulations.

Our Batu Caves manufacturing plant is accredited with ISO 45001 Occupational Health and Safety Standard certification while 2 other manufacturing plants are progressing on their ISO 45001 journey.

We focus on the following areas:



EMPLOYEES' PROFILE



SUSTAINABILITY REPORT

SOCIAL SUSTAINABILITY (continued)

EMPLOYEES' PROFILE (continued)



Total of **1,987** employees are employed in both Malaysia and Vietnam entities



Our workforce comprised a healthy mix of young and older generations. 62% of our employees are Millennials or Generation Y ranging from the age of 25 to 40 years. This young, technology savvy and socially interactive workforce is driving our ground operations in multiple sectors and provide new ideas and perspectives to the Group. Meanwhile, our middle-aged and older generation helps us to stay grounded with responsible decision making and strategies.

Our sustainability target is to increase the female representation in the Group. For FYE 2021, female employees represented 27% (FYE 2020 : 25%) of the Group's workforce and the proportion of female in management level was 46% (FYE 2020 : 46%).

A significant portion of our foreign workers in the Malaysia entities originate from Nepal, Myanmar and Bangladesh and we adhere to the legal minimum wage to our employees, as defined by local law. We also prescribe to the International Labour Organisation ("ILO") principles of treating our foreign workers justly and fairly. The Group is periodically subject to external party audits. No major issues were reported. Where incidences are highlighted, the necessary corrective actions are taken to address the issues raised.

EMPLOYEES' ENGAGEMENT

Training and Development

Talent development is important to the Group. We support lifelong learning and conduct regular performance review which help our employees develop consistently and remain skilled for future growth. Numerous training and development programs are also conducted.

The Group also collaborates with TAR University College, HELP University, Selangor Human Resource Development Centre and a few others.

Employees Satisfaction

From 2021, employees' satisfaction survey will be conducted once every 2 years. The next survey will be in 2023. This would help the Group to gather feedbacks from the employees and able to brainstorm new and creative solutions to address their concerns as well as evaluate their performance and development in the organisation.

An employee satisfaction survey was conducted in September 2021. It showed a satisfaction score of 74% with 87% response rate. We will brainstorm the issues raised and remedial actions will be taken, where necessary, to improve our employees' satisfaction score.



SUSTAINABILITY REPORT

SOCIAL SUSTAINABILITY (continued)

EMPLOYEES' ENGAGEMENT (continued)

Employees Retention

The Group recognises the importance of attracting talents and retaining them. Undeniably, the challenge in the Group is the retention of the millennial workforce. Town hall meetings are held to understand the needs of this group. An employee portal has been introduced to promote transparency and accessibility to information.

The Group's staff turnover rate for FYE 2021 was 2.3% (FYE 2020 : 3.29%).

Social Relation

The Group organises various employees' engagement events ranging from festival celebrations to recreational activities to foster team work, cohesiveness and engagement within our workforce. These activities were put on hold due to COVID-19 concerns and restrictions.

SAFETY AT WORKPLACE

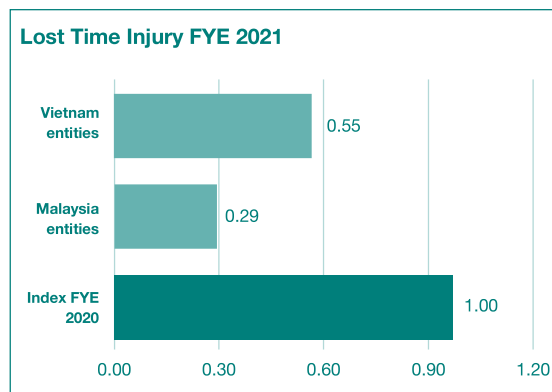
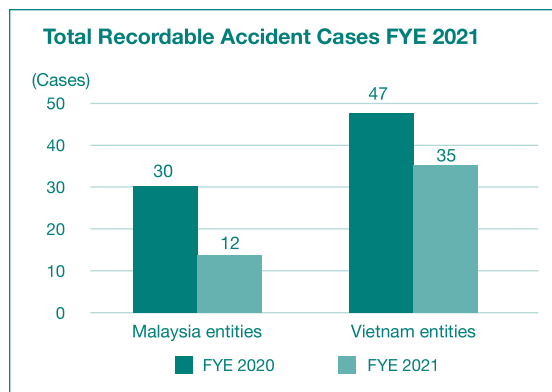
We continue to pursue our commitment in protecting the health, safety and welfare of our people. We strive to provide a safe workplace across our manufacturing plants.

Occupational Health and Safety

We closely monitor all accidents and near miss incidents for corrective action and improvement. Any report that raises significant concern is subject to additional investigation, and where appropriate the situation is rectified or procedures improved to ensure the situation does not recur.

Manufacturing plants' maintenance and audits are also carried out regularly to ensure our manufacturing plants' machineries and equipment are working as intended and safety measures are in place to minimise the occurrence of accidents.

Our target is to maintain zero fatality for employees and contractors. There was no fatality reported for FYE 2021.



RESPONSE TO COVID-19 PANDEMIC

During FYE 2021, we continued to adhere strictly to all government mandated COVID-19 protocols in addition to implementing a range of safeguarding measures, including booster vaccination initiatives and regular swab tests, to protect the safety and health of our employees.

FEEDBACK

We welcome feedback on our sustainability reporting and performance. Please direct to sustainability@boxpak.com.my.

