

**SAMURAI**<sup>®</sup>

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# SUSTAINABILITY REPORT

2019



**2K**  
In a Can

**SAMURAI 2K AEROSOL LIMITED**

COMPANY REGISTRATION NO. 201606168C

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This sustainability report has been prepared by Samurai 2K Aerosol Limited (the “**Company**”) and its contents have been reviewed by UOB Kay Hian Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report, including the accuracy, completeness or correctness of any information, statements or opinions made or reports contained in this sustainability report.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, and telephone (65) 6590 6881.

## Board's Message

The board of directors (the "**Board**") of Samurai 2K Aerosol Limited ("**Samurai 2K**", and together with its subsidiaries, the "**Group**") is pleased to present the sustainability report for the financial year ended 31 March 2019 ("**FY2019**").

We strongly believe that sustainability is not just financial accountability but also being accountable for the tracking and achievement of our environmental, social, and governance ("**ESG**") goals. Hence, we consider sustainability issues as part of our strategic formulation, and oversees the management and monitoring of the material ESG factors. Following the issuance of Sustainability Report for the financial year ended 31 March 2018, we have reviewed our material ESG factors and decided to include two additional topics under Global Reporting Initiative standard ("**GRI Standard**") in this year's reporting.

Moving forward, we will continue to oversee the identification and management of risk and opportunities surrounding sustainability issues and how to better incorporate it as part of our business and operational strategy so that we remain competitive yet sustainable.

*Sincerely,*  
**Board of Directors**

## About This Report

This report is prepared in accordance with the GRI Standards: Core Option pursuant to Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Rules and the Sustainability Reporting guide (the “**SGX Sustainability Reporting Guide**”). We have chosen to adopt the GRI Sustainability Reporting Standards as it is a globally recognised sustainability reporting framework for voluntary corporate reporting of environmental and social performance.

We have not sought external assurance for this report and we may consider doing so in future annual sustainability reports.



This report focuses on the evaluation of Samurai 2K’s business performance in terms of economic, environmental, social and governance aspects. In preparation for this report, we have considered material sustainability issues and strategies which consequently optimise our business growth.



Unless otherwise stated, this report covers the period from 1 April 2018 to 31 March 2019 for our operations in Singapore and Malaysia.



For any suggestions, comments, and enquires related to this report, kindly contact our headquarters at (60)7-510 3188. Our headquarters is located at 4 Jalan Dato’ Yunus 1, Taman Perindustrian Dato Yunus Sulaiman, Lima Kedai 81120 Skudai, Johor, Malaysia.

## Who We Are

Samurai 2K is a leading aerosol coating specialist with a focus on high performance coating solutions for the automotive refinishing and refurbishing industry. We are principally engaged in the manufacturing, distribution, and marketing of our products under our own brands, as shown in the picture below.



Our production facility is in Johor, Malaysia and our products are distributed to countries including Malaysia, Indonesia, Thailand, Philippines, Vietnam, Cambodia, United Kingdom, United States of America, Singapore, and India. There are more than 200 employees in Samurai 2K across the production facility and headquarters as at 31 March 2019.

### **2K Aerosol System:**

- Innovative 2-in-1 concept whereby two separate chemical components such as resin and hardener can be mixed together within an aerosol can
- The two components (Hardener and Resin) will be activated when user wants to use
- NO more hassle and NO need for air compressor
- Convenient to user and can be used ANYWHERE
- Secured patents for in various major countries such as US, EU, Russia, South Korea, and New Zealand

### **Vision**

- To lead the change towards circular and renewable aerosol coating products while adapting to global evolution
- We change the aerosol; Aerosol changes the world.

### **Mission**

I can't believe the World without SAMURAI Paint

### **Values**

#### **Innovation**

We embark on a new journey of growth

#### **Empower individuals**

We believe in people and their dreams

#### **Integrity**

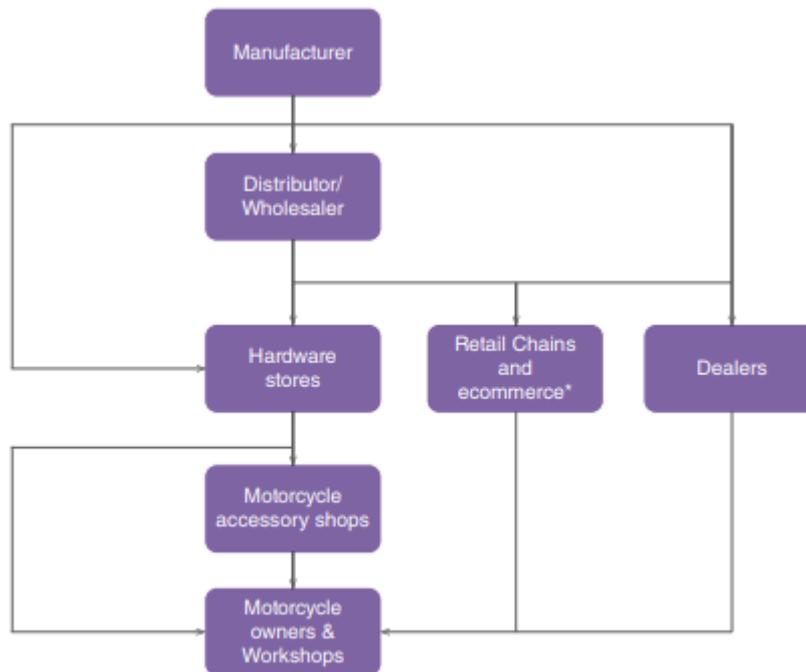
We practice with integrity and honesty

#### **Communication**

We practice open, real communication

Our vision and strategy are built based on the ambitions outlined for ourselves. We are determined and motivated to sustain our long-term goals and drive a positive change across the industry, as demonstrated in our vision. We strive to ensure that our sustainability goals are integrated into our business goals.

## Our Value Chain



Source: Frost & Sullivan

Note: \*observed only in Malaysia

Samurai 2K aims to manage and minimise our environmental footprint across our business value chain. From production ideation to customer use, we are responsible for ensuring that this value chain runs efficiently and effectively. As our products are distributed worldwide, this means we have connections to people, communities, ecosystems, and other businesses around the world.

To continuously maximise our efficiency along our value chain, we need to tap on expansion opportunities across our business processes. In this respect, we have acquired a new production facility to facilitate the expansion of our operation in FY2019.

Samurai 2K works closely with its suppliers, distributors, and wholesalers who are committed to high quality, environmental, health and safety standards. Several of our suppliers have undergone the Group's stringent selection criteria prior to their engagement, and they have continued to supply us for more than a decade. We continue to forge strong, long-term relationships with our suppliers, distributors, and wholesalers who are crucial to our success. Our sustainability efforts include sourcing for environmental-friendly suppliers, to reduce any greenhouse gas emissions from transportation, and those that supply recycled materials.

# Our Sustainability Approach

## Sustainability Governance and Principles

At Samurai 2K, we have in place a sustainability governance structure to identify and execute sustainability initiatives within our business processes. The Board's and Sustainability Committee's roles with regard to sustainability governance include:

### Board

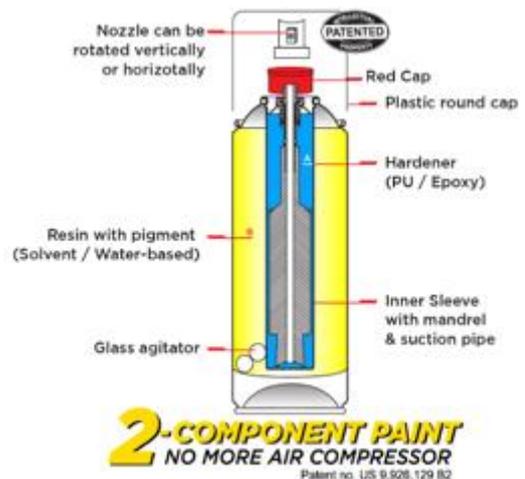
- Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation

### Sustainability Committee

- Comprised of senior management personnel and Heads of Department
- Manage and responsible for the sustainability practices; and
- Keep the Board updated on material developments

The Board comprises Non-Executive Chairman, Executive Directors, Non-Executive Directors, and Independent Directors. The Board is involved in the supervision of the management of the Group's operations. It reviews strategies, policies, and financial performance and assesses key risks provided by Management as well as the adequacy and effectiveness of internal controls and risk management of the Group. It evaluated key performance indicators and long-term business and organisational goals to provide strategic direction for Samurai 2K's sustainability practices. In formulating our sustainability strategy, the Board reviewed material ESG factors, sustainability data collated and assessed by the Sustainability Committee, goals, and targets and identified sustainability risks and opportunities.

The Sustainability Committee comprises senior management and heads of department who monitor and manage our sustainability practices and update the Board on material developments on a periodic basis.



## Our Sustainability Approach

### Stakeholders' Engagement

The feedback arising from our stakeholder engagements has helped strengthen the relevance of our reporting and approach to managing the Group's material issues. Maintaining close relationships with our stakeholders is important as they support us in addressing sustainability challenges. Hence, we regularly engage with and consult our diverse groups of stakeholders to understand their expectations so that we can continually improve. Please refer to **Table I** for details of our approach stakeholders' engagement.

*Table I: Our Approach on Stakeholders' Engagement*

| Stakeholder                      | Mode of Engagement   | Stakeholder Expectation   |
|----------------------------------|--|---|
| <b>Customers / End-users</b>     | Face-to-face dialogue, customer service organization, social media platforms, workshops, and exhibitions   | Good quality of services and products, after-sales services, fair purchasing practices  |
| <b>Suppliers</b>                 | Close relations and constant dialogues with our business partners through our local presence with offices in all production locations, supplier management systems and supplier surveys                | Compliance with terms and conditions of purchasing policies and procedures, maintain ethical standards  |
| <b>Employees</b>                 | Induction and orientation programs, employees training, interviews, employee appraisals, dialogue sessions with management, regular individual performance reviews, day-to-day leadership and teamwork | Foreign workers' rights, employers' accommodation arrangement, child workers' policy, employees' rights and welfare, personal development, good working environment |
| <b>Shareholders</b>              | Annual general meeting, annual reports, individual meetings and calls, external meetings, conference and circulars to shareholders   | Profitability transparency, timely reporting, fair purchasing practices   |
| <b>Business Partners</b>         | Regular meetings and discussion  | Partnership for opportunities and growth  |
| <b>Government and Regulators</b> | Discussions with government agencies and departments   | Environmental-friendly business approach, compliance with regulations, timely reporting and resolution of issues  |

# Our Sustainability Approach

## Identifying Material Sustainability Topics

In addition to the mapped GRI standards in the Sustainability Report of financial year ended 31 March 2018 (“FY2018”), we have included two additional material topics under the GRI standards. We will also discuss the achievements of the targets set out in previous report and improvements to our policies and procedures after identifying the material topics last year. Details of the ESG topics are provided in *Table 2: List of material ESG topics*.

Moving forward, we will continually re-evaluate and review our material ESG topics with our stakeholders to ensure they remain relevant in the business environment.

*Table 2: List of material ESG topics*

| Material Topic   | Mapped GRI Standards               | Description   | Key Stakeholders in Concern   | Reference  | Commitments & Targets for FY2020  |
|--|------------------------------------|---|---|--|---|
| <b>1. Economic Performance (economic aspect)</b>             | GRI 201 – Economic Performance     | Our economic performance, the value generated and distributed to communities where our business operates.   | All stakeholders  | <ul style="list-style-type: none"> <li>Annual Report 2019 – Operation &amp; Financial Review Page 3</li> <li>Sustainability Report 2019 Page 9 – 10</li> </ul> | To start selling 2k single head products in USA and some European countries by 2H of FY2020.  |
| <b>2. Anti-corruption (governance aspect)</b>                | GRI 205 – Anti-Corruption          | Our practices to comply with anti-corruption law and regulations and to demonstrate our adherence to integrity, governance, and responsible business practices. | All stakeholders  | <ul style="list-style-type: none"> <li>Sustainability Report 2019 Page 11</li> </ul>   | Maintain zero reported case of confirmed corruption and wrongdoings.  |
| <b>3. Energy and Waste Management (environmental aspect)</b> | GRI 307 – Environmental Compliance | Apply to the production of aerosol container system which has a direct impact on the environment.   | Government and regulators, community, shareholders and financial investor | <ul style="list-style-type: none"> <li>Sustainability Report 2019 Page 12 – 13</li> </ul>  | To reduce energy consumption by 3% - 5%, full implementation of ISO14001: Environmental Management in FY2020, and maintain zero non-compliance of any environmental laws. |

# Our Sustainability Approach

## Identifying Material Sustainability Topics (Cont'd)

| Material Topic                              | Mapped GRI Standards                      | Description   | Key Stakeholders in Concern   | Reference                                    | Commitments & Targets for FY2020   |
|---|---|---|---|--|--|
| <b>4. Human Capital (social aspect)</b>     | GRI 404 – Training and Education          | Our approach ensuring all employees are trained and enhance their skillsets. Performance and career development reviews to facilitate continued employability are issues of interest to our stakeholders. | Employees, Government and regulators  | • Sustainability Report 2018<br>Page 14 – 15 | To introduce a fire safety training program, Awareness Training on ISO14001:2015, as well as Internal Quality Auditor Training (ISO9001:2015)  |
|   | GRI 405 – Diversity and equal opportunity | Our approach to provide a diverse, inclusive and collaborative work culture, and an environment that values differences.  | Employees, Government and regulators  | • Sustainability Report 2019<br>Page 16      | <ul style="list-style-type: none"> <li>• To include policies and procedures on diversity and equal opportunities into our Employee Handbook in FY2020;</li> <li>• To maintain zero reported issue of gender discrimination, and continue to promote one unity culture</li> </ul>   |
| <b>5. Health and Safety (social aspect)</b> | GRI 403 – Occupational Health and Safety  | Our measures in place to ensure that our employees are in a safe and secure working environment.  | Employees, Government and regulators, Business partners                         | • Sustainability Report 2019<br>Page 17 – 18 | <ul style="list-style-type: none"> <li>• To attain zero safety incidents and maintain zero non-compliance by DOSH;</li> <li>• To hold monthly Health and Safety Committee Meeting</li> <li>• To review the unsafe work action and condition; and</li> <li>• To maintain minimum of eight hours Safety and Health Training for every production employee</li> </ul> |
|   | GRI 416 – Customer Health and Safety      | Our practices in place to ensure all of our products are assessed for their Health, Environmental, and Safety impacts from the product development stage to the end customers                             | Customer, Government and regulators, Shareholders, Suppliers, Business Partners | • Sustainability Report 2019<br>Page 19 – 20 | To maintain zero incident of non-compliance with regulations concerning health and safety impacts of our products  |

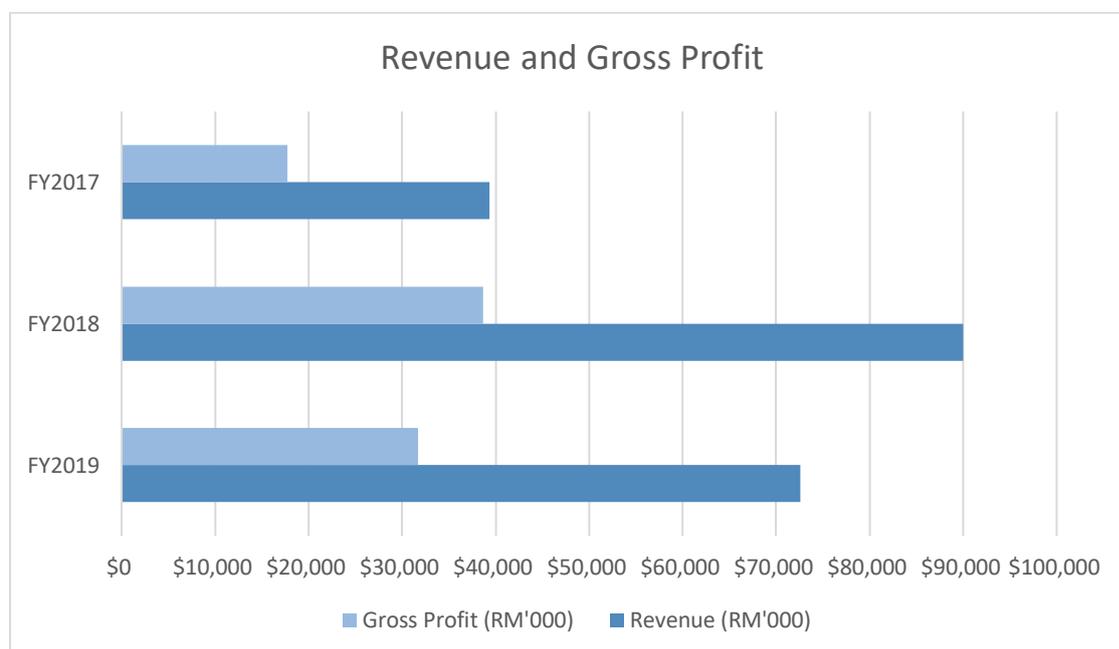
# Material Sustainability Topics

## Economic Performance

At Samurai 2K, we place high emphasis on financial sustainability. We strive to deliver long-term profitability and to take into account the interest of all stakeholders such as employees, suppliers, and investors as a whole. In our FY2018 Sustainability Report, we hoped to expand our business locally and globally through acquisitions, joint ventures or strategic alliances. We are pleased to share that overall, we have taken a step closer to achieving our goal.

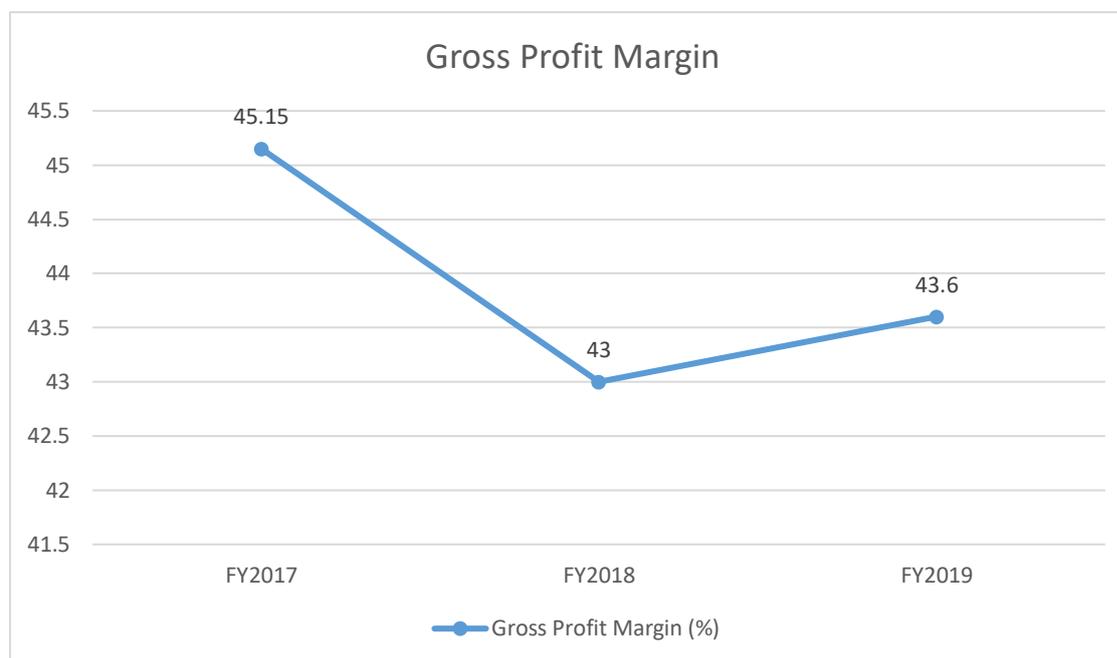
In FY2019, our revenue weakened by approximately RM17.4 million as compared to FY2018, mainly due to lower sales volume by 3.5m cans year-on-year in FY2019. Although the sales in Malaysia and other markets rose by 4.7%, exports to Indonesia fell by 32.6% year-on-year. The FY2019 lower sales to Indonesia were due in part to inventory building by buyers in 2H FY2018 to hedge against currency volatility and in anticipation of stronger new two-wheelers sales.

Gross profit margin was slightly increased from 43% for FY2018 to 43.6% in FY2019 mainly due to the appreciation of Indonesian Rupiah against Ringgit Malaysia – by approximately 2.9% between FY2018 and FY2019 – which caused the export selling prices to Indonesia to be slightly higher. Our patents for a unique 2K single head aerosol system were also granted by the US, EU, Canada, Russia, Singapore, South Korea, and New Zealand in FY2019. We have also started marketing activities in India, while still studying how best to enter the US market. To help broaden our future product range and expand into more markets, we invested RM7 million in a new production facility during FY2019.



## Material Sustainability Topics

### Economic Performance (Cont'd)



For detailed financial results, please refer to the following sections in our FY2019 Annual Report:

- Operations and financial review
- Consolidated statement of profit or loss and other comprehensive income
- Statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows

#### **Targets for FY2020**

Given the geopolitical uncertainty that could adversely impact global trade, we foresee a challenging operating environment and condition for the next 12 months. However, we will continue our efforts to expand sales, tighten cost controls, and develop new and innovative products – based on our patented unique single head 2K aerosol system – to maintain our market competitiveness. We have targeted to start selling our 2K single head products in the USA and some European countries by 2H of FY2020. We also have new products undergoing research and development, namely Tintable Aerosol System, Mirror Chrome Aerosol Paint, and Aerobrush System.

## Material Sustainability Topics

### Anti-corruption



Samurai 2K is committed to the highest standards of corporate governance and transparency in its policy and processes to ensure accountability and maximisation of long-term shareholder value. Our zero tolerance policy towards fraud, corruption, and unethical actions is strictly adhered to and any malpractices of corruption and bribery will be investigated and penalised. We have put in place policy and procedures to defer corruption and dishonesty, such as prohibition in accepting or giving of bribes, which are in compliance with anti-compliance and anti-fraud laws.

Samurai 2K expects all employees to conduct themselves in accordance with the expectations set out in the code of conduct and places heavy emphasis on ethical business conduct. Samurai 2K will take a series of actions such as formal disciplinary proceedings for any unethical conduct or malpractice relating to corruption or fraud.

#### ***Whistleblowing Policy***

In line with the commitment to the highest standards of corporate governance and professionalism, Samurai 2K has in place a whistle-blowing policy. The policy is to enable persons employed by the Group a channel to report any suspicions of non-compliance with regulations, policies, and fraud to the appropriate authority for resolution, without any prejudicial implications for these employees. Employees/workers can report any suspicious incidents on corruption and/or any form of misconduct by any employees/workers to any member of the Audit Committee, in good faith and in confidence. In this regard, a designated email address ([whistleblowing@samuraipaint.jp](mailto:whistleblowing@samuraipaint.jp)) has been set up and a memo has been issued to all employees to notify them of such channel. Once the Audit Committee receives the report, they will discuss and bring it up to the Board at Board meetings where investigation will be conducted, with follow-up actions to be taken if necessary.

During FY2019, there was no whistleblowing report received against bribery and corruption in our business dealings with suppliers, dishonest practices or other improprieties in the workplace. We are pleased to report that the Company has met its FY2019 target.

#### **Targets for FY2020**

Moving forward, Samurai 2K will continue to implement our policies and procedures strictly to ensure that the directors, management, and employees refrain from involvement in corrupt activities such as acceptance or giving of bribes. We hope to maintain our zero record of non-compliance with regulations.

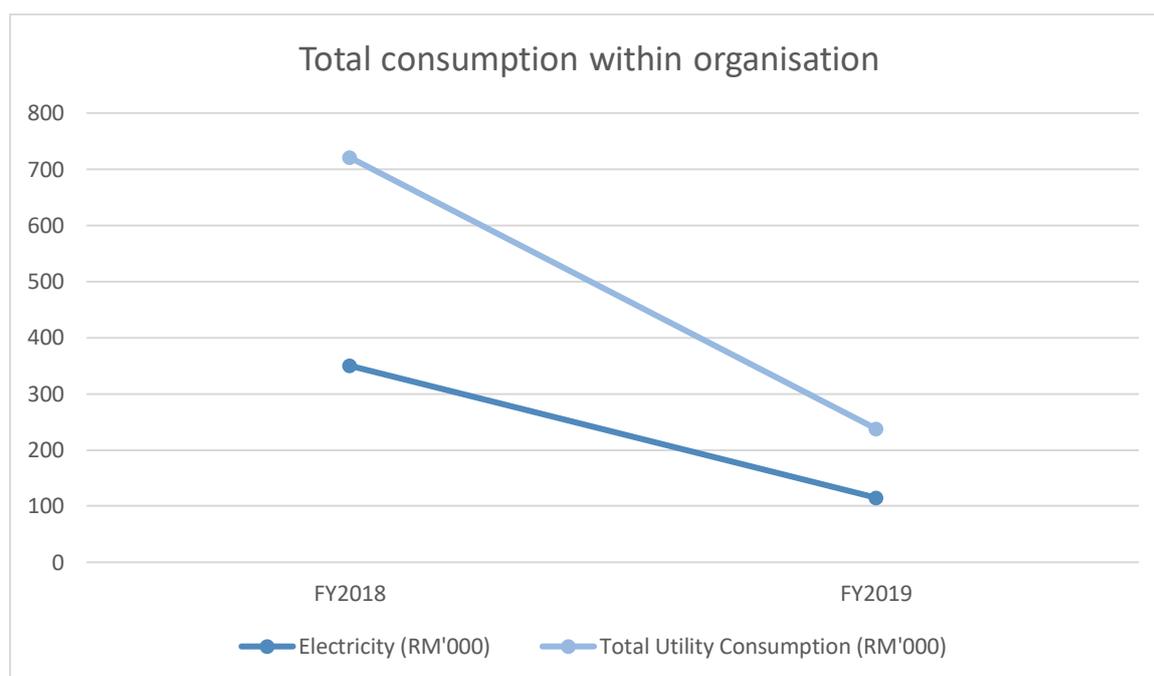
# Material Sustainability Topics

## Energy Management

At Samurai 2K, we drive sustainable development responsibly through conserving resources, and being environmentally friendly. We are committed to enhancing the well-being of the community and maintaining a sustainable environment especially in locations where we operate. Environmental conservation such as reduction of energy used during our manufacturing processes forms an integral part of Samurai 2K's sustainability journey. Samurai 2K introduced a formalised approach in November 2018 towards managing energy usage in our production plant located at Johor, Malaysia.

We are pleased to report that the Company has met its FY2019 target. In FY2019, we launched an energy conservation programme headed by the Factory Manager to record and analyse daily utility consumption plant-wide. The results are discussed and shared with all employees on a weekly basis. We have also sent two of our employees to attend an external Energy Conservation Training, so that they will be able to share what they have learnt with all employees upon completion of the training.

As a result of our energy conservation initiatives, our average monthly electricity consumption has reduced by 21% from FY2018 to FY2019.



In addition to our newly implemented initiatives in recording and analysing daily utility consumption, we still actively encourage employees to check that lights and power points are switched off when they are not in use.

### **Targets for FY2020**

Going forward, we strive to reduce energy consumption by 3% - 5%. In order to achieve long-term sustainable growth, we are committed to continually improve our energy conservation measures and initiatives to reduce energy use in the manufacturing of our products.

## Material Sustainability Topics

### Waste Management

Due to the use of controlled hazardous materials – such as resins, pigments, additives, solvents, and propellants – hazardous by-products may be produced as part of our production and research processes. As such, waste management is crucial to us in preventing pollution of the environment.

We have raised awareness throughout the Company and have put in place procedures to carefully monitor hazardous by-products, and all waste treatment processes. During safety trainings, we emphasise, to all employees, on the importance of proper disposal of waste materials. We also practice zero wastage and recycle whenever possible, including solvents and aerosol containers. The remaining components that cannot be recycled will then be treated as waste. Total waste is disposed of through local government agency appointed waste handling agent on a monthly basis. We target to implement ISO 14001: Environmental Management at our workplace.

### Environmental Compliance

We are also in compliance with the Environmental Quality (Prescribed Conveyance) (Scheduled Wastes) Order 2005 established by Malaysia Environmental Quality Council, and the Malaysia's environmental laws. Non-compliance with the laws can result in penalties and fines, or even licence revocation for the Group. Our Board confirms that in FY2019, there is no reported incident of violation of any environmental laws. We are pleased to report that we have met the target set for FY2019.

#### **Target for FY2020**

Moving forward, we will continuously seek to improve our environmental protection capabilities by reviewing and re-evaluating our waste management measures. We target to have full implementation of ISO14001: Environmental Management in FY2020, and maintain zero incident of violation of any environmental laws.

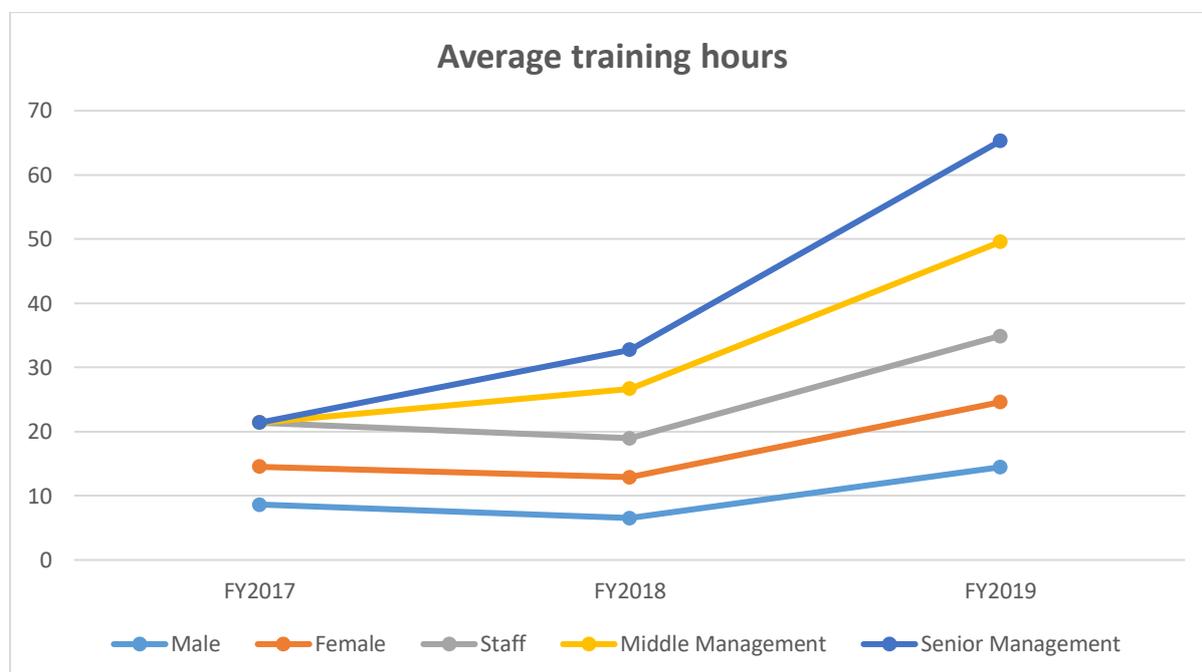
## Material Sustainability Topics

### Training and Education

With the rapid technological and market changes, it is vital for our employees to keep themselves abreast of the latest industry developments and be future-ready. Hence in FY2019, we implemented several training programmes to promote professional development.

We provided in-house trainings on “Cost of Poor Quality” and “Root Cause Analysis”, as well as external trainings such as “Forklift Safety Training” and “Develop Analytical Skill by 7 QC Tools Training” which are in line with employees’ core competencies such as technical skills, business and administrative trainings. 70 employees in total have received such training courses in FY2019.

We are also delighted to share that in FY2019, we clocked over 847.50 hours in training and development which is an average of 12.11 training hours per employee. This has exceeded our target set of more than 8 training hours per employee in our FY2018 Sustainability Report.



|                          | FY2017 | FY2018 | FY2019 |
|--------------------------|--------|--------|--------|
| <b>Senior Management</b> | -      | 6.06   | 15.73  |
| <b>Middle Management</b> | -      | 7.7    | 14.63  |
| <b>Employee</b>          | 6.83   | 6.06   | 10.32  |
| <b>Female</b>            | 5.94   | 6.37   | 10.13  |
| <b>Male</b>              | 8.62   | 6.54   | 14.46  |

## Material Sustainability Topics Training and Education (Cont'd)



The Group also conducts formal performance appraisals annually where performance of employees for the past year will be evaluated and discussed. Any expectations or results for the next year will also be clearly communicated to the employees during the appraisal. In FY2019, 35 employees have received promotion letters, bonuses and increments. Supervisors are also encouraged to provide timely feedback to their subordinates regularly so that any issues can be rectified and work performance can be improved speedily.

### **Targets for FY2020**

Moving forward, we target to introduce a fire safety training program known as Latihan Kursus Asas Keselamatan Kebakaran Bangunan / Kilang, Awareness Training on ISO14001:2015 as well as Internal Quality Auditor Training (ISO9001:2015).

## Material Sustainability Topics

### Diversity and Equal Opportunity

Samurai 2K's recruitment of employees is based solely on merit, without discrimination of race, age, gender, religion or ethnicity. We believe in providing a diverse, inclusive and collaborative work culture which emphasises on "NO RACISM, NO GENDER", as well as an environment that values differences to achieve better business results. Diversity provides different perspectives and fosters innovative thinking to solve business challenges. We strongly believe in the inherent strength of a vibrant, diverse and inclusive workforce where the perspectives, backgrounds and life experiences of our people help us to forge strong connections with all our customers, engage confidently within an increasingly globalised marketplace, inspirationally lead and creatively innovate, thereby making better decisions for our business and the world in which we live. We are pleased to share that there were no reported incident of discrimination in FY2019.

Even though we operate in a male-dominated industry, 53.33% of our senior and middle management employee are female. Promotion is based strictly on merits and performance. We embrace diversity and, at the same time, expect employees to be aligned with the Group's vision and strategic initiatives. Whilst we expect our employees to constantly challenge and improve themselves, we also require them to treat others equally, honestly, and with respect.

| Number of employees<br>by category | FY2018 |        | FY2019 |        |
|------------------------------------|--------|--------|--------|--------|
|                                    | Male   | Female | Male   | Female |
| Senior Management                  | 5      | 4      | 8      | 5      |
| Middle Management                  | 4      | 10     | 6      | 11     |
| Employee (e.g. associate)          | 29     | 11     | 69     | 16     |

| Number of<br>employee<br>by<br>category | FY2018               |                      |                                 | FY2019               |                      |                                 |
|---|----------------------|----------------------|---------------------------------|----------------------|----------------------|---------------------------------|
|   | Senior<br>management | Middle<br>management | Employee<br>(e.g.<br>associate) | Senior<br>management | Middle<br>management | Employee<br>(e.g.<br>associate) |
| < 30 years<br>old                       | 1                    | 7                    | 25                              | 1                    | 6                    | 61                              |
| 30 to 50<br>years old                   | 5                    | 6                    | 15                              | 9                    | 10                   | 24                              |
| > 50 years<br>old                       | 3                    | 1                    | -                               | 3                    | 1                    | -                               |

We are also committed to ensuring an equitable remuneration structure and benefits to our employees that has no gender bias. Diversity remains a key area for the Group as we continue to tap into the different perspectives, value-add and contributions of our diversified workforce to create an organisation that is dynamic, agile and innovative.

#### Targets for FY2020

Moving forward, we target to include policies and procedures on diversity and equal opportunities into our Employee Handbook in FY2020. We also aim to maintain our zero reported issue of gender discrimination, and continue to promote a culture of unity – SAMURAIAN Family, where we are all brothers and sisters in one big family.

## Material Sustainability Topics

### Occupational Health and Safety

Safety of all our employees is of utmost importance. We acknowledge that the production process involves hazardous materials. Therefore, we have in place comprehensive safety measures which are monitored and supervised by our Health and Safety Committee (the “**Committee**”). The Committee members include Employer/Manager as a Chairman, Safety Health Officer as Secretary, and Representatives of an employer and an employee as Committee members.

We implemented various measures in FY2019 to further improve our workplace safety and health. These measures include:



We also provide our employees with protective equipment, safety training, such as Forklift Safety Training, Forklift Driver Competent Person training, and Industrial First Aid and Cardiopulmonary resuscitation (“**CPR**”) and supervision in accordance with all regulatory requirements. Operational training programmes, such as biannual On Job Training (by Work Process, as described in Management’s Safe Operation Procedures) are conducted regularly, so that our employees are updated with the latest safety measures and enhanced procedures accordingly.

All new employees are required to undergo mandatory safety training and drills to familiarise themselves with the operation of the machinery and equipment as well as the safety precautions and procedures during the production process. Safety briefings are conducted every morning for 15 minutes at the production facility, involving the supervisor, line leader, quality control technician, and operator, to refresh employees’ knowledge on workplace safety and regular safety checks will be conducted before commencement. Emergency evacuation exercises are also conducted twice a year for all employees to raise their awareness and familiarise with the procedures. Any hazardous activities will be reported to the head of the Committee to ensure the safety of the employees.

## Material Sustainability Topics

### Occupational Health and Safety (Cont'd)

The Committee also conducts monthly meetings to discuss all safety information, activities, issues, new safe work practices, as well as review existing safety measures. There were two cases of non-fatal injury reported but with less than five days of medical leave. There was zero fatal accident reported in FY2019.

We also abide strictly by the rules and regulations set out in Malaysia Occupational Safety and Health Regulations 1996. These rules are regulated by the Department of Occupational Safety and Health (DOSH), a department under Malaysia Ministry of Human Resources, and the Group is subjected to periodic and random checks by the authorities. Financial penalties will be imposed on the Group for breaches and non-compliance can lead to revocation of business licence. In FY2019, we have not received any penalty notice issued by DOSH in respect of non-compliance with the Occupational Safety and Health Administration (OSHA).

#### **Targets for FY2020**

Moving forward, Samurai 2K will continue to work towards attaining zero safety incidents and maintain zero penalty or fine on breaches and non-compliance by DOSH. We are committed to monitor and reduce any safety and health risks through effective risk mitigation management. We also aim to hold monthly Health and Safety Committee meeting and audit on the Unsafe Act and Condition, as well as implement an eight hours Safety and Health Training for every employee in the production team.

## Material Sustainability Topics

### Customer Health and Safety

Customers are one of our key stakeholders and their expectations are good quality services and products, after-sales services, and fair purchasing practices. Hence it is crucial that we aim to satisfy these expectations and that our products are safe for use, so as to generate customer confidence and enhance business reputation.

All of our products are assessed for their Health, Environmental, and Safety impacts from the product development stage, with advice available, to the end customers so that any identified risks are known and can be controlled. Product concepts come from a variety of sources, including customer interactions, market awareness, and emerging product trends. In these areas, our research teams liaise with our product safety and regulatory affairs department from the beginning of new product development to ensure that products are assessed for their health, safety, and environmental effects. Additional screening tests and modelling may be carried out depending on the expected end use of the product to enable safety assessments to be completed by our customers. These principles are already embedded in our new product development processes.

We have controls in place within our Enterprise Resource Planning System to ensure that a material safety data sheet (MSDS) is produced for all products prior to manufacture to ensure that they are assessed against the criteria of the United Nations Globally Harmonized System of Classification and Labelling of Chemicals (GHS) so that all health, safety, and environmental aspects such as persistence and bioaccumulation can be considered for manufacturing, production, storage, distribution, supply, and end product use. During the manufacture of our products, the risks to health and safety are managed by the Safety Health and Environment (SHE) department at our manufacturing sites. There are policies and procedures in place to ensure process safety and quality control. Our manufacturing sites are certified ISO 9001:2015 and they are in compliance with the Malaysia Government standard for Safety Management.

We also have procedures and systems in place to ensure the safe storage of hazardous chemicals; this information is passed on to our customers where applicable. We have procedures in place to deal with emergency situations such as having to recall or withdraw an unsafe product that may affect surrounding communities. Our sales and marketing teams work closely with our research teams and regulatory department to ensure that any details that are provided to customers relating to health and safety are accurate and reflect the information that is sent out with the products that we supply.

Formal procedures are in place to capture any non-compliance with regulations or codes relating to the health and safety of our products. We also have a formal complaint procedure and all of our customers will have at least one sales contact within the business. It is our intention to enhance this procedure to further embed it within our business to capture any issues or areas of potential risk.

## Material Sustainability Topics

### Customer Health and Safety (Cont'd)

We are pleased to confirm that in FY2019, there was no incident of reported non-compliance with regulations.

#### Targets for FY2020

Moving forward, we aim to maintain zero incident of non-compliance. We will continue to assess and improve our products while taking customers' feedbacks into consideration.



## GRI Content Index

| GRI Standard/ Disclosure  | Page Reference and Reasons for Omission, if applicable                             |
|---|--|
| 102-1 Name of the organisation                                      | 1  |
| 102-2 Activities, brands, products, and services                    | 3  |
| 102-3 Location of headquarters                                      | 2  |
| 102-4 Location of operations  | 3  |
| 102-5 Ownership and legal form                                      | 3  |
| 102-6 Markets served  | 3  |
| 102-7 Scale of the organisation                                     | 3  |
| 102-8 Information on employees and other workers                    | 3  |
| 102-9 Supply chain  | 4  |
| 102-10 Significant changes to the organisation and its supply chain | Not Applicable   |
| 102-11 Precautionary principle or approach                          | 5 and 20   |
| 102-12 External initiatives   | Not Applicable   |
| 102-13 Membership of associations                                   | Not Applicable   |
| 102-14 Statement from senior decision maker                         | 1  |
| 102-16 Values, principles, standards, and norms of behaviour        | 3  |
| 102-18 Governance structure   | 5  |
| 102-40 List of stakeholder groups                                   | 6  |
| 102-41 Collective bargaining agreements                             | Not Applicable   |
| 102-42 Identifying and selecting stakeholders                       | 6  |
| 102-43 Approach to stakeholder engagement                           | 6  |
| 102-44 Key topics and concerns raised                               | 7 – 8  |
| 102-45 Entities included in the consolidated financial statements   | Annual Report 2019: Notes to the Financial Statements (Investment in subsidiaries) |
| 102-46 Defining report content and topic boundaries                 | 2  |
| 102-47 List of material topics                                      | 7 – 8  |
| 102-48 Restatements of information                                  | Not Applicable   |
| 102-49 Changes in reporting   | Not Applicable   |
| 102-50 Reporting period   | 2  |
| 102-51 Date of most recent report                                   | 28 March 2019  |
| 102-52 Reporting cycle  | 2  |
| 102-53 Contact point for questions regarding the report             | 2  |
| 102-54 Claims of reporting in accordance with the GRI Standards     | 2  |
| 102-55 GRI content index  | 21 – 22  |
| 102-56 External assurance   | 2  |
| 103-1 Explanation of the material topics and its Boundary           | 7 – 8  |
| 103-2 The management approach and its components                    | 9 – 20   |
| 103-3 Evaluation of the management approach                         | 9 – 20   |

## GRI Content Index

| GRI Standard/ Disclosure  | Page Reference and Reasons for Omission, if applicable   |
|---|--|
| 201-1 Direct economic value generated and distributed   | 9 – 10<br>Annual Report 2019: Operations and Financial Review, Consolidated Statement of Profit or Loss and Other Comprehensive Income |
| 205-1 Operations assessed for risks related to corruption   | 11   |
| 205-2 Communication and training about anti-corruption policies and procedures  | 11   |
| 205-3 Confirmed incidents of corruption and actions taken   | 11   |
| 307-1 Non-compliance with environmental laws and regulations  | 13   |
| 403-1 Workers representation in formal joint management-worker health and safety committees   | 17 – 18  |
| 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 17 – 18  |
| 404-1 Average hours of training per year per employee   | 14 – 15  |
| 404-2 Programs for upgrading employee skills and transition assistance programs   | 14 – 15  |
| 405-1 Diversity of governance bodies and employees  | 16   |
| 416-1 Assessment of the health and safety impacts of product and service categories   | 19 – 20  |
| 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services                                 | 19 – 20  |



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