



GEARING FOR GROWTH OPPORTUNITIES

A N N U A L R E P O R T 2 0 2 3

SUSTAINABILITY REPORT

VISION & MISSION STATEMENT

To be a resilient, robust, reliable and sustainable Wood Manufacturing and Property Group committed to creating sustainable and environmentally kinder products and homes for everyone, improving lives, communities and stakeholder value.

愿景与使命宣言

成为一个稳定、稳健、可靠和可持续发展的木材制造和房地产集团。

致力于为每个人创造环保且可持续使用的产品与家园，并改善生活、社区和利益相关者的价值。

BOARD STATEMENT

“The Board reviews the material economic, environmental, social and governance factors facing HS Optimus and considers them imperative when formulating and supervising the execution of the company’s strategy and provides the necessary oversight to ensure these factors are managed and monitored practically.”

We hereby present the annual Sustainability Report of HS Optimus Holdings Limited (“**HSO**”, the “**Company**”, and together with its subsidiaries, the “**Group**”) for our financial year ended 31 March 2023 (“**FYE23**”).

The aftereffects of COVID-19, the continued weakened economy, high inflationary environment and the ongoing Russian-Ukraine conflict continues to weaken global economic demand, especially in the United Kingdom, our main export market. Despite these challenges, the Group remains focus in carrying out its business in an economically sustainable manner.

Recognising the importance of sustainability, our Board of Directors (“**Board**”) leads the sustainability efforts of the Group. The Board has considered sustainability issues as part of its strategic formulation, determined the material economic, environmental, social and governance (“**EESG**”) factors relevant to its business and overseen the management and monitoring of these material EESG factors.

We continue to stay committed to conducting business in a sustainable manner to build a sustainable future, with a focus on continuous improvement that balances today’s needs with long term development.

ABOUT THIS REPORT

In this report, we have applied the Global Reporting Initiative (“**GRI**”) Standards by considering the Group’s activities, impact and substantive expectations as well as interests of its stakeholders. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

The EESG data and information provided in this report have been derived from internal data monitoring and verification to ensure accuracy. The Company’s sustainability reporting process was subject to internal review. We may consider seeking external assurance in the future.

REPORTING PERIOD, SCOPE AND FRAMEWORK

This report is issued on an annual basis (most recently on 31 August 2022) and has been prepared with reference to the GRI Standards: Core option, and on a “comply or explain” basis in accordance with Rule 711B and Practice Note 7F of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Section B: Rules of Catalist (“**Catalist Rules**”). We have chosen to report using the GRI Standards because it is an internationally recognised sustainability reporting framework that covers a comprehensive range of sustainability disclosures. Moreover, the structured framework promotes reporting a full and balanced picture of the material EESG factors affecting the Group and the management of its impact.

Pursuant to Catalist Rule 711B(1)(aa) read with Practice Note 7F, the Company falls under the classification of Cyclical Consumer Products (based on the Thomson Reuters section classification as indicated on SGX-ST’s stock screener), and therefore does not fall within any of the industries required to carry out mandatory climate reporting. The Company and Board prioritises sustainability efforts in its business activities and intends to commence climate reporting in the future, after familiarising itself with the recommendations of the Taskforce for Climate-related Financial Disclosures and gathering sufficient resources to ensure a successful and effective implementation of climate reporting. As of the date of this report, all directors of the Company have undergone training on sustainability matters as prescribed by the SGX-ST.

Corresponding to the GRI Standards’ emphasis on materiality, this report highlights some of the EESG related initiatives carried out throughout the 12-month period, from 1 April 2022 to 31 March 2023 by the Group’s Doors Business (“**main business**”). Further information on the Group’s activities, products, brands and services can be found in the “Our Businesses” section of our 2023 Annual Report released via SGXNET and our corporate website on 12 July 2023.

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Unless stated otherwise, the report covers the ESG performance and activities of HSO's main business activity in Singapore and Malaysia. The other businesses of Property Development and Property Investment which pertains mainly to the property assets held in both Melbourne, Australia and Jakarta, Indonesia, as well as the Secured Property Financing Business did not contribute materially to FYE23 audited revenue.

FEEDBACK

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your feedback to enquiries@hso.com.sg. We have also uploaded a digital copy on our website at www.hso.com.sg.

A) STAKEHOLDER ENGAGEMENT

Stakeholder engagement is the focus point to create long term and sustainable value as a business organisation. We define our stakeholders as persons or groups whom our business has a significant impact on and those with a vested interest in our business or operational performance. We have identified the following stakeholders who have significant impact on our operations and sustainability performance. We will continue to maintain open communication and strong relationships with our stakeholders to better understand their concerns.

These key stakeholders include, but are not limited to (i) the Board, (ii) employees, (iii) customers, (iv) suppliers, (v) the investing public, (vi) local government and (vii) local communities. We adopt both formal and informal channels of communication to understand the needs of key stakeholders and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

The following sets out our engagement platforms with our stakeholders:

STAKEHOLDERS	MODE OF ENGAGEMENT	FREQUENCY	ISSUES & CONCERNS	HSO EFFORTS
BOARD OF DIRECTORS	<ul style="list-style-type: none"> Board Meetings Board Papers 	<ul style="list-style-type: none"> Quarterly 	<ul style="list-style-type: none"> Financial performance Annual Budget Policies and strategies 	<ul style="list-style-type: none"> Quarterly business updates and review Review of policies
CUSTOMERS	<ul style="list-style-type: none"> Face-to-face / Virtual meetings Post-COVID-19 Market and Customer visits Email feedback Customer satisfaction questionnaire 	<ul style="list-style-type: none"> As and when, and annually 	<ul style="list-style-type: none"> Quality and consistency of our products and affordability. Competitive and quicker product pricing, customer support. Reliability and shipment punctuality. Product safety, quality and safety. 	<ul style="list-style-type: none"> Records log showed lower level of complains or rejects. Continued efforts to manage inflationary environment and raw material price escalation, improved production efficiency and at the same time securing orders from recurring customers, by reviewing and offering competitive prices. Continued to work closely with forwarders and shippers to deliver on time to customers' port of call. Facilitated customer audits and hosted customer visits to manufacturing facility for them to assess quality, work practices, production process and to facilitate order taking. Passed respective SMETA audits & continued FSC certification.

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STAKEHOLDERS	MODE OF ENGAGEMENT	FREQUENCY	ISSUES & CONCERNS	HSO EFFORTS
SUPPLIERS & SERVICE PROVIDERS	<ul style="list-style-type: none"> • Visit to suppliers and face to face meetings post-COVID-19 lock downs. • Where necessary, flexibility to adopt virtual meetings. • Assessment of vendor. 	<ul style="list-style-type: none"> • As and when 	<ul style="list-style-type: none"> • Cost and quality of the product. • Delivery and availability of inventory or product. • Shorter credit terms in line with market practice. • Punctual payments. • Stable long-term relationship, recurring orders. 	<ul style="list-style-type: none"> • Periodic visits to local suppliers. Increasing the scope of suitable local suppliers. • Continuous negotiation with view to achieve costs savings, quoting from different sources. • Continued to find alternative sources in case of future supply disruptions, both locally and overseas. • Continued payment within approved credit terms.
EMPLOYEES	<ul style="list-style-type: none"> • Staff Appraisals • Staff bonding sessions and whistle-blowing policy. • Departmental meetings • Employee Sustainability Report Feedback Form 	<ul style="list-style-type: none"> • As and when, and annually 	<ul style="list-style-type: none"> • Health & Safety • Safe working environment and safe practices. • Market and fair remuneration. • Room for individual growth / job rotation. • Job security and livelihoods. • No whistle-blowing reports were received in FYE23 • Feedback on content, style, format of Sustainability Report 	<ul style="list-style-type: none"> • Continued review of employee compensation and benefits, personal development and performance appraisal.

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STAKEHOLDERS	MODE OF ENGAGEMENT	FREQUENCY	ISSUES & CONCERNS	HSO EFFORTS
INVESTORS / SHAREHOLDERS	<ul style="list-style-type: none"> Annual General Meetings / Extraordinary General Meetings Annual Reports / SGX announcements / voluntary operational updates / Financial results HSO Group website 	<ul style="list-style-type: none"> As and when, and annually 	<ul style="list-style-type: none"> Return to sustainable profitability. Financial results Value of the Company's assets Geo-political risks to the Company. Transparent and timely disclosure of material information. Undervalued share price. 	<ul style="list-style-type: none"> Continued cost cutting and increasing productivity to achieve cost savings. Selling price adjustments. Staff attrition and increased staff training to improve productivity. Continue to develop asset light deals like (i) Investment (Debt) and Marketing Agreements and (ii) Secured Property Financing Business which mandate was obtained. Continue road map to win new export customers and possibly new businesses. Continue to be on a lookout for any property development and investment opportunities.
Local Government	<ul style="list-style-type: none"> Regular reporting Inspections Email / Circulars Survey 	<ul style="list-style-type: none"> As and when, and annually 	<ul style="list-style-type: none"> Regulatory and compliance matters 	<ul style="list-style-type: none"> Timely reporting / filing
Local Communities	<ul style="list-style-type: none"> Community outreach initiatives Employment opportunities Business transactions 	<ul style="list-style-type: none"> As and when 	<ul style="list-style-type: none"> Contribution to local community Job creation 	<ul style="list-style-type: none"> Employment of local workforce Business dealing with local suppliers

B) MATERIALITY ASSESSMENT

After identifying key stakeholders, Management identifies relevant EESG factors, taking into consideration their relevance to the business, strategy, business model and key stakeholders. Relevant EESG factors are then prioritised to identify material EESG factors that the Management considers significant to the Group and its stakeholders which are subject to validation by our Board. The result of this process is a list of material EESG factors to be disclosed in this report. The process described is shown below:



Materiality refers to issues or factors that have a present or future impact on the Group's value creation and its business over time.

To determine if an EESG factor is material, we conducted a materiality assessment during FYE23 and assessed its potential impact on the economy, environment, society, and the influence on the stakeholders. Based on the materiality assessment and feedback from our stakeholders, we have identified the EESG factors which are material to the Group in FYE23.

In FYE23, we have included two new material topics under the environmental factors namely: (i) Energy Consumption and (ii) Water Consumption.

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Overall, EESG factors which are material to the Group in FYE23 are:

ECONOMIC	Economic performance Anti-corruption
ENVIRONMENTAL	Energy and Water consumption Environmental compliance Disposal and management of waste Supplier environmental assessment
SOCIAL	Occupational health and safety Training and education Diversity and equal opportunity Local communities Socioeconomic compliance
GOVERNANCE	Corporate and sustainability governance Risk management Business ethics and compliance

1) ECONOMIC

ECONOMIC PERFORMANCE

The Group's basic principle is that long-term return to profitability and shareholder value is ensured by considering the interests of stakeholders, including but not limited to shareholders, employees, suppliers, customers and society as a whole.

For FYE23, the Group continued to be impacted by the aftermath of the pandemic and weakened macroeconomic conditions exacerbated by high inflation and weakness in demand in our largest market, the United Kingdom.

Below are the financial highlights from our 2023 Annual Report, based on the audited financial statements, the full details of which are set out on pages 59 to 124 of the Annual Report.

YEAR (S\$'000)	FY2023	FY2022	FY2021
Revenue	\$10,844	\$15,434	\$18,301
(Loss) / Profit after tax	\$(7,499)	\$(1,996)	\$1,816
Shareholders' equity	\$54,192	\$62,442	\$64,631
Net Asset Value per Share ("NAV") (cents)	1.01	1.16	1.20
Share Price (cents)	0.002	0.002	0.004
Market Capitalisation	\$10,761	\$10,761	\$21,522

Despite the weakened financial performance and continued weak demand for our doors, the Group endeavours to continue re-strengthening its door business including the supply and export of premium wood products to the United Kingdom, and at the same time making inroads into new markets, including re-entering the Singapore door market. The process to return to profitability involves the continued contribution to local economies, improvement of welfare of our employees and direct labour, and importantly, provision of good quality and long-lasting products for communities. Please refer to the "Chairman's Statement" section of this Annual Report for more details on the FYE23 economic conditions and updates on certain operations and business segments.

Target for FYE24:

To return to profitability and improved economic performance.

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ANTI-CORRUPTION

At HSO, we do not tolerate any form of corruption. This has been made clear to all of our employees, our suppliers and our business partners. We, together with our Board of Directors, are committed to conducting business that is consistent with the standards of corporate governance. As one of the elements of corporate governance, HSO has an existing Whistleblowing policy in place to protect a genuine whistle blower from any unfair treatment.

The individual may report his/ her concern to the Audit Committee Chairman (via e-mail, mail or telephone) on a confidential basis. The Audit Committee Chairman is responsible for handling all the reported cases and ensuring that issues raised are properly resolved by the Management or such parties as appropriate and within a reasonable timeframe. Any report of corruption is escalated to the attention of senior management.

We have achieved our target set in FYE23, which was to maintain zero incidents of corruption. For FYE24, we will strive to maintain our target of zero incidents of corruption too. Additionally, we will conduct regular review on the policies regarding whistle-blowing and anti-corruption.

The Group would also highlight to stakeholders that we are in compliance with the guidance on “What SGX expects of issuers in respect of sanctions-related risks, subject or activity” issued by the Singapore Exchange Regulation (“SGX RegCo”) on 7 March 2022 (the “Guidance”).

The Guidance sets out SGX RegCo’s expectations if an issuer, or any person or entity closely associated with the issuer, is exposed to sanctions-related risks. These expectations also apply to the issuer’s subsidiaries and associated companies. Briefly, certain key items that issuers must be mindful of include: (i) Assess and announce, where necessary, exposure or nexus to sanctions-related risks; (ii) Suspension of trading of Sanctioned Subject or Sanctioned Activity and (iii) Fundraising prohibitions for Sanctioned Subject or when issuer is engaged in Sanctioned Activities.

Even though the Group’s operations do not fall under the ambit of any of SGX regulations above for FYE23, the Group will continue to monitor and comply with the SGX RegCo requirements, including regular monitoring in relation to any sanctions-related risks in view of the on-going Russian-Ukraine conflict. The monitoring of sanctions-related risks forms part of the duties of the Audit Committee, as set out in our Report on Corporate Governance under the Audit Committee – Principle 10.

Target for FYE24:

To continue to have zero cases of corruption.

2) ENVIRONMENTAL

The table below provides an overview of our management approach (Evaluation, Progress and Targets) for each material issue, based on the GRI Standards:

TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	DESCRIPTION												
Energy Consumption	<ul style="list-style-type: none"> Total energy consumption Energy consumption intensity 	MWhs MWhs	GRI 302-1	Our factory’s energy use is mainly in the form of electricity and power for production and machinery. We adopted also computed based on information available, our Energy Intensity Ratio in (MWhs) per unit of door. Our energy consumption for the last 3 financial years is as follows: <table border="1" data-bbox="927 1654 1419 1854"> <thead> <tr> <th>Energy Consumption in MWhs</th> <th>FY2021</th> <th>FY2022</th> <th>FY2023</th> </tr> </thead> <tbody> <tr> <td>Consumption</td> <td>2,416.78</td> <td>1,593.25</td> <td>1,633.96</td> </tr> <tr> <td>Intensity per door</td> <td>0.01</td> <td>0.01</td> <td>0.02</td> </tr> </tbody> </table>	Energy Consumption in MWhs	FY2021	FY2022	FY2023	Consumption	2,416.78	1,593.25	1,633.96	Intensity per door	0.01	0.01	0.02
			Energy Consumption in MWhs		FY2021	FY2022	FY2023									
			Consumption		2,416.78	1,593.25	1,633.96									
			Intensity per door		0.01	0.01	0.02									
GRI 302-3																
				Target for FYE24: To achieve intensity per door: 0.20												

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TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	DESCRIPTION			
Water Consumption	<ul style="list-style-type: none"> Total Water consumption Water Consumption Intensity 	ML or m3	GRI 303-5	Our factory's water consumption is required for production and operations and what the Company is doing is to conserve water usage and reuse water at the spray booth section cause the water curtain is constantly moving during spraying activities for environment purpose and to catch waste paint. Our water consumption for the last 3 financial years is as follows:			
		ML or m3 per organisation-specific metrics.					
		Water usage in m3			FY2021	FY2022	FY2023
		Consumption			8,856	5,627	6,631
		Intensity per door			0.04	0.03	0.06
				Target for FYE24: To achieve intensity per door: 0.17			

Details of net waste are set out in the disposal and management of waste section below.

ENVIRONMENTAL COMPLIANCE

Regular activities including inspection and testing were performed in HSO to ensure compliance with environmental and safety regulations (Environmental Quality Act 1974 & ISO 14001:2015). Throughout FYE23, the following activities took place at our Johor production facility and were monitored by our external service providers:

DATE	DETAILS/ REGULATION
28 September 2022	Isokinetic Stack and Air Emission
26 September 2022	Chemical Exposure Monitoring
28 September 2022	Environmental Noise Monitoring
22 September 2022	Environmental Air Monitoring
14,15 September 2022	Annual Examination & Testing of Local Exhaust Ventilation
24 September 2022	Sewage Monitoring
27 September 2022	Effluent Monitoring
26 April 2022	Chemical Health Risk Assessment

The Quality and Environmental Policy sets out the Group's quality control policies for incoming raw materials and acceptable environmental standards for production procedures, which is based on the quality standards set under ISO 9001:2015, the air, noise, sewage and effluent standards set under ISO 14001: 2015, and the chemical exposure and annual local exhaust ventilation requirements under the Occupational Safety and Health Administration, respectively. The Quality and Environmental Policy is well-communicated to all workers, and made available as an attachment to the employee card in their respective languages.

We have achieved the target we set last year, which was to record no (FYE22: nil) significant fines or non-monetary sanctions for non-compliance with environmental laws or regulations in our operations. We aim to maintain zero incidents of non-compliance in the upcoming years.

Target for FYE24:

To continue to achieve zero incidents on non-compliance laws or regulations.

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DISPOSAL AND MANAGEMENT OF WASTE

The Company aims to minimise wastage. The amount of waste would continue to rise at an unsustainable rate without recycling efforts in an environmentally friendly manner. Our waste is carefully handled by an accredited third-party service provider so that it can be treated and processed before being responsibly recycled. We have ISO-recognised procedures in place to improve waste reduction such as:

- Recycle by-products and/or waste;
- Avoid using hazardous raw materials;
- Substitute raw materials by using less hazardous varieties;
- Modify processes so that by-products or waste could be reduced; and
- Reduction of unnecessary waste as part of our conservation efforts.

Amount of waste generated for the last 3 financial years is as follows:

TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	DESCRIPTION			
Net Waste Generation	Net waste generated	KG	GRI 306-3	Net Waste generated in KG	FY2021	FY2022	FY2023
	{Waste refers to the following:						
	<ul style="list-style-type: none"> • Glue sludge • Used engine oil • Waste coolant • Used Thinner • Contaminated dust • Steel drum • Used of empty container contaminated with chemical • Contaminated cotton rags} 			Net Waste*	19,915	10,794	12,741
				<p>*Net waste is computed based on balance brought forward and waste generated during the year offset against waste disposed during the year.</p> <p>Target for FYE24: To achieve not more than 20 metric ton/20,000 KG or 6 months of scheduled waste collection.</p>			

In FYE23, the amount of waste generated was higher as compared to FYE22 due to more rework activity is required because there was an increase in the usage of glue to reskin the veneer and increase in the usage of thinner for respraying works due to colour mismatch.

We have also achieved our goal of not accumulating more than 6 months or 20 metric ton/20 000 KG for scheduled waste collection. We aim to continue to put in place proper processes in handling waste disposal in FYE23 and to comply with the guidelines set by the Department of Environment of the Ministry of Environment and Water of Malaysia of accumulating not more than 6 months or 20 metric ton/20 000 KG for scheduled waste collection.

Target for FYE24:

To achieve not more than 6 months or 20 metric ton/20 000 KG for scheduled waste collection.

SUPPLIER ENVIRONMENTAL ASSESSMENT

HSO will continue to reduce its environmental impact and to encourage its stakeholders, such as suppliers and trading partners, to meet the same expectations. The Group also performs annual supplier assessment on their vendors to verify that they are providing high quality and green products in accordance with our Quality and Environmental Policy. We have attained the certificate for chain of custody of forest-based products for the central office and other multiple sites, under the Forest Stewardship Council (“FSC”) and Programme for the Endorsement of Forest Certification (“PEFC”).

The scope of our certification includes the (i) to purchase FSC or PEFC certified and FSC controlled wood and PEFC controlled source of medium-density fibreboard, particleboard, sawn timber and veneer and (ii) to manufacture FSC or PEFC certified doors and door components using transfer system and percentage system in FSC and physical separation and percentage-based method in PEFC. Our FSC certification is valid until 11 October 2025 while our PEFC certification

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is valid until 25 August 2024. Our procurement manager is responsible for purchasing of raw materials, for verifying the validity and scope of the supplier's FSC or PEFC certificate via the FSC and PEFC data in info.fsc.org or www.pefc.org and for verifying purchase documents. HSO purchased FSC Certified medium-density fibreboard, particleboard, wooden timber, veneer and FSC controlled wooden timber and veneer for its FSC production.

TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	DESCRIPTION
Suppliers – Supplier Environmental Assessment	Certification and audits such as: <ul style="list-style-type: none"> • "FSC" Forest Stewardship Council • "PEFC" Program for the Endorsement of Forest Certification. 	N.A.	GRI 308-1	<ul style="list-style-type: none"> • Continue to ensure compliance with Company's Quality and Environmental Policy • Continue that new Suppliers if any are FSC or PEFC certified so that our FSC and PEFC certification are not affected. Target for FYE24: <ul style="list-style-type: none"> • To continue zero incidents of supplier assessment non-compliance. • To continue to source more than 80% of the accessories locally.

In FYE23, there were 4 new suppliers (FYE22: nil) who were screened under the Environmental Requirement Guidelines (HSO-EMS-FM-04-00) to our significant suppliers who enter the factory site as per Environmental Significant List (HSO-EMS-FM-05-00).

In line with the World's aspiration in protecting the environmental, **HS OPTIMUS WOOD PRODUCTS SDN BHD** seeks to implement, promote and maintain an Environmental Management Systems in mitigating the impacts created by our operations with relation to the manufacturing of wooden doors and fire retardant doors. We therefore seek full cooperation from your esteem company in realizing our endeavour. We shall take the opportunity to communicate our environmental policy as below.

QUALITY AND ENVIRONMENTAL POLICY

HS OPTIMUS WOOD PRODUCT SDN BHD is committed to be:

H

Highly committed to achieve customers satisfaction by implementing quality and environmental procedure which be operated, communicated and continuously review to meet or exceed the requirement of ISO 9001 and 14001,

S

Significantly providing customers with good products and service to the agreed requirement, protect the environment by using sustainable resources, protect the ecosystems and biodiversity by preventing pollution, adhering to interested party advices by complying with legal and customers requirements through continual improvement programmes,

O

Objective in respecting human rights. Aiming to ensure employees and supply chain are meeting all aspects in promoting decent work through complying with company Safety and Healt Policy and Human Rights Policy.

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Our Malaysia plant is ISO9001 and ISO14001 certified. Our products do not possess any materials which may qualify it as hazardous waste and zero (FYE22: nil) environmental hazards have been reported or known. All new chemicals brought into factory will be carefully managed by the related person in charge regarding hazard warning labels, CDS, PPE, storage and handling.

We have achieved our goal set in prior year to maintain zero incidents of non-compliance through the supplier assessment in FYE23. In FYE24, we aim to continue the supplier assessment on a yearly basis and ensure that the suppliers are carefully selected taking into consideration their adherence with environmental requirements specifically with our Environmental Requirement Guidelines.

Target for FYE24:

To continue zero incidents of supplier assessment non-compliance.

Local Purchases

Most of our accessories are sourced locally (FYE23: 90% and FYE22: 97%), which is coherent with our long-term goal of procuring from sustainable suppliers and lowering our carbon footprint in the form of reducing transportation and logistics arrangements between the factory and suppliers. These local purchases include items such as abrasive cutter, glass, glue, hardware, packaging, paint, tools, bearing, belt and other spare parts.

Target for FYE24:

To continue to source more than 80% of the accessories locally.

3) SOCIAL

OCCUPATIONAL HEALTH AND SAFETY

We are committed to safeguarding our employees' health and safety against any potential workplace hazards. The focus on health and safety is important for HSO to achieve outstanding performance. It is a fundamental right for our workers to be able to work in a safe environment. By doing so, not only is the health of our employees safeguarded, our overall productivity also increases, enabling us to deliver the best goods and services to our customers. From implementing job safety guidelines and procedures to conducting rigorous safety trainings, we are committed to provide a hazard-free workplace to ensure the well-being of both our employees and the environment.

HSO employs a variety of measures to ensure the health and safety of all our staff. We have achieved 100% compliance of Occupational, Safety & Health Workplace Audit (OSHWA) in MYKKP system under the Department of Occupational, Safety and Health (DOSH, Malaysia). In FYE23, we have conducted the following safety policy briefings and awareness training for our employees:

- HR, Safety & Health and Quality induction plan for new employees
- Quality Assurance Training on glass inspection, specification and handling
- Loading and unloading process
- Seminar on thermal hazard (fire and electrical arc), hazard assessment and protection
- Course for certified environmental profession in bag filter operation
- Environment awareness and personal protective equipment training
- Production training on the work instruction in workplace
- Worker's safety awareness to forklift movement
- Chemical and Spillage Handling
- Schedule Waste Handling and storage
- COVID-19 Preventive Measures
- Basic Awareness and Internal Auditor Skills for ISO 9001:2015 (QMS) and ISO 14001:2015 (EMS)
- Upgrading the FSC and PEFC integrated chain of custody systems

On a monthly basis, key performance indicators on safety and health were reported and tabulated by the Health and Safety Officer. These reports track and monitor the injuries and accidents on site. Following is the table on the number of cases for each injury and accidents:

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TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	DESCRIPTION			
Occupational Health & Safety	• Fatalities	Number of cases	GRI 403-9	Fatalities	FY2021	FY2022	FY2023
				Number of cases	Nil	Nil	Nil
	• High-consequence injuries	Number of cases	GRI 403-9	High-consequence injuries	FY2021	FY2022	FY2023
				Number of cases	Nil	Nil	Nil
	• Recordable injuries	Number of cases	GRI 403-9	Recordable injuries	FY2021	FY2022	FY2023
				Number of cases	5	4	1
	• Recordable work-related ill health cases	Number of cases	GRI 403-10	Recordable work-related ill health cases	FY2021	FY2022	FY2023
				Number of cases	Nil	Nil	Nil
	Target for FYE24: To minimize accident rates and no more than 5 accidents cases and to achieve 100% compliance of Occupational, Safety & Health Workplace Audit.						

In FYE23, we had 1 work-related incident on our premises (FYE22: 4). We investigated the 1 work-related incident in compliance with the Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease Regulations 2004 as per the Occupational Safety and Health Act 1994 (Act 514). While this case was non-fatal, it was considered major as the worker was hospitalised, received more than 4 days of medical leave, and the incident was duly reported to Jabatan Keselamatan dan Kesihatan Pekerjaan Negeri Johor @ Department of Safety & Health ("JKKP"). This case is neither related to nor recurring from the work-related incidents from FYE22. No further action was taken by JKKP.

The main cause of the aforementioned work-related incidents was due to human error especially relating to handling of machineries. Whenever each case occurs, the Safety and Health Officer will conduct an investigation and committee meeting to review the hazard identification risk assessment and risk control in workplace. Thereafter, corrective and preventive action are put in place such as, refresher training on working at height and safe work procedures. Following each work-related incident, the management adopted the following actions:



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We will continue to stress on workplace safety at all times through safety and environment campaigns, hazard and awareness training, and monthly inspections. We have achieved our target set of a workplace accident rate of not more than 5 accident cases for FYE23. In addition, we have achieved 100% compliance of Occupational, Safety & Health Workplace Audit (OSHWA) in MYKKP system under the Department of Occupational, Safety and Health (DOSH, Malaysia).

Target for FYE24:

To minimize accident rates and no more than 5 accidents cases and to achieve 100% compliance of Occupational, Safety & Health Workplace Audit.

TRAINING AND EDUCATION

HSO has provided its employees with regular training to ensure that they upgrade their skillsets, continue to keep pace with the growth and developments of the Group, and professional development. Training is conducted to educate our employees about the Group's processes. In FYE23, we conducted training on topics such as awareness training on FSC and PEFC integrated chain of custody systems, induction trainings to smoothly on-board new employees, health and safety training, machine training and department/function-specific training.

TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	DESCRIPTION			
Development and training	<ul style="list-style-type: none"> Training sessions per month 	No. of training session	GRI 404-1	Average training sessions	FY2021	FY2022	FY2023
				Number of training sessions per year	165	135	254
				Number of months	12	12	12
				Average per month	14	15	21
				Target for FYE24: To achieve at least 10 training sessions per month.			

We will continue to deploy our resources and offer training courses to continuously enhance safety and ensure the competency of all our employees. We have achieved our target set in prior year to achieve at least 10 training sessions per month in FYE23.

Target for FYE24:

To achieve at least 10 training sessions per month.

SUSTAINABILITY REPORT

DIVERSITY AND EQUAL OPPORTUNITY

TOPIC	METRIC	UNIT	FRAMEWORK ALIGNMENT	DESCRIPTION			
Gender Diversity	<ul style="list-style-type: none"> Current employees by gender 	%	GRI 405-1	Current Employees by gender	FY2021	FY2022	FY2023
				Male	259	221	187
				Female	76	62	53
				TOTAL	335	283	240
				Target for FYE24: To achieve zero incidents of complaints on discrimination.			
Aged-Based Diversity	<ul style="list-style-type: none"> Current employees by age groups 	%	GRI 405-1	Current employees by age groups	FY2021	FY2022	FY2023
				<30 years	51%	44%	34%
				31 to 50 years	39%	46%	54%
				>50 years	10%	10%	12%
				TOTAL	100%	100%	100%
Target for FYE24: To achieve zero incidents of complaints on discrimination.							
Employment	<ul style="list-style-type: none"> Average Length of Service 	No.	GRI 401-1	Length of Service	FY2021	FY2022	FY2023
				<5 years	260	202	159
				6-10 years	29	28	31
				>10 years	46	53	50
				Number of employees	335	283	240
	<ul style="list-style-type: none"> Nationality 	No.	GRI 401-1	Nationality	FY2021	FY2022	FY2023
				Bangladesh	127	113	95
				Malaysia	131	102	91
				Myanmar	39	36	25
				Nepal	26	24	20
				Singaporean	4	4	5
				Bruneian	2	1	1
				Chinese	2	1	1
				Indonesian	4	2	2
				Number of employees	335	283	240
Target for FYE24: To achieve zero incidents of complaints on discrimination.							

SUSTAINABILITY REPORT

HSO does not discriminate on the basis of the employees' race, age, gender, religion, ethnicity, facial attractiveness, physical impairments, sexual preference, political viewpoints or nationality. Based on the group's human resource records, we have a total of 240 (FYE22:283) employees. During the year, there have been no reported cases (FYE22: nil) concerning any discrimination or unfair employment practices. We will continue to uphold the principle of equal opportunities and respect the rights of our people.

The Group considers its employees the most valuable asset and offers them fair and competitive remuneration packages. Discretionary incentives are granted to eligible employees based on the performance of the Group and contribution of individual employees. Contributions to retirement benefit schemes are offered as part of the remuneration package. Remuneration policies and packages are reviewed regularly to ensure that compensation and benefits are in line with the market, thus helping the recruitment and retention of talent. Employee rewards in the form of bonuses are discretionary and when possible, are distributed in the form of monetary yearly bonus.

17.11% of our employees in Malaysia are subject to an agreement between our subsidiary, HS Optimus Wood Products Sdn Bhd, and the Timber Employee Union of Malaysia.

Throughout the year, activities were held to promote cohesiveness and inclusiveness within the workplace such as New Year celebration and goodies for employees during festive such as Hari Raya Aidilfitri, Deepavali and Lunar New Year. In FYE23, we have achieved the goal set in prior year of zero incident of complaints on discrimination and we will continuously aim to maintain zero incident of complaints on discrimination in FYE24.

Target for FYE24:

To achieve zero incidents of complaints on discrimination.

LOCAL COMMUNITIES

HSO strongly believes in being a socially responsible corporate citizen by contributing back to communities, with enriching the economy and local communities as some of our key values. This may be through the creation of employment opportunities, business transactions, community contributions, and others.

In FYE23, our operations created employment opportunities for local staff through direct employment. In addition, we also contributed to the local economy and businesses via our local procurement activities as mentioned in the above section, Local Purchases.

SOCIOECONOMIC COMPLIANCE

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. The Group is committed to conduct the business with integrity and to safeguard the interest of all our stakeholders, both internal and external.

The Group complies with and puts in every effort in complying with the relevant laws and regulations that include the Occupational Safety and Health Act 1994, Factory and Machinery Act 1957, and Employment Act 1955. We have achieved the target we set last year, which was to record no significant fines and non-monetary sanctions for non-compliance with the applicable laws and regulations reported in FYE23.

MEMBERSHIP OF ASSOCIATIONS

- Malaysian Wood Moulding & Joinery Council
- Forest Stewardship Council (FSC)
- Malaysian Timber Industry Board
- Licensed Manufacturing Warehouse
- Programme for the Endorsement of Forest Certification
- Supplier Ethical Data Exchange (SEDEX)
- Shipper Member under Marine Department Malaysia
- Malaysian Employers Federation (MEF)

SUSTAINABILITY REPORT

Target for FYE24:

To achieve zero incidence of non-compliance with the applicable legal laws and regulations in the relevant jurisdiction of operation.

4) GOVERNANCE

CORPORATE AND SUSTAINABILITY GOVERNANCE

At HSO, we believe that strong governance is the key to a sustainable business. Throughout FYE23, we continue to comply with the Code of Corporate Governance 2018 and achieved targets we set last year and to meet the requirements expected by stakeholders. Please refer to the "Report on Corporate Governance" section in our 2023 Annual Report for more information on the governance structure of the Group, including committees of the Board of Directors and their roles and responsibilities.

The challenge to successfully manage environmental and social issues is an ongoing process. HSO has incorporated this into our business model and implemented sustainable and responsible practices throughout the Group. Our products and services meet relevant safety and environmental requirements demanded by our customers and the regulatory bodies.

HSO pays strict attention to enforce good labour practices in all our operations. The Group provides various training opportunities for continued employee development, and this is reflected in the quality and delivery of our products and services. We value our relationships with our clients and the wider community in which we operate, and these relationships have helped us through the challenging times in the past. HSO strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

Similar in the past, we will continue to comply with the Code of Corporate Governance 2018 and meet all requirements that are expected of us by our stakeholders in FYE24.

RISK MANAGEMENT

Risk Management ("RM") is an integral part of good corporate governance as well as resource management. HSO has a thorough and comprehensive RM framework to identify and manage its risks and exposures in an integrated, systematic and consistent manner. The Management reviews the Group's business and operational activities on an ongoing basis to identify areas of significant risks. The Audit Committee also reviews at least annually the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The external and internal auditors also assist in the aforementioned risk management process by identifying areas of concern and that appropriate measures are in place to mitigate such risks. For detailed disclosure on RM, please refer to the "Report on Corporate Governance" section in our 2023 Annual Report.

In FYE23, we reviewed the RM policies, essentially covering the operational risk to ensure relevant policies and material risks are identified, communicated and addressed in a timely manner. We will perform the same review in FYE24.

BUSINESS ETHICS AND COMPLIANCE

While we believe our reputation for producing premium and long-lasting products is the main reason for our customers' trust in us, equally important is our integrity and code of business ethics which determines the publics' and shareholders' faith and trust in us. We endeavour to conduct our business ethically and in accordance with legal standards, laws, and industry best practices.

Target for FYE24:

To maintain zero tolerance against corruption.

To maintain zero significant fines or non-monetary sanctions with laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

In respect of hiring personnel, we take into consideration any possibility of conflicts of interest. Our code of conduct clearly spells out HSO's expectations for our staff and consequences if any of the rules are violated or standards are not met. In addition, we also have clear and fair grievance procedures.

SUSTAINABILITY REPORT

Our staff are reminded of the importance of upholding the highest standards when it comes to business ethics. We have posters and memos reminding everyone on the importance of ethics clearly displayed in public areas of the Group's factories and workspaces so that employees from all levels are fully aware that compliance with rules and regulations is a key part of running a responsible business.

The Group regularly updates relevant staff with developments in international and local regulations. HSO complied fully, in all material aspects, with all environmental rules and regulations, anti-competitive behaviour laws and all requirements on health and safety.

In FYE23, we have achieved the target we set last year. There were no (FYE22: nil) significant fines or non-monetary sanctions for non-compliance with laws and regulations.

Target for FYE24:

To maintain zero significant fines or non-monetary sanctions and full compliance with laws and regulations.

CYBERSECURITY AND PRIVACY OF DATA

Cybersecurity and data privacy are important not just for compliance, but in safeguarding both our data and that of our customers. HSO takes measures to guard against cyber risks and protecting the confidential information for both our internal and external stakeholders by ensuring that our information systems are robust enough to safeguard the data. This also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised persons on a need-to-know basis. During the FYE23, there were zero incidents of data leaks and cybersecurity breach.

Target for FYE24:

To maintain zero incidents of cybersecurity breach.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI STANDARD		DISCLOSURE	PAGE REFERENCE / DESCRIPTION
GRI 101: Foundation 2016			
GENERAL DISCLOSURE			
GRI 102: General Disclosures 2016	102-1	Name of organisation	HS Optimus Holdings Limited
	102-2	Activities, brands, products and services	Our Businesses section, page 2
	102-3	Location of headquarters	Corporate Information
	102-4	Location of operations	Our Businesses section, page 2
	102-5	Ownership and legal form	Corporate Information; HS Optimus Group Structure, page 3; Statistics of shareholdings section, pages 125 to 126
	102-6	Markets served	Our Businesses section, page 2
	102-7	Scale of the organisation	Chairman's Statement section, pages 4 to 5; Operational and Financial Review section, pages 6 to 7; Diversity and Equal Opportunity, pages 52 to 53;
	102-8	Information on employees and other workers	Diversity and Equal Opportunity, pages 52 to 53
	102-9	Supply chain	Supplier Environmental Assessment, pages 47 to 48
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary Principle or approach	HSO supports the intent of the Precautionary Principle, but has not expressed a specific commitment.
	102-13	Membership of associations	Membership, page 53
	102-14	Statement from senior decision maker	Board Statement, page 40
	102-16	Values, principles, standards and norms of behaviour	Business Ethics and Compliance, page 54
	102-18	Governance structure	Corporate and Sustainability Governance, page 54
	102-40	List of stakeholder groups	Sustainability Approach, pages 41 to 43
	102-41	Collective bargaining agreements	Diversity and Equal Opportunity, pages 52 to 53
102-42	Identifying and selecting stakeholders	Sustainability Approach, pages 41 to 43	

SUSTAINABILITY REPORT

GRI STANDARD		DISCLOSURE	PAGE REFERENCE / DESCRIPTION
	102-43	Approach to stakeholder engagement	Sustainability Approach, pages 41 to 43
	102-44	Key topics and concerns raised	Sustainability Approach, pages 41 to 43
	102-45	Entities included in the consolidated financial statements	Financial Contents section under note: Subsidiaries, pages 90 to 92
	102-46	Defining report content and topic boundaries	About this Report, page 40
	102-47	List of material topics	Sustainability Approach, page 44
	102-48	Restatement of information	There are no restatements made in respect of information given in previous reports.
	102-49	Changes in reporting	No change in reporting.
	102-50	Reporting period	Reporting Period, Scope and Framework, pages 40 to 41
	102-51	Date of most recent previous report	31 August 2022
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions about the report	Feedback, page 41
	102-54	Claims if reporting in accordance with the GRI Standards	About this Report, page 40
	102-55	GRI content index	GRI Content Index, pages 56 to 58
	102-56	External Assurance	About this Report, page 40
MATERIAL TOPICS			
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	Economic, page 44
GRI 205 Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	Anti-corruption, page 45
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Environmental, page 45
GRI 302: Energy 2016	302-3	Energy intensity	Environmental, page 45
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	Disposal and Management of Waste, page 47
GRI 306: Waste 2020	306-3	Waste generated	Environmental, page 47

SUSTAINABILITY REPORT

GRI STANDARD		DISCLOSURE	PAGE REFERENCE / DESCRIPTION
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	Environmental Compliance, page 46
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	Supplier Environmental Assessment, pages 47 to 48
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	Occupational Health and Safety, pages 49 to 51
	403-5	Worker training on occupational health and safety	
	403-9	Work-related injuries	
	403-10	Work-related ill health	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Training and Education, page 51
	404-2	Programs for upgrading employee skills and transition assistance programs	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity, pages 52 to 53 Corporate Governance, page 5 and 17
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Local Communities, page 53
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Socioeconomic Compliance, pages 53 to 54