

**Rating Definitions**

R1ESGo™ ratings are a risk-focused evaluation of the relevance and impact of an array of inherent environmental, social and governance (ESG) factors in economic activities.

R1ESGo™ ratings are expressed on a numerical scale of 1 to 15, with lower ratings indicating fewer ESG vulnerabilities.

**Very Low Risk** (1-3): Demonstrates resilience to ESG risks due to negligible vulnerabilities to ESG risk factors. There is very low likelihood of adverse reputational, business or financial impact.

**Low Risk** (4-6): Some vulnerabilities to ESG risk factors but adverse implications to reputational, business or financial impact are low or well-managed.

**Moderate Risk** (7-9): Notable vulnerabilities to ESG risk factors could lead to adverse reputational, business or financial impact if not well-managed.

**Elevated Risk** (10-12): Heightened vulnerabilities to ESG risk factors could lead to material adverse reputational, business and financial impact if not actively managed.

**High Risk** (13-15): Severe vulnerabilities to ESG risk factors are present due to significant gaps in ESG practices or inherent ESG risks. Material adverse reputational, business or financial impact is already observable or very likely.

**Company Background**

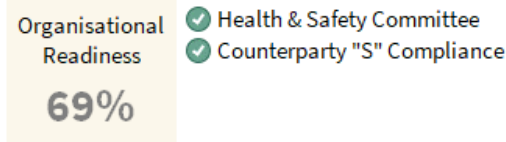
- Listed on Bursa Malaysia, ABC Berhad was incorporated in 2000. It manufactures, markets and distributes food products. ABC operates in Malaysia and Indonesia.

**ENVIRONMENT**



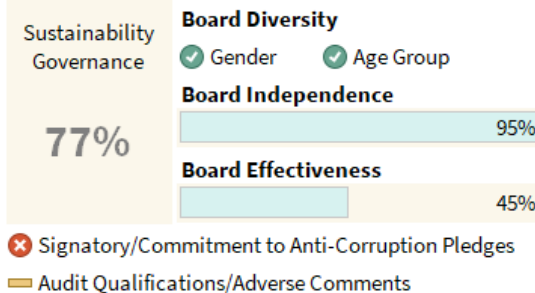
- Committed to **responsible sourcing** by not procuring from deforested regions and by supporting reforestation of deforested areas. Its Environmental Policy is focused on conservation of natural resources, preservation of biodiversity, compliance with environmental legislation in countries of operation and requirement for suppliers to adopt specific measures to minimise negative environmental impact.
- As for its operations, it is **focused on managing material ESG areas such as energy, waste production and water consumption**. Initiatives include RE generation from solar & biomass at its factory, and implementation of water recycling system. That said, **longer term performance targets in these areas are unclear**.

**SOCIAL**



- Customer quality, safety and health certifications** include the ISO 9001 Quality Management System, Hazard Analysis Critical Control Points (HACCP), Food Safety Scheme Certification (FSSC) 22000, International Food Standard (IFS), and halal and kosher certifications.
- Commitments to human rights such as no child or forced labour, freedom of association & collective bargaining, and no discrimination are enshrined in its Code of Conduct**. Suppliers are required to adhere to the code and suppliers are audited per year in each region.

**GOVERNANCE**



- Strong level of sustainability governance**. The highest level of sustainability governance resides with the board of directors who are responsible for sustainability practices across the Group. The board is assisted by a Sustainability Steering Committee in implementing sustainability practices and initiatives.
- Strong commitment on sustainability is demonstrated through its Four Pillars on Sustainability, sustainability policies and by being signatories to international initiatives.
- ABC is a listed company that adheres to Bursa Malaysia's disclosure and corporate governance requirements.

**CONTROVERSIES OR SIGNIFICANT ESG EVENTS**

- Entry into new market may pose some ESG risk, but is expected to be limited given the regional priority to support sustainable production.

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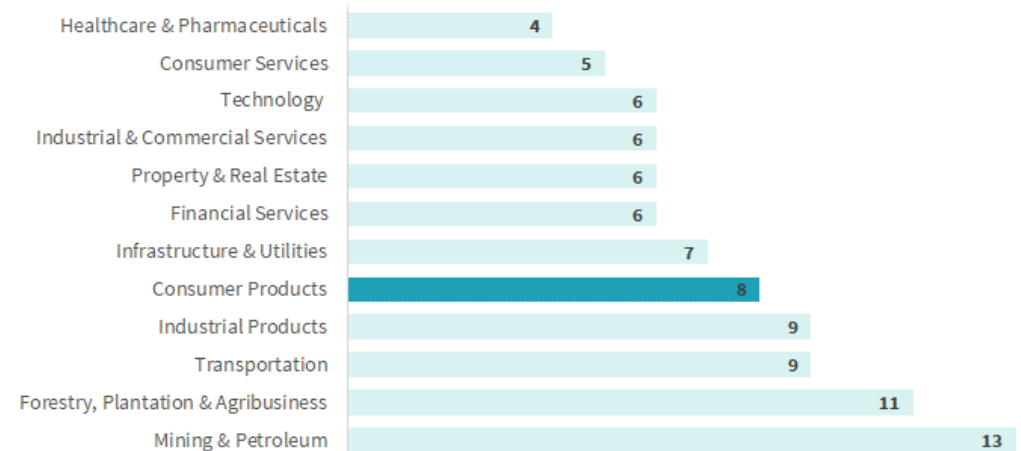
**Industry Rating & Assessment**

Consumer Products | Food and Beverages | **Food processing**



- There are **some vulnerabilities to ESG risk factors** but are considered low compared to other sectors. ESG vulnerabilities for the sector are primarily **customer and food safety practices, food labelling, and environmental and social impact management in the supply chain.**
- Prioritisation of food quality and safety, and food labelling are critical for the sector to ensure customer’s safety. If not well-managed, this could lead to adverse reputational, business or financial impact.
- Given its close link to the agricultural sector, environmental and social impact of the sector’s supply chain includes those related to climate change, deforestation, air and water pollution, and forced or exploitative labour. The consumer-facing nature of the food processing sector increases the reputational risks associated with supplier performance.
- Other material risks for the sector include energy and water management in the processing operation.

**Relative ranking of the Consumer Products industry group**



Note: R1ESGo™ Level 1 Industry Ratings are a combination of the ratings of granular sectors within the industry group.

**About R1ESGo™**

R1ESGo™ is an assessment service by RAM Sustainability Sdn Bhd (a wholly-owned subsidiary of RAM Holdings Berhad). R1ESGo™ ratings evaluate the relevance and impact of an array of ESG factors in economic activities, based on global ESG standards and further calibrated to the domestic market.

R1ESGo™ evaluates the relevance, impact and materiality of sector-specific sustainability issues and risks by assessing up to 33 factors of various sustainability dimensions, grouped into 10 themes. R1ESGo™ ratings are expressed on a numerical scale of 1 to 15, with lower ratings indicating fewer vulnerabilities to ESG issues that may lead to adverse reputational, business and/or financial impact. The ratings are assessed and disclosed at 2 levels, namely industry/sector and entity-specific.

R1ESGo™ Industry Ratings reflect the relative extent of inherent sustainability issues in an industry sector. R1ESGo™ Entity Ratings overlays an entity’s management, mitigation, and control of inherent industry ESG risks. The ratings also consider any adverse ESG findings or controversies that may impact an entity’s reputation, financial or business profile.

Unless otherwise disclosed, R1ESGo™ Entity Ratings are unsolicited assessments derived from public information and sources available to RAM Sustainability. R1ESGo™ ratings are updated at least once a year, guided by company reporting timeframes. More frequent updates may arise from significant events, controversies, or material changes in sustainability disclosures.

**R1ESGo™ Market Engagement Process**

Entities that wish to comment or provide feedback on their assigned R1ESGo™ ratings are invited to contact us at [sustainability@ram.com.my](mailto:sustainability@ram.com.my). RAM Sustainability will review the R1ESGo™ ratings based on the feedback and/or information received but make no representation that this will necessarily result in a revision of the assigned ratings.

**R1ESGo™ Report Components**

<b>Environment</b>	
Organisational readiness *	A measure of the extent of a firm’s preparedness to manage ESG risks associated with the Climate Change and Natural Capital themes, as indicated by the existence or availability of information on policies, certifications, codes of conduct, regulatory compliance and/or alignment to international standards.
GHG emissions reporting	Indicates the existence or availability of greenhouse gas emissions reporting.
Counterparty “E” compliance	A firm’s evaluation of its supply chain or clients for compliance to environmental permits, standards and regulations.
Environmental impact initiatives	An assessment of the firm’s carbon reduction, energy conservation, waste reduction and water efficiency initiatives.
<b>Social</b>	
Organisational readiness *	A measure of the extent of a firm’s preparedness to manage ESG risks associated with the Human Resource, Customer and Community themes, as indicated by the existence or availability of information on policies, certifications, codes of conduct, regulatory compliance and/or alignment to international standards.
Counterparty “S” compliance	A firm’s evaluation of its supply chain or clients for compliance to social standards and regulations.
<b>Governance</b>	
Sustainability governance *	An assessment of a firm’s sustainability commitment. Includes an assessment of the structure of a firm’s sustainability oversight, the extent and quality of sustainability reporting and disclosures, and accountability to stakeholder groups.
Board diversity *	A measure of board diversity by gender, age generations, ethnic representation and cultural mix.
Board independence *	Measures compliance to board independence requirements.
Board effectiveness *	Quantifies board oversight effectiveness, guided by policies on board nomination and appointments, board of directors training and board effectiveness assessments, amongst others.
Audit qualifications or adverse comments	A dash denotes no audit qualifications or adverse comments by external auditors; a flag indicates otherwise.

*\* Expressed in percentage points, with higher scores reflecting better outcomes*

Other ticks or crosses signify an affirmative or negative answer, or reflect the availability of information on the subject matter.

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**About RAM Sustainability**

RAM Sustainability Sdn Bhd (RAM Sustainability) is a provider of sustainability services and environment, social and governance (ESG) analytics. Incorporated on 31 May 2000, RAM Sustainability is a wholly owned subsidiary of RAM Holdings Berhad (RAM Group). RAM Sustainability is the first ASEAN-based provider of sustainability ratings and second opinions, and has the distinction of being the first Registered Observer of the International Capital Market Associations' (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines in ASEAN. It is also a member of the 2020/2021 Advisory Council to the GBP and SBP Executive Committee. On 12 August 2020, RAM Sustainability became an Approved Verifier for the certification of climate bonds under the Climate Bonds Standard & Certification Scheme after having been awarded the status by the Climate Bonds Standards Board.

**Disclaimer**

R1ESGo™ ratings are not an opinion of a company's specific financial obligations and terms thereof nor the legality and enforceability of the same. The information and report herein are strictly for information purposes and shall not be construed as an offer, recommendation, solicitation or advice to buy or sell any investment product/securities/instruments. Nothing in R1ESGo™ ratings or any publication thereto constitutes accounting, legal, regulatory, tax, financial or other investment advice by RAM Sustainability.

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