

SUSTAINABILITY STATEMENT

Sustainability is at the core of Texchem Resources Bhd's vision (Texchem Resources Bhd is hereinafter referred to as "TRB" or "Texchem" or "Company"). TRB has always adhered to the three pillars of sustainable development, namely, economic, environmental and social considerations while committed to maintaining the high standard of corporate governance in its effort to build a strong and vibrant business community for long term.

GOVERNANCE STRUCTURE

The operation of TRB Group as a whole is under the supervision of the President and Group Chief Executive Officer. TRB Group is made up of four main divisions, namely, the Industrial Division, Polymer Engineering Division, Food Division and Restaurant Division headed by the respective Divisional President and Chief Executive Officer. As for the individual company within TRB Group, each company is under the leadership of the respective Board of Directors.

Aside from the management team, the Group Internal Assurance and Consulting Department is formed to conduct assurance assignments to ensure the adequacy and effectiveness of the Group's governance, risk management and internal control system while monitoring compliance with policies and procedures.

In order to assist the management team in the execution of Company policies and business plans in pursuing the Group's vision and objective, Corporate Affairs Committee has also been formed to serve as a conduit between the management level and the employees.

Through a systematic governance structure, TRB is driven to enforce its sustainability strategy across the top management till the operational level from the economic, environmental and social perspectives.

SCOPE OF SUSTAINABILITY STATEMENT AND BASIS FOR THE SCOPE

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, TRB's sustainability framework is premised upon the evaluation of the economic, environmental and social ("EES") risk and opportunities coexistent with the Company's corporate governance framework and corporate social responsibilities.

TRB believes that sustainable corporate success requires the highest standard of corporate behaviour including measuring up to the public expectations on economic, environmental and social responsibilities. By applying a good corporate governance framework, environmentally responsible practices and sound social policies, it would enable TRB Group to achieve sustainable growth and enhance long-term value for its shareholders. In 2016, TRB continued with this commitment as a good and responsible corporate citizen.

MATERIAL SUSTAINABILITY MATTERS

1. Economic

1.1 Understanding the Expectation of Shareholders

Shareholders of any company are a company's lifeline since shareholders are stakeholders who believe in the company and have invested their hard-earned monies to support the company.

As TRB values its shareholders who have invested in TRB, TRB takes its duties and responsibilities to its shareholders seriously by maintaining active dialogues with the shareholders with the intention of giving shareholders as much as possible, a clear and complete picture of TRB Group's performance and position.

Apart from the Annual General Meetings where the shareholders are invited to raise questions to the management of TRB, in 2016, TRB revamped its corporate website into a more interactive and user-friendly website wherein a link on Investor Relations was incorporated. Under the Investor Relations chapter, information beneficial to shareholders such as circulars and notices to shareholders, financial results, listing announcements, change of corporate information, general meetings and other relevant information are uploaded regularly. Besides, there is also a contact channel in TRB's website for the shareholders to air their views and comments to TRB.

Further, in conjunction with the paperless technology, news related to TRB Group which had been published in the press and "Texview", an in-house magazine of Texchem are also uploaded on TRB website on a quarterly basis.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

1. Economic (cont'd)

1.2 Texchem's Integrity Pledge

In an effort to preserve shareholders' interest, TRB strives to maintain high standard of corporate ethics and strict compliance with the laws and regulations. This is because TRB believes that high standard of integrity, honesty and accountability are fundamental keys to sustainable business.

In 2016, TRB Group expressed its commitment to abide by ethical business practices, good corporate governance and combat against all forms of corruptions by introducing the Integrity Pledge amongst its employees. Pursuant to the President and Group Chief Executive Officer's direction, Texchem's Integrity Pledge poster was launched in August 2016 and displayed in all Texchem's business premises. In order to instill this culture into our business dealings and organisations, TRB Group Human Resources Department had also requested all employees to sign the Texchem's Integrity Pledge.

1.3 Integrating the Local Culture into Japanese Cuisine

A large majority of the population in Malaysia comprises Malay Muslims. With this in mind, it is important for Restaurant Division to work towards serving food that is in compliance with the Islamic principles – the Halal certified food. Besides, Halal products also receive worldwide recognition as a scale for food safety and quality assurance.

Being the largest sushi restaurant chain in Malaysia, Sushi Kin Sdn Bhd of TRB Group strives to ensure that the Muslim customers enjoy the Japanese cuisine served in Sushi King outlets with peace of mind. With this in mind, Sushi Kin Sdn Bhd has obtained Halal Certification from Jabatan Kemajuan Islam Malaysia ("JAKIM") wherein most of Sushi King outlets are officially certified as Halal restaurants by JAKIM. With the Halal certificate in place, it enhances the profitability of restaurant business and consequently brings the Restaurant Division towards sustainable business growth.

2. Environmental

2.1 Environmental Conservation through Internal Control and Compliance

TRB Group recognises that several of its activities may have an impact on the environment.

Consequently, at all plants, TRB Group continues to ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and waste water.

As a result of such diligence, TRB Group's plants are certified with the international environmental management systems standard, ISO 14001:2004 Environmental Management System.

2.2 Environmental Conservation through Technology and Innovation

Further to its development of the Malaysia's first thermoformable bioplastics, TRB continues its effort in the research and development in bioplastics products in 2016. This continuous effort is in line with the upward trend of "Going Green" as many companies are now looking into the advantages and the need of "Going Green" on two standpoints, namely, profitability and social consciousness.

In year 2016, TRB Group has validated TEXa for furniture and industrial goods using the injection molding grade Bio-Polypropylene (Bio-PP) compounds. TEXa's first bio-plastic chairs have been launched in the same year and are currently used at the restaurants within Restaurant Division as well as at offices and training rooms in external companies.

As a result of Texchem's consistent effort in the research and development of bioplastics, Texchem Polymers Sdn Bhd, a subsidiary of TRB has been granted patent with respect to its bioplastic inventions derived from agricultural waste in various countries such as the United States of America, Japan, Australia, Singapore and Taiwan.

2.3 Environmental Conservation through Participation in Environmental Initiatives

TRB believes that sustainable business would not be achieved if the environment is compromised.

As a corporate citizen of Penang, TRB is sensitive about the issues concerning development and environment in the state. On 8th September 2016, senior management staff from the Polymer Engineering and Industrial Divisions participated in a Dialogue Session with the Chief Minister of Penang, Y.A.B Lim Guan Eng entitled "Penang: Development vs Environment – Can We Achieve a Balance?" organised by the Malaysian International Chamber of Commerce and Industry (MICCI) Penang and Northern Branch which aimed to tackle the citizens' concern in relation to the over-development issue in the state.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

3. Social

3.1 Utilising Technology for Social Betterment

3.1.1 Medical and Life Sciences Technology

TRB sees the importance of upgrading the medical devices standard which in turn benefits mankind's health and welfare.

In conjunction with the evolution of Polymer Engineering Division from a conventional plastic products manufacturer to medical engineering solutions provider, TRB had invested substantially in the research and development work in relation to life sciences, medical and healthcare devices. In order to keep the employees abreast with the latest development of the technology while promoting Texchem's medical products, representatives from the Polymer Engineering Division participated in major medical conferences and trade fairs in 2016 such as MEDTEC Japan 2016 which is known as Asia's largest exhibition and conference dedicated to the medical device design and manufacturing industry held in Tokyo Big Sight, Japan.

3.1.2 Thermoforming Technology

Being part of the polymer engineering business, TRB Group strives to stay relevant in the product development to contribute towards the global market by visiting and participating in major fairs and expositions such as the K Fair in Dusseldorf and SEMICON Southeast Asia 2016 at SPICE Arena Penang in which Texchem-Pack (M) Bhd and Texchem-Pack (PP) Sdn Bhd exhibited Texchem's Semiconductor Wafer Shipping Product and thermoforming technology including the newly introduced Heavy Gauge Thermoforming Products.

By participating in such significant events in the respective region, Texchem's representatives were introduced to the latest state of the art innovations in plastic and the most recent technology which advances the medical and life sciences industry as well as other industries served by Texchem which in turn benefits members of the community at large.

3.1.3 Food Technology

TRB realises the impact of fishery activities to the ecology and the underlying challenges towards sustainable production. To cope with the growing gap between supply and demand in the seafood industry without compromising the environment, Food Division had embarked on various research and development projects in collaboration with distinguished academic institutions and research centres, namely, the Fisheries Research Agency of Japan and Universiti Sains Malaysia.

In year 2016, being the largest soft shell crab supplier in the world, Food Division continued its effort to produce crablets through hatchery technology development in collaboration with Can Tho University, Vietnam.

As part of the continuous thrust in market development, Food Division participated in various international seafood expositions in 2016 such as the following:-

- i. Seafood Expo North America 2016 also known as the International Boston Seafood Show;
- ii. Seafood Expo Global 2016 held at Brussels Expo in Belgium;
- iii. Seafood Processing Global 2016 held at Brussels Expo in Belgium; and
- iv. The 18th Japan International Seafood and Technology Expo held at Tokyo Big Sight.

3.2 Preservation of Human Resources

At TRB Group, we value the contributions of each and every one of our employees, which is why we place utmost importance in offering a conducive work environment that is supportive of the employees' ambitions. We believe that by helping our employees realise their full potential, they in turn, can help us achieve TRB's corporate aspiration, making TRB Group an ideal place for talented individuals to build their careers.

3.2.1 Encouraging Career Growth through Education Assistance Programmes and Trainings

For continuous employees' development, training is one of the most important facet in Texchem. In line with the Strategic Group Human Resources Plan, TRB establishes a system to continuously:

- Identify knowledge gap;
- Identify training programmes suitable to achieve company and Group objectives;
- Establish training support from both internal and external resources;
- Continuous assessment on the effectiveness of training programmes.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

3. Social (Cont'd)

3.2 Preservation of Human Resources (cont'd)

3.2.1 Encouraging Career Growth through Education Assistance Programmes and Trainings (cont'd)

Over the years, TRB has been sponsoring its employees to pursue education programmes such as the accounting qualification by Association of Chartered Certified Accountants (ACCA), Diplomas and Degrees relevant to the individual work field and Master of Business Administration. From year 2010 to 2016, the total amount sponsored by TRB Group in Education Assistance Programme has exceeded RM200,000.00 and the figure continues to grow.

In consonance with one of TRB Group's motto to enhance personal and career development of the staff, a series of training programmes were organised in different companies within TRB Group in 2016 such as:-

- i. Texchem Continuous Improvement Programme by the Presidential Department and the Corporate Affairs Committee;
- ii. New Year and Second Half Town Hall Communication Conference at Texchem Life Sciences Sdn Bhd;
- iii. Acumen Town Hall Meeting;
- iv. Managers' Conference;
- v. Product Training by Trouw Nutrition at Wisma Texchem for employees from the Industrial Division;
- vi. Polymer Engineering Division's Medical Life Sciences Quality Management Representative (QMR) Workshop;
- vii. Product Training by Exxon Mobil in Texchem Materials Sdn Bhd;
- viii. Sales Training by the President and Chief Executive Officer of Industrial Division; and
- ix. Polymer Engineering Division's Medical Life Sciences Training.

3.2.2 Texchem's Occupational Safety, Health and Environmental Policy

Establishing a positive safety and health culture is the key to good corporate governance and a requirement under the Occupational Safety and Health Act 1994. In the pursuit of its effort to establish a positive, safe and healthy working environment, TRB introduced the Occupational Safety, Health and Environmental Policy ("OSHE") Statement outlining the following principles:-

"As a multinational conglomerate, Texchem Group is committed to conduct our business in a safe, healthy and environmentally responsible manner through the observance of the following principles:

- *Prevention of injury, ill health and environmental degradation in all our activities;*
- *Adherence and compliance to applicable OSHE laws, regulations and other requirements;*
- *Setting and effectively communicating the OSHE policy to employees, contractors and interested parties;*
- *Systematically improve our operations and policies to create a safer, healthier and more environmentally sustainable workplace."*

In 2016, OSHE Statements were distributed to all the companies within TRB Group to be displayed so that the Company's commitment in providing a safe and conducive working environment is disseminated to all employees, visitors, contractors and related parties.

Being OSHE compliant, TRB Group is poised to garner international reputation by also being compliant with the guidelines set out by the International Labour Organisation ("ILO") as one of Texchem's corporate social responsibility initiatives to be a good corporate citizen both locally and internationally.

On 27th April 2016 and 24th May 2016 respectively, TRB Group's Security and OSHE Committee organised seminars on healthy working environment conducted by the representative from the Ministry of Home Affairs with total attendance of 69 employees.

3.2.3 Reward Performance and Employees Appreciation

At Texchem, we have a performance-based reward system in place where reward is given based on the employees' performance. Besides the basic salary, allowances, bonuses, director's fees and benefits such as medical claim, mileage and toll claims and company car, Texchem Service Award Programme is one of the avenues to acknowledge and encourage employee loyalty. The award is presented to employees who have been in the company for five years, and at every increment of 5 years.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

3. Social (Cont'd)

3.2 Preservation of Human Resources (cont'd)

3.2.3 Reward Performance and Employees Appreciation (cont'd)

Commencing from year 2014 with the aim of encouraging innovation, the Presidential Award is awarded at Division and Group levels to employees who introduce new methods, ideas or products which promote efficiency in the production and increase profitability. The representatives of each Division present their projects during the yearly Managers' Conference and the winner receives RM10,000 in cash and a winner's challenge trophy. On 15th January 2016, Texchem-Pack (M) Bhd's team, representing the Polymer Engineering Division, won the 2016 Presidential Award with their presentation entitled "Building Block Concept Production for Aerospace Interior Parts".

3.2.4 Ladies in Leadership

In Texchem, female employees are given opportunities to progress and hold important positions in the corporate ladder. In addition, Texchem Ladies Club was established to provide additional platform for the female employees to gain exposure, relevant skills and knowledge in achieving personal and career growth.

3.2.5 Work-Life Balance towards Sustainable Productivity

TRB recognises the importance of work-life balance and believes that healthy and happy employees are the keys to the Company's productivity. As such, TRB has continuously sponsored and organised various sport activities to promote healthy and active lifestyle among the employees.

TRB Group incorporated the Mount Kinabalu Club to build on the power of positive peer influence to help the employees adopt healthy behaviour so they may live longer and healthier lives. In 2016, Mount Kinabalu Club continued its tradition since the inception of Texchem's first company in 1973 to organise the Annual Texchem Hikathon by extending invitations to suppliers, customers and bankers who joined the employees and the management of TRB Group for a hike which trail began from the foothill at the Botanical Gardens, Penang right up to the peak of the Penang Hill. This Annual Texchem Hikathon also fosters recreational fellowship and sportsmanship amongst employees and the management of TRB Group. Besides, TRB Group has also subsidised active Texchemers who participated in boot camp sessions at the Botanical Gardens, beach boot camp at Pantai Kerachut, jungle trekking to Pantai Kerachut, Gunung Jerai Hike, Bukit Larut (Maxwell Hill) Hike, monthly hiking trail session in various hiking spots in Penang and Texchem Annual Sports Meet in year 2016.

Further, Texchem Ladies Club had organised Health Screening & Health Talk and Zumba session at Texchem Northern Region while Texchem Human Resource Department of the Central Region organised Yoga session for the employees stationed in the Central Region.

In addition to Texchem's internal sports events, TRB Group had extended its support to the external sport and recreational events organised by the Non-Governmental Organisations (NGOs), the State Government and the private sectors with the common objective to promote healthy lifestyle among the citizens by way of sponsorship or subsidy to Texchemers who participated in the events. The relevant sports and recreational events are as follows:-

- i. Garmin Half Marathon;
- ii. ASICS Penang Bridge International Marathon (PBIM) 2016;
- iii. Putrajaya Night Marathon 2016;
- iv. Standard Chartered Kuala Lumpur Marathon 2016;
- v. The Men's Health Women's Health Night Run 2017 Johor Bahru;
- vi. Eco Night Run; and
- vii. Earth Hour Night Walk Penang & Petaling Jaya.



Annual Texchem Hikathon



Earth Hour Night Walk Petaling Jaya

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

3. Social (Cont'd)

3.2 Preservation of Human Resources (cont'd)

3.2.6 Strengthening Spirit of Team Work towards Sustainable Corporate Growth

TRB believes that a strong teamwork among the employees is the foundation of a successful organisation, particularly in the trying time of economic turbulence. Pursuant to such belief, series of activities were organised in year 2016 to foster the relationship and strengthen the spirit of team work among Texchemers:-

- i. Intrapreneur Hunt by the President and Group Chief Executive Officer, Mr Brian Tan with the aim to break barriers of bureaucracy and establish an open channel of communication across the Group;
- ii. Corporate Induction for all the new employees organised by the Group Human Resource Department;
- iii. Gotong-Royong within the Polymer Engineering Division;
- iv. 25th anniversary celebration, company trip and teambuilding by Eye Graphic Sdn Bhd at Adeline Villa, Gopeng;
- v. Teambuilding by the Industrial Division at the ESCAPE and the Heritage Site of Georgetown, Penang;
- vi. Georgetown Heritage Hunt for all managers across TRB Group;
- vii. Teambuilding camp by the Food Division at Sunway Lost World of Tambun;
- viii. Texchem Vietnam Group Gala Annual Dinner 2016;
- ix. Trip to Pangkor Island by the Polymer Engineering Division;
- x. Man vs Wild Eco Adventure Project at Penang National Park to Mukah Head;
- xi. Vibrance and Vitality Photo Contest;
- xii. Employees' birthday celebrations;
- xiii. Mid-Autumn Potluck 2016;
- xiv. Deepavali celebration and Potluck;
- xv. Get-Together Tea Time Makan-Makan; and
- xvi. Year-end lunch party and lucky draw.

As a result, Texchem received the "Silver Award" under the category of "Employer of Choice" in the Malaysia HR Award, a prestigious award initiated by the Malaysian Institute of Human Resource Management (MIHRM) on 27th October 2016.



Malaysia HR Award

SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

3. Social (Cont'd)

3.3 Giving Back to the Society

Contribution to the community is important in TRB's view. It is a symbiosis between a company and the community in which without the community, a company cannot sustain its businesses.

In 2016, with the aim to promote social welfare among the less fortunate, TRB Group sponsored various charity activities and organisations as follows:-

- i. "Can-Lah" food donation campaign organised by Penang Hard Rock Hotel in which Texchem and its employees donated food for 140 homeless and underprivileged families;
- ii. On 11th June 2016, Texchem Ladies Club committee and 20 Penang Forward Sports Club members visited Bethesda Home and offered help to paint the under maintained home. The committee has also handed over cash donation and donation in kind from TRB, Texchemers and members of Penang Forward Sports Club to the elderlies at the Home; and
- iii. Canteen Day 2016 at Sekolah Menengah Kebangsaan Convent Butterworth participated by Sushi Kin Sdn Bhd wherein the profit from the sale of sushi during the Canteen Day was donated to the school.

To promote sport and cultural activities within the community, Texchem had also sponsored the Dragon Boat Team of Penang Forward Sports Club and Bon Odori event organised by the Penang Japanese Society in line with Texchem's corporate and social responsibility principles.

In furtherance to the Blood Donation Campaign which received overwhelming response from the workforce over the years, the Group Human Resources Department continued this noble course in 2016 at Texchem's headquarter in Penang, Texchem-Pack (M) Bhd's premises in Prai, Wisma Texchem in Subang Jaya and Texchem-Pack (Johor) Sdn Bhd's premises. As human blood is a scarce and precious resource, this drive has successfully raised awareness on blood donation and encouraged the culture of voluntary blood donation as it is a safe, simple and speedy process that helps to save lives.



"Can-Lah" food donation campaign



Blood Donation Campaign

OUR COMMITMENT

As a socially responsible citizen of the business community, TRB Group shall continue to adopt and apply effective economic approach, environmentally responsible practices, sound social policies and good corporate governance framework with the objective of enhancing transparency in its corporate disclosure, strengthening its risk management framework and achieving long-term sustainable growth. A copy of TRB Group's Sustainability Policy is available on TRB Group's website at www.texchemgroup.com, under the Investor Relations column.