

SUSTAINABILITY STATEMENT

Sustainability is recognised as a fundamental component in the preservation of the future of CAB Cakaran Corporation Berhad (“CAB” or “the Company”) and its subsidiaries (the “Group” or “CAB Group”), and has always been entrenched in the core of the Group’s business. In addressing this initiative, the Group prioritises its development and management of the Economic, Environmental and Social (“EES”) elements in its strategy to remain vibrant and profitable. This Sustainability Statement is prepared in accordance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”) and has considered the Sustainability Reporting Guide – 2nd Edition, including its accompanying toolkits, issued by Bursa.

SCOPE & METHODOLOGY

This Sustainability Statement (“Statement”) underlines the Group’s commitment towards ensuring that its business undertakings are conducted sustainably and responsibly through the Group’s Economic, Environmental and Social (“EES”) performance for the financial year ended 30 September 2020. The Group is confident that this can be accomplished through the implementation of the sustainability initiatives it develops.

The implementation of CAB’s sustainability initiatives focuses on the Group’s integrated poultry farming division as it is the Group’s core business segment and major revenue contributor. Unless otherwise stated, the scope of this Statement does not include CAB’s contract farms.

APPROACH TO SUSTAINABILITY

Sustainability Governance

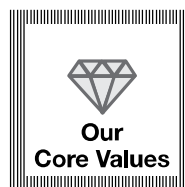
The Group’s approach to sustainability is formulated based on its core values and principles around its Mission and Vision Statements illustrated as follows:



To be a respectful leader in the regional food industry with strict adherence to high quality and safety standards for food production



To manage and conduct all business dealings with integrity and innovation to supply a wide range of high quality and safe food products to our customers



- To always ensure premium quality and food safety standards are adhered to
- To actively participate in activities related to raising the standards of the food industry
- To form strategic long-term partnerships with our employees, customers and suppliers
- To optimise profit through efficient utilisation of resources
- To constantly invest in new facilities and research and development in order to produce a continuous stream of quality and safe food products

In integrating sustainability into its business, the Group’s sustainability management and performance form an integral part of its risks management system where sustainability is treated as one of the key discussion points at its management meetings.

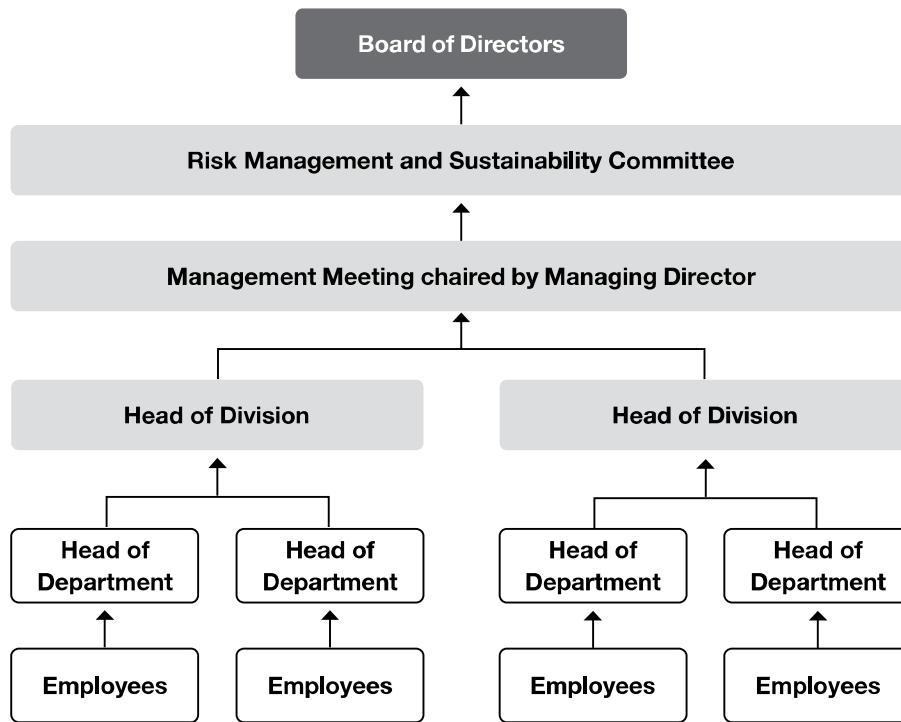
While the Board takes ultimate responsibility in ensuring that CAB’s strategic plan supports long-term value creation and includes strategies on EES considerations underpinning sustainability, the Group’s Risk Management and Sustainability Committee (“RMSC”) is tasked to assist the Board, with responsibilities that include overseeing the establishment and implementation of a sustainability framework and monitoring and overseeing the management and performance of all sustainability strategies and initiatives of the Group.

■ SUSTAINABILITY STATEMENT (CONT'D)

APPROACH TO SUSTAINABILITY (CONT'D)

Sustainability Framework Structure

The following illustrates the reporting structure of the Group's sustainability framework:



Aim

The aim and ultimate goal is to ensure that sustainability considerations are integrated into the Group's governance framework, in other words, ensuring accountability over the Group's sustainability performance, and that sustainability initiatives and practices become part and parcel of the Group's day-to-day operations.

MATERIAL SUSTAINABILITY CORE FOCUS AREAS

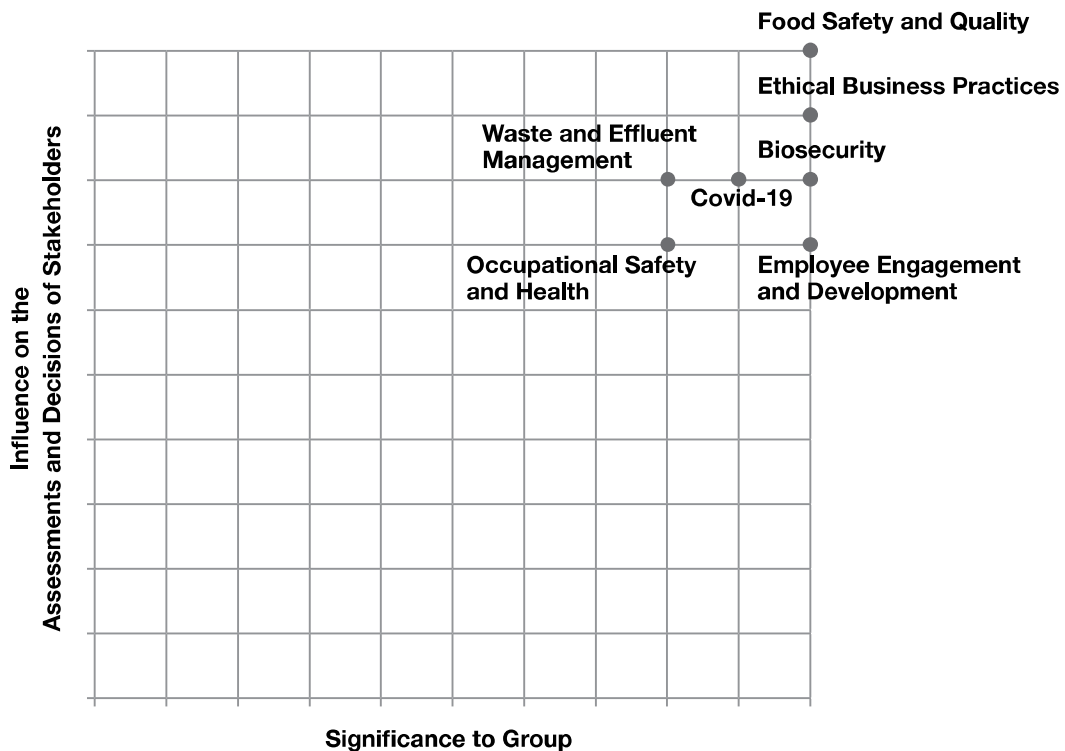
Materiality, in sustainability terms and in so far as CAB is concerned, is not limited to matters that may have financial impact to the Group but includes matters that may impinge on its ability to meet its present and future needs. The Group's definition of materiality is derived from the prescribed guidelines provided by Paragraph 6.3, Practice Note 9 of the MMLR of Bursa, where material issues are defined as those which:

- reflect our Group's significant EES impacts; and/ or
- substantively influence the assessments and decisions of the Group's key stakeholders.

■ SUSTAINABILITY STATEMENT (CONT'D)

MATERIAL SUSTAINABILITY CORE FOCUS AREAS (CONT'D)

During the financial year, CAB has performed a materiality assessment via the management meeting, participated by the Heads of Departments of the Group’s key operations as well as those who manages the Group’s key stakeholders, to review the Group’s EES matters, which includes an assessment of their significance to the Group’s business operations and how they influence the assessments and decisions of our stakeholders, including, but not limited to, our employees, customers, community within the vicinity of our operations, regulators and authorities, etc. Among the various EES matters considered in the materiality assessment process, we have identified the following Core Focus Areas which may have greater direct or indirect impact on our Group’s ability to create, preserve or erode EES values.



CORE FOCUS AREAS

Ethical Business Practices

In line with the CAB Group’s Vision, Mission, and Core Values, the Group believes in upholding integrity and ethics in the conduct of business. A Code of Ethics and Conduct, applicable to the Group’s Directors and employees, is established by the Group to clearly set out expectations to display the highest levels of professionalism in the conduct of work and dealings with internal and external stakeholders. The Group’s Code of Ethics and Conduct communicates the Group’s commitment to practising business ethically towards its stakeholders, including its customers, suppliers, employees, the environment and the community. This includes the Group’s commitment to dealing fairly and ethically in the market, with its customers, suppliers, competitors, and business partners to promote a healthy, competitive and economically efficient marketplace.

The Group’s stance on zero-tolerance towards bribery and corrupt practices is also clearly stated in the Anti-Bribery and Corruption Policy and Code of Ethics and Conduct (both referred to as the “ABC Policy” in this statement) and is applicable to all the Group’s business dealings and transactions in all countries in which its subsidiaries operate. The ABC Policy further provides for how gifts, meals, entertainment and other benefits should be assessed and governed, as well as how actual or potential conflict of interest situations should be declared, in ensuring its Directors and employees demonstrate business ethics and integrity in all CAB’s business dealings.

■ SUSTAINABILITY STATEMENT (CONT'D)

CORE FOCUS AREAS (CONT'D)

Ethical Business Practices (Cont'd)

A whistle-blowing channel has also been established to allow for the reporting of genuine concerns, about unethical behaviour, malpractices, illegal acts, or failure to comply with regulatory requirements, by employees or stakeholders of the Group without fear of reprisal. The whistle-blowing mechanism also provides protection to the whistle-blower where confidentiality of identity is concerned, as well as against retaliation. Apart from direct access to the Group Managing Director, the mechanism also allows for reporting to an alternate independent channel, i.e. the Audit Committee Chairman or Head of Internal Audit. Such policies and procedures are formalised in a Whistle-Blowing Policy which is available for public access on the company website at <http://www.cab.com.my/investors-relations/>.

During the financial year under review, there were no whistle-blowing cases reported.

Biosecurity

Biosecurity and safety of livestock plays an important role to the Group and may be threatened by physical, chemical and microbiological content. Biosecurity is taken seriously at CAB's farms, which are operated in accordance with a Biosecurity Policy, with controls and measures embedded into the Group's operations to prevent, minimise, confine, and control diseases and infection risks at all farms and hatcheries. CAB farms are managed in accordance with the Group's Farm Management Policy and Standard Operating Procedures ("SOPs"). Flock Health Monitoring and Good Animal Husbandry Practice ("GAHP") are also practised at all farms and hatcheries with due consideration given for excellent birds health and welfare.

In order to minimise the impact of cross-infection in the case of a disease outbreak, CAB's poultry farms are distanced from each other, spreading across the entire Peninsular Malaysia, covering Kedah, Melaka, Negeri Sembilan, Johor, Pahang, Terengganu and Kelantan. Employees and/or visitors who have visited the poultry farms are not allowed to enter the Group's hatcheries within a specified period of time to avoid infection of day-old chicks.

The physical movements of persons in and out of the operation premises are monitored and controlled, and persons entering the premises are required to wear disinfected apparel and gears. Access into farm houses is only allowed for persons wearing designated farm uniform after going through mandatory shower, hand wash and disinfectant boot-dip.

As breeder flocks play a crucial part in reproducing quality livestock, grandparent stocks are kept in a separate farm, where access is strictly controlled to minimise the risk of infection. Likewise, parent stock farms are managed in accordance with the standards required for CAB to be certified by the Department of Veterinary Services ("DVS") as Malaysian Good Agricultural Practices ("MyGAP") certification holder.

External vehicles are not allowed into production and clean areas, whilst all authorised vehicles are required to have vehicle shower and wheel-dip before entering farms and hatcheries.

Further, the Group manages the internal conditions of its operation premises by adopting good practices on a range of matters crucial to hygiene and disease-control, such as for rodent, insect and wild bird control and waste management for farms and hatcheries.

The Group has employed qualified veterinarians who are responsible for poultry health monitoring and disease control. Ongoing monitoring of flock health is conducted across all CAB's farms and veterinarians visit CAB's farms regularly.

The Group also adopts Evaporative Tunnel Ventilated Closed House System to regulate and enhance consistency of house temperature and air quality to avoid unnecessary stress on poultry in order to deliver excellent performance and also to reduce biosecurity risks. The Group is gradually implementing the conversion all of its open house farms to Closed House System to enhance the effectiveness of the Group's effort in managing biosecurity risks.

During the financial year under review, there were no major disease outbreaks in CAB's poultry farms.

■ SUSTAINABILITY STATEMENT (CONT'D)

CORE FOCUS AREAS (CONT'D)

Food Safety and Quality

To preserve quality and safety of the Group's food products, our Group complies with all relevant laws and regulations and accredited with recognised national and international food safety standards:

- MyGAP (Malaysian Good Agriculture Practices) certification for its breeder and grand-parent stock farms;
- Veterinary Health Mark ("VHM") and HALAL certification by Jabatan Kemajuan Islam Malaysia ("JAKIM") for its chilled/frozen chicken and further processed products;
- Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Point ("HACCP") certification for the chicken processing and further processed product manufacturing facilities in Kuala Lumpur and Melaka;
- Food Safety System Certification ("FSSC") 22000 for its slaughtering facility in Kedah and further processed product factory in Kuala Lumpur; and
- The Group also received certification from the Agri-food & Veterinary Authority of Singapore ("AVA") for certain broiler farms in Johor as well as the processing and manufacturing facility in Melaka which enables the Group to export broilers, frozen dressed birds and parts, as well as further processed products to Singapore.

Operations of the Group's processing and manufacturing facilities are guided by a Food Safety Policy which is part of the Group's Quality Assurance Program. Proper segregation and compartmentalisation of processing areas are made between raw, semi-processed, and processed items to avoid cross-contamination, while hygiene practices and sanitation procedures are being implemented and monitored on an ongoing basis. The Group's processing and manufacturing lines have incorporated controls that ensure the preservation and maintenance of optimum food safety and quality, including metal detectors, temperature controls, and implementation of automation technology to minimise manual handling. Bar-coding technology is also employed for traceability which does not only help to facilitate effective storage and logistics planning and management, but also enables any issues and their root cause to be swiftly identified and remedial actions to be carried out.

All factory workers are provided education and training on standard operating procedures which includes, amongst others, monitoring and identifying any issues in the processing or manufacturing process, maintaining hygiene at all times, proper handling and storage of materials and products, etc.

Food safety and quality practices are also considered and undertaken in the Group's broiler farms via the observation of a withdrawal period to keep the presence of antibiotic in chicken meats within the regulated levels.

In upholding quality and safety standards for the Group's food processing operations, the Group conducts trainings, evaluation and monitoring on compliance with the Group's standard operating practices and adopted standards to ensure effective implementation of established controls. Trainings are conducted regularly and are customised for employees tasked with different scopes of work. For the financial year under review, trainings conducted for CAB's employees include the following:

- ISO 9001:2015 Awareness;
- Food Handler Training;
- ISO 9001: 2015 Internal Audit;
- 5S Housekeeping Refresher Training;
- Kursus Pemeriksaan Halal;
- HACCP Implementation & Awareness;
- Acceptance Food Sampling;
- Pest Control;
- Spin Chiller Monitoring Training;
- FSSC 22000 version 4.1 Awareness Training;
- CCP Monitoring and Corrective Action;
- Live Bird Handling;
- Post Mortem and Poultry Disease;
- GMP Awareness Training; and
- Checklist and Record-Keeping.

■ SUSTAINABILITY STATEMENT (CONT'D)

CORE FOCUS AREAS (CONT'D)

Food Safety and Quality (Cont'd)

CAB's operations are subject to regular internal reviews by its Quality Assurance department, Quality Control department and Internal Auditors. As part of the Group's Quality Assurance Policy, an in-house laboratory has been set up to assess the quality of incoming raw materials to factories, as well as the finished products before they are packed and ready to be sent to customers. CAB's facilities are also regularly audited by regulators as well as customers who impose stringent quality and food safety requirements.

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

Waste and Effluent Management

The Group maintains its waste management system effectively to prevent environmental contamination from its production effluents, which consists of a mixture of, amongst others, blood, fat, feathers, skins, etc.

CAB manages its effluent discharge via wastewater treatment plant which applies two (2) types of treatments, namely Biological Process and Physical Chemical Process, or a combination of both in some plants. The processes aim to remove contents such as suspended solids, grease and fat, and harmful substances which are subsequently processed into sludge cake for disposal in accordance with environmental laws and regulations, while the treated effluent can be safely be discharged.

The Group's technical officers are well trained and certified by the Department of Environment ("DOE") to maintain its treatment system. Treated effluent is sampled and tested at least on a weekly basis, to examine its acidity, biochemical oxygen demand ("BOD") level, chemical oxygen demand ("COD"), etc., to ensure its quality is maintained within the regulated levels.

Poultry manure, which may cause foul odour and encourage the breeding of pests, is disposed of for recycling into organic fertilisers for use in the agricultural industry as an alternative source for chemical fertilisers, thus creating better and less contaminated environment. The Group has put in continuous serious effort into managing the problem with odour and flies arising from poultry manure, including using effective microorganism spray and gradual implementation of conversion of all the Group's farms into Closed House System.

Furthermore, the Group's major production operations are guided by environmental policies which aim to prevent pollution and be environmentally responsible in its operations and practices. At each facility, management committees have been established to undertake the responsibility to oversee and monitor the environmental compliance and performance of the operations.

During the financial year under review, there were no penalties levied by authorities for any non-compliance pertaining to environmental regulations except for our newly formed business unit, Ayam Kempas Food Industries Sdn Bhd. ("AKFI") which received summons from Department of Environment ("DOE") for some non-conformities. AKFI could not observe fully the environmental regulations, for enforcement, due to the facts that previous Management staff vacated office in a sudden manner and the newly appointed successor required time to learn up and familiarise.

The Management has taken swift action to appoint a qualified consultant to advice and oversee the environmental control matters and practices, in attempt to ensure fulfilment of the authorities' regulations. The Management of AKFI has established the Safety, Health and Environment Committee to work closely with the consultant in realizing required actions. The appointed consultant also conducts regular safety trainings and briefings to the Safety, Health and Environment Committee to keep them equipped and abreast with the required knowledge and skills.

Employee Engagement and Development

CAB Group is an equal opportunity employer and prides itself with its high level of employee engagement and excellent workplace culture where employees of different backgrounds, gender, age, creed, ethnicity, and cultural affiliations are given equal opportunity for career development and progression.

In line with the merits-based principle it adopts in its employment, the Group has also put in place an employee reward system which is fair and substantive, linking rewards to individual contribution and performance. On an annual basis, employee performance assessment is carried out to determine the appropriate reward which may be in the form of bonus distribution, salary revision and/or promotion. The employee reward system is participated by the employee under assessment, the employee's superior, and the Group Human Resource Department (acting as verifier), providing sufficient and appropriate check and balance in rewarding employees in a transparent manner.

■ SUSTAINABILITY STATEMENT (CONT'D)

CORE FOCUS AREAS (CONT'D)

Employee Engagement and Development (Cont'd)

The Group maintains close engagement with its employees by practising open and transparent communication with all its employees. Managers are encouraged to maintain ongoing engagement with team members, including workers, to understand and resolve challenges faced at work. Employees are also encouraged to discuss and propose ideas for business improvement so employees can contribute to business success and to realise their personal potential.

Continuous skill development and knowledge improvement remain as one of the Group's key focus areas and this can be seen in the training and development programs which CAB has implemented for its employees. The Group's employee training and development program aim to help employees elevate themselves at a personal level as well as professional level. Not only does the Group's training and development program help to provide employees with opportunities towards a progressive career path, it also creates opportunity for the Group to identify personnel with high potential to be considered in its succession planning.

For the financial year under review, the Group has provided trainings to the Group's executive team, management personnel and employees, on subjects including professional skills, management skills, safety and health, environmental management, etc., such as on accounting, update to laws and regulations, safety and health, environmental management, halal requirements, etc.

Occupational Safety and Health

The Group commits to provide employees and workers with a safe and conducive working environment which in turn encourages productivity. Working in a farm environment exposes a person to various occupational safety and health risks, such as industrial accidents, occupational diseases (such as musculoskeletal diseases and biological hazards), occupational poisoning (such as from chemical gases, ammonia, pesticides, etc), while working in a processing and manufacturing factory exposes a person to physical injuries from activities like working with sharp tools, machinery, high temperature, etc.

The Group's operations are guided by a Group Safety and Health Policy established with an aim to ensure the safety and health of workers and managing workplace hazards. Working committees on occupational safety and health are established for the production operations to oversee the management of occupational safety and health matters.

CAB Group has in place risk assessment processes, such as Hazard Identification Risk Assessment and Risk Control ("HIRARC"), Chemical Health Risk Assessment ("CHRA") and assessment on Noise Monitoring, to identify workplace hazards. In managing these hazards, the Group ensures safety measures are implemented, such as standard operating procedures, provision of suitable and adequate personal protective equipment ("PPE"), trainings, safe work instructions and the use of equipment with enhanced safety features.

The Group has also employed a registered competent Safety and Health Officer to monitor and ensure occupational safety and health matters are kept in check. The Safety and Health Officer conducts regular safety trainings and safety audit at the Group's hatcheries, farms, processing, and production sites to inculcate a mindset on safety awareness and practices amongst employees, workers and contractors. Safety information, improvement opportunities, and non-compliances are communicated and reported through Notice Boards and regular management briefings.

The Group has established processes for the continual review and improvement of the Group's internal control system, including on occupational safety and health matters. This process includes enquiries or investigations into every accident case to determine the causes of accidents for the Group to address any weaknesses in controls and to prevent recurrence of similar incidents.

Compliance with the safe work practices and guidelines is the primary responsibility of all employees, suppliers, contractors and consultants who perform their duties at our premises. Safety campaigns are held to remind and refresh the staff on safety awareness and related issues to minimise injury and safety and health hazards to our employees. It is the aim of the Group to ensure all employees understand that safety is everyone's responsibility.

■ SUSTAINABILITY STATEMENT (CONT'D)

CORE FOCUS AREAS (CONT'D)

Occupational Safety and Health (Cont'd)

Despite the established governance oversight structure and the implementation of the Group Safety and Health Policy and Procedures (“SOP”) guiding occupational safety and health practices, it is with regret that the Group experienced a fatality this year in our operation which was unprecedented in our history. Investigation reviewed that the incident was due to the non-compliance of the SOP. In this regard, the Group has put in more efforts by conducting reviews on safety and health controls at all work stations and consulting with departmental leaders and safety officers to identify best practices and enhancement of safety measures to minimise the safety and health hazards. Production staff are given briefings regarding general issues and job-specific requirements. Monthly meetings conducted by respective department and attended by operating units’ managers or assistants and respective safety officers to discuss topics pertaining to safety, health, job requirements, and welfare.

We continuously aim and work towards zero accidents at our operations through proactive risk identification, risk management and continuous improvement to prevent future incidents. The CAB Group constantly provides safety and health-related trainings to its workers to instil strong safety awareness and develop safety and health management skills within the workforce.

During the financial year under review, trainings on occupational safety and health provided to employees and workers include, but not limited to, the following subjects or areas:

- introduction course on safety standards in work place (for new staff);
- fire safety, emergency, and escape;
- safe handling of machine and tools;
- safety methods for chemical handling and spillage;
- scheduled waste management;
- first aid and cardiopulmonary resuscitation (“CPR”);
- forklift operation and maintenance;
- manual handling at workplace (for logistics, store, and packaging facilities);
- knife and blade sharpening;
- HIRARC and Aspect Impact Workshop;
- ergonomic sitting for office workstations;
- basic road safety for trucks drivers;
- train the Trainer (NIOSH) for Safety and Health Personnel;
- safety audit training; and
- emergency response preparedness.

COVID-19 RESPONSE

Following the global outbreak of COVID-19, the Group has put in place various precautionary measures recommended by the Ministry of Health to ensure business continuity and to safeguard the health & safety of our employees and the various stakeholder groups.

The prevention measures introduced by the CAB Group includes strict site protocols for hygiene and social distancing; regular cleaning and disinfecting workplaces; temperature screening and contact tracing record at all entrances; providing face masks to employees as well as hand sanitisers to employees and visitors to our offices and premises. We have also reduced non-essential travel and meetings are conducted via video conferencing.

BUILDING A SUSTAINABLE FUTURE

The Group upholds sustainability practices and in all that it does, it strives to embed and integrate such initiatives into its work culture. CAB Group remains unwavering and steadfast in its efforts to harness a balance between enhancing business prosperity and discharging its corporate responsibility in sustainability.

The Board will continue to monitor and assess the sustainability performance of the Group’s operations on an ongoing basis and to improve and enhance its existing practices, as appropriate, to enable the sustainable creation and preservation of long-term value to the Group’s stakeholders.

This Sustainability Statement was approved by the Board on 28 December 2020.